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0. Abstract

The main aim of the project 'The Political Economy of Migration in an Integrating Europe' was to understand the decision process regarding labour recruitment made by national and multinational companies. The project have been focussed in particular on different outcomes of such decisions in terms of international recruitment and labour mobility under the impact of different welfare provisions, fiscal systems and policy, institutional and regulatory frameworks. The research was carried out in three sectors – construction, health and ICT – and in six European countries: Germany, Italy, the Netherlands, Portugal, Switzerland and the United Kingdom. As stated in the application, the main aim of the PEMINT project was to understand how decision-making processes concerning labour recruitment by national and multi-national firms lead to different outcomes in terms of labour mobility and international migration under the impact of different welfare provisions, fiscal systems, and regulatory frameworks.

Perhaps the major finding of the project is that most of the studied institutional and regulatory variables do have an impact on employers' recruitment behaviour, but they do not affect this in a decisive manner. Significant differences were found in the way these variables operate in different contexts. However, the analysis indicate that recruitment and international labour migration are more affected by the general structure of a sector and by some of its specific characteristics than by explicit structural variables. In the ICT sector, by far the most globalised of the three, migration mainly takes the form of internal mobility of workers within large multinational companies. The construction sector is the one that is most directly affected by EU rules and legislation. In this sector the phenomenon of workers who are temporarily posted in a country other than their own has become rather widespread. The health sector proves to be the least international. Only here migration appears in its classical sense, that is as migration of individuals. Besides, migration is strongly filtered as a result of requirements and interests articulated by different national arrangements.

It was also found that the incompleteness of European integration – that is the extend to which regulations and arrangements in many areas still strongly differ from one Member State to another - does not necessarily impede international recruitment and mobility, as is often assumed. On the contrary, in situations where lowering costs is the major incentive for foreign recruitment incomplete integration may very well enhance migration rather than discourage it. We have observed this in the construction sector in particular. By contrast, if finding new staff is the major incentive and the cost factor is less relevant the incompleteness of Europe's integration generates more obstacles. However, the sectors to which this applies do not manifest themselves so strongly at a European level. The health sector is still highly national in its outlook, while the ICT sector thinks and acts globally.

The findings make us conclude that the free circulation of individual workers within the EU is not at present an achievement that is of great interest to the parties directly concerned. Most intra-EU labour migration is primarily driven by the wish to reduce costs through the exploitation of differences in the social systems of the Member States. Organised recruitment provides the most effective way to do this, as the construction sector indicates. In ICT international labour recruitment is equally collectively organised, but that is an effect of the structure of that sector and not primarily cost-driven. Individual intra-EU labour migrants, by contrast, whom we find most often in the health sector, are in a much more disadvantaged situation. In the domestic market they have to compete with the native population at exactly the same labour conditions.

1. Executive summary.

The objective of this report is to provide information on the work performed during the project ‘The Political Economy of Migration in an Integrating Europe’, and to sum up the main results of the project. It builds on the Integrative Analysis made by Han Entzinger, Wim Blauw, and Madelon den Adel.

As stated in the application, the main aim of the PEMINT project is to understand how decision-making processes concerning labour recruitment by national and multi-national firms lead to different outcomes in terms of labour mobility and international migration under the impact of different welfare provisions, fiscal systems, and regulatory frameworks.

The first phase of the project was dedicated to:

- a) a analysis of existing literature on labour migration highlighting the three sectors of our study (Work Package 1);
- b) analysis of existing statistics on labour migration in the PEMINT countries, its occurrence and size, particularly in the three sectors. This also enabled us to obtain an insight into the nature of the demand in the relevant sectors of the labour market (Work Package 2);
- c) the analysis of the regulatory frameworks in the PEMINT countries with regard to immigration, as well as a descriptive analysis of their welfare and tax systems. For a better understanding of the globalising context of international labour recruitment and migration we also thought it necessary to produce a paper on the General Agreement of Trades and Services (GATS) (Work Package 3).

The analysis of existing literature revealed little evidence of research that has systematically explored the recruitment decisions of firms and the factors that might affect them, which was the major objective of PEMINT. This literature review did allow the project team, however, to make some preliminary comments about the comparability of the countries involved in the PEMINT project and the patterns, trends and lacunae in the three sectors.

In terms of demand for foreign workers, the ICT sector would appear to be the one which currently pushes governments most strongly in the direction of relaxing immigration controls but also raises some questions about the ability of governments to deliver workers as and when needed.

Construction would appear to be the most heterogeneous sector, with recruitment levels following the economic cycle in each individual country. The importance of the sector with regards to the employment of foreign workers and the implications of intra-EU mobility that competes with rather than complementing the domestic workforce could explain its pre-eminence in the research, accounting for more publications than the other two sectors.

In the health sector most countries are suffering some shortages, normally with the mid-skilled “personal care” type workers, but more than the construction and ICT sectors, outcomes in each of the PEMINT countries are dependent on specific organisational contexts provided by the type of healthcare system and the expectations for its performance.

This analysis conclude that, despite the considerable number of countries involved in the PEMINT project, there are several areas of commonality, reflecting the convergent tendency of the European single market. In none of the three sectors is there a similar skills crisis affecting all the countries, yet it would be wrong to describe the situation as completely heterogeneous. Rather in each sector there are general difficulties in achieving the right skills

balance in terms of demand and supply, while two or three countries are often experiencing a similar pattern of difficulties concerning skills shortages, mobility of workers, etc.

Regarding the review of migration statistics it is important to conclude that it is difficult to make valid comparisons in respect of stocks and flows of foreign workers in the six PEMINT countries because of wide differences in data availability, in sources and methods of data collection and in definitions and coverage (therefore national comparisons should be treated with great caution).

On a sector-by-sector basis the data collected indicate that in all countries, apart from the Netherlands and the UK, construction is probably the largest employer of foreign labour among the three sectors. In terms of nationality the composition of the foreign workforce employed in construction varies considerably from one country to another. In the health sector the UK stands out from the other countries in respect of the number of foreign workers; Germany and Switzerland are second and third. It is in the ICT sector that the steepest increase of foreign employment may be observed during the years 1995-2000. Here, the majority of workers come from outside the European Union. More recently, however, foreign recruitment in ICT has dropped as a result of the slowdown of economic development that seems to have hit this sector more strongly than the two other sectors.

The mapping of convergence and divergence where limited to the most relevant aspects that have been selected for comparison. The comparative assessment of social security limits itself to provisions for old age, sickness insurance, unemployment, family allowances and public welfare. Mention has been made of certain situations that are specific for one country - and therefore may seem less relevant in a comparative context - but that may nevertheless have an impact on the effectiveness of the social security system as a whole in that country (e.g. the employment disability scheme in the Netherlands). The conclusion of the comparative assessment is that there are substantial differences between the six PEMINT countries, not only in their institutional arrangements regarding social security, but also in the level of contributions and benefits.

At present, there are no indications of a convergence at the European level. Therefore, our conclusion was that social security arrangements may be relevant variables when it comes down to explaining differences in recruitment practices as pursued by employers in the six PEMINT countries, and will continue to do so. However, a more precise insight into the overall expenses for social security per employee in each of the six countries is still lacking, and so is an insight into the distribution of these expenses between the employer and the employee. This information is highly relevant, as it directly affects the cost of labour and therefore decision making on recruitment by an employer. It should also be noted that the same form of protection is tax funded in some countries, while in other countries it is funded through special contributions by employers and/or workers. This adds to the problems of an effective comparison of social security systems, and it may incite employers to forms of strategic behaviour in their recruitment practices.

Our comparison of the fiscal systems in the six PEMINT countries has produced similar results. We have limited ourselves to income taxes and company taxes (direct taxes), and general sales tax (value-added tax). All PEMINT countries show a tendency to increase their tax rates, although a shift is visible from direct to indirect taxation. The overall taxation levels on income vary considerably, and range from 10 - 40 per cent in the UK to 32.25 - 52 per cent in the Netherlands. Indirect taxes are mostly between 16 and 20 per cent, except in Switzerland, where it is as low as 7.6 per cent. Again, however, it should be kept in mind that certain social security provisions are tax financed in some countries and financed under

separate regimes in other cases. This may blur a realistic comparison of labour costs. Another aspect that needs further investigation is the rules that apply to the location of taxation. Do workers pay taxes (and social security contributions) in their country of residence or in their country of employment? Here too, employers have a considerable room for discretionary decision making in cases of hiring of foreign workers.

This first phase was concluded with a meeting of all complete research teams to discuss the outcomes and to formulate research questions for the second phase (Work Package 4).

This process involved the clarification of some questions about sample criteria, sample size, composition and characteristics of the sample. It was decided that the empirical part of the project would focus attention on the three sectors identified in the proposal and try to capture the whole chain of recruitment in the selected enterprises.

During the second phase a survey was developed and carried out (Work Packages 5 through 9). In all PEMINT countries a number of companies or institutions in each of the three sectors were selected for face-to-face interviews of which we held 230. The interviews took place with Human Resource Managers or other persons responsible for Personnel and Organisation affairs. They were meant to acquire an insight into the companies' recruitment strategies. More precisely, their main objective was to find out under which conditions companies decide to recruit labour migrants and what type of obstacles they encounter.

The data from this survey suggest that the three sectors that were chosen prove to be instructive cases in understanding some of the heterogeneous dynamics linked with international migration in an integrating Europe. In summary, migration refers in each case to different needs and problems: in the ICT sector to the flexible use of staff inside internationalised companies by means of internal labour market migration; in the Construction sector to the effort to get access to cheap labour power by means of migration in an organisational form on the basis of the European legal framework "freedom of services" (subcontracting); the Health sector relying on welfare provisions making only limited use of migrants in order to overcome labour shortages (with the major exception of the UK).

One of the main findings of the survey in the ICT sector was the high volume and proportion of internal labour market (ILM) flows amongst all international ICT flows, both currently and during the boom. By ILM flows are meant movements of personnel in the framework of organisations, in this case multinational companies. The main rationale for ILM movements is the flexible use of existing staff of multinational companies, allocated according to functional and technical needs. In another terms, mobility is a tool to optimise the allocation of production factors.

The scale and pattern of foreign recruitment in the Health sector differs significantly from country to country. At the one extreme, there is almost no recruitment of foreigners in Germany, other than those of foreign birth already settled in the country. At the other extreme, the UK is very actively recruiting thousands of staff from abroad, both doctors and nurses. In the other four countries, there is a limited amount of recruitment of foreign doctors but a much more active programme to attract foreign nurses. In the case of lower-skilled care workers, it appears that foreign nationals are employed in most countries but are generally recruited from within country of employment. The source countries from which foreign staff originates are wide-ranging, with some marked differences between host countries. Pensions, tax, welfare and insurance for the most part these are not deemed to be significant items in recruitment but in certain circumstances they could play a role. Tax differences were mentioned where some border commuting occurred, compulsory payment of national insurance can be a deterrent for short-term migrants, while pensions issues are complicated

and, while not fundamentally important, could play a role in some cases. In contrast, language is a primary barrier to recruitment and cultural differences can be an obstacle to effective performance unless foreign recruits learn about and adapt to their new working environment.

In all PEMINT countries the immigration of foreign labour in the Construction sector is most significant in those areas of the labour market which tend to be more deregulated. The cost of labour emerged as the most relevant factor in explaining international migratory flows and the presence of foreign workers in the construction sector. Consequently, some countries experience strong pressures on the labour cost side so that they are pushed to look for competitive advantages by resorting to foreign recruitment (both EU and non-EU). Since in all the PEMINT countries national (or settled in the country) firms have to pay the same wage and social contribution to domestic and foreign workers, the competitive advantage can be pursued *only* where the legislative framework allows foreign firms to apply the level of social contribution of their country of origin. The internal labour market is scarcely used at an international level and it concerns only high and medium skilled workers (who only occasionally are foreigners) in big national and multinational construction companies. Recruitment in the external labour market varies according to the level of skills needed with a clear differentiation between high skilled and medium/low skilled workers. For the latter, the informal channel is predominant. The most important element of differentiation is the role agencies play. Both the use of agencies and of classical channels are often mixed with the informal channel as the level of the structuring of the company diminishes. At the lowest skill level, the informal nature of the recruitment process is much more pronounced, though with differences among countries.

The survey findings were presented and analysed in three sectoral reports for each PEMINT country (Work Package 10). These were discussed in a meeting of all research teams (Work Package 11) and subsequently served as a basis for another report, in which the results of all six PEMINT countries were integrated (Work Packages 12 and 13).

In the third phase of this project we focussed on institutional actors, the independent variable of our model that until then had been undervalued. We believe that decision-makers in companies do not operate in a vacuum. Their decisions are influenced not only by the demands of the labour market and by rules and regulations that govern immigration, social policy, taxation etc., but also by relevant actors and interest groups that may advocate certain views at an institutional level. The fact that we collected their views in a relatively late stage of the PEMINT project enabled us to confront these views with our earlier findings and to find explanations for phenomena that until then had remained unclear. Our main sources of information on institutional actors were 108 interviews with responsible officials in each of the six PEMINT countries, but also at a European level (Work Package 14). In addition to this, we collected our information on relevant views through the Internet and from publications of these organisations and institutions. This resulted in six country specific institutional actors reports and one integrative report, that was then discussed and compared with our earlier findings in another meeting of the eight research teams (Work Packages 15 and 16).

In the PEMINT project we have made an effort to understand how national and multinational companies make decisions on labour recruitment. We have been focussed in particular on different outcomes of such decisions in terms of international recruitment and labour mobility under the impact of different welfare provisions, fiscal systems and policy, institutional and regulatory frameworks. Our research was carried out in three sectors – construction, health

and ICT – in six European countries: Germany, Italy, the Netherlands, Portugal, Switzerland and the United Kingdom.

Perhaps our major finding is that most of the institutional and regulatory variables that we have studied in our research do have an impact on employers' recruitment behaviour, but they do not affect this in a decisive manner. We found significant differences in the way these variables operate in different contexts. Our analyses, however, indicate that recruitment and international labour migration are more affected by the general structure of a sector and by some of its specific characteristics than by explicit structural variables. In the ICT sector, by far the most globalised of the three, migration mainly takes the form of internal mobility of workers within large multinational companies. The construction sector is the one that is most directly affected by EU rules and legislation. In this sector the phenomenon of workers who are temporarily posted in a country other than their own has become rather widespread. The health sector proves to be the least international. The national state largely determines its functioning, and the number of migrant workers is lower than in the other two sectors, except in the UK. Only in this sector migration appears in its classical sense, that is as migration of individuals. Besides, migration in the health sector is strongly filtered as a result of requirements and interests articulated by different national arrangements.

We also found that the incompleteness of European integration – that is the extend to which regulations and arrangements in many areas still strongly differ from one Member State to another - does not necessarily hamper international recruitment and mobility, as is often assumed. On the contrary, in situations where lowering costs is the major incentive for foreign recruitment incomplete integration may very well enhance migration rather than discourage it. We have observed this in the construction sector in particular. By contrast, if finding new staff is the major incentive and the cost factor is less relevant the incompleteness of Europe's integration generates more obstacles. However, the sectors to which this applies do not manifest themselves so strongly at a European level. The health sector is still highly national in its outlook, while the ICT sector thinks and acts globally.

Our findings make us conclude that the free circulation of individual workers within the EU is not at present an achievement that is of great interest to the parties directly concerned. Most intra-EU labour migration is primarily driven by the wish to reduce costs through the exploitation of differences in the social systems of the Member States. Organised recruitment provides the most effective way to do this, as the construction sector indicates. In ICT international labour recruitment is equally collectively organised, but that is an effect of the structure of that sector and not primarily cost-driven. Individual intra-EU labour migrants, by contrast, whom we find most often in the health sector, are in a much more disadvantaged situation. In the domestic market they have to compete with the native population at exactly the same labour conditions.

The findings of the PEMINT project have both theoretical and policy relevance. Our theoretical starting point was that most existing theories of labour migration explain these phenomena from a structural, supra-individual angle, largely determined by economic conditions. They tend to disregard the role of individual actors who operate within a framework of institutional arrangements. Our fieldwork has precisely enabled us to map the role of these institutional actors, both within companies and at the level of policy making. This actor-centred approach has indeed revealed significant differences between sectors and also between communities of interests that more structural approaches so far have overlooked. The PEMINT team is planning to elaborate these issues further in an academic book that will be published later. A central question in that book will be how institutional arrangements affect employers' recruitment behaviour in the three sectors and with what consequences for

migration. At a more methodological level we are intending to discuss how actor-centred perspectives may contribute to the re-theorisation of the position of migrants working in the three sectors.

Obviously, we are well aware that the PEMINT project, in spite of its size and scope, also has its limitations. We were only able to study three sectors, which turned out to be so different that we never regretted their choice. Yet, it is precisely this diversity that makes us weary that a different selection of sectors might have produced different conclusions. Sectors such as tourism, agriculture or domestic services attract large numbers of migrants and the mechanisms behind this may differ from what we have found for 'our' sectors. Another limitation of PEMINT has been our restriction to employers, supplemented by other institutional actors. It would be interesting to compare their views with those of the workers in their sectors, particularly the migrant workers. Possibly a subject for a future project? Finally, we have limited our study to six countries that we believed to reflect sufficiently the variety in the EU-15/EEA. However, recent and future expansions of the EU may generate new migration movements that may be hard to understand on the basis of our findings. Perhaps another theme for future research?

2. Background and objectives of the project

The rationale for the project is to be found in the recognition that, despite the EU efforts to promote the free movement of natural persons, people do not move that easily within the Union and employers seeking manpower often prefer other solutions to recruiting elsewhere in the EU. Available statistics point out that intra-EU migration is relatively low and not growing particularly rapidly. Contrasting with this, the same statistics show that migration from outside the EU is more significant numerically and also more dynamic.

The main objective of the project was to understand how decision-making processes concerning labour recruitment by national and multi-national firms lead to different outcomes in terms of labour mobility and international migration under the impact of different welfare provisions, fiscal systems, and regulatory frameworks. Stated differently, the main aim of the project was to identify the recruitment decisions made by national and international companies in the EU when the domestic labour market didn't satisfy the requirements of these companies.

The starting point for the PEMINT project was that, despite the enhanced Europeanised resonance that free movement, welfare and fiscal systems have acquired, the numerous obstacles encountered by employers as well as migrants hinder the free circulation of labour within the EU. These obstacles are a sign of the 'incompleteness' of European integration. The project intended not only to list and analyse these obstacles, but also aimed to find out how employers respond to them through their recruitment practices. The project was therefore clearly and deliberately limited to the employers' perspective, even though the research team were well aware of the fact that the perspective of the workers, in particular that of (potential) migrant workers, is equally relevant.

Of particular interest are the effects of recruitment processes on different migration types: highly qualified as opposed to low skilled, temporary as opposed to permanent migration, legal versus illegal, European as opposed to non-European. A close relation between specific demand contexts conditioned by these problems of incomplete European integration and structures of migration processes was assumed.

The project departed from the contention that globalisation, European integration and the specific conditions of national welfare states and their interaction can best be captured by analysis of organisational contexts in sectors and the conditions under which they become valid and produce chain effects. The central contention was, therefore, that the mentioned effects could best be charted by organisational analysis in sectoral contexts capable of illustrating interdependencies and their effects on mobility in an integrating Europe. This contention requires disaggregation of the general assumptions and the analysis of general labour market effects coupled with a focus on specific organisational dynamics on companies in those types of sectors that are affected by these general conditions. For these reasons, and for feasibility reasons, we have selected three sectors – construction, health care and information and communication technology (ICT) - that were not only highly affected by the above mentioned contextual factors but also included a large number of 'posted workers', intra-EU migrants, and non- EU immigrants. Consequently, the research was organised by economic sectors in relation to the three specified overarching topics: impacts on labour mobility of recruitment processes, welfare contexts (including social security and fiscal systems) and political-institutional effects of Europeanisation. These three thematic umbrellas guided the fieldwork that has been designed to capture such interconnections comparatively not only in terms of the country involved but also across sectors, types of organisation and in different social and institutional contexts.

The choice of sectors is closely linked to the choice of countries where the chain effects of Europeanisation and the consequences of incomplete integration can be observed. The research was conducted in five EU member states – Germany, Italy, Netherlands, Portugal and the UK – and one non EU member (Switzerland), all of which were highly relevant in terms of the presence of the three sectors.

2.1 The PEMINT research model

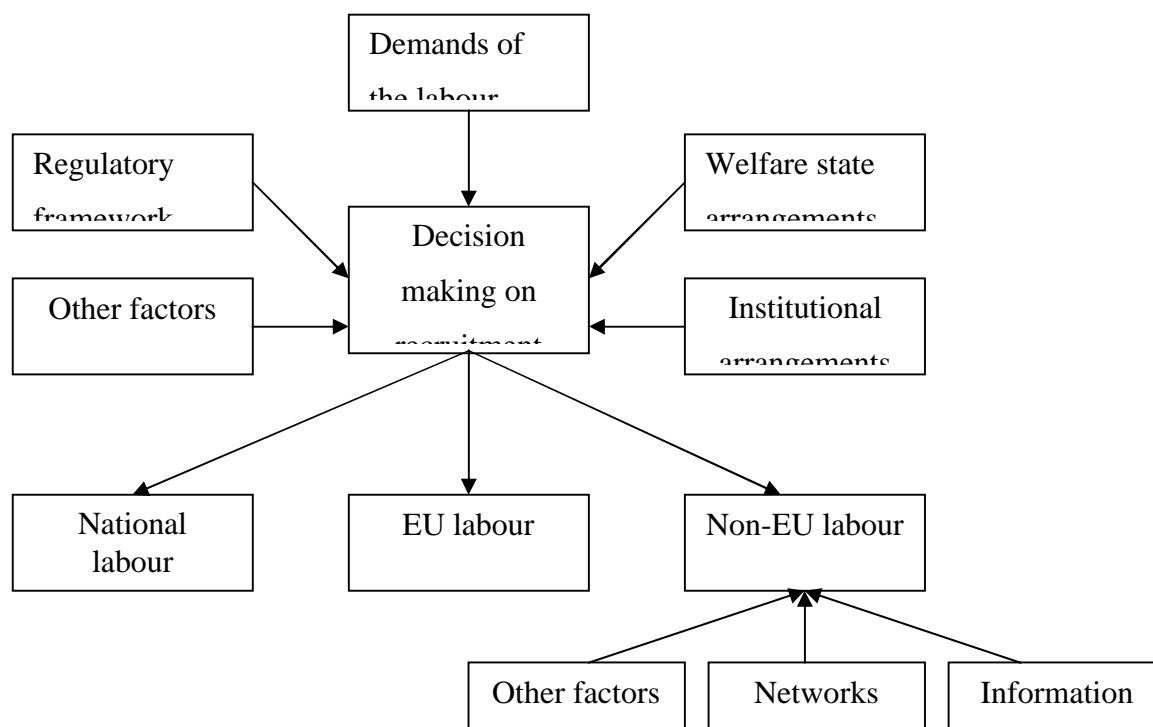
At the start of the project a research model was developed to describe systematically the factors that might explain the effects of incomplete European integration on labour migration (see figure 1). The central variable in our model is *decision-making on recruitment*. To explain which decisions are actually being made with regard to recruitment we have produced two working papers in which an inventory has been made of possible recruitment strategies and factors that may affect these (Blauw, 2002 and Fellini & Fullin, 2002). We started from the classical economic assumption that decision-makers in labour organisations always seek to minimise labour costs. If one were to argue strictly from an economic angle, the demands of the labour market would be the only relevant determinant in decision making on recruitment. In reality, however, employers have to account for a substantial number of additional determinants, which often constrain their possibilities to pursue what would be the most obvious strategy. In our model we have distinguished four types of such determinants.

First, there is the *regulatory framework*, the rules and regulations that are often experienced as constraints to a completely free market. The hiring and firing of personnel is always subject to an elaborate set of legal arrangements. In the case of migrant workers – our primary interest in the PEMINT project – the regulations that govern immigration and foreign employment are of particular relevance. In this project their impact has been studied at an international, a European and a national level.

Secondly, on the basis of existing research we expect certain types of *arrangements that relate to the welfare state* to be of special significance. These not only include the social security and social policy instruments, in line with the common understanding of the concept of the welfare state, but they also include the tax system. After all, it is through taxation that the cost of welfare arrangements has to be borne. In their decision making on labour recruitment employers are likely to be guided more strongly by the cost argument than by welfare benefits. Including this variable into our model will enable us to make comparisons between the PEMINT countries, as welfare and tax arrangements differ considerably between them, probably even more than immigration arrangements, which are increasingly being designed at a European level. It is here, therefore, that we assume that the idea of incomplete European integration as a potential factor influencing decision making on recruitment may come out most clearly.

Our third major determinant are the relevant *institutional actors*, such as governments and government agencies, trade unions, employers' associations, interest groups, migrant advocacy organisations and others whose policies and views may affect employers' decisions. Here too we can expect considerable differences not only between the different institutions themselves, but also between the PEMINT countries and the three sectors of the economy included in our research. Here too, the fact that Europe's integration has by no means led to a complete harmonisation of all relevant actors may account for differences that affect recruitment practices.

Figure 1: Research model



Source: Proposal, p.27

Finally, and in view of the exploratory nature of PEMINT, we have thought it wise to include ‘*other factors*’ into our model as well. As we will see later, some of these, such as existing migration networks or cultural differences and similarities between migrants and the local population often prove to be of an overriding significance.

Concerning the dependent variables, we have started from the assumption that employers who wish to recruit manpower have three options. They will first turn to the domestic, i.e. the national labour market. Only when supply turns out to be insufficient will they direct their recruitment activities towards other countries. Given the existing rules, they will first do so inside the EU and, only as a second choice, they will go elsewhere. In PEMINT we take a special interest in employers’ decision making on these issues. What makes them decide to focus their recruitment activities on specific countries, and how do they obtain the necessary information? Obviously, employers have more options than labour recruitment alone. One may think here of outsourcing certain activities to other companies or transferring such activities to other countries, e.g. to countries where the relevant know how or where cheaper labour is available. Another option would be to recur to the informal part of the labour market.

The model just described has structured our research work, and has helped us to answer our main research question and to achieve most of our research objectives. At the beginning of our research these were defined as follows:

Box 1: Research objectives

In pursuit of the central aim of the project, eleven research objectives have been developed that can be grouped under four headings:

Labour recruitment

1. To develop an understanding of the critical interactions between labour recruitment processes and a range of social relevant factors (i.e. fiscal systems, social security and associated regulatory frameworks) conditioning these processes.
2. To develop a sectoral approach in order to assess the impact of different socially relevant contexts on decision-making processes within organisations concerning labour recruitment.
3. To elaborate a typology of outcomes of labour recruitment decisions by size of firm, their scope of operations and their stage of development.
4. To develop an understanding of the employment and immigration policy implications on individual and corporate strategies in the three selected sectors.

Problems of incomplete European integration

5. To measure the impact of divergence and convergence in tax and social security systems and regulatory compliance on labour mobility in an integrating Europe.
6. To analyse existing policy tools affecting employment (migrant and non-migrant) in the construction and building, health care, and ICT sectors in several metropolitan areas of the EU.
7. To understand how immigration policies at national and EU level help or hinder the development of immigration and the socio-economic integration of immigrants in the EU.

Individual agency and unexpected outcomes

8. To develop and enhance theorisation of migrant and ethnic minority group involvement in the processes of globalisation and European integration.
9. To develop an understanding of the relevance of actor-centred views of migrants and members of ethnic minorities in contrast with structural theorisations (such as those of Sassen and Portes) and to ask what these actor-centred perspectives contribute to the re-theorisation of the position of migrants working in the three sectors.
10. To capture gender effects by comparing the migratory processes of different migrant groups and the different role that male and female migrants assume in labour redistributions.

Impact of emerging global governance

2.2 An overview of the work

Using our research model as a starting point, the first actions were to describe the existing situation in the six PEMINT countries with regard to:

- What has been written in the existing literature on labour migration, highlighting the three sectors of our study (Work Package 1).
- What has been recorded in statistical material on labour migration in the PEMINT countries, its occurrence and size, particularly in the three sectors. This also enabled us to obtain an insight into the nature of the demand in the relevant sectors of the labour market (Work Package 2).
- The regulatory frameworks in the PEMINT countries with regard to immigration, as well as a descriptive analysis of their welfare and tax systems. For a better understanding of the globalising context of international labour recruitment and migration we also thought it necessary to produce a paper on the General Agreement of Trades and Services (GATS). (Work Package 3).

This first phase was concluded with a meeting of all complete research teams in which the outcomes were discussed and research questions for the second phase were formulated (Work Package 4). An overview of the outcomes of these activities are presented in the following paragraphs (2.2.1.1 to 2.2.1.4)

2.2.1 Overview of the work during the first project phase

2.2.1.1 Assessment of existing studies (WP 1)

This Work Package involved a review of the relevant literature in the health care, ICT and construction sectors in each of the six countries selected. The defined areas of interest were the current employment situation, recent labour migration from both within and outside the EU, and future trends and developments for each sector. Each of the six national teams carried out a survey of the literature referring to their own country and produced a country report. Emphasis was laid on studies carried out during the past five years. The findings of this work have been summarised in a paper by Andrew Geddes & Alex Balch, called *The Political Economy of Migration in an Integrating Europe: Patterns, Trends, Lacunae and their Implications*.

In addition to this overview by country and by sector, three background papers have been produced in the context of WP1. These papers deal with recruitment processes, an aspect that needed further exploration in view of the research design: *Organisation and Recruitment* by Michael Bommers, *Labour Recruitment Strategies and Labour Mobility* by Wim Blauw, and *Firms as Actors in Subcontracting and Recruitment of Foreign Labour: The Challenge of Cross-sectoral Comparison* by Ivana Fellini & Giovanna Fullin.

The results of WP1 contributed to further improve and finalise the research plan and to serve as the basis for formulating our hypotheses and additional research questions – in combination with the results of WPs 2 and 3. The three background papers contributed also to the theoretical chapter in the final publication of the project. The major findings of WP1 and their implications for the PEMINT research may be summarised as follows:

In their paper based on the review of existing literature Geddes & Balch have found little evidence of research that has systematically explored the recruitment decisions of firms and the factors that might affect them, which is the major objective of PEMINT. Thus, we may safely assume that our approach is quite original and relatively unprecedented. However, the literature review does allow us to make some preliminary comments about the comparability of the countries involved in the PEMINT project and the patterns, trends and lacunae in the three sectors.

In terms of demand for foreign workers, the ICT sector would appear to be the one which currently pushes governments most strongly in the direction of relaxing immigration controls but also raises some questions about the ability of governments to deliver workers as and when needed. If there are global shortages of ICT professionals then this seems unlikely to mean large-scale high skilled migration even if receiving countries can offer high levels of rewards. The literature also suggests that the ICT sector is likely to need more trained personnel over the next five years, despite the restructuring taking place in the technology sector worldwide. Governments such as the UK and Germany are continuing with their high-skilled migrant programmes, suggesting that the sector is likely to move towards a more mobile workforce, and could have a greater proportion of foreign workers as migrants take advantage of the opening of the migration channel.

Construction would appear to be the most heterogeneous sector, with recruitment levels following the economic cycle in each individual country. The importance of the sector with regards to the employment of foreign workers and the implications of intra-EU mobility that competes with rather than complementing the domestic workforce could explain its pre-eminence in the research, accounting for more publications than the other two sectors. However, while the sector is large it is also clear that small subcontracting firms tend to dominate - accounting for most of the employers in the sector. This presents some methodological challenges and suggests that it is important to follow the recruitment chain to the sub-contracting level where most recruitment decisions are actually made. There has been some research on recruitment decisions by firms in the construction sector. For instance, examining the effects of the EU's posted workers directive. Another very important feature of the research is the persistence of irregular employment practices, primarily (although not only) in southern Europe, but it is difficult to observe a pattern in terms of skills shortages across any more than two countries.

The picture in terms of research into recruitment decisions in the health sector is also patchy. Most countries are suffering some shortages, normally with the mid-skilled "personal care" type workers, but more than the construction and ICT sectors, outcomes in each of the PEMINT countries are dependent on specific organisational contexts provided by the type of healthcare system and the expectations for its performance. The number of nurses per capita in one country, for example, might be acceptable, whereas in another the situation might lead to government action and a call for more immigrant nurses.

Geddes & Balch conclude that, despite the considerable number of countries involved in the PEMINT project, there are several areas of commonality, reflecting the convergent tendency of the European single market. In none of the three sectors is there a similar skills crisis affecting all the countries, yet it would be wrong to describe the situation as completely heterogeneous. Rather in each sector there are general difficulties in achieving the right skills balance in terms of demand and supply, while two or three countries are often experiencing a similar pattern of difficulties concerning skills shortages, mobility of workers, etc.

Construction seems to be the sector most affected by the whim of government and the state of the economy. Health is shielded to some extent to the vagaries of the market, but by no means completely, and in terms of recruitment policy is very vulnerable to changes in government. Key issues here are health care capacity and demographic change.

A factor that linked the health and construction sectors was recruitment problems stemming from presentational or perception issues. Particularly at the lower skilled end of these sectors, the image of low paid and physically demanding work has deterred high levels of domestic labour market entrants. When this combines with booms in these sectors – induced both by government policy and by private sector demands – then this also leads to pressure for greater recruitment of immigrant workers.

The ICT sector is unusual in that it has experienced unprecedented growth while other more traditional sectors have shrunk. Constant labour shortages have been a recurring theme. But that seems set to change in some countries where the sector is having its first period of slow or negative growth (UK, Germany). This shows once again that the high-tech sector moves faster than governments as programmes to import foreign labour are starting to come online just as the industry moves into a phase of restructuring, shedding workers.

An examination of specific industry sectors across different countries could tell us about migration in the EU at the micro-level, and explain the paradox of why so few people move. Research into the recruitment decisions that firms make can also tell us what forces affect the numbers and skills levels of those people who do decide to move. It would also inform governments and institutions about how best to facilitate mobility in areas where shortages are most acute.

The background papers written by Bommess and by Blauw focus on what may easily be called the central variable in PEMINT's analytical framework: decision making on recruitment by employers. Blauw's paper starts from the assumption that in their decisions on recruitment employers primarily respond to their changing environment, whilst Bommess sees a company as a more autonomous institution, relatively resistant to external influences. In their paper Fellini & Fullin analyse the dilemmas employers are facing when they have to choose between recruiting foreign labour and subcontracting certain activities, as well as the factors affecting their decisions in these matters.

2.2.1.2 Review of Migration Statistics (WP 2)

Another task accomplished by the team members during this phase was the inventory on available statistical data on recent immigration in the six countries. A special effort was put on gathering information regarding the skill level, sector of employment (construction, health, and ICT), and country of origin of the migrants. In order to attain some comparability of the data it was necessary to elaborate a list of items to be collected by each team member and to clarify some of the concepts underlying the production of national and international statistical figures.

As in the literature survey of WP1, each of the six PEMINT teams collected the relevant data for its own country. The data have been collated and analysed by Janet Dobson & John Salt in a working paper called *Review of Migration Statistics*. This working paper was considered a preliminary exercise, a solid basis for further data collection and a point of reference to which the team returned later as the research progresses and their insights into the actual situation deepened.

In their review of migration statistics Dobson & Salt conclude that it is difficult to make valid comparisons in respect of stocks and flows of foreign workers in the six PEMINT countries because of wide differences in data availability, in sources and methods of data collection and in definitions and coverage. For instance, a foreign worker may be construed as meaning a foreign national or as someone who is foreign born, even if they have taken the citizenship of the country in which they work. Some definitions are very wide-ranging (e.g. related to a parent born abroad), while others are limited to those holding certain types of permits. Total numbers recorded as foreign workers in any particular country may change over time simply as a result of people acquiring citizenship and the extent to which this occurs will differ from country to country. Undocumented migrants are likely to be undercounted in most official records and no hard statistical data has been identified on these. Taken together, these reservations mean that national comparisons should be treated with great caution.

It is particularly difficult to make comparisons about stocks and flows of foreign workers in each employment sector, and even more so at the occupational level, because data are patchy or non-existent. However, the exercise has pointed up the existence of useful statistical sources that are special to each of the sectors – for instance the registration records of professional associations in the health sector.

In spite of the limitations just described, some very general trends may be observed as regards stocks and flows of foreign workers. First, the number of foreigners employed has increased in all PEMINT countries since 1995. This has equally been the case for foreign workers from non-EU countries (except in Switzerland). The number of foreign workers employed is larger in the North of Europe than in the South, but the increase has been more rapid in the South (i.e. Italy and Portugal). It should be noted that in some cases relevant data for the South are missing, which makes it more difficult to draw firm conclusions. Patterns of foreign employment are by no means at random. Relatively many new foreign workers come from nearby countries (e.g. British workers in Germany and the Netherlands) or from countries with which there are cultural or historical ties (e.g. Brazilians in Portugal, Indians in the UK). Statistical data also suggest that there may be a link between labour shortages in a country and emigration from that country to another country. For example, Portuguese construction workers move to Germany, thus leaving gaps in the local labour market in Portugal; Dutch doctors move to Germany, thus creating shortages in the Netherlands.

On a sector-by-sector basis the data collected indicate that in all countries apart from the Netherlands and the UK construction is probably the largest employer of foreign labour among the three sectors. In terms of nationality the composition of the foreign workforce employed in construction varies considerably from one country to another. In the health sector the UK stands out from the other countries in respect of the number of foreign workers; Germany and Switzerland are second and third. It is in the ICT sector that the steepest increase of foreign employment may be observed during the years 1995-2000. Here, the majority of workers come from outside the European Union. More recently, however, foreign recruitment in ICT has dropped as a result of the slowdown of economic development that seems to have hit this sector more strongly than the two other sectors.

The findings that have been very briefly summarised here indicate the following trends and facts that were borne in mind during subsequent stages of the PEMINT project, particularly the employer survey:

- § There is evidence of changing patterns of labour migration and recruitment. The groups of foreign workers that comprise the largest stocks in each sector are not necessarily those that comprise the largest current flows. Where patterns are changing, we want to know how and why. In some cases this will be obvious – e.g. a sizeable reduction in numbers from former Yugoslavia in Germany over the last few years – in others less so.
- § The relationship between changes in total employment in a particular sector or occupation and changes in the employment of foreign labour will need to be examined carefully – that is to say, an increase or decrease in numbers of foreign workers may simply reflect trends in the size of the total labour force or may mean a significant change in the proportion of foreign workers employed.
- § There is clearly a different pattern of recruitment of foreign workers in relation to different occupations within individual sectors. This is something that our survey can illuminate.
- § Certain data suggest that small firms may be looking to recruit foreign labour as well as the larger organisations on which we are focussing. It is equally possible that the active recruitment of certain skills and expertise may be associated with stages of organisational growth.
- § Although our initial focus is on ‘migration *in* an integrating Europe’, we will have to recognise that a high proportion of movement into, and foreign employment within the six PEMINT countries is of non-EU citizens and finds its origins *outside* Europe.

2.2.1.3 Mapping of convergence and divergence (WP 3)

In the first phase of the project the mapping of convergence and divergence regarding national regulatory systems on social security, taxation and immigration policies was initiated. During this phase this Working Package produced a working paper that deals with social security regulations and fiscal systems on a comparative basis. As in WPs 1 and 2, this Working Paper was also based on information provided by each of the PEMINT teams, at least partly. Holger Kolb & Michael Bommers wrote it. Three background papers have also been finalised, all of them, dealing with the interrelationship of migration and national and international regulations in areas that are highly significant for the PEMINT project. One paper is called *The Legal Framework of EU Migration*, and has been written by Elspeth Guild. The second one is called *Labour Mobility in the General Agreement on Trades and Services (GATS)* and has been written by Sandra Lavenex. The third paper has been written by Manuel Baganha, and is called *Taxation, Social Benefits and Migration*.

In their paper Kolb & Bommers argue that a comprehensive overview that does sufficient justice to all aspects in the complex system of social security, taxes and immigration policies is impossible. Therefore, some of the most relevant aspects have been selected for comparison. The comparative assessment of social security limits itself to provisions for old age, sickness insurance, unemployment, family allowances and public welfare. Mention has been made of certain situations that are specific for one country - and therefore may seem less relevant in a comparative context - but that may nevertheless have an impact on the effectiveness of the social security system as a whole in that country (e.g. the employment disability scheme in the Netherlands). The conclusion of the comparative assessment was that there are substantial differences between the six PEMINT countries, not only in their institutional arrangements regarding social security, but also in the level of contributions and benefits.

At present, there are no indications of a convergence at the European level. Therefore, our conclusion was that social security arrangements may be relevant variables when it comes down to explaining differences in recruitment practices as pursued by employers in the six PEMINT countries, and will continue to do so. However, a more precise insight into the overall expenses for social security per employee in each of the six countries is still lacking, and so is an insight into the distribution of these expenses between the employer and the employee. This information is highly relevant, as it directly affects the cost of labour and therefore decision making on recruitment by an employer. It should also be noted that the same form of protection is tax funded in some countries, whilst in other countries it is funded through special contributions by employers and/or workers. This adds to the problems of an effective comparison of social security systems, and it may incite employers to forms of strategic behaviour in their recruitment practices. Hopefully, the survey will enable us to find out whether this is indeed the case and, if so, to what extent.

Our comparison of the fiscal systems in the six PEMINT countries has produced similar results. We have limited ourselves to income taxes and company taxes (direct taxes), and general sales tax (value-added tax). All PEMINT countries showed a tendency to increase their tax rates, although a shift is visible from direct to indirect taxation. The overall taxation levels on income vary considerably, and range from 10 - 40 per cent in the UK to 32.25 - 52 per cent in the Netherlands. Indirect taxes are mostly between 16 and 20 per cent, except in Switzerland, where it is as low as 7.6 per cent. Again, however, it should be kept in mind that certain social security provisions are tax financed in some countries and financed under separate regimes in other cases. This may blur a realistic comparison of labour costs. Another aspect that needs further investigation is the rules that apply to the location of taxation. Do workers pay taxes (and social security contributions) in their country of residence or in their

country of employment? Here too, employers have a considerable room for discretionary decision making in cases of hiring of foreign workers.

2.2.1.4 Selection of Companies and Development of Survey (WP 5)

After the fulfilment of the first three working packages the team started to develop the methodological instruments that would be used during the fieldwork, and started also the process of sampling the companies that would be used as case studies. This process involved the clarification of some questions about sample criteria, sample size, composition and characteristics of the sample. It was decided that the empirical part of the project would focus his attention on the three sectors identified in the proposal and try to capture the whole chain of recruitment in the selected companies (these companies were the units of analysis).

It has been proposed to select within each participating country 12 companies from each of the three sectors (construction, health care and ICT).

If possible, the sample of companies in each sector had to be stratified into three categories: national (in country of study), other EU-owned and other foreign. It proved that this could not be maintained for each sector, particularly not for health care organisations like hospitals.

Another intention was, if possible, to study the same company in more countries, if the company was present in more than one of the PEMINT countries in order to be able to make comparisons of the local contexts (this proved to be possible in the ICT-sector).

Within each sector it has been decided that as far as possible three occupational levels have to be distinguished: a high, medium and low skilled level as it might be expected that the labour market situation of these occupational levels might be different.

Given the central problem of the research large companies have been selected, which make a significant numerical impact on international labour flows and companies have been selected, which were expected to have substantial numbers of foreign workers.

An extra complication, which has been foreseen, was the possibility that companies might use external agencies (health sector) or subcontractors (construction) to engage foreign labour. If in a first round of interviews it proves that companies have used these alternative recruitment strategies, these intermediate agencies or contractors will also be interviewed.

2.2.2 Overview of the work during the second project phase

During that second phase a survey was developed and carried out (Work Packages 5 through 9). In all PEMINT countries a number of companies or institutions in each of the three sectors were selected for face-to-face interviews. These took place with Human Resource Managers or other persons responsible for Personnel and Organisation affairs. The interviews were meant to acquire an insight into the companies' recruitment strategies. More precisely, their main objective was to find out under which conditions companies decide to recruit labour migrants and what type of obstacles they encounter. The survey findings were presented and analysed in three sectoral reports for each PEMINT country (Work Package 10). These were discussed in a meeting of all research teams (Work Package 11) and subsequently served as a basis for another report, in which the results of all six PEMINT countries were integrated (Work Packages 12 and 13). An overview of the activities and outcome of this phase is presented in the following paragraphs (2.2.2.1 to 2.2.2.3)

2.2.2.1 Carry out survey (WP8)

The survey of employers proved to be a long and complicated exercise and must ultimately be judged as highly successful. Each partner in each sector completed interviews with the target number and type of employers. The information obtained was immensely rich. Furthermore, the international comparative element striven for in the methodology was achieved. For example, we selected four ICT companies which had operations in each PEMINT country: they all agreed to co-operate, giving us six interviews, one in each country. This has allowed us to get a unique insight into how the same company views and manages international recruitment across a set of its global locations.

Overall, the teams found the Health sector to be the most co-operative. ICT companies were more frequently reluctant to participate than those in other sectors. Experiences in the Construction sector varied with large companies more willing to be interviewed than sub-contractors – this was to be expected. Overall, the interview period extended over about 8 months.

The interviewing process was mainly carried out without problems. Those interviewed were mainly human resources professionals but others were included, for example, heads of corporate IT departments. All teams reported that for the most part the interview was comfortable, the interviewees being open and frank, even where some of the issues might be described as delicate (for example, the Swiss team found construction employers willing to talk about moonlighting and irregular work). In general, interviewees were willing to spend the necessary time to deal with all the points we wished to raise. One large private employer in the Health sector in the UK laid on three separate interviews with senior staff to ensure a comprehensive picture was obtained. On other occasions, teleconferences were laid on to bring together people with different responsibilities across the organisation.

One problem that all teams confronted was that the common interview guide was long (to cover the range of eventualities) and not always relevant to a particular employer or sector. For example, the answers to certain questions in the Health sector related to national health services and government policies, while some on sub-contracting were more specific to Construction. This was anticipated in the survey planning but it was an illustration of the difficulties that can arise when trying to compare differences across both sectors and national situations. What also became apparent was that the seeming lack of relevance of some sections of the interview guide in some sectors was a finding in itself – the unimportance of the company internal labour market in the Construction sector, for example.

One measure of the success of the survey is the sheer volume of high quality material for analysis it yielded. Transcripts could be very long and where recording of interviews was not carried out, subsequent reports based on field notes were several pages in length (in the latter case the interview reports were sent to interviewees for verification). Producing comparative results from this extensive information continues to present the research teams with major challenges.

The willingness and ability of employers to provide the statistics on their workforce we requested varied. Only two out of the fourteen Portuguese ICT companies provided statistics on their foreign workforce. It proved difficult to obtain any accurate statistics from UK and Portuguese Construction companies. In contrast, in the Swiss construction sector all 12 companies interviewed provided statistics on total numbers of employees and foreigners, ten on the origins of foreign workers and nine on the composition of the foreign workforce and on wage levels. Italian employers were also reticent in providing statistics, though the Health sector and Construction were better than ICT. In the UK about half of the ICT companies

were able to provide some basic statistics while the Health sector was the most forthcoming, although even here it was rare to obtain the full data requested.

In some cases where specific statistics could not be provided it was possible to obtain some data from corporate published sources (such as Annual Reports) and, in the case of national health services, from centralised databases.

From the experience of past research projects it would appear that today large employers have become less willing and able to make available statistical information on their workforces. There are several reasons for this: commercial confidentiality; data protection acts; the time and expense necessary for them to get out the data, often from databases devolved to software companies; the sensitivity of the information (especially in the Construction sector where stories of illegal working are rife). It was surprising that in many cases employers simply did not keep the sort of data on their foreign workforce and recruitment that we required.

Because of these problems, significant difficulties arise in comparing the foreign workforces and international recruitment between employers and across sectors and countries. Some of these problems were worked out by teams working closely together on both the statistics and metadata.

In the Health sector all teams were able to collect information in the interviews on the three occupations selected (doctors, nurses, care workers). In the ICT sector the occupational division (systems and software engineers, data analysts, data inputters) proved less easy to distinguish, especially where, as was often the case, it did not concur with the employer's reality and profile classification. In the Construction sector the situation was more mixed. In Portugal and Italy there were very few foreign recruits at the senior (architect and engineering) levels so information was lacking on them.

The consequence of this situation was that, while focusing initially on the specific occupations we agreed, we eventually collected information at interview and in the statistics on a broader range of job types. We are thus in a position to view international recruitment through a wider lens and in our view our study is enhanced as a result.

2.2.2.2 Analysis of the survey (WP9) and Sectoral reports: Construction, health care, ICT (WP10)

The analysis and sectoral reports were carried out in two stages. First, each team produced an extensive (around 40 pages) report on each sector in their country. These reports were the focus of discussion at the Liverpool meeting. Second, three of the teams used the Liverpool reports to produce a first comparative analysis of the results on a sector by sector basis. These comprised the papers presented at the first presentation of results in Rotterdam. The results of this analysis indicate the extreme complexity of international recruitment and the difficulties of generalisation. One of the main findings was the relative unimportance to employers of the main variables relating to incomplete integration, including taxation, pensions, national insurance, national and international labour market rules and regulations and work permit systems. In contrast, language and culture are factors that loom large.

2.2.2.3 Third project meeting (WP11): Liverpool, 22-23 March 2003 and first public presentation of results (WP 12): Rotterdam, 9-10 May 2003

The purpose of the Liverpool meeting was to bring together for the first time the results of the survey on a sector by sector basis in each country. There was a report on each sector in each

country, dealing with four issues:

- Market conditions and change in the sector, based mainly on the background literature and statistics
- Stocks and flows of foreign labour in the sector, including scale, origins and destinations, also based on the background literature and statistics as well as some data from employers
- Recruitment and assignment decision-making, based on the survey
- Constraints on mobility and the role of incomplete integration, based on the survey

At a general level, our Liverpool discussions indicated that migration is no compact event but refers to something very different, dependent on the contexts in which it appears as a socially registered and significant event.

The ICT sector is dominated by big, transnationally operating organisations making use of internationally accessible staff, especially through their internal labour markets. Companies build their own organisational career structures, related to their functional needs. National taxation, welfare etc. systems are of little relevance to them since they can usually deal with any ensuing mobility constraints by throwing money at them.

In contrast, in the Construction sector migration is used in an organisational form – subcontracting on the legal basis of the European “freedom of services” – in order to subvert what seems to be of minor importance in the ICT sector: national welfare regulations and the related institutionalised occupationalisation of the labour market. This process is driven by the effort to reduce labour costs.

The Health sector is different again. Most of its money is received as a result of political decisions concerning insurance systems and their regulations of money distribution. This involves strict national regulations concerning occupational preconditions which have to be fulfilled by employees through national exams. This seems to be one of the major constraints on foreign recruitment in the sector.

Our findings suggest that the three sectors we have chosen prove to be instructive cases in understanding some of the heterogeneous dynamics linked with international migration in an integrating Europe. In summary, migration refers in each case to different needs and problems: in the ICT sector to the flexible use of staff inside internationalised companies by means of internal labour market migration; in the Construction sector to the effort to get access to cheap labour power by means of migration in an organisational form on the basis of the European legal framework “freedom of services” (subcontracting); the Health sector relying on welfare provisions making only limited use of migrants in order to overcome labour shortages (with the major exception of the UK).

On this background, the relations of the sectors chosen to markets, national welfare systems and tax systems differ significantly. The ICT sector uses internal labour market migration of professionalised staff on an internationalised market: the task-oriented flexible use of professionalised labour power seems to be a decisive means for successful competition on this market. The different national welfare systems seem to be less relevant than the different tax systems and costs of living since they increase the transaction costs of this international mobility of the company’s internal labour power. The Construction sector seems, for reasons of a highly competitive market, to be mainly interested in migration in order to circumvent the costs of national welfare systems, employing the difference between the national welfare systems of Europe to do this. Connected with this seems to be a process of de-institutionalisation of occupations and related status expectations in this sector. The Health sector has a different relationship to the market. It uses politically distributed money and for

that reason does not subvert the welfare system but is the other way round dependent upon it. This has implications for the kinds of migrants it can recruit and employ since occupationalisation of the Health sector is backed up by the welfare state. This raises the costs and risks of recruitment of external migrants considerably and seems to restrict the use made of international migrants. There also seems to be a relationship between types of tasks and the use made of migrants: in the Health sector cultural and linguistic competencies are seen as major hindrances for the extensive reliance on foreign migrants, perhaps because of the functional importance of social interaction.

The Rotterdam meeting presented the first comparative results of the employer survey and planned the next stage of the project. It was agreed that further and more detailed comparative analysis would be completed, shared between the teams. The results would be published in a set of papers. The meeting also planned the next survey phase, that of institutional actors (WP14). About seven or eight actors in each sector as well as selected international organisations were to be interviewed. The interviews began in the early autumn of 2003 and were completed before Christmas when the first analysis will be drawn up.

The objective of the interviews was to capture the role and perception of the organisation concerning: the sector; the decision making process; the recruitment process; and the impact of the regulatory framework. The interviewed organisations have one or several of the following roles: actors in the recruitment process, actors in the decision making process or observing actors. These different roles are difficult to separate and will depend from the organisation in question. They include government departments, employer's organisations and trades unions.

A common interview guide has been agreed that was afterwards adjusted by the national teams depending on the interviewed organisation, i.e. the main focus of the interview will change from organisation to organisation.

2.2.3 Overview of the work during the third project phase

In the third phase of this project we focussed on institutional actors, the independent variable of our model that until then had been undervalued. We believe that decision-makers in companies do not operate in a vacuum. Their decisions are influenced not only by the demands of the labour market and by rules and regulations that govern immigration, social policy, taxation etc., but also by relevant actors and interest groups that may advocate certain and views at an institutional level. The fact that we collected their views in a relatively late stage of the PEMINT project enabled us to confront these views with our earlier findings and to find explanations for phenomena that until then had remained unclear. Our main sources of information on institutional actors were interviews with responsible officials in each of the six PEMINT countries, but also at a European level (Work Package 14). In addition to this, we collected our information on relevant views through the Internet and from publications of these organisations and institutions. This resulted in six country specific institutional actors reports and one integrative report, that was then discussed and compared with our earlier findings in another meeting of the eight research teams (Work Packages 15 and 16).

The present report is an integration of the results of all earlier phases of the project. An earlier version of this analysis was presented and discussed at a public presentation to the European Commission, which took place in Brussels on September 20th, 2004 (Work Package 19). More publications on PEMINT, both of an academic and a more practice orientated nature will appear in the near and somewhat more distant future. In December 2004, for example, a

Special Issue (in English) of *IMIS Beiträge*, a leading European journal of migration studies, published at the University of Osnabrück, will be fully dedicated to the PEMINT project. Preparations have also been made for the publication of several inter-country comparisons as well as for a book with a leading academic publisher.

2.3 Changing conditions

Like any project of this scope and scale, PEMINT has encountered certain difficulties, partly due to its comparative nature and partly due to the fact that conditions change as the project is being carried out. At this stage we would like to mention two specific problems that we have encountered during our work. They relate to the time span of the project and to the use of statistics.

Time span

PEMINT was conceived in 2000 and the project actually started in 2001. Our initial plan was to look back and focus our research on the period 1995 - 2000. The employers' survey took place in 2002 and the institutional actors survey in 2003. During the interviews it turned out to be quite difficult for most of our respondents to limit themselves to the period on which our study was meant to focus, and not to refer to their practices and experiences since then. We decided that it was valuable to dispose of more recent information as well and, therefore, to extend the period under consideration so as to include the first few years of the new millennium. This proved to be particularly useful precisely because so many changes have occurred since 2000, both at an economic and a political level. Among the most clearly felt of these changes are the slowdown of economic growth, which has had an impact on labour recruitment in all three sectors of our study, but on ICT in particular. Another major change is the tightening of immigration policies in most PEMINT countries, partly for security reasons ('September 11th'), but partly also as an effect of growing anti-immigrant feelings among their populations. It could easily have been seen as an omission if we had not accounted for these dynamics in our field of study.

Statistics

It proved to be quite difficult to make valid comparisons in respect of stocks and flows of foreign workers in the six PEMINT countries. There are wide differences in data availability, in sources and methods of data collection and in definitions and coverage. Most of these difficulties have been spelt out and analysed in the Review of Migration Statistics, prepared as a Working Paper for the PEMINT project by Janet Dobson and John Salt.

First, a considerable part of labour mobility does not become visible in national statistics. EU citizens, for example, do not need a work permit to live and work in another EU country and many do not seem to bother about applying for a residence permit. It appears that labour migrants from outside the EU can be counted more easily, but here other problems may arise. Some of these non-EU workers are being employed through subcontractors and are formally based outside the Union; this is the case in the construction sector in particular. Others may have been employed without the proper documents; for obvious reasons they do not appear in the statistics either.

Secondly, differences between countries in their policies as well as in definitions used also affect the comparability of data. A foreign worker, for instance, may be construed as meaning a foreign national or as someone who is foreign-born, even if they have taken the citizenship of the country in which they work. Some definitions are very wide-ranging (e.g. relating to overseas birth of a parent) while others are limited to those holding certain types of permits.

Total numbers recorded as foreign workers in any particular country may change over time simply as a result of people acquiring citizenship and the extent to which this occurs will differ from country to country. Undocumented migrants are likely to be undercounted in most official records and no hard statistical data has been identified on these. Taken together, these reservations mean that national comparisons should be treated with great caution.

It is particularly difficult to make comparisons about stocks and flows of foreign workers in each employment sector and even more so at the occupational level because data are patchy and non-existent. However, some exercises carried out under the PEMINT project have pointed up the existence of useful statistical sources that are special to each of the sectors, for instance the registration records of professional associations in the health sector.

3. Scientific description of the project results and methodology

3.1 Demands of the Labour Market

3.1.1 Introduction

Since the Maastricht Treaty of 1993 the right to move and to reside freely within the European Union has been a principle right attached to citizenship of the European Union. It was expected that this right would benefit the European economy since Europe's labour force would be encouraged to move from places with surpluses to places with shortages, and therefore become more flexible. Employers are now free to recruit labour anywhere in the EU, although certain restrictions still apply to most Member States that joined in 2004. Clearly, the European Union is trying to enhance European mobility. One of the major tasks of the PEMINT project has been to find out to what extent this has been successful for the three sectors of industry that we have chosen to study: health, construction and ICT.

In Chapter 3.2 we will describe and analyse actual recruitment patterns in these three sectors for the six PEMINT countries. Before we can do so we shall have to explore the main variables that affect decision making on this in more detail. As a first step it has proved useful to collect the necessary data on labour migration as it has actually been developing: to what extent, in which sectors, at what levels, under which conditions and between which countries? As has already been explained (see section 2.3), these may seem relatively simple questions, but at times they have proved to be quite difficult to answer. Due to a lack of uniformity in definitions and registration methods statistics for different countries are often hard to compare. Yet, the review of migration statistics, compiled for the PEMINT project by Janet Dobson and John Salt, provides us with a general impression of labour migration patterns in Europe as well as with many data for each of the six countries and the three sectors¹.

Migration to the countries of the European Union as well as between these countries has existed much longer than the European Union itself. It is interesting to note that a large part of these movements has not been at random, but shows specific patterns. Many European countries have sizeable proportions of immigrants who came from countries with which they have had long standing political ties, particularly from former colonies. This explains why in the UK there are so many people with a background in Southern Asia, or why there are so many people of Caribbean origin in the UK and the Netherlands, and Africans from Portuguese language countries (*PALOP*) in Portugal. The large-scale recruitment of low skilled foreign labour of several decades ago has created sizeable communities with specific, but highly different origins in a number of European countries, e.g. Italians in Switzerland, Turks in Germany and the Netherlands and Irish in the UK. It is interesting to see how strongly Europe's immigration history is reflected not only in the composition of its present population, but also in today's immigration and labour recruitment patterns. It is a well-known fact that, once a migrant community has been firmly established in a country, it tends to attract new migrants with the same origins. As a consequence, the origins of foreign labour currently recruited in the six PEMINT countries differ considerably.

The available statistics also indicate that the share of migrant workers in the total labour force of the six PEMINT countries differs considerably: from more than 20 per cent in Switzerland to around two per cent in Italy in Portugal.² Of course, these differences also reflect

¹ Dobson & Salt 2004

² See Annex II for some basic statistics on immigrant flows and immigrant populations for the six PEMINT countries.

differences in registration and naturalisation procedures, while for obvious reasons official statistics do not account for undocumented migrant workers. Their share in the labour force appears to vary considerably from one country to another. Our statistical analyses of migration and recruitment patterns also show considerable differences between each of the three sectors studied. Specific characteristics of each sector as well as the nature of the demand for labour largely account for such differences. This will be further explored in the following sections. In Chapter 3 we will elaborate the other independent variables of the PEMINT model.

3.1.2 A typology per sector³

3.1.2.1 Construction⁴

The construction sector can be characterised as very labour intensive. Workers have to be mobile as the sector mainly produces immobile products. This makes the sector very attractive for (cheap) foreign labour and as a consequence migration has always been an issue in the sector. The sector is highly dependent on external factors and the production process is very fragmented. Small and medium sized firms that make use of subcontracting chains and self-employed persons dominate the market. The most fragmented construction sectors are found in Italy, Portugal and the UK, with very small companies and a high proportion of self-employed persons. Germany, the Netherlands and Switzerland are still fragmented but not as atomised as the previous group. The construction sector in general is a key sector of European economy; it is the biggest industrial employer and one of the most important driving forces of economic development. Construction work is, notwithstanding the obligation to open tenders on a European level, relatively strongly oriented towards local or national markets (with the dredging sub-sector as an exception).

In general the sector is highly institutionalised and there are no big differences in respect to formal institutions between the PEMINT countries. Government regulations exert strong influence on the sector. However, with a closer look differences can be observed between the countries. On the one hand the UK construction sector is highly deregulated and has the lowest degree of unionisation. On the other hand Germany, the Netherlands and Switzerland have highly regulated labour markets with a high degree of unionisation and a regulating skill certification system. Italy and Portugal have a dual regulation system: a small area is highly regulated (big companies with the presence of trade unions) and there is a large non-regulated area (irregular work).

3.1.2.2 Health⁵

The health sector is much less dependent on the market and is highly dominated by the state. This sector is strongly influenced by national government regulations that control financing (a rather complicated and hardly transparent funding system), planning, training, recruitment and deployment of health professionals. The sector can be characterised as labour intensive with immobile services. As a consequence, in case of shortages, labour must be attracted from elsewhere. Sufficient and well-qualified staff is very important for the quality of services. Investments in education are no short time solution to shortages because of the long lead

³ This section is largely based on Geddes a.o. 2004

⁴ See Balch a.o. 2004 for a more elaborate description of the construction sector in the light of PEMINT.

⁵ See den Adel a.o. 2004 for a more elaborate description of the health sector in the light of PEMINT.

times in terms of training. Partly because of demographic conditions costs of services are increasing and governments are undertaking different structural reforms to lower the costs, often including privatisation and an increase in the use of market-type mechanisms. Another characteristic of the health sector is that certain regulatory functions are delegated to semi-autonomous organisations, for example a diversity of professional bodies. These professional organisations are very important as they represent interests, safeguard professional standards and exert strong influence on the supply side of the domestic labour market (for example the numbers in and the content of training). They also influence eligibility of those from other countries to fill particular posts (the acceptability of qualifications and access to practice). Together with the trade unions the professional bodies have an important role as ‘watchdogs’.

The PEMINT countries can be divided in two by type of health systems: the national health insurance countries Italy, Portugal and the UK, and the social health insurance countries Germany, the Netherlands and Switzerland. The degree of integration of societal actors in policy development also differs in the PEMINT countries. In Italy and Portugal this integration is weak, in Germany and the Netherlands co-operation is well established, in the UK equal actors compete for influence and in Switzerland social partnership is in its infancy. This results, in general, in a more co-operative style in the last four countries while the trade unions in Italy and Portugal use a rather confrontational style.

3.1.2.3 ICT⁶

The ICT sector is not easy to define because ICT occupations crosscut nearly all economic sectors. The sector is young and extremely dynamic with an unstable market. The economic environment is very difficult with a cyclical circle with higher amplitudes and higher frequencies. Therefore, reaction times are extremely low and flexibility is highly important. The sector is very labour intensive and ICT work is characterised by high levels of qualification and high amounts of specialisation. ICT jobs are less professionalised with less strictly described requirements of diplomas as for example in the health sector. Systems of education and vocational training are not well established and the relation between organisations and the educational system is loosely coupled. One might therefore expect that reference by networks is very important.

In general the required knowledge for ICT jobs is hardly dependent on the local context and this makes ICT workers highly mobile in an international context. Besides, products are also highly mobile. The world can in fact be considered to be one single market and the chains of production cross national borders (subcontracting, flexible labour market structures). Two nuances must be made in respect to this single market. Firstly, this depends on the size of firms. Large firms have many more opportunities to exploit this single market than small firms do. They may, for example, outsource labour intensive industries to low-cost countries. This difference in opportunities might partly explain the oligopolistic tendencies in the sector: very few companies generate a very high proportion of the total market volume. Multinational corporations dominate the market. These multinationals are often US-owned with a strong Atlantic connection with the UK. This background might lead to an American or Anglo-Saxon style of Human Resource Management, which might conflict with a Rhineland model of Human Resource Management. Secondly, the mobility of workers depends on the type of ICT jobs and the type of skills, ICT industry with its technical skills is much less dependent on the national market than ICT services with its generic skills, for example the importance of knowledge of the national language.

⁶ See Geddes a.o. 2004 for a fuller description of the ICT sector in the light of PEMINT.

The degree of institutionalisation and the degree of organisation are relatively low in the ICT sector. Collective bargaining and the importance of social partners are weaker than in other branches of economy. Employers' associations are often heterogeneous and companies sometimes act as 'political' actors without passing through sectoral associations. Employees belong to distinct unions or are not organised at all. This structure favours large multinationals, which are able to set up networks and have easier access to important decision-makers due to their economic importance. Multinationals are therefore in the position to put pressure on governments and immigration policy. This might explain the existence of special immigration schemes for ICT personnel in Germany, Italy, the Netherlands and the UK, as one might expect a pro-immigration attitude on part of the employers.

3.1.3 Trends in foreign employment⁷

3.1.3.1 Construction

The data collected indicate that in all countries apart from the Netherlands and the UK, construction is the largest employer of foreign labour among the three sectors. In Germany (with 112,337 in 2000) and Switzerland (with 85,962), the statistics show that the number of foreign workers in the construction sector consistently exceeds the number in the other two sectors added together. However, in both of these countries foreign nationals working in construction have significantly reduced in number over the 1995-2000 period. The UK (with 73,943 in 2000) also has a foreign workforce of significant size in the construction industry and one that has increased since 1995, but the total number of foreign workers is currently less than in either of the other two sectors. In the case of the Netherlands, the total of 8 to 9,000 foreign construction workers is significantly less than the numbers of foreign employees in the other two sectors.

Data from Italy and Portugal are more incomplete than those from the other countries. However, one Italian source suggests that the foreign workforce in construction has been increasing since 1995 and exceeded 50,000 in 1997, while forecast demand for non-EU workers is primarily from the construction industry and less so from the other two sectors. In the case of Portugal, one survey among companies with 20 or more workers found 22,591 non-EU foreign workers in 2001 but there is evidence that the number of undeclared workers is very high. Comparative figures for foreign employees in health in Portugal are much lower but there is no comparative data on ICT.

The composition of foreign workers in terms of nationality seems to vary considerably from country to country. For example, in Germany in 2000, the largest group (albeit much reduced since 1995) appeared to be from former Yugoslavia, followed by the Turks and then the Italians (both also declining). In the Netherlands, the split in the 1995-8 period seemed to be very broadly 50/50 EU/non-EU citizens, with Germany and the UK being the largest components among the former and the Turks and Moroccans the largest among the latter. In Portugal in 2001, EU citizens seemed to be a very small proportion of foreign workers, with East Europeans and citizens of non-European Portuguese-speaking countries predominating. In Switzerland, on the other hand, the Italians were the largest group in 2000, followed by those from former Yugoslavia and Portugal. In the UK, nearly two-thirds of the foreign nationals in construction in 2000 were EU citizens (no national breakdown is available; many will be Irish) but this represents a decline, while non-EU nationals were increasing. In Italy,

⁷ This section is largely based on Dobson & Salt 2004.

the number of non-EU nationals seemed to have leapt up in the late 1990s.

3.1.3.2 Health

The UK stands out from the other countries in respect of the numbers of foreign workers – foreign by country of birth, not all foreign citizens – in the health sector: 181,992 in 1995, 220,902 in 2000. Germany has the second largest number with 74,453 in 2000, but this is 10,000 less than in 1996. Also in the Netherlands a decline took place in this sector: from 22,000 in 1995 to 16,000 in 1998. Swiss figures show a trend in the opposite direction, increasing from 40,290 in 1998 to 44,721 in 2000. Data on Portugal suggest that foreign employees in health increased from 313 in 1994 to 2909 in 2000, and that there are many undeclared workers in this sector. No data was obtained on the stock of foreign health workers in Italy.

There seems to be a complex pattern of national origins among foreign workers in some countries, depending on their occupational roles in the system of health and social care. Overall, the largest group in the German health workforce in 2000 appeared to be from former Yugoslavia, followed by Turkey. In the Netherlands in 1995-8, Germany and the UK seemed to be the largest EU groups and Moroccan citizens the largest non-EU group, with indications of non-EU numbers rising. In Portugal non-European Portuguese-speaking countries initially appeared the main source of foreign labour (including 460 Brazilian dentists out of a total of 640 foreign dentists in 2001!). More recently Spain has become the major source of foreign labour in the Portuguese health sector. In Switzerland, EU countries were the main source, with Germany the most significant and Italians comprising the second largest stock in 2000 (though there were larger inflows from France in that year). In the UK, non-European countries have long been the primary source of foreign labour in health care but there is statistical evidence of increasing numbers both from outside and from within the EU. In Italy, statistics are not available but there is evidence of employer demand for non-EU labour, particularly for personal care and related occupations.

3.1.3.3 ICT

One dominant feature of foreign labour employed in ICT is common to all four PEMINT countries on which statistical data have been obtained: that is, a rapid growth in numbers since 1995. In the UK, the increase 1995-2000 was 64.3% (from 55,501 to 91,184); the increase in Switzerland was 59.6% (from 6,986 to 11,149); that in Germany was 54% (from 10,725 to 16,514). In the Netherlands, there was a 21.4% increase (from 28,000 to 34,000) between 1995 and 1998, although numbers dipped in between. Because of differing occupational categories used in data collection, too much should not be inferred from the difference in total numbers between the different countries but the trend is unmistakable.

In terms of national origins of ICT workers, India and Turkey were both identified by more than one country. In Germany, the largest groups in the ICT workforce in 2000 appeared to be Austrian and Turkish, followed by UK citizens; however, India and Eastern Europe were the predominant origins of those obtaining work permits in 2001. In the Netherlands, under half of the foreign workforce in 1998 were EU citizens, with the UK and then Germany the largest EU groups and Morocco and then Turkey the largest non-EU groups; however, work permits to non-EU citizens rose enormously in the period 1996-2000. There was an accelerating increase in foreign citizens working in ICT in Switzerland 1995-2000 but no data has so far been obtained on citizenship. In the UK over the same period, the proportion of non-EU citizens among foreign nationals increased markedly; by far the largest number of work permits in 2000 went to citizens of India. Italian data forecast employer demand for non-EU

nationals. There are no Portuguese data on this sector.

3.1.4 The demand for labour in the three sectors⁸

The description of the three sectors in the previous sections has revealed considerable differences. The ICT sector is least dependent on the national context and has a strong global orientation. Its products and workers are highly mobile and in this sector the world seems to have become one single market. In case of shortages employers have two options: they can try to recruit workers from elsewhere or they can move (part of) their business to places where labour is more readily available. In the case of multinational companies this is particularly easy, since this can be decided internally, without much interference by national authorities. The construction sector takes an intermediate position. On the one hand it is traditionally oriented to national markets and dependent on institutional arrangements brought about by institutional actors within the country of operation. On the other hand, the obligation to tender larger construction projects at a European level has given this sector an increasingly European outlook. A major characteristic of the construction sector is that its products are immobile. This explains the sector's history of labour migration. In fact, the construction sector has more foreign labour than the two other sectors combined. The health sector is the one that is most strongly influenced by and most dependent on the national context. National governments determine the funding of health care as well as the educational requirements of health care workers, thus indirectly affecting the relevant labour market supply. Besides, services in this sector are mostly immobile and in case of shortages labour has to be recruited elsewhere. The degree to which this has actually happened varies substantially from one PEMINT country to another.

Obviously, the demand for labour in all three sectors has structural as well as cyclical determinants. When PEMINT was conceived in 2000, all three sectors experienced labour shortages in most of the six participating countries. The slowdown of economic growth that has taken place since then has had its greatest impact on the ICT sector. There, the boom of the late 1990s rapidly turned into a bust, which was reinforced after two major accelerators – the Millennium bug and the introduction of the euro – had lost their momentum. As a result the need to recruit new staff, whether domestic or foreign, decreased dramatically. This has been less so in the two other sectors, construction and health. Both depend more strongly than ICT on political decision-making, which does not always follow the economic cycle. In construction, production times are often relatively long, due to complex building regulations and requirements, so a turndown in the economy manifests itself less quickly than in ICT. The health sector is even less affected by the conditions of the economy. On the contrary, for the next few decades this will be a sector of structural growth in all PEMINT countries, due to the ageing of their populations. This gives rise to the expectation that the health sector will be more interested in finding long-term and structural solutions to its need for personnel, while the other two will prefer more flexible solutions, such as subcontracting in the construction sector or temporary internal movements within ICT multinationals.

We have just seen that differences between the sectors lead to different needs for labour. In addition to this, we have also found differences between the PEMINT countries and between the skill levels required. In construction the demand for highly skilled labour is largest in Switzerland and the UK. Italy, the Netherlands and Switzerland need more medium skilled personnel, and a need for low skilled labour exists in Italy, Portugal and the UK. In health all PEMINT countries, except Germany, experienced shortages during the years 1995-2000.

⁸ This section is largely based on Geddes & Balch 2002, as well as on the survey results for the three sectors, which have been presented in more detail in Bommes a.o. 2004.

Switzerland had a shortage of certain medical specialists in particular, Italy was short of nurses and care assistants, while the Netherlands, Portugal and the UK reported shortages in all of these three occupations. Finally, in ICT all PEMINT countries reported shortages for the years 1995-2000, particularly at the higher skill levels. This led to a situation of strong competition for scarce professionals. However, as has been pointed out before, this situation has changed fundamentally since the beginning of the new millennium.

3.1.5 Recruitment strategies⁹

An initial assumption of PEMINT was that employers in the three selected sectors, when faced with labour shortages that cannot be solved locally would attempt to recruit workers from elsewhere. Their first choice will be other EU countries. Only if this remains without success they will turn to third countries. If that will not produce the desired result either, other measures may be considered, such as outsourcing of certain activities or a transfer of production sites. It soon became clear that reality was a lot more complex, even though that finding did not really surprise us. Decision- making processes of employers or companies are not always as logical and systematic as outsiders may assume. Sociologists have pointed out that companies are highly complex organisations, often with various units or working organisations that are more or less autonomous. They are not usually monolithic organisations where all departments and all employees are directed towards realising the same goals. Companies, especially the larger ones, are characterised by different levels of decision-making and by departments that may be functionally different. The fact that some of the companies in our project are multinational companies makes things even more complicated.

It is assumed that in a situation of labour shortage the company will start the recruitment process. Because of high transaction costs, companies may consider postponing their recruitment activities and look for other solutions, such as encouraging working overtime, changing over to working in shifts or even restructuring the company. Such strategies, however, may be helpful for a short period, but they will not work if the need for new labour is either very urgent or structural. Under such circumstances the choice is between ‘making’ and ‘buying’: producing goods or services oneself or acquiring them from elsewhere. From a classical economic perspective the preference for a certain strategy depends on its costs, in this case transaction costs, which are determined by:

- specificity (the investment required to make the hiring of new employees profitable);
- frequency (of repetition or renewal of transactions);
- complexity (of the job) and
- uncertainty or ambiguity (the possibility to control the employees’ performance).

On the basis of these variables transaction costs for lower qualified jobs, as, for example, in the construction sector, are relatively low. Therefore, it can be assumed that for this part of the labour market the ‘buying’ strategy may be appropriate. For higher skill levels other options may be preferred. In the ICT sector, for example, a transfer of certain highly skilled activities to low-cost countries seems more appropriate, given the volatile nature of this sector. In health this seems much less attractive, although the hiring of new employees abroad may equally pose difficulties, e.g. because of the non-compatibility of qualifications or because of linguistic or cultural barriers. This reminds us that in recruitment explicit attention should be paid to the social and cultural dimension. A certain amount of value and goal congruence between employers and employees reduces uncertainty on the latter’s performance. This is

⁹ This section is largely based on two of the PEMINT working papers: Blauw 2002, and Fellini & Fullin 2002.

more needed for highly skilled jobs (in both the ICT and the health sector) than for low qualified jobs (in ICT and construction). This is another reason why the construction sector, in contrast to the other two sectors, may have a preference for a strategy of ‘buying’, in this case for subcontracting. Another relevant social variable is the role of networks. Using available networks in recruiting foreign labour equally reduces the risk of unexpected and disappointing performance. This, for example, may be a strategy in attempting to fill highly skilled jobs in both the ICT and health sector.

Once a company has chosen a recruitment strategy that suits its specific needs, it may start searching for labour in the most relevant labour market(s). The obvious distinction here is between internal and external recruitment, that is within the company itself or outside the company. This is a highly relevant choice, particularly within large, multinational companies, as in the ICT sector. In either case the geographical location of recruitment efforts is equally important. Here, the choice is between local recruitment (that is in the country of establishment), recruitment within the EU or recruitment outside the EU. This leads to six options that are presented in Table 2.

Table 2: Six recruitment strategies for companies

	Internal	External
Inside country	National internal labour market recruitment	National labour market recruitment
Inside EU	International internal labour market recruitment (expatriates)	EU labour market recruitment
Outside EU	International internal labour market recruitment (expatriates)	Non-EU labour market recruitment

In PEMINT we have assumed that the final decision to use one or the other strategy will be influenced by context variables that are specific to the sector, to the country concerned or to both. These context variables will be discussed in the next chapter.

3.2 Context Variables Affecting Recruitment Behaviour

3.2.1 Introduction

Besides labour market demands, the PEMINT model includes several other context variables that we assume to affect employers’ recruitment behaviour. In Chapter 1 we introduced these briefly as *welfare state arrangements*, the *regulatory framework* for immigration and *institutional actors*. In this chapter these variables will be further explored. Notwithstanding the advancement of European integration, policies in the fields just mentioned may differ substantially from one EU Member State to another. In one of the PEMINT Working Papers we have produced a systematic overview of the most relevant regulations and the differences between them.¹⁰ The very existence of such differences can be seen as a symptom of incomplete European integration. A major objective of PEMINT has been to find out how and to what extent employers’ recruitment behaviour is affected by this incompleteness of integration. The obvious assumption would be that incomplete integration leads to a lack of transparency of the European labour market, and therefore would hinder employers in directing their recruitment efforts at other EU-countries.

¹⁰ See Kolb 2002.

Alternatively, however, one might also assume that employers try to take advantage of incomplete integration in their efforts to keep costs of capital and labour as low as possible. Insofar as these costs can be calculated and made visible companies will compare them and, on that basis, decide to settle where costs are lowest. The introduction of the Euro has increased the transparency of wages and prices, both for producers and for consumers. This assumption, however, of complete information on costs does not hold, as some costs require information that is hard to acquire or difficult to measure. Gross wages, market prices and interest rates for capital may be relatively easy to compare for different countries; this is less so for wage-related social contributions and for taxes. It is even more difficult to compare regulations concerning immigration with which employers wishing to recruit outside the Union are faced. Besides, in all countries a discretionary area exists between the rules as they are laid down in legislation and their actual implementation. This is where the role of institutional actors such as government departments and government agencies, employers' organisations, trade unions and other stakeholders in labour policy comes in. Any company that accounts insufficiently for these factors is likely to make the wrong decisions. At the same time, however, it is quite difficult to assess the real weight of these factors, which will be briefly elaborated in the following sections.

3.2.2 *Welfare state arrangements*¹¹

The impact of social security contributions on total wage costs differs significantly in the PEMINT countries. Data for 2001 show that additional labour costs, measured as a percentage of wage costs, are high in Germany and the Netherlands and low in the United Kingdom and Portugal. Italy and Switzerland occupy an intermediate position. Differences are considerable: the costs in Germany are three to four times higher than in Portugal. From a rational-economic point of view - and neglecting other obstacles - it would be perfectly understandable if German or Dutch employers would shift their recruitment efforts away from their own countries to Portugal or the UK. However, other obstacles exist that have to be accounted for. In fact, those obstacles may explain why in reality intra-EU labour migration is not at all as substantial as may be expected from a rational-economic assumption. Besides, even if we limit ourselves to social security contributions the picture is not as clear-cut as has just been suggested. Costs and benefits for each programme differ widely between the PEMINT countries, and the level of individual contributions also depends on factors such as age or marital status. Table 3 indicates the relative level of the costs of social contributions and of wages in general in the six PEMINT countries:

Table 3: Levels of wages and social contributions in the PEMINT countries

	Wages	Social Contributions
Germany	High	High
Switzerland	High	Medium
Netherlands	High	High
Italy	Medium	Medium
UK	Medium	Low
Portugal	Low	Low

Source: Geddes a.o. 2004: 267.

In most PEMINT countries old age pension is being guaranteed through the state under a pay-as-you-go system. This means that the working population pays for the pensioners' benefits.

¹¹ This section is largely based on Kolb 2004 and Baganha 2004.

The UK, and even more so the Netherlands, constitute the only substantial exceptions to this rule, as their pension schemes are largely based on defined benefits, for which the beneficiaries themselves and their employers pay during their working life. This explains, for example, why employers in the Netherlands are exempt from paying into the universal coverage pension scheme, while employers' contributions to equivalent schemes in the other PEMINT countries may vary between 4.9 per cent in Switzerland to 9.75 per cent in Germany.

Also the way the health care system is financed differs from one PEMINT country to another. Some countries (UK, Italy and Portugal) have a National Health Service that is financed by the national government through taxation, other PEMINT countries have a system of mandatory sickness insurance (Germany, Switzerland and the Netherlands) to which employers and employees both contribute. The contributions for employees differ considerably: from 5.6 per cent in the Netherlands to 14.35 per cent in Italy. With regard to unemployment, all PEMINT countries have statutory unemployment insurance, except Italy, where schemes vary per situation. In all cases both employers and employees contribute to the system, but the level of their contributions differs significantly from one country to another.

Contributions to social security are directly related to labour and can therefore be added directly to other labour costs. This is not the case for taxes. Taxes to be paid by the companies themselves (corporate taxes) are related to the company profits. The corporate tax tariff in the PEMINT countries ranges from 25 to 35 per cent. Such differences may affect a company's decision to relocate, but they are not likely to affect a decision to employ foreign labour, at least not directly. Indirectly, lower corporate taxes leave more room for higher wages. The income tax level for employees may also have an indirect effect on recruitment decisions. At a given gross wage employees have less money left to spend as income tax gets higher. An increase in income tax will push up wages up and harm a country's competitiveness in the international labour market. Overall income tax levels also differ among the PEMINT countries, varying from around 40 per cent in the UK and Portugal to 50 per cent in Germany and the Netherlands. National governments sometimes modify their income tax policies in order to facilitate labour migration. The Netherlands, for example, has a special low tariff for temporary foreign workers who carry out work for which supply in the domestic labour market is insufficient.

In more general terms, our comparative work has convincingly indicated that assessing the tax and social security burden of single production factors is fraught with methodological problems. It accounts insufficiently for differences in systems, which can be financed through contributions or via tax revenues. The benefits of these systems also vary considerably from one PEMINT country to another. Yet, a comparison is certainly not useless, as it can indicate certain general trends concerning divergence and convergence. Our overall impression is that in recent years there has been convergence rather than divergence among the PEMINT countries, even though taxation, social security and other social policies remain strongly embedded in national contexts. The costs of social security and taxes make the market less transparent for companies wishing to consider and to compare options for foreign labour recruitment.

3.2.3 *Regulatory framework*¹²

Rules governing immigration and the employment of foreign nationals are likely to be of major significance to employers in making their decisions on recruitment abroad. The most relevant distinction is the one between EU and non-EU-nationals.¹³ Within the European Union workers and self-employed workers as well as their family members who are nationals of another Member State than the one in which they have their job, are free to settle there and will enjoy the same rights as nationals of that Member State. They must acquire a residence permit in the Member State where they are established. However, particularly in the case of short stay residents, it is not always clear in practice whether they are entitled to receiving exactly the same services as nationals, for example in matters of social policy. The right to family reunification also applies to family members of EU workers and self-employed who themselves are not EU-nationals. The rules for free movement do not apply to citizens of non-EU countries who are resident of one Member State and wish to work in another Member State. However, according to a ruling of the European Court of Justice, companies in one Member State may send their employees who are third country nationals but resident in that Member State to another Member State in order to provide services within the same company. They may not take up employment in that second Member State, although the demarcation line between providing services and taking up employment within the same multinational company is not always so clear.

Understandably, employers operating at a European level have tried to explore such ‘border areas’ of European law. A well-known case is that of posted workers, which has been of particular relevance in the construction sector. The question is which wage and working conditions will apply to workers from one Member State posted for short periods in another Member State to fulfil building contracts, and how short is a ‘short period’? For many years posting has been common practice, particularly in situations where wage and social security levels of the two Member States concerned differ substantially. There have been numerous Court rulings and regulations on this matter, but it has not been settled and thus this practice persists. Wage and social policy rules are not the only ones to interfere with the rules regarding free circulation within the Union, the lack of mutual recognition of diplomas is another potential obstacle. In the PEMINT project we encountered this problem in the health sector in particular. This sector is more professionalised than the other two sectors in the sense that requirements for diplomas and degrees are much more specific and detailed. This may be understandable, given the nature of the work that demands a lot of precision and also a certain familiarity with local customs. However, a very detailed definition of qualifications at the level of a Member State may also obstruct the free circulation of health care workers within the Union. Meanwhile, measures have been taken to alleviate this problem.

Of course, migration from outside the European Union is a completely different story. As a general rule, employers may only recur to recruiting non-EU workers after having ascertained that no relevant labour supply is available in the Union. In all PEMINT countries the work permit is the major instrument to control labour migration, as non-EU labour migrants need to have a work permit before entering the country. The types of work permits and the conditions under which these are granted vary enormously among the PEMINT countries, but obtaining a work permit nearly always proves to be a complex affair. It is impossible to make out in

¹² This section is largely based on Guild 2004 for EU workers and on Kolb 2002 for non-EU workers, as well as on Lavenex 2004 for GATS.

¹³ Actually, the distinction does not coincide with citizenship of one of the 25 EU Member States. Most rules for EU-citizens do not yet apply to nationals of eight of the new Member States, whilst nationals of the three non-EU members of the European Economic Area plus Switzerland enjoy practically the same rights as nationals of the EU Member States. See also footnote 1.

which country it is easiest to get a work permit and in which the legal regulation is most rigid. In four countries (UK, Germany, the Netherlands and Portugal) we find exemptions for work permit requirements, either for specific and special employees or for migrants from countries with colonial ties. In all countries but Switzerland a central governmental organisation takes responsibility for the actual issue of work permits. In Switzerland the execution of migration policy is done by the cantons, so one can say that in Switzerland there are 26 labour migration policies. In all PEMINT countries work permits are given only when the third country nationals are employed under the same conditions as domestic workers. In addition to a work permit non-EU labour migrants also need a residence permit. Types of residence permits and their duration differ per PEMINT country, but the criteria for eligibility do not vary significantly. All PEMINT countries require evidence of accommodation as well as a health certificate. In certain countries, for example in the Netherlands, long waiting periods and high fees have been reported for residence permits, probably in an effort to discourage third country nationals from taking up residence.

All PEMINT countries traditionally have had easier access procedures for specific professions, such as managers of large multinational companies. This enables them to react more swiftly and flexibly to specific demands of their labour markets. More recently, four of the six PEMINT countries have taken additional measures to encourage immigration of highly skilled non-EU workers. Germany and the UK have developed special schemes. Italy and the Netherlands changed the existing work permit schemes; for a brief period Italy also introduced quota. In Italy and the UK special policies regard both the health and the ICT sectors. In Germany and the Netherlands special measures regard primarily the ICT sector. The 15,000 *green cards* that Germany decided to issue annually to ICT workers have become much discussed, probably also because it has proved impossible to attract such large numbers of highly skilled migrant workers. These workers are very much in demand all over the world. If left with choice many prefer North America to Europe. It is not surprising, therefore, that the most generous immigration rules for non-EU workers are to be found in ICT. Apparently, that sector has been most effective in trying to soften existing policies for labour migration. Recently, concerns over a demand for highly skilled workers that may be hard to fulfil in the light of future demographic decline and growing xenophobia have made the Netherlands decide to alleviate its entrance policies for 'knowledge workers'. Since October 1st, 2004 any non-EU 'knowledge worker' who has a job with a gross salary of over €45,000 annually can be given a work permit in that country.

In much of Europe concerns are growing on how to attract highly skilled workers in an ageing, and sometimes even shrinking, labour market. Incidentally, this view underscores the main conclusions of our analysis of the newly negotiated General Agreement on Trades and Services (GATS). We decided to include this analysis into the PEMINT project since GATS is likely to have a serious impact on immigration and the provision of international services. The liberalisation of skilled mobility has so far been promoted by trade representatives rather than immigration officials, and – partly because of that – has often escaped the attention of migration scholars. However, the contents both of issues already negotiated and of those that are currently on the negotiation table show that the liberalisation of flows of skilled professionals is very much an aspect of immigration policy. The fact that many tend to prefer to talk about these phenomena in terms of *mobility* rather than (*im*)*migration*, is an instance of the growing differentiation – and perhaps also dissociation of immigration politics under the influence of globalisation. In the long term, the shift towards multilateral rules for specific categories of migrants may have repercussions on the way states deal with the broader phenomenon of immigration, eventually paving the way for a future international migration regime.

A major bottleneck in achieving this ideal, however, is the significant differences in needs between the two ends of the labour market and the way governments deal with these. While the current ambiguity at the higher skill levels may eventually lead to more lenient regimes in all PEMINT countries, the major policy differences at the lower skill levels are less likely to disappear. In fact, the countries do not differ so much in their views that organised recruitment of low skill workers outside the EU is undesirable, even in situations where vacancies at that level are hard to fill. They do differ, however, in their acceptance of irregular immigration, probably because their labour markets differ in their accommodation of undocumented migrants. There is a significant difference in this between Italy and Portugal on the one hand and the other four countries on the other. In Italy and Portugal irregular immigration and the employment of illegal migrants is more or less tolerated by all actors. Even though this policy of non-intervention and tolerance is based on social norms and the nature of the labour market, rather than on a legal framework, it results in legal actions in the form of periodic regularisation. Regularisation can therefore be understood as a certain form of migration policy. In the other countries acceptance of the illegal employment of migrants is rather low and their numbers are believed to be also considerably lower.

3.2.4 *Institutional actors*¹⁴

There are important differences between the PEMINT countries in the ways they organise their labour market, welfare state and industrial relations. One task of our project has been to attempt to make sense of these differences and then to try and understand their implications for recruitment and migration. This suggests a complex interplay between national differences and sectoral dynamics in health care, ICT and construction that may cross these national borders. In order to grasp cross-national differences in relation to sectoral dynamics, we have assessed the relationship between different forms and patterns of state-society relations in the respective countries and the role of organised interests, including the way these have been institutionalised. Patterns of state-society relations provide the country-specific context within which institutional actors act in shaping the admission of foreign workers.

Drawing on comparative political studies, these patterns of state-society relations may be conceptualised along two dimensions: types of welfare states and industrial relations. For the first dimension Esping-Andersen (1990) provides a conceptualisation of the welfare state that analyses the nexus of state and markets by examining the welfare state's impact on decommodification and stratification. He identifies three different types of welfare regimes:

- (1) *Liberal*, where means-tested assistance, modest universal transfers or modest social-insurance plans predominate. Generally the market takes over an important role and the regime minimises decommodification effects. In liberal welfare states social stratification mainly results from a division between state-welfare recipients and market dependants.
- (2) *Conservative*, where the idea of market efficiency is not as dominant as in liberal welfare states. The state assumes a more dominant role in the economy. Private insurance plays a marginal role but the redistributive effect of the welfare outcomes is negligible as the state upholds status differences. Furthermore these regimes are often committed to the preservation of the family.
- (3) *Social democratic*, where principles of universalism and decommodification are extended to the middle class. In this regime the welfare state promotes high levels of equality and does not tolerate the dualism between state and market and working class and middle class.

¹⁴ This section is largely based on Geddes a.o. 2004.

- (4) In subsequent work, Esping-Andersen has added a fourth group composed of *Southern European* countries. This type is characterised by a strong presence of an irregular labour market and the relative weakness of state institutions. Informal institutions and solidarity mechanisms are still very important; the family and family ties fulfil major social assistance roles.

The second dimension of the institutional context is the structure of industrial relations in the PEMINT countries, that is the degree of corporatism inherent in the interaction between the state administration and social partners in the running of the economy. In Germany, the Netherlands and Switzerland there is a more or less shared consensus concerning the joint management of the economy by business, labour and the state as social partners. Therefore the traditional institutions of social partnership (tripartite commissions, economic councils) are accepted and important for all these actors (though the influence of these institutions may differ between the countries). The level of strikes is low and the state acts as a mediator. A favourable context variable of this system is the more consensual or consociational rather than majoritarian political tradition in these countries.

In the UK the Conservative government after 1979 reversed the trend towards corporatist policy. All tripartite institutions built in that country during the 1970s were weakened by the diminishing role of labour. In Italy and Portugal the situation is more complex. There are strong labour unions in both countries with an influential communist wing, which refuse or hesitate to co-operate in a corporatist system. Communication between the state and societal organisations is not as formalised and institutionalised as in the first group, though there were attempts to do so in establishing tripartite agreements or economic councils, through mainly macro-level appointments. However, the influence of such institutions on the decision-making process is, in general, rather low. To conclude, one can say that in the first group a culture of economic concertation can be observed with formalised and institutionalised communication channels and decision-making while in the second group some attempts towards concertation have been made that have not attained similar levels of formalisation.

These patterns occur not only in general economic policy but in migration policy as well. In the southern European countries the institutions and actors in the field of migration policy are not as formalised as in the other countries. Migration only recently ascended the political agenda and the social partners have not yet produced a clear strategy and channels of articulation of their interests. On the one hand this is due to these countries' recent move from sending to receiving countries. On the other hand, the pattern of industrial relations means that it is more difficult for institutional actors to get involved in new political issues due to the lack of formalised arenas of political deliberation and decision-making including the social partners. Generally we can say that the attitude towards low-skilled non-EU immigration in all countries is negative. Most employers would prefer a more flexible and open system when it comes to personnel with intermediate qualifications, especially in the UK and Switzerland. The position of the unions vary: while in Germany, the Netherlands and Switzerland they are mainly against immigration, the unions in the UK see themselves as advocates of the migrants and in Portugal and Italy they are traditionally pro-immigration. In all countries (except perhaps Italy and Portugal) government policy is labour market driven, trying to reduce national unemployment by raising the barriers for unskilled and average skilled recruitment from non-EU countries.

Putting together the two dimensions 'type of welfare state' and 'degree of corporatism' leads to a typology for the PEMINT countries as in Table 4.

Table 4: Types of welfare state and degree of corporatism in the PEMINT countries

	Welfare state	Corporatism
Germany	Conservative	High
Italy	Southern	Low-medium
Netherlands	Social democratic	High
Portugal	Southern	Low
Switzerland	Liberal	High
UK	Liberal	Low

Drawing on the literature, we can formulate some very general hypotheses at the country level concerning the role of institutional actors. For example, we would expect that social partners, i.e. employers' associations and unions, play a greater role in regulating labour migration in countries with a high degree of corporatism. With regard to our first dimension, the type of welfare state, we assume that employers' associations will be more influential in 'liberal' countries, while the unions should exert a greater influence in 'social-democratic' regimes. We are likely to find a balanced relationship between the two in 'conservative' welfare states, while 'southern' regimes should see strong unions, but a limited impact on economic and public policy.

Apart from this national institutional context, the role of institutional actors will also be shaped by sectoral determinants which influence both the forms in which migration or mobility within the different sectors take place and the costs and benefits that the different actors are likely associate with foreign workers. Before we started our actual fieldwork, we formulated the following hypotheses on the impact of institutional arrangements on attitudes concerning migration for the three PEMINT sectors.

Construction

Labour intensity combined with some potential for the realisation of competitive advantages within the European single market underlines the importance of labour migration in this sector. Migration can take place in different forms:

- The classic immigration of individual workers. In countries such as Germany and Switzerland, this form of migration has a long tradition through guest worker programmes and has led to the establishment of networks between sending and receiving countries that continue to influence migration patterns. In southern European countries, it often takes the form of irregular migration.
- The migration of individual workers as independent self-employed persons;
- And, finally, temporary mobility as posted workers who are employed by a subcontracted foreign firm from their country of origin working on the territory of the host country.

Taking into account the tradition of interest organisation and collective bargaining in this sector, we can assume that interest groups will have a certain influence on the regulation of these different forms of migration both with regard to recruitment and working conditions. We assume that, given labour cost differentials in Europe, the scope for the exploitation of comparative advantages through these various forms of immigration will to a large degree be determined by the extent of regulation exerted by institutional actors. In other words, the scope for the exploitation of comparative advantages will be reduced if there is a high degree of co-operation between the social partners and the state in the monitoring of the labour market. The role of the European Court of Justice and supranational law is also important because it directly applies to the freedom to provide services, which was the basis for the movement of posted workers.

Health

The national organisation of health systems and the low degree of international openness mean that we find only one form of international migration, namely the classic migration of individuals as workers. Another form of migration, however, which has less to do with recruitment, is the mobility of patients across national borders in the pursuit of medical treatment. The migration of health workers is distinctive because it is strongly influenced by the regulatory frameworks of individual governments that control the training, recruitment and deployment of health professionals. Such frameworks give rise to particular national patterns of migration. The tight connection between health care and the state allows the labour market needs for foreign health care workers to be easily satisfied once these have become manifest. Intake is further facilitated because of state accountability in the case of shortages that arise from the malfunctioning of training systems co-ordinated by the state and the strong means of control regarding employment conditions. The long lead times for health care training also contribute to governments opting for migration in case of shortages.

We expect, therefore, that labour immigration is perceived as a remedy during shortages and not motivated by the realisation of cost benefits. The high degree of regulation of working conditions and wages may also prevent such “strategic” recruitment. Yet, we assume that such strategies will increase relative to the involvement of the private sector in health care provision and the deregulation of the professions. Here, unions and professional bodies are likely to play an important role as “watchdogs”. Attempts at reform within the sector may have an unintended impact on migration as working conditions could suffer from cost-containment measures that make jobs in the health sector less attractive and that leads to further gaps that need to be filled. Alternatively, increased government investment in the sector combined with long lead-in times to train new staff can lead to a short to medium term reliance on migrant labour.

The relationship between different actors (i.e. government agencies, hospital associations, unions and professional organisations) in recruiting and regulating foreign labour is strongly dependent upon the national institutional configuration, which itself is highly politically sensitive. In general, we expect the role of institutional actors as partners in the collective bargaining model to be subordinate, since employers’ organisations and also, to a lesser degree, unions are weak. We assume that professional groups can serve as veto players in this field regulating access to particular occupations.

ICT

The term ‘migration’ is not one often used by ICT actors; more often than not they speak of ‘mobility’. This ‘international mobility’ within the ICT sector can take different forms:

- Temporary moves within the internal labour market of multinational companies;
- ‘Classical’ migration of individuals (almost exclusively highly skilled workers);
- Outsourcing of whole production processes.

Together with the sectoral determinants identified in Chapter 2, in particular the low level of institutionalisation of the sector, these features suggest that the national institutional context will play a lesser role in shaping the activities of institutional actors in this sector than in the other two. In the absence of a tradition of collective bargaining and unionisation, relations in this sector are likely to be determined by market forces. We can assume that multinational companies will mostly lobby for the liberalisation of cross-border mobility within their internal labour market and are less dependent on ‘classical’ venues of foreign recruitment. The absence of strong unions and professional associations should generally favour the smooth introduction of such schemes relatively independently from politicised immigration debates,

while it may also favour the emergence of certain forms of irregular or, rather, unregulated work.

3.2.5 Other factors

The PEMINT model introduced in Chapter 1 included a fifth set of independent variables, which we labelled other factors. At the launch of the project, of course, we did not know what to expect from these. We anticipated, however, that there might be more than labour market demands, welfare state and institutional arrangements plus the regulatory framework regarding immigration that affects employers' decision making on recruitment. From our analysis of these variables some indications have already emerged. Language abilities and cultural proximity, for example, can be major determinants of recruitment behaviour, particularly in the health sector where contacts between workers and clients are of overriding importance. We have also found that employers tend to make use of existing migrant networks in recruiting new manpower. This explains why recruitment efforts are not spread at random, but usually are concentrated in a limited number of places. The mutual recognition of diplomas, or rather the lack of it, is another factor that may influence recruitment behaviour. The same holds for the fact that the qualifications for certain professions are determined rather strictly at a national level, also within the EU, and therefore may differ per Member State. Some comparable factors have emerged from the interviews that we have held for PEMINT. The results of these will be discussed in the next chapter.

3.3 Decision-Making on Recruitment

3.3.1 Introduction¹⁵

The PEMINT project combines two different methodological approaches:

1. Analyses of statistical data on international migration that establish the relevance of migration in the construction, health and ICT sectors in the six PEMINT countries.
2. An organisational study that seeks to ascertain the relevance of international migration for organisations in the three PEMINT sectors and the extent to which these organisations decide to recruit and to employ migrants.

Before we present some of the substantial results of our project a few preliminary methodological remarks on the relationship between the chosen research approaches of PEMINT seem appropriate.

Quantitative data on international migration provide indicators of stocks and flows of migrants and show their relevance within different sectors of the labour market. Based on these data it can be shown that international migration is relevant in all three sectors in the six PEMINT countries, albeit in different ways (see section 2.3). However, like other individuals, most international migrants do not find employment in 'labour markets' but within organisations. It is these organisations that provide employment. Migrants thus operate in differentiated labour markets within which this organisational dimension is of paramount importance. Our project focuses on this organisational context, while trying to understand how it is that intra- and extra-EU migration and migrants of EU- or third country origin become relevant for the recruitment and employment strategies in each of the three sectors in the six countries. We analysed a sample of organisations in each sector in each country and then explored the ways in which they recruit. The variables in the PEMINT model together with the analysis of the economic specificities of the three chosen sectors define potentially

¹⁵ Largely based on Bommes 2004

relevant conditions for the decision-making processes concerning recruitment.

These decisions and their underlying rationality were empirically accessible through interviews with decision-makers, documents and statistics. We conducted more than 200 interviews with leading officials in large, medium sized and small companies in the three PEMINT sectors and in all six countries. In addition to this we conducted more than 100 interviews with representatives of what the PEMINT model calls ‘institutional actors’: government and government agencies, employers associations and unions, relevant organisations in the field of social policy and, last but not least, a number of institutions at the European level. These interviews took place on the basis of semi-structured questionnaires. All eight PEMINT teams used the same questionnaires, even though at times these had to be adapted to local circumstances. Methodologically we do not claim that our analysis is based on a representative data set. Rather, we tried to identify patterns of decision-making in relevant organisations in terms of size, ownership and range of products in each of the three chosen sectors. We have also tried to cover decision making on positions at different skill levels. The aim of this analysis is not to demonstrate that international migration is relevant to our sectors. To demonstrate this statistics will suffice. Rather, the aim is to gain insight into how international migration becomes relevant and is structured by those opportunities which are themselves the product of sense-making and decision-making processes within organisations.

This chapter provides an analytical overview of our main empirical research findings. Sections 3.3.2, 3.3.3 and 3.3.4 present analyses that are largely based on the interviews with employers in construction, health and ICT respectively. Each section is complemented with a brief characteristic of recruitment in that sector, summing up its most relevant characteristics and the major differences we have found between the PEMINT countries. Section 4.5 presents some of the findings of our interviews with the relevant institutional actors in the six countries and the three sectors and also draws some comparisons between our findings.

3.3.2 Recruitment strategies in construction¹⁶

Our findings for the construction sector indicate large variations among the six PEMINT countries in labour migration and recruitment strategies of foreign workers. Liberalisation, especially within the EU, has led to more interdependency and international competition between the construction sectors in the various Member States. Due to the specific characteristics of construction, international competition implies the international mobility of production capacity and workers, as the products of the sector are basically immobile. Across the PEMINT countries we may distinguish four different types of labour markets. Switzerland (A) is in the first group, which is characterised by a highly and effectively regulated labour market and only minor problems with irregular work. The Netherlands and Germany can be grouped into a second category (B) of equally highly regulated labour markets, like Switzerland, but with considerable deregulatory trends. This is especially the case in Germany, where a significant part of the labour market is less regulated for foreign subcontractors and their staff than for indigenous companies. Thirdly, we have Italy and Portugal (C) with a dual labour market structure. This consists on the one hand of a small, but highly regulated core labour market with large companies and a strong presence of trade unions. On the other hand, there is a large peripheral labour market without regulation and with a strong recurrence to irregular work, false self-employed and the use of agencies. Fourthly, the UK (D) is characterised by a de facto deregulated labour market. Even though

¹⁶ This section is largely based on Balch a.o. 2004 and on Geddes a.o. 2004.

the core labour market is somewhat regulated, implementation of these regulations is low. Typical for this country is also the large number of self-employed persons.

In all PEMINT countries immigration of foreign labour in the construction sector is most significant in those areas of the labour market that tend to be more deregulated or are in a process of deregulation. Germany is the interesting case; it appears to have undergone the most dynamic deregulatory processes during the 1990s. Deregulation went hand in hand with a rapid expansion of international subcontracting, which also produced high unemployment among domestic workers. Today, the largest inflow of foreign workers in Germany comes through EU subcontractors, especially from Portugal, the UK and the Netherlands. These workers are employed on a formally (re-)regulated but de facto deregulated market. In Italy and Portugal we also find foreign workers mainly in the irregular, peripheral labour market segment, which clearly acts as a pull factor for migrants, particularly of non-EU origin. Many decide to come to these countries, as they are quite certain that they will easily find a job in the construction industry, even if they do not have a work permit. In the Netherlands and in Switzerland, by contrast, where the labour market is highly regulated, there is only a small inflow of foreign workers. In Switzerland we still find a high share of foreign workers in the regulated core labour market that stems from previous guest worker programmes. However, this number is decreasing and the inflow of new foreign workers in this part of the labour market is small. In the Netherlands, the overall share of foreigners in the construction workforce is rather small. The interesting deviant case is the UK where an acute labour shortage cannot be met with labour migration, even though companies are willing to do so and the government has introduced corresponding measures. The reason for this phenomenon may be the structure of the British construction sector with its long tradition of self-employment. This makes it difficult for foreigners to gain entry into that *market*.

We have also identified a strong interaction between the different labour markets in Europe that results from increasing flows of workers. As we have seen, labour migration from the UK and Portugal to Germany has put strong pressure on the highly regulated labour market there, and resulted in a considerable deregulatory pressure and a weakening of important labour market institutions. The Netherlands, by contrast, has been able to protect its labour market against this type of EU competition. From the very beginning the government has prohibited the detachment of workers under foreign standards. However, proponents of a liberal economy may interpret the Dutch protection of the national labour market as a case of incomplete integration since non-Dutch EU enterprises are prevented from using their competitive advantage (e.g. lower labour costs) in the Dutch market. In Italy and Portugal foreign workers recruited in the peripheral labour market increasingly substitute indigenous workers who are less and less available for work in the sector at current contractual wage levels. The internationalisation of the construction sector in Germany has also had consequences for that sector in other EU Member States. In 2000, for example, 47,000 Portuguese, 56,000 Dutch and 16,800 British (posted) workers were registered in Germany. Their departure was a relief for the sending labour markets, which were all able to lower unemployment rates through migration during the 1990s; some of them (the Netherlands) even until today. However, the outflow of workers has also led to a demand for cheap labour in these countries. In Portugal, Italy and more recently also in the UK non-EU workers have been arriving in great numbers. In Italy they mainly came from Eastern European countries, such as Romania and Albania, in Portugal from African countries. They work in the peripheral (deregulated, informal) labour market segment. This tends to worsen conditions for the domestic labour force, which tries to overcome this problem by seeking employment in Germany.

Switzerland seems to be a deviant case in this regard. As a non-EU Member State it has full control over immigration and internal labour market regulations. National companies and workers are therefore protected from EU competition. However, due to several political decisions concerning international trade within GATS and freedom of services and movement within the EU the Swiss market may become more liberalised and open up in the near future. At present, the situation in Switzerland seems comparable to the German case at the beginning of the 1990s. The German example, however, indicates that a highly regulated and predominantly regionally or locally oriented construction market may experience deep structural changes as a consequence of internationalisation within a matter of years only. A central structural element of this process proved to be the inflow of foreign (detached) workers employed by foreign companies under lower standards. But, as the Dutch case proves, this is only one possible road to which a further Europeanisation may lead. The persistence of differences between the Member States indicates that individual countries are still able to exert a great deal of influence on labour markets, labour migration and prices in the construction sector.

The construction sector is the one that has been most affected by European integration, particularly since the 1990s. This does not prevent the persistence of significant differences between the PEMINT countries in size, role and modalities of foreign labour recruitment in this sector. Differential institutional arrangements tend to perpetuate this situation, and we have found the following differences to be of particular significance:

- In Italy and Portugal the main issue is the existence of the dual labour market and a strategy of intentional non-intervention on the part of the institutional actors;
- In the UK a strong reliance on foreign labour has become a well-embedded preference within a sector that is highly fragmented and within which there are enforcement problems. However, this is not simply a straight ‘read-off’ from the type of welfare state and labour market organisation. The UK construction sector needs to be understood in relation to historical patterns within the sector with a general expectation that the state does possess the capacity to enforce regulations. The UK shares characteristics both with Italy and Portugal and with the other three PEMINT countries;
- In the Netherlands, Germany and Switzerland the main issue is the posting of workers and the regulation of this new form of migration, which occurs due to incomplete EU integration. Responses to this new trend differ remarkably between these three countries;
- The higher the degree of corporatism, the greater the impact on migration policy by the institutional actors and the smaller the scope for the exploitation of comparative advantages;
- New forms of migration influence the behaviour and the setting of the institutional actors and can be used as an instrument to weaken the regulatory power of these actors and challenge the corporatist framework of policy making;
- Admission policy as well as labour conditions are strongly affected by the institutional setting of the sector and influence migration patterns within the sector.

3.3.3 Recruitment strategies in health¹⁷

Traditionally, the health and social care sector is strongly nationally determined, which makes the recruitment of foreign labour less obvious as an option as long as labour can be recruited locally. There seem to be few circumstances where employers are deliberately seeking to employ foreign workers in preference to the country’s own citizens. Our survey has made it

¹⁷ This section is largely based on den Adel a.o. 2004 and on Geddes a.o. 2004.

clear that there are numerous reasons why employers are reluctant to use foreign recruitment in the health sector, such as language and cultural requirements and problems related to recognition of diplomas. This is true for all PEMINT countries, except the UK. However, as in construction, the actual extent of foreign recruitment varies considerably across the individual countries.

At the same time, however, there is an EU-wide increasing shortage of health and care professionals, which is partly due to demographic developments. There are widespread opinions that there is a direct cause-effect chain between ageing societies on the one hand and increasing demand for health care professionals and accordingly foreign recruitment on the other hand. Our fieldwork, however, indicated that demographic development and the labour market situation in the health sector are linked not linearly but indirectly and in a way determined by structural conditions. Though in all PEMINT countries there is a propensity to rather not recruit in other countries, our work also showed that there are significant differences in respect to numbers and skill levels of shortages and recruitment. The health sector is strongly embedded in the wider patterns of national social policy and welfare state arrangements. This explains not only the national narrowness of the sector and absence of international competition in all PEMINT countries, but also the rather divergent national peculiarities as regards funding and provision of health services, state influence and actor constellation. The specific structures of each individual health sector result either in a kind of sustainability as regards the provision of sufficient young professionals or in the incapacity to sustain the labour market and therefore an inclination to depend on foreign recruitment.

Health sectors in all PEMINT countries are characterised by the relative absence of market structures and the, albeit changing, dominance of the state in planning and execution. However, the country studies also showed that the influence of the state becomes manifest quite differently according to the respective sector structures. Earlier (section 2.2.) we introduced two types of health systems as models of reference: national health systems in Italy, Portugal and the UK, based on contributions from taxpayers, and social health systems in Germany, the Netherlands and Switzerland, mainly funded through insurance. Our expectation that, depending on the funding type there are specific actor constellations, extents of political controllability and labour market situations has been confirmed in our fieldwork. This revealed that there actually *is* a connection between health sector structure, supply and demand of labour, and recruitment of foreign labour, but this connection must be differentiated more carefully, particularly in the case of doctors.

For nurses and care assistants a shortage is noticeable in all PEMINT countries, despite the differences just described. Reasons are on the one hand demographic development and the related increasing need for care of the elderly, on the other hand physical and psychological harshness of the job, low social status, increasing training requirements and low wages. Nurses, and even less low skilled care assistants, have never been well served by organisations as sophisticated and well-organised as doctors' organisations, either in tax or in security based systems, either as regards improvement of working conditions or as regards the enabling or prevention of foreign recruitment. While there is a widespread practice of recruiting nurses internationally – often supported by agencies – the recruitment of care assistants mainly takes place from stocks of foreigners already resident in a country. Employment of foreign workers in low-skilled caring occupations can involve the exploitation of nurses, with employers obtaining higher skills for lower pay than would have been possible in the case of home-grown staff. However, even here, foreign recruitment seems to be a response to labour shortages rather than a preferred alternative to local labour. Immigration is unlikely to be exploited for market purposes by public actors. It is instead a solution for

precarious shortages and the lack of domestic supply. Private health care providers, by contrast, are suspected of strategic recruitment.

Since there is an overall trend of cost reduction, introduction of competitive elements and privatisation in all health sectors under analysis, it can be assumed that the relevance of cost reduction and strategic recruitment will increase. At the same time we have to keep in mind that the informal employment of migrants probably occurs in most of the health sector anywhere, but it has proved to be very difficult to study this systematically within the research focus of PEMINT. Yet, even the brief presentation of patterns of informal employment revealed the structural background of this complementary migration. While in the German care sector informal employment is a rather hidden and accidental side effect of the compulsory care insurance, in Italy it can be attributed to the dual labour market structure. In this regard the ‘same’ form of informal employment can be traced back to different structurally determined triggers.

The health sector is the most regulated and the most national one of our three sectors. Differences in national organisations probably explain why the recurrence to foreign labour in this sector differs so strongly among the PEMINT countries. In spite of certain parallel developments in the PEMINT countries, institutional actors at the national level continue to play a role of paramount importance in practically all fields, including the recruitment of foreign labour. This brings us to the following conclusions:

- The dominance of the state per se does not necessarily promote migration as a common instrument to solve labour market problems. Various factors prevent a liberal expansive policy, such as the ‘social policy paradigm’ (Netherlands), internal migration flows between different parts of the country (Germany) and a lacking recognition of shortages (Portugal).
- Immigration is unlikely to be exploited for market purposes by public actors. It is purely seen as a solution for labour shortages and problems with domestic supply. Private health care providers, however, are accused of strategic recruitment. Their influence may well grow in the future.
- Deregulatory trends alter the relationship between the different institutional actors in labour market policy. These reforms and the social conflicts that can surround them open new opportunities for societal actors to organise themselves and to acquire influence.
- Immigration is hardly a topic of collective bargaining.

Barriers against immigration are most likely to come from professional organisations that seek to safeguard their privileges.

3.3.4 Recruitment strategies in ICT¹⁸

Our fieldwork has confirmed that the ICT sector is the most “international” of the sectors surveyed in the PEMINT project. The international character of the ICT sector is a corollary of the fact that firms’ behaviour towards labour recruitment does not vary deeply by country. On the contrary, the main variations coincide with the type of firm. The reasons for the sector’s international scope are the relatively weak embeddedness of ICT firms in national frameworks and, in a related sense, the greater weight of large multinational firms. Thus, contrary to what we have found in the other two sectors, few variations in labour recruitment patterns exist between the PEMINT countries. The main vectors detected were size (large firms, particularly multinationals *versus* small and medium enterprises) and type of product (production *versus* services). The use of internal labour markets is characteristic of large

¹⁸ This section is largely based on Kolb a.o. 2004 and on Geddes a.o. 2004.

multinational firms, which have the adequate dimensions and resources. In these organisations the temporary allocation of personnel is used to fulfil concrete tasks and to provide or receive training. Added to this, mergers and acquisitions and the relocation of services to lower labour cost countries allow for a better performance of companies. Small and medium-sized companies that operate on a national basis resort more often to subcontracting and to recruiting in the external labour market. Here too, however, partners in lower labour cost countries may be used to increase competitiveness, and to prevent the need for migration. In some situations companies have a preference for the national labour force, rather than for foreign workers. This is the case primarily for those types of organisations whose main task is the national re-specification of generic products or for companies providing services to the local market (e.g. helpdesks).

Internal labour migration within large multinational companies, common in the ICT sector, has certain characteristics of its own. This form of migration must be understood as a form of mobility that transcends the “classical” model of international labour movements. Most international internal migration is temporary, short to medium-term, and proceeds within the framework of a given organisation. On the other hand, intra-organisational migration has specific features, leading to different problems for individuals and organisations, and creating different constraints for national policies. As a number of ICT organisations are multinationals, the role of global trends is evident in the field: global firms and global strategies cause global labour movements. Since the ICT sector reveals a loose coupling with educational institutions and, as a consequence, with national regulatory frameworks, it acquires an international dynamic in itself. This explains why it is so important for firms to control their expertise and why international networks of professionals trained in a given technology are often so effective.

Most variables in the PEMINT model (e.g. pensions, social security, taxation and welfare benefits) were not considered by those we surveyed to be very significant as a constraint to mobility. They constitute a minor friction that can be overcome by administrative or financial efforts. The same level of relevance was attributed to rules on the recognition of qualifications. Political variables, however, were considered as major obstacles, particularly regarding non-EU citizens. These were expressed as bureaucratic difficulties, time delays and, in some cases, the lack of special immigration schemes for the ICT sector. Social and cultural variables, including language, were viewed in some cases as major obstacles, particularly when ICT firms were dedicated to services and more deeply rooted in their local environments. Despite the fact that internal labour movements constitute a very fluid form of international mobility, these remaining constraints to migration explain why the internationalisation of the sector and the international ambitions of many companies are far from being fulfilled.

The analysis of the ICT sector, and particularly its comparison with the construction sector makes clear that labour migration is not a discrete event or a simple result of different wage or unemployment situations in the source and destination countries, but refers in each case to different needs and problems. The analysis of the construction sector in section 4.2 showed us that the attraction of foreign labour could be used as a central strategy to reduce wage costs under certain circumstances. Thus migration in that sector is mainly cost driven. The situation in the ICT sector appears to be completely different. As has already been indicated, this sector is dominated by issues connected with mobility rather than being linked to the ‘problem’ of migration. In this sector cross-border mobility is not a tool used by human resources units to react to labour market conditions, but a response to the needs of companies to optimise factor allocation. In that sense companies can establish world-wide personnel value chains that

follow company-based FDI and that improve conditions of market integration. Internal migration is thus not a phenomenon related to labour market needs or needs to cut wage costs but to the internationalisation of the flexible use of labour inside internationally operating organisations. From the company perspective this migration (or mobility) that mainly takes place within the organisational context of an internal labour market is regarded as something completely unproblematic and necessary.

The two cases of the construction and the ICT sectors seen from this perspective show us that labour migration must be regarded as a phenomenon that reacts to different structural and economic preconditions valid in each sector. The construction sector appears to be a sector historically highly regulated by nation-states that became gradually Europeanised as a consequence of the introduction of the freedom of movement for services and the posting of workers. The different strategies chosen in the Netherlands and in Germany in reaction to this Europeanisation reveal that the options for single nation-states to deal with such forces still differ significantly.

The ICT sector proves to be completely different. The high relevance and dominance of internal labour mobility in all countries is the most frequently used tool to organise labour allocation and indicates that the ICT sector is a highly international(ised) sector. Accordingly, the options for action by individual nation-states are rather limited and restricted to the provision of a legal framework that allows the flexible allocation of personnel. More or less all states follow this path and have established quite similar regulations for international transfers within companies.

The need for international migration is self-evident for most ICT actors, particularly for the large multinational companies that dominate the sector. The most prevalent pattern is internal labour mobility within these companies or, alternatively, company recruitment in this highly internationalised labour market. Outsourcing of activities, often to smaller local companies, may be an alternative to migration, depending on the labour costs, the possibility to employ foreigners and the knowledge needed. Regarding the role of institutional arrangements we come to the following conclusions:

- Due to fragmentation, institutional arrangements are less important than in other sectors for the definition of migration policy. If they exist, they have a positive impact for small and medium enterprises in the sense that they ease classical immigration;
- Special schemes are introduced if employers are strong, the work permit regime is formalised and no strong veto-players exist;
- Large multinational companies often act on their own and achieve preferential access to decision makers;
- In the absence of strong unions, the presence of multinational companies and the international character of the sector, national labour conditions are not a major concern to the extent that they hinder migration. Irregular practices are not common but are tolerated as 'exceptional' rather than as 'illegal';
- Education and training seem to be more of a complement than a substitute for migration.

3.3.5 *The role of institutional actors*¹⁹

The previous sections identified distinct sectoral characteristics impacting on migration patterns. We must, of course, be careful not to generalise too much; we have also come across significant differences *within* each of the sectors. However, the logic of migration differs

¹⁹ This section is largely based on Geddes a.o. 2004

indeed by sector: it is cost reduction in construction, need for specific skills in ICT and supply for shortages in health. How this logic converts into migration patterns depends to a large extent on the degree of institutionalisation within the specific sector. If we compare the sectors with regard to the analytical framework explained in section 3.4 we come up with a general finding. The more institutionalised a sector is, the more homogenous the perception of reality (i.e. relevant policy paradigms, problems and possible goals) and, as a consequence, the more standardised recruitment decisions and strategies are. In less institutionalised sectors recruitment is more arbitrary so systematic links between organised interests, institutional contexts and migratory patterns can only be detected in more institutionalised sectors. Ranking our three sectors with regard to the level of institutionalisation the construction sector comes first, followed by health and ICT. As it turned out, none of the three sectors is alike in all the PEMINT countries while no national patterns of institutionalisation would seem to exist. In sum, we conclude that apart from economic circumstances the degree of institutionalisation is a relevant factor for the explanation of migration patterns.

We now discuss the findings in the light of general institutional characteristics at the national level. This refers to the impact of welfare state institutions and patterns of industrial relations on institutional actors. Are there country specific features that appear through all sectors? We develop our analysis by drawing from the institutionalist hypotheses postulated in section 3.4.

One of our hypotheses was that social partners play a greater role in regulating labour migration in countries with a higher degree of corporatism. We expected the social partners to be more influential in Germany, the Netherlands and Switzerland than in the other PEMINT countries. It is true that Germany and the Netherlands practice a form of macro concertation not found in the other countries and that an increased influence of societal actors on central regulations concerning migration is, therefore, more likely. However, after analysing the three PEMINT sectors in considerable detail we can no longer sustain this hypothesis. We found that the degree of corporatism at sectoral level is often quite different from the general country classifications of Table 4. Contrary to expectations, for example, we find corporatist patterns in the ICT and health sectors in the UK and also fairly unorganised and weak social partners in the Swiss health sector. The hypothesis might regain its usefulness if we consider that construction is the only sector with what could be called classical or well-established industrial relations. In this sector the typology fits. In the health and the ICT sectors there is no pattern of classical industrial relations. In the former the role of the state is dominant and in the latter employer-employee antagonism seems not to be a reality.

Our second institutionalist hypothesis was that employers' associations would be more influential in 'liberal' countries, while the unions would exert a greater influence in 'social-democratic' regimes. We are likely to find a balanced relationship between the two in 'conservative' welfare states, while 'southern' regimes should see strong unions, but a limited impact on economic and public policy. The best fit was found in our two southern European countries. In the construction as well as in the health sector of Italy and Portugal we detect a dual market structure and informal communication patterns that correspond well with the description given earlier. Furthermore perceptions about the capacity to regulate differs between countries: In Italy and Portugal it seems that the state itself doubts its capacity to act and implement, especially concerning irregular work. In the 'social-democratic' Netherlands we find well developed and balanced social partnerships, although there is no discernible tendency of a privileged position for unions.

The 'social-democratic' pattern seems to be relevant for immigration in the sense that employment possibilities for migrants are reduced by the pursuit of active labour market

policies that aim to bring unemployed people back into the labour market. Some differentiation should be made about the Swiss case as a ‘liberal welfare state’: in the ICT sector a liberal orientation can be observed, there are no collective agreements and the state has no influence concerning the labour conditions and wage regulations. The decommodification effects are low. In the construction sector however, where the regulations are tight, the state is not the initiator but acts as a guarantor of the status quo. In Germany (conservative welfare state) and the Netherlands (social-democratic welfare state) the non-wage labour costs are higher than in liberal and southern style welfare states. As a result of ‘incomplete EU integration’ these welfare states have come under greater pressure as non-wage labour costs differentials can be exploited through the posting of workers. Here we see some tension between the impulse of a liberalising EU and national social models.

3.4 Recruitment strategies and European integration²⁰

It has emerged from our research that the three PEMINT sectors all relate in very different manners to markets, national welfare and tax systems as well as to institutionalised structures of education, labour and professions. These explain the enormous variations we have found in decision making on recruitment between the sectors as well as between the six countries studied, the central dependent variable in our PEMINT model. So far, we have only implicitly dealt with the other dependent variables that reflect differences in types and locations of recruitment. In the model that we developed before our project had started, we made a distinction between national labour, EU labour and non-EU labour. We assumed that, all other thing being equal, employers would opt for national labour in the first place, and only recur to recruiting abroad in situations where no domestic labour was available. We were interested in determinants of the choice between EU and non-EU labour, but assumed that existing rules only allowed to opt for the latter in cases where the former was not available. If recurrence had to be made to non-EU labour we were also interested in the actual modalities of recruitment: how do employers obtain the necessary information, what networks do they use, and what other factors explain their recruitment behaviour?

These distinctions in our model seemed most sensible, but we found that they did not enable us to tell the full story. As we have seen from our study of the three sectors, employers have a broader choice than the choice between national, EU and non-EU workers, and all of these choices enhance very different types of mobility. We can develop a rough typology of choices using the following three alternatives.

1. *Mobility of workers versus mobility of goods and services.* Instead of importing labour from somewhere else, companies can relocate their production to other countries where labour is more readily available, cheaper, or both. It has become common practice among larger companies, particularly in ICT, to set up local branches in other countries, to which they can then transfer some of their activities to reduce costs. Small and medium-sized companies do not normally have this possibility. Under similar circumstances they have to resort to international outsourcing. The strategy of relocating production, however, is not available when services or goods have to be produced close to their users, as is often the case in construction and health.
2. *Internal mobility versus international recruitment.* Within large, multinational companies that, in PEMINT, we find almost exclusively in the ICT sector, international recruitment

²⁰ This section is largely based on a presentation by Emilio Reyneri at the PEMINT final conference in Brussels, September 20th, 2004.

usually takes the form of internal mobility. Employees are transferred from one country to another while remaining under the same contract. The opposite of this practice is the recruitment of individual workers with the required skills in another country, which we find mostly in the health sector. When wanting to know how widespread this practice is, we must be careful in interpreting statistics. These do not always differentiate between the recruitment of foreign nationals residing in the same country (e.g. second-generation immigrants) and the recruitment of foreign nationals that actually does take place in another country. An intermediate form of recruitment is to recur to ‘posted workers’, groups of workers from another country, subcontracted from that country for a limited period, usually through a special agency. Most posted workers earn the wages of the country where they actually carry out the work but they remain in the social security system of their country of origin. This has become common practice in the construction sector but only in situations where the disparity in social security levels between countries is considerable.

3. *Mobility inside the EU versus mobility from outside the EU.* This is the distinction that the PEMINT model believed to be the major one. EU law forces employers who face manpower needs that cannot be satisfied at home to recruit nationals from other EU Member States first. Only if it can be proved that these are not available non-EU labour may be recruited. We have seen that in reality the choice between EU and non-EU labour is not as clear-cut as expected. Other criteria than citizenship equally play a role in employers’ preferences. In ICT, particularly in situations of internal mobility within multinational companies, an individual’s qualifications are often more important than passports. In health care, the possession of certain professional skills in combination with a linguistic and cultural familiarity is considered to be more relevant as search criteria than nationality.

In the next chapter we will further analyse the determinants of employers’ choices in these matters, and we will assess how these are affected by national and European policies.

3.5 Consequences of Incomplete European Integration

3.5.1 Introduction

Recruitment decisions transcend the borders of individual EU Member States and thus foster international migration. Employers draw their employees not only from national labour markets, but also from the labour markets of other EU Member States and from non-EU labour markets. Recruitment abroad has been observed in all PEMINT sectors and countries, but the degree to which employers make use of it differs. As we have just seen, employers sometimes prefer to solve their labour shortages not by recruiting new staff, but by moving elsewhere or by outsourcing a part of their activities. How can we explain such differences in employers’ behaviour in these matters? How does it affect migration patterns? Starting point for the PEMINT project has been the notion of incomplete European integration: the national embeddedness of fiscal, social security and other systems may affect recruitment decisions of individual employers and, as a consequence, the structures of labour migration. This incompleteness has arisen because freedom of circulation of labour, organised and guaranteed at a European level, at times may challenge welfare, fiscal, pension, educational and other systems and institutions that are overwhelmingly structured at the national level. We assumed that the ‘misfit’ between these two might incite employers to strategic forms of recruitment behaviour and as a consequence have a specific impact on migration patterns. The following comparison of the three sectors and the six countries indicates to what extent this is actually

the case (section 5.2). It also indicates in which ways all of the PEMINT variables affect recruitment in the three sectors, and with what outcome for migration. On the basis of this we will then try to assess the effects of the incompleteness of European integration in section 5.3.

3.5.2 *The three sectors in a European perspective*²¹

Our research work on each of the three sectors has demonstrated that international migration in Europe occurs under highly specific conditions. In the ICT sector migration is often part of a restructuring of international labour mobility. In the construction sector migration is part of an Europeanised restructuring of labour market relations. In the health sector it is part of the restructuring of different national welfare systems as a consequence of demographic and global economic pressures. By comparing the sectors we can address the question of the relevance of the PEMINT findings about migration in an integrating Europe.

The ICT sector attracted much political attention at the beginning of the new millennium. The new market seemed to require new schemes for international migration policies. In Germany a major shift of migration policy seemed to happen when the proclaimed need for ICT workers led Chancellor Schröder to make his famous announcement that it was in the interest of modern and future oriented industries to open the German labour market by developing something akin to the US *green card* system. Schröder found general support for this view from relevant institutional actors, such as industrial organisations, the churches and, though somewhat reluctantly, the trade unions. With hindsight, this overwhelming support for a *green card* style system was driven more by symbolic politics than by empirical evidence of economic need. As we have seen, ICT companies in Germany did not make intensive use of the system. This was not so much because economic growth slowed down, but rather because migration within the ICT sector is of a specific nature, particularly in the larger companies, which dominate the sector. It appears most often as a form of internal mobility within multinational companies that deploy their staff across their sites in various countries. This form of internal migration fulfils the needs of these organisations to make a task-driven and flexible use of their staff resources. International migration in the ICT sector does not have the primary function of filling labour shortages or reducing labour costs, as in many other sectors of industry, such as the construction sector. Rather, it is becoming part of the normal career path for highly qualified employees in particular. Positions and qualifications in ICT companies seem to be understood in relation to specific organisational needs, rather than to educational and occupational status links with claims concerning income, power and prestige, as, for example, in the health sector.

This is why the legal frames that Germany and other European states have provided to allow for the internationalisation of employment do not fit the needs of the ICT sector. These schemes suppose that individuals are recruited on the basis of formal qualifications and experience. In ICT this is the case only to a limited extent. Instead, ICT companies rely heavily on their networks, thus reducing uncertainties that may arise from the absence of institutionalised occupations. The predominant type of international migration in the ICT sector is internal mobility and this also explains why national welfare regulations are of little relevance. Migrating employees do not move to another welfare system, but usually stay in the system of their country of origin. Of course, differences in national tax systems do have major effects on the buying power of the salaries of these migrants, but their companies compensate them for this through equalisation measures. The companies' interest in welfare and taxation is not for reasons of reducing costs through migration, as we find in the

²¹ This section is largely based on Bommers & Geddes 2004.

construction sector, but because these affect their capacity to make a flexible use of their labour.

In many of these respects the construction sector strongly contrasts with ICT. Here we find organisations that make use of migration through subcontracting on the basis of EU provisions regarding freedom of services. This migration can subvert national welfare regulations and the related institutionalisation of occupations within national labour markets. This process is particularly manifest in PEMINT countries with high labour costs, especially in Germany and the Netherlands. In a number of cases it has been driven by labour shortages, but more often it is the effort to reduce labour costs under the pressure of growing international competition that makes employers decide to recruit workers in other EU Member States. EU internal migration allows these countries to import cheaper labour from countries where social security costs are lower. In the construction sector intra-EU migration has become a major characteristic of the reconstruction of the entire sector, affecting the competitiveness of companies and industrial relations between employers and employees.

It is worth while underlining that it has not been the international recruitment of individuals as such that has had these structural effects, but rather their recruitment under the specific conditions of freedom of services. This European frame has established a context for the exploitation of differences with the outcome of integrating the various national construction sectors in a peculiar way. European integration has not so much led to a homogenisation of the sector and the prevailing conditions, but rather to the establishment of mutual dependencies. Internal EU workers in high-cost countries moved from low-cost countries on the basis of subcontracting. In these low-cost countries they are then substituted by non-EU workers, often irregular or illegal migrants. This affects overall conditions of employment and payment in these countries. It is important to note, however, that the European framework has not become equally relevant in all PEMINT countries. Its relevance rather depends on the use made of the freedom of services, on the economic business cycle and on the preparedness of the different states to accept the deregulatory effects of freedom of services. This acceptance occurred much earlier in the Netherlands than in Germany. As a result, labour costs in Germany have remained relatively high, which probably explains why the share of EU migrants in the total construction workforce is much higher now in Germany than in the Netherlands.

The health sector again is a totally different case. In contrast to ICT and construction it receives most of its money as a result of political decisions. Quite independent from the precise internal structure of the various national health systems financing is linked to strict national regulations concerning occupational and professional preconditions for employment. Workers in the health sector have to comply with these conditions, testified by national exams. Thus, the strong political institutionalisation of occupations and professions defines one of the major filters for the recruitment of migrants in the health sector. Upon closer observation, however, certain differences between the PEMINT countries emerge, largely as an effect of diverging needs. As a general rule we can say that insurance based systems until recently displayed a tendency to oversupply, with the consequence of cost explosions. The more recent need for labour and efforts to recruit external migrants at different skill and occupational levels (doctors, nurses and care workers) seem to be an outcome of structural mismatches. Such mismatches stem from struggles between on the one hand governments and insurance companies seeking to reduce oversupply and on the other hand the affected occupational and professional groups that try to defend working conditions, incomes and other privileges. Tax based health systems, by contrast, have a structural tendency towards undersupply that has been compensated for by recruiting international migrants who fill vacancies at all occupational levels. This has been particularly visible in the UK and it

explains why in tax based systems international migration has been of greater importance than in systems based on insurance. The current efforts to reform national health systems are clearly driven by the fear that current and future demographic changes will increase the demand for health services and thus create serious financing problems. Contrary to what is often publicly stated, however, the structure of international migration as the PEMINT project has unravelled it for the health sector is not primarily an effect of growing needs of ageing populations. It is rather the outcome of structural inconsistencies that are linked either with the unplanned effects of political decisions and internal struggles to limit tendencies of oversupply or with supply deficiencies that result from planning failures.

One important general reason for the rather reluctant use of foreign recruitment in the health sector needs further discussion. This is the meaning of language and cultural requirements, needed for an effective interaction and communication between colleagues and with clients or patients. The role of language and culture is often overlooked in debates on foreign recruitment and migration policy, but it has emerged from nearly all our interviews as being of primary significance. This also explains why in principle it is relatively easy for the UK to recruit labour at all occupational levels not only in other Commonwealth countries, but also in many other countries of the world. English has become the *de facto* second language in so many places and the British model often influences structures of training and education. In the other PEMINT countries we have also found efforts to recruit from places that are culturally and linguistically akin: Switzerland has recruited from Germany and Italy, the Netherlands from Belgium and South Africa, and Portugal from Spain and the Portuguese speaking countries in Africa. Such forms of proximity, however, do not automatically guarantee success.

In the other two sectors cultural and linguistic considerations seem much less relevant. In ICT the main skills of international migrants are less centred on the needs of social interaction than on the necessary competencies to manipulate software programmes. The *linguae francae* here are formal languages and English. Cultural and linguistic skills become relevant only when the application of programmes to the needs of customers is required and also in other forms of service providing to the general public. In the construction sector basic interaction and communication skills concern especially the understanding of instructions and safety regulations, but linguistically competent middlemen can fulfil this requirement rather easily. Letting teams from a single country work on each particular project also alleviates or even prevents communication problems.

3.5.3 *Incomplete integration: liability or asset?*

The leading question in this analytical chapter is whether the incompleteness of European integration is an obstacle to foreign labour recruitment and, if so, how that becomes manifest. Incomplete integration refers to a situation where, in spite of strong tendencies towards harmonisation of legislation and regulations in the European Union certain differences between the Member States persist. Such differences may make it more difficult for employers to fully exploit the right to free circulation of persons as it exists in the Union. Workers themselves may experience the incompleteness of integration in similar ways. The phenomenon that relatively few EU-nationals take up employment in another Member State is often seen as a consequence of the fact that the most relevant regulations and schemes are organised at the national level, such as those regarding social security, pensions, education and taxation. Moving into another system requires considerable effort and potential intra-EU migrants may only be willing to do so if the reward is a substantial rise in their standard of living. This is not often the case, particularly not within the EU-15.

A different perception of the phenomenon of incomplete integration, however, also exists. In this view, incompleteness is to the employers' advantage as they can exploit differences in the cost of labour between Member States that result from differences in their regulatory and social systems. Employers in high-cost Member States keep their labour costs low by recruiting workers in low-cost Member States. Employers in low-cost Member States, though depleted of some of their workers, can equally keep their labour costs low by falling back on undocumented migrants (Reyneri 2003). Our findings in PEMINT enable us to answer questions about the impact of incomplete European integration, but it is impossible to do so with a simple 'yes' or 'no', since the situation is too complex for that. To a certain extent this complexity is caused by differences at an institutional level. Regulatory frameworks have different impacts on different sectors and in different countries. Comparing these provides us with a better understanding of the mechanisms at work.

The impact of European integration on recruitment practices differs substantially for each of three PEMINT sectors. We have seen before that the ICT sector tends to act and think globally, while the health sector has a strong national orientation. Construction is by far the most European of the three. The incompleteness of integration is most strongly felt there, but employers do not always see it as a disadvantage. On the contrary, they exploit it as a way of lowering their costs of labour, by subcontracting some of their activities to companies in other Member States, which then provide services or send workers on social conditions that prevail in their country of origin. The gaps left in those countries are often filled with illegal workers. This practice has a downward effect on overall wage levels. The construction sector argues that such practices are beneficial for a branch of industry that is territorially bound and that cannot be relocated to low-cost countries. Obviously, any change in the regulatory system, either at the EU-level or in the Member States is likely to have an immediate impact on recruitment patterns and labour mobility in this sector.

The sensitivity to national and European rules and regulations is much more limited in the ICT sector. That sector can be qualified as footloose and volatile and it is highly deregulated. As we have seen, relatively little attention is given to diplomas and official qualifications; career opportunities are determined within multinational companies that have developed their own rather informal criteria for this. These multinationals, where the bulk of employment opportunities in the sector are, attach great importance to flexibility, which often requires internal mobility of their staff. In many cases such internal mobility means migrating from one country to another. Whether that country is in the EU or not is rather irrelevant for the sector. Not surprisingly, the strongest lobbying for a relaxation of immigration rules for non-EU citizens has come from the ICT sector. As we have seen, this lobbying has been successful in quite a few cases. It has also emerged from our research that the incompleteness of European integration is not a very relevant factor for ICT companies. ICT workers who move to another country remain part of the regulatory system of the original country or else are being compensated for any loss of income caused by the transfer.

The health sector is almost at the opposite end of this spectrum. In all PEMINT countries it is strongly nationally oriented and European integration has had little direct impact on that sector so far. International recruitment is primarily driven by the need for workers with specific professional qualifications or skills and not, as in construction, by the wish to lower the costs of labour by making strategic use of the incompleteness of European integration. However, as funding pressures on the health sector are becoming stronger, the need for lowering labour costs may increase, and a trend similar to that in the construction sector may develop. In that case, other problems will emerge, that look more serious than in the construction sector. Most health workers cannot be substituted as easily by workers from

other countries as in construction. The nature of most work in health care is much more specific than in construction; it requires longer training as well as better linguistic and cultural competencies. Besides, professional organisations in the health sector, particularly those of doctors, have been very successful so far in defining and protecting professional and diploma requirements at a national level. This form of incomplete integration obstructs the free circulation of medical staff. Thus, for the health sector the incompleteness of European integration is not a very relevant factor as yet, but it may become an obstacle in the future. However, even if health workers could circulate more freely in Europe, matters related to cultural diversity would still continue to play a role. Besides, the changing demography in all of Europe may require shifting recruitment efforts away from our continent to other parts of the world. This has already occurred in the UK and at a much smaller scale also in other PEMINT countries.

Does this brief overview of the three sectors indicate that the incompleteness of European integration is not an obstacle, at least not a serious one? The answer is probably yes, obviously seen from the perspective of employers. At times, incomplete integration can even be seen as an advantage, particularly in the construction sector where differences in institutional and regulatory arrangements between countries are carefully exploited. For the other two sectors the incompleteness is simply less relevant. In ICT large multinationals have developed their own internal measures to neutralise possible negative effects of incomplete integration. Actually, it is interesting to note that most of the independent variables that we defined in the PEMINT model at the beginning of our research have proved to be of limited relevance in situations of international recruitment, except, of course, our central independent variable, which was the demand for labour. If there is no demand there is no need to recruit elsewhere either. Differences in regulatory frameworks, in social policy, in tax systems and in the role of institutional actors certainly affect employers' recruitment behaviour, but primarily in situations where they can benefit from them, as in the construction sector.

That does not mean, however, that employers do not experience major obstacles in their recruitment efforts abroad. Our respondents kept on coming back to two major ones of which we had not foreseen their high relevance and which have relatively little to do with the process of European integration as such. First, there is the role of cultural and linguistic differences. For many occupations knowledge of the local language and a certain familiarity with local customs and ways of behaviour is a necessity. For certain types of job this limits employers in their international recruitment efforts, particularly for those that involve contact with the general public. The predicted increase in service-oriented jobs may make this a more serious problem in the future, although quite often working conditions will adapt to these new circumstances.

A second obstacle has to do with immigration legislation. It is not the regulatory framework itself that is seen as problematic, although at times the ICT sector experiences the rules for non-EU immigration as a straight-jacket, but rather its implementation. In many of our interviews we have been confronted with complaints about the sluggishness and the excessive bureaucratisation of the process to obtain residence and work permits for non-EU nationals. This seems to be a widespread problem in all PEMINT countries. It often causes a temporal mismatch between the employer's needs and the worker's availability to the firms. It obstructs direct recruitment of workers from non-EU countries. In some cases our respondents told us that for them this is a reason to avoid recruiting non-EU nationals, and to limit themselves to EU-nationals or to third country nationals already residing in the country. Actually, this may be a hidden objective of the immigration authorities' sluggishness. After all, priority has to be given to labour supply already present in the Union. In other cases, however, our respondents said that this was a reason for them to turn to undocumented workers. This response was

given particularly often in Italy and Portugal, but also in the other PEMINT countries, but it was impossible for us to find out whether the long procedures merely served as a justification for forms of illegal behaviour that would have taken place anyway. In the health sector, in particular, the problem of lengthy and sometimes unclear procedures for obtaining work and residence permits is compounded by the need to check diplomas as well. This is sometimes interpreted as an alternative way to protect the domestic market.

4. Conclusions and policy implications

In the PEMINT project we have made an effort to understand how national and multinational companies make decisions on labour recruitment. We have been focussed in particular on different outcomes of such decisions in terms of international recruitment and labour mobility under the impact of different welfare provisions, fiscal systems and policy, institutional and regulatory frameworks. Our research was carried out in three sectors – construction, health and ICT – in six European countries: Germany, Italy, the Netherlands, Portugal, Switzerland and the United Kingdom.

Perhaps our major finding is that most of the institutional and regulatory variables that we have studied in our research do have an impact on employers' recruitment behaviour, but they do not affect this in a decisive manner. We found significant differences in the way these variables operate in different countries. Our analyses, however, indicate that recruitment and international labour migration are more affected by the general structure of a sector and by some of its specific characteristics than by explicit structural variables. In the ICT sector, by far the most globalised of the three, migration mainly takes the form of internal mobility of workers within large multinational companies. The construction sector is the one that is most directly affected by EU rules and legislation. In this sector the phenomenon of workers who are temporarily posted in a country other than their own has become rather widespread. The health sector proves to be the least international. The national state largely determines its functioning, and the number of migrant workers is lower than in the other two sectors, except in the UK. Only in this sector migration appears in its classical sense, that is as migration of individuals. Besides, migration in the health sector is strongly filtered as a result of requirements and interests articulated by different national arrangements.

We also found that the incompleteness of European integration – that is the extend to which regulations and arrangements in many areas still strongly differ from one Member State to another - does not necessarily hamper international recruitment and mobility, as is often assumed. On the contrary, in situations where lowering costs is the major incentive for foreign recruitment incomplete integration may very well enhance migration rather than discourage it. We have observed this in the construction sector in particular. By contrast, if finding new staff is the major incentive and the cost factor is less relevant the incompleteness of Europe's integration generates more obstacles. However, the sectors to which this applies do not manifest themselves so strongly at a European level. The health sector is still highly national in its outlook, while the ICT sector thinks and acts globally.

Our findings make us conclude that the free circulation of individual workers within the EU is not at present an achievement that is of great interest to the parties directly concerned. Most intra-EU labour migration is primarily driven by the wish to reduce costs through the exploitation of differences in the social systems of the Member States. Organised recruitment provides the most effective way to do this, as the construction sector indicates. In ICT international labour recruitment is equally collectively organised, but that is an effect of the structure of that sector and not primarily cost-driven. Individual intra-EU labour migrants, by contrast, whom we find most often in the health sector, are in a much more disadvantaged situation. In the domestic market they have to compete with the native population at exactly the same labour conditions.

The findings of the PEMINT project have both theoretical and policy relevance. Our theoretical starting point was that most existing theories of labour migration explain these phenomena from a structural, supra-individual angle, largely determined by economic conditions. They tend to disregard the role of individual actors who operate within a

framework of institutional arrangements. Our fieldwork has precisely enabled us to map the role of these institutional actors, both within companies and at the level of policy making. This actor-centred approach has indeed revealed significant differences between sectors and also between communities of interests that more structural approaches so far have overlooked. The PEMINT team is planning to elaborate these issues further in an academic book that will be published later. A central question in that book will be how institutional arrangements affect employers' recruitment behaviour in the three sectors and with what consequences for migration. At a more methodological level we are intending to discuss how actor-centred perspectives may contribute to the re-theorisation of the position of migrants working in the three sectors.

Obviously, we are well aware that the PEMINT project, in spite of its size and scope, also has its limitations. We were only able to study three sectors, which turned out to be so different that we never regretted their choice. Yet, it is precisely this diversity that makes us weary that a different selection of sectors might have produced different conclusions. Sectors such as tourism, agriculture or domestic services attract large numbers of migrants and the mechanisms behind this may differ from what we have found for 'our' sectors. Another limitation of PEMINT has been our restriction to employers, supplemented by other institutional actors. It would be interesting to compare their views with those of the workers in their sectors, particularly the migrant workers. Possibly a subject for a future project? Finally, we have limited our study to six countries that we believed to reflect sufficiently the variety in the EU-15/EEA. However, recent and future expansions of the EU may generate new migration movements that may be hard to understand on the basis of our findings. Perhaps another theme for future research?

4.1 Some recommendations for future policy

We believe that some of the findings of the PEMINT project also have relevance for policy makers in a variety of areas, but primarily in migration policy. Without any pretension of being exhaustive we have derived the following recommendations from our work:

- Public authorities and other relevant institutions should invest more energy in taking away 'false' barriers that protect national interests or the domestic labour force. Interestingly we did not find the most serious of these barriers where we expected them to find (e.g. in tax, social policy and labour regulations), but rather in areas such as education and training or the defining of professional qualifications for certain occupations. Barriers also existed in immigration policy for non-EU nationals. This policy area almost by definition is bound to be restrictive, but the way it is being executed makes it even more restrictive than can be justified in the light of the needs of the European economy. In our interviews we have encountered situations where cumbersome immigration procedures have incited employers in healthy industries to transfer their activities to low-wage countries.
- Immigration policies often are based on a rather one-dimensional perception of labour migration. They tend to conceive of it as the outcome of an individual act of recruitment by national companies that need manpower. Reality is much more complex: today labour migration often takes highly diverse forms, such as internal mobility within multinational companies or the collective hiring of posted workers in another country who provide services on a temporary basis. Many of these people are highly skilled, while many politicians still see the low skilled guest worker of the

1960s as the prototypical labour migrant. Consequently, migration policy does not always account for today's variety.

- Likewise, at a political level the idea is often expressed that most labour migration leads to permanent settlement. This may have been an unforeseen consequence of the guest worker system of the 1960s, but a large part of today's labour migration is temporary. If the European economies wish to remain attractive for labour migrants they should not bother them with too strong assimilative demands. Obviously, in many sectors of the economy a certain familiarity with the local language and habits is a requirement for a proper functioning of migrants in their new environment. It must not be assumed automatically, however, that all migrants become underprivileged ethnic minorities unless far-reaching obligations for integration are being imposed on them.
- Finally, the relationship between migration policies and other policies needs to be further clarified. Too often the frame of reference of migration policies seems to be the management and control of demographic masses and their movement and increasingly also considerations of national security. This frame reflects thinking in terms of the classical perspective of the nation-state. Our research indicates that specific policies dealing with issues of economic, educational, scientific or health issues seem to have much stronger effects on actual migration patterns than explicit migration policies. These should, therefore, not be seen in isolation from other major developments in Europe.

5. Dissemination and/or exploitation of results

The dissemination of the research results had been made mainly through the diffusion of information regarding the project and the results it produced (for a list of publications and lectures resulting directly or indirectly from the project see Annex III). This diffusion of results takes place in three public presentations: one in Bern (2002), another one in Rotterdam (2003), and the final one in Brussels (2003) (see below). The Pemint web (<http://www.pemint.ces.uc.pt>) site had also served for the diffusion of project and about the first results the project attained. Results of the project were also diffused in a workshop organized by the co-ordinator at the Seventh International Metropolis conference that took place between the 9th and the 13th of September 2002 in Oslo, Norway. This was the first time the project was presented to a larger audience. The coordination took this opportunity to make a flyer to present the project to the international community and to publicize some background papers written by the team and the web site of the project.

The objectives of the Bern meeting were the discussion and evaluation of the fieldwork done till that date, the discussion of the methods of harmonizing the interviews made, and the presentation of some results of the project to a larger audience. This presentation was arranged around the following themes:

1. Labour migration in an integrating Europe: a macro-perspective

- A. Economic migration in the service sector in Europe: a statistical analysis
- B. Convergence and Divergence of context variables for economic migration in Europe: labour mobility regulation, social security and fiscal systems
- C. The liberalization of service trade and labour migration: developments in the European Community and in the General Agreement on Trade in Services

2. Recruitment processes in the service sector: a micro-perspective

- A. Firms as actors in the international recruitment of foreign labour: the challenge of cross-sectoral, international comparison
- B. An organizational view on recruitment processes: a conceptual framework
- C. Analyzing recruitment processes with the help of surveys: methodological reflections and empirical findings

The Rotterdam meeting presented the first comparative results to a broader audience of academics and members of the relevant user groups with an interest in recruitment processes, labour mobility and migration. In order to realise this objective the meeting was organised around three themes: a 'state of the art' session mapping problems of incomplete European integration; a project results session within which sectoral analyses from all project teams were presented; a feedback session in which academics and members of potential users of the research were invited to discuss the work and present their comments on the plans for future project development. For this public presentation the research team and the coordination of the project decided to invite the members of our monitoring group.

The Brussels meeting presented and discussed the main results achieved by the project in a public conference. It also served to present the work to the European Commission.

It is important to refer that a substantial part of the dissemination of results happened through the participation of team members at conferences, workshops, and expert meeting.

More publications on PEMINT, both of an academic and a more practice orientated nature will appear in the near and somewhat more distant future. In December 2004, for example, a

Special Issue (in English) of *IMIS Beiträge*, a leading European journal of migration studies, published at the University of Osnabrück, will be fully dedicated to the PEMINT project. Preparations have also been made for the publication of several inter-country comparisons as well as for a book with a leading academic publisher. It is also intended that each partner use the data and the outcomes from the project (mainly the ones that resulted from the national studies) in their teaching activities and in their academic work (through the production of articles for journals and other types of publications). A special suggestion was made to use the PEMINT material in the production of collaborative texts comparing two or more countries. Since the production of these outcomes are not controllable neither by the partners, neither by the co-ordinator of the project it is impossible to foresee the exact time or channels that will be used for the dissemination of the PEMINT work.

6. References

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Guild, Elspeth (2004) 'The Legal Framework of EU Migration'; *in*: Bommes a.o., pp. 45-81.

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7. Annexes

7.1 Annex I – List of participants

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Team coordinator: **Andrew Geddes**

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Institut Fuer Migration und Interkulturelle Studien – Universitaet Osnabrueck

Team coordinator: **Michael Bommers**

Researchers:

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Kirsten Hoesch

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Erasmus Universiteit Rotterdam, Faculteit der Sociale Wetenschappen

Team coordinator: **Han Entzinger**

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Ivana Fellini

Anna Ferro

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SOCIUS, Instituto Superior Economia e Gestão

Team coordinator: **João Peixoto**

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Team coordinator: **Sandra Lavenex**

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Eliane Kraft

Centro de Estudos Sociais , Faculdade de Economia da Universidade de Coimbra

Team coordinator: **Maria Ioannis Baganha**

Researchers:

José Carlos Marques

Pedro Góis

Joana Sousa Ribeiro

Sónia Pires

7.2 Annex II – List of the agreed deliverables and their status (completed, partially completed, abandoned)

WP	Deliverable	Status
1	A paper that offers an overview of the existing literature and of the state of affairs insofar as this is relevant for this project	completed
2	A paper that offers an overview of the most relevant statistics on labour migration patterns in the five countries, with special attention for sector of employment, skill levels, and countries of origin	completed
3	A project working paper mapping convergence and divergence in the context of Europeanisation and internationalisation insofar as they relate to labour mobility, social security and fiscal systems	completed
4	A consolidated briefing paper based on WPs 1, 2 and 3 for discussion at the meeting	completed
	A final and argued overview of sectors to be included in the research for each country	completed
	An argued overview of criteria to be included in the selection of companies/organisations per sector and per country	completed
5	An argued overview of criteria to be included in the selection of companies/organisations per sector and per country	completed
	A list of 15 companies/organisations per sector in each country to be included in the survey	completed
	A project questionnaire to be used for the survey of companies/organisations in the project countries, available in all languages in which interviews will be held	completed
6	A second project meeting for all research teams	completed
	An internal paper with the major hypotheses, variables and methodology of the research project	completed
7	Interim report to the Commission	completed
	Articles in academic journals	completed
8	The survey data, ready for further analysis by each of the national teams	completed
9	A report from each team stating their findings	completed
	A number of preliminary conclusions per sector and per country	completed
10	Sectoral reports on the construction, health care and ICT sectors providing detailed empirical data on labour recruitment processes	completed
11	A third project meeting for all research teams	completed
12	Three harmonised sectoral reports on Construction; Health Care; and ICT	completed
13	An interim report to the Commission	completed
	Project papers and contributions to academic journals	completed
14	A schedule of interviewees at national, European and international level	completed
	A semi-structured questionnaire for use in interviews with key institutional actors at national, European and international level	completed
15	Project briefing paper analysing results of interviews with institutional actors	completed
	Production of project working paper and academic articles based	completed

	on the finding of the interviews	
16	A fourth project meeting for all team members	completed
	A meeting report which summarises meeting findings and serves as the basis for the integrative analysis of WP17	completed
17	A report comparing the reports of the individual research teams	completed
	A fourth seminar of all project leaders to discuss that report as well as the outline of the final publication, with a special focus on the European dimension	completed
	A final conference at which a draft version of the report will be discussed with the research team and with a larger expert audience, preceded by a (fifth) seminar for all project teams	abandoned
18	The final report of the project, which will submitted to the European Commission and other interested persons and institutions	completed
	One or more books to be published with (an) academic publisher(s)	Partially completed
	Several articles in relevant academic journals	completed
19	A final conference at which the final report to the Commission will be discussed with the research team, the monitoring group and a larger expert audience (preceded by a smaller seminar of project partners)	completed
	One or more books to be published with (an) academic publisher(s)	Partially completed
	Several articles in relevant academic journals	completed
20	The management of the project in line with the agreed timetable and the official contract	completed
	A PEMINT website containing information and findings from the project	completed

7.3 Annex III – List of publications, papers and lectures that resulted directly or indirectly from the project

Maria Baganha, José Marques, Pedro Góis, and Joana Ribeiro

- November 2001 – ‘Global migration challenges – Need for a new global framework for dealing with movements of persons – Some remarks from a labour market perspective’, paper presented at the “Sixth International Metropolis Conference”, Rotterdam, The Netherlands (José Marques and Pedro Góis)
- July 2002 – ‘A Transnational Gendered Community – Women Mobilities in the Portuguese Health Sector’, XV World Congress of Sociology, Brisbane, Australia (Joana Ribeiro)
- September 2002 - Seventh International Metropolis Conference. Oslo, Norway (Maria Baganha, José Marques and Pedro Góis)
- October 2002 – ‘Novas Vagas Migratórias, Novos Desafios’. Jornadas de Reflexão e Debate “Todo o Imigrante é Meu Irmão”, Fundação Ajuda a Igreja que Sofre, Lisbon (Maria Baganha)
- ‘Migrações e Mercados de Trabalho: os Novos Desafios’ Conferência ‘A Europa, o desafio demográfico e o espaço de liberdade, segurança e justiça’, Centro Cultural de Belém, Lisbon (Maria Baganha)
- “The Process of Recruitment of Immigrants in the Construction Sector: the cases of Italy and Portugal” in Transfer review (3/2003) (Pedro Góis, José Marques, and Ivana Fellini)
- “O Sector da Saúde em Portugal: Funcionamento do Sistema e Caracterização Sócio-Profissional”, Oficina do CES, nº 182, Dezembro de 2002. (Maria Baganha, Joana Sousa Ribeiro, and Sónia Pires)
- “A Última Vaga: Imigrantes de Leste em Portugal”. Imigrantes do Leste – Uma Nova Realidade: Oportunidades e Desafios. Lisboa, Calouste Gulbenkian, October 2003 (Maria Baganha, José Carlos Marques, and Pedro Góis).
- “*Emigração e Imigração em Portugal*” 12º Encontro de Prospectiva – Prospectiva da Sociedade Portuguesa no Contexto Europeu. Convento da Arrábida, Arrábida, October 2003 (Maria Baganha)
- “*The unforeseen wave: migration from Eastern Europe to Portugal*”. Eighth International Metropolis Conference. Viena, Austria, September 2003 (Maria Baganha, José Carlos Marques, and Pedro Góis).

Andrew Geddes

- March 2002 - Invited expert speaker at a US State Department seminar on European migration policy and security after 9/11
- May 2002 - written and oral evidence submitted to the House of Lords European Union Selection Committee (sub-committee F) in its consideration of the European Commission's Communication on Illegal Immigration
- September 2002 - preparation of paper on Migration in an Enlarged Europe for a British Council sponsored high level Anglo-Czech seminar at Prague Castle
- ‘Can the EU Meets its Migration Challenges?’, paper presented to the Forced Migration seminar series, Queen Elizabeth House, Oxford, 24 April 2002
- ‘The spatial and temporal reconstruction of European migration policy as a challenge for European governance’, paper presented at the Danish Academy for Migration Studies, University of Aalborg, 2 May 2002
- ‘The origins of EU Article 13 anti-discrimination legislation and its impact on France and Britain, paper presented at the Danish Academy for Migration Studies, University of Aalborg, 2 May 2002
- ‘Migration and European Governance’, paper presented to the Departmental seminar series,

University of Manchester, 8 May.

'Immigration and welfare', paper presented to the graduate seminar programme Issues and Dilemmas in European Social Policy, University of Pavia, 28 May 2002.

La ricostruzione dello spazio e del tempo nella politica migratoria dell'UE: una sfida per la governance europea, paper presented to the seminar series of the Faculty of Sociology, 29 May

Immigrazione e stato sociale, paper presented to the graduate student seminar, Faculty of Sociology, University of Trento, 30 May.

'The spatial and temporal reconstruction of migration and the challenge to European governance', paper presented to the annual meeting of the University Association for Contemporary European Studies, Queens University Belfast, 2-4 September.

'The EU's approach to migration: future prospects', paper presented to the conference 'EU Governance and the Challenge of Internal Security, University of Leicester, 20-21 September 2002.

Book

'The Politics of Migration and Immigration in Europe', Sage: London, 2003.

Articles:

'The borders of fear and uncertainty', Times Higher Education Supplement, October 2002.

'Immigration and welfare', Political Quarterly, special issue, The Politics of Migration, October 2003.

Papers:

September 2002: Preparation of keynote paper and presentation on the theme of Migration in an Enlarged Europe for a British Council sponsored high level Anglo-Czech seminar at Prague Castle.

'The spatial and temporal reconstruction of migration and the challenge to European governance', paper presented to the annual meeting of the University Association for Contemporary European Studies, Queens University Belfast, 2-4 September 2002.

'The EU's approach to migration: future prospects', paper presented to the conference 'EU Governance and the Challenge of Internal Security, University of Leicester, 20-21 September 2002.

'Migration research and the supranational state', paper presented at the conference, National Paradigms of Migration Research, University of Osnabrueck, December 13-15 2002.

'Labour migration in the EU: Trends, Patterns, Lacunae and their Implications', paper presented at a meeting of the study group 'The Human face of Global Mobility: Exploring International Skilled and Professional Migration in Europe and Asia/Pacific, Department of Sociology, University of California, Los Angeles, 22 February 2003.

The New European Migration Policy? paper presented at the annual meeting of the International Studies Association, Portland, Oregon, 26 February-1 March, 2003

'National minorities and EU citizenship', round table presentation with Professor D. Miller (Nuffield College, Oxford) on immigrant minorities and European citizenship, St Antony's College, Oxford University, March 10, 2003

Migration and European Governance, Paper presented to the Annual Meeting of the Political Studies Association, University of Leicester, April 15-17, 2003.

Europe's fourth wave of migration? Paper presented to the UACES study group on EU Migration Law and Policy, April 12, 2003

Labour migration in the EU, paper presented to the workshop on Immigration in

Western Europe and the Challenges of Enlargement, Centre for International Studies, University of Cambridge, May 16, 2003

Han Entzinger

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- Han Entzinger (2003) 'Een multicultureel, saamhorig en ook nog democratisch paradijs. Reactie op Gowricharn'; *Migrantenstudies* 19 (1) pp. 21-24. ISSN 0169-5169
- Han Entzinger (2003) 'The Rise and Fall of Multiculturalism: The Case of the Netherlands'; in: Christian Joppke & Eva Morawska Eds., *Toward Assimilation and Citizenship: Immigration in Liberal Nation-States*; London: Palgrave Macmillan pp. 59-86. ISBN 1-40390-491-X
- Han Entzinger & Renske Biezeveld (2003) *Benchmarking in Immigrant Integration*; Rotterdam: Ercomer/FSW. Report for the European Commission, accessible via www.europa.eu.int/....., 53 pp.
- Han Entzinger (2003) 'Les jeunes musulmans d'un Rotterdam pluriculturel; une vision 'maigre' de la citoyenneté'; in : Michel Wieviorka (réd.) *L'avenir de l' islam en France et en Europe*; Paris: Balland, pp. 101-110.
- Han Entzinger (2003) 'Migration, Development and the Ambiguous Role of the State'; in: *The Link between Globalisation and Development*. Report Novib Expert Meeting March 13-14

Lectures etc.:

- October 31, 2002: Panelist 'Europe and its Immigration', organised by *The Economist*, Amsterdam (NL)
- November 20, 2002: Lecture 'New trends in European migration research', Volkswagen Stiftung, Hannover (D)
- November 30, 2002: Lecture 'L'islam dans un Rotterdam pluriculturel'; Entretiens d'Auxerre, Auxerre (F)
- December 7, 2002: Lecture 'Islam in Europe'; University of Warwick, Coventry (GB)
- January 20, 2003: Lecture 'Immigration in the Netherlands'; Netherlands Institute, Madrid (SP)
- March 13, 2003: Lecture 'Migration and Development'; NOVIB, Noordwijk (NL)
- April 12, 2003: Lecture 'Migration in the Netherlands'; University of Coimbra (PT)
- May 7, 2003: Lecture 'Immigrants in the Netherlands'; Royal Flemish Academy of Belgium, Brussels (B)
- May 16, 2003: Chair panel 'Migration and Development'; Conference on Migration organised by the Greek EU Presidency, Athens (GR)

July 18, 2003: Presentation of 'Benchmarking in immigrant integration' report to EU Committee of Experts on Immigration, Brussels (B)

Michael Bommers, Uwe Hunger, Holger Kolb, and Kirsten Hoesch

Publications

- Bommers, Michael 2003a: Der Mythos des transnationalen Raumes. Oder: Worin besteht die Herausforderung des Transnationalismus für die Migrationsforschung? In: Uwe Hunger, Dietrich Thränhardt (Hg.): Migration im Spannungsfeld von Globalisierung und Nationalstaat. Leviathan-Special Edition 2003 (im Erscheinen).
- Bommers, Michael 2003b: Zur Bildung von Verteilungsordnungen in der funktional differenzierten Gesellschaft – erläutert am Beispiel „ethnischer Ungleichheit“ von Arbeitsmigranten. In: Thomas Schwinn (Hg.): Differenzierung und soziale Ungleichheit. Die zwei Soziologien und ihre Verbindung. Konstanz (im Erscheinen).
- Bommers, Michael 2003c: Migration, the Shrinking Inclusive Capacity of the National Welfare State and the Deregulation of Identity Formation. In: Grete Brochmann (Hg.): Comparative Studies of Power Relations and Citizenship in Multicultural Societies. Special Edition von „Comparative Social Research“. Oslo. S. 43-67
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Lectures

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- Bommes, Michael: Paper at the Transnational Communities Studies Programme at the University of Oxford on Migration, Transnationalism and the Functional Differentiation, 2002.
- Bommes, Michael: Paper "Migration, Social Inclusion and Sociological Theories of Conflict" at a conference on "Research on the Conditions of Peace, Social Conflicts and Violence: State of the Arts" at the University of Augsburg, 2002.
- Bommes, Michael: Chair of the Dutch-German Research Conference on Migration and Integration am Netherlands Institute for Advanced Studies, Wassenaar, Niederlande, 28./29. April 2003.
- Bommes, Michael: Migration and Ethnic Economy. Arnoldshain. 6th October
- Bommes, Michael: Migration and Identity. Engelsberg-Seminar, Sweden. 13-15 June 2003-10-27
- Bommes, Michael: Migration and Illegality. Graduate School „Migration in Modern Europe“. April 2003
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- Hunger, Uwe: Amerikanische Einwanderungspolitik für Hochqualifizierte und der Fall der indischen IT-Unternehmer. Lecture given during the conference “Drei Jahre ‘Green Card’: Trends, Erfahrungen und Perspektiven der Beschäftigung hochqualifizierter Migranten”, July 31st 2003, Institut für Migrationsforschung und Interkulturelle Studien (IMIS), Universität Osnabrück.
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- Kolb, Holger: Paper presented in the workshop “The Political Economy of Migration in an Integrating Europe”, Sixth International Metropolis conference in Oslo 2002.
- Kolb, Holger: „Green Card“, company internal labour markets and the discussion about highly skilled migration. Lecture given during the conference on Migration und Entwicklung. Münster, September 2003.
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- Economic Theory of Citizenship. Presentation at the first workshop of the Clusters “Work, Entrepreneurship and Economic Integration” of the EU Network of Excellence „International Migration, Integration and Social Cohesion in Europe”. Osnabrück, 12-13. Juli 2004.
- Final Comment. Workshop „Entwicklung durch Migration“ der Arbeitsstelle Migrationsforschung des Instituts für Politikwissenschaft der westfälischen Wilhelms-Universität Münster. Münster, 16. Juli 2004.
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- „Integrationspolitik in Deutschland - Verantwortung oder Notwendigkeit“. Lecture at the conference of the Friedrich-Ebert-Foundation and the Center for International Relations, Warsaw, 22. Oktober 2004.
- „Zuwanderung und Arbeitsmarkt – Geschichte, Prozesse, Perspektiven“. Lecture for the christian democratic youth organisation Schleswig-Holstein, 16th of November 2004.
- „Rationalität und Akzeptanz der Migrationspolitik – das deutsche Beispiel in vergleichender Betrachtung. Lecture at the conference „France and Germany – Nation states and Globalisation“, organised by the Institute for Political Science and the French Embassy in Germany. 18.-19th. November 2004.

Conference Organisation

- “Drei Jahre „Green Card“ – Trends und Perspektiven der Beschäftigung hochqualifizierter Migranten.“, 31st of July 2003, University of Osnabrueck. Participants from Humboldt University Berlin, University of Bremen, University of Kassel, University of Münster, University of Osnabrück, Federal office of Labour, German Association of Information Technology, Telecommunication and New Media, ver.di, State Center for Immigration Affairs Northrhine Westphalia.

Joao Peixoto

- Presentation of the paper “A Europa e as migrações altamente qualificadas: dinamicas do mercado de trabalho e politicas de imigração at a Conference on “A Europa, o Desafio Demografico e o Espaço de Liberdade, Seguranca e Justica”, Lisboa, 18 de October de 2002.
- Presentation of the paper ”O sistema migratorio lusofono - O fim de um ciclo?” at a Conference “VII Congresso Luso-Afro-Brasileiro de Ciencias Sociais”, Rio de Janeiro, Brasil, 2-6 de September de 2002.
- Presentation of the paper “Immigration in Europe - An overview” at the “2nd Summer School of the University of Massachusetts Darmouth - Summer Study Abroad”2, Lisboa, ISEG, June 2002
- Conference “New Labour Migration in Europe”, Rotterdam, May 2003. Communication by João Peixoto: “Labour migration in the ICT sector”.
- Conference “A Europa, o Desafio Demográfico e o Espaço de Liberdade, Segurança e Justiça”, Lisbon, October 2002. Communication by João Peixoto: “A Europa e as migrações altamente qualificadas: dinâmicas do mercado de trabalho e políticas de imigração”.
- Workshop “Understanding Labour Migration in an Integrating Europe”, Bern, October 2002. Communication by João Peixoto and Catarina Sabino: “Analysing recruitment processes with the help of surveys: methodological reflections”.
- 2004: João Peixoto, “O impacto do alargamento sobre as migrações na União Europeia”, XXV Colóquios de Relações Internacionais – “O Impacto do Alargamento aos Países de Leste”, Universidade do Minho, Maio de 2004.
- 2004: João Peixoto, “As migrações altamente qualificadas em Portugal – uma perspectiva geral”, Seminário “Inovação, Economia e Sociedade”, Mestrado em Economia e Gestão da Ciência e Tecnologia, ISEG, Fevereiro de 2004.
- 2004: João Peixoto, “O impacto migratório do alargamento da União Europeia a Leste: a perspectiva europeia e a de Portugal”, Seminário “Trabalho e Cidadania na Europa dos 25. Dilemas e Potencialidades do Tecido Laboral Português”, APSIOT / Departamento de Sociologia da Universidade do Minho, Universidade do Minho, Braga, Fevereiro de 2004.

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- 2004: João Peixoto, "Highly skilled migration in Portugal – An overview", *Socius Working Papers*, 3/04, 2004.
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Sandra Lavenex

- Presentation of a paper "Labor and European Immigration Policies: Paradigm Shift?" at the Council for European Studies annual Convention of Europeanists in Chicago, March 14th-16th 2002
- Presentation of a paper "Skilled Labor and European Immigration Policies: Paradigm Shift?" at the International Studies Association annual Convention in New Orleans, March 24th-27th 2002
- Invited talk on "Studying the External Effects of European Integration: the Case of Immigration Policies" at the University of Victoria, Graduate Student Conference on Federalism and Multi-Level Governance in Europe, 16th-20th October 2002
- Publication of a chapter on "EU Trade Policy and Immigration Control", in Lavenex and Uçarer (eds.), *Migration and the Externalities of European Integration*, Lanham: Lexington Books 2002

Emilio Reyneri, Giovanna, Ivana

- Presentation of "Labour migration in the construction sector" at the conference "Labour migration in Europe State of the art" in connection with the 40th anniversary of the faculty of social sciences, Erasmus University, Rotterdam, May 9th, 2003.
- Submission of two papers at the International Conference of the SASE – Society of the Advancement of Socio-Economic – concerning ICT and construction sector in Italy (June 2003).
- Presentation of the paper "Mobility and migration of workers in the Information and Communication Technology: policies and strategies of Italian firms", presented at the Congress AIS-ELO "Sociology and New Economy", Milano, 20-21 Novembre 2003.
- Publication of the article "The process of recruitment of immigrants in the construction sector: the cases of Italy and Portugal", by I. Fellini, P. Gois, J. C. Marques, in *Transfer*, n. 3/2003
- Expected publication. "Contingentamento dei flussi di ingresso: il ricorso alle quote di lavoratori stranieri in tre settori", *Rivista "Politiche Sociali"*, Italian Journal of Social Policy, Ed. Ediesse, by Giovanna Fullin, Ivana Fellini, Anna Ferro, 2004.