



Department of Political and Social Sciences

**Shaping Labour Immigration
The role of labour market institutions
in advanced democracies**

Camilla Devitt

Thesis submitted for assessment with a view to obtaining the degree of
Doctor of Political and Social Sciences of the European University Institute

Florence, September 2010

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Abstract

The aim of this thesis is to investigate the understudied *nexus* between immigration and labour market institutions. Bridging migration theory and comparative political economy, it is argued that variation in labour market institutions shapes variation in levels of labour immigration and the type of employment undertaken by migrant workers across advanced democracies. This theory is supported by empirical evidence from Western Europe and in particular Italy and Ireland.

Furthermore, it is explored whether, given the relationship between labour market institutions and labour immigration, policymakers are stimulated by concerns regarding immigration – the ‘Migrant Worker Factor’ – to reform labour market institutions. More specifically, it is investigated whether the Migrant Worker Factor stimulated employment standards compliance (ESC) system reforms and the development of active labour market policy (ALMP) in Ireland, Italy and shadow cases Britain and France during the period 1997 - mid 2008. It is also explored whether the Migrant Worker Factor was part of the rationale behind vocational education and training (VET) system reforms of the same period in Ireland and Britain.

These case studies found empirical evidence that concerns regarding labour immigration can be a causal factor in the reform of labour market institutions. Certain ESC system reforms were partly motivated by the aim of safeguarding domestic worker jobs and employment standards, as well as controlling migrant inflows. Moreover, in some cases, ALMP development and VET system reforms in part aimed to provide domestic alternatives to migrant workers. The impact of the Migrant Worker Factor depends on the level of concern regarding labour immigration in a given state. Furthermore, the influence of this variable on labour market institutional reform is mediated by learning and coordination mechanisms and assumptions regarding the substitutability of migrant workers. The Migrant Worker Factor is also more likely to stimulate labour market institutional reform when there are converging political or structural pressures for reform.

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Introduction

1. Complex interactions and talking across boundaries

The first aspect of the complexity of public policy is that focusing on the 'single lonely policy' may vastly over-simplify the interactions of multiple policies in producing outcomes for citizens. For example, if government wants to improve the quality of health for its population, the obvious area for investment is in hospitals...on the other hand, however, improving nutrition, or enhancing opportunities for exercise, may actually produce greater health benefits. Therefore, there is a need to think carefully about the interactions of policies and means of coordinating policies to create more effective, if more complex, responses to policy problems (Peters and Pierre 2006 p.2)

What is to unfold is a story about policy interactions and their unexpected consequences and an examination of how policymakers tackle issues which cross policy jurisdictions. More specifically, this is an account of the impact of labour market institutions¹ on labour immigration² and an investigation into whether policymakers attempt to shape immigration by means of labour market institutional reform.

As Peters and Pierre assert, many policy problems cannot be solved by a single policy line. Instead, different policies must be aligned in order to produce what might appear to be a simple, clear outcome (2006). Their example of improving the quality of a population's health is an excellent one. Other pertinent issues which necessitate cross-policy approaches are increasing education levels and reducing poverty and crime. Regarding the former, when a government declares intent to increase the level of vocational skills available to employers, we must not assume that this policy will be carried out by solely increasing investment in vocational education and training and developing stronger coordination mechanisms between employers and education providers. Governments can also attempt to reach this objective by means of enhancing employment standards, reducing poverty levels and attracting skilled

¹ Labour market institutions are here defined as all public intervention regarding the collective interest in employment; encompassing employment regulations and employment standards compliance systems, labour market policy and education and training systems.

² Labour immigration refers to entry into a foreign state – legal and undocumented – followed by employment.

migrant workers – policy aims which themselves require cross-policy measures. In fact, it has become increasingly recognised among policymakers and policy analysts in advanced democracies that many issues cannot be resolved without a collaborative, coordinated approach across policy portfolios. Furthermore, while policy interaction can make for complex policy responses to clear-cut objectives, what appear to be simple measures can hide multiple policy aims. For example, when a new public sports centre is built in a disadvantaged urban area, a passer-by may find it difficult to ascertain whether the principal motivation for its establishment was improving the quality of health of local residents, reducing crime levels or even responding to the expansionary interests of the local public administration or reflecting an unhealthy alliance between the public administration and local developers.

The interaction between different policy areas means that policies can also have unexpected, unwanted effects on phenomena outside of their immediate jurisdiction. The issuing of planning permission for a new commercial centre close to a disadvantaged area may unwittingly lead to an increase in crime levels due to a sense of ‘relative deprivation’ among local residents, if the commercial centre does not give preference to hiring locals. Realisation of such dynamics can result in the development of approaches to policy problems which cross traditional policy boundaries; in the above case, a policy of reducing crime levels through local employment policy.

Generally, however, efficient cross-policy or coordinated responses to a given problem are rare, due to a low level of appreciation or prioritisation of policy linkages and institutional constraints on appropriate policy responses. Horizontal coordination is restricted in self-contained ‘departmentalist’ research communities and governments (as well as legislatures) and expert advice is not always sought or utilised by policymakers. Institutionalised understandings of social phenomena within policy communities can also be as ill-informed, as they are entrenched. Unfortunately, there is often the necessity of a sense of crisis to bring awareness of the significance of a problem or to stimulate action to resolve an issue requiring a cross-policy response. Even when policymakers are cognisant regarding a particular area of policy interaction, institutional constraints (from cultural norms to budgetary deficits) to policy reform in some areas can preclude an apposite response.

The question of shaping levels and types of labour immigration is a prime example of a complex public policy area which is affected by a whole spectrum of ‘traditional’ policies

including immigration, welfare, labour market, foreign and international development policy. However, the subject is generally approached in both governmental and academic circles from a solitary angle; that of ‘immigration policy’, the definition of channels of entry for labour migrants and control mechanisms to ensure that these restrictions are respected.

In fact, as ‘*migration is a subject that cries out for an interdisciplinary approach*’ (Brettell and Hollifield 2008 p. vii), it is also one which would benefit greatly from more intra-disciplinary research. Political science research on migration is a recent phenomenon compared to other disciplines such as sociology, history and economics. This explains why migration theory – the body of research aiming to identify the determinants of migration - is dominated by economic and sociological explanations. Furthermore, while economists (and some sociologists) tend to study the causes and effects of migration, political scientists focus on explaining immigration policy outputs (Brettell and Hollifield 2008), resulting in an inadequate investigation into the role of politics and institutions in determining (im)migration.

When policy is analysed as an independent variable in the determination of immigration levels, it is almost exclusively immigration policy (Hollifield 2008). More specifically, within the realm of political science substantive divisions between immigration and labour market studies have led scholars to overlook the significant *nexus* between immigration and labour market institutions. In fact, this thesis is based on an insight, drawn from contemporaneous research into migration theory, comparative political economy and immigration policy analysis, that we can learn much about what determines variation in labour immigration across states as well as the governance of immigration by focusing on the relationship between labour market institutions and labour immigration.

2. Research rationale

My claim is that there are two plausible causal relationships between labour market institutions and labour immigration. First, labour market institutions contribute to determining levels and types of labour immigration. Second, concerns about labour immigration can feasibly stimulate the reform of labour market institutions.

2.1. First causal relationship: immigration as the dependent variable

Migration theory, dominated by economic and sociological approaches, has not directly broached the question of variation in levels of immigration across states. When migration theory is applied to the question, it provides an inadequate explanation; either because the explanatory variables are universally present across the post-industrial world, a hypothetical determinant is absent in cases of significant immigration, or because important variables are excluded. Regarding the latter, bridging comparative political economy research and migration theory, I argue that variation in labour market institutions contributes to variation in the level and type of demand for migrant workers across states, in two main ways.

First, based on the fact that migrant workers from lower income countries are generally willing to accept lower employment standards than the domestic working age population,³ they are most often employed in low-skilled, low-paid jobs in the least regulated and controlled sectors of the labour market. Thus, we can expect higher concentrations of migrant workers in advanced economies with comparatively large proportions of low standard employment. Employment standards are determined by labour market institutions, including employment regulations (ER)⁴ and employment standard compliance (ESC) systems.⁵

Second, demand for migrant workers is related to the availability and skills of the domestic labour supply. Labour market mismatches refer to labour shortages, which are not the result of a quantitative lack of labour but are due to a mismatch between domestic labour supply and demand. This is caused by two main factors: first, a low level of availability for work among the domestic labour supply and second, deficiency in the skills required by employers. The availability and suitability for employment of the domestic labour force is dependent on labour market institutions, including institutions shaping employment standards, labour market policies (LMPs)⁶ and vocational education and training (VET) systems⁷ which differ

³ The domestic working age population includes long-term resident migrant workers.

⁴ ER refers to wage setting institutions, labour legislation (minimum wage laws, employment protection legislation etc.), mandatory social benefits and unemployment insurance systems (ILO 2010).

⁵ The ESC system is defined as the national system of monitoring and enforcing compliance with employment standards (e.g. minimum wages), which may be the responsibility of the state and/or the social partners (in particular the trade unions) (Hjarno 2003).

⁶ LMPs comprise regulative policies that influence the interaction between labour supply and demand. They consist of policies that provide income replacement (passive labour market policies (PLMPs)), as well as labour market integration measures (active labour market policies (ALMPs)) available to the unemployed and inactive working age population (ILO 2010).

⁷ VET refers to the preparation of people with skills and/or competences for entry into or career progression in a specific occupation (Cedefop 2008).

significantly across states. Variation in the extent and type of labour immigration across states is related to the significance and form (availability/skills) of labour market mismatches.

2.2. Second causal relationship: concerns about immigration as the independent variable

Concerns about immigration have mainly been analysed in terms of their impact on immigration policy. There is a rich literature focusing on how popular concerns regarding immigration result in political pressures to restrict legal immigration and reinforce controls on undocumented immigration, despite employer demand for migrant workers. The gap between immigration policies' restrictive aims and expansionary outcomes is generally asserted to be the result of an inherent dilemma between democracy and capitalism and between democracy and liberal norms, the latter referring to the institutionalised protection of human rights. While public opinion is against immigration, both business and national and international human rights institutions work in migrants' favour (Guiraudon and Joppke 2001; Cornelius et al. 1994; Hollifield 2004).

This literature has not posed the question of whether concerns regarding labour immigration, what I term 'the Migrant Worker Factor,' might impact the broader arena of labour market institutions. Western European states have been under increasing pressure to carry out labour market institutional reform since the mid 1970s. The main factors which are seen to have stimulated reform are the liberalization of capital and trade flows, the slowdown in economic growth and economic restructuring, population ageing, neoliberal ideas and European Union (EU) constraints and influence (Pierson 2001; Vail 2007; Schmidt 2002; Thelen 2003). Given the relationship between labour market institutions and labour immigration, it seems plausible that the 'Migrant Worker Factor' may represent another significant stimulus for labour market institutional reform.

Scholars have examined national response strategies to concerns about wage dumping and domestic worker displacement as a result of the free movement of labour and services in the EU, with a focus on the reinforcement of labour market regulation and employment standard compliance systems (Lillie and Greer 2007; Menz 2005; Donaghey and Teague 2006; Woolfson and Sommers 2006). However, this research has circumscribed the 'Migrant Worker Factor' within a broader context of Europeanization. Historic and current inflows of non-EU migrants are just as likely to have inspired concerns regarding employment standard

decline and displacement. Moreover, I posit that, given the broader links between labour market institutions and demand for migrant workers which I have discussed above, the ‘Migrant Worker Factor’ may also stimulate LMP and VET system reforms as well as employment standard reinforcement with the aim of providing domestic alternatives to migrant workers.

3. Aim of this study

This study aims to investigate interactions between labour immigration and labour market institutions. I concentrate on two causal relationships. First, drawing on migration theory and comparative political economy, it is argued that variation in labour market institutions contributes to variation in levels of labour immigration and the type of employment undertaken by migrant workers across advanced democracies. This theory is supported by empirical evidence from Western Europe and in particular Italy and Ireland. I have selected these countries as examples of migrant labour destinations and different types of capitalism - broadly speaking and respectively post-statist and liberal - in order to explore how particular labour market regimes generate demand for migrant workers.

Second, it is investigated whether concerns regarding immigration have led policymakers to reform labour market institutions, with a specific focus on public efforts to a) reinforce labour market control in order to safeguard domestic worker employment and employment standards and/or control migrant inflows and b) provide domestic alternatives to migrant workers by means of reducing mismatches between domestic labour demand and supply. More specifically, I explore whether ESC system and LMP reforms in Ireland and Italy and ‘shadow cases’ Britain and France between 1997-mid 2008 were partly stimulated by the ‘Migrant Worker Factor’. I also explore whether the ‘Migrant Worker Factor’ was part of the rationale behind VET system reforms of the same period in Ireland and Britain.

4. Contributing research to four areas of scholarship

I believe that this thesis can make an important contribution to the four areas of scholarship which it draws on and attempts to bridge; public policy theory, comparative political economy, migration theory and immigration policy analysis.

The focus on agenda-setting and policy formulation in the second part of the thesis is based on assumptions derived from various public policy theoretical and analytical frameworks. My findings should provide further empirical support for various claims within this scholarship, including those regarding institutional constraints and the role of crises and new ideas in stimulating change. Analysis of learning mechanisms, in particular policymakers' use of scientific expertise and state-social partner relations, draws from and contributes to investigations into the role of ideas and institutional arrangements which enhance policymakers' learning capacity. Furthermore, this study highlights and investigates the problem of policy coordination which, along with the use of scientific evidence, has been the object of increasing governmental interest over the past decade. Intra-governmental coordination has become a high priority due to a perceived increase in the complexity of problems facing society and a reduction in coordination as a result of the import of private sector practices into the public sector in the 1980s and 1990s. This study focuses on the *nexus* between the labour market and immigration policy domains, as well as the factors, such as institutionalised understandings of social phenomena, cultural norms and budgetary and political constraints, which obstruct a coordinated policy response to questions which are shaped by multiple policy areas. These factors may oppose coordination in other areas of policy as well.

My research contributes to comparative political economy literature in two main ways. First, I extend important precepts of comparative capitalisms (CC) literature to explain firms', the public sector's and individuals' strategies - in the face of institutional constraints - which directly or indirectly contribute to demand for migrant workers. Second, I find that the Migrant Worker Factor is an additional stimulus for labour market institutional reform which should be taken into account along with other factors already identified in labour market policy literature such as supranational institutional constraints and population ageing. This study also supports long standing criticisms of CC scholarship. In conceptualising differences between types of capitalist societies, this literature has tended to group countries under different regime-types, emphasising variation between types of capitalism and the basic stability of capitalist institutions and resistance to change. My findings tend to highlight intra-regime variation and question the boundaries between categories.

Finally, within the migration studies arena, this thesis makes a contribution to migration theory and immigration policy analysis. In fact, in providing an explanation for variation in

levels and types of labour immigration across advanced democracies, the study indirectly tackles the question of ‘Why migration policies fail’ (Castles 2004). As Hollifield maintains, ‘*To understand the difficulties of controlling (or regulating) international migration, it is essential to understand why individuals move in the first place*’ (2008 p.189). The ‘root causes’ of migration are generally understood to be ‘push factors’ in migrant sending states and the governments of migrant receiving states have been increasingly admonished that immigration control, in particular border control, is fruitless unless it takes into account the factors stimulating migrants to leave their home countries (CEC 2005). This study supports this perspective and balances it by bringing out the nuances of demand for migrant labour, which is far from universal across the capitalist world. This thesis thus highlights some important and overlooked ‘root causes’ of labour immigration.

5. Chapters outline

My thesis is divided into two parts and 8 chapters. In Chapter 1 I develop my theory regarding the impact of labour market institutional variation on labour immigration and provide a theoretical framework for the impact of the ‘Migrant Worker Factor’ on labour market institutional reform. This chapter also sets out my research design.

Part 1 of the thesis, encompassing chapters 2 and 3, draws out the causal relationship between labour market institutional outcomes and labour immigration in my case studies Italy (*chapter 2*) and Ireland (*chapter 3*).

Part 2, the main body of the thesis, involves an investigation into whether concerns regarding labour immigration had a role in stimulating various cases of labour market institutional reform. In *chapter 4* I deduce expectations regarding the impact of the ‘Migrant Worker Factor’ on labour market institutional reform in the two case studies and shadow cases during the decade 1997 – mid 2008. *Chapters 5, 6, and 7* consist in an empirical exploration of whether concerns regarding labour immigration stimulated reform of ESC systems (*Chapter 5*), LMP (*Chapter 6*) and VET systems (*Chapter 7*) in my case studies and shadow cases during the decade 1997 – mid 2008.⁸ In each of these chapters, explanations are provided for findings which do not support my expectations regarding the role of the ‘Migrant Worker Factor’.

⁸ Note that in Chapter 7, I focus exclusively on Ireland and shadow case Britain due to the fact that VET system deficiencies have been of far less significance in explaining demand for migrant workers in Italy than in Ireland.

The conclusions (Chapter 8) serve to summarise my main findings and refine my theoretical framework, highlight the contribution of my research to four areas of scholarship, as well as to reflect on further avenues for research.

Chapter 1

Theoretical foundations and research design

In this chapter, I map out the theoretical foundations for the *nexus* between labour market institutions and labour immigration, as well as presenting the design of my empirical research. I first develop the theory regarding the causal relationship between labour market institutions and labour immigration, providing empirical examples from Western Europe. Following this, a theoretical framework which imparts expectations regarding the impact of concerns regarding immigration - the 'Migrant Worker Factor' - on labour market institutional reform is presented. Finally, I set out my research design.

1. Varieties of Capitalism, Variation in Labour Immigration

Introduction

Over a decade ago, Douglas Massey asserted that there was a lack of theoretically based empirical work on the causes of migration to Europe (Massey 1998). Much the same could be claimed today. Moreover, I argue that existing theories prove inadequate in explaining varying levels of economic migrant inflows across states. Over the past decade, the level of labour migration to Western European states varied considerably; with limited migration to the Nordic states, varied inflows to Northern continental Europe and significant inflows to the UK and Ireland, as well as the Mediterranean states. In fact, the intensity of labour immigration also differed across Western Europe during the post-war period of large scale guest-worker immigration.

The focus of much of the research on the determinants of labour migration has been on what motivates people to migrate (the 'supply-side') rather than why some countries receive more migrant workers than others, i.e. the factors which create demand for migrant workers (the 'demand-side'). Moreover, within demand-side research, the influence of national institutional factors on economic immigration has been inadequately examined. I argue that it is necessary to look to the factors creating demand for migrant workers and in particular the institutional arrangements governing national labour markets to understand why some countries receive more migrant workers than others.

I now elucidate how variation in labour market institutions has contributed to varying levels of economic migration to Western Europe over the decade 1997-2006⁹ – and indeed over the past half century. In the process, I also explain some of the qualitative variation in migrant workers’ employment across Western Europe, in terms of sectoral and occupational concentration. I argue that national labour market institutions generate low-paid low-skilled employment – where migrant workers tend to concentrate – to different degrees. Moreover, labour market institutions shape the domestic supply of labour in diverse ways across Western Europe, which has consequences for the quantity and skill set of economic migrants required. Furthermore, while not the focus of my thesis, I argue that variation in social services arrangements across states explains variation in demand for different types of migrant (health)care worker.

I begin by defining my dependent variables; recent economic migrant inflows across the EU15¹⁰ and variation in the type of work carried out by migrant workers. Subsequently, I critically examine the existing demand-side theories of migration and present my institutionalist explanation for quantitative and qualitative variation in migrant labour. Finally, I take a brief look at the relationship between the ‘economic growth’ and ‘labour market institution’ variables, which I conclude have been the most determining factors for economic immigration.

1. Dependent variables

1.1. Recent economic migrant inflows across the EU15

The main objective is to account for variation in levels of economic immigration across Western Europe over past decades. However, to simplify matters, I have decided to focus on economic migrant inflows to the EU15 between 1997 and 2006. I will briefly discuss the subject of post-war immigration – and cross temporal variation at the end of this Chapter section.

As I am focusing on economic immigration, I have decided to disregard ‘ambiguous’ inflows such as family reunification and take as a measurement for economic migrant inflows

⁹ The latest comparative data on migrant labour inflows is from 2006.

¹⁰ The EU15 refers to the Western European member states of the European Union: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden and the UK.

comparative data on foreign worker inflows.¹¹ I also consider the data on undocumented migrant inflows/stock (Jandl 2003), based on the fact that most undocumented migration is economic in motivation (see Chiuri et al. 2007).

Overall, comparing inflows across EU15 sub-regions between 1997-2006, proportional to population size, the most significant economic migrant inflows (legal and undocumented) were received in the Mediterranean states and the UK and Ireland, while the nordic states received the lowest level of economic immigration (Jandl 2003; Ambrosini and Barone 2007; OECD 2008b).

Table 1: inflows of foreign workers to EU15 (excluding Greece), 1997-2006 (in thousands)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Austria* | 15,2 | 15,4 | 18,3 | 25,4 | 27,0 | 24,6 | 24,1 | 24,5 | 23,2 | 22,6 |
| Belgium | 2,5 | 7,3 | 8,7 | 7,5 | 7,0 | 6,7 | 4,6 | 4,3 | 6,3 | 12,5 |
| Denmark | 3,1 | 3,2 | 3,1 | 3,6 | 5,1 | 4,8 | 2,3 | 4,3 | 7,4 | 13,6 |
| Finland | .. | .. | .. | 10,4 | 14,1 | 13,3 | 13,8 | 15,2 | 18,7 | 23,0 |
| France | | | | | | | | | | |
| Permanent | 5,2 | 5,4 | 6,3 | 6,4 | 9,2 | 8,0 | 6,9 | 7,0 | 8,9 | 10,3 |
| Temporary | 4,7 | 4,3 | 5,8 | 7,5 | 9,6 | 9,8 | 10,1 | 10,0 | 10,4 | 10,7 |
| Germany* | 285,4 | 275,5 | 304,9 | 333,8 | 373,8 | 374,0 | 372,2 | 380,3 | .. | .. |
| Ireland | 4,5 | 5,7 | 6,3 | 18,0 | 36,4 | 40,3 | 47,6 | 34,1 | 27,1 | 24,9 |
| Italy | .. | 21,6 | 21,4 | 58,0 | 92,4 | 139,1 | .. | .. | 75,3 | 69,0 |
| Luxembourg | 18,6 | 22,0 | 24,2 | 26,5 | 25,8 | 22,4 | 22,6 | 22,9 | 24,8 | 28,0 |
| Netherlands | 11,1 | 15,2 | 20,8 | 27,7 | 30,2 | 34,6 | 38,0 | 44,1 | 46,1 | 74,1 |
| Portugal | 1,3 | 2,6 | 4,2 | 7,8 | 136,0 | 55,3 | 16,4 | 19,3 | 13,1 | 13,8 |
| Spain | 25,9 | 48,1 | 49,7 | 172,6 | 154,9 | 101,6 | 74,6 | 158,9 | 648,5 | 108,8 |
| Sweden* | .. | .. | .. | .. | .. | .. | 10,2 | 8,5 | 13,3 | 18,1 |
| United Kingdom | 31,7 | 37,5 | 42,0 | 64,6 | 85,1 | 88,6 | 85,8 | 89,5 | 86,2 | 96,7 |
| Citizens of EU member states generally not included in data | | | | | | | | | | |
| *Includes seasonal workers | | | | | | | | | | |

Source: OECD, International Migration Outlook, 2008

1.2. Variation in type of employment undertaken by migrant workers

A secondary dependent variable, which will be broached within my explanation for the primary dependent variable, is variation in the type of employment assumed by migrant workers across the EU15 in terms of sectoral/occupational concentration. While industry, construction and low-

¹¹ The comparison of economic migrant inflows is made difficult by a lack of common definitions, different national sources for statistics, as well as varying availability of data across states (Pedersen et al. 2006).

skilled services employ significant numbers of migrant workers across Europe, there are particular sub-regional patterns. I provide an explanation for the following distinctions:

- Nordic states: comparatively less employment in hotels and restaurants, retail and construction than other country groups.
- Southern Europe: significant employment in households.
- UK and Ireland: noteworthy employment in the health and community services sector

Table 2: Employment of foreign-born by sector, 2005-2006 average

| | Percentage of total foreign-born employment | | | | | | | | | |
|------------|---|--------------------------------|--------------|--------------------------|----------------------|-----------|-----------------------------------|------------|----------------|----------------|
| | Agriculture & fishing | Mining, Manufacturing & Energy | Construction | Wholesale & retail trade | Hotels & restaurants | Education | Health & other community services | Households | Admin. and ETO | Other services |
| Austria | 1,3 | 21,0 | 10,0 | 14,1 | 12,6 | 3,8 | 9,4 | 0,4 | 3,4 | 23,9 |
| Belgium | 1,1 | 16,7 | 7,2 | 13,0 | 8,2 | 6,4 | 10,4 | 0,6 | 11,6 | 24,7 |
| Denmark | 1,7 | 17,0 | 4,4 | 12,0 | 7,2 | 7,8 | 20,2 | - | 3,4 | 26,2 |
| Finland | - | 17,4 | 6,0 | 16,0 | 7,1 | 6,2 | 13,9 | - | 2,4 | 28,5 |
| France | 1,9 | 13,7 | 10,8 | 12,8 | 6,1 | 5,8 | 9,8 | 5,6 | 6,4 | 27,1 |
| Germany | 1,1 | 29,0 | 6,3 | 14,7 | 7,6 | 4,5 | 9,9 | 0,8 | 2,9 | 23,1 |
| Greece | 6,2 | 15,4 | 29,1 | 10,6 | 10,2 | 1,7 | 2,3 | 13,9 | 1,4 | 9,2 |
| Ireland | 2,3 | 16,0 | 14,2 | 11,8 | 12,3 | 5,5 | 10,8 | 1,1 | 2,5 | 23,6 |
| Italy | 3,5 | 23,6 | 14,2 | 11,3 | 8,7 | 2,4 | 4,7 | 10,4 | 1,8 | 19,6 |
| Luxembourg | 0,9 | 9,1 | 13,1 | 10,9 | 6,5 | 2,9 | 7,4 | 3,3 | 13,0 | 32,9 |
| Holland | 1,5 | 17,3 | 4,0 | 12,9 | 7,1 | 5,5 | 14,6 | - | 6,9 | 30,1 |
| Portugal | 2,0 | 13,8 | 14,8 | 14,6 | 8,2 | 8,0 | 8,0 | 4,9 | 7,3 | 18,5 |
| Spain | 5,6 | 13,0 | 19,7 | 11,2 | 14,2 | 2,9 | 2,8 | 13,3 | 1,1 | 16,1 |
| Sweden | 0,8 | 16,9 | 3,1 | 10,8 | 7,3 | 11,4 | 19,1 | - | 3,9 | 26,8 |
| UK | 0,5 | 11,9 | 4,9 | 13,0 | 8,5 | 8,1 | 15,7 | 0,7 | 5,3 | 31,4 |

Source: OECD, International Migration Outlook, 2008

Regarding occupational status, the majority of migrant workers are employed in low-skilled/manual work. However, over a third of foreign born workers are employed in highly skilled occupations (from ‘senior official’ to ‘technician’) in the Nordic states and the UK and Ireland (Ambrosini and Barone 2007; OECD 2008b).¹²

In brief, I will endeavour to explain variation in levels of economic immigration across EU15 sub-regions - Nordic states, Western-Continental states, the UK and Ireland and the Mediterranean states (*quantitative variation*). In the process, I will provide an explanation

¹² There is no universal definition of skilled work; I refer to work requiring vocational skills which are usually gained through a formalized educational/training framework. Many migrants work below their skill levels (Boeri et al. 2002), thus I do not consider skill level as a significant variable in terms of migrant occupational status.

for some of the variation in the sectors/occupations which employ migrants (*qualitative variation*).

Regarding the former, I will focus on explaining why Nordic states received less economic immigration (including undocumented immigration) than the other EU15 states over the decade 1997-2006 and why the UK, Ireland and the Mediterranean States received the highest levels of economic immigration. Regarding the latter, my explanation should *shed light* on 1) the smaller presence of migrant workers in construction and low-skilled services sectors in the Nordic states; 2) the presence of significant numbers of migrant workers employed in highly skilled occupations in the Nordic states, the UK and Ireland; 3) and the employment of significant numbers of migrant health workers in the UK and Ireland and the significant presence of migrant domestic care workers in the Mediterranean states.

2. Commonly recognised determinants of migration

2.1. International labour migration theories

International labour migration theories aim to explain the initiation of international migratory movements and their persistence (Massey and et al 1998). These theories generally focus on migrant (supply-side) as opposed to employer (Fellini et al. 2007) or state strategies (demand-side). Perhaps the most influential theory of migration is neoclassical economic theory, which posits that economic migration is the result of employment and income differentials between high-wage labour-scarce and low-wage labour-surplus societies and prospective migrants' cost-benefit calculations with the aim of income maximisation (Harris and Todaro 1970). Applying this theory to my question, I would argue that *income differentials between receiving countries* are of negligible import, at least for low skilled work, given that all Western European states offer substantially superior remuneration than in low-income migrant sending states. In fact, many migrants gravitate to destination countries, which have among the lowest incomes for migrants on arrival in Western Europe (Adserà and Chiswick 2006).¹³

¹³ The persistence of migration in the context of restricted labour recruitment has been explained by the phenomenon's increasing autonomy and cumulative characteristics. For example, migrant networks are argued to lower the costs and risks of migration (Massey and et al 1998). While this is an integral part of the migration story, it has limited explanatory power; for example it does not explain why most of the countries with the largest economic migrant inflows at the present time are new immigration states.

I focus on the ‘demand-side’ based on the assumption that in the main economic migrants gravitate towards where they are ‘wanted’ by employers *and states*. The most influential demand-side explanations for labour migration are contained in Michael Piore’s 1979 treatise. Piore presents three complementary explanations for demand for migrant labour in industrial societies. He is particularly interested in determining how well these explanations account for the most common characteristics of migrant jobs - low-skilled, low-status and often low-paid. He also assumes that migrant workers have lower expectations in terms of wages and working conditions, which explains why *they* take up such jobs.

The first hypothesis – the ‘conventional view’ - is that migration is a response to labour shortages in low-paid, low-status occupations brought on by economic expansion and the gravitation of native workers to better paying jobs. The second, more compelling explanation according to Piore, is that the most important factor inducing native workers to work is the accumulation and maintenance of social status – not income. Migrant workers take up the jobs at the bottom of the hierarchy of occupations and this hierarchy – or occupational ladder - cannot be eliminated due to its structural motivating force.

The third explanation, the so-called ‘dual labour-market hypothesis’, is presented as the most convincing of the three. In this model the labour market is divided into a primary and secondary sector, the former offering stable well-paid employment to mainly skilled workers and the latter being made up of low-paid, low-skilled jobs, in which migrants are concentrated. Piore maintains that the kernel of the explanation for demand for migrant workers is in the factors creating the distinction between primary and secondary sectors. He argues that the underlying explanatory factor for the dual labour market is *variability in economic activity* – the highs and lows of production – which create the need for low-skilled, flexible workers who can be laid off during periods of reduced activity. As Piore writes ‘*Despite the variations in the particular institutions, the institutional distinctions that permit escape from job-security arrangements closely parallel the distinctions between the jobs of migrants and the jobs of natives*’ (1979 p. 39).

How can Piore’s analysis be applied to an explanation for varying levels of economic immigration to different Western European states over the decade 1997-2006? Based on his assertion that migrant workers tend to be occupied in low-skilled employment, we can make the simple inference that the presence of migrant workers is likely to be more significant where low skilled workers are in more demand. However, cross-national variation in demand

for migrant workers is not explicitly raised by Piore; in fact, the principal factors leading to a demand for low-skilled workers which he presents are selected for their universal influence in all industrial societies.

Regarding the first hypothesis of aggregate labour shortages as a result of economic growth, economic expansion – or better, employment creation (Boeri 2006) - is indeed largely a necessary basis for immigration. However, labour shortages are not simply a function of employment growth. In many European states there are large numbers of low-skilled in the reserve labour force and concomitantly, recruitment of economic migrants for low-skilled work (Bollérot 2002; Boswell et al. 2004). It appears that in these states it is an under-utilised labour supply - as opposed to a labour shortage - that results in demand for migrant workers.¹⁴

Regarding hypothesis number two – ‘the motivating force of hierarchy’ - the factor of status constraints to the take up of unattractive jobs and consequent gap in the labour market for migrant workers is too universal to contribute to explanations for different levels of immigration across states. This factor should be buffered by the institutional factors which, *to varying degrees and in diverse ways in different states*, make certain jobs unattractive to the domestic labour force *and* permit or oblige the latter to decline job opportunities, resulting in concurrent labour surplus (high unemployment and/or low employment rates), labour shortages (unfilled job vacancies) and immigration. Furthermore, the factor of status constraints is less easily applied to an explanation for demand for skilled migrant workers.

The third explanation - the ‘dual labour market hypothesis’ - introduces an important institutional element to the determinants of demand for migrant labour. However, Piore’s focus on the ‘variable portion of demand’ led him to focus exclusively on the institutional arrangements governing layoffs. As I will show below, *there are other important and related labour market institutional arrangements which influence demand for migrant workers in addition to those discussed by Piore*. Furthermore, the underlying argument that demand for migrant workers – even skilled migrant workers – is based on employer needs for temporal flexibility (i.e. the possibility to lay off workers at will) is rather reductive and underemphasises the influence of factors such as cost competitiveness (Ruhs and Anderson

¹⁴ This hypothesis does not contradict the ‘lump of labour fallacy’ argument which considers the idea that the number of jobs in the economy is fixed fallacious (de Koning et al. 2003). Higher participation rates may increase the size of the economy, thus creating more jobs and demand for migrant workers. However, the demand for migrant workers would be even larger if participation rates are low in a context of job creation.

2008). I return to these issues below. First I take a brief look at the role of immigration policy.¹⁵

2.2. The role of immigration policy

Immigration regimes are the principal area of state regulation which have been discussed as determinants of economic immigration (Meyers 2004; Venturini 2004; Massey and et al 1998). However, while immigration policy can at times explain variation in immigration levels, an open immigration policy is not always followed by significant immigration and vice versa; in fact its primary influence is on the status of migrants (Cornelius et al. 1994; Sassen 2006; Castles 2004; Guiraudon and Joppke 2001). For example, the exponential growth of economic migrant inflows to the UK and Ireland following the decision to open up the labour market to job seekers from the A8 in 2004 (Salt and Millar 2006; DSFA 2007) could be identified as demonstrating the influence of immigration policy on inflows. However, as is well known, Sweden also opened up its labour market to jobseekers from the A8¹⁶ but received far smaller inflows. Despite a higher real GDP growth rate, between 2004-5 the share of A8 labour remained stable in Sweden at 0.2% of the total labour force, while it increased from 0.2 to 0.4% of the total labour force in the UK (Tamas and Münz 2006; Eurostat 2009).¹⁷

In sum, the principal demand-side explanations for labour immigration emphasise the significance of low status employment sectors and the importance of the institutions governing the labour market. However, largely due to the fact that the question of varying levels and types of economic immigration across states is not posed in this literature (apart from in work focusing on immigration policy) labour market regime *variation* and its impact on demand for migrant workers has not been explored.

¹⁵ Another pervasive assumption is the factor of demographic decline in Europe (Portes and DeWind 2006; Parsons and Smeeding 2006). However, while some states, such as Italy and Germany began to feel the effects at the turn of the millennium (Einaudi 2007), the ageing and shrinking of European societies, due to a decline in the birth rate and longer life expectancy, is not estimated to impact the labour market until circa 2012 (Bollérot 2002).

¹⁶ As well as providing immediate access to social welfare, unlike in the UK and Ireland.

¹⁷ The attractiveness of South East England as an 'escalator region' where workers experience high levels of social mobility (Conradson and Latham 2005) and of both the UK and Ireland as English speaking zones and gates to North America is noteworthy here.

3. Labour market regime variation

The comparative capitalisms literature identifies distinct capitalist regimes, the institutional configuration of which shape the economy and the collective supplies of inputs (skills, capital etc.) available to firms in different ways (Jackson and Deeg 2006). While this literature has not been applied to studies of the determinants of international labour immigration, the approach can be extended to explain firms', the public sector's and individuals' strategies - in the face of institutional constraints – which directly or indirectly contribute to demand for migrant workers.

This literature provides typologies of European regimes categorised by inter-linking socio-economic institutions; which I refer to here as labour market regimes. The most pertinent aspects of these categorisations can be summarised as follows.

The Nordic regime – variations of which are found in Sweden, Denmark, Finland and Norway - is characterised by an emphasis on high quality production and services, based on a skilled workforce and a highly regulated labour market. Trade union density is remarkably high and employment standards are efficiently monitored and enforced by the social partners. The welfare state provides citizenship-based universal entitlements and a broad supply of social services, which encourage women's integration into the labour market. It also places great emphasis on active labour market policies (ALMPs). The education and training regime provides high levels of both general education and vocational education and training (VET) (Ebbinghaus 1999; Hall and Soskice 2001; Esping-Andersen 1990; Gangl 2003; Crouch et al. 1999).

The conservative-continental model – variations of which are found in Germany, Austria, Netherlands and Belgium - is also based on a high quality productive regime and has a strong tradition of firm-based VET. However, trade union density is in the main far lower than in nordic regimes and employment standards are monitored and enforced by the state. Family has been regarded as the main source of social care in this regime, resulting in very modest levels of public social services and consequently lower levels of female employment. This welfare regime has been characterised by passive family policies (Pierson 2001; Ellison 2006; Esping-Andersen 1990; Ebbinghaus 1999; Gangl 2003).

The post-statist regime - variations of which are found in Italy, Greece, Spain, Portugal and France - shares many institutional arrangements with the conservative-continental regime,

however, distinct features include: the relative importance of agriculture; a larger proportion of small-to-medium-sized firms; larger informal economies (with the exception of France); a particularly weak trade union movement; and a tradition of state managed VET (Gangl 2003; Ebbinghaus 1999; Crouch et al. 1999).

Finally, the liberal model – variations of which are found in the UK and Ireland – is based, particularly since the early 1980s, on a cost-competitive economic strategy and a lightly regulated labour market. Employment standards are monitored and enforced by the state. Over the past two decades, the welfare state has been increasingly geared towards activating the unemployed into employment; however, public social services remain comparatively underdeveloped. The education and training system has traditionally put most emphasis on general education and the state has had a hands-off approach to vocational training (Ellison 2006; Wickham and Bruff 2008; Thelen 2001; Estevez-Abe et al. 2001; Ebbinghaus 1999).

4. A labour market institutional explanation for immigration variation in Western Europe

I argue that labour market regimes have a significant role in shaping demand for migrant labour. The institutions shaping and governing employment have direct and indirect effects on demand for migrant labour. Economic regimes based on low skills and low wages, low levels of employment regulation, regulatory variation within national labour markets and weak employment standards compliance controls generate low-paid, low-skilled jobs which are unattractive to the domestic labour supply and create demand for cost-competitive, flexible migrant labour.

Moreover, other institutions influence the availability and skills of the domestic labour supply. These institutions have an indirect effect on demand for migrant workers. Disincentives and obstacles to the labour market participation of the domestic labour supply within the welfare system and a mismatch between the skills produced by the education and training system and those required by employers both result in demand for migrant workers. Finally, institutional divergences within social services models in terms of employment standards and levels of public child/elder care support account –indirectly and directly - for varying demands for migrant care workers across Western Europe.

4.1. The jobs: direct and indirect effects on demand for migrant workers

4.1.1 The wage-skill basis of economic regime

Regimes with significant low wage-skill sectors, namely the liberal and post-statist regimes (excluding France, which has been referred to as a medium skill economic regime (Schmidt 2003)), are likely to create higher demand for migrant workers¹⁸ than those based on wage equality and high skills, exemplified by the Nordic states. This is based on the fact that migrant workers are in the main required to satisfy demand for low-skilled workers (Piore 1979).

Table 3: Income inequality in selected EU15 states 2003 (Income quintile share ratio)

| Country/Year | 2003 |
|----------------|------|
| Sweden | 3,3* |
| Denmark | 3,6 |
| Finland | 3,6 |
| France | 3,8 |
| Netherlands | 4 |
| Austria | 4,1 |
| Luxembourg | 4,1 |
| Belgium | 4,3 |
| Ireland | 5 |
| Spain | 5,1 |
| United Kingdom | 5,3 |
| Italy | 5,7* |
| Greece | 6,4 |
| Portugal | 7,4 |

Source: Eurostat, Inequality of income distribution

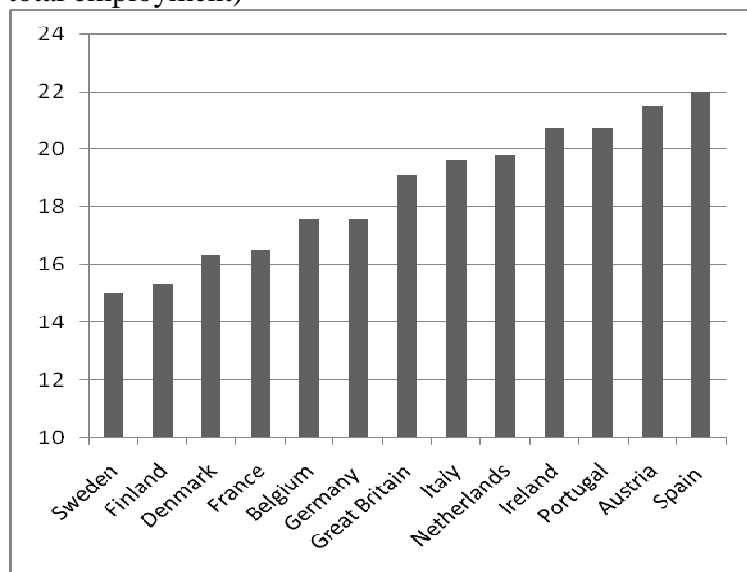
*data from 2004

Low skilled migrants have difficulties finding work in Nordic countries, where low-wage, low-skill employment sectors are comparatively insignificant and migrants are often employed in skilled work (Roseveare and Jorgensen 2005; Ambrosini and Barone 2007). On the other hand, advanced democracies with large low-wage, low-skill sectors may have trouble attracting the domestic labour supply that has increasingly high expectations regarding pay and working conditions (*indirect effect*). Moreover, regardless of domestic

¹⁸ Of course, these sectors are also likely to grow the greater the level of immigration (Einaudi 2007).

labour supply, employers in such sectors may prefer to take on cost-competitive, flexible migrant workers (*direct effect*). Indeed, the low skilled service sector is the main source of employment for migrants in Western Europe and there is a clear correlation between share of jobs in low skilled services and inward economic migration. In 2003, the seven EU15 countries with the highest share of employment in low skilled services were Spain, Austria, Portugal, Ireland, Netherlands, Italy and the UK.

Figure 1: Employment in low-skilled services (1) selected EU15 states, 2003 (percentage of total employment)



Source: Roseveare, D and Jorgensen, M. *Migration and the Integration of Immigrants in Denmark 2005*
 (1) Wholesale and retail trade, repair of motor vehicles, hotels and restaurants

It is significant that five out of the seven are either liberal or post-statist regimes and all of these states are important destinations for economic migrants. The EU countries with the smallest share of jobs in low skilled services were Sweden, Finland and Denmark and this can be correlated with smaller inflows.

Furthermore, rather intuitively, *regimes which put great emphasis on human capital production are likely to create demand for skilled migrant workers, in the context of job creation, particularly when the employment rate is high*, as we find in Nordic states (*direct effect and indirect effect*). I thus proffer this institutional factor as a contributory factor to the demand for skilled migrant workers in Nordic states. The fact that skilled immigration for skilled employment is, in the main, quantitatively far less significant than (skilled/low-skilled) immigration for low-skilled employment also contributes to the explanation for smaller economic migrant inflows to the Nordic states.

Table 4: Total intramural R&D expenditure (GERD) selected EU15 states all sectors 1997-2006

| Country/Year | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
|--------------|--------|--------|--------|--------|-------|--------|-------|-------|-------|-------|
| Denmark | 998,5 | 941,3 | 907,2 | 901,8 | 863,2 | 799,8 | 730,2 | 668,6 | 599,2 | 548,5 |
| Germany | 713 | 675,6 | 666 | 660,8 | 647,3 | 632,2 | 616,1 | 587,4 | 540,4 | 520,3 |
| Ireland | 526,7 | 494 | 456,9 | 413 | 368,2 | 335,1 | 311,3 | 286,3 | 263,5 | 248,6 |
| Spain | 270 | 236,9 | 211,3 | 197,1 | 175,6 | 153,8 | 142,8 | 125,5 | 118,4 | 102,5 |
| France | 599,5 | 577,1 | 573 | 558,8 | 562,1 | 539,3 | 511,2 | 490,8 | 469,5 | 461 |
| Italy | 286,5 | 266,8 | 263,5 | 257,7 | 256,2 | 238,3 | 218,9 | 202,5 | 200,3 | 190,4 |
| Austria | 765,5 | 728,2 | 644,7 | 622,4 | 580,9 | 547,7 | 503,4 | 471,3 | 423,6 | 390,3 |
| Finland | 1096,2 | 1045,3 | 1006,5 | 961,3 | 929,8 | 891,5 | 855,2 | 751,8 | 647,7 | 572,3 |
| Sweden | 1295,5 | 1178,4 | 1161,6 | 1186,3 | : | 1179,8 | : | 981,9 | : | 876 |
| UK | 563,3 | 527,9 | 499,8 | 483,8 | 516,4 | 498,4 | 494,5 | 438,7 | 391,3 | 363,5 |

Source: Eurostat R&D expenditure, 2010

West European high wage-skill economic models are based on the systematic promotion of upgrading in industrial investments, efficient VET systems (see section 4.2.2 below) and solidaristic wage setting institutions.¹⁹ Regarding the former, expenditure on Research and Development (R&D) across Western Europe reflects variation in levels of high skilled employment, with notably high levels of spending in the Nordic states.

4.1.2. Level and coverage of employment regulation

Wage setting institutions are of course a fundamental part of employment regulation (ER). While Piore generalised regarding industrial societies, Western European regimes vary according to the level and coverage of employment regulation, with relatively homogenous, highly regulated labour markets in the Nordic states, dual labour markets in conservative-continental and post-statist regimes and lightly regulated labour markets in liberal regimes.²⁰ In simple terms, this means that the state and social partners do not regulate all aspects of employer-employees relationships to the same degree across Europe and within national labour markets. While employer obligations vary across states, for example in terms of

¹⁹ Wage setting institutions refer to systems for determining wages and include statutory minimum wage systems, in which the state sets a wage floor for the entire economy and collective bargaining institutions in which parties representing employer and employee interests negotiate the conditions of employment to be set down in collective agreements (OECD 2004b).

²⁰ A focus on regulation rather than the permanency of employment has important implications for the ‘insider-outsider’ model. The regulation of atypical (fixed-term, part-time etc.) employment and the social rights accorded to atypical workers differ across states. Atypical workers are almost as well off as those with standard contracts in the Nordic states in terms of access to training, promotion and social rights. The net wage gap between standard and atypical contract workers is also about half of that in the rest of continental Europe. (Häusermann and Schwander 2010).

employment protection (see table 5), certain sectors of national labour markets have been provided with lower employment standards than others.

Table 5: Strictness of employment protection in selected EU15 states (strictness of regulation on dismissals and the use of temporary contracts), 1998-2008

| Country/Year | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------|------|------|------|------|------|------|------|------|------|------|------|
| Austria | 2,38 | 2,38 | 2,38 | 2,38 | 2,38 | 2,15 | 2,15 | 2,15 | 2,15 | 2,15 | 2,15 |
| Denmark | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 | 1,9 | 1,77 | 1,77 | 1,77 |
| Finland | 2,18 | 2,18 | 2,18 | 2,12 | 2,12 | 2,12 | 2,12 | 2,12 | 2,12 | 2,12 | 2,03 |
| France | 2,84 | 2,84 | 2,84 | 2,89 | 2,89 | 2,89 | 2,89 | 2,89 | 2,89 | 2,89 | 2,89 |
| Germany | 2,57 | 2,57 | 2,57 | 2,57 | 2,37 | 2,37 | 2,39 | 2,39 | 2,39 | 2,39 | 2,39 |
| Ireland | 1,17 | 1,17 | 1,17 | 1,17 | 1,17 | 1,32 | 1,32 | 1,32 | 1,32 | 1,32 | 1,32 |
| Italy | 3,06 | 3,06 | 2,91 | 2,49 | 2,49 | 2,33 | 2,33 | 2,33 | 2,33 | 2,33 | 2,38 |
| Netherlands | 2,77 | 2,27 | 2,27 | 2,27 | 2,27 | 2,27 | 2,27 | 2,27 | 2,27 | 2,2 | 2,13 |
| Spain | 2,96 | 2,96 | 2,96 | 3,07 | 3,07 | 3,01 | 3,01 | 3,01 | 3,01 | 3,01 | 3,01 |
| Sweden | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,49 | 2,18 |
| UK | 0,98 | 0,98 | 1,05 | 1,05 | 1,1 | 1,1 | 1,1 | 1,1 | 1,1 | 1,1 | 1,1 |

Source: OECD Strictness of employment protection overall 2010

I argue that, based on the fact that migrants have, in the main, lower expectations regarding employment standards, less regulated economies and sectors which have been accorded lower employment standards are more likely to result in demand for migrant workers (direct and indirect effect). Regarding the latter, the possibility for employees to voluntarily opt-out of the European 48 hour week working-time regulation in the UK arguably makes migrant workers more competitive than domestic workers who are generally not willing to work as long hours. A similar dynamic is found in Italy where small firms are not regulated to the same extent as large firms – employees have lower levels of employment and social protection. This makes employment in the former less attractive to the domestic workforce, leaving a gap in the labour market for migrant workers. Moreover, employers in small firms may have a preference for migrant labour which represents lower labour costs and more temporal and geographical flexibility (Colatrella 2001; UnionCamere 2007).

4.1.3. *Employment standards compliance system:*

Highly regulated labour markets can incentivise illegal employment – and demand for migrant workers - if labour market controls are lax. Weak labour market controls can also incentivise illegal employment in less regulated regimes.

Employment standards compliance (ESC) can be monitored and enforced by the state and/or the social partners - particularly trade unions. *The ESC system has an indirect and a direct effect on demand for migrant workers.* The Nordic tradition of social partner controls (Hjarno 2003) or ‘self-regulation’ is more effective and cheaper than public ESC monitoring. The low trade union density and weak public enforcement of employment regulations, which we find in liberal, post-statist and (to a lesser extent) conservative-continental regimes, facilitate non-compliance, leading to below standard terms and conditions of employment.²¹

The domestic labour force is generally not attracted to such employment, which results in demand for migrant workers (*indirect effect*). Moreover, employers, regardless of the availability of the domestic labour force, may prefer to employ migrant workers whose ‘frame of reference’ is lower than that of the domestic labour force and who are thus less likely to complain if provided with below standard terms and conditions of employment (*direct effect*). This is particularly the case with undocumented migrants, who are vulnerable to deportation and thus most willing to accept extremely low standards of employment.

4.2. The surrounding system: indirect effect on demand for migrant workers

4.2.1. Labour market policies

Labour market policies shape the possibility to recruit domestic labour and consequently impact demand for migrant labour. I argue that *obstacles or lack of incentives to participation in the labour force for the unemployed and reserve labour force will result in a demand for migrant workers, in a context of employment creation (indirect effect)*. Logically, countries with high employment rates will also receive significant immigration in a context of job creation.

Piore maintains that the ‘principal substitutes’ for migrant workers are youth, housewives and ‘peasant workers’ (1979 p.87). Taking the example of housewives, or better, mothers, it is *possible to invert the relationship between this component of the marginal labour force and immigration; low mother participation in the labour market is also a determinant of demand for migrant labour*. There is a significant correlation between female employment rates across the EU15 and economic immigration levels. Some countries, such as the UK and the Netherlands, have both relatively high female participation rates and significant

²¹ The role of fiscal authorities in enforcing compliance with tax regulations is also significant here.

immigration – displaying employment growth and relatively tight labour markets. However, the countries with the highest female employment rates (Denmark and Sweden) have the lowest inward migration inflows, while states with the lowest female employment rates (Italy and Greece) receive among the most significant economic migrant inflows (Ambrosini and Barone 2007).

Table 6: Females employment rate and proportion of under three year olds with no formal childcare in the EU15 (percentages), 2005

| Country | Female employment rate | Proportion of under three year olds with no formal childcare |
|-------------------|------------------------|--|
| EU (15 countries) | 57.7 | 71 |
| Belgium | 53.8 | 59 |
| Denmark | 71.9 | 27 |
| Germany | 60.6 | 84 |
| Ireland | 58.3 | 80 |
| Greece | 46.1 | 92 |
| Spain | 51.2 | 61 |
| France | 57.6 | 68 |
| Italy | 45.3 | 75 |
| Luxembourg | 53.7 | 78 |
| Netherlands | 66.4 | 60 |
| Austria | 62.0 | 96 |
| Portugal | 61.7 | 70 |
| Finland | 66.5 | 74 |
| Sweden | 70.4 | 48 |
| United Kingdom | 65.9 | 71 |

Source: Eurostat, employment rate females and childcare

Low female labour force participation rates in post-statist regimes, with the notable exclusion of France, is generally argued to be related to inadequate public childcare support among other politico-institutional factors (Del Boca and Pasqua 2005; Cournède 2006). I posit that low to medium female employment rates in these states and obstacles to mother participation in the labour market has undoubtedly contributed to the demand for migrant workers, particularly in female dominated sectors such as hospitality, retail and care services.

Welfare recipients of working age are another important part of the labour reserve. Obstacles to their participation in the labour market, in the context of job creation, contribute to the demand for migrant workers. While the conservative-continental and post-statist welfare states have retained an important component of passive transfers to welfare recipients, which have tended to lead to long term welfare dependency and a lower employment rate, the Nordic regimes and the UK (the latter progressively since the mid

1980s) have emphasised activation, though with distinct approaches (human capital acquisition versus ‘workfare’) (Ellison 2006).

Both ALMP approaches have *contributed* to higher employment rates in these states (de Koning et al. 2003; Ebbinghaus 1999). I argue that in the case of the nordic states, alloyed with high labour standards, this has led to a less significant demand for migrant workers. The UK, with its large unregulated low skilled services sector would arguably have an even stronger demand for migrant labour if ALMPs had not been introduced in the 1980s.

The question of domestic labour force participation is most visible in states with strong regional variation in participation rates such as Italy and Germany, where the issue of territorial mobility becomes crucial. In fact, immediately prior to the initiation of international labour migration to Italy in the 1970s, South-North internal migration had slowed down, largely due to state transfers to the Southern regions and a public monopoly on employment services (Etzo 2008; King and Black 1997a).²²

4.2.2. *Vocational education and training regimes:*

Finally, *mismatches between specific skill requirements and the education and training of the domestic labour supply can lead to demand for specific categories of migrant workers (indirect effect)*. The more in tune employers and the education and training system are, the less likely it is that significant mismatches will occur. Post-statist and, particularly, liberal regimes have less institutionalised ties between the education and training system and employers than the Nordic and conservative-continental regimes, where the social partners have a strong role in VET (Crouch et al. 1999).²³

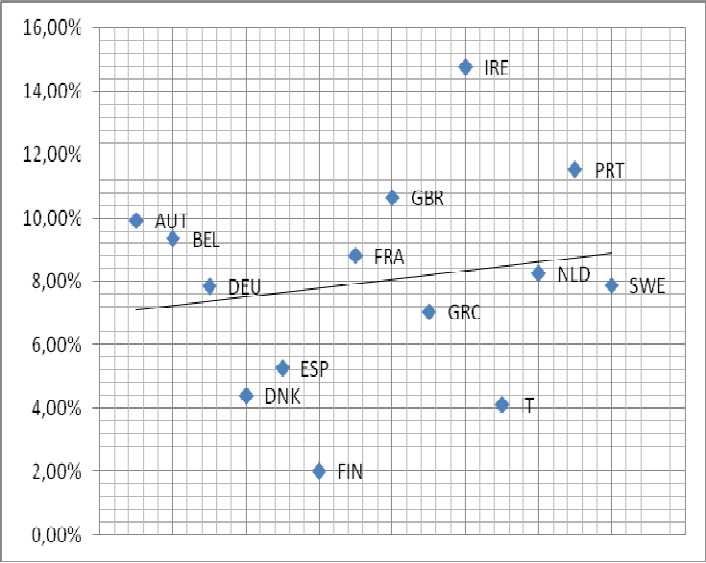
Liberal states, along with Portugal, had the highest percentage of foreign-born among employed professionals and associate professionals in Western Europe in 2007. The liberal ‘generalist’ educational system has been particularly sensitive to skill deficits (Hemerijck 2002; Finegold and Soskice 1988). Moreover, the *restrictive* use of caps on third level education intake in the UK and Ireland has led to limited numbers of graduates, particularly in the most highly skilled areas.

²² While I do not discuss retirement age variation, this is an important factor in explaining variation in the size of the working-age population across states (Reyneri 2007).

²³ Furthermore, highly integrated VET-labour market systems may make it harder for migrant workers to gain recognition of their qualifications and a foothold on the labour market.

For example, one of the main factors resulting in shortages of medical staff is the extent to which countries have restricted numbers of places in medical schools. Countries which regulate medical school intake, such as Ireland and the UK, have less practicing physicians per head than those that do not regulate entry levels. These ‘liberal regulators’ also have the largest proportion of foreign-born among their medical workforces (Simoens and Hurst 2006).

Figure 2: Percentage of foreign-born among employed professionals and associated professionals in EU15, 2007



Source: OECD, International Migration Outlook, 2007

4.3. Social services – Indirect and direct effects on demand for migrant care workers

There are two ways in which social services arrangements can create demand for migrant care workers. First, by means of employment standard provision within the sector and second, according to the extent of public child/elder care support.

*In a context of alternative employment opportunities, either in another sector or another economy, uncompetitive working conditions and remuneration in the social services sector will make it more difficult to attract and retain the domestic workforce, resulting in stronger demand for migrant workers (indirect effect).*²⁴ The health worker recruitment crisis spans the globe and most developed economies suffer from some shortages in health workers. However, the states with the largest number of migrant health workers are liberal regimes

²⁴ This factor can also affect demand for migrant workers in other skilled occupations.

(OECD 2008b) and this cannot be explained by the size of these countries' health sectors. As the OECD has stated; 'excessive rates of movement indicate a 'malaise' in domestic training rates or employment conditions' (2004a p.21).

Regarding public child/elder care support, it is widely recognised that *inadequate state supported social services, (as well as unregulated cash-for-care benefits), induce a demand for private informal care workers in a context of increasing female employment (direct effect)*. Post-statist regimes receive the most significant numbers of migrant domestic workers (OECD 2008b) and this is directly related to a lack of affordable childcare and eldercare services (Duvell 2006; Del Boca and Pasqua 2005; Lyon and Glucksmann 2008). The impact of labour market institutions on labour immigration is summarised in table 7.

Table 7: Labour market institutional factors impacting demand for migrant workers

| Effect on demand for migrant workers | Institutional factor | Contextual factor | Type of migrant work | Cross country variation in levels of immigration/types migrant work |
|--------------------------------------|--|--|------------------------------|--|
| Direct & indirect effects | VET + R&D + ER Size of low wage –low skill sectors | Job opportunities elsewhere in economy/ passive LMP | Low skilled | Significant migration to Mediterranean, UK & Ireland plus some Western Continental states Less migration to Nordic states |
| | High skill economic regimes | Job opportunities & high employment rates | High skilled | High skilled migration to the Nordic states |
| Direct & indirect effects | Regulatory variation within national labour markets | Job opportunities in 'primary labour market'/ passive LMP | Mainly low skilled | Example: Significance of migrant workers in small businesses in Italy |
| Direct & indirect effects | Low level of ER | | Mainly low skilled | High levels of migration to the UK & Ireland |
| Direct & indirect effects | Weak ESC system | Job opportunities elsewhere in economy/ passive LMP | Informal, mainly low skilled | High levels of undocumented migration to Mediterranean & certain Western Continental states High levels of migration to Mediterranean, Western Continental & UK & Ireland |

| | | | | |
|-----------------|--|--|---|--|
| Indirect effect | Inefficient and underfunded VET system | Demand for specific skills | High skilled | High skilled migration to UK & Ireland |
| Indirect effect | Unattractive terms and conditions of employment in social services (& other high skilled occupations) | Job opportunities elsewhere in economy or abroad | Health workers (& others skilled workers) | Migrant health workers in UK & Ireland (& theoretically other skilled migrant workers across Europe) |
| Indirect effect | Lack of or inefficient ALMP | Job opportunities | High and low skilled | Large scale migration to Mediterranean, some of Western Continental Europe and Ireland |
| Indirect effect | Low level of public support to care obligations | Job opportunities | High and low skilled | Large scale migration to Mediterranean, some of Western Continental Europe, UK & Ireland |
| Direct effect | | Increase in female employment | Domestic care workers | Large scale migration of domestic care workers to Mediterranean |

5. Economic growth and labour market regimes: a look to cross-temporal variation

I have argued that labour market regime variation in Western Europe has contributed to variation in levels of economic immigration (and types of migrant employment) over past decades. However, my focus has been on explaining the variation during the decade 1997-2006. How can I then explain the fact that in the post-war period (1945-1973/4) Sweden, a Nordic state, was one of the destinations for economic migrants in Europe, while the UK experienced both net immigration and net emigration and Ireland and Italy were emigration states *par excellence*? In other words how can I account for the fact that cross-temporal variation seems opposed to my explanation for cross-national variation?

At first sight, it appears that demand is autonomous from labour market structures as there is some shifting in the principal destinations for economic migrants over past decades. However, I argue that to understand demand for migrant workers over the past half century, one must look to both relative economic performance and labour market regime variables. Economic growth is largely a necessary basis for economic immigration and it goes far in explaining economic migration to Sweden in the post-war period and the significant inflows into Ireland in the 1990s, for example. However, it does not explain why, despite lower growth levels, Italy has received proportionally more economic immigration than Sweden over the past two decades (Eurostat 2009; Einaudi 2007; Westin 2006; OECD 2008b).

Furthermore, it does not fully account for the varying significance of demand for migrant workers in states undergoing economic expansion.

I argue that periods of economic boom like that which occurred in parts of Europe in the post-war period and in Ireland and the UK in the 1990s generally result in demand for foreign workers. However, the *significance of this demand* depends on the institutions governing employment and the domestic labour supply. Regarding the latter, though Sweden was among the net immigration states of the post-war period along with West Germany, France, Switzerland, Belgium and Luxembourg, its labour market institutional arrangements diverged strongly from these other states. I argue that the Swedish labour market policy priority of mobilising the internal labour supply before tapping into than external sources (migrant workers) had the effect of reducing economic migrant inflows.

In response to regional employment imbalances, Sweden was the only European country in the post-war period, which had a comprehensive policy concerning internal mobility, linked to the overriding goal of full employment (Salt and Clout 1976). Moreover, while West German policymakers effectively chose to recruit migrant workers over facilitating the participation of German mothers in the labour force, due to conservative hostility to female labour market participation, Swedish policymakers took a different stance and, beginning in the 1960s, set up an extensive childcare infrastructure to support female employment (Naumann 2005). Thus, though economic migrants were admitted to Sweden during the post-war period, the level of immigration remained comparatively low (Salt and Clout 1976; Postan 1967), due to the institutional facilitation of internal mobility and female employment among other policies.

6. Summary

In sum, I claim that labour market regime variation shapes variation in levels of economic immigration and the type of employment undertaken by migrant workers across advanced democracies. In particular, I argue that national labour market institutions, in particular ER and ESC systems, generate low-paid low-skilled employment – where migrant workers tend to concentrate - to different degrees. Moreover, varieties of LMP and VET institutions shape the domestic supply of labour in diverse ways, which has consequences for the quantity and skill set of economic migrants required. Finally, as regards the particular though broad

occupational category of care worker, institutional divergences within social services models also account for varying demands for different kinds of migrant care workers across states. This theory could be falsified if, in the context of relative stability in economic performance and demographic growth, a labour market regime shifts significantly and the level and type of labour immigration remains unchanged.

2. ‘The Migrant Worker Factor’ in labour market institutional reform

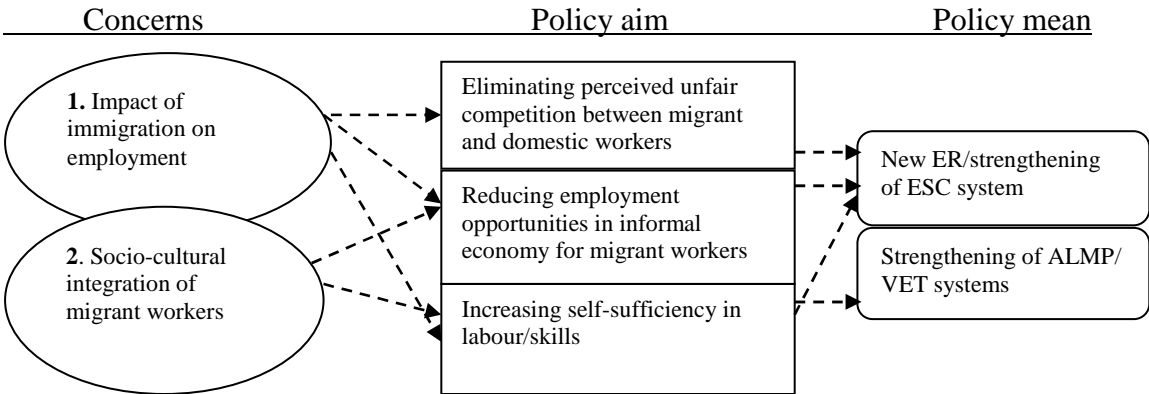
1. Conceptualisation of the ‘Migrant Worker Factor’

The ‘Migrant Worker Factor’ (MWF) can be conceived as a stimulus for labour market institutional reform. This factor encapsulates concerns about economic immigration, which are either entertained by policymakers²⁵ or relayed to them by other actors. The first type of concern is specific to the labour market; perceptions of economic immigration as a threat to the domestic workforce in terms of employment or employment standards. The second type revolves around the socio-cultural integration of labour migrants; the impact of labour immigration on standards of living, social cohesion and local culture (Bauböck 2007). These concerns can be about current migrant stocks/inflows or anticipated increases in immigration and tend to be correlated with increases in the size of migrant inflows.

Skilled migrant workers are generally preferred to low skilled migrant workers in advanced democracies due to the fact that they are well-educated and generally speak the language of their country of residence and consequently their socio-cultural integration is perceived as less problematic. I posit that the main concerns regarding skilled worker immigration are perceived competition in the labour market for well-paid, prestigious jobs, a reduction in public and employer incentives to invest in the domestic workforce and negative impacts on standards of living, in particular increasing pressures on the housing market with resulting rises in prices. In any case, concerns regarding labour immigration in general can also feasibly impact policy on skilled worker immigration.

²⁵ By policymakers I refer to elected representatives and senior civil servants.

Figure 3: The impact of the ‘Migrant Worker Factor’ on labour market institutions



The first group of concerns is most likely to stimulate the introduction of new ER or a reinforcement of the ESC system with the aim of eliminating perceived unfair competition between migrant and domestic workers. The two groups of concerns may also stimulate policymakers to aim to reduce the ‘pull factor’ of job opportunities in the informal economy for migrant workers – in particular undocumented workers - by means of the introduction of new ER or a reinforcement of the ESC system.

Moreover, the two groups of concerns can also conceivably stimulate policymakers to aim to increase the domestic supply of skills/labour available for employment in order to reduce current or future dependency on migrant workers, by means of a reinforcement of the VET system and the introduction or strengthening of ALMP, as well as an improvement in employment standards. While ALMP aims to increase participation in the economy, VET policy is geared towards providing the (future) workforce with the skills needed by employers. Improving employment standards ensures that the available jobs are of a good standard and thus attractive to the domestic workforce.

In a context of current or forecasted labour demand, while the quickest and cheapest solution is often the facilitation of labour immigration, concerns regarding the impact of the latter could (further) stimulate some policymakers to favour the preparation and mobilisation of the domestic workforce. Of course, policies to prepare and mobilise the domestic workforce for participation in the labour market are motivated by government aims for full employment and economic competitiveness, among other objectives and an improvement in employment standards conforms to the general objective of quality employment. Thus, while I do not

expect that the 'Migrant Worker Factor' is the only factor stimulating reform in these arenas, I posit that the 'Migrant Worker Factor' can feasibly provide further stimulus for these more general policy aims.

2. Theoretical framework for the impact of the MWF on labour market institutional reform

Due to the tremendous complexity of the policy process, 'fidelity' to any one analytical or theoretical framework is unlikely to contribute to a profound appreciation of its mechanics. As Peters and Pierre maintain;

The study of public policy is a very complex topic, and any attempt to force policy into a narrow theoretical frame should be considered with some scepticism...this complexity requires bringing together a wide range of theoretical and analytical perspectives to gain any sort of understanding of what is happening in any policy area (2006 p.1).

My theoretical framework for the impact of the MWF on labour market policy is based on the following assumptions derived from various frameworks regarding relations between participants in the public policy agenda setting and formulation process, the basic motivations of policymakers, the policy process environment and possibilities for policy change and institutional reform.

Agenda-setting and policy formulation is a case of hierarchical, horizontal inter-dependency. Due to the overwhelming power of the executive in Western European political systems (Page 2006), the most influential actors in the policy process are elected representatives, in particular those in governing parties and to a lesser degree civil servants, both of whom I refer to as policymakers (Kingdon 1995). However, research on policy or issue networks and advocacy coalitions (Stone 2000; Sabatier 1999; Hecló 1974) underlines the increasing dependency of policymakers on a wide range of actors including experts and interest groups. In fact, problems are often brought to policymakers' attention by actors within issue networks, where policies are also generated within the 'primeval soup of ideas' (Kingdon 1995; Zahariadis 2003).

Policy-making is a mixture of 'puzzling' - genuine efforts to come up with the best ways to govern society - and 'powering' - strategic competitive endeavours to gain power (Hall 1993;

Hecló 1974). Puzzling or problem-solving depends on policymakers' capacity for learning, both from experience – trial and error - and from interaction with other actors. Of course, puzzling will at times only occur if there is sufficient political impetus to so do. In this case of 'puzzling for power', the policy output may need to be attributable to a particular individual or group for them to be stimulated to engage in serious policy analysis (Boswell 2009). Even when 'puzzling for the sake of puzzling' occurs, policy choice remains profoundly political.

Any analysis of the public policy process must be based on the assumption of 'organised anarchy' (Cohen et al. 1972). Policymakers often do not know where policies originate when they are asked and contextual ambiguity, which refers to '*a state of having many ways of thinking about the same circumstances or phenomena,*' is common (Zahariadis 2003 p.3). Puzzling and the diffusion of ideas can be impeded by the fact that political organisations have their own beliefs, patterns of behaviour and 'semantics' and are often only willing and able to internalise ideas which fit in with their established convictions and routines (Boswell 2007a; Meyer and Rowan 1991; Luhmann 2003). Furthermore, civil servants may prioritise internal organisational issues over policy making (Spence 2000). There is also a certain degree of serendipity in the rise of an issue on the agenda and ensuing decision on a particular policy response. It can take a critical moment or 'policy window' when structural forces create a situation of consonance between a problematised issue and a particular policy response. At times, largely depending on the visibility of the policy, this may also depend on the dominant political 'mood.' While some issues, such as rising unemployment, become too large a political problem to be negated and policymakers learn about other problems by means of indicators, lobby group input or feedback from previous/existing policies; 'focusing events' such as strikes or plane crashes are significant factors in causing an issue to rise on the agenda (Kingdon 1995; Zahariadis 2003).

Partly due to the significance of ambiguity and contingency and in part due to the institutionalisation of policies and ensuing constraints to reform, public policy can be expected to remain relatively unchanged over long periods of time with intermittent moments of reform, often stimulated by crises or policy failures (Baumgartner and Jones 1993; Immergut 1992; March and Olsen 1994; Hall 1986; Hecló 1974)). While institutions²⁶ are

²⁶ Institutions refer to dominant paradigms, rules, norms and operating procedures which influence and apply across a variety of specific organisations. Note that unlike Hall's approach, dominant paradigms are not conceptualised here as distinct from institutions (Hall 1986).

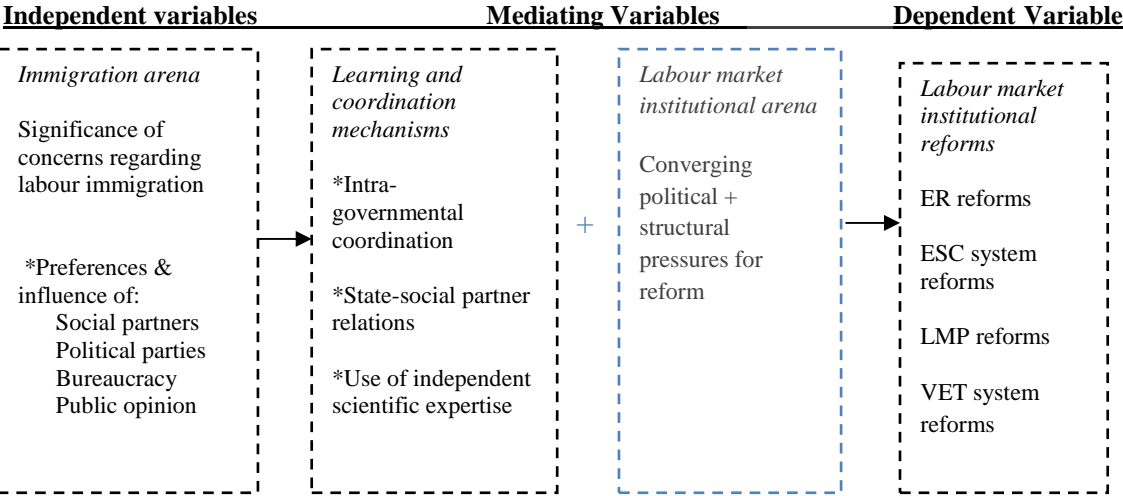
conservative forces, new or ‘opposition’ ideas and interests conveyed to the policymaking table by individuals or organisations²⁷ can be significant harbingers and shapers of change.

Drawing on comparative neo-institutionalist literature, I expect the impact of concerns regarding labour immigration on labour market institutional reform to vary across states. This literature is fundamentally concerned with demonstrating how different institutional arrangements – mainly the result of historic interests and ideas - drive divergent policy outcomes. Institutional rules determine who is involved in the policy process and institutional norms and ‘logics’ determine general policy expectations (Immergut 1992; Guiraudon 2000; Olsen 2001; Thelen 2003). This logic of action is based on the assumption that ‘*actors behave in interpretation of the rules and practices that are socially constructed, publicly known, anticipated, and accepted*’ (Olsen 2001 pp.193) and emphasises the importance of repetitive, more easily predictable action.

I expect the impact of the MWF to depend on: first, the significance of concerns regarding labour immigration and thus, the likelihood for issue problematisation; and second, the probability of a labour market policy ‘solution’ being proposed, which is mediated by learning and coordination mechanisms. Thus the independent variable of concerns about immigration varies across states and the influence of this variable on labour market institutional reform (the dependent variable) is mediated by learning and coordination mechanisms. In order to inject some dynamism and flexibility into the framework, I emphasise that the dependent variable is highly sensitive to changes in the independent variable, which can be due to chance events, ambiguous preferences or unexpected concerns. I also expect that the MWF is more likely to stimulate labour market institutional reform when there are converging political or structural pressures for reform. While I do not investigate this mediating variable at this stage, it will be taken into account in my empirical chapters. I now examine the significance of concerns regarding immigration and learning and coordination mechanisms in turn.

²⁷ Organisations are structures of social relationship, social actors arranged in positions and roles; usually, but not always, deliberately arranged and designed to achieve some end (Thelen 2003; Bouma 1998).

Figure 4: Theoretical framework for impact of MWF on labour market institutional reform in advanced democracies



2.1. Comparative significance of concerns regarding labour immigration

In order to derive expectations about levels of concern regarding labour immigration across states, I examined the available frameworks used to explain immigration policy outputs. There are a number of different explanatory models, including pluralist, realist and national identity theories. However, these models were mainly conceived with the aim of generating universal theory or explaining policy outputs in a particular state and as such are not easily applied to cross-national comparative policy questions. In fact following analysis of the existing theories, I only found a handful of variables which can be identified across states and used to explain differences in policy outputs.

Literature on immigration policy making has mainly focused on party politics, client politics, interest group power and government mediation between polarised interest groups (Freeman 1995; Zincone 2006; Schain 2006; Entzinger et al. 2004 ; Menz 2005). While some of the scholarship emphasises party ideology and successful mandate co-opting (from vote catching right wing parties) in explanations for policy outputs (Schain 2006; Van Selm 2005), others, using the power resources approach, assert the importance of client politics (Freeman 1995) and interest group advocacy (Watts 2002).

In explaining immigration policy outputs, pluralist, Marxist and neo-corporatist approaches focus on the interaction between political institutions and economic and social actors. In pluralist models, the state is conceived as a neutral arena for societal interests, citizens have clear mainly economic interests and policies are the outcome of competition, bargaining and coalition-making among groups of citizens (Sciortino 2000; Boswell 2007b). For example, Freeman argues that vote maximizing elected representatives are most influenced by organized interests – employers and immigrant groups - who have concentrated benefits from labour migration. The costs of migration are more diffuse for the native workforce or those living in neighbourhoods where migrants live and so they are less active in lobbying governments (1995). In class based approaches (Portes 1978; Castles and Kosack 1973) organized economic interests are seen as the most influential factor in immigration policymaking, while neocorporatist approaches (Hammar 1984) have focused on tripartite bargaining between the state and social partners.

The only variables which are common to these three approaches and which are easily comparable across states are the *social partners*²⁸ - *their preferences regarding immigration and influence on policymaking*. The preferences of social partners regarding levels of labour immigration can vary significantly across states (and time). While organizational preferences are largely interest-based, I do not exclude ideational influences on approaches to labour immigration. The influence of the social partners depends on economic and organizational power, as well as access to decision makers which can be more or less institutionalized. The power of the social partners and institutionalized cooperation between the social partners and the state also shapes the policy preferences of each social partner. I determine social partner preferences regarding labour immigration and their influence on policy across states through analysis of the existing literature and preliminary empirical research. Analysis of the influence of other nongovernmental actors on labour immigration policy across states is less straightforward due to their larger number. Moreover, they generally have less input and influence on labour immigration policy, as opposed to family migration, asylum or integration policy, than the social partners (Menz 2009). However, when the influence of one or more of these actors is particularly relevant in a given state, I take it into account.

National identity or ideology based approaches focus on how national identity and conceptions of national citizenship shape policies (Brubaker 1992; Meyers 2004). A related

²⁸ Representative organisations for employees and employers; trade unions and employer associations.

approach focuses on the influence of political party ideology, in particular extreme right party ideology, on immigration policy (Schain 2006). Along similar lines, one can look at correlations between public opinion on immigration and immigration policy outputs.

The 'ideological' variables which I take into account on a cross-national comparative basis are 1) *political party orientation and influence* and 2) *public opinion on immigration and the extent of government autonomy from popular pressures*. Regarding the former, though immigration is often seen as a partisan issue, decisions regarding the level and type of labour immigration, as opposed to policy on curbing undocumented migration, manifest ambivalent ideological divergences. Regardless of anti-immigration rhetoric, centre-right governments have been known to open up channels for legal immigration. Right and left wing parties and supporters have in fact displayed a sense of being sliced down the middle regarding the issue. While the Right is generally assumed to be both supportive of cultural homogeneity and business interests, the Left has the dual aim of defending the insiders - trade union members - and showing solidarity to the outsiders – in this case, 'the workers of the world'. The preferences of political parties as regards immigration are generally presented explicitly in party manifestos and speeches by party representatives. The influence of parties in terms of approaches to immigration can be measured by presence in government or co-optation of party proposals regarding immigration by parties in government. Public opinion on immigration is measured by cross-national surveys. However its policy impact depends on government autonomy from popular pressures, the level of which varies across states (Statham and Geddes 2006).

Regarding the role of the state, realist models 'bring the state back in' and, rather than seeing the state as a neutral arena for interest group lobbying, focuses on its endogenous interests, such as foreign policy objectives (Brettell and Hollifield 2000), bureaucratic interests (Guiraudon 2000) or the state's functional legitimacy (Boswell 2007b).

Based on the assumption that '*where you stand depends on where you sit*' (Hall 1993), if one ministry/department has more weight than others in a particular policy field, its 'internal ideology' – '*shared beliefs and values about an organisation's role and goals*' (Boswell 2007 p.9) - will be more influential on the policymaking process; from the problematisation of issues to policy choice. In the literature on immigration policy, Interior ministries are assumed to have a restrictive approach to immigration due to their prioritization of domestic security and law and order. Labour ministries are also generally advocates of strict regulation in order

to protect the interests of the domestic workforce, while ministries responsible for finance and enterprise generally support immigration, as do ministries of foreign affairs; the latter due to diplomatic priorities and use of immigrants as bargaining chips (Watts 2002; Guiraudon 1997). The most useful concept which the ‘statist’ approach contributes to comparative research is *bureaucratic responsibility for labour immigration*, which differs across states (Van Selm 2005).

In sum, I propose that the more hostile/cautious the actors involved in immigration policy are regarding labour immigration, the more likely it is that concerns regarding labour immigration will be sufficiently problematised to cross into another policy field.

2.2. Learning and coordination mechanisms

The likelihood that concerns regarding labour immigration will stimulate reform of labour market institutions partly depends on whether policymakers responsible for governing immigration or policymakers working ‘at the summit’ – mainly the Prime Minister’s office or Finance Ministry - are cognisant of the relationship between labour market institutions and labour immigration and whether there are efficient mechanisms for coordinating immigration and labour market policies.

One somewhat simplistic example should suffice as illustration of these dynamics. The automatic response of officials working in the Interior Ministry in a given state to concerns about the extent of undocumented immigration is the exercise of instruments at their immediate disposal, for example the reinforcement of border controls. However, the limitations of these instruments in stemming migrant inflows may become evident as the level of undocumented immigration remains significant. Officials may become cognisant of the significance of the causal relationship between the size of the informal economy and undocumented immigration by means of one or more learning mechanisms and, provided there are efficient coordination mechanisms, stimulate those working in the ESC domain to reduce levels of undeclared work.

As I note above, policymakers may not see the necessity to learn more about a particular social phenomenon unless it becomes publicly recognised that they have failed in governing it. Moreover, the selection of a new policy instrument can depend on how it is expected to impact voters’ preferences. However, as Hemerick and Visser point out, unpopular reforms

have been made to Western European welfare and labour market regimes since the 1980s, stimulated by perceived policy failure and social learning (2003).

Policymakers' knowledge of intersections between the labour immigration and labour market policy arenas and ability to coordinate across policy jurisdictions thus depends on learning and coordination mechanisms. Learning²⁹ mechanisms refer to routine modes of interaction between policymakers and 'informed actors' by which the former gain knowledge of the social world and policy effects. Learning regarding policy interactions sits somewhere between simple and complex learning (Hemerijck and Visser 2003). For example, Hall distinguishes between first, second and third order learning. The first is a case of routine policy adjustments involving change in the settings or levels of policy instruments. The second involves change in both policy instruments and their settings; however, the policy goal remains the same. While the first two types of learning remain within the arena of 'normal policymaking' and do not require a significant shift in cognitive/normative bases for policy, third order change involves the reform of policy instruments and their settings and a shift in the policy paradigm³⁰ (1993). The idea of attempting to impact demand for migrant workers by means of labour market institutional reform can be categorised as relatively straightforward 'second order learning'. By coordination mechanisms, I refer to institutionalized arrangements which bring together actors working on labour immigration and labour market policy and facilitate effective policy coordination. The learning and coordination mechanisms which I focus on are intra-governmental coordination, state-social partner relations and the utilization of scientific knowledge; while these are all learning mechanisms, the first two are also coordination mechanisms.

Learning can also occur through the mechanism of international policy diffusion, which refers to the use of policies from one political setting in the development of policies in another one; in particular policy learning within supra-national organisations like the European Union (Radaelli 2000; Stone 2000). For example, the Swedish model of highly integrated labour market and immigration institutions could be diffused as a model for other European states. However, I have not included this factor within in the theoretical framework as international policy learning is significant across advanced democracies, particularly within the European Union, and as such this mechanism does not provide me with expectations regarding variation

²⁹ Policymakers also learn from experience and above all failure.

³⁰ Policy paradigms are conceived as ideas and standards which function as interpretative frameworks for issue problematisation and policy formulation and choice.

in the effect of the MWF across states. Equally, learning can also be the result of a ‘focusing event’ or crisis, which brings attention to a particular problem. However, focusing events are clearly not possible to predict and thus do not provide expectations regarding variation in the impact of the MWF across states.

2.2.1. *Intra-governmental coordination:*

Studies of the state often treat it as a single body, rather than groups of actors working within internally differentiated complexes with varying norms and procedures which, if not in constant competition over resources or with incompatible policy goals, may simply not speak the same language (Calavita 1992; Page 2006; Crozier 1964).

Departmentalism is a long standing part of human organisation. It refers to the vertical division of competences and responsibility among groups, with the aim of developing specialist knowledge, serving a particular clientele and providing clear lines of accountability. States are organized into an array of separate organisations aligned to the delivery of particular services such as hospitals or schools. This organisation on vertical lines necessitates a certain level of horizontal coordination in order to reduce conflicting policies (incoherence), the duplication of activity (redundancy), excessively complex regulatory requirements (complexity), the lack of responsibility for an important area (lacunae) and in order to pool together information and compatible competences for particular problems (Hood 2005; Peters 2006). In fact, departmentalism has been described in disparaging terms as representing ‘*tunnel vision, mutual export of problems and preoccupation with defending institutional turf*’ (Hood 2005 p.22).

What is coordination? At its most simple, coordination implies simply communicating across organisational boundaries and taking into account the activities of other organisations. At its most complex, it necessitates a tighter relationship based on inter-locking divided activity in order to achieve a shared goal (Peters 2006).³¹ Intra-governmental coordination is significant for both learning regarding relationships between policy areas and effective policy coordination.

³¹ Coordination is commonly discussed in terms of positive and negative versions. The former refers to the aim of avoiding direct conflicts among programmes while the latter implies a supportive collaboration on a common goal (Peters 2006).

Public administration theory distinguishes three types of coordinating mechanism; hierarchy, markets and networks. Hierarchy refers to the use of authority and legal provisions in establishing coordination, for example cabinet systems and budgetary and regulatory reviews. Market mechanisms assume that actors will work together without the imposition of coordination by law and authority if there are mutual advantages in a given exchange. This is exemplified in the use of contracts among public organisations, which involve negotiating mutually acceptable deals (regarding the delivery of a service for example). Networks refer to patterns of interaction between individuals and organisations and depend on common interests and ideas between the individuals and groups involved. They include civil servant networks and (as I discuss below) relations between the state and interest groups. Regarding the former, an important mechanism for enhancing coordination within governments is structuring civil servants' careers in order to provide a broad understanding of the state and policy by means of frequent moves across departments and ministries. While there has been a stronger reliance on market mechanisms within governments over recent decades, the main instruments remain 'hierarchical' (Peters 2006; Hood 2005).

I focus on intra-governmental coordination involving ministries/departments responsible for labour immigration and those with education, welfare and labour market regulation portfolios, as well as policymakers working 'at the summit,' mainly in the prime minister's office. Much of the literature on intra-bureaucratic relations is focused on budget-maximising competition over portfolios. However, as immigration is a particularly politicised issue and one which oftentimes appears to be ungovernable, it may be that departments responsible for immigration will find it difficult to harness support from other administrations, which may be loath to get involved or enter the public spotlight in this area.

2.2.2. State-social partner relations:

Second, I take into account relations between the state and social partners. As the latter are comparatively small organizations which focus on economic and social issues, settings in which policymakers and social partners are brought together for sustained deliberation with the aim of problem-solving regarding a range of socio-economic issues are likely to foster learning and a holistic approach to labour immigration and labour market policy (Mosher and Trubek 2003). Due to their profound knowledge of labour market dynamics, a preference for restricting immigration within a trade union or employers association is likely to result in

proposals for labour market institutional reform, as opposed to attempting to govern immigration through immigration policy alone. As discussed above, the preferences of the social partners regarding labour immigration can vary significantly across states and time.

European industrial relations typologies allow us to compare the influence of social partners on socio-economic governance (as opposed to immigration policy – see above) and thus possibilities for social learning in different national contexts. Institutional factors determining social partner influence include neo-corporatist concertation mechanisms, formal statutory consultancy mechanisms and informal contacts between the government (and parliament) and the social partners (Ebbinghaus 2002). Neo-corporatism refers to a model political economy in which state authorities and interest groups participate together in a process of concertation of public policies; that is in deciding and implementing economic and social policies (Thomas 1993). Neo-corporatist arrangements are the most likely to generate social learning due to the levels of trust which develop among members as a result of stable membership and regular interaction.³² Moreover, the strength of relations between the state and social partners also has implications for labour market governance, particularly in the area of labour demand and supply forecasting which necessitates a certain level of coordination between the state and the social partners.

2.2.3. Utilisation of independent scientific expertise:

Finally, I consider variation in the use of scientific expertise in policymaking across states, which I argue will impact the probability of learning regarding the relationship between labour market institutions and labour market policy. Scientific expertise refers to research produced by individuals with academic qualifications, generally based in universities, international organisations, think tanks or policy units within government ministries. Experts are key actors in advancing the ‘social learning process’ and demand for evidence-based policy has grown in advanced democracies over past decades (Hecló 1974; King 1999; Stone 2000; Sabatier 1999; Hall 1986; Weiss 1978).

Of course, policymakers may incorrectly assume that they have an adequate understanding of an issue and consequently not request external expertise. Expert knowledge used in policymaking is also often constrained within the parameters for policy already laid down by

³² However, I take note that they have been accused of conservatism and inward-looking tendencies (Hemerijck and Visser 2003).

governments; for example, expert ideas may have more influence over the selection of policy instruments rather than defining policy objectives (Lindwall 2009). Moreover, the transfer of knowledge from academia to policymakers can be impeded by a disjuncture between the abstract, theoretical focus of academic research and policymakers' need for more practical knowledge, applicable to immediate problems (Boswell 2009). In fact, just the factor which theoretically makes academic expertise a significant factor in highlighting inter-policy linkages makes it unlikely that policymakers will be interested in this research. On the other hand, as discussed in the introduction, academic research can also be departmentalist and thus its ability to shed light on inter-policy linkages may be limited.

While expertise is often accorded a privileged position in social policy-making (King 1999), the use of academic research in immigration governance is less of a given. In fact, there appears to be a significant gap between the assumptions behind immigration policies and research on the causes and impact of immigration. At the same time, due to epistemic uncertainty about the causes and scale of immigration (and to a lesser extent its economic impacts) and the 'riskiness' of policy failure in a context of high politicization (Sciortino 2000), the need for academic research on the phenomenon, in order to aid 'puzzling' regarding the best way to govern immigration, is likely (Lindwall 2009). In fact, there has been a massive increase in public spending on research on immigration in advanced democracies over the past two decades (Boswell 2009).

The extent and type of collaboration with experts varies across government organizations and states (Spence 2000; Owen 2000). While some public administrations are well supplied with research units, others depend on appointing advisors, consulting experts and commissioning or utilising research from universities and research institutes. Moreover, in some states, the professor-politician is a dominant figure in the political system. External experts can also be delegated issues in order to remove them from the political arena or agenda (Timmermans and Scholten 2006; Stone et al. 1998).

There is consequently variation in the level of transparency regarding the scientific basis for policies. While the advice of expert appointees or consultants and the outputs of research units within the public administration will not necessarily be made public, government commissioned research is more likely to be. The latter is thus more ambiguous in terms of distinguishing whether research is used to aid puzzling or as a means of policy substantiation or organisational legitimacy (Boswell 2009). More generally, government commissioned

research, internal research and expert advice is limited by the parameters of policymakers' needs and will not necessarily shed light on policy interactions. The utilisation of independent research is thus the most likely to enlighten policymakers.

3. Hypotheses

In the simplest terms, I argue that it is more likely for concerns about immigration – the MWF – to impact labour market institutional reform in states:

1. dominated by social and political forces which are hostile/cautious regarding labour immigration

- 1.a: where one or both of the social partners are hostile or cautious about labour immigration, depending on the influence of the partner or partners.
- 1.b: where the parties in government or influential opposition parties are hostile regarding labour immigration.
- 1.c: where the Interior, Justice and Labour ministries hold the main responsibility for immigration
- 1.d: where a significant proportion of public opinion is opposed to labour immigration and where policy closely mirrors public opinion.

2: where there are strong learning and coordination mechanisms:

- 2.a: where there is efficient intra-governmental coordination
- 2.b: where there are strong state-social partner relations, particularly neo-corporatist arrangements
- 2.c: where there is a high level of utilization of independent scientific expertise.

3: where there are converging political or structural pressures for labour market institutional reform

3. Research design

In order to examine how labour market institutions determine levels and types of labour immigration across states and explore the role of the MWF in labour market institutional

reform, my project relies upon qualitative case studies of a number European labour migrant receiving states.

A comparative case study design is suitable for the exploratory bent of my analysis. While a qualitative approach is the only way of investigating the role of the MWF in labour market institutional reforms, I chose this method to illustrate my primary theory regarding the impact of labour market institutions on labour immigration, as I am not convinced that it could be adequately captured, developed or tested using a quantitative statistical model.

The reduction of labour market institutions to quantitatively comparable data at this stage would be detrimental to a profound understanding of the relationship with labour immigration. This relationship is complex because of the existence of simultaneous direct and indirect causal relationships. Moreover, many of the institutional factors I discuss are not easily quantifiable, such as systems of labour needs forecasting and employment standards compliance regimes. I have thus restricted my use of quantitative data to correlating labour immigration and institutional outcomes, for example, levels and types of labour immigration and female participation in the labour market.

1. Case selection

The countries investigated are Italy and Ireland, with France and Britain as shadow cases. I have selected these ‘matched pairs’ (Schmidt 2002) as examples of migrant labour destinations and different types of capitalism in order to explore the governance of labour immigration in particular labour market regimes. Italy and Ireland are relative newcomers to labour immigration management compared to France and Britain and while Ireland and Britain are generally categorized as ‘liberal’ political economies, Italy and France have been described as ‘post-statist’ (Ebbinghaus 1999; Menz 2009).³³

The main difference between the two regime types is in the role of the state. In liberal regimes state intervention in the economy is kept to a minimum due to a belief in the superiority of market forces and an understanding of the state – and collective action in general - as the cause of rather than the solution to economic problems (Blyth 2008; Crouch et al. 1999). The neoliberal economic growth formula prescribes balanced budgets, reduced taxation,

³³ These states have also been described as ‘mixed market economies’ and ‘Southern’ or ‘Mediterranean’ models (Amable 2003; Ebbinghaus 1999; Hancké et al. 2007).

deregulation and privatisation among other key policies and state intervention is principally limited to offsetting ‘market failures’ (Massey 2006). Moreover, liberal economic ideas are strongly supportive of free trade and increasingly of the free movement of workers; the latter allowing for the realisation of individual choices unconstrained by arbitrary power (World Bank 2006; Bauböck 2006). On the other hand, in the post-statist regime, the state has a comparatively important role in the economy based on a tradition of planning, industrial policy and state-owned enterprises. Despite a certain retreat of the state in this regime over the past thirty years of liberalisation (Della Sala 2004; Culpepper 2006), states have continued to intervene strategically in the economy to protect business and/or labour from the worst effects of the markets. Schmidt maintains that the ‘state-led’ capitalism of the post war period has thus evolved into ‘state-enhanced’ capitalism (2003).

I take note that Italy, Ireland and France fit rather uneasily into ideal-type categorizations within the field of political economy. While Britain is the European liberal prototype, Ireland has been described as a hybrid political economy melding a broadly liberal labour market regulatory system and welfare state with a ‘catholic corporatist’ system of industrial relations and catholic social ideology (McLaughlin 1993; Amable 2003). French ‘exceptionalism’ is reflected in a tradition of relatively efficient state intervention in the economy and high levels of public support to female participation in the labour market (Schmidt 2003; Morgan 2003). The Italian labour intensive production system and large unexposed low-skill services sector is increasingly at variance with the decline in low-skill primary and secondary sector employment and attempts to concentrate on higher value-added production in France (Culpepper 2006; Reyneri 2007). Moreover the extreme socio-economic divergences between northern and southern Italy deters easy categorisation on a national level. However, each pair has more in common than any of the individual states has with any other state in Europe, with the partial exception of Italy and Spain. The choice of France as opposed to Spain as Italy’s shadow case was due to a certain symmetry with Ireland’s shadow case, Britain. Britain is another ‘old’ immigration state and moreover, Irish and Italian political and economic systems were largely modeled on (respectively) Britain and France.

In fact, the inclusion of the two shadow cases allows an investigation into two levels of abstraction; at the ideal-type level and within the ideal-type level. While my analysis of the role of political economic regime factors begins at the ideal-type level of abstraction (typologies originating in the comparative capitalisms literature), I also investigate intra-

regime variance. While the ideal type analysis can result in generalisations with wider relevance, this lower level of abstraction ensures against cursory assumptions and conclusions.

Table 8: Broad similarities and differences in political economy between the two ‘matched pairs’ at the turn of the millennium

| Ireland and Britain | Italy and France |
|---|--|
| <p><u>Broad similarities</u></p> <ul style="list-style-type: none"> • Economic regime: low skill, low income equality • Light touch labour market regulation • Welfare state: means tested; universal • Education system: tradition of general education; low investment | <p><u>Broad similarities</u></p> <ul style="list-style-type: none"> • Labour market regulation: highly regulated primary labour market • Conflictual industrial relations, weak fragmented labour movement • Largely passive labour market policy • Education system: State controlled VET system |
| <p><u>Differences</u></p> <ul style="list-style-type: none"> • System of industrial relations: Ireland neo-corporatist; British conflictual industrial relations with weak labour movement • Social ideology: Ireland influence of catholic social ideology particularly regarding female participation in the labour market | <p><u>Differences</u></p> <ul style="list-style-type: none"> • Economic regime: French higher skill base and higher level of income equality • Welfare state: France more generous welfare state, in particular higher level of public social service provision |

Apart from recent work by Krings (2009) and Menz (2009), research on Irish immigration policy has not been undertaken on a cross national comparative basis, even with other ‘new immigration countries’ and there is a dearth of analysis of the policy process *per se*; the scholarship being mainly in the domain of policy description and advice (Ruhs 2005; Mac Einri 2005, 2001). Research on Irish labour market policy is also largely non-comparative, important exceptions being Hardiman’s research on VET institutional development (2009) and Donaghy and Teague’s and McLaughlin’s work on industrial relations (2006; 2007). Italian immigration policy has mainly been researched on an individual case study basis or in tandem with other Mediterranean new immigration countries (King et al. 2000; King and Black 1997b). Notable exceptions are Einaudi and Watts’ comparisons of Italian and French immigration policies (2006; 2002). Some aspects of Italian labour market policies have been compared with French and British policies (Gualmini and Hopkin 2009; Schmidt 2002).

Regarding my shadow cases, French public policy research is mainly inductive and concerned with the national system, manifesting “*little comparative pretension*” (Giraud 2003 pp. 18). When French immigration policy is compared, it is generally with countries with a similar immigration history, such as Germany (Freeman 1995; Hollifield 1986). British immigration policy has been considered less in a comparative perspective, partly as, unlike much of North-Western Europe, it did not have a temporary guest worker system in the post-war period (Joppke 1999). On the other hand, much comparative research has been carried out on French and British labour market institutions and their reform (for example Schmidt 2002 ; Clegg and Palier 2009; Clasen and Clegg 2003). In sum, my choice of case studies, particularly my main case studies, Ireland and Italy, responds well to the need for ‘*broadening the territorial scope and depth*’ of academic knowledge of the social and political world (Lasswell 1968 pp.3).

With regards to timelines, Part I of the thesis focuses on explaining why Italy and Ireland became countries of labour immigration since the 1970s in the case of Italy and the late 1990s in Ireland. Regarding Part II of the thesis, I have chosen to investigate the policy process during the decade 1997-mid 2008; a period in which labour shortages and demand for migrant workers grew in Western Europe. While France, a country of ‘zero’ immigration for twenty years began to look at the possibility of labour immigration again in the late 1990s, 1997 was the year in which Ireland, the newest immigration country, became a country of stable net immigration. In 2008 the financial crisis hit Europe; approaches to immigration changing markedly from 2009.

The specific labour market institutional reforms, which I analyse in Part II of the thesis, are within the ESC, LMP and VET arenas. More specifically I chose to analyse the stimuli behind ESC system reinforcement and the development of ALMP in the four states between 1997 and mid 2008. I also examine what drove the Irish and British governments to intervene significantly in the VET market during this period. Taking a cross-sectoral approach, evidence will be variably placed on the health(care), hospitality and construction sectors. I chose these sectors as they have been important employers of migrant workers in the four states (see table 2 above) and cover a range of occupations, from low skilled and low paid to high skilled and high paid. This sectoral focus is particularly relevant for my analysis of ER/ESC systems and VET systems (see in particular chapters 2, 3 and 7).

2. Strategy of analysis

The role of labour market institutions in determining demand for labour immigration in my two case studies, Italy and Ireland, is shown by analysing the congruency of levels and types of labour immigration with 1) independent variables identified within existing explanations for labour immigration to those states and 2) particular labour market institutional outcomes. The question of the MWF in labour market institutional reform is more complex and my strategy of analysis is divided into two stages.

First, based on the theoretical framework developed above, I develop expectations regarding the likelihood that the MWF stimulated labour market institutional reform during the decade 1997-mid 2008 in my case studies and shadow cases (Chapter 4). Second, I rely on an analytical approach resembling ‘process tracing’ in order to ascertain whether concerns regarding labour immigration were a factor - or the factor - stimulating reform (Chapters 5, 6, 7). Process tracing is a strategy used to infer causal mechanisms within cases.

The process-tracing method attempts to identify the intervening causal process – the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable... Process tracing forces the investigator to take equifinality into account, that is, to consider the alternative paths through which the outcome could have occurred, and it offers the possibility of mapping out one or more potential causal paths that are consistent with the outcome and the process-tracing evidence in a single case (Bennett and George 2005 p.206-7).

My aim is not to disentangle the process linking two defined variables (independent and dependent). The objective is to discover whether the MWF was (one of) the independent variable/s, by unearthing the origins of the dependent variable of labour market institutional reform. In the simplest terms, I analyse formal and informal policy discourse in order to identify the rationale behind labour market institutional reforms, when possible outlining the processes and causal mechanisms that led to specific cases of reform where the MWF is significant. When my findings do not support the expectations based on my theoretical framework I attempt to provide an explanation.

I have used four main sources of information in order to gather the relevant data for hypothesis testing: secondary literature; statistical data; primary sources, notably official documents, speeches and media accounts; and interview data. The latter was largely channeled towards exploring my second claim. I conducted semi-structured and in-depth

interviews with representatives of the bureaucracy and social partners, as well as some experts. My focus on civil servants was motivated by the objective of gaining the most reliable information on policy development – in terms of relatively low levels of strategic political framing. On the other hand, representatives of the social partners were targeted for their knowledge of the labour market and policy development. The selection of authoritative civil servants and social partner representatives was principally based on examination of organisational internet sites.

I conducted a larger number of interviews in my two case studies, Ireland (17) and Italy (17) than in the shadow cases, Britain (6) and France (5). Interviews included standardised closed and open-ended questions in order to allow for comparison of responses from similar organisations (Holstein and Gubrium 2002). They were conducted in the language of the interviewee and were taped, transcribed and translated into English. The probability of subjective understandings of the policy process and organizational framing was countered by attempts to triangulate interview material, particularly across organizations, and combine interview findings with other primary and secondary data.

PART I

Labour market institutions and labour immigration

Chapter 2

Italy

I critically examine the existing explanations for the initiation and perpetuation of labour migration to Italy and present an explanation for labour migration to Italy revolving around labour market institutions. I posit that the institutions governing the labour market in Italy have created demand for migrant workers first, by generating a comparatively large number of low-skill, low-wage jobs and second, by producing massive obstacles and disincentives to the labour market participation of the domestic supply of labour.

Introduction:

In this chapter I draw out my argument regarding the role of labour market institutions in determining demand for particular types of foreign labour with a case study of Italy between the 1970s and the early 2000s. Italian labour market institutions have generated a comparatively large number of low-skill, low-wage jobs and have produced massive obstacles and disincentives to the labour market participation of the domestic supply of labour, thus contributing to demand for foreign labour, particularly in low-wage sectors of the economy.

Following a brief account of labour migration to Italy, I critically examine the existing explanations for the initiation and perpetuation of labour immigration to that country. I then present my institutionalist explanation, first investigating the role of the institutions shaping and governing jobs in Italy and how they have direct and indirect effects on demand for migrant labour and second examining the role of other institutions which influence the availability of the domestic labour supply and have an indirect effect on demand for migrant workers.

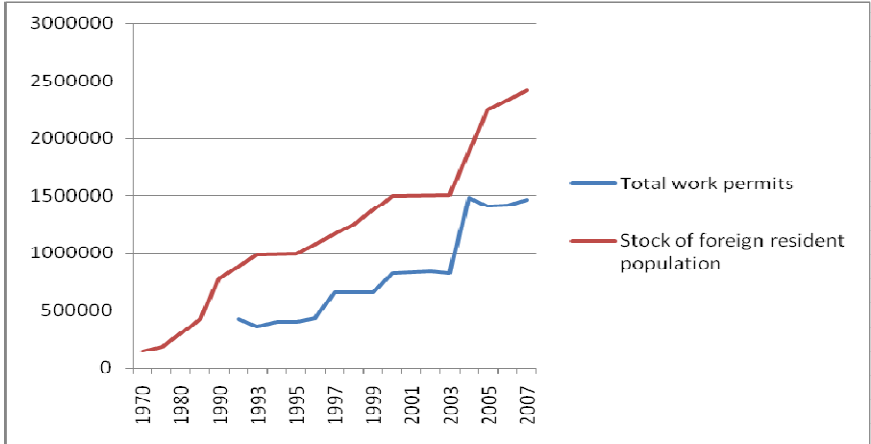
1. Labour migration to Italy: the facts

Italy was a major emigration country until 1973, however, over the past twenty years, it has received the most migrants in Europe after Spain (Chaloff 2005; Reyneri 2007). Though

economic migration to Italy began in the mid 1960s, principally for work in private homes or in the Sicilian fishing industry (Einaudi 2007), Italy is generally asserted to have become a country of immigration in the 1970s, due to the more substantial inflows during this decade. The number of foreign residents increased from 143,838 in 1970 to circa 300,000 in 1980 and Italy became a country of net immigration in 1981 (Del Boca and Venturini 2003b; Pugliese 2002). The country is thus often asserted to be a relative newcomer to the immigration phenomenon, in comparison with Northern European neighbours such as France and Germany (Zincone 2006).

The first significant inflows arrived between 1984-9, when approximately 7-800,000 people arrived in Italy. It has been estimated that 300-350,000 of these arrivals entered or remained without a valid residence permit (Zincone 2006). Legal and undocumented immigration to Italy grew steadily; regarding the former, by 1997 more than a million residence permits were issued (Einaudi 2006).

Figure 5: Stock of resident foreigners (1970-2007) and number of work permits issued in Italy (1992 – 2007) (in thousands)



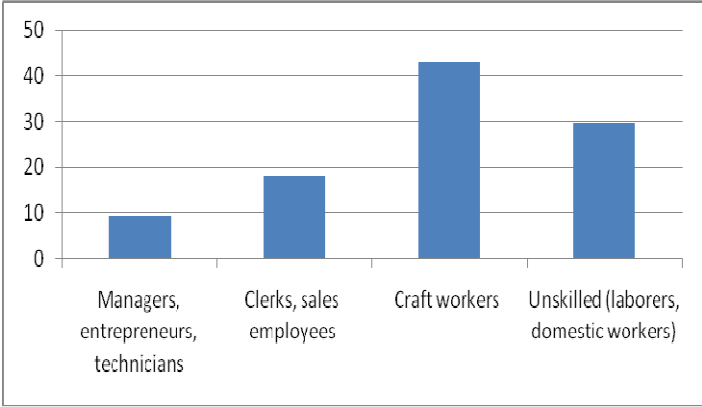
Source: ISTAT *Permessi di soggiorno per motivo di lavoro e sesso 2007*, Ministero dell’Interno, 1° Rapporto sugli immigrati in Italia, 2007

During the mid to late 1970s, migrant workers entered the agricultural, construction and industrial sectors and in the 1980s the services sector (particularly the tourism industry) grew in importance as an employer of migrant workers. Northern Italy has become the main destination for labour migrants; between 1990 and 2002 North East Italy increased its share of immigrant population significantly from 32% to 52% (Einaudi 2007).

Regarding occupational characteristics, 73% of migrant workers are registered as manual workers (Ministero dell’Interno 2007). In 2007, just over 4% of employed professionals and

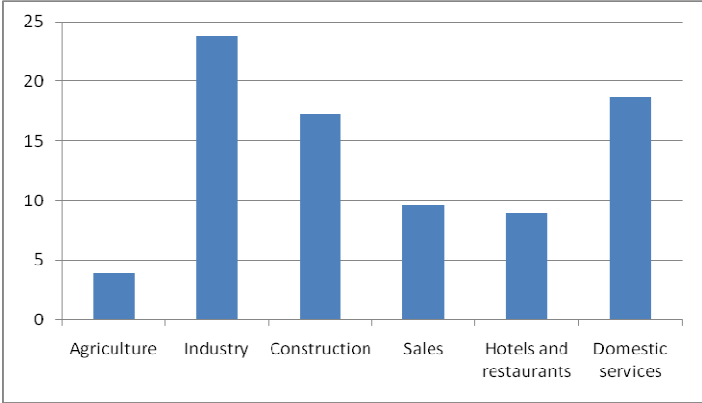
associated professionals were foreign-born, the second lowest percentage in Western Europe (see figure 2 above). Finally, over 36% of work permits issued within annual quotas have been issued to women since 2004 (Reyneri 2007).

Figure 6: Proportion of migrant workers per professional group in Italy, average 2006 (percentages)



Source: Ministero dell’Interno 2007

Figure 7: Distribution of migrant workers across sectors in Italy, average 2006 (percentages)



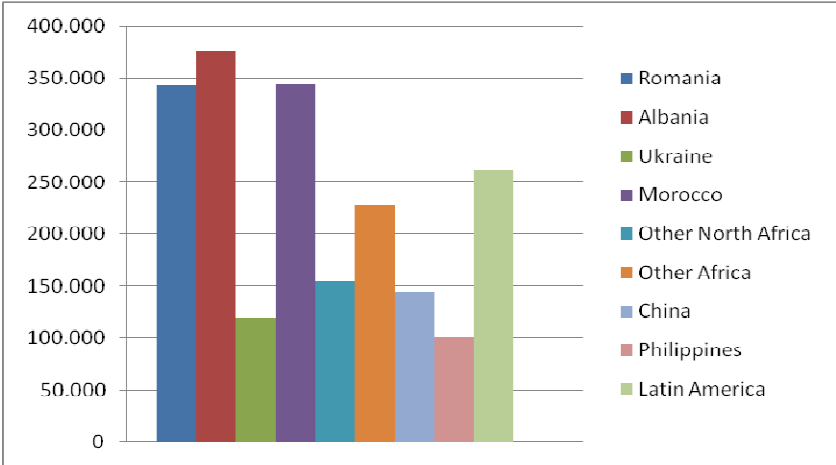
Source: ISTAT Rapporto Annuale 2006

There are two aspects of the Italian experience of labour immigration which stand out; the tremendous heterogeneity of foreign nationals employed in Italy and the size of the undocumented migrant population. Regarding the former, the first immigrants were from Italy’s ex-colonies (Eritrea, Ethiopia, Somalia), Catholic countries such as the Philippines and Cape Verde, but also the Indian subcontinent and Tunisia. Subsequently, in the 1970s and 1980s migrants from various African countries (for example Morocco, Senegal, Nigeria and Ghana) predominated. In the 1990s, inflows of European migrants began to surpass those from Africa, particularly Albanians and Poles and from the mid 1990s, Romanians. Finally,

since the end of the 1990s, Italy has seen growing numbers of Ukrainian and Moldovan labour immigrants (Del Boca and Venturini 2003b; Einaudi 2007).

Most of the labour migrants in Italy entered without any proper permit to stay. For example, in 1980 while only 200,000 residence permits were issued, more than 300,000 illegal migrant workers were estimated (Einaudi 2006). Undocumented workers are concentrated in services (70%), agriculture and construction (Del Boca and Venturini 2003b) and often obtain residence permits within the system of annual quotas for *entry* of non-EEA³⁴ workers³⁵ or as a result of one of the regular amnesties for undocumented migrants granted by Italian governments (there have been five of these since 1986) (Brucker et al. 2006).

Figure 8: Foreign population in Italy by main nationalities, 2007 (thousands)



Source: Istat, La popolazione residente in Italia, 2007

2. Critical examination of explanations for labour migration to Italy

In chapter 1, I set out the main explanations for labour migration which dominate the literature. These explanations include factors as disparate as wage differentials and variation in levels of openness to immigration across states. I now critically examine the main explanations which have been proffered to account for labour migration to Italy, first and foremost the initiation of labour migration to Italy in the 1970s and 1980s and secondly the perpetuation and growth of immigration during the 1990s and 2000s.

³⁴ The European Economic Area (EEA) comprises the EU member states together with Norway, Iceland and Liechtenstein.

³⁵ The quota system was established in 1990 and activated in 1995.

2.1. The initiation of labour migration to Italy:

While the question of the determinants of immigration to Italy is most actively tackled by economists, the disciplines of sociology and history have provided the most fruitful explanations. The existing explanations for the initiation of immigration to Italy include one or more of the following six factors: 1) *Italian economic growth in the post-war period*; 2) *social development*; 3) *economic restructuring*; 4) *the closure of Northern European labour markets to further immigration in the early 1970s and the absence of immigration controls in Italy*; 5) *the territorial and geographical situation of Italy*; 6) *and the size of the informal economy* (Zincone 2006; Del Boca and Venturini 2003b; Reyneri 2003; Einaudi 2007).

Together these factors provide a rather all-encompassing explanation for the initiation of labour migration to Italy in the 1970s, which includes domestic and international economic and political variables and a territorial/geographical factor. However, I posit that this configuration of factors does not adequately explain why Italy became a country of immigration, due to the weak causal significance of some of the factors, the exclusion of relevant variables and the need to delve deeper into others. I will now take a critical look at these six factors before moving briefly to the existing explanations for the perpetuation and expansion of immigration to Italy from the mid 1980s.

Income per capita increased in Italy during the post-war economic boom, closing the gap with Northern Europe; in 1950, income per capita was only half that in Britain, however, in little more than 20 years, it had grown to 92.3% of the European average (Einaudi 2007; Del Boca and Venturini 2003b). The neoclassical economics based argument is that migrant workers could now earn enough in Italy to make migrating there worthwhile (2003a). In fact, Del Boca and Venturini assert that in the early 1970s wages were higher for manual workers in Italy than in France (2003a), which seems to imply that regardless of the closure to immigration in France in 1974, migrants would have arrived in Italy (see below).

This argument is at odds with the fact that labour migration to Italy began in a context of rising unemployment and falling wages. The Italian economy was badly hit by the first oil crisis and large scale lay-offs ensued. During this decade the unemployment rate rose for the first time since the 1950s (Gualmini 1998; Ferrera 2006). In fact, between the 1970s and the late 1990s, Italy was plagued by high unemployment and a low employment rate; both phenomena being accentuated in the Southern regions (Dell'Aringa and Lucifera 2003; Ferrera 2006; Graziano 2008). Moreover, migrant employment in industry became apparent

just when wage growth was declining for the first time in nearly a decade. Following an ‘explosion’ in wages in the mid 1970s, industrial real wage growth began an inexorable decline from 1977 falling to zero growth in the 1990s (Zenezini 2004; Levrero and Stirati 2004).

Sociological and historical analyses contain part of the answer to this conundrum of economic crisis, unemployment, falling wages and the initiation of substantial labour migration to Italy in the 1970s – as well as the continuation of labour migration until today. Echoing Piore’s theory of social status concerns, they emphasise the concept of ‘refuted jobs’ which are jobs which Italians refused to do, as social expectations and education levels grew with economic development from the 1960s onwards (Reyneri 2003; Einaudi 2007). Italian refusal to take up certain jobs left gaps in the labour market for migrant workers. Einaudi maintains that these ‘refuted jobs’ were first in fishing, agriculture and domestic work and then in heavy industry jobs, expanding as a tertiary sector culture grew among Italians (2007). Moreover, structural accounts of labour immigration to Southern Europe introduce the institutional part of the story (Watts 2002; King and Black 1997a). Demand for foreign workers is explained by the transfer of domestic workers from low to high productivity sectors in the post-war decades and a rapid decline in the rate of internal migration in the 1970s. Trade union led wage gains in large firms in the late 1960s were a key motivation for the shift to a ‘post-fordist’ decentralised production strategy from the late 1970s. Through assigning some phases of production to smaller units, characterised by low union presence and greater labour flexibility, this strategy increased the number of jobs deemed unattractive by a domestic labour force with rising social expectations and resulted in demand for ‘flexible’ foreign workers. Domestic workers avoided or postponed taking up these unattractive jobs by means of welfare benefits or spending long periods in the education system.

However, I argue that we must delve deeper in order to paint a complete picture of why the Italian economy demands migrant labour. First, we must identify the various institutional factors which have led to (the continuing) dominance of low-wage, low-skill employment. Second, it requires analysis of the obstacles and disincentives to participating in the labour market within the welfare system, some of which are unrelated to the characteristics of the jobs available. And finally I posit that the demand for migrant workers is not always a function of the will of the domestic labour supply; some employers prefer migrant workers due to their cost. These issues will be developed in the next section. Let me now examine the

remaining three factors, which are often proffered as explanations for the initiation of labour migration to Italy.

Perhaps the closure to labour immigration in Northern Europe in the early 1970s and the absence of an immigration regime in Italy until 1986 (the Foschi Law) could contribute to explaining why Italy became an immigration country in the 1970s, in a context of economic crisis and unemployment? Contrary to Del Boca and Venturini's argument regarding Italy's competitive wages for manual workers, one could posit that migrants moved from Northern Europe to Italy (and other Southern European states) because they had no other choice. However, as Einaudi has argued, the stop on immigration in Britain in 1971, Germany in 1973 and France in 1974 did not move significant numbers of immigrants to Italy. National groups in these countries were hardly present in Italy in the 1970s; only in the case of France were there some commonalities such as Tunisians (who had already established themselves in Sicilian fishing industry in the 1960s) and Moroccans. Moreover, as I argued in Chapter 1, the presence or absence of legal channels for immigration and border controls does not determine aggregate immigration flows at all times; their main effect is on the legal status of migrants. In fact, we *can* assert that the initial absence of legal channels for immigration to Italy – followed by a particularly restrictive immigration regime from 1986 - was an important factor in shaping the undocumented form of much of migration to that country (Zincone 2006).

Italy's long and porous frontiers, bordering less economically prosperous states, have also been argued to contribute to the explanation for substantial inflows of undocumented migrants (Del Boca and Venturini 2003b; Zincone 2006). However, though this argument is apparently logical, it has been far from significant, at least since the early 1990s (Reyneri 2007). Despite the fact that the Italian media has long focused on the landings of 'clandestine' migrants on Southern Italian shores, migrants arriving without papers by sea are estimated to be between 4-12% of the total population of undocumented migrants in Italy (Einaudi 2007). The majority of undocumented migrants are 'overstayers'; arriving legally (tourist visa, working visa etc) and staying beyond the duration of their permission to stay. In fact, most undocumented migrants initially arrive legally by plane.

Finally, it has been asserted that undocumented migrants have chosen to move to Italy as it is easy to stay and work in one of the largest informal economies in Western Europe (Reyneri 2003). This unregulated economy competes on the basis of cost and provides employment for those willing or obliged to accept below standard wages and working conditions. Migrant

workers have become an important element in sustaining and expanding the informal economy (Einaudi 2007). I would emphasise in particular the factors which contribute to the pervasiveness of the black and grey economies in Italy, in particular, the vicious circle of high non-wage labour costs and weak enforcement of fiscal and employment regulations (see below).

2.2. The perpetuation and expansion of labour migration to Italy:

Apart from some of the factors discussed above and the role of migrant networks, the perpetuation and expansion of labour migration to Italy from the 1970s is generally accounted for by two factors; demographic decline and immigration policy.

Einaudi asserts that while the initiation of labour migration to Italy was the result of economic development, the substantial increase in inflows from the late 1990s was due to demographic decline. An increase in per capita income in the decades following the Second World War brought about a ‘demographic transition’ – the adaptation of reproductive habits to new socio-economic conditions. In concrete terms, the birth rate began to fall in the 1970s and fell below the death rate at the beginning of the 1990s. Einaudi maintains that the effects of this decrease in the birth rate began to become evident on the labour market around 1998, as exemplified by a decrease in unemployment. This led to more gaps in the labour market for migrant workers. The second demographic effect on the Italian labour market is that due to increased life expectancy, there are growing numbers of people above retirement age who need to be cared for. Einaudi maintains that this has led to the demand for migrant care workers (2007).

It should be noted, however, that the demographic variable is not the only explanation for the reduction in unemployment in Italy around the turn of the millennium. It has also been argued that the introduction of more flexible employment contracts during the 1990s led to a decrease in unemployment (Gualmini and Hopkin 2009). Furthermore, when discussing the impact of demographic change on the labour market, it is important to also take into account the domestic inactive labour supply. While it is true that the working age population began to shrink in the late 1990s, it is also the case that there are large numbers of inactive working age people, whose entry or return to the labour force could theoretically make up for the reduction in numbers of new entrants to the labour force. Moreover, the demand for migrant care

workers cannot be explained without analysis of Italian social services arrangements. I return to these factors below.

The second factor which is argued to account for immigration to Italy over the last few decades is immigration policy (Zincone 2006). The regular legalisation procedures for undocumented migrants are argued to have led to large inflows of undocumented migrants, who come to Italy to partake in an announced regularisation. For example, in the first three months of 2002, there were 2,600 landings of undocumented migrant workers a month, arriving to take advantage of the heavily publicised regularisation procedure of that year (Einaudi 2007). The fact that regularisation procedures function as an incentive for undocumented immigration is well known (CEC 2002), however, clearly, this factor does not explain how migrant workers find employment before or after the regularisation; that is, the 'root cause' of labour immigration to Italy.

3. How labour market institutions contribute to the explanation

I now provide evidence for the causal relationship between the Italian labour market regime and demand for migrant labour from the 1970s until today, with a focus on three employment sectors; health(care), construction and hospitality. The first section is focused on the institutions shaping and governing jobs in Italy and how they have direct and indirect effects on demand for migrant labour. In the second section, I take a look at the institutions which, instead of directly impacting jobs, influence the availability of the domestic labour supply. These institutions have an indirect effect on demand for migrant workers.

Regarding the latter, it is noteworthy that the role of the education and training system in indirectly creating demand for migrant workers is less significant in the Italian case than in the Irish case (see below), as reflected in a comparatively low level of demand for skilled migrant workers. This is partly explained by the low-skill basis of the production regime (Pizzuti 2005). However, it also appears that the Italian education and training system is relatively successful in responding to skill needs. Italy has a long tradition of centrally regulated initial school-based vocational education, while vocational training is under the responsibility of the regional authorities (Cedefop 2007). In comparison with other European states, the technical/vocational track has always been of striking significance in Italy, generally taking over 60% of secondary school students since the 1960s and 72% in 1995. In

fact, a report from the OECD dating to 1998 maintains that, despite a reduction in those enrolling in technical/vocational education in secondary school, in general it cannot be said that Italy does not produce enough vocational skills (1998).

Demand for skilled migrant workers, such as nurses or specialised construction workers, is mainly a case of difficulties attracting Northern Italians into training for these careers, due to their poor image³⁶ (FILLEA CGIL 2003; Società italiana di Medicina delle Migrazioni 2006) and the absence of state incentives for South-North study and labour mobility (Infermiere 2007).³⁷

3.1. *The Jobs: Direct and indirect effects on demand for migrant workers*

3.1.1. The wage-skill basis of economic regime

Italy is characterised by an economic regime based on low skills and low wages; the typical firm being a small family business relying on cheap, low skilled labour (Ebbinghaus 1999; Boeri et al. 2005; Pizzuti 2005). Moreover, as noted above, following the years of strong wage growth between 1968 and 1976, real wage growth in the private sector steadily declined, reaching zero growth in the 1990s (Levrero and Stirati 2004; Zenezini 2004). By 2007, average net earnings were the second lowest in Western Europe in terms of purchasing power (OECD 2007b).

Italians, whose expectations regarding employment have increased over past decades, have become increasingly repelled by low paid, low skilled private sector jobs. This has led, particularly among the middle classes, to a structural preference for extended study and queuing for better paid and more stable public sector employment, which is financially supported by the family (Pugliese 2002; Dell'Aringa and Lucifera 2003; Ferrera 2006). As an official from the Presidency of the Council of Ministers maintained in September 2008; '*In better paid jobs requiring more skills, there are still some Italians. If you pay more you will have Italians*' (Interview PCM). Concomitantly, employers, particularly owners of small firms, find migrant labour attractive as – regardless of their educational level - they accept to

³⁶ That said, the shortage of specialized construction workers (Chaloff 2005) is asserted to be in part due to inadequate training provision which does not meet employers' needs (Fellini et al. 2003).

³⁷ There are areas in the South and Centre of Italy where there are more applicants for the nursing degree than places.

work for low wages and, counter-intuitively, tend to stay long term; while Italians exhibit a higher turnover (Reyneri 2003; Colatrella 2001).

The relationship between wage growth decline and immigration is illustrated by the correlation between a stagnation of wages in the construction sector from the early 1990s (Zenezini 2004) and the beginning of significant labour migration to that sector (Interview FILLEA CGIL). Moreover, the relationship between low wages and demand for migrant workers is not limited to industry; one of the main difficulties in attracting young Italians into nursing are the low wages on offer, which has contributed to the gap in the market for migrant nurses (Società italiana di Medicina delle Migrazioni 2006; PEMINT 2003).

How can the low wage-skill basis of the Italian economy be explained and where do institutions fit in? The two main issues are productive specialisation and industrial relations and wage policy. While I focus on the latter, I briefly address the former.

3.1.1.1. Productive specialisation

To a much larger degree than the rest of Western Europe, the Italian production model has remained unchanged since the 1950s; the main exports being from traditional low-skill sectors specialising in low-tech goods such as textiles and mechanical appliances, which are more and more exposed to competition from developing countries (Boeri et al. 2005). Cost competitiveness has reigned as the commercial strategy; Italian industrial and innovation policy failing to improve the productivity of Italian firms (Evangelista 2007; Rossi 2007 ; La Spina 2003). State efforts to support innovation have been highly dispersed and have achieved negligible results, in contrast with state policy in Spain, for example (La Spina 2003; Evangelista 2007). Moreover, the normative, fiscal and financial context does not incentivise small firms to increase their size; the size of companies being an important factor for investment in innovative management or production techniques (Rossi 2007).³⁸

3.1.1.2. Industrial relations and wage policy

The constant decline in wage growth since 1977 can be understood as the result of economic restructuring and the decline in trade union bargaining power. While there has been a long-

³⁸ Furthermore, a large proportion of the economy is characterised by sectors with low levels of efficiency and exposure to international competition such as construction, wholesale and retail trade and hotel and restaurants (Reyneri 2007). In addition, comparatively large public debt has resulted in spending constraints in the public sector which has an impact on wages for nurses in public hospitals for example (interview IPASVI).

term decline in labour productivity in Italy since the mid 1970s and this is often presented as the explanation for low wage growth in Italy (see for example Boeri et al. 2005), there is no systematic correlation between labour productivity and real wage growth (Levrero and Stirati 2004; Zenezini 2004). The role of productivity declines appears to be more in its contribution to business requests for wage moderation. In fact, there has been a shift in the distribution of income from wages to profits since the second half of the 1970s, reaching an historic high in 1995. Wage growth began to fall a few years before productivity declined and from 1992 productivity growth, while falling, was always higher than the growth of real wages (Zenezini 2004).

Zenezini and Levrero and Stirati emphasise the factor of industrial relations and wage policy in the explanation for this shift from wages to profits over the past thirty years. Between the 'hot autumn' of 1969 and 1975, the Italian trade union movement succeeded in establishing a high wage, high protection employment regime. During these years, wages increased more than productivity and in 1975, wages were linked to price increases through a formal mechanism called the 'mobile scale' (*scale mobile*). However, in 1977, the 'mobile scale' was frozen and over the next two decades efforts were repeatedly made to moderate wages, culminating in the abolition of the mobile scale in 1992. With the 1993 Protocol, wages would be negotiated according to anticipated inflation, rather than real inflation, supplemented by local level wage bargaining based on productivity. However, the inflation rate was systematically higher than anticipated and the unions have been unable to ensure the development of firm level bargaining.

This change in wage policy can be understood as a reaction against trade union gains, in the context of economic crisis and redundancies after the mid 1970s. As a result of the economic crises of the 1970s and facilitated by technical innovations, employers developed a 'decentralised production' strategy, which assigned some phases of production to smaller units, characterised by low union presence and greater labour flexibility. These processes undermined trade union strength. In 1977, the trade unions, including the Communist *Confederazione Generale Italiano dei Lavoratori* (CGIL), accepted the request for wage restraint in exchange for workers' participation in private and public investment decisions; an exchange which never took place. This marked the beginning of the decline in union wage bargaining power (Levrero and Stirati 2004).

3.1.2. Level of labour market regulation and control

The Italian labour market is heterogeneous in terms of regulation; in this sense there are at least four different labour markets, the heavily regulated primary one, the moderately regulated secondary one and the black and grey economies. However, irregular forms of employment are profuse across the labour market; in fact, one could assert that the economy is dominated by varying shades of grey and black. This cannot be understood as the result of a genetic tendency towards illegality among the Italian populace (Tortorella 2008); it is most often a question of economic survival in an historically corrupt and inefficient state, which is heavily indebted and places the burden of paying its debt directly on employers and employees (EurActiv 2007; Dell'Aringa and Lucifera 2003).

While the levels of taxation and social contributions have risen steadily since the mid 1970s, and particularly since the early 1990s, workers' taxation-benefit position has declined, as has trust in the state (Levrero and Stirati 2004; Putnam et al. 1993). Playing by the rules effectively means making small profits – or no profit - while getting caught breaking the rules is unlikely because of scant controls (Reyneri 2003).

There are two main aspects of labour market regulation and control (apart from wage policy) which are related to demand for migrant workers; first, the predominance of small firms and second, the size of the black and grey economies.

3.1.2.1. Small firms:

As noted above, from the mid 1970s large firms began to decentralise production and small firms became increasingly dominant, exemplified in the 'Third Italy' of the North East. The Workers' Statute ('*Statuto dei Lavoratori*') of 1970 had placed restrictions on individual hiring and firing procedures and temporary labour contracts and provided stronger rights to claim unfair dismissal in firms with more than 15 employees, making these firms, Italy's primary labour market (along with the public sector), among the most 'rigid' in Europe (Dell'Aringa and Lucifera 2003; Ferrera 2006). This made smaller firms – the secondary labour market - more competitive and moved the axis of economic production to the small firms of the North East.

Table 9: Micro enterprises – share of non-financial business economy employment, selected EU15 states, 2005 (percentages)

| Country | Micro enterprises share of employment |
|---------|---------------------------------------|
| Italy | 48 |
| France | 24 |
| Ireland | 22 |
| UK | 21 |

Source: Eurostat, SBS class size

Moreover, during the 1990s, following a crisis in the construction sector, subcontracting to smaller ‘specialised’ firms became the norm, as has the use of employment agencies and above all ‘cooperatives’ in the health and hospitality sectors (Fellini et al. 2003; PEMINT 2003). Cooperatives are used to bypass national employment contracts, as these organisations are, in theory, groups of self-employed workers who provide services at competitive prices. For example, nurses hired from cooperatives receive between 20% and 42% less than those working directly for the public health services (Società italiana di Medicina delle Migrazioni 2006).

The main demand for migrant workers in Italy has been in small firms (Reyneri 2003), which base their competitiveness on low labour costs and are less prone to innovation. Taking a counterfactual approach, if medium-large firms had not been obliged to provide higher levels of employment and welfare protection to their employees than small firms or *vice versa* (as advocated by some of the political Left (Tortorella 2008)) – i.e. if labour market regulation had been homogenous - medium-large firms would undoubtedly have grown in significance since the 1970s, as in most of Northern Europe. This would undoubtedly have had a positive effect on innovation, productivity and eventually wages and working conditions, resulting in the creation of jobs, attractive to the domestic workforce – and migrant workers.

3.1.2.2. *Black and grey economy:*

Italian firms have reacted to high levels of regulation in the primary labour market by moving into the secondary labour market; however, they have also responded by moving into various shades of irregularity. As noted above, Italy’s large black or informal economy is asserted to be one of the factors determining labour immigration, particularly undocumented labour immigration (Reyneri 2003). For example, from 2005 to 2007, 847,000 firms were inspected and ‘irregularities’ were found in six out of ten of them, with 63% of workers hired without contracts. Irregular work is higher among migrant workers than Italians; the former making

up one-sixth of informal workers (Corsentino 2008; Muratore 2004). Irregular work is very common in the construction and hospitality sectors (FISASCAT-CISL 2005; Corsentino 2008; Fellini et al. 2003), however, it is also diffuse in the health sector, particularly in private hospitals and homes. About 22% of construction sector employees are irregular and 60% of non-EU workers are working irregularly, while there are continuous disputes regarding illegal cooperatives, which exploit migrant nurses (PEMINT 2003; Società italiana di Medicina delle Migrazioni 2006). As an official from the Presidency of the Council of Ministers asserted in October 2008, *'there is demand for workers in industry and services and also the factor of a large area of informal work in Italy, so it is easier for migrants to find work in Italy than in Germany for example'* (Interview PCM).

The informal economy is partly determined by a high level of labour taxes and social contributions which have made low profit activities unfeasible within the regulated economy and a weak fiscal and ESC system which has permitted informal low-profit firms to thrive, particularly in the south of the country (Reyneri 2003).³⁹

Table 10: The relative tax burden for an employed person with low earnings, selected EU15 states, 1997-2007 (percentage)

| geo/time | 1997 | 1999 | 2001 | 2003 | 2005 | 2007 |
|----------|------|------|------|------|------|------|
| EU15 | 40 | 38,4 | 40,4 | 40,5 | 40,3 | 40,9 |
| Denmark | 41,7 | 41,3 | 40,5 | 39,8 | 39,2 | 39,3 |
| Germany | 47,7 | 47 | 47,7 | 48,8 | 48,2 | 47,8 |
| Ireland | 24,9 | 21,5 | 17,3 | 16,2 | 16,8 | 15 |
| France | 41,6 | 40,3 | 47,6 | 45 | 41,4 | 45,4 |
| Italy | 48,8 | 44,1 | 43,1 | 41,7 | 42,2 | 42,6 |
| Sweden | 49,2 | 48,7 | 47,8 | 47 | 46,6 | 43,3 |
| UK | 28,4 | 25,8 | 28,6 | 30,3 | 30,5 | 30,7 |

Source Eurostat: Tax wedge on labour cost

Regarding the latter, labour inspections are carried out by the labour inspectors of the regional and provincial directorates under the Ministry of labour. Moreover, there is a specialised group of gendarmerie with general police powers: the *Nucleo Ispettorato dei Carabinieri* (Inspection Centre of the Carabinieri) which since 1997 are subordinated to the *Comando Carabinieri per la Tutela del Lavoro* (Carabinieri Command for the Protection of Work) based in the Ministry for Labour. The social security authorities, INPS (National Social Security Institute) and INAIL (National Institute for Insurance against Accidents at Work) also have inspection services. Finally health and safety compliance is controlled by regional

³⁹ In parts of the South, the organised crime factor is also significant in perpetuating the black economy (Corsentino 2008).

health centres, with the exception of the construction industry, where it is enforced by labour inspectors. Italian labour inspectors have traditionally been few in number, poorly organised and unevenly distributed across the national territory, reflecting the inefficiency of state agencies in general. In fact, it was recently estimated that a firm can expect to be inspected once every six to 12 years (Rijpma 2008; Reyneri 2003; Ministero del Lavoro e della Previdenza Sociale 2006).

Moreover, another relevant factor is the extent of the *grey economy*. The grey economy refers to 'semi-illegal work', primarily the registering of workers under flexible contracts when the latter are in reality full-time employees, in order to pay less taxes and social contributions. Ironically, the Biagi Law of 2003, which sought to reduce informal work by introducing more flexible contracts (has not reduced the incidence of black work and) has given employers new means of eluding the state. For example, the 'project collaborator' contract (*co.co.pro*) has been used across the economy in jobs which are not project based. It has been estimated that two million workers are classified as 'project collaborators' or 'consultants', when in reality they are employees, oftentimes migrants employed in heavy and/or dangerous work. It is also notable that, unlike more traditional employment contracts (including fixed-term contracts), tax/social contribution evasion under the *co.co.pro* is not deemed an offence and can only result in a fine (Corsentino 2008).

3.2. The Surrounding System: Indirect effects on demand for migrant workers

Italian governmental policy with regard to labour mobility is unique on two counts. On the one hand, no other nation is making a more determined effort to facilitate the external emigration of its surplus population. On the other hand, Italy limits internal migration and the mobility of its labor force by a variety of laws and administrative devices more restrictive than those of any other country in the world today, even including Soviet Russia (Gardner Clark 1954 p.1)

3.2.1. Disincentives to work and demand for migrant workers in northern Italy:

Gardner Clark, an American industrial and labour relations professor, conducted research on labour mobility in Italy in the early 1950s. He described how while the state was efficiently recruiting and selecting potential emigrants and checking whether those abroad were providing properly for their families in Italy, 'Provisions against Urbanisation' were used to limit labour mobility from the South of the country to the North in order to reduce the

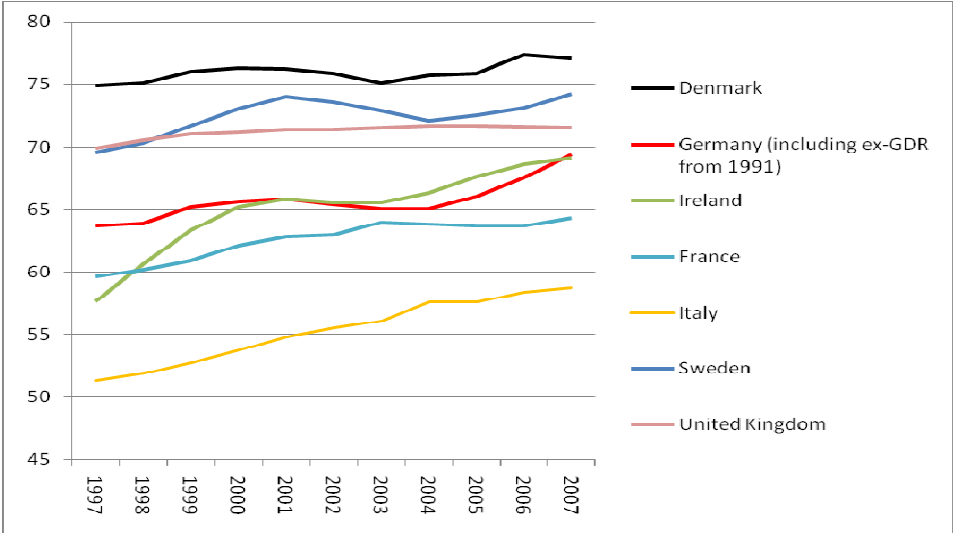
incidence of wage dumping (1954). Of course, in the face of strong demand for labour, southern Italians moved north without permission and worked for lower wages than residents;

Upon moving to Turin, the plant at first short circuited the government...and hired an entirely new labor force, consisting mainly of southern peasants living in the slums of Turin without legal residence permits. Their illegal status made them willing to accept (lower) wages... (Gardner Clark 1954 p.12)

Things have changed in Italy since Gardner Clark’s visit, however, in a sense, much has stayed the same. While labour mobility is not restricted, it has not been facilitated and to a large degree has been deterred by labour market institutions. Instead of facilitating emigration, the government has gradually increased levels of regular labour immigration in order to fill gaps in the Northern labour market in a context of low labour mobility. Meanwhile, surplus demand for labour has been met by undocumented international migrant workers, who carry on the tradition of Southern Italian migrants across the country.

According to Antonelli and De Liso, a peculiarity of the Italian labour market is the particularly low level of inclusion; higher unemployment among the young and women and in the South of the country (Antonelli and De Liso 2004), resulting in a low aggregate employment rate (see table 11 below). I posit that low levels of labour market participation contributed to creating a structural demand for migrant workers in Northern Italy between the 1970s and 1990s and that this low employment rate is largely the result of institutional disincentives to South-North labour mobility and female employment.

Figure 9: Employment rates in selected EU15 states, 1997-2007 (percentages)



Source: Eurostat, Employment rates

3.2.1.1. *Labour mobility*

It is common knowledge that there is more than one Italy. In fact, the most significant economic gulf within any one state in Europe is between North and South Italy (Comitato Mezzogiorno 2007).⁴⁰ Northern Italy is one of the most industrialized regions in Europe, with a pro-capita GDP almost twice that of Southern Italy⁴¹ and an employment rate approximately 20 percentage points higher than in the South.⁴²

Internal migration in Italy - as well as emigration - was significant during the 1950s and 1960s, when large numbers of Southern Italians went to work in the industrialized Northern regions. This migration began to decline in the second half of the 1970s and became negligible in the 1980s, before rising once again from the mid 1990s (Etzo 2008). At the same time, the movement of northern firms to the South decreased from the 1970s (Bianchi and Mariotti 2003).⁴³ Thus, we can say that Southern Italians became estranged from the source of labour demand in Italy during this time. On the other hand, international migration to Italy began at the start of the 1970s and the state became a country of net immigration in 1981 (Pugliese 2002). Based on this correlation between falling and rising translocations, I posit that low levels of internal migration between the 1970s and mid 1990s contributed to establishing a significant structural demand for international migrant workers in Northern Italy.

Reflecting the changing significance of internal and international migratory movements over the past two decades, the attention of Italian scholars has largely shifted from internal South-North migration to international immigration (Etzo 2008). There is scant research focusing on both internal and international migration (Pugliese 2002; Brucker et al. 2006; Bonifazi

⁴⁰ For analytical purposes, Italy is often divided into North, Central and South. I focus on North and South Italy. By North I refer to the regions of Piemonte, Valle d'Aosta, Lombardy, Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, Liguria, Emilia Romagna. Southern Italy encapsulates the following regions; Abruzzo, Sicily, Sardinia, Calabria, Molise, Puglia, Basilicata and Campania.

⁴¹ The GDP per capita in Northern Italy was 122 (in PPP) compared to 68 in the South in 2004 (Comitato Mezzogiorno 2007).

⁴² The employment rate in 2006 in Northern Italy was 66.2% while it was only 46.6% in the South (Comitato Mezzogiorno 2007).

⁴³ State support is crucial to inducing investment in peripheral areas, however, following the industrial crisis in the 1970s, the state began to prioritise supporting industry in the Centre-North (the engine of the Italian economy)(La Spina 2003). The development of Southern Italy has also been hindered by a unified national fiscal policy and national wage contracts in the context of different levels of productivity, entrepreneurship and cost of living (La Spina 2003; Kostoris Padoa Schioppa and Basile 2002). Moreover, one of the main disincentives to investing in particular areas of the South has been the presence of organized crime (Kostoris Padoa Schioppa 1993).

2001).⁴⁴ Moreover, most research on internal migration is based on economic/econometric models, rather than a qualitative focus on policies or individual preferences (Tiraboschi 2004).

Research on internal migration makes evident the role of public policy in reducing incentives for inter-regional mobility for employment purposes. While the initial fall in internal migration is generally asserted to be the result of a decline in labour demand following the industrial crisis in the second half of the 1970s, the main determinants of the descending trend in internal migration have been public transfers to households in the sending regions (Fachin 2007; Basile and Causi 2005) and monopolistic and inefficient public employment agencies (Etzo 2008). Another relevant factor is the low level of risk-taking due to inadequate welfare coverage. I now discuss these factors before exploring the significance of resurgence in internal labour mobility from the mid 1990s.

Transfers: The main explanation for rising incomes in the south is strong government support to families (Kostoris Padoa Schioppa 1993).⁴⁵ These transfers took the form of pensions over and above the accumulation of contributions and a massive growth in public employment in the South.

The principal peculiarity of the Italian welfare state lies in the internal composition of expenditure; most of the budget goes to the pension system (61.7%). In fact, Ferrera asserts that no other European country has such a functional distortion within the welfare system (2006). The main area of spending within the pension system is on disability pensions (*pensioni d'invalidità*) and the growth in expenditure on these benefits was largely due to an increase in the number of beneficiaries from the second half of the 1970s, particularly in the *Mezzogiorno*. In fact, Pugliese maintains that the families of migrants and in particular ex-migrants were the main beneficiaries of unselective and generous invalidity pensions and old age pensions (2002).

This growth in the number of beneficiaries can be partly explained by the crisis in Italian industry in the North at this time and the pressures to provide a social net for the unemployed. Transfers to the South also encapsulated the aim of increasing levels of consumption in the

⁴⁴ Pugliese and Bonifazi analyse both migratory phenomena, however they do not explicitly discuss the relationship between the two.

⁴⁵ Moreover, a policy of regional incentives attracted a good deal of industry to the *Mezzogiorno* between 1950 and the 1970s. Per capita income was 45% lower than in the Centre-North in 1950, while only 40% lower in 1974 (Bianchi and Mariotti 2003).

South and thus creating a market for Northern industry. However, another significant factor is the clientelist approach of the political system; quite simply, people were asked to vote for a party in exchange for a pension, a system which Ferrera has nominated the 'politico-social security market' (2006).⁴⁶

Moreover, as Lodovici and Semenza assert, unemployment benefits have largely been unconditional on active job searching or participation in training courses (2008). Furthermore, the Italian welfare system has another 'anomaly'; a significant proportion of public funding is laid aside for the *Cassa Integrazione Guadagni Ordinaria e Straordinaria* (CIG and CIGS) as well as *Contratti di solidarietà*, which, under certain circumstances, provide substitution wages to 'temporarily' laid-off employees (or workers' on reduced hours). As these individuals are not considered unemployed, they are under no pressure to search for new jobs and thus constitute another unused labour reserve. Finally, the public sector accounts for twice the number of jobs in the *Mezzogiorno* as it does in the rest of the country (Dell'Aringa and Lucifera 2003). Moreover, the average wages of public employees in the *Mezzogiorno* has been higher than in the rest of Italy in relation to the average wages of private-sector employees (Kostoris Padoa Schioppa 1993).

Employment services: Until 1997, the state had a monopoly on employment services and worked inefficiently (Faini et al. 1997). Public job placement offices were maintained to be overly bureaucratic and did not provide crucial services such as career guidance and training (Trentini 1997; Gualmini 1998; Gardner Clark 1954). As a result, these offices played a marginal role in matching labour demand and supply. For example, at the end of 1996 only 5% of hires were mediated by the public placement offices (Trentini 1997). In fact, in Italy job searching is largely conducted by means of informal networks of family and friends. This method is less effective in terms of ensuring meritocratic recruitment and facilitating geographic mobility than one based on a national database of jobs, qualified career guidance support and skills development. Moreover, as the axis of development and labour demand moved from the industrial triangle of the North West to the small firms of the North East from the second half of the 1970s, the informal migrant networks used in the 1960s and 1970s were no longer of use (Etzo 2008).

⁴⁶ The growth in beneficiaries since the 1970s is also due to the extension of the concept of disability like in other European states (Ferrera 2006).

'Outsiders': Ferrera distinguishes between the 'guaranteed' workers (employed in medium/large firms and the public sector) who receive generous pensions and relatively generous benefits for other social risks, the 'semi-guaranteed' (employees of small firms, traditional sectors like construction and agriculture, the self-employed and atypical workers), who generally get minimum pensions and limited or no benefits for other risks, and the 'non-guaranteed' (who work in the informal economy and) who can only apply for means-tested social checks for the elderly with no income, which is less than the minimum pension. Low levels or lack of social protection for certain sections of the workforce (the semi and non-guaranteed) have obliged these people to rely on their family for support. As Ferrera maintains, the reliance on family of young people who cannot gain a place in the labour market also becomes a trap, reducing their mobility (2006).⁴⁷

The low universality of the Italian welfare state originates in the post-war period when the insurance based system for dependent industrial workers was established. During the 1960s and 1970s, when the trade unions were able to exert significant influence on policy, this insurance model was expanded and consolidated. Trade unions represented permanent workers and this model was thus beneficial for their members. Moreover, as the number of pensioners grew within the union membership, the trade unions defended the generous pension system as opposed to proposing a more universal system. Governments were inclined to sustain the system of guarantees for 'insiders' in order to maintain their electoral base (the median voter is in permanent employment), while employers favoured a peaceful industrial relations climate and way to dismiss people without creating social unrest. This 'male breadwinner' welfare model is based on a consensus whereby the family is the fulcrum of the welfare state. In this model, as long as fathers can provide for secondary workers – their wives and children - there is unlikely to be stimulus for a significant recalibration of the system (Dell'Aringa and Lucifera 2003; Gualmini 1998; Ferrera 2006).

The resurgence of internal mobility in 1996 – internal migrant flows reached a level which had not been met since 1974 in 1998 (see figure 9) – is maintained to be the result of a decline in government support to Southern Italy during the 1990s,⁴⁸ as well as the introduction of private job agencies (Etzo 2008) and flexible employment contracts (Ferrera 2006). However,

⁴⁷ In the mid 1990s, over 55% of people aged 25 to 29 still lived with their parents; almost four times the EU average (Reyneri 2007).

⁴⁸ The decline in transfers to the South is explained by the government priority of reducing the budget deficit in order to fulfill conditions for entry into the European Monetary Union.

this new internal migration has changed in composition. In the 1950s-1970s period, migrants were very young and low skilled, while today they are mainly in their mid to late twenties and highly educated. Many of these educated young Southern Italians are unlikely to take up the low-skilled jobs which Northern Italian employers are having difficulty filling (Eco 2007). In fact, this explains the continuing and growing demand for international migrant workers since the late 1990s, in the context of renewed internal migration.

Italy continues to have one of the lowest levels of mobility in Europe (Brunello et al. 2007). The unemployment rate in the southern regions has decreased since the late 1990s from 19.7% in 1999 to 13% in 2006; however, this is still an extremely high unemployment rate, compared to the 4.5% in northern regions. Moreover, the unemployment rate does not take into those who are not ‘not actively looking for employment’ or ‘are not looking for work but are available to work’, the quota of which has been growing. In fact, Svimez assert that if we take into account these individuals the unemployment rate in the South was 26% in 2007 (2008). Moreover, a significant proportion of the unemployed in the South are low-skilled. For example, in 1998 only 37% of the unemployed in Basilicata had at least secondary school education (Regione Basilicata 2000).

Table 11: Job related mobility of heads of household in selected EU15 countries, 1995-2001 (survey weights)

| Country | Labour mobility |
|---------|-----------------|
| Denmark | 0.020 |
| France | 0.025 |
| Ireland | 0.003 |
| Italy | 0.005 |
| Germany | 0.008 |
| Finland | 0.024 |
| UK | 0.027 |
| Spain | 0.005 |

Source: Brunello et al 2007

Thus, there is an ongoing labour demand and supply mismatch in Italy, with strong demand for mainly low-skilled workers in the North (until 2008), coinciding with high unemployment in the South – including a significant number of low skilled. This persistent low mobility of Southern low skilled workers is accounted for by a combination of institutional factors: a fictitiously high unemployment rate in the South based on the existence of a large informal economy (Kostoris Padoa Schioppa and Basile 2002); the lower cost of living in the south and

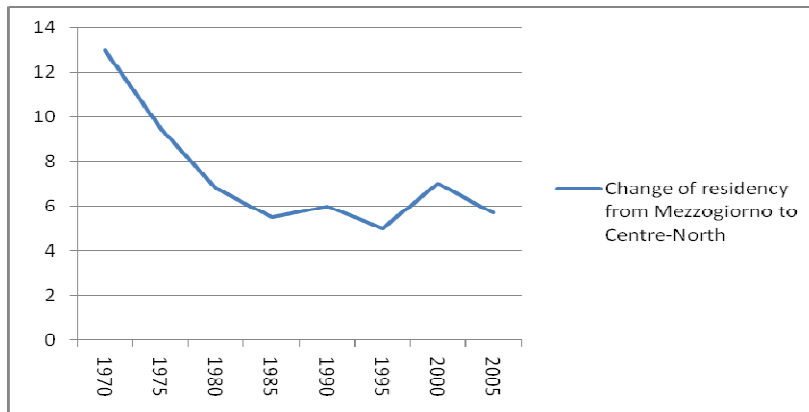
lack of a positive wage differential between North and South Italy; a family based culture which stresses sharing income and property and where children leave the family home late; the continuing inefficacy of public and private employment services; and the lack of public care services for the elderly (Tiraboschi 2004; Coomans 2002).

As regards the cost of living, the cost of moving and above all housing is a decisive factor for the unemployed or low skilled. People who own their own house have less incentives to move to another region and the number of families who owned their own house in Italy increased from 53% in 1961 to 80% in 2001 (Tiraboschi 2004; Einaudi 2007). However, there is no system of subsidization of the costs of renting for those moving from another region for work in Italy as there is in France for example (Tiraboschi 2004; Ferrera 2008). Regarding wage differentials, since the late 1960s there have been no regional disparities in nominal base wages. Moreover, there was a further narrowing of differentials due to the progressivity of the personal tax system and interference in the price system to favour the *Mezzogiorno* (Kostoris Padoa Schioppa 1993). Finally, access to information on job opportunities in other local or regional areas is crucial for inter-provincial/regional mobility, particularly for the unemployed. However, advertisements for less qualified jobs are generally only publicized locally in Italy.⁴⁹

In sum, the relationship between internal and international migration has been underemphasized in the literature, however, these two movements are clearly related. The first labour migrants in Italy arrived in the South in the 1960s to work in the fishing industry and subsequently in agriculture from the mid 1970s. Demand for workers in these primary sectors was undoubtedly partly due to the movement of Southern Italians to Northern Italy - and Northern Europe in general - for employment in industry. In fact, Einaudi asserts that when North African migrants moved into agriculture in Sicily in the mid 1970s there was initially some competition from Sicilians returning from northern Europe (2007).

⁴⁹ Note that inter-regional/provincial mobility is also low between regions in Northern Italy.

Figure 10: Change of residency from the *Mezzogiorno* to the Centre-North from 1970-2005 (per 1,000 inhabitants)



Source: Istat, Iscrizioni e cancellazioni dalle anagrafi e RFL.

Note: Cancellations for a transfer of residency to the Centre-North based on resident population

Immigrants began to move into industry and construction in the North at the end of the 1970s, in a context of industrial crisis and growing unemployment; the newspapers expressing shock at the seemingly paradoxical situation of a country “*forced into austerity but which concedes itself luxuries of a rich country*” (Il Fiorino 1978). In fact, it was the same period in which the number of disability pension beneficiaries began to grow substantially in Italy, particularly among Southern Italians and when internal migration began to fall. This, I argue, was a moment of labour replacement, not displacement as suggested by Brucker et al (2006); immigrant workers provided a way out for employers suffering from falling profits, laid-off Southern Italian workers who could return home subsidized and governments, which avoided social unrest.

Furthermore, the Italian trade union movement has been influential here. The Italian trade union movement is one of the main pro-immigration organizations in the country (see Chapter 4). It is asserted that the trade unions promote more legal channels for immigration in order to reduce undocumented immigration and wage dumping. This pro-immigration stance has also been explained by left-wing/Catholic solidarity with the ‘Third World’ (Watts 2002; Zincone 2006; Einaudi 2007). However, what has been overlooked is that the presence of immigrant workers was key to maintaining the Italian welfare state, which only provided real protection for male breadwinners. As long as migrant workers were there to take up employment in the secondary labour market, the privileges of the primary labour market were safeguarded (Castles and Kosack 1973). Moreover, migrant workers have been viewed as a new source of members. Every second Italian union member is a pensioner, reflecting an ageing population

and problems attracting younger Italian workers (Ebbinghaus 2002). On the other hand, 67% of legally employed migrants are now affiliated with a union in Italy (Watts 2002).

Thus, it is no happenstance that the most enthusiastic supporters of both the existing welfare state (Gualmini 1998; Ferrera 2006) and immigration are the trade unions. Einaudi maintains that between the late 1970s and late 1990s, while employer organizations had not yet expressed demand for migrant workers, the trade unions had the most active and positive role in immigration policy (2007). Furthermore, while immigration was explicitly and implicitly supported by various groups, above all the trade unions, pro-migrant associations (often Catholic) and small firms, there were no strong voices calling for the unification of the country's labour market; that is the inducement of more mobility of labour and firms.⁵⁰ In a context of a plurality of interests in maintaining the current institutional *status quo*, declarations like the following one by Romano Prodi, professor of industrial economics in 1977, were sure to fall on deaf ears;

I think that we should get through this again on our own (i.e. without labour immigration), with more and better information on the labour market, with more equal territorial distribution of firms, with the improvement of working conditions and further relative shifts of wages. Manual professions have to be paid progressively more (Einaudi 2007 p.110-1).

3.2.1.2. Female participation:

In 2006, the Italian female employment rate was the lowest in the EU after Malta (Eurostat 2006). Moreover, the gap between male and female employment in the 25–45 year age group has risen over recent years. The level of female employment falls with the birth of the first child and drops considerably after the birth of the second child (Rinolfi 2007).

Low labour force participation rates of mothers in Italy is generally argued to be related to inadequate state supported childcare services among other labour market institutional factors (Del Boca and Viuri 2006; Del Boca and Pasqua 2005; Cournède 2006; Chamberlayne 1993). I argue that obstacles to the participation of mothers in the labour market has undoubtedly

⁵⁰ Moreover, from the end of the 1980s, the northern leagues emerged which were hostile to immigration from the *Mezzogiorno* and abroad.

contributed to the demand for migrant workers, particularly in services sectors such as hospitality and care services, which are generally important sectors for female employment.⁵¹

As noted above, the Italian welfare state does not provide universal support for all citizens and is based on an understanding of the family which hinges on the male breadwinner and female caregiver. Following the Catholic principle of subsidiarity,⁵² while the state supports male breadwinners, they in turn look after their wives and children. Families and children have thus received low levels of social protection. Christian Democracy (DC), the Christian Democrat party, which dominated Italian politics from 1944 to its demise in 1992-4, defended the centrality and independence of the family and the interests of the religious organizations which dominated social assistance against a stronger role for the state (Del Boca and Viuri 2006; Ferrera 2006). Moreover, the Italian left has always been very attentive to the principles of the Catholic church (Bimbi 1993; Saraceno 2003).⁵³ Furthermore, the Italian feminist movements of the 1970s championed the diversity of women rather than equality with men, as in Sweden (Naumann 2005). Their demands were thus more concerned with women's rights in an autonomous sphere of their own than on equality in a 'man's world'. In fact, the issue which brought the various feminist groups together in the mid 1970s was the pro-abortion campaign (Ginsborg 1990), not public social services.

Following the break-up of the DC in 1992, Christian associations continued to be active, particularly in the area of welfare. In fact, the number of social assistance services related to the catholic church has more than doubled between 1988 and 1999 (Frisina 2004). Small Christian political parties (for example, Cristiani Democratici), offshoots of the DC, placed themselves in the new Centre-right and Centre-left wing coalitions, ensuring the maintenance of a familialist position across the political spectrum. Moreover, housewife associations, catholic in orientation or otherwise, have become more visible and influential, often more so than feminist groups. One such organisation, *Federcasalinghe*, has become an influential mass organisation, which moved its support from the Centre-right *Forza Italia* party in 1995 to the Centre-left *Ulivo* coalition. This exemplifies the ambivalence of the Centre-left

⁵¹ Moreover, due to the inadequate provision of public eldercare services, immigrant women are now the main providers of care for the elderly (Frisina 2004) and their presence has given many Italian women the opportunity to participate in the labour market.

⁵² The principle of subsidiarity postulates that all parts of the natural order have specific tasks in order to sustain the stability of the larger whole. The role of the state is to facilitate and guarantee that the lower social organs perform their duties (Frisina 2004).

⁵³ Feminist ideas became institutionalized within the Communist party from the mid 1970s and it became the parliamentary voice of feminism in the 1980s (Bimbi 1993).

regarding familialism. Furthermore, the number of female political representatives has actually declined in Italy over time; Italy fell to 88th place among democracies vis à vis numbers of female parliamentary representatives between 2001-6 (Ferrera 2008).

Moreover, regardless of their preferences, Italian policymakers were relatively constricted in their policy choices by a comparatively huge public debt exceeding 100% of GDP (Antonelli and De Liso 2004). Bimbi maintains that since 1977, governments have consistently tried to limit public spending on social services (Bimbi 1993) and Meulders and O'Dorchai emphasise financial constraints as the most determining factor for the weakness of state supports (2007). An increase in public investment in childcare and a stronger commitment to ALMP in general would necessitate an unpopular recalibration of the welfare state, transferring investment from pensions to the working-age population by means of raising the pension age, for example (Ferrera 2008). Familialism and cost containment are asserted to explain the low level of public child/elder care support in Italy by an official from ISFOL in May 2008:

In Italy there is a cultural problem about female participation... it's also handy that the women stay at home. If you woman works you have to find someone to look after the children and elderly. So either you sustain these costs or you have women stay at home. It's convenient. In Italy it's like that. (Interview ISFOL)

It was not until 2000 that a national framework law was passed setting minimum standards for social assistance, so policies at local level have varied considerably. The percentage of children under three in crèches (*asili nidi*) is low (6% of the population of children) due to an extremely limited number of places in public crèches in Southern parts of the country and rigidity in the number of weekly hours available, in the context of a lack of part-time employment opportunities.⁵⁴ Moreover, as a result of local regulations, private childcare services are even less widespread and more costly (Del Boca et al. 2007; Del Boca and Viuri 2006). Thus, 32.7% of childcare requests remaining unfulfilled (Rinolfi 2007) and a large proportion of Italian families relies on informal childcare provided by relatives.

Female employment grew at a slow rate during the 1970s and 1980s. During the period 1972-1989, the female share of the job market increased from 27.4 to 34%. Moreover, the increase

⁵⁴ The proportion of children between three and six years of age in *scuole per l'infanzia* is on the other hand high (95%). Public control of these schools since 1968 aimed to reduce the effect of social inequality on children's educative performance (Saraceno 2003).

in female participation in the labour market during the 1990s was lower than the average increase in the EU (Antonelli and De Liso 2004). Meanwhile, in the 1980s, immigrant workers, employed in domestic work since the 1960s, began to enter other services, particularly hospitality. Inflows of migrant workers have increased steadily since the 1980s and the hospitality and healthcare (nursing) sectors employ large numbers of migrant workers (Einaudi 2007; Chaloff 2005).

There is a correlation between the low rate of growth in female employment and the rise in demand for migrant workers in the services sector, which I suggest represents a causal relationship. This relationship between female employment and immigration is mirrored in post-war Germany. The German Christian Democrat parties, in government for two decades from 1949 emphasized preserving traditional family life and the female place in the home, while West German feminists made no strong demands for childcare services. The German state attempted to meet its labour needs in the post-war period by recruiting migrant workers rather than facilitating the employment of married women (Naumann 2005; Moeller 1993).

4. Conclusion:

The existing explanations for the initiation and persistence of labour migration to Italy fail to fully account for the demand for migrant labour in Italy over the past three decades. I presented an explanation for labour migration to Italy which focuses on labour market institutions; that is institutions governing employment in the broadest sense, with a focus on employment regulation and control and labour market policy. I find that the institutions governing the labour market in Italy have created demand for migrant workers first, by generating a comparatively large number of low-standard jobs and second, by producing relatively significant obstacles and disincentives to the labour market participation of the domestic supply of labour. It appears that, to a much larger degree than most Western European states, labour migration to Italy is a reflection of various forms of institutional failure.

Chapter 3

Ireland

Economic growth since the early 1990s is a partial explanation for the initiation of large scale labour migration to Ireland. I argue that the institutions governing the labour market have determined demand for migrant workers by generating low-skill, low-wage employment and by producing obstacles and disincentives to the labour market participation of the domestic supply of labour and insufficient opportunities for the domestic population to attain the skills required on the labour market.

Introduction

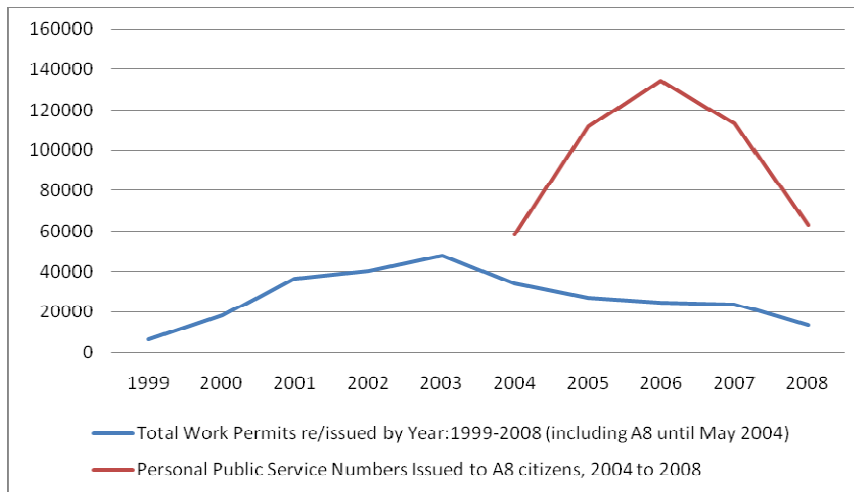
While the initiation of large-scale labour migration to Ireland in the 1990s is generally assumed to be the result of strong economic growth levels, I maintain that this is an incomplete explanation. The aim of this chapter is to provide evidence of the impact of labour market institutions on demand for migrant workers in Ireland. Unlike in Italy, labour migration to Ireland cannot be said to be largely a case of labour market institutional failure. Phenomenal job growth rates, a sharp fall in unemployment and wage inflation, followed by steady increases in levels of labour immigration testify to an apparently conventional story of an economic boom and aggregate labour shortages. However, wage inequality developed along with the growth of a large low-skill services sector and while the participation rate of the domestic population far outstripped that of Italy, it hardly rose during the economic boom. Finally, unlike in the Italian case, the education and training system provided insufficient opportunities for the domestic population to attain the skills required by employers. Labour migration to Ireland from the late 1990s was partially a response to these labour market institutional outcomes.

Following a brief description of labour migration to Ireland, I discuss the existing explanation for the phenomenon; economic growth. I then present my labour market institutionalist explanation, first investigating the governance of employment and second the regulation of the 'surrounding system,' focusing on labour market policy and the education and training system.

1. Labour migration to Ireland: the facts

Ireland is the new West European immigration state *par excellence*; a net receiver of labour migrants for just over a decade, by 2008 15% of the employed were foreign nationals (CSO QNHS 2009).

Figure 11: Labour migration to Ireland 1999-2008, non-EEA and A8



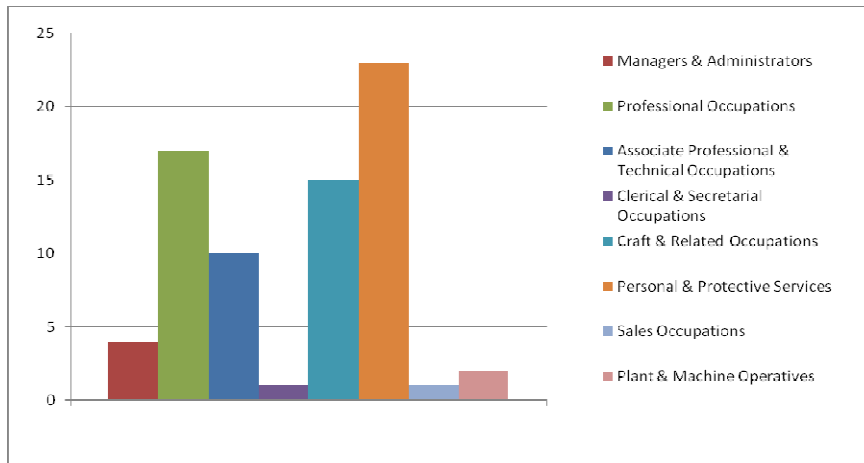
Source: DETE, work permits issued by nationality 1999-2008, DFSA, Personal Public Service Numbers Issued by Country, 2000 to 2008

The number of work permits⁵⁵ issued rose from circa 6,250 in 1999 to a peak of over 47,000 in 2003, however, it declined thereafter following the decision to open up the labour market to job seekers from the A8 accession states from May 2004⁵⁶(NESC 2006). The main sectors in which work permit holders have been employed are the personal and protective services (domestics, childcare, security etc), catering, healthcare and farming sectors.

⁵⁵ Work permits were issued to non-EEA nationals for one year (renewable) who had a job offer from an employer in Ireland following a labour market test to ensure no EEA national was available for the job on offer.

⁵⁶ The A8 refers to the eight larger states of the ten central and eastern European states which joined the European Union in 2004; The Nice Treaty provided for transitional arrangements for the free movement of labour from these states, allowing the 'old member states' to postpone the full opening of their labour markets for a maximum period of seven years (Doyle et al. 2006).

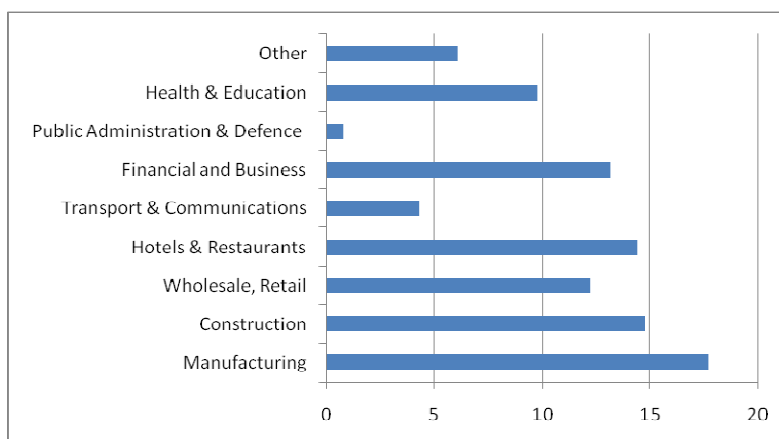
Figure 12: Non-EEA migrant workers by occupational distribution (work permits), September 2004-April 2005



Source: NESC, migration policy 2006

In 2007, just under 15% of employed professionals and associated professionals in Ireland were foreign-born, the highest percentage in Western Europe, excluding Luxembourg (OECD 2007). While occupations at the lower end of the skill continuum accounted for the majority of work permits, there was a sharp increase in the share of new work permits allocated to skilled occupations after 2004; from 12% between January and August 2004 to 31% between September 2004 and April 2005. Sectors employing significant numbers of skilled migrant workers include the health, financial and business, ICT and construction sectors (NESC 2006; FAS and Expert Group on Future Skills Needs 2006).

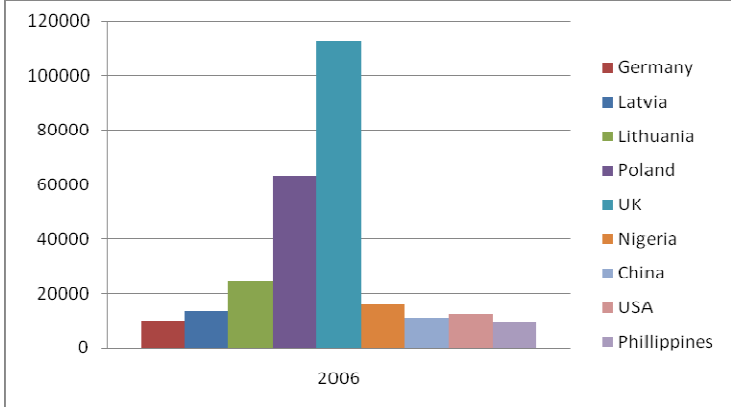
Figure 13: Distribution of foreign nationals across sectors in Ireland, 2005



Source: NESC, migration policy 2006

The largest share of migrants consisted of nationals from other EU countries, first and foremost from the UK.⁵⁷ Over 130,000 A8 nationals were issued with Personal Public Service numbers in 2006. A8 migrants were predominantly employed in low skilled occupations⁵⁸ in manufacturing, construction and services (hotel and restaurants, wholesale and retail). Women represented between 24% and 52% of migrant inflows between 1999 and 2008 (CSO 2009).

Figure 14: Foreign population by main nationalities in Ireland, 2006 (thousands)



Source: CSO, Usually resident persons, males and females, present in the State on census night, classified by nationality, 2006

2. Explanations for labour migration to Ireland in the literature

Unlike the Italian case, the explanation for the initiation of large scale labour migration to Ireland in the 1990s appears to be a classic one of economic growth, aggregate labour shortages and demand for additional labour supplies.

Ireland experienced unprecedented economic growth in the 1990s; its economy doubling in size. In 1986, it was one of the poorest countries in the EU, with a GDP per capita 64% of the average and high levels of unemployment and emigration (Cassidy 2002). By the early 2000s, Ireland was a centre for high-tech industry, with the fastest growth rate in the OECD (Daly 2005). Moreover, Irish economic development was particularly noteworthy because of the

⁵⁷ Migration by Irish nationals made up over half of entries between 1996 and 1999 and since then their share has fallen.

⁵⁸ Of the non-Irish national migrants arriving between 1993 and 2003, 54.2% are estimated to have had third level qualifications compared to just over a quarter of the Irish population. As most migrants are engaged in low skilled work, there is extensive occupational under-achievement among the migrant workforce (NESC 2006)

intense nature of job growth, employment expanding by over 34% between 1993 and 1998 and unemployment dropping from over 16% in the 1980s to 4% in 2000 (Daly 2005). In this context, the steady rise in the number of work permits issued to non-EEA nationals from the late 1990s and the decision to open up the labour market to workers from the A8 ignited little controversy.

Therefore, at first glance, one might be forgiven for assuming that Ireland is an unusual case of aggregate labour shortages across the skill spectrum (Boswell et al. 2004); that is, that the ‘Celtic Tiger’ has simply wrung the country dry of potential workers. In fact, almost every study on labour migration to Ireland begins with this refrain (Ruhs 2005; NESC 2006; Mac Einri 2001, 2005; Yeates 2006). However, in-depth analyses of the determinants of labour migration to Ireland have not been conducted. Although the NESC and IOM 2006 report ‘Managing Migration in Ireland’ poses the question of what determines labour migration, the explanation proffered remains on the theoretical level, maintaining that in general labour migration is the result of ‘pull’, ‘push’ and ‘network’ factors (NESC and IOM 2006).

I do not argue against the significance of economic growth in Ireland in explaining demand for migrant workers; indeed, in the case of Ireland, economic growth was the principal factor propelling demand for labour and a relatively liberal labour immigration policy. However, I consider it to be an incomplete explanation as, while it may appear to explain the level of immigration – if approached in a non-comparative way which does not take into account the fact that countries with lower economic growth levels, such as Italy,⁵⁹ also received significant inflows - it does not fully explain the extent of demand for migrant labour or the relatively high levels of demand for skilled migrant workers. I maintain that labour market institutions shaped labour and skills demand and supply, thus contributing to the extremely strong demand for migrant workers between the late 1990s and 2008.

3. How labour market institutions contribute to the explanation

I now provide evidence for the causal relationship between the Irish labour market regime and demand for migrant labour between the 1990s and 2008. The first section is focused on the institutions shaping and governing jobs in Ireland and how they have direct and indirect effects on demand for migrant labour. In the second section, I take a look at the institutions

⁵⁹ The Italian real GDP growth rate ranged between 0 and 3.6% between 1997-2008, compared to 3.5-10.4% in Ireland during the same period (Eurostat 2009).

which, instead of directly impacting jobs, influence the availability and skills of the domestic labour supply. These institutions thus have an indirect effect on demand for migrant workers.

3.1. The Jobs: Direct and indirect effects on demand for migrant workers

3.1.1. The wage skill basis of economic regime

In some ways the Irish economic regime defies easy categorisation due to the country's recent unusually rapid transition from a low-wage economy based on agricultural production to a high-wage 'post-industrial' services economy. As an under-developed ex-colony which based its economic development model on attracting foreign direct investment (FDI) since the late 1950s, Ireland has little in common with the rest of Western Europe.

The means that the Irish state used to achieve economic development were idiosyncratic and did not belong to one particular political economic model. In order to achieve employment growth and economic independence from Britain - the over-riding goals of Irish governments since independence - the state maintained the British liberal 'light touch' approach to the labour market, however, it did so by means of a continental European style neocorporatist governance system. The state also developed a rather hybrid liberal-statist approach to attracting foreign investment which melded supply-side policies with an *état actif*. However, laying aside the distinctive means of Irish economic expansion, the outcomes were decidedly liberal, in particular the development of a large low-skill services sector and high level of income inequality. The comparative significance of low-skilled services employment and income inequality has contributed to creating demand for migrant workers in low-paid sectors of the Irish economy.

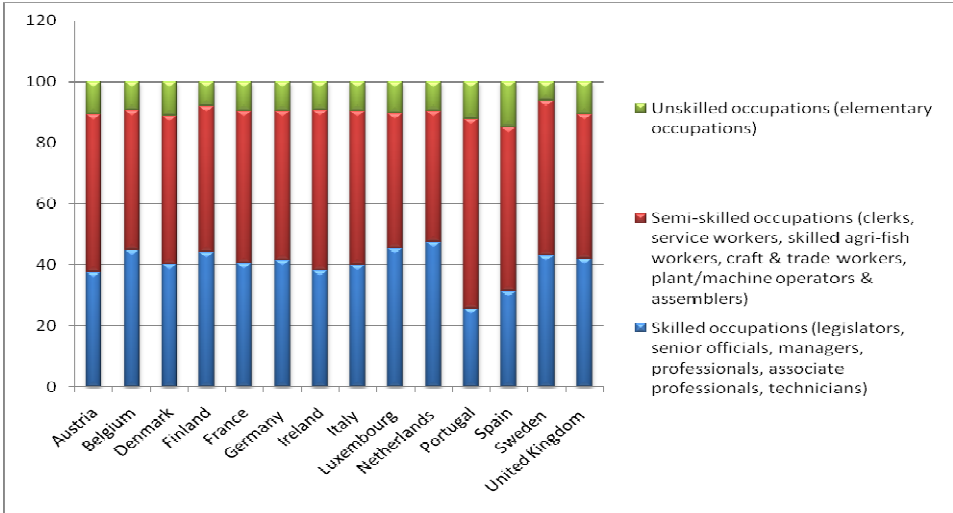
Economic expansion in Ireland since the 1990s is most easily understood as a two phase process; export-led growth followed by domestic demand-led growth. The unprecedented growth rates of the 'Celtic Tiger' phase (1994-2001) was the result of massive levels of foreign direct investment (FDI) in manufacturing and trades services,⁶⁰ which led to a rise in disposable incomes and contributed to the development of a low-skill services sector. The second phase (2002-2007) was primarily based on a housing and retail boom resulting from, among other factors, the massive growth in disposable income per capita, a large proportion

⁶⁰ A low corporate-tax rate, state grants, and access to the EU's single market made Ireland an extremely attractive place to invest in for overseas companies.

of the population aged 25-34 (the first buyer group) and low interest rates and loose credit conditions leading to mortgage expansion (Barry 1999; Hardiman 2009; Wickham and Boucher 2004; Malzubris 2008).⁶¹

While in 1981 17% of employment was in agriculture, 24% in manufacturing and just over 50% in services, by 2008 6% was in agriculture, 14% in manufacturing and just under 70% of employment was in the services sector, with over 20% in low-skilled services (Hardiman 2009). Despite the growth of highly skilled employment during this period, the proportion of employment in high-tech manufacturing and high-tech services is just above the EU average, but below that of countries such as Denmark, Finland, Germany and the UK (Wickham and Boucher 2004). In fact, the proportion of skilled jobs was slightly below the OECD average in 2006 (see figure 14 below). This can be partially explained by insufficient state incentives to innovation. For example, the level of investment in R & D in Ireland has been relatively low (see table 4 above) (Kenny et al. 2009).

Figure 15: Occupational composition of workforce, EU15 except Greece, 2006 (percentages)



Source: OECD, Education at a glance, 2008

The comparatively large low-skilled services sector, the fourth largest in Western Europe in terms of proportion of total national employment, is the result of a rise in disposable income from the mid 1990s and a low level of labour market regulation. While the minimum wage is set at a high level relative to the average wage and minimum wages in the rest of Western Europe (Eurostat 2009), there is a comparatively low level of employment protection and the

⁶¹ Signs of recession appeared in late 2007 and GDP growth fell sharply in 2008 (Grubb et al. 2009)

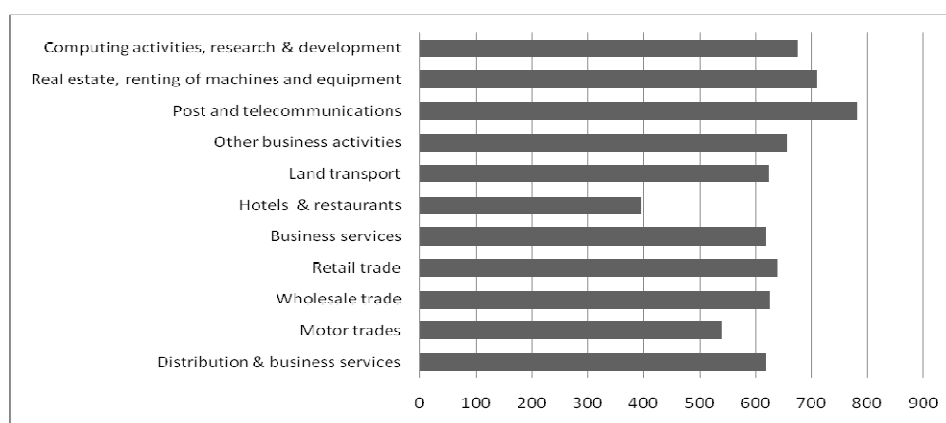
lowest tax burden for an employed person with low earnings in Western Europe (see tables 5 and 10 above). This flexible labour market created the conditions for profitable low-skilled service expansion.

While broadly speaking a liberal market economy, which favours low levels of state intervention in the labour market, Ireland has been governed in a coordinated way since 1987 (Collins and O'Shea 2000). The 'Social Partnership' system involving government, the social partners, and progressively since 1997, farmers' and community and voluntary organisations, is a consensual form of governance, the corner piece of which are National Partnership Agreements, which cover public and private sector wage agreements and a broad set of economic and social issues, including education and training and employment regulation (Begg 2007; Turner 2002; Taylor 2005; Department of the Taoiseach 2006). The social partnership is generally included in the configuration of factors which led to the Celtic Tiger take-off. It provided employers with a means for moderating wage growth and trade unions with a framework in which they could play a prominent role in economic governance. The key feature was the 'tax-wage trade-off' involving reductions in personal taxation in return for moderation in wage increases.

However, wage moderation was not a longstanding fixture. Due to the housing boom, inflation picked up and labour costs rose sharply. In fact, Irish unit labour costs rose by a third between 1999 and 2007, the biggest jump in the euro area (The Economist 2009). Based on this, the unions pushed for an increase in public sector wages; public sector pay was increased in the late 1990s and in particular in 2002 (an average of 8.9% pay increases to public sector employees)(Hardiman 2006). Yet, while disposable incomes rose in Ireland during this period, inequality in the distribution of income was relatively high; placing aside the Mediterranean member states and the UK, Ireland had the highest level of income inequality in the EU15 between the late 1990s and 2006 (see Table 3 above).

Income inequality is a reflection of the significance of low-skill service employment. Migrant workers formed a significant part of this workforce. For example, the hospitality sector had the highest percentage of employment held by migrant workers of all sectors in the Irish economy; 21% in 2005 (NESC 2006). In the context of expanding employment opportunities in other sectors of the economy, the average terms and conditions of employment in the hospitality sector have led to difficulties attracting and retaining Irish workers and explain the growing reliance on migrant workers.

Figure 16: Average Weekly Earnings in Irish distribution and business services (Euro), 2004



Source: CSO, Average Weekly Earnings for Full time Employees in Distribution and Business Services

Based on the assumption that labour shortages can only be ascertained if a high vacancy rate persists after attempts to improve remuneration/working conditions in the sector, we cannot define recruitment difficulties in the Irish hospitality sector as a labour shortage *per se*. This can be compared to the situation in the UK, where both employment and wages in the hospitality sector have in been growing faster than the average growth rates for the entire economy (Matthews and Ruhs 2008).

Despite being covered by a Joint Labour Committee (JLC),⁶² the average earnings in this sector are far below those in other sectors of the economy (see figure 16 above), moreover, a survey from late 2005 provided evidence that the wages in the hospitality (and retail) sectors have been falling to minimum wage and below minimum wage levels (Nolan et al. 2006). Thus it appears that in certain sectors,⁶³ the existence of a national minimum wage can facilitate a politically acceptable reduction in pay and the development of a preference for migrant workers. In fact, when the minimum wage was introduced in 2000, employers in low-wage industries, particularly in Dublin, were already paying above it because of recruitment difficulties (Interviews OPEN, DT, FORFAS). Thus, one could argue that in the context of labour shortages and rising immigration, establishing a minimum wage was closer to introducing a floor than a minimum standard.

⁶² JLCs, established in 1946, provide statutory minimum remuneration levels and conditions for classes of workers operating in particular industries in which low pay is predominant, and where there was no collective bargaining (or trade unions were weak).

⁶³ Some production industries show similar changes in workforce and wage levels (NESC 2006)

3.1.2. Level of labour market regulation and control

Despite the Social Partnership, the influence of the Irish trade union movement on labour market regulation has been limited. While, as I discussed above, wage increases over the period are partly due to trade union demands, the latter have been rather unsuccessful in maintaining and reinforcing membership levels and their legal presence in the labour market. Social Partnership has coincided with a decline in union density from 51.1% in 1990 to 35.3% in 2003 (Visser 2006)⁶⁴ and failure to develop partnership at firm level. Throughout the 1990s, there has been a growing tendency towards the establishment of non-union organisations (particularly among multinational companies). The Irish Business and Employers' Confederation (IBEC) refused to support a legally binding mechanism for union recognition disputes and as a result it was agreed that voluntary negotiations taken in conjunction with the Labour Relations Commission would be concluded in non-binding recommendations (Taylor 2005). While the Labour Court has supported union recognition in its decisions, the majority of employers have chosen to ignore this recommendation (Gunnigle et al. 2002).

In Chapter 1, I argued that low levels of regulation and above all regulatory variation across the labour market is more likely to result in demand for migrant workers than homogeneously highly regulated labour markets. I now take a look at two forms of employment in Ireland; temporary agency work and self-employment. While the former has been provided with inferior employment and welfare rights compared to regular employment, the latter has been subject to low levels of regulation. I then focus on the role of a 'light touch' ESC system in contributing to demand for migrant workers.

3.1.2.1. *Temporary Agency Work (TAW) and self-employment:*

A reduction in the quality of the employment relationship in terms of declining employer obligations towards employees can result in difficulties attracting the domestic labour supply and preferences for 'less demanding' migrant workers. Two methods have been used to reduce the ties between employer and employee in Ireland; employment agencies and disguised self-employment.

⁶⁴ This is still comparatively high in relation to the rest of Western Europe, apart from the Nordic states and Belgium where density was still above 50% in 2003.

Employment agencies facilitate flexible working relationships. Furthermore, the use of employment agencies has been incentivised in Ireland by the lack of legislation providing for equal treatment for temporary agency workers in relation to the regular workforce. There has been considerable diversity in national legislation regarding TAW in Europe. In 2007 only two EU15 member states, Ireland and the UK, had not legislated to provide equal treatment for temporary agency workers in relation to directly employed workers (SIPTU 2007). Legislation had been passed in other EU member states providing equal treatment in pay and conditions, establishing the status of employer, limits on duration, occupational restrictions and other restrictions (European Foundation for the Improvement of Living and Working Conditions 2006).

Agency workers' rates of pay have thus generally been lower than the regular workforce in Ireland and they have had little or no job security, access to sick pay or pension entitlements (SIPTU 2007; Dobbins and Higgins 2005). Between 2002 and 2003, there was a 68% increase in TAW placements in Ireland and there are currently about 520 licensed employment agencies (European Foundation for the Improvement of Living and Working Conditions 2006). The trend of greater utilisation of TAW is particularly evident in the services sector; personal services, sales, hotels and catering and tourism, all sectors which employ considerable numbers of migrant workers (Dobbins and Higgins 2005). While there is no accurate data on the number of migrants workers employed by agencies in Ireland (SIPTU 2008), research on the UK shows that the temporary agency sector is increasingly migrant dominated, in fact, about a quarter of gangmasters⁶⁵ only employ migrant workers and a large proportion of gangmasters only employ workers from the expanded EU (Scott 2007).⁶⁶

'Disguised self-employment' refers to the practice of registering an individual as self-employed, when s/he is in reality working as an employee (CEC 2006). Self-employed contractors are left outside the scope of statutory protections in Ireland, including the entitlement to be paid the minimum hourly wage. The terms 'self-employed' and 'employee' are not defined in Irish law which has facilitated disguised self employment and led to

⁶⁵ Gangmasters represent a specific type of employment agency, which supply workers on a temporary basis to the UK food sector.

⁶⁶ While both governments were among the main opponents of the EU agency work directive which proposes equal rights for agency workers (SIPTU 2007), in May 2008 the British government and the social partners agreed on equal treatment for agency workers after 12 weeks employment, which facilitated agreement on the EU directive in November 2008 (Hall 2008a). The Temporary and Agency Workers Directive (2008/104/EC) seeks to guarantee equal pay and conditions for agency workers. It allows member states to introduce a qualifying period for equal treatment in consultation with the social partners (Art. 5(4)) for example, the British agreement on 12 weeks. Member States have until the 5th of December 2011 to implement the Directive.

difficulties identifying this practice⁶⁷ (ICTU 2006). Disguised self-employment is maintained to be particularly prevalent in the construction sector and among migrant workers (O'Brien 2007). In 2004 more than half of all those employed in construction were either self-employed or worked for very small concerns employing less than ten people (CSO 2007). In 2007, trade unions alerted the government to a growing practice of using disguised self-employment to employ migrants without work permits. Department of Social and Family Affairs data show that 5,291 Romanians received Personal Public Service (PPS) numbers during January and February 2007. However, just 18 work permits were issued to Romanian nationals during this time, seven of which were renewals of existing permits (O'Brien 2007).

3.1.2.2. *Employment standard compliance:*

The Irish ESC system is based on the British tradition of labour market regulation and control; the so-called 'light touch' approach. Moreover, the will to enforce employment standards was weak in the context of high unemployment until the late 1990s (Interview DETE-ES). In fact, '*lack of control by authorities*' was cited by the highest percentage of Irish Eurobarometer respondents as the '*reason for doing undeclared work*' (Eurobarometer 2007).

Until the 2006 'Towards 2016' National Partnership Agreement, employers were under little pressure to be compliant with employment standards legislation. Typifying the liberal lightly regulated labour market, in 2004, there were only seventeen labour inspectors to police the entire economy. The involvement of the labour inspectorate has been mainly limited to following up complaints from employees concerned, that is 'reactive regulation' (Scott 2007). While the revenue inspectorate has been reinforced over the decades (there are circa 700 tax inspectors) and tax evasion has been greatly reduced, employment standard enforcement was neglected (Interview ICTU).

Moreover, the Irish trade union movement has had, until recently, negligible success in monitoring ESC throughout the economy and in stimulating radical reform of the labour inspectorate. Low union density across the economy makes the monitoring of ESC by trade unions of limited scope; in sectors such as hospitality and retail, which have very low union

⁶⁷ Moreover, trade unions point to the ineffective implementation of the 'Code of Practice on the Correct Determination of the Status of Employed and Self Employed' which was introduced in 2004 (ICTU 2006).

density, ESC has been left to individual employees with the assumption that they will report non-compliance to the labour inspectorate or dispute resolution agencies.

It appears that a disproportionate number of claims at state dispute resolution agencies are from migrant workers,⁶⁸ as the Chief Executive of the Labour Relations Commission stated in September 2007; *'If you take the workforce of 12% non-national, then I would say our experience of claims is greater than 12%.'*⁶⁹ The main areas of employment concerned are hotel and catering, retail and domestic service and the most common areas of non-compliance with employment standards legislation are pay and working time (Interview LRC, OPEN, ICTU) (Hyland 2005). The relationship between employment rights non-compliance and demand for migrant workers is significant in the hospitality, health(care) services and construction sectors.

Breaches of industry specific agreements concerning employment standards were detected in 61% of inspections in catering establishments and 58% of inspections in hotels in 2007 (NERA 2008a). It is striking that despite comprising about 2% of work permits issued in 2002/3, domestic workers accounted for 13% of all migrant worker cases before the Rights Commissioner Service in 2003 (Hyland 2005). Moreover, breaches of industry specific agreements concerning employment standards were detected in 56% of inspections in the construction sector in 2007 (NERA 2008a)⁷⁰.

Three cases concerning the exploitative employment of migrant workers below Irish standard terms and conditions of employment erupted into the public sphere in 2005-6; Irish Ferries, GAMA and Laing O'Rourke (see chapter 5). While the Irish Ferries case occurred in the shipping sector, the other two cases took place within the construction sector. The GAMA and Laing O'Rourke cases are illustrative of the weak ESC system which was in place in Ireland until 2006/7 and which generated below standard employment and demand for migrant workers based on their cost. For example, wage agreement and working-time legislation infringement by GAMA, a construction company employing Turkish workers in Ireland since 2000, was brought to light by a Socialist Party county councillor in early 2005 and not the

⁶⁸ Theoretically, both legal and undocumented workers; although the Employment Permits Act 2003 does not permit undocumented migrants to access dispute resolution agencies, information regarding legal status is still not requested by the Labour Relations Commission (LRC) (Interview LRC)

⁶⁹ The LRC do not request information on nationality so precise data on numbers of migrant claimants is not available.

⁷⁰ The Construction Industry is covered by a Registered Employment Agreement (REA). This industry-specific agreement covers minimum rates of pay and other conditions of employment over and above what is provided for in general legislation.

labour inspectorate or the trade unions (Business Staff 2005). The GAMA case thus demonstrates a lack of effective monitoring of ESC by the state and trade unions, within one of the most unionised sectors of the private sector (27.1% membership in 2004 (CSO 2005)). As an official from the ESC section in DETE asserted in November 2007;

This was a great wake up call for us in the enforcement side but also for the trade unions. We had checked with the shop stewards on each site and they said 'not a bother', so when SIPTU⁷¹ heard the story from one of the workers, they couldn't believe it (Interview DETE-ES).

GAMA and other cases of 'social dumping' are argued to be related to changes in traditional industries, which are being experienced across the world; increasing cost competitiveness resulting in a rise in sub-contracting and a reduction in employment standards (Yeates 2006). However, we cannot generalise. Construction workers in nordic states still avail of high employment standards (ILO 2001) and social partner, rather than state, enforcement of collective agreements has led to lower levels of non-compliance. Migration flows to the nordic countries are relatively moderate in a European context, as noted in Chapter 1 and it is rather telling that circa 50% of A8 workers who migrated to Scandinavia in the first year after the 2004 enlargement went to Norway, where trade union density and collective agreement coverage is significantly lower (Schulten 2006). Though I do not argue that exploitation does not occur in Sweden and Denmark, I maintain that the absence of effective monitoring of compliance by the state and unions has led to many more opportunities for non-compliance in Ireland – and Italy - than in the nordic states.

A brief look to the Vaxholm/Laval dispute in Sweden is helpful here. In 2004, a Latvian construction company refused to sign an 'application agreement' to comply with the agreed terms and conditions of employment for the sector, as it was employing Latvian workers at approximately two-thirds of the price of Swedish labour. Over six weeks, in addition to the picketing by the Swedish trade union Byggnads, eight other Swedish unions were engaged in some form of secondary action. When the case went to the Swedish Labour Court, the ruling went in favour of Byggnads as it upheld the rights of Swedish unions to defend the collective bargaining system. In early 2005, the Latvian company filed for bankruptcy and withdrew from its operations in Sweden (Donaghey and Teague 2006).

⁷¹ The Services, Industrial, Professional and Technical Union, the largest trade union in Ireland.

However, the case was referred to the European Court of Justice (ECJ) and in December 2007 it ruled that industrial action cannot be allowed where there is no statutory minimum wage.⁷² This case is generally perceived to reveal a weakness in the much vaunted nordic employment regime (Whittall 2007). However, it also supports my claim regarding the effectiveness of nordic trade union monitoring and enforcement of employment standards, within the framework of their national regimes. It is this effective monitoring and enforcement actor which is lacking in liberal states (and as we have seen in Italy).

3.2. The Surrounding System: Indirect effect on demand for migrant workers

3.2.1. Labour market policy and social services

In 2005, the underutilised labour force potential in Ireland, that is the unemployed plus people who would be willing and able to work if barriers to their participation were reduced, was around 175,000 people (NESF 2006). As Bruff points out, Germany, *'widely seen as one of the worst performing economies in Europe'*, had a higher employment rate than Ireland in 2004. In fact, he asserts that these figures debunk *'one of the central myths about skill shortage – there is no shortage of potential workers'* (Bruff 2005 p. 2).

Irish welfare institutions are based on liberal ideas and Catholic values; the middle class aversion to high taxes marrying well with the concept of subsidiarity (McLaughlin 1993). The Irish welfare state has its origins in the Poor Relief Act of 1847 which the British government introduced following the Great Famine (1845-7) (Kiely 1999). In some sense reflecting this liberal heritage, Irish labour market policy has been far more 'active' than Italian policy since the second half of the 1990s. Moreover, unlike in Italy, there are no welfare 'outsiders' as means-tested social support is universally available. The state thus has a stronger role in social support than in Italy which relies more heavily on family support mechanisms.

However, labour market policy has been only partially active; unlike the unemployed, inactive segments of the welfare recipient population, in particular single parents, have received few incentives or obligations to participate in the labour market. Furthermore,

⁷²According to the ECJ, to do otherwise would force an undertaking to surpass the minimum standards acknowledged within the posted workers' directive -the EU directive on the posting of workers 96/71/EC stipulates that local minimum wages must apply to posted workers - and would make it less 'attractive' for companies to provide such services outside their borders.

similarly to Italy, low levels of public subsidisation of childcare costs have created obstacles to the employment of mothers of young children.

Irish social policy saw little change between the beginning of the twentieth century when the British government introduced the so-called 'liberal reforms' including the National Insurance Act of 1911 – the first social benefit for insured workers and their families in Britain and Ireland – and 1973, when Ireland joined the European Community (EC). Since independence, the two main actors influencing the development of social policy in Ireland were the Church and the state (both the civil service and centrist-centre-right parties which dominated Irish politics), the latter becoming more prominent from the 1970s onwards. The influence of the Catholic Church's views of gender roles, combined with concern about male unemployment resulted in discriminatory policies, such as the bar on the employment of married women in certain areas of the labour market, including the civil service, which was only removed in 1973. Child benefit and other income support measures have been the principal family policy since 1944, while services for families were comparatively under-developed; restricted to the very needy and generally provided by the church with substantial state funding.

3.2.1.1. Welfare recipients:

During the 1980s, the number of people of working-age in receipt of any kind of weekly social welfare payment rose to nearly 19%, due mainly to a rise in the unemployment rate to 13.4%. In the 1990s, during the economic boom, while the unemployment rate fell to 5.6%, the proportion of people of working-age in receipt of a weekly social welfare payment rose to 19.3%. In fact as unemployment fell, the numbers in receipt of one parent family payment and disability allowance rose constantly. By 1999, Ireland had the highest benefit dependency rate of the English speaking world (NESC 2005).

The large numbers in receipt of one parent family (OPF) payment and disability allowance is explained by various factors related to the welfare system. While unemployment assistance became increasingly contingent on active job searching in the 1990s, these two schemes held no such conditions. In 1996 long-term unemployed youths were required to register with the Training and Employment Authority, FAS. The National Employment Action Plan (NEAP) was introduced in 1998 and required unemployed people to attend an interview to set up an individual action plan after a certain number of months of unemployment. While less

‘stringent’ than activation requirements in Britain, there is evidence that these new activation requirements contributed to the fall in unemployment in the following years (see Chapter 6). On the other hand, the OPF payment has a broader coverage than any other OECD country, making transfers with no job search requirements until the youngest child is aged 18, or 22 if in full-time education (Grubb et al. 2009).

Moreover, these schemes are asserted to be ‘employment unfriendly’, for example, the earnings disregards designed to provide people leaving welfare with a financial contribution to cover back to work expenses have not been raised for lone parents as growth in costs and general earning levels have risen.⁷³ Regarding disability allowance, it is asserted that medical disability has been ‘*all too easily equated with incapacity for work*’ (NESF 2005 p.184) and the workforce participation of those with health problems or disability is significantly lower in Ireland than in France or the UK (Stats in Focus, Eurostat, 26/2003). Importantly, lone parents’ desire to work is asserted to be at least as strong as the general populace and it has been estimated that 13,000 disabled people could take up work if action were taken to reduce barriers to their access (NESF 2006) (Interview OPEN, INOU).

Furthermore, in a context of high unemployment in the 1980s, the state developed job creation programmes and in the mid 1990s, despite growing labour demand, the Irish state was spending the largest proportion of ALMP (39.88%) on public job creation in Western Europe after Belgium (Cook 2008).⁷⁴ While these programmes are considered a failure regarding the progression of participants into the formal labour market, their popularity among participants and groups benefitting from subsidised workers and services explain their longevity (NESF 2006).

The principles of charity and justice, prioritised in Catholic social thought (Frisina 2004), may explain to some extent the generosity of these welfare schemes. The influence of Catholic social thought on social policy was reflected upon by a senior civil servant in the DSFA in November 2007;

There is a leftover communitarism that informs the Irish social welfare system and that pops up in a number of different ways, it goes back to catholic social policy... So where the labour market comes into it is a bit separate really. We’ve had a separate train of government thought informing economic development (Interview DSFA).

⁷³ Perhaps the most important barrier for lone parents is the cost of childcare, an area I will look to below.

⁷⁴ In 1995, the UK spent only 2.17% of ALMP expenditure on job creation schemes, while France spent 16.03%.

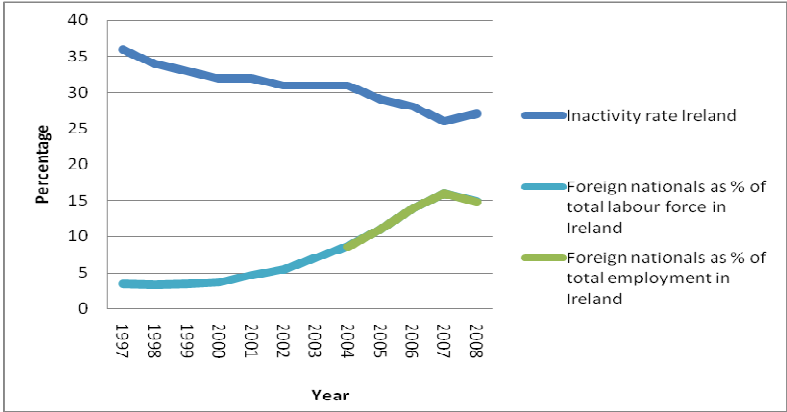
The charity-based policy towards those in receipt of OPF payments and disability allowances is illustrated by the following statement made by a representative of lone parents in Ireland in November 2007;

People say well it's a kindness to just leave them in receipt of the payment, rather than force them out into work...but I don't think there was one lone parent who I spoke to who said 'I want to parent full time and live on social welfare'(Interview OPEN).

Moreover, the passive nature of OPF payments can be accounted for by a concern not to undermine parents who wish to care for their children themselves. This view is reflected in the following statement within a National Economic and Social Forum (NESF) report on labour shortages of 2000; apart from the unemployed, welfare beneficiaries of working age were not to be obliged to work due to respect for '*quality of life for people with disabilities and parenting choices*' (p.67).

Due to the fact that nearly a fifth of the working age population were not participating in the labour market between the late 1990s and 2007, the demand for migrant workers was even more significant than it might have been in a context of higher labour force participation. The substitution of inactive domestic workers with migrants is particularly significant in the early 2000s when activity rates were relatively stable and levels of immigration rose (see Figure 17).

Figure 17: Trends in inactivity rates and foreign nationals as percentage of total employment/labour force in Ireland 1997 - 2008



Source: OECD LFS; CSO QNHS; OECD, Sopemi, 2008

This argument is reinforced by the fact that the labour market test⁷⁵ was pronounced a ‘failure’ in 2006 (NESC and IOM 2006), based on the national employment services (FAS) review of the test in 2002. The latter demonstrated that the majority of work permits were issued for work in unskilled occupations, for which there existed a sizeable quantity of unskilled local labour (NESC 2006).

3.2.1.2. Supporting female participation in the labour force:

Women are an important component of the ‘economically inactive’ in Ireland. In fact, Ireland’s female labour force participation rate, though just above the EU average, is below the rates of eight EU15 states including the UK, Denmark, Germany and Portugal (Eurostat 2007a) and the country is ranked 51 out of 56 states in terms of equality of economic opportunity for women (NESF 2006).

Barriers to reconciling work and family life constrain higher participation levels. In fact, there is a large difference in participation levels between women with and without children; among women aged 25-54 who have two or more children, the full time employment rate is only 22%, one of the lowest in the OECD (Cournède 2006).⁷⁶ My argument here mirrors that above regarding welfare recipients; below average levels of mother labour force participation in Ireland can only have contributed to the demand for additional workers during the economic boom, particularly in female-dominated services employment. While women accounted for nine-tenths of the increase in labour force participation since 1990 (Cournède 2006), the sharp rise in female participation occurred in the 1990s with a far more moderate increase in the early 2000s when labour immigration became significant.⁷⁷

There is consensus that the most significant constraint on mothers’ participation in the economy over the last decade has been the unavailability and cost of childcare (Migrant Rights Centre Ireland 2004). This is explained by a low level of public investment in childcare, based on a tradition of family-based care and the state’s more recent attempt to facilitate the development of a community/voluntary/private sector childcare infrastructure. Net childcare costs in Ireland are the highest in the OECD and parents receive the lowest level

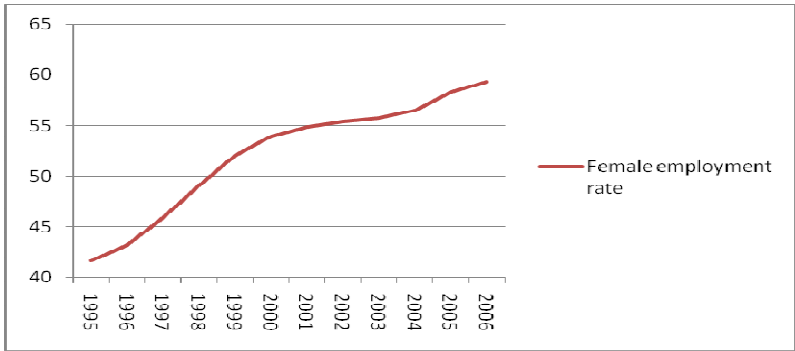
⁷⁵ European employers must show that they cannot find workers within the EEA before being issued a work permit.

⁷⁶ Ireland also has one of the highest penalties in pay reduction associated with motherhood (NESF 2006)

⁷⁷ Between 2004 and 2007, both female employment and labour immigration levels rose significantly, the former by three percentage points, in the context of a housing and retail boom.

of supports in meeting these expenses. According to Bennett’s typology of early childhood systems, which groups countries according to levels of public investment in childcare, Ireland is now the only European country in the ‘low investment, mixed market model’⁷⁸(Hayes and Bradley 2006).

Figure 18: Female employment rates in Ireland, 1995-2006 (percentages)



Source: Eurostat, employment rates

Apart from the traditional influence of the principle of subsidiarity, deriving from Catholic social thought, Irish welfare policy has long been informed by the priority of cost avoidance due to a combination of liberal ideas and practical budgetary constraints (Murphy 2008). Officials in the DSFA maintain that the department of Finance has long held a tight hold on the state purse, which constrains service development (Interview DSFA). Moreover, there is a generalised public aversion to increasing taxation in Ireland (Payne and McCashin 2005). Hardiman highlights the lack of a trade-off between disposable income and social services or a social wage in social partnership negotiations. In fact, the trade union movement tends to focus its demands on increases in disposable income rather than social benefits. Moreover, distributive inequalities do not feature strongly in electoral competitions (2006).

3.2.2. Supplying the skills needed: Education and training system

The Comparative Capitalisms literature is very clear on the VET deficit in liberal states (Estevez-Abe et al. 2001; Finegold and Soskice 1988; Schmidt 2003). Public investment in

⁷⁸ The UK moved up the league table to a more supportive childcare model following the Labour party’s return to government in 1997.

education has traditionally been limited by the overriding aim of public spending restraint. General education was long favoured over vocational and the state has had a ‘hands-off’ approach to apprenticeships and continuous training.

The Irish education and training system is based on the British tradition of general school education, limitations on third level education intake and a low level of regulation of firm based/employee training. Nevertheless, in order to attract FDI, particularly American industries producing high-technology goods, and supported by the European Social Fund, the state set up a non-university third level sector in the late 1960s and a large volume of technical graduates was produced by means of cost-effective short-cycle courses (Wickham and Boucher 2004; O’Riain 2000). Moreover, the introduction of a standards-based apprenticeship system in 1994 and relatively high spending on apprenticeship in the 1990s is argued to have been fundamental in responding to skills needs in the construction sector. Furthermore, public spending on training for the unemployed has been higher than in the UK (though far lower than in north west Europe) (Grubb et al. 2009).

However, while a large volume of technical graduates were produced, postgraduate technical education was given less attention, as were the education and training levels of the population as a whole (Hardiman 2009; Wickham and Boucher 2004). Continuous training and adult education remained marginal despite the low levels of educational attainment of the older cohorts of the working age population which had not benefitted from free secondary school education (introduced in 1967) or the abolition of Higher Education fees (in 1996). Moreover, the annual intake into university undergraduate courses in professional areas such as medicine, architecture and engineering remained limited and highly competitive.

While arguably much of demand for skilled migrant workers can be explained by employers’ cost competitiveness concerns and difficulties in attracting the domestic labour supply due to unattractive wages and working conditions,⁷⁹ a relationship has been identified between skill shortages and demand for skilled migrant workers in Ireland in occupations such as architecture and medicine (OECD 2007a; FAS 2003).

While Ireland (and the UK) has lower aggregate levels of intermediate skills attainment relative to most of North-West Europe - In 2004 for example, more than 50 per cent of adults in Germany and Norway were qualified to intermediate level, compared to fewer than 40 per

⁷⁹ Skills certification requirements and foreign qualification recognition also condition the demand and supply of foreign workers in general.

cent in Ireland - Ireland has become increasingly ‘competitive’ in terms of aggregate levels of tertiary education attainment (see Table 1) (OECD, 2008). However, there have been below OECD average shares of tertiary educated with health and welfare and engineering degrees (see Table 2).⁸⁰

The construction and health sectors have experienced skill shortages and received significant inflows of foreign professionals during the decade of interest (FAS 2003; OECD 2007a). In fact, as noted above Ireland has the highest percentage (15%) of foreign-born among employed professionals and associate professionals across sectors in Western Europe.

Table 12: Distribution by fields of tertiary education of the 25-to-64-year-old population, selected EU15 states, 2004 (percentages)

| | Education | Arts & humanities | Social sciences, business and law | Science | Engineering | Agriculture | Health and welfare | Services | Other fields |
|---------------------|-----------|-------------------|-----------------------------------|-----------|--------------------|-------------|---------------------------|----------|--------------|
| Austria | 10 | 15 | 34 | 9 | 15 | 2 | 13 | 2 | n |
| Denmark | 16 | 11 | 19 | 4 | 13 | 1 | 34 | 1 | n |
| Finland | 12 | 12 | 22 | 7 | 27 | 4 | 12 | 4 | n |
| France | 9 | 19 | 35 | 15 | 10 | 1 | 7 | 3 | 1 |
| Germany | 22 | 9 | 22 | 8 | 22 | 2 | 12 | 2 | n |
| Ireland | 12 | 13 | 22 | 23 | 11 | 2 | 10 | 3 | 5 |
| Italy | 4 | 19 | 33 | 12 | 14 | 2 | 15 | 1 | n |
| Netherlands | 20 | 8 | 30 | 6 | 12 | 2 | 17 | 3 | 2 |
| Portugal | 16 | 12 | 27 | 13 | 14 | 2 | 12 | 3 | 1 |
| Spain | 15 | 11 | 32 | 10 | 12 | 2 | 12 | 4 | n |
| Sweden | 22 | 7 | 24 | 7 | 15 | 1 | 19 | 3 | 1 |
| UK | 14 | 18 | 28 | 18 | 11 | 1 | 8 | 1 | n |
| OECD average | 14 | 12 | 28 | 10 | 15 | 2 | 13 | 3 | 2 |

Source: OECD, Education at a glance, 2008

I take a brief look at the relationship between the provision of education and training in the construction sector and demand for skilled migrant workers before looking at this relationship in more depth in the healthcare sector.

⁸⁰ Note however that there is an above-OECD-average proportion of the population with science degrees.

3.2.2.1. Construction sector:

The construction industry experienced a boom in Ireland for a decade beginning in the mid 1990s; employment doubling in the seven years between 1995 and 2002. Labour and skill shortages developed and migrant workers were required to fill in the gaps. In fact 13.1% of those employed in construction are non-Irish nationals, compared to about 12% across the economy as a whole. One of the most significant skill shortages has been in architects; by 2007 11.6% of architects were foreign nationals (FAS and Expert Group on Future Skills Needs 2006).

The shortage in architects can be partly explained by the insufficient number of places in schools of architecture in Ireland and the lack of graduates entering the market. In fact, the restricted number of places in Irish schools of architecture has led many Irish to study architecture in the UK; circa 75 students per year. The construction industry required approximately 200 new architects and technicians a year to replace the existing stock of workers in the early 2000s, however, there were only 131 places in architecture and architectural technology at degree level in 2003 (FAS 2003).

3.2.2.2. Healthcare:

The highest number of non-EEA workers in Ireland are employed in the healthcare sector; 13,100 people in 2007 (QNHS 3q 2007 CSO). Demand for migrant health workers is distinctive as it is largely institutionally determined (Bach 2003).

Though I focus on the training of healthcare professionals, other significant institutional factors are the expansion of health services, the terms and conditions of employment and career prospects. Regarding the former, increases in international health worker migration can be correlated with increases in spending on health in high income countries in the 1950s and 1960s and again across the OECD in the 1990s (OECD 2007a; Bach 2003). The Irish health services were expanded over the past decade; employment increasing by 56% between 1998 and 2003 (ICTU 2007; FAS 2005). However, while employment expansion created demand for health workers, other institutional factors impacted domestic supply resulting in demand for migrant health workers. As regards the terms and conditions of employment, similarly to the UK, Irish nurses have been leaving Ireland because of uncompetitive remuneration and working conditions (Duvell 2006). Between 2002 and 2007, a total of 3136 Irish trained

nurses requested verifications for work abroad. The Irish Nurses Organisation (INO) asserts that this is due to inflexible working arrangements, unpaid overtime and poor pay (O'Halloran 2006).

In 1978, in a context of low economic growth and emigration, the state capped the intake of Irish undergraduate medical students to 305 per annum. This interim measure remained in place for 30 years, becoming something of an institution. Combined with the popularity of a medical career, this resulted in exceptionally high points for entry for undergraduate medicine, while graduate intake remained limited (Department of Health and Children 2006). The five medical schools also took considerable numbers of paying non-EU students; in fact in 2003/4, 60% of students accepted were non-EU citizens.

The Irish level of intake of non-EU medical students has been highly unusual compared to other high income countries (less than 10% of medical students are non-EU nationals in the UK) and increased by 96% between 1998 and 2002 (Department of Health and Children 2006). Hundreds of Irish/EU nationals who applied for medicine each year were refused, while non-EU students who paid for training in Ireland (accounting for over 50% of medical school income in 2001/2) generally left once they qualified.

The resulting skill shortages led to the necessity to engage in overseas recruitment (Department of Health and Children 2006). In fact, Irish health services became dependent on non-Irish medical professionals; while in 1984, only 14% of trainee doctor positions were held by foreign nationals, by 2004, the share had risen to 53% (FAS 2005). Even in a context of high unemployment between 1984 and 1992, while the number of Irish trainee doctors remained stable, the number of foreign trainees quadrupled (PMDB 2006).

Table 13: Percentage of foreign-trained doctors among registered doctors in selected EU15 states, 2000 and 2005

| Country/Year | 2000 | 2005 |
|----------------|-------------|-------------|
| Austria | 1.8 | 3.3 |
| Denmark | 7.7 | 11.0 |
| England | 27.3 | 32.7 |
| Finland | 3.6 | 7.2 |
| France | 3.9 | 5.8 |
| Ireland | 10.3 | 27.2 |
| Sweden | 4.3 | 4.9 |

Source: OECD Sopemi 2007

Furthermore, post-graduate medical training opportunities in Ireland are widely criticised. A Department of Health and Children study on career retention has shown that circa 50% of

graduates of Irish medical schools leave Ireland (Department of Health and Children 2006). Many of the Irish medical graduates who leave do so to gain training abroad which they cannot obtain in Ireland, due to limitations on numbers and training courses (O'Halloran 2006).

In contrast to medical education, the intake for nursing was generally considerable in Ireland due, among other factors, to the lower costs involved in producing nurses and a weaker professional organisation. Traditionally Ireland was a significant exporter of nurses (Yeates 2006) and up to the late 1990s there was strong competition for every available post (Simoens et al. 2005; Department of Health and Children 2002). In fact, in 1993-4 when the first diploma-based programme was being planned, there was increasing resistance from the nursing profession to maintaining a high student intake at a time when nurses on registration were finding it difficult to find employment. Subsequently, a Department commissioned study of nursing personnel of 1995 recommended a gradual reduction in the number of student nurses up to the year 2000 (Seanad Éireann 2000).

A huge gap between demand and supply opened up in the late 1990s, due to the reduction in the number of student nurses and considerable investment in the healthcare system. This resulted in a significant inward flow of nurses, as national industrial secretary for the Health, Local Authorities and Education sector of SIPTU asserted in March 2008;

It was due to a lack of forward planning. Up to 1996/7, we'd come through an awful period of cutbacks. They cut training, so they lowered capacity and you can't just crank up that system fast. It takes a cycle of 3 or 4 years for training and if you cut down the cycle it takes another 3 years to get back up. We took the easy way out by cutting back on training. You should invest in people so that when the surge comes you are ready to respond (Interview SIPTU-H).

A 'fast-track' visa/authorisation scheme was introduced in 2000 to facilitate the immigration of non-EEA health workers, the majority of whom were nurses (EGFSN 2005). The Philippines was targeted from the year 2000 as a source for nurses and rapidly by 2002, Ireland was the third most important destination country in the world for Filipino nurses. By 2006, roughly one in six nurses was from overseas (Yeates 2006).

4. Conclusion

It is generally assumed that large scale labour migration to Ireland between the late 1990s and 2008 can be simply explained by high levels of economic growth. However, I maintain that this is an incomplete explanation. I present an explanation for labour migration to Ireland, which, while conceding the primary role of employment growth, focuses on labour market institutions; that is institutions governing employment in the broadest sense, including employment regulations, labour market policy and vocational education and training. In sum, the institutions governing the labour market in Ireland contributed to creating demand for migrant workers by generating low-skill, low-standard employment and by producing obstacles and disincentives to the labour market participation of the domestic supply of labour and insufficient opportunities for the domestic population to attain the skills required on the labour market.

PART II

The Migrant Worker Factor in labour market institutional reform

Chapter 4:

Expectations regarding the role of the Migrant Worker Factor in labour market institutional reform

Concerns regarding labour immigration were more significant in Italy and France than in Ireland and Britain during the decade 1997-mid 2008. Concerns were the most significant in France and the least in Ireland. While the transfer of concerns regarding labour immigration into the labour market policy arena is facilitated in France by adequate learning and coordination mechanisms, it may be obstructed by low levels of intra-governmental coordination in Italy. Learning and coordination mechanisms appear adequate in Britain and strong in Ireland which would have facilitated the transfer of the Migrant Worker Factor into the labour market policy arena if concerns regarding immigration had developed during that decade.

Introduction:

As I set out in some detail in Chapters 5, 6 and 7, policymakers in Ireland, Italy, Britain and France attempted to reform labour market institutions over the decade 1997–mid 2008. ESC systems experienced varying levels of reform across the four states, including the strengthening of coordination between inspection authorities and an increase in inspection personnel, with the aim of increasing compliance with labour standards. An active approach to welfare developed in the four states; attempts being made to support, incentivise and oblige the unemployed and inactive to participate in the labour market, by means of an improvement in public employment services, increasing benefit conditionality and attempts to develop childcare infrastructures among other policies. Moreover both Ireland and Britain made significant efforts to augment the domestic supply of skills in order to better respond to skill shortages, involving an increase in VET funding, planning, regulation and provision. The question I pose in this part of the thesis is; did concerns regarding labour immigration (the Migrant Worker Factor (MWF)) have a role in stimulating these reform efforts?

In chapter 1, I set out an explanatory framework for the impact the MWF on labour market institutional reform across states. In brief, the independent variable of concerns about immigration varies across states and the influence of this variable on labour market institutional reform (the dependent variable) is mediated by learning and coordination mechanisms. I also expect that the MWF is more likely to stimulate labour market institutional reform when there are converging political or structural pressures for reform.

In this chapter I examine the likelihood that concerns regarding labour immigration were problematised during the decade 1997-mid 2008 and investigate learning and coordination mechanisms in the four states. This analysis should provide me with hypotheses regarding the likelihood that concerns regarding labour immigration had a role in stimulating the above labour market institutional reforms in the four states.

1. The comparative significance of concerns regarding labour immigration

The immigration policy literature provides various explanatory models for immigration policy outputs, some of independent variables of which can be applied to cross national comparative research. The four politico-institutional factors which can be identified across states and used to explain differences in policy output are: 1. *social partners* - their preferences regarding immigration and influence on immigration policy; 2. *political party* orientation and influence; 3. *public opinion* on immigration and the extent of government autonomy from popular pressures; and 4. *bureaucratic responsibility* for labour immigration.

Based on a comparison of these variables across the four states, I expect concerns regarding labour immigration to have been more significant in Italy and France than in Ireland and Britain between 1997 and mid 2008. I expect Ireland to have experienced the least significant concerns regarding labour immigration of the four states and France the most significant.

1.1. The social partners:

In the literature, one of the main determinants of levels of state openness to immigration are the preferences and influence of the social partners (Menz 2009, 2005). Employer associations, particularly those representing small businesses, were all positive regarding increasing legal channels for immigration – in particular skilled worker immigration - by the late 1990s in the four states (Einaudi 2007; Interview IBEC; Zincone 2006; Somerville 2007; Menz 2009).

However, French employer associations were the most circumspect, at least on a rhetorical level. Influential French associations such as the French Building Federation (*Fédération Française du bâtiment* (FFB)) expressed concern about labour market competition with the

domestic workforce, as well as a fall in employment standards, asserting that immigration may reduce incentives to train the domestic workforce and improve the quality of employment in order to attract the domestic workforce (Watts 2002; CAS 2006; Deneuve 2001).

Employer associations were highly influential in terms of immigration policy in Ireland and Italy and became increasingly influential in Britain during the 1990s. They were consulted on all policy changes and often lobbied government for increases in numbers of migrant workers admitted. Moreover, in the Italian case, employers (and unions) are involved in the setting of annual quotas for foreign workers within a technical group in the Interior Ministry (Einaudi 2007; Somerville 2007; Zincone 2006)(Interviews DETE-WP, IBEC). In France, while representatives from the largest employers peak association *Mouvement des entreprises de France* (MEDEF)⁸¹ and civil servants maintain that immigration policy in France is principally state driven, employer demands are explicitly considered in immigration policy-making (CAS 2006) and state policy is strongly supported by employers associations, which seems to reflect a certain state-business alliance (Interviews MEDEF, MIINID, CAS).

Italian, French and British trade union movements supported particularly liberal immigration policies (Watts 2002; Einaudi 2007; Krings 2009). In fact, in these three states, the trade union movements were more – explicitly - open to labour immigration than employer associations. The trade unions have argued that an increase in legal channels for entry will counteract a decline in employment standards as a result of the exploitation of undocumented migrant workers.

The Irish trade union movement, while generally positive regarding labour immigration, was the most cautious; while its counterparts in the other three states consistently called for more legal channels for immigration over the decade, the Irish movement did not do so⁸² and moreover, unlike the other movements, opposed the opening of the labour market to Romania and Bulgaria in 2007. The concerns of the Irish movement were principally about labour market competition and a decline in employment standards (Interviews SIPTU, ICTU) (ICTU 2006).

⁸¹ Formerly the *Conseil national du patronat français* (CNPF) between 1945 and 1998.

⁸² The Trade Union movement did, however, campaign for a ‘Yes’ vote during the referendum on the Nice Treaty in 2002; the free movement of workers being a crucial issue in the debate (Krings 2009).

As these concerns mirror those of the other European movements, the more cautious approach of the Irish movement may be a function of its participation in the Social Partnership (see chapter 3) and organisational strength. There may be a relationship between union access to power and restrictive immigration policies. In fact, union movements with limited access to power often take on the strategies of opposition movements against state policies (Penninx and Roosblad 2000). Moreover, the difference may also be partly explained by variation in levels of membership among migrant workers and/or the aim of organising migrant workers, due to declining unionisation rates among the domestic workforce. Union density is very low in France (10% in 2000) - in fact it is the lowest in Western Europe - and in the UK (29% in 2000). While union density is similar in Ireland (39% in 2000) and Italy (37% in 2000), every second Italian union member is a pensioner, reflecting an ageing population and problems attracting younger Italian workers (Ebbinghaus 2002). On the other hand, 67% of legally employed migrants are affiliated with a union in Italy (Watts 2002). Finally, in occupational based welfare states, such as Italy and France, with generous job and welfare protection in the primary labour market, as long as migrant workers take up employment in the secondary labour market, the privileges of the primary labour market are safeguarded. We can thus expect trade unions⁸³ to be largely supportive of immigration in these states (see Chapter 2).

Regardless of their preferences, the trade union movements have had relatively low levels of influence over immigration policy in the four states⁸⁴ - even in Ireland, where they have the most institutionalised place at the table of socio-economic governance (Begg 2007; Somerville 2007; Einaudi 2007) (Interviews TUC, CGIL, CGT, ICT, SIPTU, CBI, IBEC). This is illustrated by the fact that the Irish trade union movement was not consulted regarding the opening of the labour market to workers from the A8 in 2004 (Begg 2007). While the social partners have a role in providing input at regional and national levels to be used in setting annual quotas for foreign workers in Italy and trade unions were influential in shaping immigration policy from the 1980s to the mid-late 1990s, the latter's influence has receded since then, due to the rising importance of the immigration question among political parties (Einaudi 2007).

⁸³ Especially trade unions which steadfastly oppose labour market flexibilisation, in the French case the *Confédération Générale du Travail* (CGT) and in the Italian case the *Confederazione Generale Italiana del Lavoro* (CGIL).

⁸⁴ For example, in a recent book on immigration policy under New Labour, the trade unions did not figure in the analysis of the economic immigration policy community (Somerville 2007).

In sum, the social partners in the four states were in general positive regarding labour immigration during the decade of interest. The most circumspect organisations were some French employer associations and to a lesser extent the Irish trade union movement, which voiced concern regarding the impact of immigration on employment standards. French employer associations have a certain amount of influence over immigration policy-making, while the Irish trade unions appear to have less influence than their employer counterparts, which were very positive regarding the benefits of labour immigration.

While I do not analyse the role of civil society organisations in immigration policy making in the four states, the role of the Catholic Church in Italy cannot be overlooked. As discussed in Chapter 3, the Church is a powerful pro-migrant lobby in Italy and influences politics directly by means of declarations from the Church hierarchy and indirectly through Catholic parties, which are subsumed within both the right and left wing blocks, and Catholic civil society associations. The pro-migrant lobby of the trade unions and the Church, later joined by employer associations in the late 1990s, has to a certain extent neutralised the influence of public opinion and political parties hostile to labour immigration (see below). However, the influence of the latter has become increasingly significant over the past decade.

1.2. Political parties:

As regards political parties hostile to labour immigration, Italy and France have the most influential organisations of the four states (Schain 2006, Somerville 2008, Zincone 2006, Einaudi 2007). These groups are principally concerned about cultural fragmentation, crime and in the case of France, labour market competition.

Two extreme right parties, the Northern League (*Lega Nord* (LN)) and the National Alliance (*Allianza Nazionale* (AN)), have been political forces in Italy since the early to mid 1990s and in government for much of the decade 1997-2008; from 2001-6 and again from 2008. The LN became the fourth largest party in the country in 1992 and in the centre-right coalition government of 2001-6, controlled three ministries including the Ministry of Justice and Ministry for Labour and Social Affairs. After winning 8.3% of the national vote in the May 2008 elections, four LN representatives were nominated Minister in the current centre-right government coalition, including Roberto Maroni, Minister for the Interior. The LN explicitly correlates undocumented immigration with crime and holds a preference for immigration

from Christian countries. Representatives of the party, including its leader Umberto Bossi, have made startling xenophobic, racist and anti-immigrant comments; for example, the latter proposed opening fire on boats of illegal immigrants endeavouring to disembark in Italy, while his colleague Erminio Boso proposed separate trains for immigrants and Italians (Rumiz 2003; Pajetta 2003). AN, formed from the ex-neo-fascist Italian social Movement in 1994 is the third force in Italian politics and has been part of the three centre-right government coalitions since 1994⁸⁵. AN also promotes tough laws controlling immigration, however, its approach to immigration is tempered by its close relations with the Catholic Church, its president (until April 2008) Gianfranco Fini re-packaging himself over recent years as a protagonist in the promotion of migrants' rights.⁸⁶

The French extreme right wing party, the National Front (*Front Nationale (FN)*) had become the second party of the Right by 1997 and is argued to have influenced more centrist parties up to the early 2000s at least; the centre-right in particular, has used FN anti-immigrant discourse to gain votes (Watts 2002; Schain 2006). Like the LN, the FN succeeded in gaining the working class vote, leading to the rather paradoxical phenomenon of trade union members – the trade unions being the champions of migrant workers in both states - voting for anti-immigration parties (Interview CGIL)(Schain 2006). The FN associates immigration, particularly from North Africa, with crime, unemployment and loss of national identity. In fact, the leader Jean-Marie Le Pen's success at the French Presidential election of 2002 was in large part due to concerns about violence and juvenile crime among those of migrant origin (Miguet 2002).

Schain asserts that the anti-immigration focus of the National Front in France was not successfully co-opted by the centre-right or left, unlike that of the British National Front, which was stopped in its tracks in the late 1970s by the Thatcher government's strategic shift to the right (2006). The Conservative party is thus the main restrictionist force⁸⁷ in British politics. However, over the past decade, the Conservative party has directed most of its proposals for restriction to asylum seekers and following its defeat in the 2005 election, it gave less attention to immigration (Somerville 2007). Finally, there is no extreme right wing

⁸⁵ AN merged with the *Partito Democratico Liberale*, headed by Silvio Berlusconi, in early 2009.

⁸⁶ Participation in the policy process can have a moderating influence on extremist groups, rather than a radicalising effect on the other parties involved (Schain 2006); this may be the case with the National Alliance, while the rhetoric of the Northern League remains steadfastly anti-immigrant.

⁸⁷ During the decade of interest, the main anti-immigration party, the British National Party, made little inroad into national politics and was strongly criticised by all of the main parties.

party in Ireland and the ‘immigrant card’ was not used by opposition parties during the decade of interest.

As noted in the introduction, approaches to labour immigration from the centre-right and centre-left are ambiguous; it cannot be said that the centre-right is effectively more restrictive regarding immigration, despite the rhetoric.⁸⁸ What can be asserted is that, unlike governments in Italy and France, governments in Ireland and Britain have been unambiguously positive regarding the contribution of immigration to the economy (Somerville 2007; NESC 2006). In sum, I maintain that concerns regarding labour immigration emanating from political parties and the government were strongest in Italy and France during the decade 1997-mid 2008.

1.3. Public opinion:

Public opinion has been most hostile to immigration in Italy and Britain since 1997. Somewhat surprisingly, given France’s long history of immigration and the politicisation of the issue, public concerns regarding immigration have declined since the mid 1990s. While public opinion has shown increasing levels of concern regarding immigration in Ireland over the decade 1997-2008, in tandem with an unprecedented rise in the level of immigration, it remains significantly more positive than in the other three states.

Public opinion on immigration tends to be correlated with levels of immigration and/or economic performance and unemployment rates (Kessler and Freeman 2005; Lahav 2004). While Ireland, Italy and Britain have received comparatively large numbers of migrant workers during the period of interest, France has received smaller inflows (see Table 1). Reflecting divergent economic performances, at the end of the 1990s, both Italy and France had higher unemployment rates than Ireland and Britain and by 2004; the latter still had substantially lower unemployment rates.⁸⁹

It also appears that a high level of migration to a country with a history of immigration and public hostility to migrant workers - the case of Britain - may have a similarly negative effect

⁸⁸ Two right wing politicians, Jacques Chirac and Nicolas Sarkozy have held the French presidency over the decade in question, and the right has also controlled Parliament since 2002. The right was in government in Italy between 2001-6 and from 2008. The centre-right has held office in Ireland since 1997, while the centre-left has been in government in the UK from the same year.

⁸⁹ In 1998, the unemployment rate was 11.4% in Italy, 11% in France, 7.5% in Ireland and 6.1% in the UK. By 2004, the unemployment rate was 8.1% in Italy, 9.3% in France, 4.5% in Ireland and 4.7% in the UK (Eurostat 2007c).

on public opinion as a high level of migration to a country with a more recent history of immigration and a relatively high level of unemployment – the case of Italy.

Table 14: Public opinion on immigration in the four states 1988-2008 (percentages)

| Year/Country | Ireland | Italy | UK | France |
|---|---------|-------------|-------------|-------------|
| <i>'there are too many people living in our country who are not nationals of the European Community/Union countries'</i> [*] | | | | |
| 1988 | 7.3 | 33.7 | 44.5 | 44.6 |
| 1992 | 11.3 | 65.0 | 50.1 | 51.5 |
| 1994 | 8.0 | 45.9 | 42.4 | 55.1 |
| 1997 | 19.0 | 52.6 | 42.3 | 46.1 |
| 2000 | 33.3 | 42.6 | 44.1 | 42.0 |
| <i>'disagree that we need migrant workers to work in some sectors of our economy'</i> [°] | | | | |
| 2004 | 18 | 43 | 39 | 33 |
| <i>'immigration one of the two most important issues facing our country at the moment'</i> [^] | | | | |
| 2004 | 7 | 17 | 29 | 11 |
| 2007 | 14 | 14 | 39 | 14 |
| <i>'Immigrants contribute a lot to our country'</i> [§] | | | | |
| 2008 | 58 | 36 | 45 | 49 |

Sources:

^{*}Kessler, Alan E., and Gary P. Freeman. 2005. *Public Opinion in the EU on Immigration from Outside the Community, based on Eurobarometers 1988-2000*

[°] Flash Eurobarometer. 2004. *Justice and Home Affairs*

[^] Eurobarometer 62. 2004, Eurobarometer 68. 2007.

[§] Eurobarometer 69. 2008.

Immigration is now the largest cause of public concern in Britain (Work Foundation 2008). The main concerns regarding immigration in Britain revolve around social integration, in particular its impact on public services and cultural identity, while concerns regarding an increase in crime and poverty as a result of undocumented immigration and a loss of cultural identity dominate in Italy (Somerville 2007; Reyneri 2007).

However, if we consider the government autonomy variable, the significance of this factor decreases in the case of Britain. While British immigration policy may be made in a more plural environment than of old (Somerville 2007), it is more often argued to be elite driven and comparatively impervious to interest groups and public opinion (Joppke 1999; Statham and Geddes 2006; Hansen 2000). In fact, Somerville maintains that the impact of public opinion on immigration policy has been unclear during New Labour governments; the main effect appearing to be on asylum policy. That said, the role of the British media in shaping and reflecting public opinion – in particular the anti-immigration thrust of the popular press (Boswell 2009)- is argued to have a strong influence on how the Labour government presented immigration policy during the early 2000s and could also feasibly lead to a change

in government policy on immigration. Immigration policymaking in Italy is unequivocally pluralist and highly reactive to public opinion (Zincone 2006; Einaudi 2007). Thus, while I posit that negative public opinion on immigration is most relevant in the Italian case, I remain open to the possibility that public concerns regarding immigration in Britain might have become a significant factor in shaping government policy during the decade of interest.

1.4. Bureaucracy:

The principal administrative responsibility for immigration lies with the four countries' Interior or Justice Ministries. Since the official closure of the French borders to labour immigration in the early 1970s, the Interior Ministry has dominated immigration policy (Weil 1991). In 2007, a new Ministry of Immigration, Integration, National Identity and Development (MIINID) was established, which aims to bring the governance of immigration, migrant and co-development policy under the same roof. While at the time of my interview (October 2008), the various sections of this new Ministry had not yet been physically brought together, it appears that the security ethos of the Interior Ministry has been transported to the new premises; the head of labour immigration having been transferred from that Ministry (Interview MIINID).

The Interior Ministry in Italy also has primary responsibility for labour immigration policy, as does the Department of Justice, Equality and Law Reform (DJELR) in Ireland and the Home Office in Britain. Control of immigration by ministries which prioritise security and public order is often said to be representative of a negative 'image' of immigration and contributes to a restrictive approach (Van Selm 2005). However, these security focused ministries are counter-balanced by other ministries with secondary responsibility for immigration or informal influence on policy. In Italy and France the labour and social affairs ministries have long collaborated on immigration policy and the daily management of labour immigration and these ministries can be expected to favour strict regulation in order to protect the domestic workforce (Guiraudon 1997). On the other hand, other ministries involved aim for more expansive immigration policies.

Ministries of foreign affairs are generally sympathetic to immigration, due to diplomatic priorities and use of immigrants as bargaining chips (Guiraudon 1997). The Italian Ministry of Foreign Affairs has a key role in Italian immigration policy, setting the quotas per country,

once the overall quota number is set by the Interior Ministry and Labour and Social Affairs Ministry. The influence of this ministry on immigration policy is exemplified by the growing importance of development cooperation both to contain migration and to train prospective migrant workers (Chaloff and Piperno 2004). The French Ministry of Foreign Affairs was given a new role in labour immigration policy in 2006; mirroring Italian policy, bilateral agreements have been concluded with migrant sending states, which provide the 'carrot' of legal immigration channels (MIINID 2008).

In Ireland, the Department of Enterprise, Trade and Employment (DETE), often seen as the voice of business, is formally the second most influential department involved in labour immigration policy. The DETE has outsourced policy to FORFAS, the national policy advisory body for enterprise and science, which has a decidedly liberal approach to economic governance. In fact, despite the formal responsibility of the DJELR, labour immigration policy in Ireland has been significantly shaped by FORFAS recommendations. Finally, Somerville asserts that the department which has had the most influence over labour immigration policy in Britain under New Labour has been the Treasury. He maintains that the positive approach to labour immigration, particularly skilled labour immigration, of the Treasury ensured that the Home Office reduced restrictions on economic immigration at the turn of the millennium (2007).

Administrations which favour employer and economic interests (such as the Irish DETE and the British Treasury) – particularly in liberal states - can be assumed to be more active pro-immigration lobbyists than diplomats, who can always find other carrots to offer lower-income states. I thus posit that the ministerial counter-balance to security focused ministries is stronger in Ireland and Britain than in Italy and France. This leads me to expect a more open approach to immigration in the former states.

1.5. Hypotheses:

During the decade 1997-mid 2008:

- Concerns regarding labour immigration were more significant in Italy and France than in Ireland and Britain due to influential anti-immigrant political parties and weaker ministerial counter-balances to security focused Interior ministries in the former states.

- While a larger share of public opinion is concerned about immigration in Italy than in France, the most restrictionist governmental approach to labour immigration can be expected in France, as French employer associations – generally the most influential proponents of liberal immigration policies - are cautious regarding labour immigration. Moreover, the influence of the Catholic Church’s pro-migrant policy within both the political and civil society spheres dampens the influence of the political parties hostile to immigration and public opinion in Italy.
- Ireland had the strongest pro-immigration consensus among the public and elites, despite a trade union movement which is more cautious regarding labour immigration than its counterparts in the other three states.
- The government, opposition political parties and social partners were positive about the contribution of immigration to the British economy. However, concerns about immigration held by a comparatively large share of public opinion and fuelled by and reflected in the popular press may have had an influence on government policy.

Table 15: Comparative significance of concerns regarding labour immigration

| | Social Partners EA, TU | Political parties | Public opinion | Bureaucracy | Aggregate level of concern 4(high) 1 (low) |
|---------|---------------------------|-------------------|----------------|-------------|--|
| Ireland | W,M | W | W | W | 1 |
| Italy | W,W | S* | S* | M | 3 |
| Britain | W,W | W | S | W | 2 |
| France | M,W | S | M | M | 4 |

W = weak significance of concerns regarding labour immigration

M = medium significance of concerns regarding labour immigration

S = strong significance of concerns regarding labour immigration

EA=Employer associations

TU= Trade Unions

*note counterbalance of Catholic parties and civil society to anti-immigration party and public opinion

2. Learning and coordination mechanisms

My expectations regarding the strength of learning and coordination mechanisms in Ireland, Italy, Britain and France are based on a survey of the literature on public administration, industrial relations and the role of expert knowledge in policymaking, supplemented by

preliminary empirical research on the immigration and labour market policy arenas in the four states. I find that learning and coordination mechanisms are the strongest in Ireland followed by France and then Britain. Coordination mechanisms are the weakest in Italy, largely due to weak intra-governmental coordination.

2.1. *Intra-governmental coordination*

Problems of intra-governmental coordination are common to all advanced democracies and the importance of tackling this issue has become increasingly emphasised by governments and international organisations over the past decade (Bogdanor 2005; OECD 2008c).

The Irish civil service has been characterised by low levels of horizontal mobility, departmental rivalry and conservatism; as a result, deficiencies in coordinating across departments have been highlighted (Hardiman 2006; Collins and O'Shea 2000; Murphy 2008). While the Irish state has been the object of a significant public reform programme over more than a decade,⁹⁰ the focus has been on improving service delivery and individual performance management, along with other improvements in internal processes and structures. The OECD maintained in 2008 that the key reform challenge for Ireland is in creating more horizontal (and vertical) cohesion between organisations in order to more effectively identify and achieve wider societal goals.

However, due to the small size of the state, a rigorously meritocratic recruitment system, a Weberian ethos of service to the incumbent minister and the small number of people working on policy, senior civil servants already have a strong capacity for policy learning and coordination. There is a high level of consensus on major policy objectives among Irish policymakers and extensive networking, which is facilitated by a common educational and social background (Collins and O'Shea 2000). Moreover, senior officials have been coming together in cabinet committees since the early 2000s (Interview DT).

The Department of the Taoiseach (DT) is responsible for ensuring coordination across departments; however, it appears to have a project-based approach to coordination, attempting to resolve identified coordination problems through the creation of new coordination mechanisms, rather than a permanent monitoring function (Interview DT). DETE is

⁹⁰ Since the 'Strategic Management Initiative' and the publication of 'Delivering Better Government' in the mid 1990s.

responsible for non-EEA labour migration policy (under the tutelage of the Department of Justice, Equality and Law Reform), employment and training strategy and until 2007, ESC, which may facilitate an understanding of the relationship between labour immigration and labour market institutions. Moreover, circa eighty percent of DETE policy analysis and development is done at FORFAS (Interview FORFAS). In fact, labour immigration and education and training policy have been largely shaped by FORFAS since the end of the 1990s. Moreover, FORFAS analysis of education and training has a labour market focus, which was traditionally absent from the Department of Education and Science (DES); this makes a holistic approach to labour immigration and education and training more likely. That said, FORFAS has a decidedly liberal approach to socio-economic governance which may affect its approach to both policies. ALMP is, however, a shared domain, suffering from coordination problems (Murphy 2008); the Department of Family and Social Affairs (DFSA) is responsible for the provision of welfare benefits, while activation is shaped by the DFSA, DETE and the public employment and training agency FAS, among other smaller state funded organisations.

Inter-governmental coordination in Italy has required rising over the traditionally inert bureaucracy. Despite all the trappings of the French Napoleonic tradition (Peters 2000), the Italian mode of governance is generally described as interventionist but inefficient; a 'state-led by indirection' (Schmidt 2003) or 'dysfunctional state capitalism' (Della Sala 2004).

Decision-making often involves large numbers of actors and the number and competences of ministries have shifted constantly, reflecting short-lived multi-party governments. Moreover, Italian civil servants are argued to prefer personnel management over influencing policy. The traditional lack of mobility within the civil service impedes a cross-policy approach to problem-solving, and clientelist recruitment procedures have resulted in inadequate capabilities for policy 'puzzling'. Furthermore, the short duration of governments has meant that ministers have not had the opportunity to gain control of administration. Due to the inefficient bureaucracy, ministers have tended to bring in assistants from the outside (Spence 2000; Lewanski 1999).

The Italian public administration has undergone wide-reaching and continuous reform since the early 1990s. In order to reduce costs and improve efficiency, rules have been adopted to simplify and modernise procedures and improve the quality of services. Other reforms included training programmes and an increase in mobility for civil servants, the merging of

bodies with similar missions and a reduction in the number of bodies involved in the decision-making process (Marconi 1997; Funzione Pubblica 2002). Nevertheless, the recent OECD *Economic Survey of Italy* asserts that the public administration remains ‘mostly inefficient’ and that improving output-based measures of performance should be pursued (2009).

While the Presidency of the Council of Ministers is charged with inter-ministerial coordination, coordination ‘at the summit’ takes place in the Finance Ministry, where there are bureaux with experts covering every part of central government (Cassese 2000). Italian institutional arrangements in the area of immigration and the labour market are similar to those in France, before the establishment of the new super ministry in the latter state (see below). Labour immigration is the competency of the Interior Ministry and the Labour and Social Affairs Ministry. The latter is also the ministry responsible for ALMP and ESC.

In Britain, the Prime Minister’s (PM) office is charged with ensuring coordination across departments; however, like in Ireland it appears to have a project-based approach to coordination, attempting to resolve identified coordination problems, rather than a permanent monitoring function. Moreover, unlike the DT, the PM office relies on the employment of consultants on temporary contracts (Interview Somerville). While immigration policy is the competency of the Home Office, VET, ALMP and ESC are dealt with in different departments. In 2007 the Department for Education and Skills (est. 2001) was split into two; the Department for Children, Schools and Families, which is responsible for education until adulthood, and the Department for Innovation, Universities and Skills (DIUS). ALMP is the domain of the Department for work and pensions⁹¹(DWP) while ESC was the responsibility of the Department for Business, Enterprise and Regulatory Reform (BERR).⁹²

Despite this institutional shifting and fragmentation, the system appears to be relatively well coordinated. Britain’s long-held reputation for coordination is exemplified by the fact that the French school of public administration (see below) was established in 1945 in order to create an administrative class like that of Britain (Bogdanor 2005). The senior civil service is characterised by (a somewhat declining) ‘club’ ethos and high levels of horizontal mobility, which ensures the development of shared ‘language’ across departments (Hecló 1974; Bogdanor 2005). Decision-making takes place in networks of cabinet committees involving

⁹¹ This Department was created in June 2001 merging the employment section of the Department for Education and Employment and the Department of Social Security.

⁹² The Department for Business, Innovation and Skills (BIS) was created in June 2009 by the merger of the (DIUS) and the (BERR).

junior ministers, civil servants and experts, organised by cabinet secretariats (Kingdom 2000). Moreover, while immigration policy is officially the competency of the rather self-referential Home Office (Boswell 2009) and ALMP, VET and ESC are governed by other departments, the historically dominant Treasury (Hecló 1974) is an active policy entrepreneur in both immigration and labour market policy (Somerville, 2007, Hills, 1998).

Furthermore, ‘joined-up government’ was a key objective of Labour governments since first elected in 1997⁹³ (Bogdanor 2005; Kavanagh and Richards 2001). The 1999 White Paper, *Modernising Government*, called for the public sector to work in partnership across organisational boundaries in order to provide more integrated and seamless service delivery. Subsequent action plans from the Cabinet Office set out a range of initiatives to support joined up working including the establishment of policy actions, cross cutting units, seminars, reports and networks (Mulgan, 2005).

The French administrative system has suffered from divisions between self-referential and antagonistic directions and there has been significant instability in the number and responsibilities of ministries (Rouban 1995). However, other aspects contribute to cohesiveness (Hall 1986). The feature of the French civil service which has often been highlighted in the literature is the informal network of top level civil servants or *Grands Corps*; graduates of prestigious *grandes écoles* such as the school of public administration, (*l'école nationale d'administration* (ENA)) and the *polytechniques*. ENA turns out less graduates than ‘Oxbridge’ and is therefore much more elite. France has been described as an *énarchie* due to the influential role of its graduates in the political and economic systems; for example, by the year 2000, ENA had provided two of the Fifth Republic’s five presidents and six of its fourteen prime ministers (Owen 2000). Major decisions are made within ‘inner circles of power’ in France and networking is facilitated by high levels of mobility across ministries and departments. The system is also well provided with formal structures such as coordination units and cabinet arbitrage, and orchestration from the Prime-Minister’s office has been enhanced over the past decade (Guiraudon 1997; Rouban 1995). The *Centre d'analyse stratégique* (CAS) (strategic analysis centre) within the Prime Minister’s office replaced the *Commissariat général du Plan* (General Planning Commission) in 2006 and its role is in defining policy strategies in the economic, social, environmental and cultural arenas.

⁹³ This was in part a response to some unintended consequences of the previous Conservative governments ‘new public management’ reforms which, in focusing on clearly locating responsibility for outcomes, had led to a reduction in horizontal coordination.

As regards specific institutional competences for immigration and labour market policy, while labour immigration policy has moved from the Interior Ministry (and Ministry of Labour, Social Cohesion and Housing) to the new ‘super’ Ministry of Immigration, Integration, National Identity and Development, labour market policies are dealt with in the Ministry for Labour, Social Cohesion and Housing.

In sum, while the relatively small number of people effectively responsible for policymaking in Ireland reduces coordination problems, the Italian bureaucracy demonstrates extensive organisational hindrances. Britain has long had the reputation of being comparatively well-coordinated and ‘joined-up government’ has been one of the main priorities of New Labour. Finally, the French bureaucracy is generally maintained to dispose of relatively efficient coordination mechanisms, taking into account the size of the machine.

2.2. State-social partner relations

The impact of social partner concerns regarding immigration on labour market policy depends on their influence in that policy domain. In more general terms, ‘social learning’ regarding the links between labour immigration and labour market institutions and coordination across policy jurisdictions should be facilitated the more significant relations are between the social partners and the state.

Ireland and Britain are often categorized as liberal market economies due, among other features, to their lightly regulated, flexible labour markets and lean welfare states based on means testing (Esping-Andersen 1990; Wickham and Boucher 2004; Hall and Soskice 2001; Ebbinghaus 1999; Hemerijck 2002; Bonoli 1997; Castles and Mitchell 1993). However, socio-economic governance systems differ in these states. As discussed in Chapter 3, Ireland has been governed in a coordinated way since the establishment of the Social Partnership system in 1987. In fact, Ireland ranks high regarding social partner involvement in policy development and implementation and trade unionism is respected and popular (Allen 1997).

The ‘non-pay’ aspects of the social partnership have generated bipartite and tripartite negotiating capabilities, working groups and consultative mechanisms involving policymakers, social partners and other civil society groups, through which issues enter into the political process. These networks are conducive to enlightenment regarding policy interactions and policy coordination due to overlapping participation. Moreover, the National

Economic and Social Council (NESC)⁹⁴ and National Economic and Social Forum (NESF)⁹⁵ produce strategic policy documents at regular intervals which reflect consensus between the government, social partners and other civil society groups. In fact, Hardiman sees social partnership as a remedy for problems of policy coordination within the public administration (2006).⁹⁶

This could lead to the expectation that Irish trade union concerns regarding the impact of immigration on labour standards might be easily transferred into the labour market policy field. However, while providing an institutional bargaining position for trade unions, the social partnership is argued to be dominated by business interests and to be a form of ‘embedded neo-liberalism’ or ‘competitive corporatism’⁹⁷ (Menz 2005; Turner 2002). The consensus that ‘*what’s good for business is good for Ireland*’ (Collins and O’Shea 2000), is likely to reduce the parameter of possible approaches to governing society. Finally, it is significant that the social partners have a comparatively small role in ALMP development in Ireland. For example, there is no direct linkage between pay deals and welfare issues within the social partnership (Murphy 2008; Hardiman 2006).

In any case, the Irish trade union movement is in a much stronger position than its British counterpart. The British trade union movement was excluded from the policy arena during the Conservative party’s period in office (1979-1996) and has been unable to regain significant influence over policy over the past decade of Labour government. The concept of ‘social partnership’ developed under New Labour involves firm-based dialogue and is thus less relevant to the policy process. The employers’ peak association, the Confederation of British Industry (CBI), has on the other hand an important government advisory role in economic and social affairs (EIROnline 1999; Waring et al. 2008).

⁹⁴ The National Economic and Social Council was established in 1973. The function of the Council is to analyse and report to the Taoiseach on strategic issues relating to the efficient development of the economy and the achievement of social justice and the development of a strategic framework for the conduct of relations and negotiation of agreements between the government and the social partners. The Council includes members of the civil service, representatives of social partners and civil society and has a permanent secretariat of economic and social policy experts.

⁹⁵ The NESF was established by the Government in 1993 to contribute to the formation of national consensus on social and economic policy initiatives, with a particular focus on unemployment, equality and social exclusion.

⁹⁶ There is however no formal link between social partnership agendas and draft agreements and parliamentary proceedings; bringing issues to the legislature thus depends on ministerial support (Hardiman 2006).

⁹⁷ The concept of ‘Competitive Corporatism’ is used to describe the new social pacts which emerged in Europe in the 1990s in response to a crisis in employment and competitiveness. This Liberal form of corporatism is based on an understanding of a fundamental commonality of interests between capital and labour, unlike the acknowledgement of class conflict which is the basis for compromise within social corporatist forms of corporatism. In Competitive Corporatist systems, the aim of economic demand for efficiency – particularly flexible labour markets - tends to outweigh that of social egalitarianism.

The Italian labour movement has been largely divided over the past decade, which has, in essence, made them easier to ignore. Moreover, employers and unions have highly conflictual relations. The unions have more influence over policy during centre-left governments. In fact major social concertation during the 1990s, often mistakenly construed in the literature as a long-lasting development, occurred only when the Left were in government. That said, the trade unions maintain informal influence over labour market and social policy reform, due to their capacity to organise strikes and demonstrations. Like in France, LMP reform has been dependent on the consent of at least one of the main unions (Ebbinghaus 2002; Gualmini 1998). The main employers peak association, Confindustria, has top level consultations with government and some businesses act independently of Confindustria due to the strength of their firm, for example FIAT (Zariski 1993). While, there is less *camaraderie* between the civil service and business than in France, business is well represented in the parliament and government; the current Prime Minister, Silvio Berlusconi being the most (in)famous example.

The French state has traditionally formulated policy in ‘non-committal’ coordination with the social partners. The latter have an institutionalised role within the Economic and Social Council though recommendations from this body are not binding in nature (Menz 2005; Owen 2000). The social partners are formally involved in policy debates on ALMP and VET policy, while they have been curiously absent from the ESC arena (Braud 2004). However, the relationship between the state and business and the state and the trade unions is quite distinct. The ‘inner circle of power,’ noted above, involves business, while labour has never been included. Moreover, employers and unions have highly conflictual relations in France, the former tending to fiercely criticise social partner institutions (Ebbinghaus 2002, 1999). In fact, this explains why the trade unions have traditionally resorted to a ‘*rapport de force*’ (industrial action and demonstrations) in order to make themselves heard (Wilson 1993; Menz 2005).⁹⁸ State-business ties have been facilitated by informal relations between civil servants, politicians and business based on a common background in the *grandes écoles* and *polytechniques*, as well as the practice of career mobility between the civil service, politics and business. In fact, MEDEF has superior informal access to the government than the trade

⁹⁸ Moreover, despite low union density (see above), French unions have been able to rely on their position in the self-administered social insurance body (and in elected workplace representative bodies) to advance their interests in social and labour market policies (Clasen and Clegg 2003).

unions. Furthermore, the system of chambers of commerce and industry is formally a part of the state and its leaders have often also been leaders of CNPF/MEDEF (Wilson 1993).

In sum, while business is effectively embraced by the state in the four countries, trade unions are largely excluded from the 'inner circle of power' in France and Britain, as well as in Italy during centre-right governments. Due to a long-standing neo-corporatist system of governance in Ireland, the trade unions have the closest relations with the state in that country.

2.3. *Scientific expertise*

The use of scientific expertise in policymaking is common to the four states, however, the independence of research from the parameters set by government appears limited to varying degrees. Moreover, while research is generally used for problem-solving ('puzzling'), there is a case where it appears to be largely used to provide an evidence base for a chosen policy ('powering').

Scientific research is the basis for most policies in Ireland. The main independent expert player in immigration and labour market policy is the Economic and Social Research Institute (ESRI).⁹⁹ This research institute is considered an authority on economic and social policy, including immigration and the data generated by it are referred to by policymakers. While the ESRI is state funded, its outputs cannot be described as politically suspect due to the emphasis on independence within the ESRI.¹⁰⁰

On the other hand, the universities appear to be largely excluded from the 'inner circle' of scientific legitimacy (Interview IBEC); reflected in the fact that their research is rarely referred to in official documents or by policymakers. State departments have a weak internal research capacity and rely on agencies like FORFAS. For example, the DETE commissioned FORFAS to undertake a study of the 'role of migration' in responding to Ireland's labour needs in 2004 (EGFSN 2005). While the use of scientific expertise in Irish policymaking is transparent, it appears to be largely aimed at problem-solving rather than policy substantiation

⁹⁹ The ESRI was set up in 1960 in order to provide independent research for use in economic (and from 1963, social) policy-making. The Central Statistics Office (CSO) research outputs are also commonly referred to by government.

¹⁰⁰ While the institute receives an annual grant-in-aid from the Department of Finance, independence is guaranteed 'by a commitment to publish all research reaching the appropriate academic standard, irrespective of which bodies or groups it might favour and the source of funding for its research. The Institute's constitution is also designed to ensure its independence'.

or organisational legitimisation. For example, despite a generally positive approach to immigration, discussion of its costs and benefits have been relatively balanced (EGFSN 2005; NESCS 2006).

Research has been used as a basis for British policymaking since the late 19th, early 20th Century. The public administration is well provided with research units and (particularly top) universities are commissioned to undertake research in areas of government interest. Moreover, think tanks have become increasingly influential as evidenced during Conservative and Labour governments over the past twenty-five years. Furthermore, New Labour, in government since 1997, has actively promoted evidence-based policymaking, particularly in areas such as health, education and labour market policy (Hecklo 1974; King 1999; Stone et al. 1998; Boswell 2009).

However, policymakers' use of research appears to be highly ambiguous at least over the past decade. There appears to be an important element of substantiating policy choices, which is made evident by the massive use of well publicised government commissioned research and internal research. For example, Boswell argues that research on immigration commissioned or carried out by the Home Office during New Labour governments has largely been used to substantiate a liberal economic immigration policy (2009).

Due to the extremely low level of transparency in Italian policy-making (Ferrera 2008; Radaelli and Martini 1998), reflected in a comparative dearth of policy documents laying out official thinking,¹⁰¹ it is not easy to discover the scientific basis for policy. This is confounded by the fact that the literature on the Italian political system has focused on party politics and has neglected analysis of the policy formulation process (Radaelli and Martini 1998).

However, the small amount of research on public administration and Italian think tanks makes clear that scientific expertise plays an important part in the policy process. Moreover, the 'secretive' use of scientific expertise certainly excludes any possibility that research is being used in order to substantiate a policy choice or legitimise a particular individual or organisation. The scientific expertise utilised by policymakers is largely commissioned by government or internally sourced. Nevertheless, while this expertise cannot be described as independent from the parameters set by government, it often reflects EU guidelines and thus has an innovating function.

¹⁰¹ The 2001 white book on the Italian labour market marked a new development in transparency in Italian policymaking; unfortunately, it resulted in the murder of one of the principal authors, Professor Marco Biagi.

Many well known Italian politicians are also academics, for example, previous Prime-Minister Romano Prodi and current Labour Minister Maurizio Sacconi. As Radaelli and Martini assert, '*the number of university professors who serve in government is so high that the term 'government by professors' has been coined.*' (p61). Moreover, due to the inefficiency of the bureaucracy, experts commonly assist elected representatives either as appointees or as external consultants; a famous example being Marco Biagi, one of the main authors of the 'White Book on the Labour Market' (*Libro Bianco sul Mercato di Lavoro*) of 2001.

A number of 'think tanks' or research centres have had an important influence on policy over past decades; Censis (perhaps the most visible of Italy's 'think tanks') and Nomisma (which was founded by Romano Prodi). While these research centres commit a small share of resources to research on the labour market and immigration, compared with other areas of policy like health and transportation (Radaelli and Martini 1998), Censis carried out the first government commissioned report on immigration in 1978 and Nomisma has recently begun to produce reports on immigration.

Since 1998, the government has published triennial programming documents for immigration and migrant policy (*documenti programmatici relativi alla politica dell'immigrazione e degli stranieri nel territorio dello stato*). The main data sources on immigration referred to in these documents are the Interior Ministry and the national statistics office ISTAT. The last centre-left government published a commissioned report on immigration (carried out by university professor Marzio Barbagli) on the Interior Ministry website in December 2007, entitled the 'first report on immigrants in Italy'.

Scientific expertise is a highly respected and integral part of the French policymaking process. Similarly to Italy, French politicians and experts are often one and the same; as Fieschi and Gaffney maintain '*the line between intellectual... and politician is blurred*' (1998 p.43). Graduates of the *grandes écoles* dominate Parisian think tanks in an elite network spanning politics, administration, business and academia. The main sources of scientific expertise are within ministerial cabinets, political clubs, national research institutes such as the *Centre National de la Recherche Scientifique* (CNRS), policy research groups and intellectual groups (Fieschi and Gaffney 1998). However, perhaps due to a disjuncture between university research outputs and government needs in the area of labour immigration – the universities tend to focus on the integration of migrant workers – the scientific expertise utilised is largely

sourced within the state and from the main social and economic stakeholders (MEDEF). The independence of research is thus perhaps limited. Nonetheless, the utilisation of scientific expertise appears to be aimed at problem-solving rather than powering, for example the 2002 *Commissariat Générale du Plan* report on immigration and the labour market presented various views on the issue (Commissariat Générale du Plan 2002).

2.4. Hypotheses

- Knowledge regarding inter-policy linkages and policy coordination is facilitated in Ireland due to a small integrated network of policymakers and representatives of the social partners (and civil society) and the relatively independent role of scientific expertise in problem-solving. However, the dominance of business may reduce the parameter of possible approaches to governing society.
- Knowledge regarding policy interactions in Italy depends on the action of experts, whose independence from government is limited, as well as employer associations and, when the Left is in office, the trade unions. Coordination is hampered by an inefficient public administration.
- Knowledge regarding inter-policy linkages in Britain and policy coordination is facilitated by a comparatively well-coordinated executive. However, the absence of strong links between the state and the trade unions may inhibit an understanding regarding policy interactions. Moreover, scientific expertise may be largely used for political rather than problem-solving motives.
- Knowledge regarding inter-policy linkages in France and policy coordination is facilitated by a comparatively well-coordinated executive and strong state-politics-business-academia relations. However, the independence of scientific expertise appears to be limited.

Table 16: Learning and coordination mechanisms

| | Intra-governmental coordination | State-social partner relations (EA,TU) | Use of independent scientific expertise for puzzling | Aggregate strength of learning and coordination mechanisms 1 (weak) 4 (strong) |
|---------|---------------------------------|--|--|--|
| Ireland | M | S,M | S | 4 |
| Italy | W | S,W/M* | M | 1 |
| Britain | M | S,W | W | 2 |
| France | M | S,W | M | 3 |

W=Weak

M=Medium

S=Strong

EA=Employer associations

TU= Trade Unions

*depending on the political party in government

3. Integrated hypotheses: concerns regarding immigration and learning and coordination mechanisms

Concerns regarding immigration are expected to have been the strongest in Italy and France during the decade 1997-mid 2008. However, learning and above all coordination mechanisms are stronger in France - intra-governmental coordination is particularly weak in Italy - and the MWF should thus be transferred more easily into the labour market policy arena in that state.

Concerns regarding immigration are expected to have been weaker in Ireland and Britain during the decade of interest. While a comparatively large share of public opinion was negative regarding immigration in Britain during the decade of interest, British immigration policy is most often argued to be elite driven and comparatively impervious to public opinion. Regardless of the fact that Ireland appears to benefit from comparatively good learning and coordination mechanisms and these mechanisms may be adequate in Britain, the low level of problematisation of immigration leads to the expectation that they will not be utilised for the transfer of the MWF into the labour market policy arena in either state. That said, if immigration does become problematised, for example due to the large size of migrant worker inflows, such concerns can be transmitted across policy arenas. Moreover, if concerns regarding immigration do grow, it may be more likely that these states will attempt to govern it by labour market policy than Italy and France. Over the decade of interest, unlike Italy and France, Ireland and Britain received most migrant workers from the expanded EU, under free

movement regulations (CAS 2006). As these migrant inflows cannot be regulated by immigration policy, labour market policy is the only means at governments' disposal.

In conclusion, based on the above analysis of concerns regarding labour immigration and learning and coordination mechanisms in the four states, the likelihood that the MWF stimulated labour market institutional reforms over the decade 1997-mid 2008 is generally low in Ireland, low-medium in Italy and Britain and high in France.

Table 17: Concerns regarding immigration and learning and coordination mechanisms

| | Concerns about immigration: what and (who) | Comparative significance of concerns (Strong, Medium, Weak) | Strength of learning and coordination mechanisms (Strong, Medium, Weak) | Likelihood that MWF stimulated labour market institutional reforms (High, medium, low) |
|---------|---|---|---|--|
| Ireland | Impact of immigration on employment (Trade unions) | WEAK | STRONG, <i>except social partners small role in ALMP</i> | LOW |
| Italy | Impact of immigration on employment & Socio-cultural integration (Extreme Right, public opinion, bureaucracy) | STRONG | WEAK (inefficient public administration, trade unions excluded by right wing) | LOW-MEDIUM |
| Britain | Socio-cultural integration (Public opinion) | LOW-MEDIUM | MEDIUM (trade unions excluded, symbolic use of research on immigration) | LOW-MEDIUM |
| France | Impact of immigration on employment & Socio-cultural integration (Employers, extreme Right, bureaucracy) | STRONG | STRONG <i>except trade union influence limited and social partners not involved in ESC policy</i> | HIGH |

Chapter 5

The Migrant Worker Factor in employment standards compliance system reform

Between 1997 and mid 2008, the Irish, British, Italian and French employment standards compliance systems were reinforced. I find that the reforms in Ireland and Britain were catalysed by focusing events involving the sub-standard employment of migrant workers. The Irish system was more substantially reinforced than the British system and I argue that this variation can be accounted for by different types of reform stimuli involving migrant workers, flanked by mediating institutional and political variables.

On the other hand, the Migrant Worker Factor is much less significant in attempts to reinforce the Italian employment standards compliance system during the period 2004-8, while as expected, concerns regarding undocumented immigration and foreign firm wage dumping have continued to exert an influence on the French system of employment standards compliance.

Introduction:

Following the enlargement of the EU to the East in 2004, there was a veritable explosion of research on the impact of free movement of labour and services on labour standards and on national response strategies to concerns about wage dumping and domestic worker displacement. This literature emphasised the relationship between employment regulation (ER) and employment standards compliance (ESC) systems and immigration (Lillie and Greer 2007; Menz 2005; Donaghey and Teague 2006; Woolfson and Sommers 2006). However, it also circumscribed the ‘Migrant Worker Factor’ (MWF) within a broader context of Europeanization; historic and current inflows of non-EU migrants are of course just as likely to have inspired concerns regarding employment standard decline and displacement. Most of this research also focused exclusively on the construction sector, given its significance in terms of the employment of central and eastern European migrants and firms in Western Europe.

In this chapter, I investigate the role of the MWF in stimulating reform of ESC systems in Western Europe, without limiting my focus to free movement. While the comparative capitalisms literature puts much emphasis on variation in levels of labour market regulation across states (Ebbinghaus 1999; Hall and Soskice 2001), there has been little discussion of cross-national variation in levels of monitoring and enforcement of these regulations; that is ESC systems. Moreover, apart from analysis of health and safety compliance, there are very

few comparative studies on labour inspection systems in Western Europe (Gualmini 2005). The commonplace classification of states into highly regulated versus lightly regulated economies should be complemented with simultaneous analysis of levels of labour market control. In fact, I would argue that a highly regulated economy with a weak ESC system may have more in common, in terms of labour market outcomes, with a lightly regulated economy than a highly regulated and controlled system.

As discussed in Chapter 1, the MWF can feasibly stimulate a reinforcement of the ESC system with one or more of the following aims: the elimination of perceived unfair labour market competition between migrant and domestic workers; an increase in the domestic supply of labour available for employment in order to reduce current or future dependency on migrant workers; and the reduction of job opportunities for migrant workers – in particular undocumented migrant workers - without the idea of substituting migrant workers with domestic workers.

Over the decade 1997-mid 2008, ESC systems were reformed in my two case studies and shadow cases, including the strengthening of coordination between inspection authorities and an increase in inspections, with the aim of reducing non-compliance with labour standards. The question I pose is whether concerns regarding economic immigration (partly) stimulated these reforms. I find that, contrary to expectations, in particular with respect to Ireland, ‘focusing events’ involving the sub-standard employment of migrant workers did stimulate ESC system reforms in Ireland and Britain. On the other hand, I find that the MWF was of minor significance in the reform of the ESC system in Italy. Finally, as expected, concerns regarding undocumented immigration and foreign firm wage dumping appear to have continued to exert an influence on the French system of employment standard compliance.

This chapter is structured along the following lines. I first give an outline of ESC system reforms in the four states during the decade 1997-mid 2008. Second, in an analysis of the policy process, I explore whether the MWF was a stimulus for reform, attempting to identify the mechanisms through which concerns regarding immigration impacted the ESC arena when the MWF is deemed significant. Explanations are provided for findings which do not support the hypotheses set out in Chapter 4.

1. ESC system reforms

1.1. Ireland and Britain

In Ireland and Britain employers have been under little pressure to be compliant with employment standards legislation or collective agreements. The inspection approach in both states has been mainly limited to following up complaints from employees concerned, that is 'reactive regulation' (Scott 2007). In 2004 there were only seventeen labour inspectors to monitor the entire Irish economy (SIPTU 2005), while Metcalf recently calculated that an employer in Britain could expect a visit from one of the ninety HM Revenue and Customs inspectors once every 320 years and to be found not complying once in a millennium.¹⁰² While both ESC systems have been weak, the British system is further impaired by its fragmentation into five enforcement bodies, which have had limited freedom to share information.¹⁰³ The Irish labour inspectorate, similar in this respect to the French model, has been responsible for controlling compliance across the board.¹⁰⁴ Moreover, some aspects of legislation have been subject to virtually no state enforcement in Britain, for example working time legislation (TUC Commission on Vulnerable Employment 2008).

Between 2004-8, the Irish and British ESC systems were reinforced, in particular the former which saw the creation of a new institution, a significant increase in personnel and inspection activity and a strengthening of the regulatory and sanctionary apparatus.

1.1.1. Ireland:

The Trade Unions maintain that the DETE and employers' representative bodies, in particular the American Chamber of Commerce, have traditionally blocked reform of the ESC system (Interviews ICTU, SIPTU). For example, in mid 2004 the DETE refused to satisfy trade union

¹⁰² The current minimum wage enforcement system is much weaker than the previous Wage Council system (Metcalf 2007; TUC Commission on Vulnerable Employment 2008).

¹⁰³ There are five specific state agencies charged with the enforcement of a small number of rights; the Health and Safety Executive (HSE) and local authorities are responsible for health, safety and welfare of workers, HM Revenue and Customs (HMRC) is responsible for enforcing minimum wage legislation, the Employment Agency Standards Inspectorate (EASI) is responsible for ensuring compliancy within employment agencies, the Gangmasters Licensing Authority (GLA) aims to ensure employment standards among temporary labour providers in a limited number of sectors (TUC Commission on Vulnerable Employment 2008). In 2008, the HMRC Minimum Wage Compliance Unit had just under 100 inspectors. The EASI had 26 inspectors, while the GLA had 27. The HSE and local authorities had the largest number of inspectors despite recent cuts; 2,574 individuals (TUC Commission on Vulnerable Employment 2008; Metcalf 2007).

¹⁰⁴ The Irish Health and Safety Authority set up in 2005 (HSA) is a new national body with responsibility for securing health and safety at work; it had 100 inspectors in 2005.

demands regarding a strengthening of the labour inspectorate, even though the Department of Finance was apparently willing to fund an increase in numbers (Begg 2007).

Nonetheless, the Irish ESC system underwent significant reform in 2006-7; the General Secretary of the Irish Congress of Trade Unions (ICTU) asserting that it was the most significant ‘indigenous’ reform in the history of Irish social policy;

I have no hesitation in saying that these measures in their totality, and in the context of the legislation necessary to implement them, represents the single biggest leap forward in social policy initiated in Ireland’ (Begg 2007).¹⁰⁵

The ‘Towards 2016’ national partnership agreement of 2006 set out the framework for the new Irish National Employment Rights Authority (NERA) (Department of the Taoiseach 2006). NERA’s main objective is to increase compliance with employment law through enhanced employment rights awareness activity, carrying out inspections and prosecuting employers. The new ‘empowerment model’ aims to put increased focus on education and awareness of employments rights, with employers having clear obligations to maintain records and employees capable of evaluating their own employment conditions. Within NERA, the number of labour inspectors is to be increased to ninety – it had reached eighty by the end of 2008 - and in 2007, circa 10,730 inspections were carried out - nearly three times the number carried out in 2004 (Jennings 2006). In fact, based on OECD SDBS Structural Business Statistics, circa 11% of enterprises in Ireland received an inspection from NERA that year; a relatively high percentage.¹⁰⁶ During the same year, circa 8% of French firms were inspected and 5% of Italian firms were inspected. In 2006 0.3% of UK firms were inspected by the HMRC. NERA inspections included three targeted inspection campaigns on the construction sector, the National Minimum Wage Act and the Protection of Young Persons (Employment) Act. Furthermore, the Social Welfare and Pensions Act 2007 permits NERA to exchange relevant information with the Revenue Commissioners and Department of Social and Family Affairs and to conduct joint investigations with the latter.

In March 2008, the Minister of Enterprise, Trade and Employment launched new ESC legislation, which introduced new requirements for employers in respect of record keeping,

¹⁰⁵ On the other hand, rather revealingly the employers’ group representing small to medium sized firms ISME asserted that the reform will have a negative effect on small businesses (Wall 2008).

¹⁰⁶ In 2008, NERA’s inspectors carried out 22,456 inspections. This doubling of the number of inspections compares well with Italy where the number of inspections fell in 2008 in the context of the international economic downturn (NERA 2008b).

informing employees of their rights and how to seek redress, as well as higher penalties for non-compliance. Employers will have to keep statutory employment records going back at least three years and for two years after staff leaves and it will be made an offence to falsify, conceal or destroy any relevant document. Fines for offences will be up to €5,000 and/or 12 months imprisonment for summary offences and €250,000 and/or three years in jail for indictable offences. Furthermore, NERA will be established on a statutory footing and will have greater powers to access places of work and remove and retain records on staff. Moreover, the outcomes of investigations will be exempt from defamation actions, making publication easier. Finally, NERA will also be involved in the enforcement of provisions of the Employment Permits Acts 2003 and 2006, involving labour inspectors in immigration control for the first time (DETE 2008). There is, however, some discomfort among the labour inspectorate regarding this new policing role; they emphasise the need for cooperation with the *Garda National Immigration Bureau* (immigration police) rather than enforcing this legislation themselves (Interview DETE-ES).

1.1.2. Britain

The main institutional innovation in the ESC arena in Britain during these years was the creation of the Gangmasters' Licensing Authority (GLA) in 2004. Gangmasters are a type of employment agency which have supplied workers on a temporary basis to the British food sector for centuries. While the food sector had established a voluntary license and inspection system in the early 2000s, the establishment of a new statutory authority, the GLA, was provided for in an Act of Parliament in July 2004. The GLA is responsible for licensing gangmasters and temporary employment agencies supplying labour to agriculture, horticulture, shellfish gathering and related produce packing and processing sectors, as well as compliance and enforcement activity. The authority brought over a thousand gangmasters into the formal economy in its first 12 months (from late 2006) and in the first six months of 2007, 193 compliance inspections were carried out (Scott 2007; TUC Commission on Vulnerable Employment 2008).

However, British employment standards enforcement authorities have received small boosts in resources in general and the emphasis of reform has been on employment standards awareness-raising and increasing the powers and efficiency of the enforcement authorities. In fact, while the government has beefed up its enforcement operations against undocumented

migrant workers, workplace regulation in general has not received the same attention (Scott 2007; Rijpma 2008).

In 2005, the government began a strategy of targeted enforcement of the minimum wage in specific low paying sectors, focusing on one broad sector per year. However, it is maintained that this policy risks excluding wider non-compliance (TUC Commission on Vulnerable Employment 2008). In May 2007, the Trades Union Congress (TUC) established the Commission on Vulnerable Employment (CoVE) to investigate the problems being faced by vulnerable workers. Subsequently, the Labour government set up the Vulnerable Worker Enforcement Forum (VWEF) in June 2007. Like CoVE, this forum brought together unions, enforcement agencies, business groups and advice bodies to investigate the nature and extent of abuse of workplace rights and whether improvements or new approaches were needed to raise compliance.

The Forum's final report of August 2008, which followed CoVE's (TUC Commission on Vulnerable Employment 2008), took on very few of the latter's recommendations for reform. While the CoVE report refers to recent reforms of employment standards enforcement in Ireland, for example the trebling of labour inspectors, as worthy of emulation (TUC Commission on Vulnerable Employment 2008), the only inspectorate to be boosted in Britain is the Employment Agency Standards Inspectorate (EASI), which now has twenty-six inspectors, some of whom work part-time. Key elements of the government's response to the Forum's final report were the creation of a single helpline number for employment rights queries, a three year campaign to raise awareness of employment rights and encourage reporting and 'as soon as legislative time permits' the reduction of information-sharing barriers between some of the enforcement bodies (BERR 2008).

1.2. Italy and France:

1.2.1. Italy

As discussed in Chapter 2, Italian firms have reacted to high levels of regulation in the primary labour market by moving into various shades of irregularity, particularly since the early 1990s (Muratore 2004). Low levels of public labour market control have permitted irregularity to thrive, particularly in the south of the country. Italian labour inspectors have traditionally been few in number, poorly organised and unevenly distributed across the

national territory. Moreover, the Italian labour inspection system is fragmented into various specialised enforcement agencies which has led to coordination problems (Stellman Mager 1998). As noted above, it has been estimated that a firm may receive an inspection once every six to 12 years (Rijpma 2008; Reyneri 2003; Ministero del Lavoro e della Previdenza Sociale 2006).

However, between 2004 and 2008 the Italian ESC system was the object of substantial – if not historic - reform attempts. It was a centre-right government (June 2001-May 2006) which took the first steps to reform the Italian work inspection system. Based on article 8 of Law 30/2003 (the *Legge Biagi*), Legislative Decree 124/2004 aimed to rationalise inspection functions in the area of work and social security. It created a specific section at the Ministry of Labour charged with planning and coordinating inspection activities, the Directorate General for Inspection Activities, and introduced new methods for resolving disputes such as ‘monocratic conciliation’¹⁰⁷ and a new ‘prevention and promotion logic’ in which inspectors also provide advisory services to enterprises (Gualmini 2009). Subsequently, a Ministerial Decree established a code of conduct aiming to harmonise the procedures of the various inspection authorities (Muratore 2004).

However, the CGIL describe Law 124 of 2004 disparagingly as a ‘counter-reform’ (2006) and concomitant with the attempt to improve coordination between inspectorates, there was a decline in the number of labour inspectors during this centre-right government, falling from 2,083 in 2003 to 1,356 in 2007 and more significantly the number of inspections declined from 147,410 to 102,227 in the same period (Italia Oggi 2007). In fact, the centre-right approach to reducing the informal economy places more emphasis on making formal employment easier for employers, for example through the introduction of more flexible employment contracts and a reduction in red tape, rather than a strengthening of control and increases in penalties for non-compliance (Gualmini 2009).¹⁰⁸

Labour inspection is highly politicised in Italy. In fact, officials from the Directorate General for Inspection Activities assert that policy on inspection varies with the political orientation of governments, and that centre-left governments put more priority on inspection than the centre-right which protects business interests to a larger extent (Interview DETE-ES). The

¹⁰⁷ Where the presence of the trade union is not compulsory in discussions between worker, employer and inspector.

¹⁰⁸ The introduction of more flexible employment contracts within the Legge Biagi of 2003 was considered an important way of contrasting the informal economy (Interview MLLI).

Centre-left government in office between May 2006 and May 2008 can be credited with some of the most significant reforms of the ESC system in Italian history. Some of these reforms were repealed by the current centre-right government, in office since May 2008. Significant reform is manifested by the increase in the number of labour inspectors and inspections during this government. Between April 2006 and January 2008, there was a 58.8% increase in the number of labour inspectors (1400 new inspectors since 2006) and a 13.5% increase in Carabinieri. Between 2006 and 2007, the number of firms inspected by the labour inspectorate rose by 30.75% (Ministero del Lavoro e della Previdenza Sociale 2008a).

During this government there were four main pieces of legislation related to workplace control: Law no. 248 of 2006 (Conversion to law with modification of ‘Bersani package’ no.223); Law no. 296 of 2006 (Budget law for 2007); Law no. 123 of 2007; and Law no. 81 the *Testo Unico* (‘the Unified Text’) of April 2008.

Law 248/06 provided for an administrative sanction of €1,500 to €12,000 for each worker without proper documentation and €150 for each working day. Moreover, a minimum of €3,000 was to be paid in civil sanctions for the non-payment of social security contributions. The construction sector was the focus of this first piece of legislation. The penalty of a temporary suspension of activity was introduced for firms within the sector, where 20% or more of the workforce were without the necessary documentation or in the case of persistent violations of working time laws. By the end of 2007 over 3000 firms had been suspended (Corsentino 2008). Moreover, a document certifying regularity in the payment of social security contributions, the *documento unico di regolarità contributiva (durc)*, was introduced. Furthermore, in response to the fact that 12% of workplace deaths in the construction sector took place on the first day of work – manifesting a significant problem of ‘posthumous regularisation’ – a requirement to report the hiring of workers to the local employment office at least a day before the employment relationship begins was introduced, as well as identity cards for workers on construction sites (Ministero del Lavoro e della Previdenza Sociale 2006).

Subsequently, a five-fold increase in administrative sanctions was introduced in 2006 within the 2007 budget law¹⁰⁹ and article 5 of law 123/2007 extended the provision for the

¹⁰⁹ It also introduced ‘congruity indices’ (*indici di congruità*) which were to specify the number of labour hours required to produce a good or service, broken down by sectors, category of firm and geographical area. Their values were to be negotiated between the government and social partners. Firms which do not fall into line with

suspension of activities from the construction sector to all sectors of production. Law 123/2007 also allocated circa eight million euro to the hiring of extra staff and strengthening of inspection activities (Rijpma 2008).

Finally, on the 6th of March 2008, a month and ten days after the centre-left government's fall and two weeks before the elections, the Council of Ministers adopted a Decree on a *Testo Unico* (Unified Text), which would compile and amend the laws on health and safety at work (Rijpma 2008). Gualmini describes this Text as '*without a doubt, the most important provision in the area of safety at work in the history of the Italian Republic*' (2009 p.73). Among other reforms, the Unified Text aimed for a further rationalisation of the inspection system and a revision of existing sanctions. Regarding the former, the National Committee for the orientation and evaluation of active policies and for the coordination of inspection activity (*Comitato nazionale per l'indirizzo e la valutazione delle politiche attive e per il coordinamento delle attività di vigilanza*) was established with the aim of programming interventions assisted by regional coordination committees.

There is consensus that during the current centre-right government, in office since May 2008, there has been a clear change in policy on workplace controls. The main thrust of new Minister for Labour, Maurizio Sacconi's¹¹⁰ reforms can be described as 'liberal', focusing on the simplification and reduction of red tape for businesses and a more conciliatory approach to inspection activity. One of Sacconi's first reforms (the so-called 'Summer manoeuvre') was the abrogation of the norm whereby labour inspectors could suspend activities in cases of repeated violation of working time laws, as well as the abolishment of sanctions for the absence of identity cards on building sites (Gualmini 2009).¹¹¹ The number of inspections by the labour ministry, INPS and INAIL¹¹² fell by 6% in 2008 (and in 2009 it fell by a quarter) (Boeri 2009).¹¹³

the appropriate index will then be subject to inspection. The European Commission recommended this as an example of good practice in 2007 (EC 2007a).

¹¹⁰ A protagonist of the Biagi reform.

¹¹¹ On the 18th of September 2008, a ministerial directive on inspections proposed a new model for the management of inspections, emphasising the centrality of programming activities, on the simplification of inspection instruments and the strengthening of monocratic conciliation (Giussani and Pizzo 2008; Gualmini 2009).

¹¹² As well as ENPALS, the National Insurance Authority for Performance and Sport Workers (*Ente Nazionale di Previdenza e di Assistenza per i Lavoratori dello Spettacolo e dello Sport Professionistico*)

¹¹³ The Ministry for Labour's Inspection Activity Programming document of 2009 maintains that the current economic downturn '*strengthens the government choice of investing in a selective and qualitative inspection activity, aiming to limit creating obstacles to the productive system*', which economist Tito Boeri argues

However, regardless of the political orientation of governments in office, over the past few years the focus of inspection activities coordinated by the Directorate General for Inspection Activities has been on specific *ad-hoc* operations based on previously collected intelligence, in particular the operations on Chinese-owned businesses in several Italian regions in 2005 and 2007 and the construction sector in 2007 (Corsentino 2008).

1.2.2. France

The French ESC system was the strongest of the four states by the end of the 1990s. France was highlighted by the European Commission in 1998, along with Denmark and Netherlands, for having an integrated strategy against undeclared work with enhanced cooperation between labour market authorities and other parts of the administration (CEC 1998).¹¹⁴ Reyneri argues that unlike in Italy, the fight against undeclared work had become part of ‘state ideology’ and a by-partisan issue in France, supported by a succession of governments and strong public administration (2003). The French labour inspectorate within the Labour Ministry is the authority responsible for enforcing compliance with all employment standards; the ESC system is thus less fragmented than the Italian and British ones.¹¹⁵

Moreover, France has long approached immigration control via the ESC system. In fact, government research on undocumented immigration in the 1980s led to the encompassing of immigration control within a broader focus on ESC reinforcement. In the Summer of 1976, an Inter-ministry Mission to Combat Manpower Trafficking was set up to monitor and facilitate the enforcement of laws against undocumented migration. The Mission’s research revealed that undocumented migrants were mainly employed in industries which were involved in other forms of illegality apart from employing undocumented workers.¹¹⁶ This learning process, along with the cross-national policy learning, particularly from Germany,¹¹⁷ resulted in the taskforce mandate being widened to enforcing illegal work in general between the mid to late 1980s (Weil 1991; Miller 1995). In January 1989 the competency of the Inter-ministry Liaison Mission was extended to the entire underground economy. As Miller asserts, ‘*The*

amounts to a strategy of ‘giving space to the informal economy’ as an alternative to public social spending during the downturn (2009).

¹¹⁴ In 1975 the main inspection services were unified, the whole inter-ministerial body being governed by identical conditions of service coming under the ministry of labour (Stellman Mager 1998).

¹¹⁵ Apart from the labour inspectorate, there were three inspectorates for the transport, agriculture and marine sectors until January 2009, when these three inspectorates merged with the labour inspectorate.

¹¹⁶ Between 1980 and 1983 four governmental studies of illegal work and the underground economy were completed (Miller 1995).

¹¹⁷ In Germany, measures to contrast the employment of undocumented migrant workers had been within a broader mandate to reduce undeclared work since the mid 1970s (Miller 1995).

focus was less on alienage and immigration policy and more on violation of labor laws. This shift was reflected in the reporting on enforcement of laws as statistics were changed and refined' (1995 p.11). This approach to the employment of undocumented migrants proved most pertinent when it became clear by the 1990s that foreign nationals constituted a minority of those employed illegally (Miller 1995).¹¹⁸

Despite its relative strength, France's ESC system was also the object of reform between 1997 and mid 2008. The main instruments for combating undeclared work date from the March 11th 1997 law (decree no. 97-123) which aimed to encourage better coordination and integration of the various public agencies and social partners involved in combating undeclared work at national and *département* levels.

A new interagency structure was set up at national level, headed by the Labour Ministry; the National Commission to Combat Illegal Employment (*Commission Nationale de Lutte contre le Travail Illégal* (CNLTI)). The CNLTI provides strategic orientation for the various agencies including labour inspectors, tax authorities, social security authorities, law enforcement personnel and border authorities. The CNLTI is briefed by the Interagency Delegation to Combat Illegal Employment (*Délégation Interministérielle à la Lutte contre le Travail Illégal* (DILTI)) – the successor of the Inter-ministry Mission. The *département* level is also supplied with commissions and operational committees (*Comités Opérationnels de Lutte contre le Travail Illégal* (COLTI)) with permanent secretariats. In 2002, regional 'action units' were added to the structure (Braud 2004).

The 1997 decree was passed during a Right wing government (under Prime Minister Alain Juppé), which appears to manifest what Reyneri describes as a cross-class consensus on the need to contrast undeclared work in France. However, this bill was the object of vociferous debate between 1996 and 1997, the left wing parliamentarians locked in a battle with the labour minister and employers associations regarding the level of penalties to impose on employers. The Left wing maintained that the penalties were too low in the final text and that *'there is a refusal on the part of the political majority to tackle the problem of illegal employment'* (Vincent 1997 p. 1).

¹¹⁸ There is disagreement among experts regarding the success of enforcement activity in France over these decades. For example, Patrick Weil suggested in 1991 that there was a low level of commitment among enforcement authorities and the government vis à vis the application of sanctions (Weil 1991), while Claude-Valentin Marie noted great improvements in ESC enforcement since the late 1980s (Miller 1995; Marie and Miller 1994).

The CNLTI did not meet for a number of years after 1998 and this lack of executive action occurred during the term of a left wing government.¹¹⁹ It was not until June 2004 that there was a renewed impulse regarding the tackling of undeclared work, reflected in the presentation of the National Plan to Combat Undeclared Work 2004-5 (*Plan national de lutte contre le travail illégal*) drawn up by the right wing government of Jean Pierre Raffarin (Braud 2004).¹²⁰

The 2004-2005 National Plan focused on four sectors (construction, agriculture, hotels-cafes-restaurants and entertainment) and two transversal issues, both involving foreigners; businesses breaking the law regarding services provision and the employment of undocumented migrants. An important part of the plan was the reinforcement of controls by means of increasing the flow of information between the various inspectorates, tailoring administrative penalties to companies and strengthening measures against cross border fraud. Social partner involvement was to be encouraged and furthermore, the CNLTI and Ministry of Labour were to meet every six months (Braud 2004). Between 2003 and 2006, the amount of taxes recovered through inspections doubled, reflecting an increase in enforcement activity (Castles and Miller 2009). Moreover, an inter-ministerial committee for immigration control (*Comité Interministériel de Contrôle de l'Immigration* (CICI)) with the dual objectives of fighting against illegal work and managed immigration was set up (MTRSFSV 2007).

In 2005, a Central Office to Combat Illegal Employment (*Office central de lutte contre le travail illégal* (OCLTI)) was added to the 1997 structure, under the responsibility of the Ministry of Defence and charged with coordinating the various law enforcement branches involved in combating illegal employment. There has been an increase in the number of controls effectuated by the police and gendarmerie since 2004 (CICI 2007), undoubtedly a reflection of the difficulty in gaining the cooperation of the labour inspectorate in controlling for undocumented migrant workers (Interview MIINID). The sanctions for illegal employment have been strengthened continuously while the number of labour inspections carried out fell to 215 588 in 2007 before rising to 251 093 in 2008 (MTRSFSV 2008; Castles and Miller 2009).

¹¹⁹ Lionel Jospin's government between June 1997 and May 2002.

¹²⁰ Note that right wing politician Jacques Chirac was President of France during the period 1995-2007.

2. Explanation for reforms:

Based on an analysis of concerns regarding labour immigration and learning and coordination mechanisms in the four states, I argued in Chapter 4 that the likelihood that the MWF stimulated labour market institutional reforms over the decade 1997-mid 2008 was generally low in Ireland, low-medium in Italy and Britain and high in France.

Concerns regarding immigration were expected to have been the strongest in Italy and France during the decade 1997-mid 2008. However, learning and above all coordination mechanisms are stronger in France - intra-governmental coordination is particularly weak in Italy - and I argued that the MWF could be transferred more easily into the labour market policy arena in that state. Concerns regarding immigration were expected to have been weaker in Ireland and Britain, particularly in the former state, during the decade of interest. Regardless of the fact that Ireland appears to benefit from comparatively good learning and coordination mechanisms and these mechanisms may be adequate in Britain, the low level of problematisation of immigration leads to the expectation that they would not have been utilised for the transfer of the MWF into the labour market policy arena in either state. That said, if immigration did become problematised, such concerns could be transmitted across policy arenas. Moreover, if concerns regarding immigration grew, I argued that it may have been more likely that these states attempted to govern immigration by labour market policy than Italy and France as, over the decade of interest, unlike the latter, Ireland and Britain received most migrant workers from the expanded EU, under free movement regulations (CAS 2006). As these migrant inflows cannot be regulated by immigration policy, labour market policy is the only means at governments' disposal.

The evidence below suggests that the MWF was the principal stimulus for reform of the ESC system in Ireland, as well as in Britain. On the other hand the MWF was of minor significance in the reform of the Italian system, while as expected the French reforms were partly stimulated by concerns regarding immigration. I also find that the substance of institutional reforms, at least in Italy and France, appears to have been somewhat influenced by EU policy on reducing undeclared work. I now look to the question of EU policy influence in the four states before providing evidence of the varying influence of the MWF, first in Ireland and Britain and second in Italy and France.

2.1. EU policy

The fact that ESC systems were reinforced in the four states during the decade of interest points to a common stimulus. Unlike some areas of labour market regulation such as the rights of temporary agency workers, ESC system reform has not been the subject of a European Directive and continues to be governed by the Open Method of Coordination (OMC).¹²¹The European Commission's 1998 Communication on undeclared work was the first European institutional attempt to shape member states' policy in this area (CEC 1998). Since then, European policy has developed rapidly.

'Well-being at work' became a major focus of the European Employment Strategy (EES) at the Lisbon Council in 2000. In 2001, the issue of undeclared work was added to the EU employment guidelines and in October 2003 the Council of the European Union adopted a European Union *Resolution on transforming undeclared work into regular employment* (2003/C 260/01) which called on member states to address the issue and work together (Muratore 2004). Contrasting undeclared work is now one of ten fundamental objectives of the European Employment Strategy, which states that;

Member States should develop and implement broad actions and measures to eliminate undeclared work, which combine simplification of the business environment, removing disincentives and providing appropriate incentives in the tax and benefits system, improved law enforcement and the application of sanctions. They should undertake the necessary efforts at national and EU level to measure the extent of the problem and progress achieved at national level (EC 2007b p.3-4).

European action in the area is motivated by the following five objectives; augmenting tax revenues and social security contributions, reducing unfair competition between firms, improving working conditions, modernising productive systems and reducing illegal immigration. In the area of law enforcement or surveillance, the EU puts much emphasis on improving coordination among the agencies involved in inspection and encouraging the active support of the social partners (Council of the European Union 2003). While member states are not obliged to follow these guidelines, under the OMC they are asked to take into account the

¹²¹Unlike the hard law Community Method (binding legislation initiated by the Commission, enacted by the Council and the Parliament, and enforceable by the European Court of Justice), the Open Method, presented as a broadly applicable new governance instrument for the EU at March 2000 Lisbon Summit, is particularly suited to complex, domestically sensitive policy fields. It rests on soft law mechanisms such as guidelines and indicators, benchmarking and sharing of best practice, without imposing sanctions. The method's effectiveness relies on a form of peer pressure and 'naming and shaming'.

actions outlined in the 2003 Resolution in reporting on the principal measures taken to implement their employment policies in their annual National Action Plans (NAPs). The Commission also conducts research on the extent of undeclared work across the enlarging EU (EC 2007b).

Reforms in Ireland (2007) and Britain (2008) which aim to increase information sharing between enforcement bodies are consistent with the 2003 Council of the European Union Resolution, which calls for cooperation between the relevant surveillance authorities and may reflect the influence of the EU on the substance of policy reforms. However, the evidence for this is weak. Irish policymakers and trade union representatives maintain that reform was the result of endogenous factors, not external influence (Interview DETE-ES, LRC); the General Secretary of ICTU asserting that '*Other important social policy changes were inspired by the EU but this is the biggest thing we have ever done of our own volition*' (Begg 2007). Moreover, both states have tended to oppose attempts by the EU to introduce more regulations on their lightly regulated labour markets.

Gualmini and Ripjma do not examine whether European institutions had an influence on policy in this arena in Italy and interviewees in the DG of inspection activities did not indicate European influence, however, the impact of European policy cannot be discounted. While it was perhaps not the stimulus for reform, European policy appears to have influenced the substance of Italian ESC system reforms. The *Legge Biagi*,¹²² which was the basis for the 2004 ESC reform, was explicitly influenced by European and OECD studies and guidelines on enhancing employment, which had been developing since Delors' White paper (1993) and the OECD 'Jobs study' (1994) (Antonelli and De Liso 2004). According to ISFOL, the National Institute for the Development of Vocational Training, Italian policy on undeclared work mirrored the development of a more proactive approach to this issue on the European level since the late 1990s. While Italian attempts to contrast undeclared work pre-dated this stronger EU involvement (for example, the *contratti di riallimento* (realignment contracts) were introduced with law no. 603/1996 and law no.196/1997), legislative interventions aiming to incentivise businesses to emerge from the informal economy and strengthen inspection activity have been consistent with EU indications (ISFOL 2006).

The White paper of 2001 and the 2004 law are consistent with the 2003 Council of the European Union Resolution, which underlines the nexus between undeclared work and illegal

¹²² As well as previous Italian social pacts and employment legislation of the mid to late 1990s.

immigration and calls for the strengthening of surveillance in particular through cooperation between relevant authorities.¹²³ Moreover, the centre-left attempts to reinforce the ESC system in consultation with the social partners (see below) reflects EU policy; the 2003 Resolution calling for the active support of the social partners (Council of the European Union 2003). Equally, the new impulse given to the fight against undeclared work in France in 2004 may reflect an increasing interest in this area at the European level. Braud writes how the 2004/5 National Plan to Combat Undeclared work was to be part of the French National Action Plan (NAP) (2004). The emphasis on coordination and social partner involvement also reflect European recommendations in this area.

2.2. Ireland and Britain

2.2.1. The role of the MWF

Contrary to my expectations, I find that Irish and British reforms were catalysed by concerns regarding unfair competition from migrant labour, a downward pressure on wages and the exploitation of migrant workers. While the timing of these reforms coincides with the enlargement of the EU to Central and Eastern Europe, the stimuli for reform – and learning mechanisms - were unpredictable ‘focusing events’ involving the sub-standard employment of mainly non-EU migrant workers, which caused the relationship between levels of labour market control and migrant worker exploitation to rise on the agenda. The principal coordination mechanism in Ireland was the social partnership which appears to provide the trade union movement with a voice and relatively strong bargaining power. Reform in Britain was also trade union sponsored and the weaker position of labour movement in that state explains, to an extent, the limited reach of ESC system reform.

While the establishment of a new ESC regime in Ireland was not officially motivated by a perceived problem of migrant worker exploitation or wage dumping, as it partly was in Italy as we will see below, it is widely acknowledged that the catalyst for setting up a new compliance regime in Ireland came from three highly publicised collective bargaining disputes involving migrant workers (Interviews SIPTU, ICTU, DETE-ES, LRC), two of which involved non-EU workers from Turkey and Serbia.

¹²³ Intra-European policy diffusion is also apparent in the fact that by 2007, the obligation for employers to register workers from the first day of employment had been generalised (EC 2007b).

Due to trade union concerns regarding non-compliance in the construction sector, a commitment to review the mandate and resourcing of the labour inspectorate was made in the Sustaining Progress Social Partnership agreement (2003-5). In January 2005 the DETE produced an internal report on the role of the Employment Rights Compliance section (ERCS) of the DETE, entitled '*Review of the mandate and resources of the labour inspectorate*'. This document was produced within the department and was mainly based on the practical experience of the twenty-one labour inspectors employed at the time (Interview DETE-ES). To a large degree the reform proposals in this report were adopted in 'Towards 2016', particularly the 'empowerment model' in which employers would have clear obligations to maintain records and employees could evaluate their own employment conditions (Interview DETE-ES). This report also suggested that the number of inspectors should be increased to fifty.

The first catalyst for reform occurred a month later in February 2005, when the GAMA scandal erupted. GAMA, a Turkish construction company, had been operating in Ireland since 2000 with a Turkish workforce of about 900 workers, having obtained major Irish government and local authority infrastructure contracts. In early 2005, it was discovered that the GAMA workforce had been working excessive hours – up to 12 hours a day, seven days a week, paid far below the minimum rates for construction operatives (Martin 2005). The head of the ERCS maintained in November 2007 that the GAMA case demonstrated that there was a serious problem of non-compliance and was one of the biggest investigations that the labour inspectorate ever carried out. While in September 2007 the head of the Labour Relations Commission explicitly pinpointed the reform stimulus of concerns regarding the exploitation of migrant labour;

It was the worst realisation of everybody's fears. Allegations that these guys were paid two to three Euros an hour, working 90 hours a week and when we heard it we thought how could you possibly get away with that today, 1000 people, and all these guys were supposed to belong to a trade union. So it was probably the biggest investigation the labour inspectorate ever did. So that investigation woke up a lot of chickens (Interview DETE-ES).

The new compliance legislation has largely arisen from concerns of the trade unions in regard to the exploitation of migrant labour. Most of the legislation is domestically driven, it applies specifically to Irish circumstances and situations, it's not seen to interpret, amend or apply any European directive (Interview LRC)

Shortly after this scandal, two other disputes involving migrant workers entered the public sphere; Irish Ferries and Laing O'Rourke. In September 2005, Irish Ferries announced that it was to offer 543 of its seafaring employees a choice between a voluntary redundancy package and an amended contract of employment with terms and conditions of employment far inferior to those set out in the collective agreement in operation at the time. The plan was to replace the employees with agency workers from Latvia after reflagging the vessels in Cyprus. Laing O'Rourke, which concerned a dispute over the under-payment of just under a hundred Serbian workers, made national headlines in Ireland at the end of March 2006. It involved Laing O'Rourke Utilities, a major contractor for the state-owned electricity company, ESB, and a Serbian contractor, Energo Projekt, based in Belgrade (Mulvey 2006; Donaghey and Teague 2006).

These cases and the public protest which they provoked provided the trade unions with compelling examples of the inadequacy of the current ESC and employment protection system and public support with which to back up their demands for a reinforcement of the system. Moreover, the terms of the Sustaining Progress partnership agreement were coming to an end at the end of 2005 and negotiations for the new national partnership agreement of 2006 were shortly to begin. On the 9th of December 2005, over 160,000 people demonstrated at the *Congress National Day of Protest against Exploitation, Displacement and a Race to the Bottom*. Meanwhile, ICTU postponed talks on the new social pact for three months until the government provided assurances that the ESC system would be the subject of serious reform (Erne 2006; Begg 2007). The ensuing negotiations for the 'Towards 2016' national partnership agreement¹²⁴ were the longest in the history of the Social Partnership (Interview SIPTU). It is notable that policymakers tend to underemphasise the MWF when discussing the new ESC system. The only reference to immigration in 'Towards 2016' is a rather ambiguous statement regarding the '*altered circumstances*' in the labour market following the decision to open it up to workers from the A8 (Department of the Taoiseach 2006). This approach is also manifested in the following assertion from the head of the ERCS from November 2007; '*It may well be that migrants are deprived of employment rights more than others but we always take an even board approach to all of this*' (Interview DETE-ES).

In Britain, a tragic event involving migrant workers resulted in the creation of the GLA in 2004. The death of twenty-three Chinese cockle pickers in Morecambe Bay in February 2004

¹²⁴ The agreement also addressed exceptional collective redundancy situations and supported employment standards through public procurement, among other regulatory reforms (Department of the Taoiseach 2006).

solidified consensus that the regulatory system for ‘gangmasters’ needed to be reinforced. A Private Member’s trade union sponsored ‘Gangmaster (Registration) Bill 2003-4’ had not been favoured by government at its first tabling in December 2003, however, it was granted a second reading following the Morecambe Bay tragedy and became an Act of Parliament in July 2004 (Scott 2007). However, while the British media have publicized various cases of migrant worker underpayment, for example the case of Indian stonemasons building a Sikh temple in Bedford for less than a pound an hour in 2003 (Lillie and Greer 2007), these cases have not stimulated the same level of ESC reform as in Ireland. This initially appears counterintuitive when one considers the comparatively high level of hostility towards immigration among the public in Britain.

More substantial reform in Ireland could be accounted for by the stronger policy influence of the trade unions on labour market policy in Ireland and their more cautious attitude to labour immigration discussed in Chapter 4. However, I also argued that despite its relatively strong bargaining position, trade union influence on policy may have been constrained by a consensus that *‘what is good for business is good for Ireland’*. Factors such as reliance on Foreign Direct Investment (FDI) and recent developments in labour market regulation in the two states could also lead to the expectation that the British government would be more proactive in ESC system reform.

The Irish state is more dependent on attracting and retaining FDI than Britain.¹²⁵ While foreign companies are not alone in generally preferring flexible labour markets, they are inherently mobile and less tied to a particular national territory than domestic business (Daly 2005). In fact, ICTU General Secretary David Begg maintains that the American Chamber of Commerce has exerted the strongest influence on the Irish government to oppose any new incursions into the business sphere. Moreover, the Labour government, to the dismay of employers (Sheehy 2006; Wynn-Evans 2007), has steadily increased labour market regulation since 1997,¹²⁶ in some cases prior to the adoption of similar regulations in Ireland or establishing rights which do not exist in Ireland. For example, Britain introduced a statutory

¹²⁵ Foreign affiliates accounted for 49% of manufacturing employment and 22% of services employment in Ireland in 2002 (Barry 2006) compared to less than 20% of manufacturing employment and about 6% of services employment in the UK in 2001 (Criscuolo 2005).

¹²⁶ These regulations were part of the “Fairness at work” white paper agenda, subsequently passed with some amendments as the Employment Relations Act 1999, but mainly (86%) resulted from the requirement to comply with EU Directives in areas such as working time and employee consultation (Wynn-Evans 2007; Sheehy 2006; Waring et al. 2008).

minimum wage in 1999, a year before the Irish government (Erne 2006) and a statutory union recognition system was introduced in Britain in 1999 (Waring et al. 2008).

I posit that more extensive reform in Ireland can be accounted for by different types of reform stimuli involving migrant workers in the two states, flanked by mediating institutional and political variables. The main stimuli for reform of the Irish ESC system were the GAMA and Irish Ferries scandals, while the Morecambe Bay tragedy was the main catalyst for reform of the British system. In fact, the latter was the only case of exploitation involving migrant workers, which has aroused significant indignation in Britain (Lillie and Greer 2007; Mulvey 2006). Apart from the tragic aspect of Morecambe Bay, these catalysts differ in two main ways; the legal status of the migrant workers and the impact on domestic workers. While the Irish cases involved legal migrant workers, the Morecambe Bay cockle pickers were undocumented. This explains why the latter case appears to have been more successful in highlighting the need to increase channels for legal immigration and enforce laws against illegal immigration than reinforcing the ESC system (Scott 2007). The Irish Ferries case, which involved the replacement of Irish workers with workers from Eastern Europe, allowed the trade union movement to produce discourse which framed the problem as a problem for all workers – ‘Equal Rights for All Workers’ - requiring a general strengthening of the ESC system, among other reforms (Begg 2007).

Waring, Lewer and Burgess posit that institutional factors can help explain the type and extent of re-regulation in Liberal states. They argue that the significant contribution of the trade union movement to Labour’s success in Australia explains why the Federal Labour government has re-regulated the Australian labour market to a greater extent than has been the case in Britain (2008). I find that in this case the Social Partnership institution in Ireland was significant as it provided the trade union movement with a place at the bargaining table, as well as the visibility and legitimacy necessary in order to mobilise public support. As the head of the LRC maintained in September 2007, *‘I think one important factor in explaining the reform is the social partnership and the government that is responsive to pressures from that, particularly from the union’* (Interview LRC). The success of the trade unions in mobilising 160,000 people to march for ‘Equal Rights for All Workers’ on the 9th of December 2005 - the most significant Irish trade union mobilisation in over a quarter of a century - is, to a some extent, a reflection of the authority of the labour movement. Moreover, while the Irish trade union movement used these scandals to push for a reform of the ESC system in general, the

British movement focused its demands on illegal employment deterrence through immigration policy, reinforcing compliance within the agency sector and increasing powers for the Trade Unions (TUC 2005). The approach of the British movement is undoubtedly shaped by the specificity of the Morecambe Bay tragedy, as well as ‘political opportunity structures’;¹²⁷ there are less obstacles to strengthening enforcement of immigration laws than employment laws in Britain (Interview HO).¹²⁸

The extent of the effect of the MWF on institutional reform in Ireland and Britain is also partly determined by different political pressures. The involvement of the Irish state and the state-owned electricity company, ESB, as employers of GAMA and Laing O’Rourke is significant as the state was seen to have awarded tenders to companies, which were involved in the exploitation of migrant workers. This was particularly awkward as a general election would shortly take place (Erne 2006).¹²⁹ As a SIPTU representative asserted in August 2007;

The government was embarrassed and cajoled to the table, while they are deeply aware of and committed to attracting FDI and they face a huge lobby from the employer side against trade union organisation and labour standards, the people and the trade union movement just embarrassed them into doing something (Interview SIPTU).

The following speech by Minister Martin to *Seanad Eireann* (the Senate) on Wednesday the 12th of April shows concern for a loss of standing in Ireland and abroad. Apparently the government was concerned as much about the upcoming election as the country’s reputation abroad;

It infuriates me when I hear of instances of deliberate mistreatment which do a great disservice to Ireland and our people... We all can appreciate the harm it does to Ireland's reputation abroad...Allegations such as (GAMA)...besmirch the good name of Ireland and Irish employers at home and abroad. (Martin 2005).

In fact, the head of the LRC maintained in September 2007 that if Ireland became known as a place where migrant workers were exploited, this could reduce incentives for migrants to

¹²⁷ The concept of political opportunity structures (POS) has been developed within theories of social movements and maintains that institutional configurations shape mobilisation and political claims making (Koopmans 2004).

¹²⁸ Furthermore, the TUC has not lobbied for a new unitary employment standards inspectorate due to concerns about the reduction in personnel which might follow such a reform (interview TUC).

¹²⁹ The general election took place in May 2007.

come to Ireland; *'we are heavily reliant on foreign workers and you're not going to get foreign workers or a name as a place to work if you exploit people'* (Interview LRC).

On the other hand, the British Labour government was under pressure to curb state intervention in the labour market due to growing criticism from employers and Conservative party local election gains in 2007 (Hall 2008b; Sheehy 2006). British business has become increasingly critical about the degree of regulation in Britain and argues that the transposition of EU law into British law is unnecessarily 'gold plated'. Fear of alienating voters has led the Labour government to exercise caution in the area of labour market regulation, as member of the cabinet Alan Johnson asserted in 2006; *'We wanted a settlement that would stick. Not a few pieces of symbolic legislation which would be repealed a few years later by a hostile Tory government'* (Johnson 2006 p.4). The government has put much emphasis on regulatory simplification and deregulation over the past few years, which is reflected in two in-depth reports on regulation in 2005, the Hampton Review and Arculus Report (Sheehy 2006). Labour leaders assert that the bulk of re-regulation is over (Johnson 2006). In fact business secretary, John Hutton, asserted in 2008 that he was aiming for a three year hold on increasing regulatory burdens for business (PinsentMasons 2008).

Thus, political pressures on governments in Ireland and Britain moved them in different directions; the Irish government's reputation among the electorate and abroad was threatened if it did not react to popular pressures for a reform of the ESC system, while the British government's support from employers would be undermined by increasing government intervention in the economy.

2.3. Italy and France

The MWF was not one of the main stimuli for reform of the ESC system in Italy; concerns regarding immigration being mainly evoked by policymakers in order to gain electoral support from the significant share of public opinion which is hostile to immigration. On the other hand, French reforms were partly stimulated by concerns regarding immigration; manifesting path dependence in terms of the integration of immigration and labour market control.

The learning mechanism through which the MWF appears to have entered the ESC policy arena in Italy was the utilisation of scientific expertise, in particular the commissioning of a

working group of labour market experts coordinated by Maurizio Sacconi, Professor of economics and labour (and current Labour Minister) and Marco Biagi, Labour law professor, to present recommendations for reform of labour market policy to the centre-right government in 2001. It is notable, that unlike in Ireland, the trade unions do not appear to have had a particularly important role in independently catalysing policy reform. Following the publication of research which brought to light the extent of undeclared work in Italy in 2003, the trade unions launched an information campaign and called for among other initiatives an expansion of inspection services. However, this campaign is maintained to have had little influence on the centre-right government (Muratore 2004). The centre-left government and the unions are in agreement regarding the need for a stronger labour inspectorate – indeed the Labour Minister between 2006 and 2008, Cesare Damiano, was formally a leading figure in CGIL – however, the influence of one over the other in this regard is difficult to ascertain. While Damiano was Minister, rather than introducing emergency measures, the government held trilateral talks with the social partners and passed legislation. Moreover, the trade unions adopted initiatives on the issue; in July 2006, the three main unions signed a joint document against undeclared work and their response strategies mainly mirrored government legislation, including the necessity for tougher controls and sanctions (Galletto 2007). The state is the most important actor in the ESC field in France, the social partners having a small role in policy development or coordination (Braud 2004)(Interview CGIL). As noted above, learning regarding the relationship between immigration and labour market control had already taken place in the 1980s in France.

The main factors which stimulated reform of the Italian ESC system between 2004 and 2008 were the determination to increase state revenue and modernise the Italian economy and highly publicised cases of workplace fatalities involving mainly Italian workers. Concerns regarding unfair competition from foreign businesses employing irregular foreign labour appear to have resulted in – what could be considered, highly xenophobic – inspections directed against Chinese firms. Moreover, general concerns regarding the illegal employment of non-EU workers appear to have been part of the rationale for reinforcing the labour inspectorate. However, in the main, concerns regarding the illegal employment of migrant workers do not appear to have been a primary catalyst for the reform of the Italian ESC system.

2.3.1. Increasing state revenue and modernising the Italian economy

The centre-left's initial boosting of workplace control should be seen in the context of a general aim to increase state revenue through reducing fiscal and social contributory evasion. In fact, while generally described as the 'Bersani liberalisation package' due to its controversial provisions for the liberalisation of certain professions, Law no. 248 of 2006 which attempted to reinforce the ESC system in the construction sector is a wide-ranging piece of legislation, as reflected in its title; *'Urgent provisions for economic and social development, for the containment and rationalisation of public spending, as well as interventions in relation to revenue and contrasting fiscal evasion'*.

Risking an electoral backlash this government took explicit steps to contrast fiscal evasion from the beginning of its term in office in May 2006. As the Minister for the Economy, Tommaso Padoa Schioppa maintained in July 2006; *'Contrasting evasion is the main priority of this government...because evasion is the first cause of public deficits'* (La Repubblica 2006). The result of this policy was manifested by the recuperation of 27 million Euro by late 2007 and the lowest deficit since 1999 by early 2008 (Sensini 2008; Corriere della Sera 2007). This government's determination to reduce fiscal evasion appears to reflect a cross-Left wing consensus that the phenomenon needed to be dealt with. This is reflected in the following statement from the secretary of the New Communist Party (*Partito della Rifondazione Comunista*) in September 2004, *'We have to put fighting fiscal and contributory evasion back on the agenda. It's a scandal that it is not discussed anymore'* (Corriere della Sera 2004). Fighting fiscal evasion may have represented one of the few policies that all parties in the coalition could agree upon since left wing parties tend to receive votes from those obliged to pay their taxes and contributions, such as public sector workers and employees of large firms (Interview Gualmini).

Over the decade, governments also showed concern about the difficulty of modernising the Italian economy, in terms of productivity, innovation and employment quality due to the significance of informal work. This concern, which emanates from academic research on the Italian economy (Boeri et al. 2005), appears to have stimulated efforts to eradicate it to some extent. In 2007, the Labour and Social Affairs Minister Cesare Damiano asserted that the motivation behind the reinforcement of the labour inspectorate included the aims of modernising the economy and reducing the occurrence of workplace fatalities (regarding the latter see below).

We are absolutely convinced that gradually clearing the territory of phenomena like undeclared work means helping the country not only to become more adult and transparent, but also to drain the water in which workplace accidents and fatalities swim... (Ministero del Lavoro e della Previdenza Sociale 2007 p. 7-13).

Moreover, echoing work by Italian economists Dell'Aringa and Neri,¹³⁰ in the 2001 'White Book on the Labour Market' on which the centre-right government's *Legge Biagi* of 2003 was based, it is argued, (in fact it is repeated twice on page 62) that migrant workers are creating an obstacle to the 'modernisation' of the Italian labour market by undertaking occupations, often in the informal economy, which would in their absence disappear (Ministero del Lavoro e delle Politiche Sociali 2001).

2.3.2. Workplace fatalities in Italy

Gualmini maintains that public reactions to workplace fatalities largely involving Italian workers in 2007/8 explain the reinforcement of the Italian ESC system (Interview Gualmini). Ripjma also argues that media attention to workplace fatalities led to legislative activity in this arena from late 2006. This interpretation is certainly supported by the flurry of journalistic activity on the subject during this time (Panorama 2007; Bagnoli 2007; Italia Oggi 2007).

In an interview on the 11th of December 2006 Cesare Damiano expressed concern about the numbers of workplace fatalities in Italy. He maintained that this was '*an alarming situation...the figure of 100 deaths a month would not be out of place in a war bulletin.*' Damiano went on to maintain that this figure can only be understood in the context of substantial levels of informal work in Italy. '*Statistically, a relationship emerges between the accidents (and their seriousness) and the presence of undeclared work (Ministero del Lavoro e della Previdenza Sociale 2006).*' Of course, to some extent, we can interpret the explicit rationale of reducing workplace fatalities as a way of gaining support for a policy which had other benefits, such as increasing state revenue. However, the role of concerns regarding workplace fatalities – and in particular public outcry regarding it – is hard to dismiss in the period from December 2007 to mid 2008.

¹³⁰ In a highly influential article from 1987, Dell'Aringa and Neri argue that mass immigration of low-skilled workers could lead to a re-allocation of capital to labour intensive sectors and slow the modernisation of the Italian economy (1987).

The necessity of a 'Unified Text' had been discussed for years (Ministero del Lavoro e della Previdenza Sociale 2006), however, a number of highly publicised workplace fatalities, in particular that of the death of seven workers at Thyssen-Krupp in Turin on the night between the 5th and 6th of December 2007, and the ensuing public uproar, permitted the government to push through the reform to the chagrin of the employers' association Confindustria. The latter opposed the Unified Text accusing the government of having excessively strengthened the sanctionary apparatus, talking of anti-business norms and of a '*Left wing from 1960s Cuba*'. Gualmini emphasises the agency of President Giorgio Napolitano who, following media attention to particularly tragic workplace fatalities, pressurised the government to strengthen the regulatory armour against lax workplace safety (2009).

2.3.3. The role of the MWF in Italy

Concerns regarding labour immigration in Italy often revolve around a perception of an increase in crime as a consequence of undocumented immigration; it is thus possible that policymakers may have been motivated to reinforce the ESC system with the aim of reducing opportunities for undocumented immigrants in the underground economy. However, in Chapter 4 I also argued that policy coordination is likely to be constrained by comparatively weak intra-governmental coordination.

I found that policymakers were cognisant regarding the link between a lack of labour market control and immigration by 2001. Concerns regarding the illegal employment of migrant workers and unfair competition from foreign businesses illegally employing foreign workers were manifested by both the centre-right and centre-left in discussions of the motivation for reform of the ESC system. Moreover, Chinese firms were the focus of inspection campaigns in 2005 and 2007. The question of intra-governmental coordination was irrelevant in this case as the social learning took place within the labour market policy arena and thus did not necessitate coordination with departments working on immigration.

The upward trend in undeclared work by immigrant workers was noted in the 2001 'White Book on the Labour Market'. In the four page section on 'Regular Work' (p.60-63) in which the necessity to reduce extremely high levels of undeclared work is asserted, the authors of this highly influential document refer to the informal employment of migrant workers, including undocumented migrant workers, no less than four times. The diffusion of migrant

care workers employed illegally is also highlighted (Ministero del Lavoro e delle Politiche Sociali 2001).

During the centre-left period in office, on the Ministry of Labour website, it was maintained that based on Law 124 of 2004, joint inspections conducted by the Ministry of Labour, INPS and INAIL ‘allow for the contrasting of phenomena which have a strong social impact such as, for example, the exploitation of non-EU and under-age workers’. It goes on to maintain that in the construction sector, between the 1st of August 2006 and the 31st of December 2007, a ‘city the size of Padua’ of illegal workers was discovered (206.221), over half of which were foreign (Ministero del Lavoro e della Previdenza Sociale 2008a). In an interview in late 2006, Minister Damiano maintained that there was a relationship between workplace accidents and undeclared work and irregular work, ‘perhaps undertaken by young people or non-EU migrant workers’ (Ministero del Lavoro e della Previdenza Sociale 2006).

The inspections on Chinese-owned businesses in several Italian regions in 2005 and 2007 were stimulated by concerns regarding unfair competition by Chinese firms among Italian business owners (Rijpma 2008). The *Operazione ‘Grande Muraglia’* (‘Great Wall of China’ operation) conducted while the centre-left were in government in late 2007 against Chinese businesses, predominantly those in the clothing and textiles sector, was explicitly motivated by concern regarding the growth of Chinese industry in Italy. As the Ministry of Labour report on the operation maintains: ‘(the operation was based on) a *consideration of the growing number of Chinese businesses in the National economy...(and the aim of) contrasting the phenomenon of systemic exploitation, on the part of these businesses, of workers of Chinese nationality*’ (Ministero del Lavoro e della Previdenza Sociale 2008b). As Minister Damiano maintained elsewhere, undeclared work is ‘*a form of unfair competition among companies*’ (Galletto 2007).

However, frequent reference to the illegal employment of migrant workers in discussions of the need to contrast undeclared work, as well as the campaigns against Chinese firms, are likely to have been to a large degree politically motivated; a way of creating consensus on the need for reform in the context of diffuse illegality among the native population, and of gaining electoral support from small businesses in competition with Chinese firms. The following assertion from an official from the Presidency of the Council of Ministers of September 2008 manifests policymakers’ awareness of the socio-economic importance of informal work in Italy;

It depends who you want to hit, if you will hit traffickers you have consensus, or people who are enslaving Polish workers in the fields, you have consensus. There is not very high consensus to go against firms producing legal things with irregular workers. Many politicians would feel that you risk just making these firms uncompetitive as they only survive by being on margin, respecting and not respecting. If you force thousands of firms to respect everything, they'll just go bust and increase unemployment in the south (Interview PCM)

In fact, an official from the Directorate General for Inspection Activity maintained that he did not believe concerns regarding immigration were a part of the rationale behind the reinforcement of the labour inspectorate, due to the fact that the informal economy had been a part of the Italian economy well before immigration became significant; *'I don't think that concern about immigration had a big impact on the policy on the black economy, because we have had this informal economy for many years'* (Interview DETE-ES). Thus apparently the historic significance of the informal economy makes it unlikely that the irregular employment of migrant workers will create a scandal as in the Ireland. References to the illegal employment of migrant workers are largely a way of gaining political support for stronger control of the labour market in a country where up to a quarter of GDP is based on undeclared work. As many Italians work informally, their support of a stronger policy against undeclared work can only be garnered by referring to the 'common enemy' of migrant workers, the exploitation of under-age workers and above all workplace fatalities.

Italy stands out with respect to political divisions regarding labour market control and to a lesser extent immigration. As could be expected, the centre-right make much noise about wanting to reduce illegal immigration, but are equally unwilling to sanction employers (Sassen 2006). While the left are more willing to curb undeclared work through reinforcing labour market control, this is not principally related to reducing immigration and is mainly driven by the goal of increasing state revenue and reducing workplace fatalities.

2.3.4. The role of the MWF in France

On the other hand, as expected the MWF appears to have been part of the rationale behind attempts to reinforce the ESC system in France between 1997 and mid 2008; reflecting a policy legacy of an integrated approach to immigration and labour market control and new concerns regarding the informal employment of migrant workers.

While, like in Italy, the principal motivation for ESC system reinforcement was likely to have been the recuperation of taxes and social security contributions,¹³¹ concerns regarding immigration appear to have been a significant stimulus in France. The 1997 decree which set up the current ESC system in France was explicitly motivated by the aim to protect workers from below standard wages and working conditions, to reduce unfair competition between firms, to contrast the significant loss of taxes and social contributions resulting from undeclared work and to fight illegal immigration by reducing job opportunities in the informal economy (Souvet 1996; Vincent 1997). It is likely that the sharp rise in undeclared work during the 1990s (Braud 2004)¹³² and the large numbers of foreign firms employing posted-workers in the construction sector during that decade (Menz 2005) motivated the government to respond with stronger controls. As a representative of the CGT union reflected; *'During the 1990s there were lots of Poles working in construction with terrible working conditions, lots of subcontracting and foreign service provision'* (Interview CGT).

The re-entry of the issue on the agenda in 2004 was officially motivated by the same objectives as the law of 1997 (CNLTI 2006). It is also argued to have been due to specific concerns about undocumented migrant workers in the construction and agricultural sectors (Castles and Miller 2009). In fact, the employment of undocumented migrants had been rising since the turn of the millennium (Braud 2004). It is significant that contrasting the employment of undocumented migrant workers and identifying businesses breaking the law regarding services provision and transnational fraud were among the main objectives of the National Plans to Combat Undeclared work between 2004 and 2009 (Ministère du l'emploi de la cohésion sociale et du logement 2006; MTRSFSV 2007). Moreover, it is perhaps not a coincidence that 2004 was the year in which ten central eastern European states became members of the European Union, which led to concerns regarding wage dumping as a result of migration and intra-EU services provision. As France, like Italy, decided to postpone the full opening of their labour markets to workers from the A8 in 2004, the probability of an increase in illegal work was high. The 'country of origin' principle of the Bolkestein Draft Directive on services of January 2004 provided that foreign service providers be temporarily governed by the labour laws of their country of origin and was strongly opposed in France

¹³¹ According to a representative of CGT, the main aim of governments in combating undeclared work is to increase public revenue; *'In France the will to go against the black economy is due to the fact that it reduces social contributions for everybody'* (Interview CGT).

¹³² Undeclared work is estimated to be between 10% and 2% of French GDP (EC 2007b).

(Menz 2009), which was the protagonist in revising the Directive.¹³³ In France the ‘Polish Plumber’ symbolised a fear that Eastern European workers would work in France on Polish wages, undercutting French workers.

The persisting relevance of the MWF in French ESC reform is still somewhat surprising given the learning process regarding the phenomenon of undeclared work since the mid 1970s. French policy reform in the late 1980s reflected an understanding that the employment of illegal migrant workers in France was but the tip of the iceberg of a larger phenomenon of undeclared work involving French employers and workers. Moreover, by the 1990s it became clear that migrant workers were a minority among those involved in undeclared work. The recent *sans papiers* campaign for legalisation also emphasises how many undocumented migrant workers are employed regularly.¹³⁴ However, French ESC policy continues to retain an important focus on combating the illegal employment of undocumented migrant workers and wage dumping by foreign businesses. This is explained by renewed concerns regarding undocumented immigration and foreign service providers and the politicisation of immigration in France since the late 1960s, particularly by right wing governments (Weil 1991; Einaudi 2006) which were in office during the passing of the 1997 decree and the drawing up of recent National Plans to Combat Undeclared Work.

This contrasts strongly with the Italian case where, regardless of the politicisation of immigration, right wing governments have tended to weaken the ESC system. This may be partly explained by the fact that the support base of the right wing in Italy tends to be among owners of small to medium sized businesses which are most likely to resort to undeclared work (Boeri 2009) (Interview Gualmini) and by the size of the informal economy in Italy which is estimated to be twice that of France and as a consequence far more significant in terms of electoral politics.

¹³³ Protests against the draft directive were particularly vehement in France, Italy, Sweden, Belgium and Germany. The French case is particularly significant as the debate on this directive led to the rejection of the Constitutional Treaty in a referendum on the 29th of May 2005. The Irish and British governments supported the draft directive (Mieli 2006).

¹³⁴ Since April 2008, the CGT trade union has been supporting the *sans papiers* campaign for the legalisation of undocumented workers who are working legally and contributing to social security and paying taxes, without accruing benefits (CGT argues that these workers constitute the majority of undocumented migrant workers in France) (Interview CGT).

3. Conclusion

This chapter makes an important contribution to the literature on labour market regulation by underlining how European ESC systems vary quite considerably, as has the extent of their reform and the surrounding political dynamics over the decade 1997-2008. While the Irish ESC system was comparatively weak in terms of personnel and inspection activity before its reform in 2006, it was less fragmented than the British system. The Irish labour inspectorate is now the most active of the four states in terms of inspection activity; a rather unusual finding for a country most often categorised as a liberal market economy. Rather counter intuitively, the Italian case appears to have more in common with the British than the France one. The Italian ESC system is more fragmented than its French counterpart and right wing electoral politics in the context of a generalised acceptance of informal work within the Italian populace has obstructed efficient enforcement of employment standards controls. The British case also exemplifies politico-institutional constraints on attempts to reinforce labour market controls.

ESC is an interesting area to analyse in a comparative perspective with an eye to the influence of European recommendations in the area. While a better understanding of the mechanisms of policy diffusion would necessitate further interviews at national and supranational level, it appears that social learning has taken place in this area as exemplified by the fact that by 2007 inter-ministerial coordination structures had been set up in France, Ireland and Italy (EC 2007b). This of course tells us little about the precise stimuli for such reform.¹³⁵ Regarding the latter, I posited that the MWF can feasibly stimulate a reinforcement of the ESC system with one or more of the following aims: the elimination of perceived unfair labour market competition between migrant and domestic workers; an increase in the domestic supply of labour or skills available for employment in order to reduce current or future dependency on migrant workers; and the reduction of job opportunities for migrant workers – in particular undocumented migrant workers.

The first aim appears to have been behind the reform of the ESC system in Ireland and to have partly motivated reform in Italy and France. The third aim seems to have been significant in Italy, France and Britain, while the second aim was not evidently a motivating force in any of the four states. In more general terms, I have found that the MWF largely explains reform in the Irish and British cases, but is only part of the explanation for reform in

¹³⁵ In fact, it is difficult to assess the causal impact of an iterative policymaking process like the OMC.

France and Italy. Moreover, I argue that of all the cases, the MWF has been the least influential in the Italian case, undoubtedly due to the pervasiveness and economic significance of undeclared work. Finally, there is an interesting contrast between the Irish and Italian stories. While the MWF was the main stimulus for ESC reform in Ireland, the reform was presented as necessary in order to provide equal rights for all workers and inspections have not explicitly focused on foreign businesses or sectors employing migrant workers. On the other hand, the MWF was not as significant a motivation for the reform of the ESC system in Italy. However, in focusing inspections on Chinese businesses, it was utilised politically in order to garner support for governments from a public opinion which is hostile to immigration. Furthermore, governments alluded to the problem of undocumented migrant workers as a motivation for reform in order to legitimise a reinforcement of controls against undeclared work in a country where illegal working practices are profuse among the native population.

Chapter 6

The Migrant Worker Factor in labour market policy reform

I investigate whether the Migrant Worker Factor stimulated policymakers to develop active labour market policy in Ireland and Italy, with consideration of Britain and France as shadow cases, during the decade 1997- mid 2008.

I find that, contrary to expectations, temporary concerns regarding labour immigration partly stimulated Irish policymakers to promote a reinforcement of ALMP at the turn of the millennium in order to respond to labour shortages. On the other hand, ALMP development in Britain was not related to concerns regarding immigration during the decade.

Despite political rhetoric regarding preferences for mobilising the domestic unemployed before opening up to further migrant inflows, the introduction of ALMP in Italy was not motivated by concerns regarding labour immigration. Finally, as expected, concerns regarding labour immigration in France made the development of ALMP appear all the more appropriate as a response strategy to current and future labour shortages.

My findings for Ireland and Italy can be largely explained within the realm of ideas and institutions. In Ireland, the effect of a fluctuating consensus regarding inward migration is highlighted, while in Italy I emphasise an institutionalised understanding of 'migrant jobs'. The findings for Britain can be explained by the fact that there was a reduction in demand for labour when concerns regarding immigration became significant in 2008.

Introduction

The unemployment rate and openness to immigration are often assumed to be highly correlated (Meyers 2004); indeed immigration policy is generally officially tied to the level of unemployment and it is politically difficult for governments to open up to extensive immigration when the unemployment rate is high. It is generally only when the unemployed labour supply has been fully utilised and labour shortages persist that states endeavour to facilitate labour immigration and/or mobilise inactive groups in the working age population – the latter often predominantly women. In this context, the prioritisation of one labour supply or another is generally not legally defined and can vary according to influential social perspectives on the arrival and integration of foreigners and the labour market participation of female and other inactive groups.

In chapters 1, 2, and 3, I argued that demand for migrant workers is accentuated in states with large labour force reserves whose return to the labour market is obstructed by welfare institutions. In this sense, immigration solves problems of immobility in labour markets; allowing states to solve labour shortage problems, without disrupting the socio-economic

status quo. Moreover, immigration is a cheaper option for states in the short term, while activating welfare recipients can be costly (Jordan and Duvell 2002).

Broadly speaking, there are five types of ALMP. First, activation is carried out through tightening benefit eligibility criteria, reducing the generosity of welfare benefits and introducing stronger sanctions for rejecting job offers. Second, public employment services (PES) provide job search assistance, individualised counselling and case management. Third, subsidies and services, such as in-work welfare benefits, tax credits, rented housing subsidies, childcare support, are introduced to 'make work pay' and to enable participation in the labour market. Fourth, states can invest in human capital formation through the provision of formal training programmes. Finally, job creation schemes in the public, non-profit or private sector provide work for the unemployed and inactive. My interest in ALMPs revolves around their role in mobilising domestic labour in response to labour shortages and as such I focus on the first three 'supply-side' ALMPs (Cook 2008; Bonoli 2008).

Jordan and Duvell maintain that in the context of labour shortages, policymakers compare the costs and benefits of activating the domestic labour reserve and recruiting migrant workers. They argue that the cost and inefficacy of ALMPs led to a resurgence of interest in promoting inward migration in Europe around the turn of the millennium (2002). However, as only some European states had introduced supply-side ALMPs by the end of the 1990s, this argument appears to be limited to those states. Moreover, significant cross-national variation in labour market policy continues, as does openness to foreign workers (Bonoli 2008; OECD 2007a). A more wide-reaching question is whether concerns about labour immigration could also lead to a stronger emphasis on responding to labour shortages with the domestic labour supply, by means of ALMP. Swedish policy of the late 1960s shows that this policy interaction can take place. In 1968, due to concerns regarding the socio-economic impact of labour immigration, the Swedish Riksdag stipulated that the domestic labour reserve of married women, the disabled and elderly was to be fully utilised before resorting to further immigration (Lundquist 2006). In order to support female employment, the state set up an extensive childcare infrastructure (Naumann 2005) and separate taxation for spouses was introduced to further facilitate female employment in 1972, the same year as the trade union imposed stop to non-nordic labour immigration (Knocke 2000).

In this chapter I investigate whether policymakers in Ireland and Italy, and shadow cases Britain and France, attempted to reduce demand for migrant workers by mobilising the

domestic supply of labour by means of ALMP during the decade 1997- mid 2008. More specifically, I attempt to identify the rationale behind the development of ALMP in the four states during this period. With an exclusive focus on Ireland and Italy, I devote attention to childcare policy, due to the particularly high levels of inactivity among mothers of young children in those countries.

I find that, contrary to expectations, temporary concerns regarding labour immigration partly stimulated Irish policymakers to promote a reinforcement of ALMP at the turn of the millennium in order to respond to labour shortages. On the other hand, ALMP development in Britain was not related to concerns regarding immigration during the decade. Despite political rhetoric regarding preferences for mobilising the domestic unemployed before opening up to further migrant inflows, the introduction of ALMP in Italy was not motivated by concerns regarding labour immigration. Finally, as expected, concerns regarding labour immigration in France made the development of ALMP appear all the more appropriate as a response strategy to current and future labour shortages. This chapter is structured like the previous one. I first give an outline of the development of ALMP in the four states during the decade 1997-mid 2008. Second, in an analysis of the policy process, I explore whether the MWF was a stimulus for reform, attempting to identify the mechanisms through which concerns regarding immigration impacted the ALMP arena when the MWF is deemed significant. Explanations are provided for findings which do not support the hypotheses set out in Chapter 4.

1. LMP reforms

1.1. Ireland and Britain

The liberal welfare regime is based on an assumption of the primacy of markets. The role of the state is limited to dealing with acute market failures, which translates into encouraging private welfare provision and providing public residual support to the patently needy (Esping-Andersen 2002). With the combined goals of reducing expenditure and taxation and increasing the labour supply (and at least on a rhetorical level, fighting social exclusion), the generosity of welfare provision has been cut back and there has been a move towards work-conditional benefits¹³⁶ over the past two decades (Hemerijck 2002; Esping-Andersen 2002).

¹³⁶ The principle of conditionality holds that eligibility to certain basic, publicly provided, welfare entitlements should be dependent on an individual first agreeing to meet particular compulsory duties or patterns of behaviour (Dwyer 2004).

However, by 1997, ALMP had not been directed at economically inactive groups of working age such as lone parents and recipients of incapacity benefits (Murphy 2008; Fraser 2004). While both Ireland and Britain are self-professed liberal welfare regimes (Interview DSFA),¹³⁷ it is important to take note of some of the variation in ALMP in Ireland and Britain. I begin by charting the main developments in the ALMP arena in Britain; the archetypal liberal state in Europe.

Based on an assumption of market efficiency and the essentially voluntary nature of unemployment, as well as concerns regarding the cost to society of public assistance, deterring undeserving claims for public assistance and emphasising a contract of rights and duties between the state and citizens have been at the core of British social policy since the nineteenth century. Following a relatively 'benign' period between 1945 and the late 1970s, benefit receipt became increasingly conditional on endeavours to return to the labour market. Unemployment benefits were radically cut back and subject to more restrictive entitlement conditions under Conservative governments in the 1980s and 1990s, culminating in the introduction of the Jobseekers Allowance in 1996 (King 1995).

Embracing liberal contractualism, the principal maxim of New Labour's 'Third Way' is 'no rights without responsibilities' (Giddens 1998 p.65; Blair 1998); the state is to meet its commitments to social justice and equality via the redistribution of 'possibilities', rather than wealth. In fact, welfare reforms introduced by New Labour, in government since 1997, have the principle of conditionality at their core. Borrowing from the US welfare-to-work agenda (and according to the Department of Work and Pensions, Scandinavian ALMPs (DWP 2008b) a large part of social expenditure has shifted towards employment services, means-tested in-work benefits and tax-based wage subsidies for low income earners (Hills 1998). The 'New Deal', launched in 1997, initially concentrating on the young unemployed and then extending to other groups, provides benefit claimants of working age with personal advisors to give guidance on job search. Those failing to find work during this first 'gateway' period are offered a choice of training or employment schemes and failure by the young and long-term unemployed to take up one of the four work and training options offered results in punitive benefit sanctions (Dwyer 2004).

The Irish state is exceptional in the EU context for the high proportion of its social protection expenditure which is means-tested (NESC 2005). Moreover, by the late 1990s, Ireland was

¹³⁷ For example, the Irish NESC referred to Ireland and the UK as Anglo-Saxon states in 2005 (NESC 2005).

one of the few OECD states to have introduced in-work benefits, along with the other English speaking countries and Finland. However, other policies set Ireland apart from Britain. For example, Ireland's spending on unemployment benefit has been significantly higher than British spending in terms of per person unemployed¹³⁸. Furthermore, as noted in Chapter 3, Ireland spends more than Britain on training for the unemployed and in the mid 1990s, despite growing labour demand, the Irish state was spending the second largest proportion of ALMP expenditure (39.88%) on public job creation in Western Europe (Cook 2008).

During the decade 1997-mid 1998, policymakers in Ireland and Britain attempted to shift various groups of welfare recipients into the labour market; beginning with the unemployed and moving progressively towards inactive groups. This steady reinforcement of the active welfare regime was more pronounced in Britain. Moreover, attempts were made to facilitate the expansion of a childcare infrastructure from the late 1990s; as noted above, I will focus exclusively on Ireland with regards to childcare policy.

1.1.1. Ireland:

A stronger element of compulsion was introduced into the Irish unemployment benefit system in 1996. Long-term unemployed youths were required to register with the Training and Employment Authority, FAS. Subsequently, the National Employment Action Plan (NEAP) was introduced in 1998 and required unemployed people to attend an interview to set up an individual action plan after a certain number of months of unemployment. While less 'stringent' than activation requirements in Britain,¹³⁹ there is evidence that, along with an increase in claim controls by the Department of Social and Family Affairs (DSFA), they contributed to the fall in unemployment in the following years (Interviews DSFA, OPEN). The unemployment rate fell from 9.9% in 1997 to 4.2% in 2000. However, the number of welfare recipients remained stable at 20% of the working age population, as the number of people on lone parent and disability schemes grew (see chapter 4).

¹³⁸ Ireland came 9th place in terms of generosity in the EU15 in 1997, compared to Britain's 13th place (Eurostat 2007b).

¹³⁹ For example, the average frequency of employment service interviews was once every two years compared to once every two weeks in the UK and once a month in France in 2008. Note that in Ireland people on unemployment benefits also must sign on at their local DSFA office once a month and attend two eligibility review interviews by the 15th month of unemployment, however these contacts with the DSFA have limited employment services content (Grubb et al. 2009).

In the context of continuing labour shortages, at the turn of the millennium a National Economic and Social Forum (NESF) report entitled ‘Alleviating labour shortages’ recommended supporting higher female participation in the labour market, as well as inter-regional labour mobility. Moreover, the report set out how the welfare-to-work strategy could be improved in order to ensure that the system facilitates access to paid work for all people of working age, regardless of the type of social welfare category. Recommendations included raising earned income disregards, tackling the disincentive effect of the loss of secondary benefits (such as housing) for those who enter the labour market and a strengthening of the information infrastructure and services in order to support labour market matching and risk-taking.

However, by 2005 most of the barriers to work discussed in 2000 remained in the welfare system. For example, following a minor improvement in household income, welfare recipients still lost secondary benefits such as free access to medical services, leaving the household’s overall financial position little better than before returning to work (NESF 2006; Murphy 2008). Instigated by a cross-departmental senior officials group on social inclusion (Interview DT), a new policy discussion regarding how to reinvent or reshape the Irish welfare state began in 2005. Important official policy papers in 2005-6 included the NESC *Developmental Welfare State* report and the DSFA *Proposals for supporting lone mothers* (NESC 2005; DSFA 2006), culminating in the social inclusion elements of the *Towards 2016* social partnership agreement of 2006, the National Development Plan 2007-2013 and the National Action Plan for Social Inclusion 2007-2016 (Department of the Taoiseach 2006; Government of Ireland 2007).

A new role for the DSFA was proposed around activation based on tailored ‘active case management’ for social welfare customers of working age along with more targeted training and supports to all groups outside the labour market from FÁS. The overall aim was to reduce by 20% the number of those whose total income is derived from long-term social welfare (EAPN Ireland 2008). Activation processes were to be extended to lone parents and disability benefit recipients capable of work in a ‘supportive and positive manner’ (Department of the Taoiseach 2006). The DSFA proposed transferring lone parents to Jobsseekers’ Allowance (unemployment benefit) when their youngest child reached seven years of age (DSFA 2006), however, in general the new focus on activation leaned more towards supportive measures than punitive ones (Murphy 2008).

By mid 2008 there was little evidence of the political will to implement the reform proposals. In fact, it was September 2008 when the DSFA commenced the Activation Programme mainly through an expansion of the Department's Facilitator service.¹⁴⁰ The initial phase of an ESF financed 'Disability Activation Project' commenced in January 2008 and only a small number of One-Parent Family (OPF) payment recipients with children reaching the ages of 17 and 18 were engaged with by DSFA facilitators in September 2008. It was also asserted that increasing levels of unemployment '*may have an impact on this process*' (Social Inclusion Division 2009 p.18). Murphy argues that there has been less reinforcement of ALMP in Ireland than could have been expected in the period preceding the economic downturn, given significant labour shortages and the state's focus on international competitiveness;

Given significant demand for Irish labour, there is less focus on welfare-to-work strategies than might have been expected. Specifically there has been less progress relating to women's access to employment, less upgrading of income disregards and tacking of unemployment traps, less conditionality and less extension of conditionality to groups outside the formal live register (unemployment register), than one might expect (Murphy 2008 p.20).

This is partly due to a charitable approach to welfare recipients within the DSFA which has its origins in Catholic social thought and the view that lone parents cannot be activated unless there are sufficient and affordable childcare facilities (Interview DSFA).¹⁴¹ Another part of the explanation for continuity in the welfare to work regime in Ireland was that the labour problem had been temporarily solved by large scale immigration from the new member states from 2004. As a senior civil servant from the DSFA declared in November 2007 '*our starting point was not the labour market because our needs were more or less solved by the decision to allow the EU10 in*' (Interview DSFA).

1.1.1.1. Childcare policy

Irish childcare policy since 2000 can be described as a case of institutional layering, whereby community and private sector facility development has been grafted onto the existing context of family and Church provided childcare. A Commission on the Family was set up in 1996 to review existing provision and to make recommendations for policy reform. Following the

¹⁴⁰ The DSFA has a number of Job Facilitators who provide a service to help people into employment.

¹⁴¹ Another factor explaining why ALMP reform has been limited are institutional veto points within the social partnership and proportional representation (PR) political system (Tsebelis 1995; Murphy 2008).

Commission's report in 1998, various government initiatives were taken including a response to demands for childcare. The social partners had added their voices to civil rights groups' demands at the end of the 1990s; the issue being included in the National Partnership Agreement in 2000 ('Programme for Prosperity and Fairness') for the first time (Hayes and Bradley 2006; Collins and Wickham 2001). Moreover, the Expert Group on Future Skills Needs (EGFSN) recommended improved childcare as a means of raising female employment (EGRSN 2000 Second Report of the EGFSN).

The national strategy for childcare in 1999 led to the first ever Irish public childcare programme; the EU funded Equal Opportunities Childcare Programme (EOCP) 2000-6. This was followed by an exchequer funded National Childcare Investment Programme (NCIP) 2006-10. These investment programmes aimed to support the development of a childcare infrastructure. About 75% of EOCP capital grants went to the Community and Voluntary (C&V) sector where grant funding for new childcare facilities was provided and smaller capital grants were given to the private sector to incentivise more of them into the market. The decision to invest in C&V and private rather than public childcare was based on a perceived cost advantage; '*ultimately you get a larger return as regards childcare places for smaller investment*' (Interview CD). However, though the aim of the two childcare programmes since 2000 was to increase the supply of childcare places and consequently reduce the cost of childcare, there are still long waiting lists and the cost of childcare in Ireland actually increased by over 23% between 2002 and 2005 (Central Statistics Office 2006). While the vision set out in 'Towards 2016' was of a state where people with caring responsibilities would have access to appropriate supports in order to enable them to conciliate these responsibilities with employment and other commitments (Department of the Taoiseach 2006), the focus on increasing female participation seems to have diminished among policymakers, as female employment reached what is considered to be a culturally acceptable level and demand for domestic labour fell after 2004 (see above). The fact that childcare costs have actually risen since 2000 and female participation rates seem to have stalled behind eight of the EU15 and five of the EU10 (Eurostat 2007a) was not correlated in the Childcare directorate in November 2007;

The funny thing is the rise in female participation is actually leveling out now... I suppose it's reaching its natural level; that is the number that wants to be in full time employment. Work-life balances are definitely a big issue here (Interview CD).

Significantly Failte Ireland, the national tourism authority, maintained in 2005 that the female participation rate was high and that there was little room for improvement (Failte Ireland 2005) and some policymakers have asserted that more than enough women are at work; '*I think that the participation rate for women with children in Ireland is high, which is not really a good thing*' (Interview DT).

1.1.2. Britain:

In Britain efforts to activate the unemployed and extend conditionality to other categories of benefit recipients were more decisive and punitive than in Ireland (Grubb et al. 2009), as one would expect from the British tradition of ALMP.

Between 1997 and 2003, the new labour government introduced many innovations into ALMP. As noted above, the 'New Deal' 'crusade' against unemployment and 'war against poverty' (HM Treasury 1998), was launched in 1997 with the explicit aim of reducing social exclusion by incentivising benefit claimants back into work.¹⁴² Subsequently, efforts were made to improve activation services for the unemployed. For example, beginning in 2001, the administration of social benefits and PES were integrated into 'single administrative gateways' known as 'Jobcentre Plus'; a development which did not take place in Ireland, where the placement function of the PES (FAS), is separated from the benefit function (the DSFA) (Clasen and Clegg 2003; Hills 1998; Murphy 2008).

ALMP was the again the object of reform between 2006 and 2008, reflected in a flurry of policy papers and two welfare reform acts. A Department for Work and Pensions (DWP) Green Paper of January 2006 entitled *A new deal for welfare: Empowering people to work* aimed to set off a new national debate on the future direction of the welfare state; similar in fact to the objective of the 2005 *Developmental Welfare State* report in Ireland. In this report, the government set itself the long term aim of reaching 80% employment and proposed extending welfare-to-work responsibilities to all those capable of work. This document and the Work and Pensions Select Committee report on 'Incapacity Benefits and Pathways to Work' received consultation feedback from 600 organisations (DWP 2006). Impetus to the new debate came in March 2007 with the publication of a controversial independent report by David Freud, the government's chief advisor on welfare. The Government commissioned

¹⁴² The New Deals were complemented by other measures to enhance incentives for labour market re-entry, the most significant of which was the introduction of tax credits which subsidized the incomes of low paid workers.

Freud to examine how to give a greater role and greater incentive to private and voluntary providers. Freud recommended that private, public and voluntary sector providers would be rewarded from the benefit expenditure they save (Freud 2007). In May 2007, the Welfare Reform Act 2007 was given Royal Assent. Among other measures, it provided for the introduction of a new Employment and Support Allowance (ESA) in 2008 to replace incapacity benefit and income support based on incapacity or disability and a new Personal Capability Assessment to assess entitlement and the support needed to get back into the workplace. Moreover, all people capable of working were required to attend work-focused interviews and develop, with their advisers, a plan of action (DWP 2010).

Following further government papers and consultation in the second half of 2007, the DWP published a Green Paper entitled *No One Written Off: Reforming Welfare to Reward Responsibility* in July 2008. This report included all of the Freud recommendations, once again proposing ‘more support but greater responsibility’ in searching for work and undertaking training for all those capable of work – excluding only ‘*the most severely*’ disabled people or others with full time caring responsibilities (DWP 2008a). Following extensive consultation, in November 2008 changes were introduced to Income Support for lone parents phased in over three years: from the 25th of October 2010, income support will cease when the youngest child is aged seven or over; a significant change from the previous cut off point of 16 years.¹⁴³

1.2 Italy and France

The post-statist welfare state can be broadly categorised as a conservative corporatist social insurance regime providing job and social protection for male breadwinners (the ‘insiders’) and less security for those with a weaker connection to the labour market, such as women or workers with less stable careers (the ‘outsiders’) (Esping-Andersen 1990, 2002). Social benefits have largely consisted in passive transfers and the low level of universality in social protection has traditionally resulted in a system of familial dependency and low levels of mobility in terms of job search. The reliance on social insurance, as opposed to general taxation, puts the burden of financing the welfare state on employers and employees, leading

¹⁴³ In November 2009, the Welfare Reform Act became law. It moved all claimants on to either Jobseeker's Allowance if they are well or Employment and Support Allowance if they are sick and introduced a regime of benefit sanctions for non-attendance at Jobcentres among other reforms.

to a vicious circle of low levels of regular employment creation and increasing non-wage labour costs; the 'welfare without work' trap (Ellison 2006; Esping-Andersen 2002).

Low levels of employment creation have principally effected the young and women, which now represent a vast unused labour force reserve (Hemerijck 2002). Moreover, in order to deal with economic recession from the mid 1970s, these governments relied on public job creation and above all, early retirement schemes, adding to overall low employment rates (Ferrera 2006; Eichhorst 2007). Over past decades, following the introduction of flexible employment contracts, some Conservative Corporatist regimes have endeavoured to provide social security for the growing secondary labour market by introducing more universal social security schemes, including various social minima (Esping-Andersen 2002).

In general, we can say that post-statist welfare states have resulted in a low demand for labour, but also a labour force reserve which is heavily dependent on the state and/or family. Again, as with Ireland and Britain, Italian and French welfare states vary considerably and it is important to note some significant divergences in approaches to incentivising a return to work for those in receipt of public social transfers up to the end of the 1990s.

In France, unemployment support is relatively generous in terms of replacement rates and duration; in 1997, the French benefit was more than three times that provided in Italy (Eurostat 2007b). Moreover, while Italy does not provide social assistance to those with a tenuous connection to the labour market, by the late 1990s in France, these people could rely on unemployment assistance, the *Allocation Spécifique de Solidarité*, (ASS) and the national minimum income scheme, the *Revenu Minimum d'Insertion* (RMI). The RMI is, however, asserted to have weak work incentives and the lack of a systematic job search requirement (Eichhorst 2007).

The question of territorial mobility is particularly pertinent in Italy as it is the country with the most severe inter-regional labour market divergences in Europe as discussed in Chapter 3. In fact, labour market segmentation is more extreme in Italy in general, with higher levels of irregular work and lower levels of female participation (Ellison 2006). Regarding the latter and more specifically state support to childcare, some scholars argue that familialism is particularly strong in Italy (and other Southern European states) and that as such it should be distinguished from other conservative regimes (Frisina 2004; Ferrera 2006). As discussed in

Chapter 3, on an aggregate level, there has been a low level of public spending on childcare for under three year olds, with significant variation across the country (Saraceno 2003).¹⁴⁴

During the decade 1997-mid 2008, ALMP was introduced in Italy and significantly developed in France. In both states, PES were the object of reform. Other notable reforms included the strengthening of conditionality for the receipt of unemployment benefits as well as the development of in-work benefits in France and attempts to promote internal labour mobility in Italy. Moreover, attempts were made to facilitate the expansion of the childcare infrastructure from the late 1990s; as noted above, I will focus exclusively on Italy with regards to childcare policy.

1.2.1. Italy

By the mid 1990s, the Italian labour supply was constrained by inefficient employment services, passive labour market policy directed at the core workforce and inadequate welfare coverage for the rest of the working age population. Since 1997,¹⁴⁵ there has been a certain shift from passive to active labour market policy in Italy (Ferrera 2006). Most ALMP spending in Italy over the past decade has been on incentives for hiring and training measures (Ciccarone and Raitano 2006). More relevant to my interest in responses to labour shortages and labour immobility were the innovations regarding labour market matching.

Reforms from the centre-left and centre-right have followed along the same lines (Gualmini and Hopkin 2009). Labour mobility has been explicitly promoted in Italy since 1997 and particularly from 2002; the Employment National Action Plan of that year highlighting the theme of mobility as the main ingredient in enhancing labour demand and supply matching in Italy (ItaliaLavoro 2006). However, while PES reform has been implemented with difficulty, specific mobility initiatives have had a fixed-term project basis and many of the ALMPs introduced in Italy since 1997 do not support or oblige mobility.

¹⁴⁴ On the other hand, while the French welfare state is generally categorized as Conservative, when family policy is taken into account, it has more in common with Nordic regimes. In fact, France is generally lauded as being one of the European states which best supports the reconciliation of employment and care obligations. While the state provides and subsidises childcare, the tax and benefits systems are skewed towards single earning families. France is thus generally referred to as a hybrid male-breadwinner-dual earner welfare state (Revillard 2006; Morgan 2003).

¹⁴⁵ Some of the key reform strategies were set out in the agreement signed in July 1993 by the Italian Prime Minister Giuliano Amato and the social partners. This provided the basis for the 'Employment Pact' agreed in September 1996, the main themes of which were later codified in the Treu Law of July 1997 (Antonelli and De Liso 2004).

The reform of the Italian employment services regime in 1997 was based on the 1993 Ciampi Agreement with the social partners. In 1997, on the basis of legislative decree 469/1997 (and law no.59/1997 on administrative decentralization, known as the *Bassanini Law I*), placement responsibility was delegated from the state to the regions and private agencies were allowed to compete with public ones. New PES offices were to be established for every 100,000 inhabitants and the approach to placement was to be transformed '*from bureaucracy and red tape to prevention and counselling*' (Gualmini and Hopkin 2009 p.17). Civil servants had to attend training courses in order to qualify for new job profiles and new professions were added to the organigramme, including psychologists and trainers. The unemployed were to be coached towards a return to the labour market.

However, while temporary employment agencies have spread rapidly throughout the country (Gualmini and Hopkin 2009), the implementation of the PES reform has been difficult, particularly in the South of the country, where it has been argued that some of the new centres work even less efficiently than their predecessors (Ministero del Lavoro e delle Politiche Sociali 2001). Obstacles include an enduring culture of bureaucracy and passivity among civil servants, financial constraints (Gualmini and Hopkin 2009), a lack of data sharing between the placement offices and the benefit system, as well as the absence of common minimum standards across the state (Interview MLLMP).

Moreover, the Biagi law 30/2003 provided for a national employment database with data on labour demand and supply from public and private employment services – the *borsa di lavoro nazionale* - in order to facilitate labour demand and supply matching and inter-regional labour mobility. However, the *borsa* was still not activated by late 2008. It is maintained that the plan has been hijacked by regionalist fears of central state encroachment on their new found autonomy in this area, as well as the unwillingness of private agencies to share data on employer requests (Ministero del Lavoro e delle Politiche Sociali 2001)(Interview MLLMP).

Initiatives aimed at promoting and supporting mobility have been launched by the Ministry of labour, Ministry of Industry, the regions and social partners. The 1997 Treu package (Law 196/1997) introduced a supplementary benefit of about 400 euro a month for the housing and living expenses of young Southerners involved in professional insertion programmes in businesses in other regions. These programmes gave young people (up to 35 years for the long term unemployed) the possibility of working in a business in the north for up to 12 months. After 12 months the young people could return to the south and work for the same

firm which aimed to set up in the South. This integration of labour mobility and firm decentralization became a fundamental part of Italian initiatives on labour demand and supply matching. It allowed the state to respond to opposing positions of employers and trade unions. While the employers pushed for state incentivisation of work mobility, the trade unions sustained that firms ought to bring work to the workers (EIROOnline 2001). Perhaps the most well known initiative was the National System Initiative 'Labour and Firm Mobility SouthNorthSouth' 2002-4, which was implemented by ItaliaLavoro, a technical agency of the Labour and Social affairs Ministry and the regions. This project build up a network (200 nodes) of PES and private associations and training organisations across the country in order to promote and support labour mobility (in the form of traineeships) and firm decentralisation. However, the fixed-term project basis of many of these mobility initiatives is an inadequate response to a significant and on-going problem, as a civil servant from the Ministry of Labour department of labour market policy asserted in April 2008;

The problem with internal labour mobility is the cost of housing which increases expenses...The SouthNorthSouth project was more for apprenticeships, to get training in north and go back to south. It had a good result. But then it finished there (Interview MLLMP).

In fact, while one of the main obstacles to mobility is the high cost of housing in the north, as noted in Chapter 3 there is no general public rental support for those who move for work (Blanchard 2006). Moreover, mobility has not been encouraged through the benefit system. While the above mentioned Biagi law introduced stronger conditionality to the receipt of benefits,¹⁴⁶ article 13 asserts that jobs must be accepted if within 80 minutes from the place of residence on public transport. A Sicilian is thus justified in turning down a suitable job in Bologna, for example. Tiraboschi maintains that policymakers ought to investigate the idea of benefits for those who accept jobs and who change residence (2004).

Apparently, the promotion of internal labour mobility in Italy is a rather half-hearted policy. This is explained to an extent by a widely shared negative view of south-north labour mobility. As Reyneri writes, '*promoting South-to-North labour mobility is still considered a political taboo*' (2007 p.137). In a similar vein, Einaudi maintains that '*The idea of bringing Italians migrants to the north is considered internal colonialism*' (Interview Einaudi).

¹⁴⁶ Moreover, in many cases, especially in the South, the conditionality principle does not seem to be binding in practice (Ciccarone and Raitano 2006)(interview ministry of labour).

Italy is not really a new immigration state as often asserted in the literature. As discussed in Chapter 3, Northern Italy has been a destination for migrants since the 1950s at least and there is an uncanny similarity between the reception given to *undocumented* Southern Italians living in makeshift houses in the suburbs of Northern cities and working irregularly in the 1950s (Gardner Clark 1954) and non-Italian migrant workers today (Einaudi 2007).

Italian policymakers tend to view the large-scale internal migration of the 1950s and 1960s as a period in Italian economic development which has closed and which return is not augured. It is seen as a period of forced exile. This notion is reflected in the motivation for the SouthNorthSouth project. ItaliaLavoro maintains that this project aimed to support mobility in order to reduce an emigration '*without guarantees and dignity*' (Zamperini 2003); an implicit reference to the internal migration of the post-war period. As a senior official in the Ministry of Labour, labour market policy Department maintained in April 2008;

The message of increasing mobility is there and we want to do it. But at same time we don't want a mobility like the 1950s which was obligatory. We don't want to empty the south of brains (Interview MLLMP).

On similar lines, the head of the Immigration Directorate in the Labour Ministry asserted in September 2008 that '*The southerners did it in the 1950s; the south also needs people to stay there*' (Interview MLID). The largely negative consensus regarding internal mobility among policymakers is partly explained by the fact that while Southern Italians dominate the civil service, and to a lesser extent the legislature (Spence 2000), and are ambivalent regarding labour mobility, much of the Northern part of the country suffering from labour shortages is dominated by the Northern League, which opposes even private housing initiatives for migrants; be they Southern Italian or foreign (Interview Einaudi).

1.2.1.1. *Childcare*

The problem of reconciling work and family has become increasingly evident in Italian public debate. While fiscal incentives to female employment are emphasized, both left and right wing governments have encouraged flexible work and the development of the childcare infrastructure.

It was not until 2000 – nearing the end of a relatively long period of centre-left government¹⁴⁷ (1996-2001) - that a national framework law was passed setting minimum standards for social services and defining the competences of the various levels of government (Law no. 328/2000 ‘Provision of an integrated system of social services.’). Reflecting a compromise between sharply diverging views of the family, for the first time in Italy the responsibility of the family in caring for its own members, already tacitly sacrosanct, is explicitly legitimised in this law, while individual rights are also recognised and gender equality promoted. Article 16, comma 2 specifies that;

The definition of minimum levels of social assistance...takes into account the need to favour...solidarity between generations, parental responsibility, the promotion of equal opportunity and the sharing of responsibility between men and women and recognises the autonomy of each family (Saraceno 2003 p.178)

A Social Fund was instituted which provides finance for social interventions and services to be shared amongst the regions. While the state sets out a national plan for services and social assistance on a biannual basis, the regions translate these principles into laws and criteria for their territories. On the basis of this, the provinces and above all communes set out local social intervention and service plans. The regions are also responsible for regulating relations between local bodies and the tertiary sector.

Moreover, employer involvement in childcare has been increasingly promoted particularly during the centre-right government of 2001-5, for example the budget law for 2003 allocated a fund to employers who set up crèches. Furthermore, another proposal for responding to demand for childcare for under three year olds has been to lower the age of admission to *Scuole per l’infanzia* – the schools for three to six year olds (Saraceno 2003). More recently, with its *Extraordinary Plan for the Development of Socio-Educational Services for under Three Year Olds (Piano straordinario per lo sviluppo dei servizi socio-educativi per la prima infanzia)*, the last centre-left government (2006-8) set aside about 600 million for 2007-9 with the objective of creating forty thousand jobs and increasing childcare coverage for under three year olds from 11% to 13.5%. Along with the increase in resources, more flexible norms to allow firm nurseries and home based structures were introduced. However, this is far from

¹⁴⁷ The then Minister for social solidarity Livia Turco was previously coordinator of the women’s commission of the Communist party.

adequate and much less than promised in the election campaign, which had foreseen the creation of 100,000 new places, bringing coverage up to 17% (Ferrera 2008).¹⁴⁸

It is notable that in a context of rapid innovation in the area of childcare in Europe, Italy appears among the least active (Ferrera 2008). Thus, a large proportion of Italian families rely on informal childcare provided by relatives (see chapter 4). As noted in Chapter 3, due to a comparatively large public debt exceeding 100% of GDP, an increase in public investment in childcare (and ALMP in general) would necessitate a recalibration of the welfare state, transferring investment from pensions to the working-age population by means of raising the pension age for example; a decision which is likely to alienate the median voter (Ferrera 2008; Ellison 2006). Moreover, senior officials from the Labour Ministry Directions on Female Employment and Immigration maintained in the Spring and Autumn of 2008 that there was a ‘cultural problem’ about female participation in the labour market (Interview MLID).

We have a mental obstacle regarding women working. It's a strongly catholic country which is closed to the employment of women...women in firms are just tolerated not welcomed (Interview MLFE)

Indeed, as discussed in Chapter 3, the vicious circle of low female employment and inadequate childcare service provision (and low fertility) continues to be partly due to a deeply entrenched understanding of gender roles in Italy.

1.2.2. France:

An active approach to welfare has developed in France over the past decade. In particular, in-work benefits have been developed, the conditionality of benefit receipt has been increased and improved matching is to be carried out by an integration of the employment services and social benefit administration - the latter, a development which has not occurred in Italy or Ireland.

Supply-side oriented ALMP in France originates in the early 1990s, when the concept of in-work-benefits was introduced. Concerns that the RMI was creating disincentives to work led in 1993 to permission to retain the benefit for a limited time once back to work. The duration

¹⁴⁸ Moreover, according to the CGIL trade union the election of a Centre-right government in May 2008 amounts to a reversal for this area (Interview CGIL).

of this in-work benefit was extended to three months in 1998 and extended to other social minima. Subsequently, the *Revenu Minimum d'Activité* (RSA), introduced in 2004, offered work in the private or public sector to selected long-term RMI or ASS recipients in combination with training (Eichhorst 2007). Other ALMPs introduced over the decade included the *Prime pour l'emploi* (PPE) of 2001. Following policy in the USA and Britain, the PPE is a tax benefit for all households with revenue under a certain level and with one or more members employed in low-paid work.

Moreover, the idea that welfare recipients should be obliged to do something in order to receive their benefits –the idea of a balance between responsibility and solidarity (Sarkozy 2007) - became increasingly popular (Clegg and Palier 2009). For example, Jean Pierre Revoil, the General Director of UNEDIC, the unemployment insurance body, asserted in April 2005 that '*We still have too much of an 'assistance culture' in France, we need to make the French more reactive*' (ACTU 2005). In the 2004 Law on Social Cohesion, a system of benefit sanctions was introduced for job-seekers who refused to take up any of the offers proposed by the ANPE and the definition of 'suitable' employment was made less specific in the Labour Code (Clegg and Palier 2009). Efforts have also even been made to make the long-protected insurance based unemployment benefits more conducive to a return to work. In 2000, based on a MEDEF proposal, the '*Plan d'Aide au Retour à l'Emploi*' (PARE) was introduced which made receipt of unemployment benefits dependent on the signature of an individual re-integration agreement, the non-respect of which would lead to benefit sanctions.¹⁴⁹ ANPE and the unemployment insurance UNEDIC were also brought closer together (Eichhorst 2007; Clegg and Palier 2009).

The Sarkozy government has continued and stepped up this activation dynamic since his election as President in May 2007. Three developments are particularly noteworthy. First, ANPE and UNEDIC are being integrated in order to facilitate the welfare-to work process. Second, if job seekers do not accept the third suitable job offered them, they will be sanctioned. Finally, the *Revenu de Solidarité Active* (RSA) was introduced, which involves permanent state subsidisation of those on very low incomes; '*an enormous change*' according to CGT (Clegg and Palier 2009) (Interview CGT).

Moreover, since 2002 the French state has doubled the financing of territorial mobility support and in that year 109,000 people received financial support for territorial mobility,

¹⁴⁹ Eichhorst asserts that by 2006, PARE concerned a minority of the French unemployed (2007).

either for job search or professional insertion (Tiraboschi 2004). In fact, Ferrera maintains that French mobility policy should be emulated in Italy (2008). For example, ANPE has set up a convention with the *Association Solidarité Accueil Mobilité* (SAM), an association which helps people looking for work in another area. SAM offers free accommodation during the first period of transfer and there are also supplementary subsidies for those who decide to transfer definitively to another area of the country (Tiraboschi 2004).

2. Explanation for reforms

Based on an analysis of concerns regarding labour immigration and learning and coordination mechanisms in the four states, I argued in Chapter 4 that the likelihood that the MWF stimulated labour market institutional reforms over the decade 1997-mid 2008 was generally low in Ireland, low-medium in Italy and Britain and high in France.

Based on an analysis of concerns regarding labour immigration and learning and coordination mechanisms in the four states, I argued in Chapter 4 that the likelihood that the MWF stimulated labour market institutional reforms over the decade 1997-mid 2008 was generally low in Ireland, low-medium in Italy and Britain and high in France.

Concerns regarding immigration were expected to have been the strongest in Italy and France during the decade 1997-mid 2008. However, learning and above all coordination mechanisms are stronger in France - intra-governmental coordination is particularly weak in Italy - and I argued that the MWF could be transferred more easily into the labour market policy arena in that state. Concerns regarding immigration were expected to have been weaker in Ireland and Britain, particularly in the former state, during the decade of interest. Regardless of the fact that Ireland appears to benefit from comparatively good learning and coordination mechanisms and these mechanisms may be adequate in Britain, the low level of problematisation of immigration leads to the expectation that they would not have been utilised for the transfer of the MWF into the labour market policy arena in either state. That said, if immigration did become problematised, such concerns could be transmitted across policy arenas. Moreover, if concerns regarding immigration grew, I argued that it may have been more likely that these states attempted to govern immigration by labour market policy than Italy and France as, over the decade of interest, unlike the latter, Ireland and Britain received most migrant workers from the expanded EU, under free movement regulations

(CAS 2006). As these migrant inflows cannot be regulated by immigration policy, labour market policy is the only means at governments' disposal.

Unexpectedly, I find that the MWF was an important stimulus for proposals for ALMP reform in Ireland at the turn of the millennium, while it was insignificant in the development of ALMP in Britain during the decade of interest. The MWF was also not a driving factor for the development of ALMP in Italy; while as expected French reforms were partly stimulated by concerns regarding immigration. I also find that the development of ALMP in the four states is explained by the diffusion of liberal policies in Western Europe, while attempts to reinforce the childcare infrastructure in Ireland and Italy was highly influenced by EU membership. I now introduce the related causal factors of liberalisation and EU employment policy, before discussing the varying influence of the MWF in ALMP development in the four states, first in Ireland and Britain and second in Italy and France.

2.1. Liberalisation and EU employment policy

The comparative social policy literature tends to emphasise the institutional resilience of particular types of welfare state, partly due to the embedment of interests and ideas supportive of the status quo (Ellison 2006; Esping-Andersen 1990; Pierson 2001). However, over recent years scholars were forced to take note of a gradual but transformative diffusion of the liberal model in Continental Europe. It became expected that if change was to occur in Western European socio-economic institutions, it would be in the liberal direction (Streeck and Thelen 2005).

This change is best conceived as the result of international policy learning (Bonoli 2008). As liberal states benefitted from strong economic growth throughout the 1990s, while much of continental Europe faltered, the Anglo-Saxon method was seen as the most effective. As noted above, the liberal model emphasizes a small state apparatus and economic self-reliance through employment and thus ALMP, with an emphasis on getting back to work rather than prolonged training, fits into this world-view nicely.

As noted above, British labour market policy reforms were inspired by the Clinton reforms in the US in the early 1990s. International organizations such as the OECD and the European Commission have also promoted ALMP since the mid 1990s. The European Employment Strategy (EES) is emblematic of this policy line; EU member states are called on to increase

their employment rates and must report annually on their efforts (Bonoli 2008). Moreover, the fact that ALMPs originated in nordic states and borrow from right and left wing philosophy has aided cross national convergence (Martin and Swank 2004). As we will see below, shifts toward a more active welfare state in Ireland and Italy and France were partly the result of the international diffusion of the liberal model.

Furthermore, while the international politico-economic climate was in general rather frosty towards great increases in government spending, public support to mother employment was increasingly recommended by the European Commission and EU states such as France, Spain and Britain increased government spending in this area (Ferrera 2008). Indeed, the participation of women in the labour force is compatible with the neoliberal labour market 'supply side' approach which aims to increase the supply (and quality) of labour.¹⁵⁰ As I discuss below, Irish and Italian attempts to reinforce the childcare infrastructure during the decade of interest are partly accounted for by EU membership.

2.2. Ireland

Unexpectedly, the MWF was part of the rationale behind proposals to reinforce ALMP at the turn of the millennium in Ireland. However, reforms of labour market policy in the late 1990s and attempts to extend ALMP to inactive welfare recipients over recent years were not motivated by concerns regarding immigration. Ireland stands out from the other three states as immigration and welfare are often discussed together within official (Social Partnership (NESC and NESF)) documents (NESF 2000; NESC 2006). In the other states, though the welfare system is at times discussed in official documents on immigration, immigration is rarely broached within welfare reform debates. In fact, I find the social partnership to be a significant learning mechanism.

The stronger element of compulsion introduced into the unemployment benefit system in 1996 was stimulated by the EES policy learning process, in a context of labour shortages (Murphy 2008). Concerns regarding labour immigration did not figure within the labour market policy arena until the turn of the millennium. In 2000, the impact of labour immigration on housing prices led policymakers to emphasise activating the remaining labour force reserve as opposed to opening up to significant immigration in the NESF *Alleviating*

¹⁵⁰ Increased numbers of workers is argued to increase the productive potential of an economy.

Labour Shortages report. In fact, this report is strikingly similar to a Swedish 1967 parliamentary report which argued that a liberal immigration policy would lead to competition between internal and international migrants over housing and undermine internal mobility policies; a report which ultimately gave rise to the decision to close the borders to further labour immigration in 1972 (Bucken-Knapp 2007).

The NESF report asserted that;

the relative emphasis to be given to immigration or participation policies is an important question in its own right. Immigration is an important mechanism for meeting specific skill shortages. However, it places additional demands on infrastructure including housing...This suggests some caution about relying on immigration to expand labour supply in aggregate terms. Our analysis of participation in the Irish labour market shows that considerable potential remains for mobilizing domestic labour supply (NESF 2000 p.10).

It provided labour market forecasts correlating varying increases in participation rates with immigration levels and maintained that in the event of particularly strong growth, participation would have to increase to match employment growth; failing which immigration would have to increase. The authors concluded however, *'there is considerable uncertainty about the feasibility and even the desirability of such a higher growth scenario'* (NESF 2000 p.10).

This unexpected finding can be accounted for by an initial panic concerning the new phenomenon of labour immigration, which dissipated shortly afterwards. It appears that there has been a fluctuating consensus regarding inward migration and its positive and negative attributes among Irish policymakers. One can describe this policy consensus as an n-shaped graph, beginning with a cautious approach in the late 1990s early 2000s, rising to an optimistic high between 2003 and 2006 and thereafter falling again, albeit gradually. A representative of lone parents in Ireland and signatory to the *Alleviating Labour Shortages* report maintained in November 2007;

There was a concern at the time that indigenous workers might end up getting displaced; this was the late 1990s, early 2000s, not far into the 2000s. We'd never had inward migration before, increasingly there was an awareness that we were having it, there were no data systems to capture what was coming in and there was wild stuff in the papers about deluges of migrants...So I think there was a bit of panic because it was very new and we didn't have a very good handle on what was happening. The economy was roaring around 2000, so none of those things emerged as issues (Interview OPEN)

The approach to immigration changed considerably over the next few years, exemplified by the opening of the labour market to workers from the A8 and a far more positive view of the role of migration in official documents from 2005 and 2006 (NESF 2006; NESC 2006; EGFSN 2005). As Menz asserts, immigration came to be viewed as an important factor in bringing about and maintaining strong rates of economic growth and was thus received positively (2009).

The positive approach to immigration is also partly explained by a rather unenthusiastic view of the labour market capabilities of the domestic labour reserve. Official documents and policymakers take note of the fact that the number of welfare recipients had remained unchanged over the past two decades (NESF 2006). However, this awareness of a significant number of economically inactive is juxtaposed with the notion of a tight labour market, as reflected in the following quote from a senior civil servant in the DSFA from November 2007;

One of the things that is peculiar about Ireland is that the number of people on welfare of working age is pretty much same as in the '90s at high unemployment...Immigration was happening anyway because the labour market had more or less dried up. The immigration since 2004 has been highly educated, they come here to work' (Interview DSFA).

Indeed, it came across very clearly in my interviews that the economically inactive in Ireland are not seen as potential substitutes for migrant workers by most in the policy community. This view can be explained to a degree by the fact that migrant workers are in the main better educated than the Irish working age population (Boeri et al. 2002). Consequently, the activation of welfare recipients (the long-term unemployed, lone parents and the disabled) is depicted as a charitable act towards Ireland's marginalised 'lost causes'. There was a strong sense that those who have not been able to get a job during the Celtic tiger were 'legacies' from a long history of poverty and unemployment and were simply not capable of competing on the labour market. This is illustrated in the following assertion made by a senior civil servant in the DETE in November 2007;

The young unemployed are unemployed because they have a host of problems; they are into drugs, probably out of jail, lots of social issues. Now if you're an employer and somebody comes in from Warsaw, you are paying them the minimum wage for stacking shelves or whatever... it's a question of our own culture being able to deal

with the disaffected, people with problems like early school leaving...(Interview DE TE-ES).

In fact, due to this perception of the labour reserve and the decline in demand for domestic labour following the decision to open up the labour market to workers from the A8 in 2004, recommendations for an extension of activation processes to all working age welfare recipients capable of work from 2005 were more within an optic of social justice and fiscal retrenchment than labour market considerations.

The government decision to open up the labour market to the A8 was taken in order to respond to rising wage costs as a senior official in the DE TE maintained in November 2007; *'The reason that the labour market was opened in Ireland from a labour market point of view was that the Irish workers were pressing their wages very high, which was making us very uncompetitive'* (Interview DE TE-ES). The government explicitly sought to fill low skilled vacancies with A8 workers, while continuing to bring in non-EU workers for highly skilled positions (EGFSN 2005). This new labour immigration policy was articulated between 2003 and 2006 and subsequently the problem of labour supplies was considered solved. As a senior civil servant from the Department of the Taoiseach asserted in November 2007;

I think we've worked it out. It's for the departments to get on with it...We've done on accession, work permits etc. There is an articulated policy. I only take on projects what are very tough on interdepartmental coordination. From my point of view, the box is ticked. (Interview DT)

While the new pro-activity around activation in 2005/6 may reflect a 'neo-liberal' priority of retrenchment (see Murphy 2008), rhetorically it is firmly ensconced in social policy, as an official from the DSFA asserted in November 2007;

We've had 15 years of constant economic growth; there is a frustration that the economic progress that we've been making hasn't been such that certain numbers of people have been able to avail of it. (Interview DSFA)

Moreover, in official documents on immigration and social policy from the 2005/6 period, the focus had shifted from the idea of increasing participation in order to reduce demand for migrant workers to emphasising that economic migration should *'not slow the attainment'* of two of the more general goals of Ireland's labour market policy – raising productivity at work

and the employment rate (NESC 2006). Policymakers' attention thus moved in this period to dealing with the effects of immigration rather than its causes.

2.2.1. Childcare

Like ALMP in general, apart from a brief period at the turn of the millennium, immigration and increasing female participation have not been examined as serious alternatives in Ireland. The EGFSN's *Skills Needs in the Irish Economy: The Role of Migration* report from 2005, which, as we will see in Chapter 7, addresses how immigration can contribute to Ireland's skill deficits, does not include scenarios correlating female participation rates and the demand for migrant workers in its calculations. This 'lacuna' is explained by a tight brief from the DETE, as a representative from the group's secretariat asserted in November 2007, '*DETE came to us with a couple of questions, do we have enough skills in Ireland, if not can we get them within Europe, if not how do we facilitate immigration, with the assumption of 'no policy change'*' (Interview FORFAS). However, the declining rate of growth of Irish female labour market participation and consequent labour shortages in female dominated sectors such as hospitality and retail was noted by the EGFSN and there is implicit recognition of the relationship between female participation and demand for migrant workers in these sectors (EGFSN 2005). Moreover, the NESC 2006 *Migration policy* maintains that low female participation leads to a larger aggregate demand for migrants workers (NESC 2006).

Strong economic performance, rising female participation and demands for childcare as well as the availability of EU funding largely account for the change in childcare policy in the late 1990s (Hayes and Bradley 2006). While welfare issues are not dealt with in tandem with pay negotiations within the social partnership, the trade unions and community and voluntary organisations promoted improved service provision along with other social policies through social partnership networks (Hardiman 2006). The trade unions lobbied for more public subsidisation and provision of childcare, based on the argument that the price of housing obliges both men and women to work and that as such the state must provide more support to families (Collins and Wickham 2001). Furthermore the country had seen a decline in religiosity and Church influence on society from the early 1990s; scandals surrounding various priests and the 'X case' weakening the Church's moral legitimacy (Allen 1997).

2.3. *Britain*

While policymakers perceive a link between demand for migrant workers and disincentives to work within the welfare system, unlike in Ireland at the turn of the millennium, concerns about labour immigration did not stimulate policy proposals to reinforce ALMP during the decade 1997-mid 2008. As noted above, deterrence and contractualism have historically shaped British social policy; ALMP is appealing in the British context as it is seen to challenge false or undeserving benefit claims which are costly to the taxpayer (King 1999).

While the New Deal involved additional spending spread over five years from 1997-8 (financed by a windfall tax on the profits of privatised utilities), one of its primary aims was to ultimately reduce public spending. In fact, the centre piece of New Labour's election campaign in 1997 had been a pledge not to raise income tax (Hills 1998). Skill shortages were beginning to rise in Britain in the mid to late 1990s, however, labour shortages only became a concern at the end of the 1990s (Burriel-Llombart and Thomas 2001; Thornton 1999), thus the labour supply objective of the New Deals was apparently secondary to that of reducing public expenditure (Interview CBI). A few years later when labour shortages became significant, government concerns with controlling wage inflation also became prominent in the rationale behind ALMP development (Dickens et al. 2000).

The stated motivation for attempts to further develop ALMP from 2006 was a combination of reducing poverty through employment and preparing for future labour needs in an ageing society (DWP 2006). As in Ireland, this latest spurt of welfare system reform appears to be largely unrelated to current labour needs due to the fact that low skilled labour shortages had been largely filled with workers from the A8. As a senior official from the Home Office maintained in November 2008; *'The government policy is that vacancies for low skilled should be filled through the expanded EU and that has happened'* (Interview HO). A representative from CBI also declared in the same period that *'The new welfare bill is less about labour, which has largely been addressed by 2004'* (Interview CBI). In fact, this new debate seems to be largely inspired by the aim of reducing government expenditure.

The 2008 green paper *No one written off* was published on the eve of the current economic downturn. In fact, it asserts that *'getting the welfare system right is crucial, whatever the state of the labour market'* (DWP 2008a p. 11). In October 2008, the CBI asserted that the current economic climate, which had changed considerably since July, made welfare reform even

more important – in particular ‘*driving forward the value for money and improved efficiency agenda*’ (CBI 2008). As a representative from CBI asserted in November 2008;

It’s about the cost to government; social welfare is the largest piece of government expenditure. It frees money for investment or reducing taxes. Also the welfare trap needs to be addressed’ (Interview CBI).

This lends support to King and Ward’s claim that the appeal of ALMP grows in Britain during economic recessions when concerns about taxes are greatest (King and Ward 1995) and contrasts significantly with the Irish approach to welfare recipients during the economic downturn.

While recent ALMP reform proposals do not appear to be principally motivated by labour shortages, reports by the Migration Advisory Committee (MAC), set up in 2008 to advise the Home Office on immigration policy, reveal cognisance of the link between welfare system inflexibility and domestic worker availability and demand for migrant workers. In an analysis of the ‘potential’ workforce which can respond to skill shortages in Britain, the MAC asserts that:

In early 2008, there were 7.8 million economically inactive people of working age compared to 1.6 million unemployed (Office for National Statistics 2008)...The operation of the benefit system can make job seekers reluctant to apply for certain jobs, particularly if they are temporary and/or low waged. Both Geddes (2008) and Scott (2008) refer to the lack of flexibility of the benefits system acting as a disincentive for taking on seasonal work in agriculture and food processing (Ruhs and Anderson 2008 p.21)

However, while the MAC recommended increasing the domestic production of skills as well as wage increases in particular sectors in order to facilitate the employment of domestic workers and reduce reliance on migrant workers, they do not explicitly recommend improvements to the welfare system. This is partly due to the fact that the MAC focuses on employer strategies in response to labour shortages as opposed to public policy.

However, it appears rather counter-intuitive that concerns regarding labour immigration stimulated the British government to increase the domestic supply of skills (see Chapter 7), but have not been – an explicit – factor in ALMP reform, particularly as concerns regarding labour immigration are generally more significant for low skilled than high skilled workers (Interview MAC). For example, the 2008 House of Lords report ‘The Economic Impact of Immigration’ pointed to various concerns specific to low-skilled labour immigration,

including a negative impact on youth employment and a reduction in wages at the lower end of the market (House of Lords Select Committee on Economic Affairs 2008).

I posit that the absence of a specific link between such concerns and ALMP is that these concerns developed following the opening of the labour market to workers from the A8 in 2004 and thus the context was not one of labour demand while on the other hand, demand for skills continues (Interview CBI). Moreover, by 2008, policymakers were aware that the economy was heading for a downturn which had further implications for labour demand. This may explain why the idea of providing a domestic alternative to migrant labour did not present itself. Indeed, where the MWF had an impact on ALMP, (temporarily) in Ireland and in France (see below), it did so in a context of concerns regarding current and future labour shortages. This labour shortage factor can be described as a converging structural pressure for reform.

2.4. Italy

Due to the fact that economic immigration had become the principal labour supply strategy since the 1980s (see Chapter 3) and public opinion and political parties hostile to immigration opposed large migrant inflows, the question is whether the introduction of ALMP in Italy in the late 1990s was partly motivated by the objective to reduce demand for migrant workers. In other words, did policymakers partly see ALMP as a substitute for immigration and hence a form of immigration control policy? I find that despite a significant amount of rhetoric regarding both the necessity to utilise the labour force reserve before engaging more labour migrants and the need to encourage and support internal mobility, concerns regarding immigration have not been part of the stimulus for the development of ALMP in Italy.

The unemployed have been referred to as an alternative to migrant workers, largely by the *Lega Nord* (LN) and *Allianza Nazionale* (AN) parties, and policymakers have tried to limit inflows, particularly in the first part of the decade when the unemployment rate was high (the unemployment rate fell from 11.3% to 6.8% between 1997 and 2006). This policy stance is partially in keeping with article 21 of the Immigration law of 1998, which asserts that annual decrees on labour migrant quotas have to take into account employment and unemployment rates (Presidente del Consiglio dei Ministri 2001). However, unlike the unemployment

rate,¹⁵¹ the low rate of employment has effectively not influenced immigration policy; despite low levels of labour market participation in Italy, immigration levels have risen exponentially between 1997 and 2006. In fact, the Italian employment rate was the lowest in the EU15 in 2006 (58.4%); the year in which Italy received the most labour migrants in Europe (Einaudi 2007).

While on the one side AN continuously called for more internal labour mobility (and firm decentralization) as an alternative to admitting more migrants, the LN tried to delegitimize further immigration by presenting data on significant levels of migrant worker unemployment. However, both centre-left and right parties have been influenced by these parties, at least on a rhetorical level. For example, the determination of annual quotas in 2000 illustrates the political dynamics surrounding decisions on levels of immigration and the rhetorical significance of domestic unemployment. The fall in unemployment, following the highest growth rates in a decade, in 2000 led to more favourable view of immigration (Einaudi 2007). All the quotas were filled immediately and pressure from employers led to the admission of another 20,000 seasonal workers. This brought the total number for 2000 to 83,000; four times the inflow of three years before. However, a more serious revision of the quotas was refused by the centre-left Prime Minister Giuliano Amato. In response to 41,000 requests for new workers and nurses, he maintained that the priority was to be given to aiding the young southern unemployed to cover positions in the north.

The determination of the size of migrant worker inflows for 2000 is exemplary of the kind of compromise the political centre must make to two extreme opposing sides in Italy. While the trade unions and voluntary and religious organizations lobbied for open borders and business called for larger quotas, AN proposed responding to Northern labour shortages with the unemployed in the *Mezzogiorno* followed by Italian return migrants, while the LN countered requests for larger quotas with (unreliable) data on 200,000 unemployed foreigners (Einaudi 2007). Einaudi maintains that Amato's refusal to increase the quotas any further was highly influenced by the resistance to further openness from the anti-immigration political opposition (Interview Einaudi).

On the other hand, while the level of unemployment has had an impact on openness to immigration, concerns regarding immigration do not appear to have had any impact on the

¹⁵¹ Consideration has also been given to the labour market participation of non-labour migrant entries such as refugees and family members and it was deemed that some of the forecasted employer demand for workers could be covered by foreigners already present in the country (Einaudi 2007).

development of ALMP in Italy during the decade. The scene was set for LMP reform in the 1990s by a change in the institutional framework: first, a sense of *tabula rasa* in the transition to the Second Republic following the political corruption scandals of *Tangentopoli*; second, the 1992 Treaty of Maastricht which required EU member states to improve their public finances in view of the European Monetary Union (EMU), which was forecast for 1998 (Ferrera 2006); and third, the decline of the Italian communist party, which shifted the axis of competition to the right (Gualmini and Hopkin 2009).

International influence on policymaking, in particular the EES was the main stimulus for LMP reform. Scholars and policymakers maintain that the employment services reform and attempts to facilitate internal labour mobility were stimulated by European employment guidelines and action plans, such as the 2002 Action Plan for Skills and Mobility (Gualmini 1998; Antonelli and De Liso 2004)(Interview MLLMP). According to ItaliaLavoro, '*The decision to intervene in shaping internal migratory flows in line with labour market needs originates from EU indications, responded to in employment National Action Plans*' (2006 p.1). Following EU recommendations, new labour market policies were formulated in Italy which marked a significant discontinuity from the traditional Italian model based on passive assistance (Gualmini 2005). Furthermore, a fall in unemployment since the late 1990s allowed for a transfer of funds from passive to active labour market policy (Ciccarone and Raitano 2006).

2.4.1. Childcare

Equally, attempts to strengthen the childcare infrastructure were also not related to concerns regarding labour immigration. The idea that childcare services are not only for poor working mothers but can help all parents to balance work and care responsibilities gained some leverage in Italian public debate over the past decade largely due to European Union obligations and policy learning, an increase in female participation in the labour market and the diffusion of flexible work. Regarding the former, the Minister for social solidarity Livia Turco succeeded in passing Law no. 328/2000 'Provision of an integrated system of social services' in November 2000 'on the crest of the wave' of the (late) transposition of the European parental leave directive (no. 96/34/CE) with Law no. 53/2000 in March 2000 (Saraceno 2003)(Interview MLFE).

This is not to say that concerns regarding immigration have not affected policy on female employment. The centre-right is particularly focused on supporting procreation, as opposed to female employment, in part due to its priority – in particular that of AN and the LN - of contrasting immigration and defending national identity (Saraceno 2003). The now commonplace understanding that female employment and procreation are compatible, if not highly linked, appears not to have convinced the right wing, as manifested in the recent white book on the future of the social model (Ministero del Lavoro 2009). This is related to an understanding that migrant care workers are needed due to an increase in female employment and not as a result of a lack of state and employer supports to work-family reconciliation. For example, a consultant employed in the Presidency of the Council of Ministers maintained in September 2008 that *'if you send a mother to work, you'll need more migrant care workers'* (Interview PCM) while a bureaucrat from the Female employment directorate of the Ministry of Labour asserted in May of the same year that *'the need for care workers is due to an increase in female employment'* (Interview MLFE).

Despite a significant amount of rhetoric regarding the necessity to utilise the labour force reserve before engaging more labour migrants, concerns regarding immigration have not been part of the stimulus for the development of ALMP (including childcare policy) in Italy. I posit that the explanation for this conundrum lies mainly in the domain of *ideas*.

There is a pervasive understanding among Italian policymakers, academics and the public at large that employers need migrant labour to fill jobs that Italians refuse to accept; the concept of 'refuted jobs' discussed in Chapter 2. It is interesting that while, like in Ireland, migrant workers are generally more skilled than the working-age population and are most often employed in low-skilled work, in Italy it has been widely accepted that migrant workers take up jobs refuted by domestic workers, while the unemployed and inactive in Ireland were perceived as less attractive candidates than migrant workers during the decade of interest.

This concept of 'refuted jobs' originates in the late 1970s, when the presence of migrant workers became apparent for the first time. In 1978, a *Censis* study - the first systematic study of immigration in Italy - maintained that the jobs taken by migrant workers were those refuted by Italians and concluded that the phenomenon was destined to continue to consolidate itself due to mismatch between the expectations of the Italian labour supply and conditions of employment. Einaudi maintains that this understanding of 'refuted jobs' was a functional

concept for pro-labour immigration interests as it de-politicised the presence of migrant workers;

The popularity of this argument was guaranteed as it allowed the affirmation that there was no employment competition, but complementarity between Italians and foreigners, and so it was necessary to liberalise the entry channels (2007 p.63).

The concept was institutionalised in 1997 within the Excelsior employer survey, an instrument which was instituted to inform policymakers in setting annual quotas for migrant workers. The Excelsior survey asks employers to forecast vacancies for Italian workers and for foreign workers. The importance of the understanding of ‘migrant jobs’ is exemplified in the following assertion from an official from the Immigration Directorate in the Labour Ministry of September 2008; ‘*The jobs migrant workers do are jobs Italians don’t want to do anymore*’ (Interview MLID). For example, live-in domestic care work, mainly performed by migrant workers, has become normalised and institutionalised as the only way in which home care can be performed. An official from the Directorate of Female Employment maintained in May 2008 that low-skilled Italian women could not take up employment as care workers due to the necessity of living in; ‘*they couldn’t do it when they have families, you have to live-in...It’s full time*’ (Interview MLFE).

I asserted above that the movement of the MWF into the labour market policy field depends on the role of elected representatives and experts (see chapter 4). It appears in fact that while expert knowledge is used in Italian policymaking, as evidenced by the impact of the Censis report, it is experts’ understanding of the determinants of labour immigration which is at odds with the idea of substituting migrant workers with domestic workers. This is exemplified in a more recent case of expert input into policy reform.

While the connection between institutional obstacles to labour mobility and demand for migrant workers did not escape the authors¹⁵² of the seminal ‘White Book on the Labour Market’ of October 2001, they specify a link with undocumented immigration as opposed to migrant workers in general and are more than ambiguous about whether domestic and international labour supplies are substitutable. In their analysis of the ‘*inefficiencias and inequalities*’ of the Italian labour market, they maintain that *clandestine* immigration is the result of labour shortages in the North of the country and institutional obstacles to South-

¹⁵² The work was coordinated by Professors Marco Biagi and Maurizio Sacconi.

North mobility. They assert that it is a government priority to ensure that Italian workers and legally resident migrant workers who are registered at public placement offices are helped in finding employment before bringing in additional workers; *'only an efficient and transparent labour market can guarantee national workers and legally resident immigrants their natural priority'* (Ministero del Lavoro e delle Politiche Sociali 2001 p.81).

The paper is nevertheless ambiguous regarding the question of the substitutability of foreign and domestic labour supplies. In the section of the paper dedicated to immigration, it is asserted that there is no job displacement or direct competition over jobs between Italians and foreign workers, as the latter are predominately employed in jobs refused by domestic workers. There is thus an apparent contradiction in the paper, with migrant workers seen as substitutes for Italian workers, whose mobility is constrained by labour market institutions and at the same time doing jobs that in any case the Italians do not want to do. This ambiguity is also present in the following account from the head of the Immigration Directorate of the Ministry of labour of September 2008 in which demand for migrant labour is explained by institutional inefficiency and a structural problem of refused jobs.

Three years ago agricultural employers from Campania came here to say that they needed to harvest tobacco and said they had no workers... We asked them 'with all the unemployed there, could you not find 500 people for 2 weeks?' And they said no. So there is a problem. There isn't a minimum of labour market control in some areas...it's a national embarrassment; low levels of education and refusal of employment...construction, agriculture, domestic assistance are jobs Italians don't want to do anymore.(Interview MLID)

Demand for migrant workers is perceived in Italy as a structural, definitive one which cannot be shaped by labour market institutions. For example, the relationship between low wages and working conditions within regular employment¹⁵³ and demand for migrant workers has not been discussed by Italian policymakers or experts. This is at variance with the interpretations of policymakers and experts in Britain and France, where the relationship has been debated and examined (Interviews CAS, MAC). For example, as noted above, the MAC has not recommended labour immigration into sectors where wages have not been raised (MAC

¹⁵³ See chapter 5 for a discussion of approaches to the informal economy and migrant workers.

2008). This more dynamic approach to the question of demand for migrant workers is absent in Italy.¹⁵⁴

2.5. *France*

France is a useful shadow case for Italy as it has also had a high unemployment rate, mainly centre-right governments, a tradition of passive labour market policy and strong political opposition to labour immigration. France is also an interesting case to look at as unlike the other three states, at the end of the 1990s, the level of direct labour immigration to France was low. The increase in labour shortages in the late 1990s led to fresh debates about facilitating immigration and/or mobilizing the domestic labour reserve.

The French case appears to confirm my expectations. The motivations for introducing ALMP are mainly financial and economic; the state aims to cut social expenditure, while the economy needs workers. In a manifestation of his sympathies for liberalism, Sarkozy maintained in 2007 that the current system was financially untenable, discouraged working and did not result in equality of opportunity (Sarkozy 2007). However, while immigration is rarely discussed in official documents or debates concerning welfare reform (Interview MEDEF), official documents discussing the pros and cons of immigration recommend mobilising long-term resident unemployed migrant workers before opening up to significant labour immigration. These documents and interviews with the social partners support the hypothesis that perceived problems integrating long-term resident migrant workers and the consequent low level of appeal of further labour immigration gave further weight to decisions to develop ALMP in order to respond to current and future labour shortages. In France immigration and ALMP are perceived as substitutive and are discussed in terms of ‘either’ ‘or’.

Strong economic growth at the turn of the millennium led to a fall in the unemployment rate (from 11% in 1998 to 8.3% in 2001) and labour shortages, particularly in sectors such as ICT, hospitality, construction and transport (Deneuve 2001). Moreover, while economic growth levels fell again, job opportunities have surfaced following the retirement of some of the post-war ‘baby boom’ generation (Interviews MIINID, OECD). Demographic considerations have

¹⁵⁴ In Ireland, the relationship between wage levels and immigration is understood; in fact, as noted above, immigration was seen as a way of reducing wage inflation. The question of raising wages in order to attract the resident labour supply is not debated in Ireland due to a perception that the inactive labour force is under-qualified to compete on the labour market and wages are too high.

always ranked high in French policy. The UN population division published a report at the beginning of 2000 which argued that due to demographic decline in Europe, mass immigration would be needed to ensure a balance between the active and inactive populations. This report stimulated debates on a looming pension crisis and further stimulated questioning regarding the costs and benefits of opening up to immigration (Morice 2000).

In her submission to a seminar on immigration policy organized by the General Planning Commission (*Commissariat Général du Plan*) in 2001, Carole Deneuve, the head of research for the Paris Chamber of Commerce and Industry maintained that initially the French response to a rise in demand for labour was to strengthen vocational training rather than open up to immigration. However, the idea of opening up to migrant workers again began to be discussed more frequently, despite the fact that labour shortages co-exist with 2.5 million jobseekers (Deneuve 2001).

In a similar vein to the Italian LN argument against increasing inflows of migrant workers, Deneuve focuses on the fact that the rate of unemployment for foreigners is twice that of those with French nationality. She calls for the state to '*learn from the past*' and prioritise the labour market integration and training of immigrants already in France (2001 p.380). In fact, the debate about mobilizing the domestic labour force or bringing in more migrant workers appears less politically charged than in Italy, where reference to domestic unemployment is largely the domain of the extreme right and the LN. This is illustrated by Deneuve's assertion that '*the political choice (between immigration and activating the domestic labour reserve) should not be based on a fear of the 'migratory risk'*' (p.384). This can be explained, to an extent, by the fact that in France a substantial proportion of the unemployed are of migrant origin and thus the idea of prioritising the employment of the unemployed it is not necessarily understood as anti-immigrant. For example, a CNRS anthropologist Alain Morice wrote a piece for *Le Monde diplomatique* in November 2000 in which he criticised employers who exploited migrant workers and then replaced them with 'new' migrant labour:

What should we think of these foresters from the Pyrenees who left for the Moroccan Atlas mountains twenty-six years ago to find young strong workers, and who now wash their hands of them due to inadequate productivity, calling for – not a programme to train young people or to reconvert the old – the importation of a new group of workers? (2000 p.7).

Over the next years, the debate about opening up to more substantial inflows of labour migrants continued. For example when the Economic and Social Council (*Conseil Economique et Social* (CES)) published a report in 2003 which concluded that France needed an additional 10,000 migrant workers per year, the PES (*Agence nationale de l'emploi* ANPE) opposed the recommendation, maintaining that France has a labour reserve of nearly five million people. An official from ANPE maintained that the response to labour shortages is in training, reconversion, labour market matching and increasing the attractiveness of jobs. This cautious discourse regarding new inflows of migrants was common to some influential sectoral employer organizations, in particular the French Building Federation (*Fédération Française du bâtiment* (FFB)) which asserted that '*there is enough unemployment in France to find a qualified labour force*' (Barroux et al. 2003).¹⁵⁵ In February 2004, Interior Minister, Nicolas Sarkozy, introduced the concept of 'immigration by choice', which encapsulated the aim of reducing 'unwanted' immigration such as family reunification and undocumented immigration ('immigration by submission') and facilitating the immigration of skilled workers based on a precise assessment of France's economic needs.

A few years later, the CAS published a report called 'Labour needs and immigration policy' (March 2006), which proposed prioritising the mobilization of the unemployed and inactive working age population, in particular long-term resident migrant workers, who suffered higher levels of unemployment than the French. Broadly in line with policy in Ireland and Britain, the opening up of the labour market to the new EU member states (A8) was augured as a response to labour shortages, with a more targeted opening to non-EU migrants in sectors with particular difficulties finding workers, as long as employers continued their efforts to attract and retain more domestic workers (CAS 2006). The new immigration policy was instituted in 2006-8, with a progressive opening to workers from the new member states of the EU and a small opening to skilled non-EU workers who would only be admitted for 30 specific occupations where there were recruitment difficulties, defined per region. Less skilled occupations were closed to non-EU workers based on the assumption that these jobs can be filled by the unemployed in France and EU nationals (Interview MIINID, MIINID 2008).

This concern with utilising the domestic labour reserve before opening up to significant labour immigration is coherent with the development of ALMP over the decade. The

¹⁵⁵ Others such as the Metalwork and Mining Industry Union (*Union des industries métallurgiques et minières* (UIMM)) and the Hotel Industry Union (*Union des métiers et des industries de l'hôtellerie* (UMIH)) were more explicitly positive regarding an opening to immigration (Barroux et al. 2003; Morice 2000) (interview MEDEF).

development of ALMP in France can be understood as incremental but transformative policy development; recent reforms under Sarkozy being made possible because of previous reforms of the 1980s and 1990s (Clegg and Palier 2009; Palier 2005). The success of various governments in introducing ALMP since the early 1990s, culminating in the breakthrough reform regarding the integration of ANPE and UNEDIC, has been explained as either the result of courageous leaders imposing unpopular changes or a rational process of technical puzzling over the best way to govern the labour market (Clegg and Palier 2009; Smith 2005). I argue that an element which is missing from the existing analyses of the locked-in nature of French institutions and their subsequent ‘rupture’ is the labour shortage variable and the government choice of response strategy.

The most intense period of welfare reform in France has been since 1998 and it is no coincidence that labour shortages began to grow again in France that year. While I am not suggesting that labour demand was the only factor pushing French governments to reinforce ALMP - a reduction in the budget deficit being as, if not more, important - I argue that supply-side ALMPs are viable when there is a demand for labour. As a representative from MEDEF asserted in October 2008; “*Before there were no jobs to oblige people to take*” (Interview MEDEF). Moreover, concerns about current labour demand combined with apprehension regarding larger labour shortages from ‘2015’ when the ‘baby boom’ generation goes definitively into retirement. French policymakers are thus planning for future recruitment difficulties in order to ensure the continuing viability of the pension system (Interview MEDEF). In France ALMP and immigration are seen as two alternative responses to labour shortages and due to concerns regarding labour immigration the French have chosen to reinforce the former, as representatives from the CGT and MEDEF maintained in October 2008;

There are two solutions, immigrants or French people; that is the debate...The government doesn't want to open to migrant workers, it's ambiguous. They want to make the unemployed work. (Interview CGT)

We prefer to increase the active population without a massive recourse to immigration as France has a 40 year experience of large scale immigration. A posteriori, we realize that that policy was not taken with a long-term view. We already have a basin of low skilled workers without need to call for immigrants. For example, the RSA, which is the social security for people in situations of poverty, a big part of this population is capable of working. (Interview MEDEF)

The integration of migrant workers already in the state is perceived to be endangered by the arrival of ‘new’ migrants and has moved policymakers toward a preference for highly skilled migrant workers, who would not compete with low-skilled unemployed resident migrant workers or add to their numbers. In sum, in France the debate has been on ‘*either or*’ and ALMP has won the contest.

3. Conclusion

I set out to investigate whether the development of ALMP in Ireland, Italy, Britain and France over the decade 1997- mid 2008 could be partly explained by the MWF and specifically the aim of reducing demand for migrant workers by increasing the available domestic labour supply.

Unexpectedly, I found that at the turn of the millennium, the idea of reinforcing ALMP (including childcare) was voiced in the Irish policy community due to transient concerns regarding the impact of labour immigration on standards of living and employment. However, reforms of labour market policy in the late 1990s were mainly stimulated by the European Employment Strategy in the context of labour shortages and attempts to extend ALMP to inactive welfare recipients over recent years are largely motivated the aim to reduce social exclusion and expenditure. Attempts to develop a childcare infrastructure in the late 1990s were the result of rising female participation and demands for childcare as well as the availability of EU funding. It is notable that unlike in the other three states, immigration and welfare are often discussed together within Social Partnership (NESC and NESF) reports (NESF 2000; NESC 2006); In fact, I find that the social partnership is a significant learning mechanism in the immigration and social policy arena. On the other hand I found that the MWF was not a stimulus for ALMP reform in Britain; the principal aim being a reduction in social expenditure and in the first part of the decade a reduction in wage inflation.

Despite the fact that immigration policy has been partly shaped by the level of unemployment, Italian attempts to develop ALMP (including childcare) were not related to concerns regarding immigration and were largely responses to pressure or influence from the EU. The insignificance of the MWF in Italy can be explained by a perceived mismatch between the domestic working age population and the jobs undertaken by migrant workers and in particular the concept of ‘refuted jobs’. I also found that some Italian policymakers

perceive female employment as having a negative impact on childbearing thus contributing to demand for migrant workers. Finally in France, as expected, the consensus on limiting immigration due to concerns regarding the unemployment of long-term resident migrant workers appears to have implicitly informed ALMP development; policymakers making a choice to activate the resident unemployed rather than opening up to significant labour immigration.

Chapter 7

The Migrant Worker Factor in vocational education and training system reform

Ireland and Britain put increasing emphasis on responding to skills shortages by increasing the domestic production of skills required by employers during the decade 1997- mid 2008, which led, in the case of Britain, to restrictions on skilled migrant inflows. I argue that ‘traditional’ and ‘new’ concerns regarding labour immigration partly stimulated this shift in education and training policy in the context of general aims to increase human capital competitiveness.

Introduction:

Current literature on economic immigration to Europe emphasises states’ preferences for skilled migrant workers. Academic and policy oriented research paints a picture of restrictions on non-EU low skilled immigration and intra-state competition over highly skilled non-EU professionals (Kuptsch and Fong 2006 ; OECD 2007a). However, while European states prefer skilled migrant workers and can be expected to facilitate their entry, it cannot be assumed that this category of migrant worker is not subject to restrictive efforts. In fact, states may also endeavour to reduce inflows of skilled migrant workers. An example of this are the restrictions placed on new entries of non-EEA trained doctors in France in 1999 (Cash and Ulmann 2008). The main concerns regarding skilled worker immigration are perceived competition in the labour market for well-paid high status jobs, a reduction in public and employer incentives to invest in the domestic workforce and negative impacts on standards of living, in particular increasing pressures on the housing market with resulting rises in prices.

If policymakers were to choose between reinforcing the education and training system or recruitment from abroad (Geddes and Balch 2002), they would consider that the former is more immediately costly and can be less efficient in terms of speed and flexibility in responding to skill shortages. Although there is no dichotomous choice between skill creation and skill importation, and in most states we find both strategies, preferences for one strategy or the other can be identified by benchmarking intervention in vocational education and training on the one hand and the active soliciting of skilled migrant workers on the other.

One characteristic of the liberal market economy is an underdeveloped VET system. However, over the decade 1997-mid 2008, both Ireland and Britain made significant efforts to

increase the domestic supply of skills in order to better respond to skill shortages, involving an increase in VET funding, planning, regulation and provision.¹⁵⁶ The question I pose is whether concerns regarding economic immigration stimulated policymakers to attempt to stem migrant inflows by adjusting the education and training system in order to more rapidly and effectively produce workers with the skills demanded by employers. I find that, contrary to expectations, in particular with respect to Ireland, the MWF did partly stimulate VET system reforms in the two states in the context of growing concerns regarding international human capital competitiveness.

This chapter is structured along the following lines. I first give an outline of VET system reforms in the two states during the decade 1997-mid 2008. Second I present evidence that the MWF partly stimulated these reforms, identifying the mechanisms through which the MWF entered the VET arena and accounting for the gap between my expectations and empirical findings.

1. VET system reform

Unlike institutional areas such as corporate governance and industrial relations, education and training institutions are not always considered in Comparative Capitalisms (CC) scholarship (Jackson and Deeg 2006). However, this literature is very clear on the VET deficit in Britain (Estevez-Abe et al. 2001; Finegold and Soskice 1988; Schmidt 2003). Public investment in education has traditionally been limited by industrial relations ‘voluntarism’ and public spending restraint. General education was long favoured over vocational, and the state has had a ‘hands-off’ approach to apprenticeships and continuous training.

From the late 1970s, in the face of industrial decline and growing international competition, British governments stressed the key role played by effective VET in securing the country’s competitiveness and the system was subject to a high degree of institutional reform in the 1980s and 1990s, involving increasing state intervention.¹⁵⁷ Nonetheless, this reform was under-girded by the voluntarist assumption that the state should leave as much space as possible for individuals and employers to increase their investment in education and training

¹⁵⁶ Note that the state is not the only actor in the education and training arena. Other actors are formal associations of economic actors, community networks and enterprises (Crouch et al. 1999).

¹⁵⁷ Initiatives by Conservative governments included the Youth Training Scheme (1981), General National Vocational Qualifications (1992) and publicly-funded Modern Apprenticeships (1994).

(Finegold and Soskice 1988; Clegg and Grayson 2002; Keep 2006). This voluntarist approach is manifest in the abolition of the Industrial Training Boards (ITBs)¹⁵⁸ in 1981 and their replacement by new structures without powers to levy employers and without trade union representation.

Moreover, public resources devoted to the education system underwent a steady decline between the mid-1970s and 2000 (Green, 2003). ‘New Labour’ in its 1997 general election manifesto assigned education number one priority; but as unemployment levels dropped steadily during its first term in office, overall spending on education was strictly controlled. Indeed, by 1999 public spending was at its lowest for 40 years.

As discussed in Chapter 3, the Irish education and training system is based on the British tradition of public general education, with limited intake to higher education and a low level of regulation of firm-based employee training. The school system has been largely managed by the Catholic Church, which has also attached a low value to vocational education. Nevertheless, it is important to note that since the 1960s Irish governments have emphasized the importance of education and training for the development of the economy; manifested in the creation of a non-university higher education sector geared towards the production of technical skills. However, while the Irish state has substantial experience in human resource planning, at least in the high technology sector, postgraduate technical education, continuous training and adult education were less developed (Hardiman 2009; Wickham and Boucher 2004). Moreover, the annual intake into university undergraduate courses in professional areas such as medicine, architecture and engineering remained limited and highly competitive. Finally, given an entrenched view that the Irish education system was of a high standard, by the late 1990s its reform was not a key policy priority for the Fianna Fáil party, which was to be the main political force from 1997. In its 1997 election manifesto, Fianna Fáil pledged to prioritize computer literacy, science, languages and third-level research within the education arena but asserted that ‘Fianna Fáil are immensely proud of the central role we have played in creating and developing our present education system, which is recognised internationally to be of a very high standard’ (Fianna Fáil 1997, p.42).

¹⁵⁸ ITBs were sectoral bodies of employers and trade union representatives, set up in 1964 by the Labour government; they could impose a levy on firms within their industry and allocate grants to those providing training.

The underdevelopment of VET in Britain is argued to have resulted in recurring skill shortages (Finegold and Soskice 1988; Leitch 2006; Cedefop 1999), the extent of which is, however, highly contested.¹⁵⁹ This dynamic has more recently developed in Ireland in the context of strong employment growth (Wickham and Bruff 2008) (see chapter 3).

Nonetheless, over the decade 1997-mid 2008, both states made significant efforts to increase the domestic supply of skills in order to better respond to skill shortages, involving an increase in VET funding, planning, regulation and provision. While, the literature on Europeanisation has highlighted national re-regulatory efforts following specific chapters of EU liberalisation, in general the literature on labour market reforms implemented over the past two decades paints a picture of a broad process of liberalization (Streeck and Thelen 2005). However, recent VET system reforms in Ireland and Britain, which were stimulated by the 'Migrant Worker Factor', have involved market embedment; a greater role for the state in the labour market. It is particularly noteworthy that these reforms occurred before the global financial crisis of 2008-9 which has led to a rupture in the global 'liberal consensus'.

Britain and Ireland, particularly the former, have increased spending on education to a significant degree. In fact, for all levels of education combined, public and private investment in education increased in all OECD countries by at least 8% between 1995 and 2005 in real terms, while in Ireland and the United Kingdom spending increased by more than 50%. The UK has never spent more on education and training as a proportion of GDP, at least not over the last thirty years (Department for Children 2008). The proportion of GDP spent in Ireland decreased by 0.5 percentage points between 1995-2005, however, spending on all levels of education combined increased by more than 80% between 1995 and 2005, while GDP more than doubled. Most of spending in the two states has been directed to tertiary education (OECD 2008a).

¹⁵⁹ There is no comparative European enterprise survey on skills shortages and it is only since 2000 that skill shortages have been systematically measured in the UK (Interview UKCES). The significance of skills shortages in the UK, at least up to then, is thus open to interpretation. The UKCES 2009 report maintains that over the past fifteen years or so, only a minority of firms experienced difficulties in filling vacancies and most of these difficulties were due to low pay or other unattractive features. However this report also maintains that skill shortages are significant for Associate professionals and Skilled trade occupations, in small firms and in certain sectors (UKCES 2009). Moreover, in the national employer's skills survey on which the UKCES report is based, employers' determination of 'hard to fill' vacancies is not based on predefined criteria and it is unclear whether jobs that are being filled 'easily' include those filled by foreign-born candidates; a domestic skills shortage is thus difficult to ascertain.

Rather counter-intuitively, the two most laissez-faire countries in the EU-15, Ireland and the UK, were applauded by the European Commission in 2008 for their integrated systems of skills forecasting and education planning (EC, 2008). The Irish state's focus on anticipating skills needs has grown from the establishment of the Expert Group on Future Skills Needs (EGFSN) in 1997. Between 2005-7, the first efforts were made to forecast skills demand for the entire economy, the potential role of EU and non-EU nationals and to provide quantitative targets for the Irish educational and training system, within the framework of two reports *Skills Needs in the Irish Economy: The Role of Migration* (2005) and *Tomorrow's Skills: Towards a National Skills Strategy* (2007). One of the principal features of New Labour's VET policy which distinguishes it from that of its Conservative predecessors has been the return of 'manpower planning,' (Keep 2006) and the development of intermediary institutions in order to better match skills supply with demand (Interview UKCES). In fact, Britain has also recently embarked on in-depth analysis of skills demand and supply and the role of immigration, which includes consideration of the factors creating employer demand for migrant workers through a qualitative 'bottom-up' approach. In 2005, the government announced plans for the creation of a skills advisory service and the Migration Advisory Committee (MAC), a body of independent economists, was set up by the government in late 2007. The MAC is tasked with advising the government when skill shortages can be 'sensibly' filled by non-EEA migrant workers. Among the criteria for whether it is 'sensible' to fill shortages with immigration, the MAC has included indicators for employer efforts to train and up-skill the domestic workforce (MAC 2008).

These developments are part and parcel of a strengthened focus on VET in general, which has developed incrementally since 1997, manifested in Ireland by the establishment of a new National Training Fund (NTF) in 2000, which is resourced by a levy of employers' social insurance contributions and covers 75% of all insurable employees (Cedefop, 2007b).¹⁶⁰ In the UK 'policies and reforms are developing at a rapid pace' in the area of vocational education and training (Cedefop 2007b p.99), beginning with the Learning and Skills Act of 2000. Following the Leitch Review of Skills report 2006, the government announced a Skills Revolution, pledging to reduce the Britain's historic skills deficit at all levels by 2020. Among a plethora of new initiatives was the establishment of a UK Commission for

¹⁶⁰ In the UK, in the face of employer opposition to the government's proposal of a statutory right to training entitlement, a decision on this has been postponed to 2014 in return for the introduction of an individual right to request unpaid training leave (Campaign for Learning 2008).

Employment and Skills with the task of advising government on strategy and targets and ensuring that services provide the skills that employers and individuals need.

The focus on increasing the production of domestic skills is exemplified in the health and construction sectors in both states as I now illustrate. This self-sufficiency policy has led to substantial restrictions on the entry of non-EEA health and construction workers in Britain from 2006, a development which Irish policymakers foresaw following increases in the numbers of professionals trained in Ireland (MAC 2008, FAS 2003, Interview DHC, HO).

1.1. Construction sector:

Reports by the FAS Skills and Labour Market Research Unit (SLMRU)¹⁶¹ and the EGFSN from 2003-2007 asserted that there were significant shortages in construction professional occupations such as architects, civil engineers and quantity surveyors in Ireland. However, they expected *‘that these shortages will abate somewhat in the coming years as a result of a combination of more moderate growth in the construction sector and the introduction of new courses – particularly in architecture and town planning’* (EGFSN 2005 p.52).

The 2003 FAS SLMRU report on the Construction industry (FAS 2003) had suggested that the level of provision of places on degree programmes (ninety students) should be increased by circa forty-five places annually by enhancing capacity in the two existing colleges of architecture or preferably establishing a third school of architecture. It was further asserted that *‘it would not be necessary to continue to include the occupation of architect in the Work Authorisation/Visa system in the advent of an increase in the number of students graduating in architecture’* (FAS 2003 p.31). Following this recommendation, new schools of architecture were set up at the University of Limerick, as well as at University College Cork/Cork Institute of Technology and the Institute of Technology Sligo. Nevertheless, it is notable that architects, along with surveyors and building managers, were still eligible for Green Cards by mid 2008 (in the annual salary range of €30,000 and above).

In a similar vein, the UK’s MAC analysis of the construction industry, produced between April and May 2008, underlines how the levels of training in the industry are inadequate and recommends moving the focus from importing skills to producing them in the UK (Chan et al. 2008). The MAC decided to exclude architects from the Tier 2 shortage list in 2008 and in

¹⁶¹ The SLMRU was established in 2002 as a ‘research arm’ of the EGFSN.

fact, the construction industry as a whole has fared badly in terms of rights to non-EEA workers. The MAC assert that there is significant scope for increased training of labour sources within the UK and the EEA and have placed only one job title – ‘project manager for property development and construction’ – on the shortage list.¹⁶²

1.2. Health sector

Workforce planning in the Irish health sector has developed rapidly since 2000. The National Social Partnership agreement *Programme for Prosperity and Fairness* (PPF) of 2000 called for the establishment of a Health Services Skills Group, composed of representatives of the social partners, relevant Government departments and agencies and third level institutions; this was the first step towards workforce planning for the entire Irish healthcare sector (Department of Health and Children 2002). FAS SLMRU healthcare skills monitoring reports have been produced since 2005. While the first report estimated the skills needs and domestic supply for 29 professionals, the second focused on 11 professionals, for which shortages or potential shortages had been identified.

The last few years witnessed a significant reform of Irish medical education. The state took concerted steps to respond to the situation described in Chapter 3, whereby places for Irish/EEA citizens in medical schools were limited and non-EEA migrants were recruited from abroad due to shortages of doctors. In 2003 the Hanly report on medical staffing asserted that the aim was to arrive at self-sufficiency in the production of medical staff; *‘While the model is nationality neutral, it is based on an underlying principle of aiming, at a minimum, for self-sufficiency by aligning the numbers of doctors in training to future specialist requirements in Ireland’* (National Task Force on Medical Staffing 2003 p.57). Three years later, the Fottrell report (Medical Education in Ireland: A New Direction) sustained that *‘now is a unique opportunity to reform medical education in Ireland’* (Department of Health and Children 2006 p.8). The report recommended increasing the intake of Irish/EEA students into Irish medical schools by approximately 725 per annum phased over a four year period. The proportion of non-EEA students in programmes requiring clinical training should be no more than 25% of total student intake by the end of the phased increase in EEA students. In December 2007, a major reform of medical education was agreed on between the Department

¹⁶² Note that this decision was made in the context of signs that the construction sector was entering a period of reduced activity (July 2008), which also impacted the decision to reduce levels of immigration (MAC 2008).

of Education and Science (DES) and Department of Health and Children (DHC). Following the Fottrell report guidelines, the number of places available for Irish/EEA students would rise from 305 to 725 by the year 2010/2011 and the provision of extra dedicated funding for medical education, which began in 2006 and 2007, was to be sustained.

The fact that nursing workforce planning in Ireland has demonstrated features of a ‘boom and bust’ approach to workforce planning was recognised at the turn of the millennium. In 2000, the Minister of Health, Michael Martin, asserted that the fluctuations in nurse demand and supply were ‘ironic.’ He referred to the fact that in the mid 1990s, due to competition over nursing posts in Ireland, a decision was made to reduce student nurse places; however, by 2000 significant shortages had emerged. The only positive side to the story, according to Mr. Martin, was that Ireland had shown herself to be adept at attracting migrant nurses at a fast pace; *‘it is encouraging that there has been a net inflow of nurses to Ireland in recent years... This trend proves that Ireland continues to be competitive when it comes to recruiting nurses from abroad’* (Seanad Éireann 2000).

The state proceeded to respond to the shortage in numbers studying nursing at the end of the 1990s; the number of places in nursing schools was increased from 968 in 1998 to 1640 in 2002 (EGFSN 2005). Concomitantly, advertising campaigns were launched to promote nursing; the Nursing Careers Centre, set up in 1998, and schools of nursing received a large budget to market nursing as a career in 2000, apparently leading to a 35% increase in applications in 2002 (Seanad Éireann 2000).

However, by 2005 the policy on nursing workforce planning had changed from a focus on increasing the domestic supply to one emphasising the demand-side factor of a surplus of nursing posts in the health services and recommending the supply-side response of immigration. A FAS SLMRU report from 2005 asserts that training more professionals, though ‘the most obvious’ response, is not always the most appropriate one if the problem is attrition, inappropriate skill-mix or a short term deficit in personnel. While the current shortage in doctors is to be responded to by an increase in training places (and human resource strategies), the shortfall in some categories of nurses (for example general nurses) is

asserted to be better responded to by increasing the numbers of health care assistants¹⁶³ and inward migration.

In fact, unlike for medical services, there is no aim of self-sufficiency in nurse staffing policy, as an official from the DHC stated in March 2008; *'we'd only be tying our hands, if we said self-sufficiency was our policy, there is no chance of that happening'* (Interview DHC). Thus, in identifying state policy on nursing staff shortages over the past ten years, one must consider changes in the approach from reinforcing education and training to changing the occupational structure within the health sector and maintaining a reliance on migrant workers.

The variation regarding the aim of 'self-sufficiency' between the medical and nursing sectors cannot be explained by differences in the levels of domestic demand for training. In 2008, there were 2,742 first preference applications for less than 400 hundred places in undergraduate medicine and there were 4,668 first preference applications for nursing for less than 2,000 places (CAO 2008). It appears to be partly a question of cost and training capacity in hospitals; though doctors are more expensive to train than nurses, there are less trainee doctors than nurses and apparently inadequate facilities for training within hospitals. FAS maintained in 2005 that increasing training places is expensive and that there are *'practical limits on increasing training places for general nurses even if this was necessary. The current capacity of the health service in providing training places is being fully utilised'* (p.69).

The new Irish medical staffing policy, which appears to aim for greater self sufficiency in the provision of doctors, still includes assumptions of immigration within medical labour force planning.¹⁶⁴ However, senior civil servants in the DHC maintained in March 2008 that it could result in a policy similar to British policy concerning non-EU doctors (Interview DHC). In Britain there was a policy shift in the late 1990s, emphasising more self-sufficiency in doctors, which resulted in an expansion in medical schools. This has resulted in restrictions on the entry of non-EEA doctors, for example, the contentious removal of permit-free training for International Medical Graduates (IMGs) who are not UK or EEA citizens in the Spring of 2006. Notably, this new focus on self-sufficiency is not confined to doctors in Britain. In the same period, there has been a significant expansion in training for nurses, as well as attempts

¹⁶³ This policy is based on the fact that there is a high ratio of nurses per 1000 population in Ireland; over 50% of healthcare employment consists of nurses compared to 28% in UK and 22% in France. It is suggested that a reformed skills mix with a lower proportion of nurses would contribute to keeping demand down (FAS 2005).

¹⁶⁴ In the FAS SLMRU report of 2005, the medical labour force planning scenario includes estimates of supply from immigration; the assumption being that 78% of doctors are Irish and 22% foreign.

to attract nurses back into employment. With an increase of 40% in registrations of nurses trained in the UK over the past decade, active recruitment of overseas nurses has been largely halted and entry level nursing posts were taken off the Home Office shortage occupation list in 2006 (Bach 2003, 2008; OECD 2007a).

2. Explanation for reforms:

While there has been some variation between Ireland and Britain and between various professional categories and sectors regarding the prioritisation of the concept of self-sufficiency in skills (and the impact of VET policy on immigration policy), in general there has been a new emphasis on increasing the domestic production of skills. How can this new emphasis on self-sufficiency in skills be explained and did the MWF have a role?

The longest period of sustained growth in Irish and British history – between 1994 and 2008 - may have permitted governments to spend more on education and training and rely less on the ‘cheaper option’ of immigration during this period. However, this factor does not explain the resurgence of manpower planning, steps toward training regulation or the ‘will’ to increase expenditure.

In chapter 4, I argued that it was unlikely that the MWF had a part to play in VET reform in Ireland due to relatively insignificant levels of concern regarding labour immigration during the decade 1997-mid 2008. On the other hand I had unclear expectations regarding the influence of concerns regarding immigration in Britain. While a significant share of public opinion appeared hostile to immigration, public opinion is most often described as having a weak impact on British immigration politics. Regardless of the fact that Ireland appears to benefit from comparatively good learning and coordination mechanisms and these mechanisms may be adequate in Britain, the relatively low level of problematisation of immigration led to the expectation that they would not be utilised for the transfer of the MWF into the labour market policy arena in either state. However, I argued that if immigration did become problematised, such concerns could be transmitted across policy arenas. Moreover, if concerns regarding immigration did grow, I posited that it was likely that these states would attempt to govern it by means of labour market policy as over the decade of interest the two states received most migrant workers from the expanded EU, under free movement

regulations (CAS 2006). As these migrant inflows cannot be regulated by immigration policy, labour market policies are the only means at governments' disposal.

The evidence below suggests that concerns regarding labour immigration had a part in stimulating this shift in education and training policy, in the context of a general aim to increase human capital competitiveness. Concerns regarding immigration grew in both states during the decade and particularly in Britain. The relationship between immigration and VET institutions in the health and construction sectors was discussed and proposals for VET reform made within the public administration in Ireland – in particular FAS, the EGFSN and taskforces affiliated to the DHC. FAS and the EGFSN were well placed to take a holistic approach to immigration and VET given their broad labour market competencies. FAS is responsible for employment services and training, while in most European states, these areas involve separate organisations. In Britain the relevant actors were public officials and experts– in particular a committee affiliated to the Department of Health and an expert group affiliated to the Home Office; the MAC. In both cases, focusing events or crises were significant in both bringing policymakers' attention to the relationship between immigration and VET and in incentivising coordination across policy jurisdictions.

2.1. *Human capital competitiveness*

The most obvious explanatory factor for the increasing emphasis on domestic skills production in Ireland and Britain is the pervasiveness of discourse on human capital competitiveness in established economies, which has grown steadily since the 1970s - and rapidly since the turn of the millennium. The focus on human capital is based on forecasted increases in the number of high skilled jobs and declines in low-skilled employment in the context of international economic integration (Crouch et al. 1999).

At the Lisbon summit in 2000, European Heads of government set the strategic goal of making Europe “*the most competitive and dynamic knowledge based economy in the world*” by 2010 (Cedefop 2008; Brunello et al. 2007). International skills benchmarking exercises (OECD 2008a, 2000) have brought up comparative weaknesses in Britain and Ireland at some skill levels, stoking fears of a long-term decline in competitiveness (Keep 2006). The above mentioned reports *Skills Needs in the Irish Economy* (2005) and *Tomorrow's Skills* (2007) are based on the premise that skills are one of the key elements of future competitive advantage

for Ireland (Interview FORFAS). The British Leitch Review of Skills (2006), generally argued to have catalysed a shift in the British approach to skills (Interviews HO, CBI), is also based on an understanding that skills production is the key to economic success in the global economy.

Moreover, the importance of human capital for economic and social development has been a key part of New Labour's political discourse since the mid 1990s when the party was taking form. Based on the imperative of globalization, Gordon Brown argued in 1994 that as capital moves '*at the press of a key*', the most important resource of a nation-state is the human capital or '*brainpower*' of its people (Andersson 2007). For New Labour, lifelong learning for full employability (encompassing adaptability and flexibility) had replaced the old social democratic aim of providing citizens with lifelong full employment. Furthermore, human capital was also seen to hold the key to tackling social problems such as crime and poverty (Keep 2006). '*Education, education, education!*' was New Labour's main slogan entering into office in May 1997 and two years later Prime Minister Tony Blair (1997--2007) declared at the Labour Party conference; '*In today's world, there is no such thing as too clever. The more you know, the further you will go*' (Blair 1999).

New Labour's explicit focus on human capital competitiveness was comparatively strong in relation to other EU states during this period and in fact, Tony Blair was a protagonist in the supranational education policy arena, for example, urging the European Commission to further prioritize education, research and development in terms of budgetary allocation in the Summer of 2005 (TES 2005). Even taking into account the emphasis which New Labour has placed on public relations - for example, slogans such as 'education, education, education' and 'joined-up government' - Irish coalition governments cannot be said to have had an equally strong focus on human capital development during the decade of interest. In the Fianna Fail and Progressive Democrat¹⁶⁵ election manifestos of 1997 and 2002, education reforms figure, however, they are not presented as *the* key to economic development (Fianna Fail The Republican Party 1997, 2002; Progressive Democrats 2002). In Ireland, the idea that education can stimulate economic development had been accepted policy since the 1960s and policymakers saw skills production almost exclusively as a response to employers' needs, in particular those of foreign firms present in Ireland (see chapter 3). New Labour promoted human capital development more fervently and put as much emphasis on social rewards as it

¹⁶⁵ The parties in government between 1997 and 2007. The Green party joined the coalition in 2007.

did on economic ones. In fact, I posit that political ideology is of secondary significance in explaining policy outputs, as despite varying degrees of rhetorical prioritization of human capital development, both British and Irish governments increased state intervention and spending in the area.

2.2. Migrant worker availability and traditional concerns about labour immigration

However, while human capital competitiveness concerns have led governments to set themselves general quantitative targets (e.g. increasing tertiary education) (Interview UKCES) for the improvement of domestic skills bases, specific decisions regarding increasing the domestic supply of skills, for the health and construction sectors at least, appear to have been to some extent catalysed by concerns regarding migrant workers.

2.2.1. Migrant worker availability: ‘security of supply’

Within the broad consensus on the need to improve human capital competitiveness is a growing focus on competing for the ‘best and brightest’ migrant workers. Britain and Ireland are heavily reliant on skilled migrant workers and I argue that decisions to increase the supply of domestic skills in Ireland and Britain have been catalysed by concerns regarding the continued availability of migrant workers, based on a perceived increase in international competition over these mobile skills. Moreover, ‘Brain Drain’ – that is the movement of the highly educated across national borders- re-appeared as a major public policy concern all over the world at the end of the 1990s (Tannock, 2007). Concern over the mass emigration of Sub-Saharan African health workers led to the introduction of ‘ethical codes of practice’ for health worker recruitment, with Britain taking the lead, as well as a preoccupation with increasing self-sufficiency in skills production (OECD, 2007).

This preoccupation with *accessing and retaining* migrant workers comes across in policy documents, political declarations and interviews with civil servants in the two states. It is reflected in the following statement from an official from the Higher Education Authority (HEA) of Ireland and in a report on the construction industry commissioned by the MAC:

If you just rely on migration, you’ll have trouble as everyone is competing for, say IT experts, and Ireland is a high cost economy so you’re not necessarily going to

get people to come in and also if you rely on immigration, there would be social consequences, so I think there is an acceptance in policy that that is not a route we want to go down (Interview HEA)

British policy with regard to the construction industry currently effectively relies on “poaching” labour trained and educated at considerable expense elsewhere...This constitutes a form of social dumping, which is in the long term unsustainable (Chan et al., 2008 p.36).

An investigation into the rationale behind the Irish reform of medical education illustrates the significance of policymakers' concerns over the security of supply of migrant workers. While the 1993 *Discussion Document on Medical Manpower in Acute Hospitals (Tierney Report)* had pointed out the growing dependence on Non-EEA nationals at trainee doctor level in many hospitals, reform of medical education did not occur until 2007. In 2002, the Irish National Task Force on Medical Staffing asserted that Medical Council revised procedures for temporary registration had led to a drop in applications from non-EEA doctors (National Task force on Medical Staffing, 2002). This fall in applications, and concerns which surfaced a few years later that Ireland was not competing well with Britain in terms of attracting non-EU doctors (Interview DHC), undoubtedly contributed to a change in policy regarding numbers of places for Irish/EEA nationals in Irish medical schools. As the Fottrell report of 2006 asserted, “...in an increasingly competitive market for qualified doctors internationally, Ireland cannot simply depend on a continued supply of non-national doctors to meet its requirements” (Department of Health and Children, 2006).

In fact, the definition of ‘shortages’ in medical staff in Ireland was until recently based on the conception of global shortages of medical staff, not domestic skill shortages, as reflected in the following assertion from a DHC senior civil servant of March 2008. This explains why reform of the Irish medical education system was delayed until difficulties emerged in attracting and retaining migrant workers;

We looked at it like we were meeting needs with migrants and so there were not really shortages as such... If it becomes difficult to retain non-EU doctors, concerns occur. There was increasing competition over international doctors, around 2006, with talk of the UK soaking up all the non-EU doctors. ..You’ve a better chance of actually meeting your needs if you are not absolutely dependent on inward migration. If you train locally, you have far more security of supply and are more likely to retain people (Interview DHC).

Similarly, in the late 1990s, concerns about relying on foreign trained doctors in the context of forecasted global shortages of health workers led to a decision to increase the domestic production of health workers in Britain. As a home office official maintained in November 2008: '*There was a big drive to train more British doctors as it was seen to be untenable to rely on foreign labour*' (Interview HO). In fact, the Medical Workforce Standing Advisory Committee's 'Planning the Medical Workforce' report of 1997, which recommended increasing self-sufficiency in doctors, had asserted;

There are indications that Europe is moving towards a deficit of doctors in the early part of the next century...Faced with an increasing reliance on overseas and other EEA doctors, security of supply is a vital issue... Security of supply...depends on a number of factors outside the UK's control. This includes the standard of training offered by other advanced countries and the regulations applied by these and other overseas countries in respect of the movement of medical labour...it would not be prudent to assume that past success in attracting overseas doctors offers any assurance that the UK will continue to be able to do so. (Medical Workforce Standing Advisory Committee, 1997 p.30-64)

While migrant workers from the A8 are mainly employed in low-skilled jobs, Irish and British policymakers showed awareness between 2006-8 that they had gained many skilled workers from the 2004 enlargement of the EU, due to the fact that they were – along with Sweden – the only states to immediately open up to workers from these states. As more EU states remove transitional arrangements which restricted labour migration from the A8, Ireland and Britain would arguably receive fewer skills from these countries. Moreover, policymakers maintained that the Polish economy and those of the other A8 states were developing at a rapid pace and consequently there would be less push factors for emigration (NESC 2006). As a civil servant in the Irish DETE asserted in November 2007;

I think there is a recognition that the boats are rising generally in Europe, that Poland in 10 to 15 years time will be where we were two years ago and there is only so much there in the pot (Interview DETE-ES).

In a similar vein, Skills Minister, David Lammy, asserted that British employers should invest in training rather than developing a reliance on migrant workers as if there is an economic downturn or better opportunities are presented elsewhere in the EU, migrants may move elsewhere (Lucas & Mansfield, 2008).

2.2.2. Traditional concerns about labour immigration:

Concern about the security of supply of migrant workers was accompanied in Britain and to a lesser extent in Ireland by more 'traditional' concerns regarding labour immigration. Despite a positive consensus regarding labour immigration among most relevant actors and low unemployment rates, these concerns were catalysed by the size of migrant worker inflows (Interview MAC). Between the late 1990s and 2006, both states received large inflows of non-EU workers and unexpectedly large inflows of migrant workers from the A8 (Doyle, Hughes, & Wadensjo, 2006; Salt & Millar, 2006). Moreover, it appears that the British state *is* under some pressure to restrict immigration in the context of pervasive anti-immigration sentiment among the public.

The impact of traditional concerns can be seen in public analyses of skilled foreign workers in the construction sector in both states. Concern regarding the marginalization of the domestic population in the competition for available jobs is manifested in the Irish public employment services (FAS) report on the construction industry from 2003, which recommended an increase in places in schools of architecture in Ireland and in a report on the construction industry commissioned by the MAC, which concluded that the UK construction industry should limit the importation of skills;

Non-nationals and returning Irish emigrants have filled most of the vacancies that have arisen for architects over the last two years because there were not sufficient Irish graduates available to compete for these positions. It could be argued that young Irish people should have the opportunity to compete for such prestigious and well-paid professional positions (FAS, 2003 p.31)

The high education level...of many migrants (is) throwing into relief the...nature of construction skills...and...qualifications in Britain. In this regard, their employment can be of positive benefit for the industry, while at the same time disadvantaging further those trained in Britain and seeking to work in the industry, including women and those from BAME (Black, Asian and Minority Ethnic) groups...There are far more women and women from BAME groups in Further Education colleges than on actual sites (Chan et al., 2008 p.24-6)

However, unlike in Britain, the positive consensus on immigration among Irish policymakers remained largely intact over the period and the impact of traditional concerns regarding immigration on skills policy was more wide reaching in Britain. Despite a common

assumption that British immigration policy is autonomously driven by government (Joppke, 1999; Statham & Geddes, 2006), it appears that negative public opinion regarding immigration, reflected and shaped by the media, has influenced the government approach to immigration. Negative media attention to immigration was an important impetus for the creation of the MAC (between 2005-7) - an external authority on labour immigration, charged with ascertaining when it is 'sensible' to open up to migrant workers (Interviews CBI, Somerville). Subsequently, the House of Lords Select Committee on Economic Affairs published a report on the Economic Impact of Immigration in the spring of 2008, which argued against the positive consensus regarding the benefits of immigration. It was maintained that there is a risk that too much migration would reduce the incentives for training and was contributing to the increase in housing prices among other concerns (House of Lords Select Committee on Economic Affairs, 2008). These concerns appear to have stimulated the British government to step up efforts to train the domestic labour reserve, as a Home Office official maintained in November 2008:

What we want to do is reduce our reliance on migrant workers, I wouldn't say we are reliant on them totally but we clearly have quite a large number that is coming in...and part of what the MAC will be doing in future months and years will be saying, for instance, ok we've got skilled chefs on shortage lists...there are plenty of people who could learn to cook, what's being done about it?...training people to cook in Indian restaurants, that's really not rocket science, there should be something we can do without having to bring people in from abroad (Interview HO)

Moreover, while outside the formal scope of my thesis, it is notable that despite repeated proposals from the MAC, it was not until the November 2009, within the framework of the *Skills for growth: the National skills strategy* report, that the government pledged to prioritise coordinating immigration and education and training policy, in the context of an economic recession and the rise of the extreme right BNP party.

Critically, we need to join up their (the MAC's) work with the remit we are giving the UK Commission to turn intelligence about shortages into national training priorities in the skills system... Over time, we will ensure that there is less need to fill skills gaps through migration, because we are better at equipping our own people with the right skills. The Gibson review is considering how we could pursue this goal within the specific area of engineering construction. (BIS 2009 p.38)

As a MAC member commented in November 2009;

I kept telling the Department of Innovation, Universities and Skills about MAC's work, 'for the first time this country has a shortage list, these are a limited number of occupations where there are shortages, migration policy is built around it, don't you think this is relevant to providers and individuals?'...I've been on about this, on public platforms, with senior civil servants and ministers and finally in the Skills Strategy published this week they say that 'we will ensure that UKCES and MAC will work closely together to make sure shortages are filled and domestic workers have better opportunities'... It's partly due to the recession and partly politics, the rise of BNP, 'oh skills, oh migration, oh there is a relationship', honestly years of evidence, people banging on and it's so slow and sometimes things just hit... (Interview MAC).

This is an interesting case of the mobilisation of a pre-existing policy idea for a newly problematised issue (Kingdon 1995); the 'floating' idea of coordinating immigration and VET policy was grasped at when the government perceived a liberal approach to immigration as no longer politically tenable.

3. Conclusion

Unexpectedly, concerns regarding security of supply of migrant workers and the marginalization of the domestic working age population stimulated efforts to increase the domestic supply of skills available for employment in order to reduce current or future dependency on migrant workers in Ireland and Britain over the period 1997-mid 2008.

Irish public employment service FAS and the EGFSN were well placed to take a holistic approach to immigration and VET, given their broad labour market competencies. FAS is responsible for employment services and training, while in most European states, these areas involve separate organisations. The role of scientific expertise in Britain is significant and represents a shift from the previous use of scientific expertise in the immigration area as a means of policy substantiation. On the other hand it appears that intra-governmental coordination mechanisms are somewhat weaker in Britain outside of the health education sector as it took a sense of crisis regarding immigration for the government to prioritise coordination between the immigration and education policy domains. Finally, 'focusing events' or crises had an important role in stimulating policymakers to act in both states, for example a decline in applications for work permits from foreign doctors in 2002 in Ireland and a mounting sense of crisis about immigration in Britain from 2008.

Chapter 8 Conclusions

1. Summary of research

This thesis aimed to shed some light on the understudied *nexus* between immigration and labour market institutions. The primary claim of the thesis is that labour market regime variation shapes variation in levels of economic immigration and the type of employment undertaken by migrant workers across advanced democracies. Migration theory, dominated by economic and sociological approaches, has not directly broached the question of variation in levels of immigration across states. When migration theory is applied to the question, it provides an inadequate explanation; either because the explanatory variables are universally present across the post-industrial world, a hypothetical determinant is absent in cases of significant immigration, or because important variables are excluded. Regarding the latter, bridging comparative political economy and migration theory, I argue that variation in labour market institutions contributes to variation in the level and type of demand for migrant workers across states in two main ways.

First, based on the fact that migrant workers from lower income countries are generally willing to accept lower employment standards than the domestic working age population, they are most often employed in low-skilled, low-paid jobs in the least regulated and controlled sectors of the labour market. Thus, we can expect higher concentrations of migrant workers in advanced economies with comparatively large proportions of low standard employment. Employment standards are determined by labour market institutions, including employment regulations (ER) and employment standard compliance (ESC) systems. Second, demand for migrant workers is related to the availability and skills of the domestic labour supply. Labour market mismatches refer to labour shortages, which are not the result of a quantitative lack of labour but are due to a mismatch between domestic labour supply and demand. This is caused by two main factors: first, a low level of availability for work among the domestic labour supply and second, deficiency in the skills required by employers. The availability and suitability for employment of the domestic labour force is dependent on labour market institutions, including institutions shaping employment standards, labour market policies (LMPs) and vocational education and training (VET) systems which differ significantly across states. Cross-national variation in the extent and

type of labour immigration is related to the significance and form (availability or skills) of labour market mismatches.

This theory can be applied to the case of Western Europe. Over the past decade the level of labour migration to Western European states varied considerably; with limited migration to the Nordic states, varied inflows to Northern continental Europe and significant inflows to the UK and Ireland, as well as the Mediterranean states. In sum, I argue that the lower levels of labour migration to the Nordic states is partly explained by a labour market regime based on high skills, wage equality, an efficient ESC system and active labour market policy (ALMP). However, there has been some shifting in the principal destinations for economic migrants over past decades. In the post-war period (1945-1973/4) Sweden, a Nordic state, was one of the destinations for economic migrants in Europe, while Ireland and Italy were emigration states *par excellence*. This apparent contradiction is explained by the fact that periods of economic boom like that which occurred in parts of Europe in the post-war period and in Ireland and the UK in the 1990s generally result in demand for foreign workers. However, the *significance of this demand* depends on the institutions governing employment and the domestic labour supply. Although Sweden was among the net immigration states of the post-war period, its labour market institutional arrangements diverged strongly from other migrant receiving states such as Switzerland and West Germany which contributed to keeping the level of immigration comparatively low.

The strength of this theory was investigated with in-depth case studies of two states which received significant inflows of migrant workers during the past decade, Italy and Ireland. These countries were selected as examples of different types of capitalism – broadly speaking and respectively post-statist and liberal - in order to explore how particular labour market regimes generate demand for migrant workers. Taking a cross-sectoral approach, I focused on the health(care), hospitality and construction sectors. The role of labour market institutions in determining demand for labour immigration in the two case studies was investigated by analysing the congruency of levels and types of labour immigration with 1) independent variables identified within existing explanations for labour immigration to those states and 2) particular labour market institutional outcomes.

Despite their disciplinary breadth, the existing explanations for the initiation and perpetuation of labour migration to Italy fail to fully account for demand for migrant labour in largely low-skilled occupations over the past three decades. Contrary to neoclassical economics theory

significant labour migration to Italy began in the 1970s and persisted in a context of unemployment and declining wage growth. Moreover Italy became a country of immigration before the effects of the ‘demographic transition’ were felt on the labour market, and the country’s long and porous frontiers, bordering less economically prosperous states are of little significance in terms of migrant inflows as the grand majority of undocumented migrants in Italy are ‘overstayers’, who arrived legally by plane. The institutions governing the labour market have created demand for migrant workers first, by generating a comparatively large share of low-skilled, low paid jobs in the formal and informal economy and second, by producing relatively significant obstacles and disincentives to the labour market participation of the domestic labour supply. It appears that, to a much larger degree than in most Western European states, labour migration to Italy is a reflection of various forms of institutional failure. It is notable, however, that the significance of the VET system was minor in the Italian case due to a lower aggregate demand for skills and a relatively strong institutional focus on vocational skill attainment.

It is generally assumed that labour migration to Ireland can be simply explained by high levels of economic growth since the mid 1990s. However, while conceding the primary role of employment growth *in the Irish case*, I maintain that this is a partial explanation which does not fully account for the extent of demand for migrant labour or the unusually high share of foreign nationals employed in highly skilled occupations. The institutions governing the labour market created demand for migrant workers by generating low-standard employment in the formal and informal economy and by producing obstacles and disincentives to the labour market participation of the domestic labour supply, though both of these effects have been less significant than in the Italian case. Furthermore, the Irish VET system did not provide sufficient opportunities for the domestic population to attain the skills required on the labour market, at least as regards health and construction professional occupations, contributing to demand for skilled migrant workers.

The second and main part of the thesis involved an investigation into whether, given the relationship between labour immigration and labour market institutions, concerns regarding labour immigration – the ‘Migrant Worker Factor’ (MWF) – have led policymakers to reform labour market institutions. More specifically, I investigated whether attempts to reinforce ESC systems and develop ALMP in Ireland and Italy and shadow cases Britain and France between 1997 and mid 2008 were partly stimulated by the MWF. I also explored whether the

MWF was part of the rationale behind VET system reforms of the same period in Ireland and Britain. The sectoral focus on health(care), construction and hospitality was retained. ESC systems experienced varying levels of reform across the four states; including the strengthening of coordination between inspection authorities and an increase in inspection personnel. An active approach to welfare developed to varying degrees in the four states; attempts being made to support, incentivise and oblige the unemployed and inactive to participate in the labour market, by means of an improvement in public employment services, increasing benefit conditionality and attempts to develop childcare infrastructures among other policies. Moreover in Ireland and Britain significant efforts were made to increase the domestic production of skills in order to better respond to skill shortages, involving an increase in VET funding, planning, regulation and provision.

My expectations were principally based on immigration policy theories and public policy theory. I argued that the significance of concerns regarding labour immigration in a given state depends on the preferences regarding immigration and policy influence of the social partners, political parties, public opinion and bureaucracy. However, the capacity for concerns regarding immigration to impact the labour market institutional arena depends on the existence of adequate learning and coordination mechanisms. Learning mechanisms, which include intra-governmental coordination, state-social partner relations and policymakers' use of independent scientific expertise, facilitate enlightenment among policymakers regarding the links between labour market institutions and labour immigration. Coordination mechanisms, in this case intra-governmental coordination and state-social partner relations, allow for policies which cross institutional boundaries. I also had the general expectation that the MWF is more likely to stimulate labour market institutional reform when there are converging political or structural pressures for reform.

Based on an analysis of concerns regarding labour immigration and learning and coordination mechanisms in the four states, I argued that the likelihood that the MWF stimulated labour market institutional reforms over the decade 1997-mid 2008 was generally low in Ireland, low-medium in Italy and Britain and high in France. Concerns regarding immigration were expected to have been the strongest in Italy and France. However, learning and above all coordination mechanisms are stronger in France than in Italy- intra-governmental coordination is particularly weak in the latter state - and consequently the MWF was expected to have been more easily transferred into the labour market policy arena in France.

Concerns regarding immigration were expected to have been weaker in Ireland and Britain during the decade of interest. While a comparatively large share of public opinion was negative regarding immigration in Britain, British immigration policy is most often argued to be elite driven and comparatively impervious to public opinion. Regardless of the fact that Ireland appears to benefit from comparatively good learning and coordination mechanisms and these mechanisms may be adequate in Britain, the low level of problematisation of immigration led to the expectation that they would not be utilised for the transfer of the MWF into the labour market policy arena in either state. However, I posited that if immigration did become problematised, for example due to the large size of migrant worker inflows, it may be more likely that these states would attempt to govern immigration by means of labour market institutional reform than Italy and France. Over the decade of interest, Ireland and Britain received most migrant workers from the expanded EU, under free movement regulations (CAS 2006). As these migrant inflows cannot be regulated by immigration policy, labour market policies are the only means at governments' disposal.

The method of analysis mainly involved the examination of primary sources and interviews with policymakers and representatives of the social partners with the aim of identifying the rationale behind labour market institutional reforms. The case studies found empirical evidence confirming the general theory that the MWF can stimulate labour market institutional reform. There were also some unexpected findings, particularly with regards to policy in Ireland and Britain.

Contrary to my expectations Irish and British ESC system reforms were catalysed by concerns regarding unfair competition from migrant labour, a downward pressure on wages and the exploitation of migrant workers. While the timing of these reforms coincided with the enlargement of the EU to the East, the stimuli for reform – and learning mechanisms - were 'focusing events' involving the sub-standard employment of mainly non-EU migrant workers. The principal coordination mechanism in Ireland was the social partnership which appears to provide the labour movement with a voice and relatively strong bargaining power. Focusing events in 2005/6, and the public protest which they provoked, provided the trade unions with compelling examples of the inadequacy of the existing ESC system and public support with which to back up their demands for its reinforcement within negotiations for the new Social Partnership agreement of 2006. Reform in Britain was also trade union sponsored and the weaker position of the labour movement in that state explains, to an extent, the limited reach

of ESC system reform. Variation in the extent of reform in the two states is also partly determined by different political pressures.

The MWF was the least influential in Italian ESC system reforms, undoubtedly due to the pervasiveness and economic significance of undeclared work and consequently higher threshold for ‘scandal’ than in most states. A highly publicised spate of workplace fatalities largely involving Italian workers and the governments’ aim of increasing state revenue and modernising the economy were the principal motivations for ESC reform in Italy. Concerns regarding labour immigration were mainly evoked by policymakers with the aim of further legitimising the reform of the compliance system. Finally, as expected, concerns regarding undocumented immigration and foreign firm wage dumping have continued to exert an influence on the French ESC system; the policy of contrasting undocumented immigration by means of labour market controls being institutionalised in France since the late 1980s.

Unexpectedly it emerged that at the turn of the millennium the idea of reinforcing ALMP with the aim of alleviating labour shortages was proposed within the Irish Social Partnership’s National Economic and Social Forum due to transient concerns regarding the impact of labour immigration on standards of living and employment. It is notable that unlike in the other three states, immigration and welfare are often discussed together within Irish official (Social Partnership) documents. On the other hand, there was no evidence that the MWF was a stimulus for the development of ALMP in Britain during the decade 1997- mid 2008. This appears rather counterintuitive when one takes into account the fact that the MWF stimulated VET system development in that state (see below). However, unlike demand for skills, labour demand had fallen in Britain by 2008 when concerns regarding labour immigration became significant among policymakers, which may explain why the idea of providing a domestic alternative to migrant labour did not present itself. Indeed, where the MWF had an impact on ALMP, (temporarily) in Ireland and in France, it did so in a context of concerns regarding current and future labour shortages. This labour shortage factor amounts to a converging structural pressure for reform.

Despite political rhetoric regarding the need to fully utilise the domestic labour reserve before having recourse to significant immigration, Italian attempts to develop ALMP were not related to concerns regarding immigration and were largely responses to pressure or influence from the EU. The insignificance of the MWF in Italy is not explained by inadequate coordination mechanisms as might have been expected, but by a perceived irreversible

mismatch between the domestic working age population and the jobs undertaken by migrant workers. In particular, the concept of 'refuted jobs', referring to the refusal on the part of Italians to accept certain employment, has gradually become institutionalised within the Italian political and research community since the late 1970s. On the other hand, in France, as expected, the consensus on limiting immigration due to concerns regarding the unemployment of long-term resident migrant workers has implicitly informed ALMP development; policymakers making a choice to activate the unemployed rather than opening up to significant labour immigration.

Finally, contrary to my expectations, concerns regarding the *security of supply of migrant workers* and the marginalization of the domestic working age population stimulated Irish and British policymakers to increase the domestic production of skills over the period 1997- mid 2008, in the context of a general aim to increase human capital competitiveness and sustained economic growth. As in the ESC arena, focusing events or crises had an important role in stimulating policymakers to act, for example a decline in applications for work permits from foreign doctors in 2002 in Ireland and a mounting sense of crisis about immigration in Britain in 2008. The role of scientific expertise as a learning mechanism in Britain is significant and represents a shift from the previous use of research in the immigration arena as a means of policy substantiation. Moreover, Irish state agencies were well placed to take a holistic approach to immigration and VET given their broad labour market competencies. On the other hand it appears that intra-governmental coordination mechanisms are somewhat weaker in Britain; apart from the case of healthcare professionals, it took a sense of crisis regarding immigration for the government to prioritise coordination between the immigration and education policy domains in 2009.

The significant impact of the MWF in Ireland (and Britain) as opposed to Italy is not explained by the fact that most labour migration to Ireland has been governed by free movement regulations and could not be controlled by immigration policy. In fact, ESC and VET reforms in Ireland (and Britain), as well as proposals for ALMP reform in Ireland in 2000, were largely stimulated by various concerns regarding non-EU migrant workers, among other factors. Moreover, the other state where the MWF had a significant impact on labour market institutional reform is France where non-EU migrants dominated inflows during the decade of interest (CAS 2006). Incidentally, this by no means constitutes support for the theory that the immigration of people of a similar ethno-cultural background is less likely to

result in anti-immigrant sentiment (Meyers 2004), as the latter has been the most significant in Britain over recent years.

In sum, I found that unexpectedly the MWF was an important stimulus for labour market institutional reforms in Ireland in the ESC and VET arenas and temporarily contributed to the motivation behind proposals for ALMP development at the turn of the millennium. The ESC and VET system reforms partly stimulated by this factor were significant, involving historic increases in investment and state intervention in the labour market. Concerns regarding labour immigration were also part of the rationale behind VET and ESC system reforms in Britain; however, while the reform of the VET system was substantial, the extent of ESC system reform was limited. On the other hand, the MWF was a negligible part of the rationale behind the significant ESC system reforms in Italy and was absent in the ALMP arena. Finally, concerns regarding labour immigration were significant stimuli for the extensive reforms of the ESC system and LMP in France.

Table 18: Findings: the MWF in labour market institutional reform (unexpected findings in bold)

| <u>Role of MWF</u> | Ireland | Britain | Italy | France |
|--------------------|---------------------------|---------------|--------|--------|
| MWF in ESC reform | Strong | Strong | Weak | Strong |
| MWF in ALMP reform | Temporarily strong | Absent | Absent | Strong |
| MWF in VET reform | Strong | Strong | | |

Table 19: Findings: the significance of reforms (partly) stimulated by the MWF (unexpected findings in bold)

| <u>Reforms (partly) stimulated by MWF</u> | Ireland | Britain | Italy | France |
|---|--------------|--------------|-------|--------|
| ESC reform | Major | Minor | Major | Major |
| ALMP reform | Minor | - | - | Major |
| VET reform | Major | Major | | |

In general I found that my two main case studies Italy and Ireland differ significantly regarding the general approach to immigration (welcome/unwelcome) and the impact of immigration on labour market institutions (continuity/change). There were significant concerns regarding immigration in Italy during the decade of interest, however, these

concerns did not translate into attempts to restrict the phenomenon by means of labour market institutional reform (or immigration policy). On the other hand, the approach to immigration was generally positive in Ireland, however, specific concerns regarding the phenomenon succeeded in stimulating some important changes in the Irish labour market regime. In sum, while migrant workers in Italy could be described as an *unwelcome source of continuity* for welfare and production systems, migrant workers have been a *welcome source of change* in Ireland for VET and ESC systems and a *welcome source of continuity* for the welfare system.

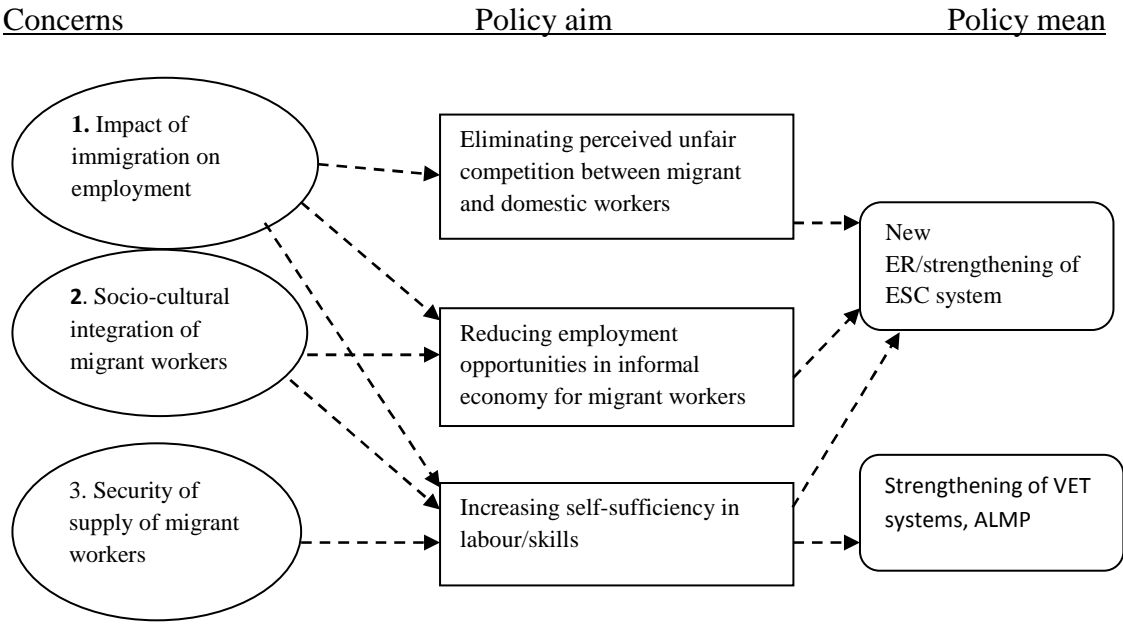
2. Refining the ‘Migrant Worker Factor’ model

Based on the research findings, the MWF concept must be widened to include an additional concern and some revisions need to be made to the theoretical framework. It emerged in Chapter 7 that an additional, unexpected concern about labour immigration had a role in stimulating labour market institutional reform in Ireland and Britain over recent years; this was a concern about the security of supply of skilled migrant workers.

While the first two types of concern, introduced in Chapter 1, can be described as ‘traditional’ concerns regarding labour migration, this third type of concern is a reflection of new pressures related to global economic integration. Adding this concern to the aggregate MWF, I re-conceptualise how the three types of concern can impact labour market institutional reform.

The first type of concern is specific to the labour market; perceptions of economic immigration as a threat to the domestic workforce in terms of employment or employment standards. The second type revolves around the socio-cultural integration of labour migrants; the perceived impact of labour immigration on standards of living, social cohesion and local culture. These concerns can be about current migrant stocks and inflows or anticipated increases in immigration and tend to be correlated with increases in the size of migrant inflows. The third concern is about the security of supply of migrant workers; due to developments in international labour markets, policymakers fear that they will not be able to carry on accessing and retaining migrant workers to the same degree. This concern is most likely in states or sectors which are particularly reliant on importing skills.

Figure 19: The impact of the MWF on labour market institutional reform (revised)

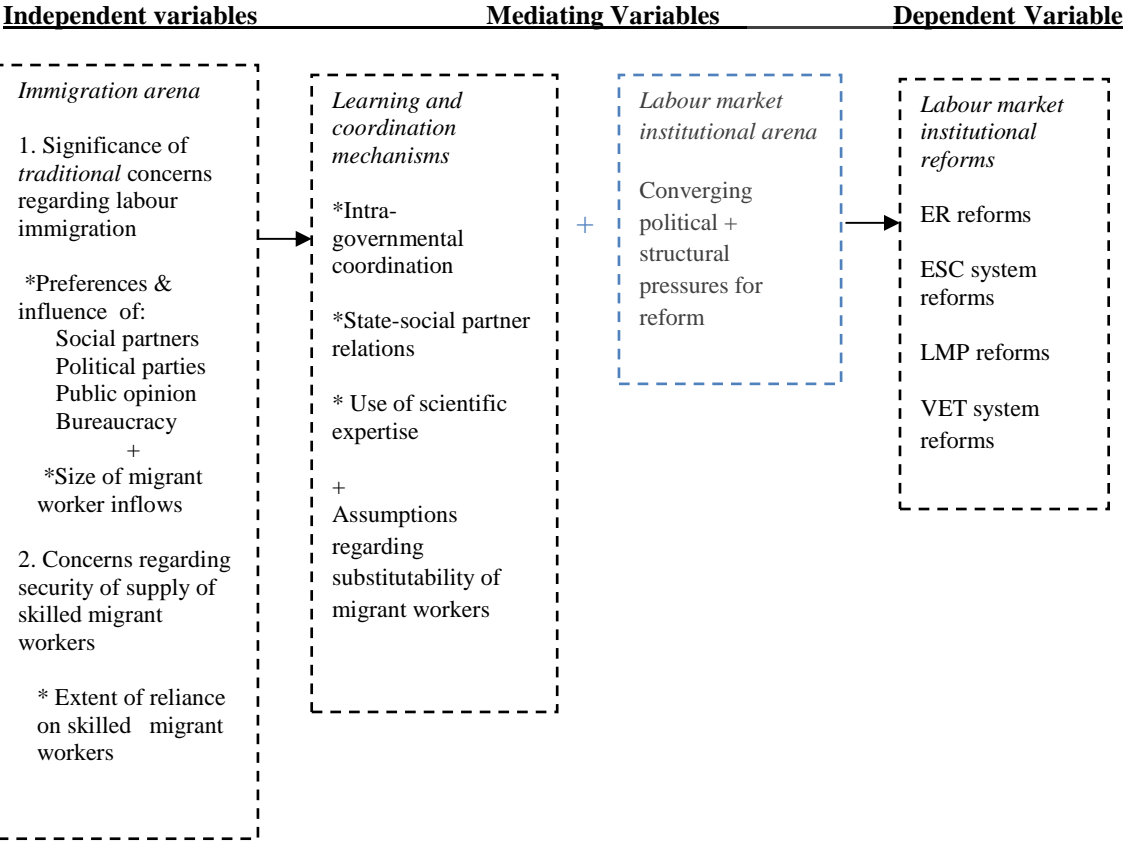


The first group of concerns is most likely to stimulate the introduction of new ER or a reinforcement of the ESC system with the aim of eliminating perceived unfair competition between migrant and domestic workers. The first two groups of concerns may also stimulate policymakers to aim to reduce the ‘pull factor’ of job opportunities in the informal economy for migrant workers – in particular undocumented workers - by means of the introduction of new ER or a reinforcement of the ESC system. However, the three concerns can also conceivably stimulate policymakers to aim to increase the domestic supply of skills and labour available for employment in order to reduce current or future dependency on migrant workers, by means of a reinforcement of employment standards, the strengthening of the VET system and the development of ALMP. While I do not expect that the MWF is the only factor stimulating reform in these arenas, I posit that the MWF can feasibly provide further stimulus for these more general policy aims.

The MWF was more influential in stimulating labour market institutional reform than I had expected in Ireland and Britain. This can, however, be explained within the theoretical framework outlined in Chapter 1, which took into account the possibility that concerns regarding immigration could grow in those states, in tandem with levels of immigration. Moreover, I was careful to emphasise that unpredictable contingent events commonly force

issues to rise on the agenda. On the other hand, the fact that the MWF did not contribute to stimulating Italian policymakers to introduce ALMP from the late 1990s could not be explained within the framework; in particular it was not due to inadequate coordination mechanisms as might have been expected. The explanation was the durability of the Italian assumption of a structural irreversible demand for migrant workers. Finally, as I discuss below, the *independence* of scientific expertise from the parameters set by governments was less significant than expected in ensuring the transfer of knowledge regarding policy interactions to policymakers.

Figure 20: Theoretical framework for impact of MWF on labour market institutional reform in advanced democracies (revised)



In sum, the framework should differentiate between traditional concerns regarding the impact of immigration on the labour market, society and culture - which appear to grow with the size of migrant worker inflows, regardless of an initially positive consensus on immigration - and 'new' concerns regarding the security of supply of skilled migrant workers, which are related

to the significance of state or sectoral reliance on importing skills. Furthermore, while the utilisation of scientific expertise is significant, regardless of its independence from the parameters set by governments, the framework should take into account assumptions regarding the substitutability of migrant workers - are the jobs migrants are employed in largely perceived as 'migrant jobs'?

3. Contributing research to four areas of scholarship

3.1. Public policy theory

I chose not to use a particular public policy theoretical or analytical perspective to frame my research, in order not to restrict my understanding of the complexity of the policy process (Peters and Pierre 2006). However, my findings endorse and contribute to a number of approaches, in particular Zahariadis' adapted Multiple Streams (MS) agenda-setting and policy choice analytical framework, new institutionalism and research on social learning and policy coordination.

The MS framework, originally conceptualised by Kingdon, consists of three separate 'streams', which together make up the policy-making world; the problem, policy and politics streams. Zahariadis posits that when these streams are joined at critical moments known as 'policy windows' - that is when structural forces create a situation of consonance between a problematised issue, a particular policy response and the dominant political 'mood' - 'policy entrepreneurs' are expected to take advantage of this opportunity; forcing an issue to rise on the agenda and coupling problems with policies (Zahariadis 2003). Within the MS framework, policymakers often find out about conditions by focusing events and solutions may be available before a problem has been defined.

Many of my findings regarding the MWF fit easily into the MS framework. For example, while the Irish labour inspectorate had drafted a reform of the labour inspectorate in January 2005, it took highly publicised cases of migrant worker exploitation later that year and in 2006, the entrepreneurialism of the trade unions and the apparent collusion of the government in two of the cases for a 'policy window' to open. Moreover my study highlights how reforms often follow contingent focusing events, such as the scandals regarding the exploitation of migrant workers in Ireland and Britain between 2004 and 2006 and those regarding workplace deaths in Italy between 2006 and 2008.

While the MS is ‘institution free’ (Olsen 2001) and focuses on timing, coincidence and manipulation by policy entrepreneurs, neo-institutionalist approaches emphasise how institutions shape policy outcomes and often constrain reform; that is the structuring impact of embedded paradigms, rules, norms and procedures on the policy process (Immergut 1992; Guiraudon 2000; Olsen 2001). Institutional obstacles to reform, including financial constraints and cultural referentials, explain low levels of LMP reform in Italy and Ireland. Moreover, policy learning and coordination depend on institutional arrangements (Hemerijck and Visser 2003; Peters 2006).

Regarding learning mechanisms, policymakers’ use of scientific expertise and state-social partner relations were influential in informing policymakers on the relationship between labour immigration and labour market institutions. The role of scientific expertise was significant despite the generally low level of independence of research from the parameters set by government. In Ireland the relevant information was produced by taskforces affiliated to a state department (Department of Health and Children) and experts within state agencies (FAS and FORFAS), as well as social partnership councils (NESF and NESCC). The latter supports the argument in industrial relations literature that neo-corporatist arrangements are likely to generate social learning due to the levels of trust which develop among members as a result of stable membership and regular interaction (Hemerijck and Visser 2003). In Italy, the link between undocumented immigration and the informal economy was noted in government commissioned research conducted by university professors, while the public administration (for example, the *Commissariat Général du Plan* and its successor the *Centre d’analyse stratégique*), including collaborative research enterprises involving the public administration, business community and universities, was the main source of knowledge in France.

Furthermore, it transpired that learning can occur even when the use of scientific expertise is politically motivated (and the scope of research is set by government parameters). In Britain, negative media attention to immigration was an important impetus for the creation of the Migration Advisory Committee (MAC) in 2005-7; an external authority on labour immigration charged with ascertaining when it is ‘sensible’ to open up to migrant workers. In fact, the political impetus behind the mobilisation of research sets Britain apart from the other states, where puzzling appears to be less a function of powering. However, while it was expected that research may be used in Britain in order to support previously decided policy paths, I found that the MAC has had an independent and dynamic policy-making function and

has emphasized the relationship between immigration, VET and employment standards. It also emerged that particular understandings of social phenomena originating in scientific research can become institutionalised with policy communities. The concept of ‘refuted jobs’ identified as the explanation for demand for migrant workers in Italy in the first government commissioned report on immigration of 1978 (carried out by research institute *Censis*) has had a significant influence on both immigration and labour market policy.

The strength of coordination mechanisms differed in my case studies which is in line with research on intra-governmental coordination (Peters 2006; Perri 2005). Irish policies appear particularly coherent due to the role of agencies such as FAS and FORFAS which are charged with developing and managing policies which cross traditional departmental boundaries. This is exemplary of the broad category of ‘hierarchical’ methods of coordination, in this case involving inter-organisational relationships (Peters 2006). I also found that the Irish Social Partnership, which can be categorised as a ‘network’ based form of coordination, was significant in facilitating coordination in the immigration and ESC arenas. The French state also appears relatively coordinated as immigration and labour market policies are well integrated even in the ESC arena where the social partners are absent from the policy-making and management arenas.

While policy coordination is generally argued to be constrained in Italy due to an inefficient bureaucracy, this factor was not significant in my findings as the lack of a coordinated response to immigration and labour market policies was due to other factors. In the case of ALMP, these included obstacles in the learning phase, i.e. prior to the phase of effective policy coordination. On the other hand, analysis of VET system reform in Britain presented a specific case of learning without coordination; in particular the difficulties in integrating MAC outputs and education policy until 2009 when concerns regarding immigration had risen on the government agenda. In fact, contrary to some of the literature on public administration which emphasises intra-bureaucratic competition over portfolios (Nicholson-Crotty 2005), departments responsible for immigration may find it difficult to harness support from other administrations, which may be loath to take on additional uncomfortable tasks or simply unable to ‘think outside their box’ (Boswell 2007a). The former is exemplified in the uneasiness of labour inspectors regarding requests that they control for undocumented migrant workers in Ireland and France.

3.2. Comparative political economy literature

My study contributes to comparative political economy literature in two ways. The comparative capitalisms (CC) literature, a sub-field of comparative political economy, identifies distinct capitalist regimes, the institutional configuration of which shape the economy and the collective supplies of inputs (skills, capital etc.) available to firms in different ways (Hall and Soskice 2001; Ebbinghaus 1999; Amable 2003). First, I extend important precepts of this literature to explain firms', the public sector's and individuals' strategies - in the face of institutional constraints – which directly or indirectly contribute to demand for migrant workers. Second, I find that the MWF is an additional stimulus for labour market institutional reform which should be taken into account along with other factors already identified in the labour market policy literature (Pierson 2001; Vail 2007; Schmidt 2002; Thelen 2003) such as supranational institutional constraints and population ageing.

My study also supports long standing criticisms of the CC literature. In conceptualising differences between types of capitalist societies, this literature has tended to group countries under different regime-types. For example, Britain and other Anglophone countries, including Ireland, are generally described as liberal market economies, while France, Italy and other Southern European states have been grouped together as post-statist among other labels. This literature also emphasises the basic stability of capitalist institutions and resistance to change.

These typologies have been criticised for under-emphasising intra-regime differences and over-emphasising differences between regime types, as well as devoting insufficient attention to the role of politics in establishing, changing and destroying institutions (for a summary, see Jackson and Deeg 2006). My findings tend to highlight intra-regime variation. In France, a cross-class consensus on the need for labour market control, with a particularly active approach from right-wing governments, has resulted in attempts to reinforce the ESC system over the past thirty years. The Italian ESC system is more fragmented than its French counterpart and right-wing electoral politics in the context of a generalised acceptance of informal work within the Italian populace has obstructed efficient enforcement of employment standards controls. Moreover, financial and cultural constraints to the

advancement of ALMP in Italy, in particular services provision and supports to mobility, and the development of a more active welfare state in France, including the integration of benefit administration and employment services along with more social support for the secondary labour force, has created further divergences between the two welfare states. The British ESC system was traditionally more fragmented than the Irish one and the superior strength of the trade unions in Ireland contributed to garnering support for a significant strengthening of the ESC system in 2006, while the British system was only marginally reinforced due to insuperable politico-institutional constraints on attempts to reinforce labour market controls. Furthermore, the vestiges of catholic social thought brings Irish social policy somewhere between that of Britain and conservative-continental states; while activation is augured for the unemployed, the inactive, particularly mothers, are not to be obliged to work as in Britain.

This thesis also questions the boundaries between regime-types. In general the literature on labour market reforms implemented over the past two decades paints a picture of a broad process of liberalisation (Streeck and Thelen 2005). However, recent VET system reforms in Ireland and Britain, which were partly stimulated by the 'Migrant Worker Factor', have involved market embedment; a greater role for the state in the labour market. Moreover, the reinforcement of the ESC system in Ireland over the same period involved a larger role for the state in the economy. It is particularly noteworthy that these reforms occurred before the global financial crisis of 2008-9 which has led to a rupture in the global 'liberal consensus'. As such, I posit that the MWF catalyses 'polanyian' counter movements from liberalism and more generally a reinforcement of collective governance (Polanyi 1985 (c1944)). This interpretation is supported by work on the impact of EU enlargement on labour market (re-)regulation in Europe over recent years (for example, Menz 2005).

3.3. Migration theories and immigration policy analysis

The study makes an important contribution to migration theories (for a summary, see Massey and et al 1998). The focus of much of the research on the determinants of labour migration has been on what motivates people to migrate rather than why some countries receive more migrant workers than others. Moreover, the influence of national institutional factors on economic immigration has been inadequately examined within research on the factors which create demand for migrant workers. Most notably, Michel Piore focused exclusively on the institutional arrangements governing layoffs (1979). I have attempted to show that there are

other important and related labour market institutional arrangements which influence demand for migrant workers.

My findings also have implications for immigration control policy literature (for example, Cornelius et al. 1994; Duvell 2006). It emerged that immigration control is not only affected through immigration policy but is also attempted by shaping the domestic supply of labour and skills and the quality of employment. The Irish and British cases illustrate how, while a state can have an open immigration policy in terms of numbers of migrants granted entry each year, other parts of the government bureaucracy may be working towards reducing levels of immigration by means of shaping demand for migrant workers. This is a reflection of the fact that labour immigration policy is an intrinsic part of labour market governance in advanced democracies and consequently, the study of these two policy areas should be better integrated.

The thesis also brings fresh evidence in support of scholars working on labour immigration management and control. Echoing work on social partner preferences regarding immigration (Menz 2005; Watts 2002), I found that the preferences of trade unions and employers' organizations can vary across states (and time). In fact French employer organizations and the Irish labour movement took a more cautious stance on immigration than their counterparts in the other states during the decade 1997-mid 2008. Moreover, we cannot assume that 'states' are all inherently restrictive regarding immigration, an approach commonly taken in immigration research (Calavita 1992). The administrations with a role in immigration policy, particularly those with secondary responsibility, such as the Department of Enterprise Trade and Employment in Ireland, or an informal role, such as the Treasury in Britain, and their preferences, vary across states, which has consequences for levels of openness to immigration.

A final caveat: I must clarify that the aim of this thesis has not been to give policy advice. Readers may derive more than one conclusion from its findings in terms of the appropriate way to govern labour markets and shape immigration. Some readers may favour open labour markets and low levels of regulation and control based on the assumption of efficient markets and equal opportunities. Others, emphasizing obligations to the disadvantaged within a perceived national political community, may prefer a more restrictive immigration policy and more collective solutions to labour market needs.¹⁶⁶ Any conclusion is reached with difficulty

¹⁶⁶ These are of course not the only two combinative approaches to the governance of the labour market and immigration.

given the moral dilemma between domestic social equality and global distributive justice (Bauböck 2007).

4. Future research

This thesis should be conceived of as the first step in a new direction and opens up various avenues for further research. In order to further test and refine my two causal claims, further research ought to be carried out on other labour market regimes. More in-depth analysis of the Nordic states is of particular relevance given the emphasis of their labour market institutions on wage equality, high skills and high levels of labour market participation, which I argued in Chapter 1 has had important consequences for demand for migrant workers. Moreover, the diffusion of liberal economic ideas in these states over the past decade is likely to have had an impact on both labour market institutions and the approach to immigration (Bucken-Knapp 2007). The geographical focus may also be further broadened with consideration of migrant receiving states in Central and Eastern Europe, as well as other parts of the world.

Furthermore, while I focused on the role of the MWF during a period of relative economic prosperity in Europe, it follows that an analysis should be done during an economic downturn, such as that which we are witnessing at the present time. In this context concerns regarding immigration generally grow, however, the simultaneous strain on public budgets leads to rather unclear expectations regarding the impact of the MWF on labour market institutional reform. The investigation into this second claim would also benefit from more in-depth studies of particular reform processes where the MWF has been identified, in order to better account for the role of electoral and party politics, interest groups and learning and coordination mechanisms. While a comparative case study design was suitable for the exploratory bent of my analysis, a quantitative approach to the question of the impact of labour market institutions on labour immigration may also be rewarding at the next stage of research. However, I remain unconvinced that a quantitative statistical model could adequately capture, develop or test the theory.

Finally, I would suggest an expansion of the model to include countries of origin in order to take into account the role of labour market institutions as ‘push factors’, in particular the impact on emigration levels of inadequate welfare supports and low employment standards. These factors have not been considered within migration theory, however, preliminary

research on North Africa, an important migrant sending region, leaves the strong impression that emigration today is in great part an indirect response to extensive political economic restructuring towards the liberal model, which has resulted in high unemployment and informal economy growth, public sector retrenchment and declining social supports (Achy 2002; Tzannatos and Kaur 2002).

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17. Lone parents association (OPEN) November 2007

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2. Ministero del lavoro – Labour market policy (MLLMP) May 2008
3. Ministero del lavoro – Labour Inspectorate (MLLI) May 2008
4. Ministero del lavoro - Female employment (MLFE) May 2008
5. Presidenza del Consiglio dei Ministri (PCM) September 2008
6. Istituto per lo Sviluppo della Formazione Professionale dei Lavoratori (ISFOL) May 2008
7. Federalberghi September 2008
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9. Confederazione Generale Italiana del Lavoro (CGIL) Immigration section September 2008
10. FILLEA CGIL September 2008
11. FILCAMS CGIL September 2008
12. Vocational Training Regione Emilia Romagna (VTRER) September 2008
13. Immigration Regione Emilia Romagna (IRER) September 2008
14. Federazione Nazionale Collegi Infermieri (IPASVI) September 2008
15. Expert interview Guido Bolaffi (Bolaffi) September 2008

16. Expert interview Luca Einaudi (Einaudi) September 2008
17. Expert interview Elisabetta Gualmini (Gualmini) December 2009

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2. UK Commission on Skills (UKCES), November 2009
3. Migration Advisory Committee (MAC), November 2009
4. Confederation of British Industry (CBI) Labour market regulation section November 2008
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2. Centre d'Analyse Stratégique (CAS) October 2008
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