

POLICY LEGACIES AND THE POLITICS OF LABOUR IMMIGRATION
SELECTION AND CONTROL: THE PROCESSES AND DYNAMICS
SHAPING NATIONAL-LEVEL POLICY DECISIONS DURING THE
RECENT WAVE OF INTERNATIONAL MIGRATION

CHRISTOPHER FREDERICK WRIGHT

DEPARTMENT OF POLITICS AND INTERNATIONAL STUDIES

AND

DARWIN COLLEGE

UNIVERSITY OF CAMBRIDGE

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DECLARATION

This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration, except where specifically indicated in the text. This dissertation does not exceed 80,000 words, as specified by the Degree Committee.

Christopher Wright

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ABSTRACT

Policy legacies and the politics of labour immigration selection and control: The processes and dynamics shaping national-level policy decisions during the recent wave of international migration

Christopher Frederick Wright

The two decades preceding the global financial crisis of 2008 saw an increase in international migration flows. This development was accompanied by the relaxation of immigration entry controls for select categories of foreign workers across the developed world. The scale of labour immigration, and the categories of foreign workers granted entry, varied considerably across states. To some extent, these developments transcended the traditional classifications of comparative immigration politics.

This thesis examines the reform process in two states with contrasting policy legacies that adopted liberal labour immigration selection and control policies during the abovementioned period. The instrumental role that immigration has played in the process of nation-building in Australia has led it to be classified as a ‘traditional destination state’ with a positive immigration policy legacy. By contrast, immigration has not been significant in the formation of national identity in the United Kingdom. It has a more negative immigration policy legacy and is generally regarded as a ‘reluctant state’. Examining the reasons for liberal shifts in labour immigration policy in two states with different immigration politics allows insights to be gained into the processes of policy-making and the dynamics that underpin it.

In Australia, labour immigration controls were relaxed incrementally and through a deliberative process. Reform was justified on the grounds that it fulfilled economic needs and objectives, and was consistent with an accepted definition of the national interest. In the UK, liberal shifts in labour immigration policy were the incidental consequence of the pursuit of objectives in other policy areas. Reform was implemented unilaterally, and in an uncoordinated manner characterised by an absence of consultation.

The contrast in the manner in which reform was managed by the various actors, institutions and stakeholders involved in the process both reflected, and served to reinforce, the immigration policy legacies of the two states. Moreover, the Howard government used Australia’s positive legacy to construct a coherent narrative to justify the implementation of liberal reform. This generated greater immediate and lasting support for its reforms among stakeholders and the broader community. By contrast, lacking a similarly positive legacy, the Blair government in the UK found it difficult to create such a narrative, which contributed to the unpopularity of its reforms.

This thesis therefore argues that policy legacies had a significant impact on the processes and dynamics that shaped labour immigration selection and control decisions during the recent wave of international migration. The cases demonstrate that a nation’s past immigration policy experiences shape its policy-making structures, as well as institutional and stakeholder policy preferences, which are core constituent components of a nation’s immigration politics. The UK case shows that even when reluctant states implement liberal labour immigration policies, these characteristics tend to create feedback effects that make it difficult for reform to be durable. The relationship between immigration policy and politics thus becomes self-reinforcing. But this does not necessarily mean that states’ immigration politics are rigid, since the institutions that help to make a nation’s immigration policy and shape its politics will inevitably undergo a process of adaptation in response to changing contexts.

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LIST OF ACRONYMS

ACCI	Australian Chamber of Commerce and Industry
ACTU	Australian Council of Trade Unions
AIG	Australian Industry Group
BAP	Business Advisory Panel
BCA	Business Council of Australia
BCC	British Chambers of Commerce
BHA	British Hospitality Association
BIS	Department of Business, Innovation and Skills
CAAIP	Committee to Advise on Australia's Immigration Policy
CBI	Confederation of British Industry
CME	Coordinated market economy
DTI	Department of Trade and Industry
DWP	Department of Work and Pensions
EEC	European Economic Community
EMU	European Monetary Union
ENS	Employer-Nominated Scheme
EU	European Union
FCO	Foreign and Commonwealth Office
FECCA	Federation of Ethnic Communities Councils of Australia
HSMP	Highly Skilled Migrant Programme
ICT	Information and communications technology
IGR	Intergenerational Report
IND	Immigration and Nationality Directorate
IOM	International Organization for Migration
LME	Liberal market economy
LSIA	Longitudinal Survey of Immigrants to Australia
MAC	Migration Advisory Committee
MBA	Master Builders Association
MODL	Migration Occupations in Demand List
NFU	National Farmers' Union
NUMAS	Numerical Assessment Scheme
PBS	Points-Based System
PIU	Performance and Innovation Unit
PM&C	Department of Prime Minister and Cabinet
PMO	Prime Minister's Office
OECD	Organisation of Economic Cooperation and Development
RBA	Reserve Bank of Australia
SAWS	Seasonal Agricultural Workers Scheme
SBS	Sector Based Scheme
SSAS	Structured Selection Assessment System
TUC	Trades Union Congress
UKBA	UK Border Agency
WHM	Working Holiday Makers
WRS	Workers' Registration Scheme

SECTION I
INTRODUCTION

CHAPTER 1
THE RECENT WAVE OF INTERNATIONAL MIGRATION AND THE LABOUR
IMMIGRATION SELECTION AND CONTROL POLICIES OF DEVELOPED STATES

CHAPTER 2
A REVIEW OF THE LITERATURE ON THE POLITICS OF LABOUR IMMIGRATION
SELECTION AND CONTROL

CHAPTER 1

THE RECENT WAVE OF INTERNATIONAL MIGRATION AND THE LABOUR IMMIGRATION SELECTION AND CONTROL POLICIES OF DEVELOPED STATES

Immigration brings change. This makes it an inherently controversial issue that presents many challenges to democratic states. The complexity of immigration and its impact on virtually all aspects of public policy gives states a significant interest in controlling migration flows as best as they can. The former Australian Prime Minister John Howard once pledged that his government – rather than any other institution or entity – would “decide who comes to this country and the circumstances in which they come” (quoted in Marr and Wilkinson, 2003: 245). This is an objective that all democratic governments aspire to meet through their immigration control and selection policies. But remarkably little is known about how and why governments *decide* who is allowed to enter their territories and the precise reasons why entry is permitted. This thesis provides insight into the processes and dynamics that inform government decisions on labour immigration selection and control.

The two decades preceding the financial crisis of 2008 saw an increase in international migration flows. This development was accompanied by the relaxation of immigration entry controls for select categories of foreign workers across the developed world. Neither trend was uniform. The scale of labour immigration, and the categories of foreign workers to which states granted entry, varied considerably. To some extent, these developments transcended the traditional classifications of comparative immigration politics. A number of states that had historically maintained tight immigration controls began to compete for foreign workers with states with strong pro-immigration legacies. Temporary work visa programmes were increasingly used by states with traditions of permanent immigration.

The regulation of labour immigration control and selection, though often driven by technical aspects of economic policy, inevitably seems to arouse sensitivity. As Papademetriou says, ‘considering that the process is as old as humankind, crucial to human progress, and integral to the rise and decline of organised political entities, it is remarkable that virtually no society seems capable of managing it particularly effectively’, or at least developing a system of regulation with durable popular support (2003: 39). According to Breunig and Luedtke ‘human migration has become perhaps the most pressing political problématique of the twenty-first century’ (2008: 123).

Immigration has the capacity to generate political volatility in any era, but particularly during one of high salience with respect to national security. The decisions of many nation states to selectively relax immigration controls for foreign workers in such a climate may seem a puzzling trend. However, it is not so curious when considered against the broader globalisation of economic and social activity in recent decades. This is central in explaining the recent labour immigration policy trends among developed economies. However, perhaps because of the inherent controversy surrounding immigration, the liberalisation of labour immigration was not anywhere near as great as the extent to which barriers to trade and capital flows were lowered (Facchini and Mayda, 2009: 1; GCIM, 2005: 9-10).

After outlining the research question, this introductory chapter gives an overview of the recent wave of international migration and those that preceded it, looking in particular at the migration of labour. It then examines the various factors that contributed to the recent increase in international labour migration flows. An overview of the characteristics of immigration politics across developed states, and their utility in explaining recent labour immigration policy developments, follows. The central research question of this thesis is then explained more fully. A survey is then provided of the labour immigration selection and control policies of Organisation of Economic Cooperation and Development (OECD) member states between the late 1990s and the global financial crisis of 2008. This discussion forms the basis for the selection of two case studies that will be comparatively analysed in later chapters to answer the central research question. The methodological approach of this thesis is then justified, followed by an overview of the chapter structure.

The scope of inquiry of this thesis

The central research question of this thesis is:

What was the impact of immigration policy legacies on the processes and dynamics that shaped the labour immigration selection and control policies of developed states during the wave of migration between the early 1990s and 2008?

For the purposes of present discussion, ‘policy legacies’ is taken to mean the way that past immigration experiences shape present policy-making contexts. A body politic’s past experience with immigration invariably conditions – but does not necessarily constrain – how it responds to future immigration. This is true whether previous immigration is generally

regarded as having produced negative, positive or indifferent outcomes. 'Processes' refers to the mechanisms through which labour immigration policy decisions are made. And 'dynamics' means the actors and institutions involved in these processes, how they interact with each other through these processes, and how they interact with labour immigration policy, particularly in terms of their institutional preferences and level of interest and engagement.

According to Jupp, there is 'no single "scientific" analysis that is likely to provide a complete model for the politics of immigration policy'. Nonetheless, he argues that such an analysis needs to encompass various considerations, including the economic rationale behind the regulation of immigration, the organised and disorganised interests that seek to influence policy decisions, and the extent to which governments engage such interests. The roles of – and the relationships between – different national and sub-national governments and bureaucratic agencies, comparative international experiences and their influence, and the impact of other areas of public policy, also need to be explored (Jupp, 1993: 254-255).

The formulation of labour immigration selection and control policies invariably involves a multiplicity of considerations, including the psychological and sociological dynamics behind the decisions of individuals to migrate and the subsequent social, economic and environmental impacts upon host communities. The literature on immigration tends to be dominated by accounts from economics and sociology that suggest (if only implicitly) the nation state, and national-level institutions and politics, to be secondary in importance to the international market forces and personal networks driving individual decisions to migrate (Hollifield *et al.*, 2008: 9-10; cf. Stalker, 2000: 131-137). The importance of these dimensions cannot be disregarded and it is necessary for students of immigration policy to understand the pressures behind migration flows. But the principal concern of this thesis is to investigate and analyse the inputs and considerations behind labour immigration policy-making and, importantly, the politics underpinning such decisions. The research question is therefore approached from a political science perspective.

This thesis is concerned with transnational migration, not migration within the nation state. While transnational migration is evidently influenced by global and international developments, the interest here is with policy at the national level. Its focus is on the 'output' or delivery stage of the policy process, rather than the 'outcomes' or post-implementation

impact stage (Hogwood and Gunn, 1984: 16-17; Hollifield, 2000: 146). Studies of immigration policy tend to distinguish between the regulation of immigrants' terms of entry (i.e. control) and the regulation of their terms of settlement (i.e. the incorporation of immigrants into the host society) (Hammar, 1985: 7-9). While the two are not mutually exclusive, the primary concern of this study is with the former. The specific focus is on the selection and control of *labour immigration*: the categories of immigrants permitted entry by a nation state for the expressed primary purpose of employment, rather than on other grounds, such as family or humanitarian reasons. That said, there is overlap between these categories and it is common for immigrants entering on non-labour visas to be afforded the right to work (IOM, 2008: 167).

Among the numerous studies undertaken on the politics of immigration policy and its sub-components, remarkably few have systematically unpacked the 'black box' of policy-making (cf. James, 1997: 13-14). Some notable historical studies have undertaken detailed explorations of the reasons for immigration policy change during significant periods of reform (cf. Hansen, 2000). Political biographies also shed light on the reasons for why certain decisions were made (cf. Blunkett, 2006; Pollard, 2005). But there has been little empirical investigation of the decision-making process behind individual policies, particularly in relation to labour immigration. While there are some recent exceptions to this (cf. Menz, 2009; Somerville, 2007; Spencer, 2006), 'our knowledge of private sector groups that routinely participate in the policy process, the bureaucratic agencies that formulate and administer policy, and the issues involved in specific visa programmes is extremely thin', as Freeman says (2006: 242).

One possible reason for this is the weak epistemic foundations upon which immigration policy is often made (Geddes, 2005a: 726). It may be the case that policy-makers lack confidence in the strength or popularity of their decisions, and are thus reluctant to assist efforts to investigate the underlying processes. Another possibility is that the overlap with other policy areas makes it difficult to discern a neat labour immigration 'policy network', that is, an institutionalised pattern of interaction between interested actors and institutions within and outside of government in the making and administration of policy (Richards and Smith, 2002: 175-178; cf. Bressers and O'Toole, 1998: 218; Marsh and Rhodes, 1992). Moreover, the 'policy venues' where networks interact in the making of labour immigration

policy may be more likely to shift, because of its complicated and multidimensional policy image (Baumgartner and Jones, 1993: 31-32).

This thesis scrutinises these processes through an investigation of recent labour immigration policy reform against the backdrop of the increase in international migration between the early 1990s and 2008. Its focus is on *why* and *how* labour immigration policy change occurred with respect to two case studies. That is, it looks at both the reasons for reform and the manner in which reform occurred. This is intended to shed light on the dilemmas and complexities associated with labour immigration selection and control policy and its formulation.

The recent wave of international migration and its antecedents

International migration flows doubled in the quarter century preceding the global financial crisis of 2008. The stock of immigrants across all nation states increased from 99.8 million to 195.2 million and those in developed states escalated from 47.7 million to 117.2 million between 1980 and 2005 (Martin, P. 2005: 9; United Nations, 2009). The immigration flows across virtually all developed economies were net positive and increasing by the mid 2000s (Freeman, 2006: 228; Münz, 2008: 4-5; Nickell, 2007: 15). With respect to international labour migration, there was marked increase in the inflows of foreign workers to most OECD member states between 1995 and 2007 (see Figure 1.1). There is some debate over the magnitude of these developments. Some claim that this recent wave was of an unprecedented scale (Markus *et al.*, 2009: 21; Martin, J. 2008: 3), while others assert that the international migration flows of the early twentieth century were larger in relative terms (O'Rourke, 2002: 72-73; Productivity Commission, 2006: 6).

Migration is a process as old as human existence. It is possible to draw parallels between recent trends with those of earlier periods during the modern era. A series of migration waves from Europe to the 'new world' accompanied the growth of mercantilism and the establishment of colonies in the Americas, Asia, Africa and Oceania between the sixteenth and nineteenth centuries. The nature of these large-scale movements varied across time and place. 'Coercion and contracts were the chief means through which the New World recruited its labour force during this period', according to Chiswick and Hatton (2002: 2). But while many were sent as convicts, indentured labourers or slaves to work on colonial plantations, many others migrated as agrarian settlers (Massey, 2003: 1).

Figure 1.1 Inflows of foreign workers into various OECD states, 1995 to 2007 (selected years)

	1995	1999	2003	2007
Australia	34,500	64,963	75,304	148,065
Austria	15,400	18,308	24,067	29,592
Belgium	2,800	8,670	4,627	23,028
Canada	69,500	107,221	103,426	165,198
Denmark	2,200	3,062	2,324	17,237
France	17,600	12,071	17,044	26,976
Hungary	18,400	29,612	57,383	55,230
Ireland	4,300	6,262	47,551	23,604
Japan	81,500	108,038	155,831	77,865
Luxembourg	16,500	24,228	22,600	31,044
Spain	29,600	49,700	73,108	102,530
Switzerland	27,100	31,482	35,396	74,337
United Kingdom	32,700	41,950	85,786	87,968
United States	306,000	360,392	433,854	666,069

Note: The omission of other OECD member states is due to incomplete data sets for the relevant period

Source: OECD (2003): 310; OECD (2007): 372; OECD (2009) *International Migration Data 2009*, Table A.2.1

From the nineteenth century, free migrants began to significantly outnumber those moving under duress, a development that coincided with the abolition of the slave trade and the curtailment of convict migration. However, industrialisation was largely responsible for the huge growth in free migration from Europe, beginning in the middle of the nineteenth century and continuing until the First World War. The United States was a prime destination, though many migrants went to other ‘settler societies’ that were seeking to attract more people in order to facilitate economic and population expansion, such as Argentina, Australia, Canada and New Zealand (Massey, 2003: 2-3). Cheaper transport and lower trade barriers generated a self-perpetuating cycle of increased migration. These land-rich societies gave incentives for people to move. This brought increased investment in their primary industries, which helped to develop their burgeoning manufacturing industries. More immigrants were later attracted to the opportunities afforded by industrial expansion (IOM, 2008: 25). Escape from famine and political upheaval was the main motivation for many of those emigrating at the beginning of this wave, but this later gave way to a movement more akin to ‘economic migration’.

Advancements in ocean transportation made it increasingly easy for Europeans seeking to improve their lot in these ‘lands of opportunity’. While not on the same scale, there were also significant movements of people for employment-related purposes from Europe to South and East Africa and within both Europe and Asia.

After a large decline in international migration during the inter-war years, the three decades after the Second World War saw the advent of another wave of migration. Many people moved from Europe to the settler societies in the aftermath of the war. Foreign workers were recruited en masse to North America and the antipodes, and later in Western Europe, to fill labour shortages accompanying the post-war boom. Belgium, France, the Netherlands and the United Kingdom engaged workers from their former colonies or overseas territories. When these sources were depleted, or where colonial relationships did not exist, temporary or ‘guestworker’ schemes were established. Austria, Belgium, Denmark, France, the Netherlands, Sweden, Switzerland and West Germany engaged foreign nationals (usually through bilateral agreements with various states) through these schemes on the basis that they would return home if labour demand contracted. Southern Europe remained a major source of migration for much of this period, although a number of states in this region encouraged labour immigration from the late 1960s. So too did several oil-producing states in the Persian Gulf, which required greater numbers of foreign workers to facilitate economic expansion, particularly after an escalation in their oil revenues in the 1970s (Chiswick and Hatton, 2002: 2-12; Hansen, 2003: 25-26; Massey, 2003: 1-4).

Accounting for the recent wave of international migration

Many factors contributed to the upsurge of international people movement during the waves discussed above. However, Meyers claims that most significant pressure that has commonly led states to lower their barriers to foreign nationals has been ‘global economic cycles, produced by international economic interdependence’, and resultant increases in demand for labour (2002: 131-132). Economic growth and the internationalisation of market activity – in areas such as trade and capital flows – were common ingredients of the wave of international migration between the early 1990s and 2008 and those preceding it. Indeed, according to the International Organization for Migration (IOM), the most recent wave of international migration was ‘largely’ the cause of the acceleration of ‘the processes of economic and social integration that are collectively known as globalisation’ (2008: 2). The following chapters look at how this recent wave and the accompanying relaxation of labour immigration controls were mediated through national-level policy processes. It is important, however, to recognise that these do not exclude the operation of a multitude of underlying international pressures (Castles, S. 2004: 864; Freeman, 1992: 1145). Because of the clear connection with labour market dynamics, it is helpful to think of these pressures in terms of a market-based

distinction between demand-side pressures (largely coming from within national labour markets) and supply-side pressures (largely coming from outside).¹

Demographic change was a significant demand-side pressure for the relaxation of labour immigration controls during the most recent wave of international migration. Fertility rates were in decline and life expectancy was rising in many developed states. These trends led to proportionate declines of people in paid employment, contributing to labour shortages, lower taxation revenue and the growth of forecast age dependency ratios (that is, the relative number of retirees dependent on state support) (Boswell, 2003: 34-35; Papademetriou, 2003: 49). These trends were more problematic for some states than others and were widely predicted to exacerbate across the OECD in coming decades. In response, many states sought to increase their intake of younger, high-skilled immigrants (so desired because as higher income earners they are more likely to spend more and pay more income tax) as a measure to offset labour shortages and fiscal decline.

Of course, the relaxation of immigration controls was not a panacea to population ageing, as young immigrants inevitably grow old and eventually require state support. But it had greater immediate impact and was perhaps politically easier² than alternative policy measures designed to increase the relative sizes of their labour forces, including encouraging higher fertility rates, raising retirement ages, encouraging working-age residents not in paid employment back into work, reforming state pensions, and raising worker productivity. However, many states pursued these alternatives alongside immigration reform (Bongaarts, 2004: 14-18; Markus *et al.*, 2009: 22-26).

A second demand-side pressure came from the expansion of new industries, most notably those associated with information and communications technology (ICT). By the first decade of the twenty-first century, ICT and associated 'knowledge' industries had become a major area of economic activity in all developed economies. Their growth also contributed to

¹ Much of the literature categorises these pressures into 'push' factors, that propel people to migrate from sending nations, and 'pull' factors, that entice them towards particular receiving nations. A distinction has also been made between 'causal' factors, that arise out of complex interactions between socio-economic variables, and 'enabling' factors, that prompt or facilitate decisions to migrate, such as major political and technological changes (cf. Chiswick and Hatton, 2002: 13; IOM, 2008: 3).

² Or at least easier in the short-term, and so long as policy-makers could successfully depoliticise high-skilled immigration as a 'technical' issue (cf. Favell, 2009: 176-177).

revolutionary changes in many other industries and professions, particularly through the computerisation of production processes. This led to high demand for ICT and related skills in many states. The growth of new technologies also helped to internationalise production processes and supply chains. At the same time, a breakdown of national trade barriers spurred an increase of foreign-owned companies with transnational workforces and flexible labour requirements. Furthermore, the growth of international recruitment agencies and labour hire companies, together with the proliferation of global communication, broke down barriers between supply and demand across the international labour market (IOM, 2008: 56). The widespread removal of controls on foreign capital across the OECD led to a growth in capital markets and increased demand for financial services, which contributed to burgeoning international financial centres. Governments eager to attract foreign investment became more willing to accommodate demands for greater labour flexibility by, for example, allowing companies to transfer managerial, professional and technical personnel within their transnational operations. These factors acted as a further demand-side pressure on labour immigration policy across developed states (Abella, 2006: 11; Boswell, 2003: 30-32; Khoo *et al.*, 2007: 481-482).

The rapidly growing demand for newly established ICT and financial service occupations made it difficult to regulate professional standards at a national level, but allowed workers to easily transfer their skills across borders (compared with more established professions such as medicine and nursing) (Iredale, 2002: 144-145). Professionals in these areas were in relatively constant demand across the OECD and demand often far exceeded supply, which resulted in ‘a global competition for talent’, according to the IOM (2008: 38). States commonly sought to poach such workers from abroad through various incentives such as looser visa restrictions (Productivity Commission, 2006: 10).³

The growth of international education was a related development. Many developed states enticed foreign nationals to undertake tertiary-level courses, particularly for high-demand professional qualifications. The number of international tertiary students studying abroad

³ The widespread demand for skilled ICT specialists in the late 1990s exemplified the global competition for talent. The US government’s decision to raise its quota for temporary skilled visas in response to the ICT boom attracted many skilled workers from across the globe. This led to an exodus of ICT professionals in many developed economies at a time of increased domestic demand for workers with such skills. These developments generated large labour shortages, which in turn became a catalyst for the relaxation of skilled visa restrictions in a number of states (Favell and Hansen, 2002: 591; Iredale, 2002: 145).

tripled between 1984 and 2004 (IOM, 2008: 105-106). Relaxing work visa controls for foreign graduates gave states the 'first pick' in the global competition for talent. It also facilitated a major increase in revenue for many national education industries. Furthermore, allowing students to work while studying provided an additional short-term labour supply (Chaloff and Lemaitre, 2009: 24-26; Kuptsch, 2006: 39-50; OECD, 2002a: 5).

These developments had implications for the lower skilled end of the labour market. Steady economic growth and rising education and income levels contributed to a 'vacuum effect' in many developed states (Rudolph, 2003: 603). As more resident workers moved into emerging industries and professions, fewer were willing to undertake menial occupations. This resulted in structural lower-skilled labour shortages, particularly in lower-paid and arduous jobs in seasonal industries and those subject to market fluctuation, such as agriculture, hospitality and construction (Boswell, 2003: 33; IOM, 2008: 39). Entrenched demand for lower-skilled workers effectively created supply-side pressures on labour immigration control policies. Many people from less developed states were attracted to the prospect of better opportunities than those offered in their homelands, but the availability of lower skilled visas was generally limited. This contributed to an increase in irregular and clandestine migration and people falsely claiming asylum, which eroded the capacity of receiving states to control their borders. While consolidating border controls and dismantling people-trafficking networks were common responses to increased migration pressures, a number of states also tried to reduce irregular entry by relaxing controls for lower-skilled foreign workers (Boswell, 2003: 35-36).

Numerous other factors underpinned the growing supply of international labour migration. First, various major political developments triggered large emigration flows (IOM, 2008: 3; Papademetriou, 2003: 40). In particular, a number of communist and socialist states lifted their restrictions on emigration in the late 1980s. The end of the Cold War further accelerated outward migration from these states. China's increased international engagement likewise removed constraints on the movement of many millions (Massey, 2003: 19-20; Meissner, 1992: 66). Wars and conflict in the Middle East, Africa and the Balkans in the 1990s and 2000s led large numbers of people to seek entry to developed states (Bauer *et al.*, 2000: 4-5; Hollifield, 2004: 898-900). Second, technological progress contributed to increased international migration. Advancements in media communication created greater awareness of the opportunities available abroad. And an expanding and increasingly competitive international airline industry served to reduce transportation costs and helped facilitate

aspirations for migration (ILO, 2004: 96). Third, there was an increase of chain migration through growing diasporas and networks of friends and relatives in receiving states. This reduced risks and potentially lowered costs, particularly those associated with settlement, thus removing barriers to individual decisions to migrate. While chain migration is not specific to the contemporary era, the perpetual growth of migrants in virtually all developed states since the end of the Second World War made this pressure increasingly relevant. It largely accounts for the persistent and path dependent nature of specific migration streams between sending and receiving states (Castles, S. 2000: 272; Hansen, 2002: 270-272).

Categorising the immigration politics of developed states

The impact of internationalised pressures in supply and demand was more evident in some states than others. The trend towards more liberal labour immigration regulations nevertheless transcended traditional comparative distinctions. Scholars categorise the immigration policies and politics of developed states into three broad models. First, *traditional destination states*, which used consistently large immigration intakes to increase the size of their populations. This helped to build a culture of tolerance that became institutionalised in these states' immigration politics. Second, *reluctant immigration states*, which allowed reasonably large immigration inflows during certain epochs, but are often ingrained in their scepticism towards immigration. The tendency of immigration to challenge the strong sense of cultural homogeneity present in many of these states contributes to these reservations. And third, *recent immigration states*, which were once more closely associated with emigration, but have recently become net receivers of migration. These states nevertheless share many of the institutionalised characteristics of their immigration politics with the reluctant states (Bauer *et al.*, 2000: 1-6; Cornelius and Tsuda, 2004: 24-39; Freeman, 1995a: 881-882; Messina, 2009: 2).

Traditional destination states

‘All countries are, in the long sweep of history, nations of immigrants’, according to Harris, but this is most apparent among the traditional destination states, namely Australia, Canada, New Zealand and the United States (1993: 23). These states are all products of mass colonisation or settlement. Immigration was used as a major and successful instrument in their establishment, and later in the expansion and development of their populations and economies. Successive waves of immigration (of increasingly diverse national origins, particularly after the Second World War) resulted in high proportions of residents being

immigrants or the immediate descendents of immigrants. Immigrant assimilation in these states has often been engendered through the official promotion of permanent settlement, the celebration of diverse ethnic heritage and the relative ease of citizenship attainment based on shared values and civic participation. The annual quota-based programmes that often accompany these policies serve to ‘make immigration a routine and permanent feature of the nation’s life’, according to Freeman (2005: 231).

Largely owing to these positive associations, immigration is acknowledged by each traditional destination state to be central to its collective identity and social fabric. Sustained institutional and cross-party support for large and steady immigration intakes in recent decades is another common feature. Although not universally popular and occasionally an issue of social and political division, immigration is generally more welcomed – or at least tolerated – by a greater proportion of the population in these states than elsewhere, and the conflicts that do arise tend to be relatively less severe. Underpinning this acceptance is the existence of long-established bureaucracies with experience of managing new arrivals and their economic and social impact, which helps to cushion the political effects of immigration. The presence of organised interest groups is another institutionalised feature, particularly those representing business groups and migrant communities, which routinely press governments for expansive immigration intakes (Cornelius and Tsuda, 2004: 24; Freeman, 1995a: 887-889; 2006: 228).

Reluctant immigration states

The states of Western and Northern Europe fall into the category of reluctant immigration states. Immigration has formed an important part of the modern history of many of these states, but few are keen to celebrate its contribution (cf. Geddes, 2006: 616). Most reluctant states first experienced mass immigration in a post-development context, when their economies were already industrialised and their collective identities more rigidly formed. As such, the role of immigration in nation building or national identity formation is not as apparent as in the traditional destination states. When immigration is officially encouraged in these states, it is generally considered an exceptional rather than routine development (Coleman, 2002: 47). Temporary entry is preferred over permanent settlement and there are greater barriers to immigrant incorporation within settlement and citizenship policies (Martin, P. 2003a: 3).

The immigration politics of the reluctant states are characterised by conflict and volatility. Majority public opinion is depicted as sceptical of governments' capacity to control borders or manage immigration in the national interest. The social changes brought by immigration are often resented. Political parties tend to be ambivalent or opportunist in their treatment of immigration and any institutionalised support, such as in the form of organised interests advocating expansive policies or established bureaucracies to manage the impact of immigration, is generally weak (Bauer *et al.*, 2000: 1-2; Cornelius and Tsuda, 2004: 28; Freeman, 1995a: 890-892).

Recent immigration states

Greece, Italy, Japan, Portugal, the Republic of Korea and Spain are examples of recent immigration states. A number of these states were major sources of emigration until the 1970s and only became predominantly receiving states from the 1980s (Penninx, 1986: 957-960). In terms of their immigration politics, the recent immigration states share many of the institutional hallmarks of the reluctant immigration states. Pro-immigration lobbies and bureaucratic mechanisms for planning and managing immigration tend to be fragile. These states generally do not see themselves as 'nations of immigrants', nor celebrate their immigration histories. This can be explained by the relatively low proportion of foreign nationals, but is perhaps also due to more defined national identities and stronger cultural and ethnic homogeneity in these states. In any case, weak settlement policies and restrictive naturalisation policies do little to encourage the incorporation of immigrants into the new immigration states, an ambivalence that is reflected in the measures of public opinion (Cornelius and Tsuda, 2004: 32-33; Freeman, 1995a: 893-894; 2004c: 961).

Traditional destination states versus reluctant states

Traditional destination states, in which immigration has been seminal to the development of nationhood and collective identity, can be distinguished from reluctant immigration states and recent immigration states, in which immigration is not acknowledged as playing such a role. Indeed, as Morjé Howard says, states in the latter two categories 'have been very conflicted about having immigrants in their midst' (2007: 237). They tend to see immigration as 'a fundamental threat to national unity', in the words of Meissner (1992: 70-71), or at least as a challenge to their 'territorial, organisational and conceptual boundaries; to their ways of thinking about themselves and others', according to Geddes (2003: 4). Because the reluctant immigration states and new immigration states share these attributes, for the purposes of the

present discussion they will be treated as one category and hereafter referred to as *reluctant states*.⁴

Even if we accept these two comparative models to be generally applicable, variation exists within each category (Cornelius and Tsuda, 2004: 16). While permanent immigration programmes are a common trait among the traditional destination states, temporary work visa schemes have existed in Canada and New Zealand since the 1970s (Ongley and Pearson, 1995: 777-779), and the United States maintained a low-skilled guestworker programme from 1942 to 1964 (Chiswick and Hatton, 2002: 34). Organised interests have tended to have much more influence over immigration policy in the United States than elsewhere (Parkin and Hardcastle, 1993: 51-54). Immigrant incorporation policy also differs in the US, where the onus is placed on families and employers (and labour market regulations that make it relatively easy to find work) to facilitate the process of immigrant integration. By contrast, government-supported settlement programmes are the norm among other traditional destination states (Martin S., 2003: 147).

The tendency of reluctant states to pose barriers to immigrant incorporation seems to be borne out with respect to Austria, Germany, Greece, Italy and Switzerland. However, easier access to citizenship and a greater openness to multiculturalism have been observed in Sweden and the Netherlands. These states, along with France and the United Kingdom, have also posed fewer barriers to family reunion migration (Castles and Miller, 2003: 249-253; Freeman, 2004c: 961; Schierup *et al.*, 2006: 26).⁵

These details aside, a number of fundamental differences existed between the immigration policies and politics of traditional destination and reluctant states prior to the 1990s. While immigration's role in the formation of national identity can help to explain this, developments after the global economic downturn of 1973-74 reinforced these differences. The traditional destination states continued to encourage labour immigration on a relatively consistent scale

⁴ Cornelius and Rosenblum have redrawn the original three-pronged comparative classifications along the same lines over the willingness of traditional destination states to accept immigrants on a permanent basis against reluctance of European and East Asian states to do so (2005: 110).

⁵ The existence of larger minority populations among reluctant states that were formerly imperial powers gradually shaped popular attitudes, according to Hix and Noury. They claim that these states are therefore generally more liberal in their acceptance and treatment of immigrants than those without colonial histories (2007: 186; but see Breunig and Luedtke, 2008: 130).

over the following two decades (Ongley and Pearson, 1995: 787; Tichenor, 1994: 357-358). By contrast, the economic downturn precipitated a virtual cessation of labour immigration among the reluctant states until the 1990s.

In Western European states, this occurred in part because of the unintended consequences of post-war labour immigration programmes. In the short-term, these programmes largely delivered the outcomes that they were designed to achieve. Short supplies of labour and the existence of labour market bottlenecks and rigidities had arisen during the post-war economic boom. In this context, the engagement of large numbers of foreign workers by employers across Western Europe (often with official encouragement from their governments) acted as a buffer against inflation. Increased immigration efficiently filled job vacancies without significant wage rises and thereby allowed a sustainable rate of economic growth (Hollifield, 1992: 50-51; Messina, 2007: 20-21; Zolberg, 1989: 407-408). Seen in this context, 'recruiting workers in a labour-surplus country to work temporarily in a labour-short country seemed to make eminent economic and political sense', according to Philip Martin, and this remained the case until economic conditions deteriorated in the early 1970s (2003b: 11).

These initially positive evaluations shifted when governments realised that the foreign workers would not necessarily leave as soon as labour demand diminished. While the economic downturn prompted Western European governments to end their labour immigration schemes, a large number of labour immigrants living in these states opted to stay. Despite their entry being supposedly contingent on returning home, legal decisions allowed foreign workers to settle and be joined by immediate family members. This development instigated a subsequent wave of family immigration (Castles, S. 2006: 743; Messina, 2007: 1-2).

With migrant populations increasing and economic conditions failing to improve, immigration became a volatile issue across Europe through the 1970s and 1980s. Fringe or opportunistic mainstream political parties in a number of states manipulated growing anti-immigration sentiment (Boswell, 2003: 3; Fassmann and Münz, 1992: 461; Hansen, 2003: 26, 31).⁶ A surge in predominantly asylum-seeking migration compounded these issues,

⁶ Admittedly, government efforts to stem immigration flows were also thwarted by the courts in traditional destination states such as Australia and the United States. This generated political pressure for more immigration control, but perhaps not to the extent evident in the reluctant states (Hollifield, 2004: 896-897).

following the collapse of communist and socialist states in Central and Eastern Europe and conflict in the Balkans. Asylum seekers had been largely welcomed in the political context of the Cold War. But public attitudes turned sour in Western Europe due to the magnitude of the increase (from 118,000 in 1981 to 695,000 in 1992) and perceptions that many were ‘economic migrants’ using asylum as a pretext. Only a fraction of those applying for asylum were accepted, but lengthy appeal processes and barriers to deportation allowed many to remain nonetheless (Geddes, 2003: 18; Martin, P. 2003b: 11-13; Schierup *et al.*, 2006: 31-32). These developments shaped the immigration politics of reluctant states and significantly diminished their enthusiasm for further dalliances with labour immigration. With the capacity of states to limit family and humanitarian immigration often constrained, many adopted ‘zero immigration’ positions. Foreign workers intakes consequently diminished (Givens and Luedtke, 2005: 4-5).

The economic downturn of the early 1970s compounded differences between traditional destination and reluctant states and precipitated contrasting policy trends thereafter. However, there are a number of reasons why it should not be interpreted as a ‘critical juncture’ (cf. Thelen, 1999: 388-392) in shaping their respective politics. First, a number of states in the latter category (namely those regarded as new immigration states) possess similar ingrained reservations towards immigration without having experienced mass post-war labour immigration. Second, divergent policy paths could not be solely attributed to varying labour market requirements, since the two decades after 1973 were pockmarked by recession for states in both categories. Third, different philosophies about the role of labour immigration were also at play. A belief that a certain level of labour immigration (and immigration more generally) should be encouraged irrespective of short-term labour market needs shaped policies in a number of the traditional destination states.⁷

The reluctant states also overlooked immigration as a solution to labour shortages, but reached different conclusions. Following increased labour demand in the late 1980s, policy-makers in several Western European states refuted calls for the relaxation of labour immigration controls on the grounds that such a move would generate longer-term social and economic costs (Hammar, 1989: 631). The existence of stronger social security systems

⁷ For instance, New Zealand and Australian governments between the mid and late 1980s held that immigration would fuel longer-term economic growth through increased investment and consumption (Ongley and Pearson, 1995: 787)

perhaps gave many reluctant states relatively less capacity than traditional destination states to accept and absorb newcomers (Hammar, 1989: 633-634; cf. Martin and Houstoun, 1982: 37-38).⁸ But the residual impact of post-war labour immigration may have also influenced these views (Messina, 2007: 20). The growth of secondary immigration out of the post-war labour immigration schemes contributed to the development of a 'sceptical and overwhelmingly negative view' towards immigration, according to Hammar (1989: 632-633). While not creating negative immigration policy legacies among reluctant states, the episode nonetheless helped to consolidate them.

Explaining the central research question

The tensions and dilemmas associated with immigration policy are found to varying degrees across all developed states. However, they appear to be relatively weaker among traditional destination states, where previous experience with immigration has helped to build a 'positive folklore' that generates greater receptivity towards new immigration, according to Freeman (1995a: 887; cf. Breunig and Luedtke, 2008: 130-131). Schmidt's research on political discourse suggests that policy reform can be implemented more easily if it is readily compatible with a state's policy legacies (2002: 65-66). Nonetheless, various signs suggested that the differences between the traditional destination and reluctant states blurred during the recent wave of international migration. As the United Nations Secretary General remarked in 2006, 'more countries are now significantly involved in, and affected by, international migration than at any time in history. And they are no longer so easily divided into "countries of origin" and "countries of destination". Many are now both' (Annan, 2006: 964).

On the issue of labour immigration selection and control, the distinction between the two categories began to erode in late 1990s (IOM, 2008: 51). However, there was no definitive convergence towards one particular policy model. On one hand, both traditional destination and reluctant states adopted policies aimed at attracting foreign professionals and high-skilled workers, a liberal development identified more with the former. On the other hand, traditional destination states widely adopted temporary labour immigration programmes more commonly

⁸ At a glance, the fiscal impact of post-1973 immigration indeed appears to have been more negative in the reluctant states, but more generous welfare provision may not have been the only reason for this. It appears that differences in immigration selection policy were also a factor. Philip Martin says that while the employment levels of foreign nationals in Germany declined from roughly two-thirds to one-third from 1972 to 1995, this perhaps unsurprising since the vast bulk of immigration during this period was non-labour immigration (2003b: 11-12). Employment outcomes tended to be better in the traditional destination states, which Bauer and colleagues attribute to the greater use of skills and human capital selection criteria (2000: 14).

associated with the reluctant states. A central objective of this thesis is to assess the extent to which the recent changes in labour immigration selection and control transcended the orthodox comparative distinctions not only in terms of policy, but also in the institutionalised processes and dynamics underpinning the making of policy.

This thesis accepts Freeman's claim that 'immigration politics takes distinct forms in countries with dissimilar immigration traditions' (2006: 228). He argues that national differences in policies, community attitudes and the dispositions of actors and institutions are products of a nation's historical experience with immigration. Thus, different policy legacies are what account for variations in the immigration politics of traditional destination and reluctant states (Freeman, 1995a: 881; 1995b: 909). This thesis also accepts Boswell's argument that the prevailing 'ideologies of immigration' within a state, defined as 'patterns of political and social thought which shape thinking', will 'delimit the range of legitimate and feasible responses to migration' (2003: 6).

This thesis argues that these two notions are complementary: a state's policy legacy will be a key factor shaping its dominant ideologies of immigration, which together shape its immigration politics. However, a tension exists between Boswell and Freeman's arguments, owing largely to differing assumptions. Boswell claims that ideologies of immigration are not necessarily rigid, but rather may shift in response to changing events or contests between actors and institutions holding different ideologies (Boswell *et al.*, 2005: 39). Freeman, however, claims that immigration politics have a residual impact and will not be altered by changes in a state's immigration policy. In other words, just because a state pursues changes to immigration policy in a manner inconsistent with its immigration politics, this will not necessarily imply a change in those politics. Rather, 'distinct modes are likely to persist' (Freeman, 1995a: 896). Examining the reasons for the liberal shifts in labour immigration selection and control policy in both traditional destination and reluctant states will shed light on whether immigration politics are rigid or flexible. This thesis assesses the extent to which reluctant states that relaxed labour immigration controls moved closer to the traditional destination state model of immigration politics. It also looks at whether this model remained resilient among traditional destination states departing from their commitment to permanent settlement.

In investigating the policy-making processes and dynamics underpinning reform, this thesis pays particular attention to: the roles played by key state actors such as political elites, the relevant ministries and divisions of the executive branch and other relevant government institutions; the roles played by organised interests and relevant stakeholders; the influence of popular attitudes, electoral considerations, ‘focusing events’ (cf. Birkland, 1998: 53-55) and the channels through which these factors are conveyed and mediated (such as the media); and the influence of related arenas of public policy (such as macroeconomic, labour market, welfare and security policies). It questions the degree to which labour immigration reform impacts upon these processes and the roles and behaviour of stakeholders and other possible agents of influence. It thereby examines whether labour immigration politics shapes policy and whether policy change in turn shapes politics.

This thesis explores this interplay by looking at how similar labour immigration policy developments unfolded in, and were shaped by the politics of, states with different legacies. It thus tests a core premise of historical institutionalists that, in the words of Pierson and Skocpol, ‘once established, patterns of political mobilisation, the institutional “rules of the game”, and even citizens’ basic ways of thinking about the political world will often generate self-reinforcing dynamics’ (2000: 6-7; cf. Hall and Taylor, 1996: 942).

Case study selection

The following discussion provides a brief overview of the labour immigration policy developments in the largest traditional destination and reluctant states during the recent wave of international migration. This discussion forms the basis for the case study selection. In order to select suitable cases for comparison, smaller and newly developed states are not considered.

Traditional destination states

From the late 1990s onwards, many of the traditional destination states oversaw rather dramatic relaxations in their mechanisms for selecting labour immigrants. Among the main states in this category, Australia undertook the most notable reform of its labour immigration controls. Since the 1970s, Australian governments had focused on attracting permanent immigration with a balance between family and labour categories. This began to change in the late 1990s, when government policy shifted decisively in favour of the latter. Permanent

labour immigration steadily increased over the following decade and small temporary work visa programmes were markedly expanded (Phillips, 2006; 2007).

Labour immigration policy followed a similar trajectory in Canada. Various policy changes were made in the first half of the 2000s. These reforms were designed to attract young, highly skilled applicants and foreign students wishing to transfer to work visas, alongside the relaxation of other temporary and permanent labour immigration controls (OECD, 2007: 238; Reitz, 2004: 106-107). However, the Canadian policy adjustments did not go as far as those in Australia and gave relatively greater priority to social and settlement criteria in immigration selection (Bouchard and Wake Carroll, 2008: 248-252; Richardson and Lester, 2004: 17-19).

Since the mid-1960s, US immigration policy controls had been more heavily weighted to family over labour categories, although admissions in the latter remained high in absolute terms. The Immigration Act 1990 doubled the annual quotas for work and business visas, but there were few subsequent relaxations of labour immigration controls. A notable exception was the brief expansion of temporary work visas in the early 2000s, a reform that was later wound back (Kahn, 2004: 506; Martin, P. 2004a: 56-58). The US therefore represents an anomalous case to the trend towards liberalisation among the main traditional destination states.

Reluctant states

There was considerable variation in the labour immigration reforms implemented among the main reluctant states. Some states oversaw only minor policy change. For instance, Japan implemented policies broadening the scope of highly skilled and professional temporary work visas. There was no official allowance of low-skilled immigration, although the opening of various 'side-doors', through expanded trainee and entertainer visa schemes, fed an increase in unauthorised foreign workers (Tsuda and Cornelius, 2004: 449-454). France introduced policies permitting temporary high-skilled immigration, as well as seasonal lower skilled guestworkers, although on a rather limited scale (OECD, 2007: 246). Germany introduced several seasonal lower-skilled programmes during the 1990s, a green card scheme for high-skilled ICT workers in 2000, and a more inclusive high-skilled visa programme in 2004 (Martin, P. 2004b: 239-241; OECD, 2002b: 183; 2004: 198-199).

The Netherlands produced more considerable policy change. Its governments introduced several reforms to the work permit system between the late 1990s and the mid 2000s that made it easier for skilled and professional foreigners to work (Muus, 2004: 270). It also partially opened its labour markets to nationals from the new European Union (EU) member states after the enlargements of 2004 and 2007 (OECD, 2006: 200; 2007: 268), as did Spain and Italy. The numbers of immigrants working in Spain sizeably escalated from the mid 1990s, but this was largely due to a series of regularisations (one of which, in 2005, officially increased the immigrant population by 30 per cent) (IOM, 2005: 147; OECD, 2006: 204). The number of work permits issued remained relatively constant and large numbers of unauthorised immigrants were engaged in areas of structural shortage, such as domestic work and agriculture (Cornelius, 2004: 400-403). Italy also had large numbers of unauthorised foreigners working in informal sectors (Calavita, 2004: 353-354). While the legal channels for labour immigration remained tight in Italy, there were minor relaxations of low-skilled immigration controls in the late 1990s, and an expansion of work permit quotas in 2006 (OECD, 2002b: 203; 2007: 256).

Among the main reluctant states, the most significant relaxation of labour immigration controls occurred in the United Kingdom. It was alone among the large member states to immediately open its labour market when the EU expanded in 2004, which resulted in almost 500,000 Central and Eastern Europeans registering to work over the subsequent two years. The UK also introduced a series of major reforms loosening selection mechanisms for higher and lower-skilled foreign workers, predominantly through temporary schemes (OECD, 2003: 285-288; 2007: 101).

Australia and the UK were the two states among the main traditional destination and reluctant states where the relaxation of labour immigration controls was most pronounced in the period between the mid 1990s and 2008. This finding is supported by other comparative research into recent labour immigration policy change. For instance, Lowell's study for the United Nations Population Division found these two states to have among the most liberal temporary and permanent labour immigration controls across the developed economies (Lowell, 2005: 8-10; cf. Abella, 2006: 14-15; McLaughlan and Salt, 2002: 4).⁹ Since the context of this study is

⁹ A lack of internationally comparable data makes it difficult to quantitatively assess the impact of selection and control policies on migration flows (Productivity Commission, 2006: 10) (although the OECD recently sought to

a cross-national trend of liberalisation, Australia and the UK are thus the two most appropriate cases for comparing the processes and dynamics of policy decisions in traditional destination and reluctant states.

Methodology

This thesis utilises a small-*n* approach. This was prejudged as the most effective way of ‘process tracing’ the multifaceted dynamics of labour immigration policy in order to make causal inferences about the reasons for reform (Hall, 2008: 6; Landman, 2003: 29-34). The level of depth required to adequately perform this task made undertaking more than two cases unfeasible in the context of the research timeframe and word-count constraints.¹⁰

Most comparative studies of immigration politics have examined either traditional destination states (cf. Adelman *et al.*, 1994; Freeman and Birrell, 2001; Freeman and Jupp, 1992; Hawkins, 1991; Ongley and Pearson, 1995) or reluctant states (cf. Boswell, 2003; Freeman, 1979; Geddes, 2003; Hammar, 1985; Menz, 2009; Messina, 2007; Penninx, 1986), but rarely both. Givens and Luedtke have called for more comparison between European and non-European cases (2005: 17) and Freeman has argued for greater exploration of ‘the interplay between national models and policy types’ (2006: 242). But with some notable exceptions (cf. Hammar, 1989; Haus, 2002; Money, 1999a), very few studies of immigration selection and control policy have directly compared states in both categories.

Selecting cases with different legacies and contexts presents some problems of comparison. As well as differences in the post-war immigration legacies of Australia and the UK, there are also dissimilarities in their labour immigration policy-making structures. There is a minister and government ministry solely devoted to immigration in Australia, while in the UK it is but one function of the Home Office and its ministers. In terms of the main stakeholders, organised business and labour in Australia have traditionally taken a strong interest in labour immigration (Freeman and Betts, 1992: 87), while their UK counterparts have not been as

address this by standardising the definitions used to measure migration flows among its member states (cf. Lemaitre *et al.*, 2006)).

¹⁰ The issue of comprehensiveness was another reason for the chosen sample size. Menz’s ambitious six-country study of the political economy of immigration policy in Europe is founded on rather weak empirical grounds, which leads to some dubious conclusions on the nature of policy-making dynamics. For instance, his assessment of the UK, which is based on a small number of elite interviews, overstates the influence of organised interests, in particular business groups, in shaping key policy decisions (Menz, 2009: 156-164).

engaged in this area of policy. The differences in the geopolitical status of the two states also have implications for their respective labour immigration policies. Membership of the EU gives the UK little control over immigration from other member states, whereas Australia faces no comparable constraint aside from an agreement with New Zealand that provides for the free movement of labour between the two states.

Border control capacity is another key difference. The UK is subject to far greater irregular immigration pressures than Australia which, due to its geographical position, can effectively control immigration to a virtually unmatched degree (Salt, 2006: 280-282). Despite these differences, there is sufficient 'functional equivalence' (Landman, 2003: 43-46) between Australia and the UK to allow for a thorough comparison. Largely as a result of the former once being a colony of the latter, the two states share a common language and many cultural elements, similar parliamentary and executive systems, as well as similar market regulations (cf. Hall and Soskice, 2001: 19).

The methodological approach used in this thesis is primarily qualitative, as this is more effective than a quantitative approach in gauging the impact and influence of actors, institutions and events on the policy processes. According to Devine, qualitative methods 'are good at capturing [the] meaning, process and context' needed to understand complex policy-making dynamics (2002: 199). Specifically, a 'systematic process analysis' was conducted in this study to ascertain the dynamics of policy formulation in each case. According to Hall, 'process analysis can be particularly useful when several theories alluding to rather different causal processes have been proposed to explain the same phenomenon, because it mobilises multiple observations to reach fine-grained assessments about the presence of a specific causal process' (2008: 11). The diversity of explanations for why labour immigration policy change occurs (see Chapter 2) made this the most suitable method for investigating the research question.

Leach claims that within a particular policy domain, it should be possible to 'map' the actors involved and the nature of the relationships between them (1995: 44). Accordingly, the first step of the process analysis was to undertake a mapping exercise of the institutions and stakeholder interests involved in the labour immigration policy domains of Australia and the UK. This initially involved a content analysis of the coverage of policy developments in each state's major national and metropolitan daily news periodicals between January 1990 and

December 2007. Sources were selected in order to represent a variety of ownership, locality and publication format.¹¹ This analysis was conducted using the Factiva database. To ensure that the content analysis was sufficiently accurate and representative of the media coverage of labour immigration, ‘immigration’ was used as the exclusive search term.¹²

This process facilitated the creation of a detailed timeline of labour immigration policy developments over the period examined for each case study. From this, a map was devised of the government ministers, parliamentarians, government ministries, civil servants and ministerial advisers, organised interests and their representatives, and all other relevant parties and stakeholders identified as being involved in these developments. Relevant primary and secondary documentation – such as Hansard transcripts, ministerial speeches and press releases, the reports of parliamentary committees and ministries, and the press releases, reports and position papers of organised interests and other stakeholders – was then collected and analysed. Due to the 30-year restrictions on Cabinet papers and the archives of government ministries in both cases, it was not possible to access all of the desired documentation.

Following the mapping exercise, in-depth interviews were conducted with individual participants and representatives of organisations identified as having had involvement in labour immigration policy developments. In total, 55 interviews were conducted in Australia, the majority during a four-month research visit between December 2007 and April 2008, and 42 interviews in the UK, mainly between September and December 2007 and August and November 2008 (see Appendices A and B). The interviews were conducted in person or via telephone, most lasting for between 40 and 60 minutes. They were tape recorded and then fully transcribed.

These interviews enabled detailed insights to be gained into the considerations, inputs and deliberations behind the key policy decisions. According to Sabatier, participants in the policy

¹¹ The Advertiser (Adelaide), The Age (Melbourne), The Australian, the Australian Financial Review, the Canberra Times, the Courier-Mail (Brisbane), the Daily Telegraph (Sydney), the Herald-Sun (Melbourne), the Sydney Morning Herald and The West Australian (Perth) were the sources selected for the Australian case. The Daily Mail, the Daily Telegraph, the Financial Times, The Guardian, The Independent and The Times (and their respective Sunday versions) were chosen for the UK case.

¹² The reason for this is that media outlets use a range of terminology when referring to labour immigration. Phrases such as ‘foreign workers’, ‘migrant workers’, ‘immigrant workers’, migrant labour’, immigrant labour’, ‘work visas’, ‘labour migration’, ‘migration’ and ‘immigration’ are often used interchangeably.

process often seek to ‘propagate their specific “spin” on events’ (1999: 4). The perspective of policymakers and stakeholders involved in policy processes is invariably interpretive rather than objective, and there is a risk that interviewees may aggrandise or downplay their own or their organisation’s role (Richards, D. 2008: 7-9; Richards and Smith, 2004: 784, 789). The information obtained from interviews was therefore used cautiously and triangulated with data gathered from the other aforementioned sources, as well as with published diaries and memoirs and reviews of secondary literature, to interpret the reasons for policy change in each case study.

A relatively small number of individuals and organisations approached for the Australian case study rejected interview requests. Of these, one was a government minister, one was a government adviser, two were senior civil servants, two were from business groups, one was a trade union official, and one was from a migrant community organisation. A larger number of requests were declined for the UK case. These included five government ministers, three senior civil servants, three business group officials, and two trade union officials. The most frequently cited reason in these cases was lack of availability, although two government ministers (Robert Ray in Australia and David Blunkett in the UK) declined on the basis that they had already spoken to previous researchers on similar topics. Since the vast majority of interview requests were accepted in both cases, these rejections did not serve to overtly bias the data sample. However, the difficulties in gaining access to UK government ministers meant that some periods under inquiry were analysed without direct ministerial input – although these could be supplemented by interviews with ministerial advisers and first-hand accounts in the form of memoirs and biographies.

The Australian interviewees spoke with slightly more candour than those in the UK. The most plausible explanation for this is that these interviews were conducted in Australia in the months immediately following the Howard government’s November 2007 election defeat. By contrast, in the UK, the Labour government was still in office during the period of research (albeit under a different leader). While the majority of those interviewed agreed to speak on the record, a number (mainly active civil servants) did not wish to be individually attributed. Again, this was more prevalent in the UK. However, all interviewees agreed to their organisational affiliation being attributed. The decision was therefore taken that all interview citations would protect individual anonymity and ascribe organisational affiliation, except in

the case of government ministers who agreed to speak on the record and whose attribution could not be disguised.

Thesis outline

This thesis is structured as follows. Chapter 2 examines the literature on the politics of labour immigration selection and control. It looks at the complexities of labour immigration policy-making and reviews various theories and accounts that offer explanations as to why states might opt to relax labour immigration controls. These accounts differ according to the significance they attach to the state's engagement with immigration policy, the respective roles of organised interests, institutions and political parties, the function of migrant labour and the structure of market regulations. This discussion informs the development of secondary research questions for investigation in the six subsequent case study chapters.

Sections II and III examine the two case studies. These sections are largely self-contained and each consists of three interconnected chapters: the first provides historical and institutional context for recent labour immigration policy reforms; the second explores the specific detail of the reforms and the reasons why they were implemented; and the third marries the themes discussed in the previous two chapters to analyse why the factors that underpinned reform were influential.

Section II examines reasons for the contemporary relaxation of labour immigration controls in Australia. Chapter 3 begins this exploration through an examination of immigration policy and politics prior to the recent period of liberal reform. This provides context for the discussion and analysis contained in the following two chapters. The development of immigration policy between 1788 and 1996 was characterised by three hallmarks, which were important in generating support across the major institutions, stakeholders and the broader community for consistently large immigration intakes. First, the centrality of immigration to population and economic expansion showed its use as an instrument for nation-building. Second, the state played an effective role in immigration selection and control in order to encourage the entry of 'desirable' categories of immigrants, while erecting barriers to those deemed 'unwanted'. And third, Australia's relatively low population base and geographical isolation enhanced the first two features, by providing a sound rationale for increasing immigration and aiding the state's capacity to select and control immigration in accordance with the national interest.

Chapter 4 looks at the Howard government's reform of labour immigration controls between 1996 and 2007, which took place in three distinct categories. The policies within each category are examined, as are the reasons why specific decisions were made. The government made labour market success among applicants, employers and regional areas the main basis for immigration selection, which facilitated a large expansion of labour immigration intakes. The Howard government used labour immigration reform to meet objectives in other policy areas, and business groups and State/Territory governments helped to influence its direction.

Chapter 5 analyses the structural and institutional economic and political factors that underpinned the Howard government's reforms. Sustained labour demand, generated by a protracted economic boom and structural and regulatory change, was the principal reason for relaxing labour immigration controls. This was aided by the government's astute use of political strategies to increase public confidence in its handling of immigration policy. The Howard government's liberal labour immigration reforms can largely be explained as an adaptation of the three hallmarks of Australian immigration policy to contemporary contexts. It also reflects a consensus among stakeholders and the broader community that immigration is beneficial to the national interest, so long as it is properly controlled and fulfils a clearly defined need.

Section III examines the factors underpinning labour immigration policy liberalisation in the United Kingdom between 2000 and 2004. Chapter 6 provides context through a sketch of the historical background, and introduces the institutional themes behind recent policy shifts. Liberal labour immigration policies were introduced between 1946 and 1962, largely at the instigation of the executive branch and as by-products of various other policy objectives. A series of restrictive labour immigration policies were subsequently implemented and remained in place until the election of the Blair government. Circa 1997, the UK's immigration politics were characterised by ingrained restrictionist mentalities, but the economic climate was conducive to a liberal shift in policy.

Chapter 7 details the Blair government's labour immigration reforms, which occurred in three distinguishable segments. This chapter argues that policy change in each segment was the incidental product of broader policy objectives relating to microeconomic reform, border control, and foreign policy. As with earlier periods, the executive branch – rather than

business groups or other actors – was mainly responsible for driving policy change, but as is demonstrated, this was implemented in a rather disorderly and uncoordinated manner.

Chapter 8 looks in greater depth at the reasons for the liberal shifts in UK labour immigration policy. It argues that while fulfilling a clear economic need for more workers, there were also structural labour market factors that made the relaxation of immigration restrictions a more rational option for policy makers. Labour immigration was largely free of the sensitivities that characterised other immigration issues during the period of policy change, which partly explains the rather haphazard nature of reform. There was a move back towards restrictionism after 2004, which occurred partly in reaction to the unintended consequences of the policies of the liberal period. It is concluded that despite the liberal reforms in the period from 2000 to 2004, the UK's immigration politics still remain closer to the reluctant state model.

Chapter 9 draws together the lessons gleaned from the two case studies to answer the central research question. It argues that the policy legacies of both Australia and the UK had a significant impact on the processes and dynamics that shaped labour immigration selection and control decisions. The respective immigration politics of the two states provided constraints and opportunities to the Howard and Blair governments, which affected their ability to justify liberal labour immigration policy change. A positive immigration policy legacy allowed the Howard government to successfully construct a coherent narrative for the necessity of reform and its consistency with principles of national interest. This facilitated a broad degree of institutional, stakeholder and popular support for its agenda. The absence of such a positive legacy inhibited the Blair government's attempt to construct such a narrative, which contributed to a subsequent backlash against its liberal labour immigration policies. These findings lead to the conclusion that a nation's past immigration policy experiences shape its policy-making structures, as well as its institutional and stakeholder policy preferences, which in turn shape its immigration politics. As will be demonstrated throughout in the following chapters, the relationship between immigration policy and politics is self-reinforcing, but will adapt to changing contexts.

CHAPTER 2

A REVIEW OF THE LITERATURE ON THE POLITICS OF LABOUR IMMIGRATION SELECTION AND CONTROL

This chapter reviews the literature on the politics of labour immigration selection and control and sets up the key research questions to guide the analytical focus of the following case study chapters. In the context of recent policy developments, it initially looks at the reasons for the inherent complexity of labour immigration as a public policy issue. A survey of the literature on the politics of labour immigration selection and control follows this analysis. Six perspectives are examined. First, state-centred theories focusing on the tensions and dilemmas posed by labour immigration are discussed. These theories suggest that states may relax labour immigration controls in pursuit of their responsibility to facilitate wealth accumulation. Second, group politics accounts that variously consider the roles of organised interests such as business groups and trade unions in the regulation of labour immigration are explored. Third, accounts concerned with the potential impact of particular national-level institutions are reviewed. Fourth, an overview on the literature on political parties assesses whether centre-left or centre-right governments are more likely to relax labour immigration controls. Fifth, structural functionalist theories on the role of labour immigration in structuring labour markets are examined. And finally, comparative political economy accounts focusing on the role of market regulations in shaping policy choices are reviewed.

Labour immigration policy: Caught between the market and the state

The reasons given in Chapter 1 as to why states made it easier for certain types of foreign nationals to work during the wave of migration between the mid 1990s and 2008 can be further elaborated on, with specific reference to the reluctant states. The supposed hostility of these states to immigration, and the unintended consequences of past experience, made this a rather curious policy trend. Aside from the various demand and supply-side pressures already outlined, there are a number of other possible explanations. First, while population decline has been mentioned, there appeared to be a consensus among opinion leaders about the particular problem it posed for reluctant states and the need to resolve it. Immigration was widely cited as a necessary part of the solution. For example, the United Nations Secretary-General singled out this issue in 2004 when he asserted that there was ‘no doubt that European societies need immigrants’ (Annan, 2004: 188).

Second, European states may have been less reluctant to relax labour immigration controls due to the relatively unproblematic experience of intra-EU labour migration. The Treaty of Rome enshrined the provision for free movement of labour between member states. Upon the treaty's enactment in 1957, it prompted a modest increase in labour flows within the single market, but movement thereafter remained relatively responsive to labour market demand (Straubhaar, 1988: 49-55). The expansion of the EU and the institutionalisation of the single market by the Treaty of Maastricht in 1992 made the free labour movement a condition of EU membership. This generated a pattern of internal mobility among the growing number of member states that provoked little discord (at least prior to the EU's eastward expansion in 2004) (Favell and Hansen, 2002: 582, 586).

Third, contemporary policies stood in contrast to the post-war programmes in that they were much more targeted at high-skilled immigration, the economic contribution of which was likely to be much greater and therefore less politically risky (Castles, S. 2006: 760; Freeman, 2006: 237-238, 241). Moreover, according to a recent study for the International Labour Organisation, 'the majority of the movements of highly skilled workers take place within the internal labour markets of multinational corporations' (Counihan and Miller, 2006: 272). This suggests that reluctant state policies facilitating such movements were made for a higher purpose, namely attracting foreign investment (Jordan *et al.*, 2003: 202-203).

Nation states tend to select and control immigration in a manner consistent with their national interests (Hiebert and Ley, 2006: 3). Ergo, it can be expected that they will discourage or deny entry to those without the attributes they desire and encourage those with such traits. In previous eras, race, ethnicity and national origin were the main principles for deciding which foreign nationals should be permitted or excluded from entering and settling. During the most recent wave, human capital and skills were the main selection criteria. As Zolberg observes, the narrow scope for entry provided by developed democracies for select categories of foreign workers are but 'small doors' within a much bigger 'protective wall' that keeps many others out (1989: 406). According to Menz, the recent era saw the state become increasingly sophisticated or 'managerialist' in labour immigration selection and control (2009: 2). Indeed, while the small doors became somewhat bigger, the protective walls in which they were located became increasingly fortified (cf. Geddes, 2003: 194-195).

A straightforward reason for this duality is that immigration is an inherently emotional policy issue. According to Boswell, immigration often acts as a ‘lightening rod’ for the articulation of disparate social tensions and problems (2004: 4-6). Writing in the Australian context, McAllister says that few other issues regularly elicit lower levels of non-commitment responses in public opinion surveys than immigration (1993: 161). Rudolph argues that immigration is a polarising issue because it potentially threatens ‘notions of stable national identities, culture, and ways of life’ (2003: 605). Due to the multidimensional nature of immigration policy, it is common for states to create legal distinctions between its various aspects. For instance, separate visa classes often exist for labour, family and humanitarian immigrants. Managing flows according to ‘wanted’ and ‘unwanted’ categories of immigration in this manner may help states to minimise political tensions (Hollifield, 1992: 12; Lahav and Guiraudon, 2006: 208). However, legal distinctions between immigration sub-categories can be rather artificial and unwittingly exacerbate political tensions. According to Sassen, ‘if a government closes one kind of entry category, recent history shows that another one will have a rise in numbers’ (1999: 189), as Chapter 1 showed with respect to the Western European post-war experience. In this manner, the supply of migrants is shaped by what Geddes terms the ‘organisational borders’ erected by the receiving state (2006: 611-613). This can serve to distort how labour immigration is broadly perceived, thereby muddling its ‘policy image’, that is, the way in which a policy is commonly comprehended and discussed in public discourse and policy-making arenas (Baumgartner and Jones, 1993: 31). The considerations forming the basis of labour immigration control decisions may differ widely from those underpinning other areas of immigration policy. But they are not necessarily delineated as such in the minds of individual citizens or in the arenas shaping such opinions, such as the media. Policy changes intended to deliver short-term economic benefits may bring longer-term social and political costs. This may compound the political sensitivities of immigration and further complicate the policy processes underpinning labour immigration selection and control.

Labour immigration has implications not only for markets, but also sovereignty, identity, social cohesion, the provision of public goods and infrastructure, and the natural environment. As such, it is an area of public policy underpinned by political consequences and considerations, as well as economic ones (Castles, S. 2000: 271; Freeman and Kessler, 2008: 659-664). Labour cannot be treated in the same way as goods or money. Indeed, as Adam Smith once said, “man is of all sorts of luggage the most difficult to be transported” (quoted in Chiswick and Hatton, 2002: 1).

The growing association between immigration, crime and security made the politics of labour immigration increasingly complicated in the recent era. This relates to what has widely been termed the ‘migration-security nexus’, which is defined by Faist as ‘the discursive securitisation of migration and integration politics and policies in major immigration countries’ (2004: 1-2). Popular or elite views about the economic or cultural significance of immigration may differ widely, since they tend to be rooted in existing opinions or values. However, associations between immigration and security tend to be more universal because they are often grounded in the reality of ‘events’ (Faist, 2004: 853). Immigration was increasingly seen as a security issue in the wake of terrorist attacks perpetrated by foreign nationals or members of minority ethnic communities in the United States in September 2001, in Madrid in March 2004 and in London in July 2005. In relation to European states, Lahav and Messina argue that the attacks had the effect of not creating but rather consolidating an existing migration-security nexus. This nonetheless increased the salience of immigration and transformed it from a ‘low politics’ to a ‘high politics’ issue (2005: 853-854; cf. Rudolph, 2003: 603).¹³

The migration-security nexus underscores the imperatives of state control around immigration. Hannah Arendt observed that sovereignty is no more clearly evident than in matters relating to migration and nationality (cited in Messina, 2007: 1). Indeed, as Ellerman says, the regulation of these issues lie ‘at the heart of statehood’:

Migration control is a fundamental expression of the state’s monopoly over the legitimate means of coercion. By regulating the movement of non-citizens across national borders, states set and enforce rules on who can reside within their territory, and defend the national welfare against individuals who may pose a threat (2006: 293).

According to Lahav and colleagues, the securitisation of immigration had the effect of further blurring the lines between labour immigration and immigrant settlement for policy-makers and stakeholders (2007: 1).

¹³ Faist claims that the migration-security nexus is ‘vastly overstated’, since the impact of immigration and crime and security is rather inconclusive. However, this has not stopped the issues being institutionally bound together by policymakers, for instance through the creation of the Justice and Home Affairs pillar of the EU (2004: 8).

The wide-ranging impact of the immigration-security nexus on all areas of immigration policy, including labour immigration, highlights the importance of public opinion to policy-making. Public opinion on immigration is not monolithic and differs across time, place and context, and does not necessarily translate into collective action (Statham and Geddes, 2006: 250). But comparative research by Simon and colleagues shows that in aggregate terms, majority public opinion tends to favour restrictive over liberal control policies and skilled over family immigration. They also suggest that public opinion is more positive towards immigration and more receptive to relaxing immigration controls during periods of economic expansion or prosperity (Simon and Lynch, 1999: 464-465; Simon and Sikich, 2007: 956-959, 962). In broad support of this, the comparative study of Bauer and colleagues contends that public opinion will be more favourable to immigration if it complements the labour market needs of the receiving state (2000: ii). Citrin and colleagues find that symbolic attitudes relating to the impact of immigration on cultural and national identity are important in shaping popular attitudes to immigration, and that factors relating to economic self-interest are less important (Citrin *et al.*, 1997: 874; Sides and Citrin, 2007: 477). However, research by Scheve and Slaughter suggests that a perception of immigration as negatively impacting upon wage levels is the main reason why stricter immigration controls are favoured most strongly among lower-skilled workers than other categories of voters (2001: 133). Sides and Citrin also claim that public opinion is influenced by focusing events and the messages promoted through the media and by politicians. This is supported by Givens and Luedtke's findings that the salience of immigration, as measured by the extent of media coverage,¹⁴ is the most significant predictor of immigration control policy. They claim that an increase in salience is likely to result in an increase in restriction (Givens and Luedtke, 2005: 15-17). A number of theoretical accounts offer some insights into why states confronted with the political complexities and sensitivities of immigration would choose to relax controls for foreign workers.

¹⁴ Epstein and Segal argue that press coverage is a reliable proxy for issue salience because it provides 'a reproducible, valid, and transportable method of assessing whether the particular actors under investigation view an issue as salient or not' (2000: 67). Moreover, Weaver claims that salience of an issue, as assessed by measures such as the extent of media coverage, can shape the nature and strength of individual sentiment and, in turn, political behaviour (1991: 65-66).

The literature on why states relax labour immigration controls

State-centred accounts

State-centred accounts posit that the inherently volatile nature of immigration is explained by its tendency to cut across core imperatives of sovereign states. However, they also suggest that in certain circumstances, relaxing labour immigration controls can help states to fulfil some of these imperatives. James Walsh invokes the work of statist theorists such as Skocpol to argue that states may use immigration selection and control policy to mould national identity in their desired image:

The aim of state policies is not to obstruct human movement but, rather, to regulate it and define the conditions under which it may legitimately occur. Instead of entryways that are either open or closed, borders are better conceived of as filters that welcome those deemed culturally or economically desirable, while excluding those classed as “undesirable” (2008: 791-792).

Boswell also uses state-centred perspective to show how states may use immigration policy to advance their own interests. She draws upon the theories of Habermas and Offe to argue that immigration policy can be understood in the context of the state’s efforts to uphold its legitimacy to govern. The state may incorporate the demands of different societal pressures and organised interests. But according to Boswell, ‘the power of these interests and institutions does not emanate from characteristics they possess... Rather, it is contingent on the resonance of these concerns with the functional imperatives of states’ (2007: 95-96). To maintain legitimacy in the eyes of the broader populace, the state has a number of core functional imperatives. It must provide the conditions for wealth accumulation and distribution, protect territorial sovereignty and the security of its subjects, safeguard their rights, and promote fairness.

The state may relax immigration controls to increase the supply of labour as part of its accumulation function, either because insufficient supplies exist within the internal labour market, or to increase the stock of human capital. However, Boswell says that the decisions to increase immigration levels can be unpopular and incompatible with expectations of the state’s responsibilities to ensure equitable wealth distribution (if immigrants are perceived to take jobs away from residents or impose an undue welfare burden), or to control national borders (which is a core component of the state’s function of maintaining security and

territorial integrity). In such cases, relaxation of labour immigration controls may serve to undermine the state's legitimacy, even if it helps to fulfil its accumulation function. One way for the state to overcome this tension, according to Boswell, is to create distortions between its actions and public perceptions. For instance, it may covertly open or maintain channels to foreign workers, while simultaneously seek to appeal to popular sentiment through overt restrictions on 'unwanted' categories of immigrants (Boswell, 2007: 88-93).

Similarly, Guiraudon and Joppke argue that immigration creates an 'economic-political control dilemma' between economic pressure for liberal controls and populist pressure for tighter controls. In seeking to overcome this dilemma, states may use what has been variously termed 'strategies of visibility' or 'symbolic instruments', such as more vigilant border control or conducting factory raids to round-up illegal immigrants. This may help generate the perception (if not the reality) of increased control, in order to appease domestic political pressure (Guiraudon and Joppke, 2001: 12-13; cf. Massey, 2003: 23-24).

Lahav and colleagues use principal-agent theory to show how states (principals) seek to resolve the economic-political control dilemma by delegating authority to third parties (agents) through 'remote control' strategies. For instance, sanctions may be used against employers that hire illegal immigrants or transport companies carrying undocumented foreign nationals. Preserving state sovereignty is the logic underpinning such strategies (Guiraudon and Lahav, 2000: 187-188; Lahav, 2006: 291; Lahav and Guiraudon, 2006: 212). As Guiraudon and Lahav claim, shifting the liability for immigration control to third parties involves a calculation by the executive branch of the state that 'the cost of relinquishing some of its autonomy over policy will be compensated by the benefits entailed: more efficacy in stemming unwanted migration and less judicial oversight – a reinvented form of control' (2000: 190). According to Messina, such arrangements do not represent a permanent loss of sovereignty. Rather, they allow states to reclaim authority over delegated aspects of immigration control if they later need to (2007: 242).

In sum, state-centred accounts suggest that states will relax labour immigration controls if they believe benefits relating to indirect wealth accumulation will outweigh the potential costs of such policies corroding popular confidence in other realms of legitimacy. But due to the tensions that often arise between their core functions, states may try to have it both ways by

implementing liberal labour immigration policies discretely or alongside other restrictive measures.

Group politics approaches

In contrast to state-centred theories, group politics approaches emphasise the roles played by organised interests in driving government policy. These pluralist-oriented accounts essentially regard the state as a neutral arena through which organised interests apply pressure for immigration control policies favourable to their objectives. Generally speaking, different groups are interested in different areas of policy, and groups representing producer interests – particularly business and labour – tend to be the most active with respect to labour immigration (Massey, 2003: 21). This is reflected in the attention paid to these groups by the group politics accounts.

Freeman's theory of client politics is the most influential of the group politics accounts. It seeks to explain why immigration controls are often more lax than popular opinion would otherwise allow. Freeman claims that immigration policies produce concentrated benefits and diffuse costs. Consequently, policies reflect the preferences of the organised interests that stand to benefit the most. The interests involved and the degree of benefits and costs differ across visa categories and according to the regulation of selection mechanisms. In any case, business groups representing employers and domestic consumption industries are likely to be the greatest beneficiaries of liberal labour immigration controls (Freeman, 2006: 231-233). Freeman claims that business has a greater stake than those groups standing to bear the costs, namely resident workers and the broader community in areas with high immigrant workforces and populations. Therefore, there is a greater incentive for business to form stronger organisational units to lobby politicians, who he regards as self-interested actors that seek to implement the preferred policies of the most organised groups in exchange for electoral support. Policy deliberations often take place out of public view through a clientelistic relationship between policy-makers and business lobbyists (Freeman, 1995a: 884-886). Freeman advances the notion of a 'good times/bad times dynamic', whereby the liberal policies produced by client politics are most likely to occur in periods of economic prosperity, when employer demand for labour is greater and opposition more muted. More restrictive policies will result during downturns when these pressures are reversed (Freeman, 1995b: 910-911). But he also claims that the connection between economic cycles and immigration politics will be less pronounced in traditional destination states. Since liberal immigration

policies are more common in these states, this is where client politics arrangements are more likely to prevail (Freeman, 1995a: 887). It is therefore of interest to see whether his framework explains the reasons behind the contemporary liberalisation of labour immigration controls in reluctant states as well as traditional destination states.

Like the client politics thesis, Money's spatial-oriented account of immigration politics attributes liberal policies to business pressure. Policy change – be it expansive or restrictive – is explained by the disproportionate geographical impact of immigration, which will mobilise local organised interests. Politicians will respond to specific pressures if they are likely to have broader electoral significance, such as those emanating from marginal constituencies during tightly fought elections. Money argues that pressure from groups standing to disproportionately benefit from liberal immigration policies, notably employers operating in tight local labour markets, will be a catalyst for the relaxation of immigration controls. Restrictive policies will come about in response to the mobilisation of local communities with high immigrant populations. Economic conditions will shape the tenor of pressure for either liberal or restrictive labour immigration policies (Money, 1999a: ix-x, 9-10).

Trade unions are another organised interest receiving attention from the group politics paradigm. In contrast to business, unions have historically been an agent for restriction, since increasing immigration can undermine the 'monopoly' power of unions over labour supply (Freeman and Medoff, 1979: 69-70), and thus lower the wages and employment security of those already working in a given labour market. A number of studies suggest that opposition from unions to liberal immigration controls has waned in recent years. This shift has stemmed both from diminished capacity of unions across developed economies to maintain monopoly control over labour markets, due to declining membership levels, their weakened political influence, and changing economic circumstances. Unions have come to realise the ineffectiveness of restriction in the context of increased international migration and internationalised production processes and labour markets. One consequence is that migrant workers are seen less as a threat and more as potential members. Furthermore, restrictive control policies often push migrant workers into the informal economy, which can undermine labour standards (Avci and McDonald, 2000: 206; Haus, 2002: 2-3; Watts, 2000: 12-13). Taking these studies into consideration, it is possible that shifts by unions away from restrictive policy positions removes a barrier to reform, thereby making it easier for governments to relax labour immigration controls.

Institutionalist accounts

In contrast to the group politics theories that essentially regard organised pressure as the catalyst for changes in immigration control, institutionalist accounts place more emphasis on the institutions that condition and refract such pressure. Institutionalists focus on the power of particular fragments within the state's broader apparatus, unlike state-centred theories that comprehend state power in terms of its broader functionality. Institutional accounts may regard organised interests and other manifestations of community pressure to be relevant driving factors, but their influence is seen as contingent upon access to the national-level institutions that ultimately determine immigration selection and control policy (Hollifield, 1992: 118-120). Hanson and colleagues claim that differences in the national political institutions 'can affect the costs and benefits of alternative political strategies for various groups in society' (2001: 91). The nature of institutional arrangements, the power of particular institutions (such as the executive, judicial and legislative branches, bureaucratic agencies, and 'policy institutions' such as foreign policy) and their autonomy from domestic political pressures will differ across nation states.

Different accounts focus on the influence of different institutional attributes. For instance, Breunig and Luedtke argue that congressional systems with strong institutional checks, such as a high number of veto points, have a major bearing point on the immigration policy preferences of governing parties (2008: 139-143). Others contend that the manner in which government bureaucracies are arranged can also shape the direction of policy. Whether immigration control is the domain of one rather than multiple ministries may amplify or minimise possible tensions between different policy imperatives (such as between labour requirements and national security), or may alter the number of possible access points to organised interests seeking to influence decisions (Cornelius and Tsuda, 2004: 14-15; van Selm, 2005: 10).

As with organised interests, government ministries can also have institutional preferences for particular policy orientations. In her study of EU immigration policy-making, Boswell shows how ministries and government institutions often deploy 'expert knowledge' to acquire the 'epistemic authority' to reinforce such preferences, legitimise policy decisions, or assert expertise in buttressing their domination over the policy process (2008: 471-473). The relative power of economic and labour ministries has particular implications for the direction of labour immigration control policy. While it may not seem obvious, a number of studies

suggest that the relative power of foreign ministries is another possible factor in this regard. For instance, foreign policy objectives in the context of the Cold War have been used to explain US governments' decisions in the 1960s to end national origin quotas and relax immigration controls (Hollifield *et al.*, 2008: 10-11). While these reforms centred mainly on family and humanitarian immigration, Rosenblum claims that guestworker programs between the 1940s and 1960s were implemented as a form of foreign aid by US governments to their migrant-sending allies (2004: 95).

Political parties

Accounts concentrating on the positions of political parties on immigration control policy fall between the group politics and institutionalist paradigms. According to Hall, parties (along with the media) act as 'transmission belts between the state and society' (1993: 288). While national-level institutional factors ultimately condition the influence of parties, the latter also serve as reservoirs of societal pressure. A number of studies examining the patterns of party preferences on immigration control conclude that it is an issue that cuts across both the philosophies and electoral support bases of both centre-left and centre-right parties (Hollifield, 1992: 4-5; Perlmutter, 1996: 377; Schain, 2008: 467-468). Bale claims that scholarly accounts overplay such tensions and that centre-left parties tend to be more liberal on immigration issues (2008a: 320). While this may be true with respect to integration and settlement policies, intra-party tensions are more manifest on the issue of selection and control (Duncan and Van Hecke, 2008: 433; Givens and Luedtke, 2005: 16).

Centre-left parties face a dilemma between social liberal and social democratic principles with respect to immigration. They are generally portrayed as more sympathetic to expansive immigration policies. This is due to the greater tendency of these parties to implement pro-immigrant settlement policies and gain higher levels of electoral support from immigrant and socially liberal voters. However, because of the potentially negative impact of immigration on the labour market prospects of residents, liberal policies – particularly on labour immigration control – can alienate working-class voters that form a traditional core of centre-left support (Messina, 2009: 5).

Immigration also cuts across the beliefs of centre-right parties in free markets and cultural homogeneity. Because they are more likely to promote national identity preservation, national security protection and welfare minimisation, these parties are more often associated with

restrictive immigration policies (Bale, 2008a: 319). However, centre-right parties are more likely to advocate pro-market economic policies, particularly with respect to labour markets. They also tend to rely on support from business interests that may be inclined to press for looser labour immigration controls (Bale, 2008b: 463; Duncan and Van Hecke, 2008: 434). Therefore, the literature suggests that because it traverses the beliefs and electoral bases of both the centre-left and centre-right, neither party in government can be thought more likely to relax labour immigration controls.

Structural functionalist theories

Structural functionalist accounts focus on the particular role of immigrant labour in structuring labour markets (Zolberg, 1989: 408). While the primary unit of analysis is economic institutions rather than political institutions or organised interests, these accounts offer insights into why states may implement liberal labour immigration policies.

Various Marxists posit that employers and the state prefer immigration because it is a cheaper form of labour supply that can be used to undermine the industrial and political strength of the working class. For instance, Castells argues that immigrant workers generally receive lower wage rates and inferior conditions than their native counterparts. The vulnerability of immigrants in this scenario allows their employment and political rights to be easily suppressed. Employers and the state will thus be inclined to look to immigrants as a ‘reserve army of labour’ to undermine the collective power of the resident workforce (Castells, 1975: 44-46). Also writing from a Marxist perspective, Castles and Kosack claim that employers and the state are prone to increase immigration during times of low unemployment because it enables low inflationary growth and can thus facilitate wealth accumulation. As with Castells, this argument is predicated on the assumptions that immigrants constitute a cheaper supply of labour, are concentrated in low-skilled jobs that are unattractive to resident workers and often lack the education and language capacity to advance their labour market position (Castles and Kosack, 1973: 5-6, 12-14).

Piore’s ‘segmented labour market’ theory shares many of these premises. He also assumes that immigrant workers are more willing than native workers to work for lower wages, can be easily hired in periods of growth, and dispensed with during downturns. These features, along with their concentration in insecure and low-paid jobs in the secondary tier of the labour

market, allows immigrants to act as shock absorbers during periods of economic decline (Piore, 1979: 3, 35-38).

Sassen's 'globalisation thesis' also falls within the structural functionalist paradigm. Like Piore, she advances a link between segmented labour markets and immigration. Sassen argues that there are features of 'global cities' (or metropolitan centres of international economic activity) where the businesses operating within them generate demand for foreign high-skilled professionals in the primary tier of the labour market and low-skilled workers in the secondary tier (Sassen, 2001: 321-323). Sassen also claims that the increase of global economic activity, integrated markets, international regulatory institutions and regional trading zones have diminished state autonomy over immigration policy making: 'corporations, markets and free trade agreements are now in charge of "governing" an increasing share of cross-border flows, including cross-border flows of specialised professional workers as part of the international trade and investment in services' (Sassen, 1999: 177). Reduced transaction costs and growing migrant communities, particularly in global cities, have led more people to cross borders and reinforced established migration networks between sending and receiving states.

In a similar vein, various studies suggest that liberal labour immigration policies and practices are driven by entrenched demand that is 'structurally embedded' in the relations between sending communities and employers in receiving states. In Cornelius' study of Mexicans working in California, these relations became so deeply embedded that immigration flows remained resilient across the business cycle, despite the introduction of public policy deterrents, such as employer sanctions and stronger border controls (1998: 115-116, 125). In his study of low-skilled Japanese-Brazilians in Japan, Tsuda finds that structural embeddedness is consolidated by temporary employment regulation and the willingness of immigrants to work in such arrangements (despite their inherent instability). In this case, it was not immigration labour per se that was structurally embedded, but rather a consistent (relative) shortage of domestic labour supply for low-skilled temporary vacancies (Tsuda, 1999: 697-703). In both the Japanese and Californian cases, structural embeddedness was compounded by a number of common factors. There was a long-term depletion of residents willing or able to undertake low-paid dirty, dangerous and difficult jobs, due to structural economic shifts and rising socio-economic aspirations. Additionally, immigrant workers became 'socially embedded' in their host community, migrant social networks helped to

deliver a reliable supply of job seekers, and employers held relatively positive perceptions of immigrant vis-à-vis resident workers (especially on the issues of work ethic and working time flexibility). This scenario contributed to labour market segmentation and structurally embedded demand for immigrant labour, even during economic downturns (Canales, 2003: 758; Tsuda, 1999: 693-695). Along with the other structural functionalist accounts, these studies imply that, if present, the preconditions for structural dependence will generate pressure for the relaxation of labour immigration controls.

Comparative political economy theories of market regulation

Comparative political economy accounts utilising the ‘varieties of capitalism’ framework contain little mention of immigration. However, their focus on the nature of labour market regulation offers some prospective insights into why states may relax their labour immigration controls. Accounts using this framework seek to explain variations in national-level responses to the challenges presented by international economic pressures. In particular, they look at the ways that firms coordinate their activities with markets and other economic actors, such as employees and trade unions, investors, and other firms. In seeking to advance their competitive position, firms must work with these actors to secure access to finance, infrastructure and appropriately skilled workers, and maintain harmonious relations with their workforce (Hall and Gingerich, 2009: 450-452). The two ‘varieties’ most commonly cited are liberal market economies (LMEs), of which the Anglophone democracies are exemplar, where market relations are primarily competitive, and the coordinated market economies (CMEs) of continental Europe and East Asia, where market relations are more cooperative.¹⁵ Owing to these differences in market relations, firms in LMEs primarily coordinate their activities through contractual relationships with other actors, whereas firms in CMEs are more reliant on collaboration (Hall and Soskice, 2001: 6-7).

The interconnected nature of national-level market regulation is a key focus of this literature. The manner of regulation in one area is assumed to shape the regulatory character of other market institutions. In this respect, financial markets are a key institution. They are the major source of capital for LME firms, which generate a preoccupation with short-term profitability (Fioretos, 1996: 17-19; Gourevitch and Hawes, 2001: 5). By contrast, the greater reliance of

¹⁵ Hall and Soskice, the pioneers of the varieties of capitalism framework, stress that CMEs and LMEs are ‘ideal types at the poles of a spectrum along which many nations can be arrayed’ (2001: 8).

CME firms on banks for access to capital means they can take ‘a more long-term view because the banks are more focused on increasing market share and company value rather than profits’, according to Schmidt (2002: 114). As a result, firms in LMEs are more inclined to compete on costs, while firms in CMEs are better equipped to compete on quality. The framework suggests that more competitive market relationships create greater pressure for market liberalisation in LMEs, where national comparative advantages are built around liberal markets (Hall and Soskice, 2001: 57-58). Furthermore, it implies that differences in market regulation will make certain policy options more attractive or viable than others in different economies. These arrangements have various implications for labour market regulation and the role of labour market actors. The more competitive market arrangements in LMEs means that labour market regulation is more liberal, which is exemplified by firm-based wage bargaining and weaker employment protection laws that make it easier for employers to fire workers. Moreover, industry associations tend to be weaker in LMEs than in CMEs, where inter-firm collaboration is greater (Hall and Soskice, 2001: 33).

Immigration scholars have largely overlooked the varieties of capitalism framework. However, Menz uses the framework to argue that among CMEs, because comparative advantage is built on quality rather than costs, there is likely to be greater demand for high-skilled immigration. By contrast, there is likely to be greater demand in LMEs for selective types of high-skilled immigration and low-skilled immigration in industries structurally dependent on low-wage labour (Menz, 2009: 5). In this way, the impact of market regulation on production strategies will therefore shape the policy preferences of organised interests, which may serve to influence the direction of immigration selection and control policies.

Conclusion

The theories and accounts reviewed here suggest a range of possible reasons why states may relax labour immigration controls and the circumstances in which such decisions may be more likely. They provoke a number of questions about the processes and dynamics shaping recent labour immigration control policy decisions in Australia and the UK.

- How do the states’ basic requirements to facilitate wealth accumulation shape labour immigration selection and control policies? How do the states reconcile such policy decisions with their other core imperatives, such as the duty to promote fairness and to protect their territorial integrity?

- What is the role of organised interests, particularly those predicted to benefit from or bear the costs of labour immigration (such as business and trade unions), in the making of policy? Do these interests influence policy decisions, and if so, how and through what means?
- What is the role of particular national-level institutions (such as the respective branches of the state, government ministries responsible for immigration, labour and economic policies, or particular ‘policy institutions’) in influencing or shaping the direction of labour immigration selection and control policy?
- Do centre-left or centre-right political parties in government shape the particular direction of labour immigration selection and control policy?
- Are certain industries or employers structurally dependent on labour immigration? If so, how? What creates the conditions for this?
- Does the character of market regulation shape labour immigration selection? Do national comparative advantages reinforced by market regulation shape the design of immigration selection mechanisms (for instance, preferences for certain skills)?

These questions will guide the analytical focus of the following empirical chapters. But since the principal concern of this thesis is with the issue of policy legacy, it is necessary to first examine the history and contexts of immigration selection and control policy in the pre-reform periods in each of the two case studies, starting with Australia.

SECTION II
AUSTRALIA

CHAPTER 3
THE POLITICS OF AUSTRALIAN LABOUR IMMIGRATION
PRIOR TO 1996

CHAPTER 4
THE LIBERALISATION OF AUSTRALIAN LABOUR
IMMIGRATION POLICY, 1996-2007

CHAPTER 5
THE STRUCTURAL AND INSTITUTIONAL DYNAMICS OF
AUSTRALIAN POLICY CHANGE

CHAPTER 3

THE POLITICS OF AUSTRALIAN LABOUR IMMIGRATION POLICY PRIOR TO 1996

Immigration has played a central role in the development of Australia's population and economy ever since British colonisation. Between 1945 and 2001, immigrants and their descendents accounted for about 50 per cent of its population growth, which increased from some seven million to over 20 million during this period. According to Teicher and colleagues, 'next to Israel no other country was so transformed by its post-war immigrant intake' (2000: 3). With more than 25 per cent of Australia's workforce foreign born, these developments have had a major impact on the national economy, the labour market, and many dimensions of public policy (Chang, 2004: 49). Compared to other developed democracies, large immigration intakes have not resulted in major social and political upheaval in Australia. Anti-immigration parties have not been able to gain an established political presence and broad consensus between the two major parties favouring a relatively expansive immigration policy existed for much of the post-war era (Collins, 1991: 15; Parkin and Hardcastle, 1994: 439).

This was not the case in 1996. At this time, 'Australia was no longer guided by a grand plan of immigration', according to Eric Richards (2008: 297). Simmering public dissatisfaction with the size and composition of immigration intake contributed to uncertainty over future policy direction. As Hugo wrote in the mid 1990s, 'no longer is there a widespread belief that immigration is in Australia's national interest' (1994a: 3). Indeed, vocal segments of both the main political parties questioned the social and economic wisdom of immigration selection policy (Parkin and Hardcastle, 1994: 433). Disagreement over whether attributes relating to economic and 'human capital' factors on one hand, or those based on social and 'settlement' factors on the other, should be the main criteria for immigrant selection underpinned this discontent.

This was the context in which the coalition of the Liberal and National Parties ('the Coalition') led by John Howard came to power in the Commonwealth parliamentary elections of March 1996. During its 11 years in office, the Howard government increased the immigration intake to its highest levels in Australian history and presided over what Hugo dubs a 'paradigm shift' in immigration selection policy, by making human capital criteria and successful labour market outcomes among applicants, employers and regional areas the basis

of immigration selection policy (2006: 108). Wide-ranging policy reforms aimed at attracting foreign nationals into the workforce was at the centre of these developments, which are explored in Chapters 4 and 5.

This chapter sets the scene for these developments through an analysis of the various phases of labour immigration policy in the post-colonial era. Immigration was consistently used as a policy for nation-building and the state maintained strong control over immigration entry and selection throughout this entire period. Australia's relative geographical isolation shaped these features. They all form continuous threads in the development of immigration policy, including under the Howard government, as the next two chapters show.

The first section of this chapter examines the years from 1788 and 1945, which saw Australia's establishment as a 'nation of immigrants'. The mechanisms through which immigrants were selected were founded during this period. From 1901, racially-based immigration control was one pillar in a series of interconnected protectionist social and economic policies that successfully established a political accord for nation-building. After 1901, the Commonwealth government brokered consensus for immigration control by co-opting the preference of business groups for a more liberal labour immigration policy, in exchange for concessions in the form of trade protection. The period between 1945 and 1972 is explored in the second section. Changing policy priorities after the Second World War prompted the Commonwealth government to embark upon population and labour force expansion, which had huge implications for the scale, sources and selection of immigration. State-brokered consensus assisted a shift in immigration policy and neutralised trade union antagonism over the prospect of weakened control over labour supply. The Commonwealth government formed a specialised ministry devoted to immigration which, among other things, incorporated unions, business and other organised interests into immigration policy-making structures to facilitate this consensus. The third section looks at the 1972 to 1996 period, when the gradual replacement of protectionist and isolationist policies with liberal ones contributed to incoherence in immigration selection policy. The more evident impact of organised interests resulted in immigration politics entering a phase of pluralism during these years. The fundamental premise of immigration selection and control policy became the subject of increasingly intense debate. This historical discussion provides context for policy developments between 1996 and 2007. The fourth section sketches the broader institutional framework of immigration policy that the Howard government inherited. It looks at the

relevant themes pertaining to labour immigration and the roles and the nature of interaction between the main state institutions and organised interests.

Labour immigration policy from 1788 to 1945: Race-based immigration control in the name of national unity

Attracting more people was a guiding purpose of colonial governments from their inception. Dwindling inflows of convicts from the early nineteenth century, and the declines in indigenous population under the strain of imported disease and conflict, prompted the colonies to look further afield for people to populate and toil on their sparse and empty lands. However, as Blainey says, ‘the ocean and all of the disadvantages of isolation eliminated Australia as a goal for most emigrants who had to pay their own fares’ (1975: 94). It was therefore difficult to find Britons prepared to take the risks and financial burdens required to relocate their lives to an unfamiliar land in the Asia Pacific. Distance was a greater tyranny for the antipodean colonies than the North American states also seeking to attract immigrants during the nineteenth century.¹⁶ Colonial governments began to use financial incentives to attract more people and were able to subsidise their transportation relatively easily by selling cheaply the abundance of available land (Blainey, 1975: 100). From the arrival of the first ‘free’ settlers in the late eighteenth century until 1940, around half of the 2.5 million immigrants that permanently settled in Australia did so with the aid of subsidised settlement and transportation costs (Baker *et al.*, 1994: 3; Salter, 1978: 16).¹⁷ The exclusive availability of the assisted passage schemes to British subjects (in all colonies except Queensland) allowed the colonial populations to be expanded in accordance with policymakers’ racial preferences (Jupp, 2002: 17).

Australia had among the highest per capita income levels in the world in the late nineteenth century, largely due to substantial foreign investment in its pastoral and mining industries. But a downturn in demand for Australian commodities in the 1890s led to economic depression. This in turn led to widespread industrial conflict and employers’ use of strike-breakers and immigrant workers to undermine organised labour, which had established a powerful presence across the primary sectors (Castles, F. 1988: 101). Francis Castles argues

¹⁶ The United States gave no financial assistance to immigrants (essentially because it did not need to), while Canada provided extended loans. New Zealand established assisted passage schemes, but on a scale smaller than in Australia (Jupp, 2002: 16).

¹⁷ Assisted passages were largely curtailed in the 1870s due to declining revenue and increased resentment towards newcomers resulted, though they were continued in Queensland until 1919 (Blainey, 1975: 106).

that ‘the nexus between the supply and demand for labour was brutally obvious to all sections of society. Men could gauge their prospects of employment and their probable wages by the number of migrant ships moored at the quay’ (1988: 101). Trade unions sought to avoid a repeat of the 1890s by maintaining a scarce supply of labour for which, in the context of Australia’s geography and small population, they believed immigration control was a necessary precondition. Increasing levels of industrial and political power (through the formation of the Labor Party) over the following decade gave unions greater capacity to fulfil this goal (Castles, F. 1988: 122).

When the six colonial governments federated to form the Commonwealth of Australia in 1901, there was a pervasive desire to forge a sense of national purpose and insure against the vulnerabilities and class divisions that had arisen in the previous decade. It was widely agreed that industrial diversification was necessary despite the abundance of natural resources because, in the words of Australia’s second Prime Minister Alfred Deakin, “no nation ever claimed national greatness which relied on primary industry alone” (quoted in Kelly, 1994: 6). The major political interests of the day agreed upon a series of interlocking policies aimed at promoting industrial expansion and neutralising class tensions. In order to stimulate secondary industry, trade barriers were erected to give local producers an advantage in the product market against foreign competitors. Employers agreed to pay a ‘fair and reasonable’ basic wage to all workers in exchange for the benefits derived from trade protection. The creation of an arbitration court with powers of compulsory dispute settlement acted as a warrantee for industrial peace. And to appease trade union concerns, racially selective immigration controls, commonly known as the ‘White Australia’ policy, protected the labour market position of the resident workforce. This policy accord became known as the ‘protectionist settlement’ (Broomhill, 2008: 16; Castles, F. 1988: 93).

The White Australia policy reflected broader social attitudes and its implementation was a commitment of all major parties at the 1901 Commonwealth election (Fitzpatrick, 1940: 116). The policy was underpinned by racist attitudes and a desire to preserve the legacy of British colonialism, as well as economic arguments. The architects of the protectionist settlement saw racially selective immigration as a way of creating a cultural foundation for national unity based on British homogeneity (Lloyd, C. 2003: 406). Its implementation made it very difficult

for non-Britons to gain entry or the right to work (Hawkins, 1991: 14).¹⁸ Contemporary notions of racial hierarchy were also popular and further inflamed such sentiments. But they also stemmed from fears that this empty post-colonial outpost composed almost entirely of Britons would be easily overrun by the more heavily populated Asian neighbours to the north (Jupp, 2007: 8).¹⁹

Non-Europeans composed only 0.25 per cent of the non-indigenous Australian population in 1947 (Jupp, 2007: 10). However, the entry rights of would-be British labour immigrants were not *carte blanche*. They too had to meet certain entry requirements in the period between federation and the end of the Second World War (Blainey, 1975: 209). While not part of the White Australia policy, the Contract Immigrants Act 1905 served as a labour immigration control mechanism, by specifying that employers could only engage foreign nationals if they could prove that no Australian could fill the position. The Act also stated that foreign nationals had to be employed according to the legal wage and conditions benchmarks and could not be used to break industrial disputes (Crock, 1998: 92; Mitchell *et al.*, 2001: 5).

The Australian state thus had a strong role in immigration control prior to 1945. The protectionist settlement was the product of horse-trading between the main federation-era political parties representing various interests. But as Bell argues, the final product ‘was not just an historic class settlement, it also bore the clear imprint of state purpose and initiative’ (1993: 186). A strong state was required to effectively administer its wide-ranging and interlocking policy components. This strength invariably extended to immigration control and selection. The Commonwealth government had assumed legal responsibility for immigration from the colonies in 1901. The State governments (which took the place of the colonial governments) nonetheless retained responsibility for most of the components of the assisted

¹⁸ The protectionist settlement was universalist, even if racist, in application. The few foreigners that were able to immigrate in the post-federation decades enjoyed the same wage rates, working rights and benefits as Australian citizens. As Watson and colleagues argue, immigrants faced neither ‘economic marginalisation nor social exclusion’ (2003: 14).

¹⁹ The Immigration Restriction Act 1901 formed the cornerstone of the White Australia policy and mirrored the pre-federation laws of a number of colonial governments. The Act did not explicitly stipulate which categories of foreign nationals were free to enter Australia (although convicted criminals and other ‘undesirables’ were barred). Rather, immigration officers had discretion to administer a dictation test to prospective immigrants, who had to render a passage of 50 words “in any prescribed language”. This was the means through which a racist policy of immigration control was administered (Crock, 1998: 13; Cronin, 1993: 88-90). The Pacific Island Labourers Act 1901 was another component of the White Australia policy and ended the recruitment of Pacific Islander workers in the Queensland sugar and cotton plantations (after it had been initially permitted) (Hawkins, 1991: 13-15).

passage schemes, such as the scale of immigration intakes and the recruitment of foreign labour. These arrangements remained in place until the after the Second World War (Salter, 1978: 21).²⁰

Labour immigration policy from 1945 to 1972: Increasing immigration for economic expansion

Australian immigration policy took a new course in 1945 when the Chifley Labor government sought to expand the immigration intake owing to its objectives of improving national defence capability and economic self-reliance.²¹ Australia had hitherto relied upon an alliance with the UK for protection against the prospect of invasion from its more heavily populated Asian neighbours. Japan's southward advance during the Second World War exposed the flaws of this strategy. In the words of the first Immigration Minister Arthur Calwell, "if Australians have learned one lesson from the Pacific war ... it is surely that we cannot continue to hold our island continent for ourselves and our descendents unless we greatly increase our numbers" (quoted in Kelly, 2009: 188). Low birth rates during the 1930s led the government to believe that other sources of population growth were necessary (Price, 1975: 306). It therefore set an objective of a two per cent annual population increase, with immigration and natural growth each contributing one per cent (Holton and Sloan, 1994: 281).

The decision to relax immigration controls also complemented an agenda of macro and microeconomic expansion. The Chifley government (from 1945 to 1949) and centre-right Liberal/Country coalition governments (from 1949 to 1972) used Keynesian policies aimed at stimulating industrial growth to avoid a repeat of the era of recession and mass unemployment that had followed the First World War. Active state intervention was required to bring these objectives to fruition and came through modifications to the protectionist settlement. Trade protection was continued, large incentives were offered for foreign investment, primary export industries were generously subsidised, and the labour force was expanded through full

²⁰ However, the depression prompted a significant reduction in assisted passages, which ceased altogether with the outbreak of the Second World War (Salter, 1978: 22).

²¹ There has been much debate over which of these two factors was the more significant driver of immigration policy change (cf. Collins, 1991: 20-21). However, as Holton and Sloan have concluded, rather than seeing one or other as predominant, the fortification of national security and economic expansion were distinct but nonetheless essentially compatible objectives that an expansionary immigration policy helped to accomplish (1994: 286).

employment strategies and increased immigration (Bell, 1993: 17-19; Broomhill, 2008: 20). Relaxing immigration controls provided the increase of labour supply necessary for major public works projects and the development of secondary industry. It also facilitated an expansion of the domestic consumer market (Blackton, 1953: 166; Economou, 2004: 427).

The decision to expand the immigration intake generated two immediate demands. First, recruiting the foreign workers to match the labour requirements of domestic industry was beyond the existing bureaucratic capacities of Australian governments. In 1946, the State governments agreed to relinquish their remaining responsibility for immigration policy to the Commonwealth. An Immigration Department was established to administer the recruitment, selection and employment allocation of immigrants.²² The Immigration Department was also tasked with consulting the States and other Commonwealth ministries to determine how immigration should complement regional and national labour market requirements (Salter, 1978: 24-25).

The need to gain acceptance of the new immigration policy regime from organised interests and the broader community was the second demand that was required. There is no apparent evidence of hostility among the general community between 1945 and 1972, despite the challenge that relaxing immigration controls presented to British cultural homogeneity. The salience of immigration was low and there was no emergence of hostile political parties or pressure groups (Markus, 1984: 22). One reason for this is the bipartisan recognition that increasing immigration was necessary to meet the imperatives of defence and economic self-reliance. Another is that the government (via the Immigration Department) established advisory councils to broker consensus among the major organised interests. These councils had no formal policy-making role but were nonetheless effective in abrogating potential opposition, particularly from trade unions, which remained industrially powerful throughout this period. According to Bob Hawke (a senior official for the Australian Council of Trade Unions (ACTU) from the 1950s before becoming prime minister in 1983), the advisory councils were critical for gaining union support for the post-war immigration programme. He

²² Prior to its establishment, the Department of External Affairs and the Department of the Interior had joint responsibility for immigration policy (Bruer and Power, 1993: 106). Originally conceived as the Ministry of Immigration, the Immigration Department (the term that will hereafter be used in this and subsequent Chapters) has been erstwhile named the Department of Labour and Immigration, the Department of Immigration and Ethnic Affairs, the Department of Immigration, Local Government and Ethnic Affairs, the Department of Immigration and Multicultural Affairs, the Department of Immigration and Multicultural and Indigenous Affairs and the Department of Immigration and Citizenship.

argues that the scale of post-war immigration could not have occurred without union support (Hawke, 1993: 6-7; cf. Jupp, 1998: 164; Warhurst, 1993: 181-182). Union opposition was a key factor in the restriction of immigration in 1901. The moderation of this position was thus crucial for the expansion of immigration after 1945. The government used the advisory councils to convince unions there would be no negative impact on wages and unemployment. A successful case was made that economic expansion would increase demand and that immigrants were needed for low-skilled jobs that residents were disinclined to take (Groutsis, 2003: 69; Patmore, 1991: 200-1; Vasta, 2005: 8). Quinlan and Lever-Tracy claim that compulsory arbitration 'restricted the capacity of employers to use immigrants as a "super exploitable" category of labour' (1990: 161). The effectiveness of compulsory arbitration in providing secure wage and employment standards therefore further placated union concerns.²³ Other prospectively hostile groups such as returned soldiers and Catholic working class organisations were also mollified through the advisory councils. These groups were successfully persuaded to support immigration expansion on defence grounds, which appeared to further resonate in the context of the Cold War. The advisory councils also helped to generate broader community support, as member organisations often gave formal endorsement to immigration policy and were encouraged to promote its virtues to their constituencies (Warhurst, 1993: 181-182).

The foreign workers recruited in the late 1940s and early 1950s were mainly young and semi or lower skilled and often placed in agriculture and construction. Many came via the Displaced Persons Program, which brought some 170,000 people from war-torn Europe (Hugo, 1994b: 54; Iredale, 2002: 139; Jupp, 2002: 12). Displaced persons were obliged to undertake a two-year employment contract at a prescribed location; conditions that other immigrants were not subject to (Collins, 1988: 10; Kabala, 1993: 16-17). Immigration selection shifted much more towards the higher skilled in the 1960s, and many immigrants went to work in the burgeoning automotive and ship manufacturing, iron and steel industries (Salter, 1978: 15). This partly reflected the way that industry and employer groups were able to use their representation on the advisory councils to shape the nature of immigration recruitment and selection (O'Donnell and Mitchell, 2000: 8).

²³ Unions nonetheless remained committed to the White Australia policy until 1965 (Freudenberg, 1991: 241).

Immigration selection in the initial post-war period largely reflected the racial preferences of the White Australia policy. However, the UK's economic recovery made it a less reliable source of recruitment and prompted the Immigration Department to look further afield, initially to Northern Europe and later to Southern and Eastern Europe (Castles, S. 1992: 551). Between 1946 and 1970, the Commonwealth government established bilateral agreements with various European states, which facilitated the passage of around 1.7 million immigrants (Jupp, 2007: 138; Salter, 1978: 15). The White Australia policy was thus gradually 'diluted' to allow immigration from across Europe (see Figure 3.1), but an almost complete restriction on Asian nationals remained until 1966, when policy was relaxed to allow the entry of high-skilled and professional non-Europeans (Callan, 1983: 124-125).

Figure 3.1 Overseas-born population from regions of Europe in Australia, 1947, 1961 and 1971

	1947	1961	1971
British Isles	543,000	758,000	1,089,000
Northern Europe	32,000	259,000	272,000
Eastern Europe	24,000	228,000	309,000
Southern Europe	53,000	361,000	541,000

Source: Markus *et al.* (2009): 55

Labour immigration policy from 1972 to 1996: The post-protectionist dilemmas of immigration selection

Race and nationality were abandoned as immigration selection principles by the Whitlam Labor government in the early 1970s. Automatic right of entry for UK, Irish and Commonwealth citizens was rescinded, and all foreign nationals now required entry visas (with the exception of those from New Zealand)²⁴ (Ongley and Pearson, 1995: 772).

Economic criteria had been a component of immigration selection since the 1950s, but became more predominant with the introduction of the Structured Selection Assessment System (SSAS) in 1973. SSAS was the first attempt at structured and 'objective' immigration selection. It attempted to fuse the existing system of qualitative assessments of personal qualities and the likelihood of social integration, with the Canadian system of awarding 'points' for certain quantifiable economic and employment-based attributes (Hawkins, 1991: 105-106). This period also saw the annual immigration intake decline from 107,401 to 52,748

²⁴ Reciprocal rights of free movement were established under the 1973 Trans-Tasman Travel Agreement, which allowed Australian and New Zealand citizens to work in and travel between each nation (Hawkins, 1991: 147).

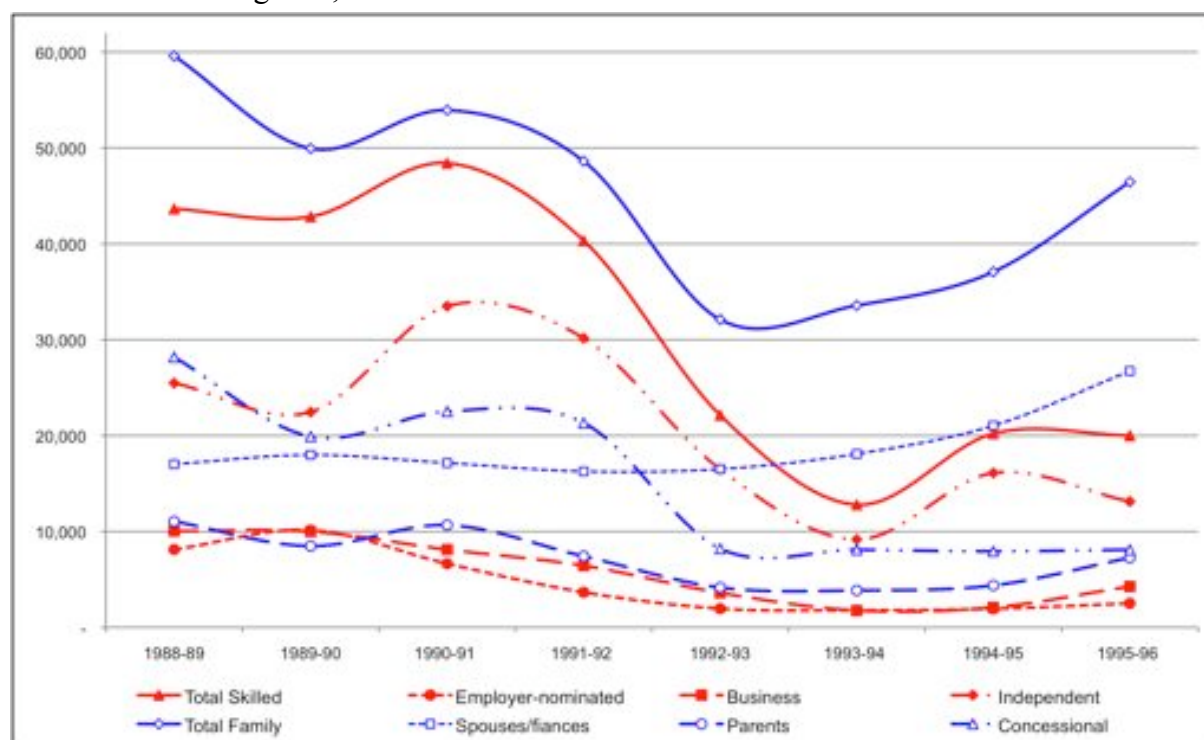
following the global economic downturn of 1973-74, and remained at around this level for much of the decade (Jupp, 2002: 224). Economic growth between 1979 and 1982 resulted in greater labour demand and the immigration programme increased from 67,192 to 118,030 during this period (Jupp, 2002: 224). Concerned that wage hikes and labour and skills shortages would cause the economic boom to end prematurely, the Fraser Liberal/National government adjusted immigration selection in line with labour market demand (Birrell, 1984: 72).

Economic and employment-based criteria were given greater priority with the introduction of the Numerical Assessment Scheme (more commonly known as NUMAS) in 1979, which moved further away from qualitative assessment and towards the quantitative-based Canadian points model. The immigration programme was also classified according to ‘skilled’ and ‘family’ visa categories (Jupp, 2007: 144-145). NUMAS heralded a shift towards a ‘human capital’ model of immigrant selection. It assumed labour market success to be the most accurate measure of social integration and gave preference to applicants with skills and English language ability. NUMAS also represented the first expression of regional labour immigration policy by awarding additional points awarded to those committing to settle in a “designated growth” area (Birrell, 1984: 70-72; Hawkins, 1991: 142, 146). The introduction of various skilled visas in 1981 saw a further shift towards human capital selection. However, these reforms were soon reversed following an economic recession. The points-based Occupations in Demand visa was discontinued after it was found to be ineffective in matching applicants’ skills to domestic labour market demand (although it was revived a few years later in a modified form). The regulation of new employer-sponsored Employment Nominees visa was also significantly tightened (Baker *et al.*, 1994: 7-8; Immigration Department, 1999). At the same time, the scope for family reunion immigration was substantially widened through provisions allowing residents to sponsor parents and siblings (Birrell, 1984: 73-78).

The Hawke Labor government came to power in 1983 pledging to invest more in skills development and recruit fewer foreign workers (Birrell, 1984: 72). The skilled categories of the immigration programme were accordingly reduced from 38,363 in 1982-83 to 8,856 in 1984-85 (Baker *et al.*, 1994: 9). Employers wanting to sponsor immigrants to fill job vacancies now had to prove that no resident workers were available and that they had invested sufficiently in workforce training (Crock, 1998: 94-95). The Hawke government gradually increased the overall immigration intake to 145,316 and the skilled programme to 43,645 as

the economy recovered over the course of the decade (BIR, 1989). Selection policy was reformed in 1989 to give greater emphasis to human capital criteria and priority for skilled over family immigration categories. An adjustable pass mark also gave the government greater capacity to raise or lower the intake of points-based visas (Birrell, 1998: 2-3; Crock, 1998: 95-96; Immigration Department, 1999). The intake of skilled visas was reduced from 48,421 in 1990-91 to 12,794 in 1993-94 following another economic recession (Immigration Department, 2002a: 18). The skilled category intakes increased after the economy began to recover, although the family categories became more predominant. This partly reflected the government's promoting of training, employment and active labour market policies in the wake of the recession. As articulated by Paul Keating (Prime Minister from 1991 to 1996), "in this recovery the complement to skill formation in the labour market is not going to come from migration. This time it has to come from training our own people, including those who are presently unemployed" (quoted in *Sydney Morning Herald*, 1995). As seen in Figure 3.2, the proportional rise in the skilled visas following 1989 reforms was undone by 1996.

Figure 3.2 Annual permanent immigration programme intakes, major categories and sub-categories, 1988/89 to 1995/96



Source: BIR (1989) *Immigration Update*, December Quarter, AGPS: Canberra (for 1988-89); BIR (1991) *Immigration Update*, June Quarter, AGPS: Canberra (for 1989-90); DIMIA (2002) *Consolidated Statistics 1999-00* (for 1990-91 to 1995-96)

Three factors shaped immigration policy development over the period between 1972 and 1996. First, economic and labour market fluctuations influenced the shifts in the priority given in immigrant selection policy to skills and human capital factors on one hand, and social and settlement criteria 'settlement' criteria on the other, and the balance between the skilled and family categories. The boom-bust nature of the Australian economy had a visible impact on the size and composition of the immigration programme over this period. The recessions of 1973-75, 1981-83 and 1990-92 coincided with dwindling immigration intakes (especially of the skilled categories), and the economic boom periods of 1979-81 and 1986-88 with increased intakes (Lloyd, P. 1993: 73). But the relationship between macroeconomic trends and immigration was not so straightforward.

Structural economic change was a second factor shaping immigration policy over this period. Despite unemployment levels remaining at reasonably high levels, the Hawke government increased the immigration intake in the mid 1980s because labour shortages had emerged across some industries (Collins, 1991: 27; Holton and Sloan, 1994: 305). This was partly due to the shifts in industrial composition. Significant weaknesses had emerged in the protectionist settlement model in the late 1960s. Secondary industry had flourished under trade protection, but prosperity of the post-war economic boom disguised structural inefficiencies. At the same time, rising commodities prices were helping to revitalise the Australian minerals and energy industries (Lloyd, C. 2003: 417-418). Support coalesced around the notion that a more liberal trade policy would provide a competitive stimulus to secondary industry and expand opportunities for international trade. In this context, the political consensus for protectionism began to erode (Castles, F. 1988: 149-150; Kasper, 1983: 12-13).

Various developments heralding the dismantling of the protectionist settlement had implications for immigration policy. Governments took various decisions that exposed Australian industry to greater international competition. In 1973, the Whitlam government lowered tariffs on all imported goods by 25 per cent. The Hawke government later initiated a reconstruction of the Australian economy after manufacturing industries almost failed to survive the recessions of the 1970s and early 1980s. It deregulated banking and financial markets, floated the Australian dollar, and announced that government would no longer support unviable industries (Capling and Galligan, 1992: 122-123; Stewart, 1994: 245). These and later economic reforms precipitated a significant growth in export-oriented minerals and

services industries on one hand, and the demise of secondary industry on the other. These structural shifts had a disruptive impact upon domestic labour markets, which created pockets of demand during periods of high unemployment. Immigration selection policy was adjusted to help meet this demand (cf. Birrell, 2003: 38-39).

Growing international economic engagement was another development relating to the dismantling of the protectionist settlement that contributed to shifts in immigration policy between 1972 and 1996. While Australia had hitherto sought to insulate itself from Asia both militarily and economically, foreign policy realism and enticing trade opportunities with flourishing economies in its region saw a shift towards engagement in the early 1970s. However, states such as Japan and Singapore made it clear that they would not reciprocate until Australia ended racially discriminatory immigration selection (Tavan, 2004: 122-124). Foreign economic policy was not the only factor that led to the formal abolition of the White Australia policy. Prime Minister Gough Whitlam cited moral as well as geopolitical reasons for the reform (Crock, 1998: 34; Hawkins, 1991: 34). The Labor Party had become increasingly receptive to demands for racial equality from burgeoning social movements (partly for electoral reasons). The abolition of race-based selection by other states such as Canada and the US also made it difficult for Australia to maintain such a system (Ghandnoosh and Waldinger, 2006: 721). However, the transition from a political economy of defensive protectionism to one of liberal engagement implied that ‘immigration had lost its role as an agent of defensive nation-building’, according to Birrell (2003: 36). The shifts between human capital and settlement factors as the predominant immigration selection criteria also reflected an uncertainty over the precise role of immigration in Australia’s future political economy.

Increased pressure from organised interests was a third factor for immigration policy change between 1972 and 1996. Changing immigration policy-making structures was a key reason for this. A proliferation of bodies to advise on various immigration and related policy areas replaced the advisory councils of the post-war years. Additionally, a formalised consultation process for determining the size and composition of the annual immigration intake was established. The immigration minister typically used this process to hold public meetings around Australia with organised interests and the general public. This consultation, and dialogue with other Commonwealth ministries and State governments, informed the immigration minister’s Cabinet submissions. The consultative nature of policy-making

invariably made government decisions on the immigration programme highly politicised (Castles and Vasta, 2004: 156; Jupp, 1993: 243; Parkin and Hardcastle, 1994: 428-437, 441). Crock claims that it ensured that immigration remained ‘sharply prominent in the public mind’ (2002: 54). As with previous eras, business and unions retained influence over policy direction. Business groups representing employers and the housing and development industries appeared to sway the Fraser government’s decisions to increase immigration and give greater weighting to human capital selection criteria (Birrell, 1984: 69; Freeman and Birrell, 2001: 532; Rubenstein, 1993: 148). Trade unions were able to influence policy towards the opposite direction under Labor governments. Pressure from unions can partly account for the decline of immigration under the Whitlam government and reductions in the skilled stream in the wake of recessions in the early 1980s and early 1990s (Parkin and Hardcastle: 1994, 437-438).

A number of newly emerged organised interests also had an impact on immigration policy during this period, most notably ethnic community organisations. Their growing number was a consequence of large numbers of immigrants settling during the post-war decades. Commonwealth and State governments encouraged the formation of ethnic community organisations from the mid 1970s through direct financial assistance, representation on advisory bodies, and the establishment of ethnic media outlets (all part of the promotion of multiculturalism as the official immigrant settlement policy) (Hardcastle *et al.*, 1994: 116).²⁵ According to Birrell, ‘these measures increased the power base and legitimacy of ethnic interests in the migration debate’ (1984: 75). It is widely contended that ethnic community organisations used their supposed sway over foreign-born voters in marginal electorates as a tool for negotiating favourable policies with both the major parties (Betts, 2003a: 171; Hardcastle *et al.*, 1994: 116; Kabala, 1993: 15; Vasta, 2005: 9-10). Writing in the mid 1980s, Birrell went so far as to argue that ‘party competition for the migrant vote has become the dominant factor in migration policy’ (1984: 79). Even Jupp, who asserts that the influence of ethnic community groups was exaggerated, claims that immigration ministers under the Hawke and Keating governments were often referred to as the ‘minister for winning the ethnic vote’ (1993: 235; cf. 2002: 79). Various writers claim that ethnic community organisations used their leverage to successfully press for policy shifts such as the expansion

²⁵ Ethnic communities were often organised locally and regionally around individual ethnic communities. Peak organisations such as the Federation of Ethnic Communities Councils of Australia (FECCA) gave them a vehicle through which to exert political pressure.

of family category intakes and the Hawke government's weakening of human capital selection criteria (Birrell, 1984: 65, 79; Lloyd, P. 1993: 78).

These particular policy changes partly reflected tensions over whether immigration selection should be weighted more towards economic or human capital criteria on the one hand, or social or settlement factors on the other. Arguments in favour of the latter essentially regarded immigration selection as an extension of settlement policy. The ethnic community organisations were the most prominent supporters of this view and it had support within both major parties, including from various immigration ministers. They held that immigrants were more likely to integrate if they had family members already resident in Australia. Policies such as prioritising the reunification of settled immigrants with their families over labour immigration, greater weighting towards qualitative social attributes over quantitative human capital attributes, and the broader promotion of multiculturalism tended to be associated with this position.

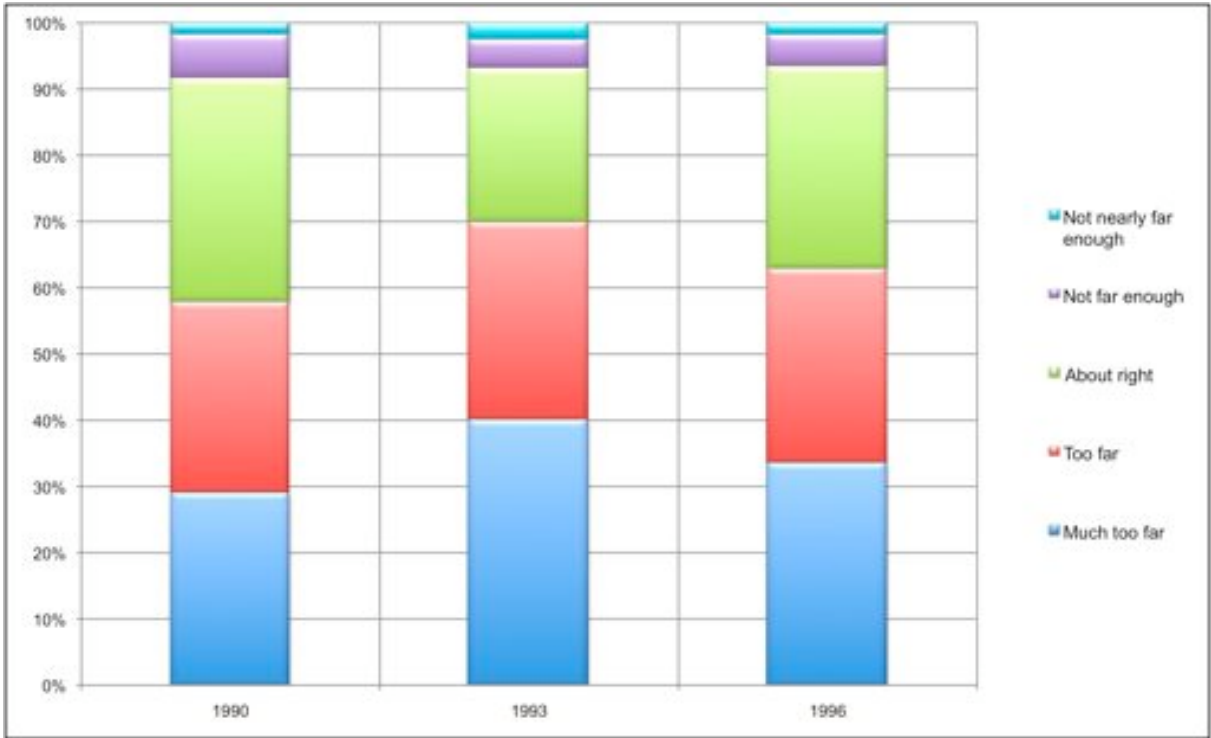
The dominance of settlement criteria in immigration selection policy attracted considerable criticism. This was symbolised by an authoritative independent report by the Committee to Advise on Australia's Immigration Policy (CAAIP) commissioned by the Hawke government in 1988. The CAAIP's 1988 report was highly critical of the priority given to settlement over human capital criteria in immigration selection. It argued that this had contributed to 'widespread mistrust' in immigration policy: 'the programme is not identified in the public mind with the national interest, and must be given a convincing rationale. Selection methods need a sharper economic focus, for the public to be convinced that the programme is in Australia's interests' (CAAIP, 1988: xi). The report recommended more emphasis on human capital attributes such as skills, youth, entrepreneurship, and English language competency (CAAIP, 1988: xii-xiii). The CAAIP argued that the pluralisation of policy formulation was the cause of growing incoherence and diminished public confidence in immigration policy. Popular perceptions that 'immigrant networks' had captured the Immigration Department and skewed the direction of policy away from the interests of the broader community were cited in support (CAAIP, 1988: xi, xv). This characterisation was widely supported in academic debate (cf. Kabala, 1993: 16).

Labour immigration policy contexts inherited by the Howard government

The pluralisation of immigration politics signified the erosion of the consensus that had formed around immigration policy. When the Howard government was first elected, the secondary industries that had recruited much of the immigration in the 1950s and 1960s were in decline. The shift from a protectionist and defensive model of political economy to one of liberalism and international engagement meant there was no longer a clarion call to ‘populate or perish’. Finding workers to facilitate industrial expansion was an agreed basis of ‘national interest’ upon which the principles of immigrant selection were built from 1945. But changes in Australia’s economy and social composition, and its relationship with the wider world, had brought changes to the national priorities. And this contributed to discord about what should be the fundamental tenets of immigration selection, which became increasingly entrenched between 1972 and 1996. According to Hugo, ‘few had questioned the importance of immigration’ during the post war years, but this was no longer the case 50 years later (1994a: 3). Indeed, in the words of Holten and Sloan, ‘not only did the objectives of immigration policy span a much wider canvas than previously, but the extent of disagreement increased markedly’ (1994: 289).

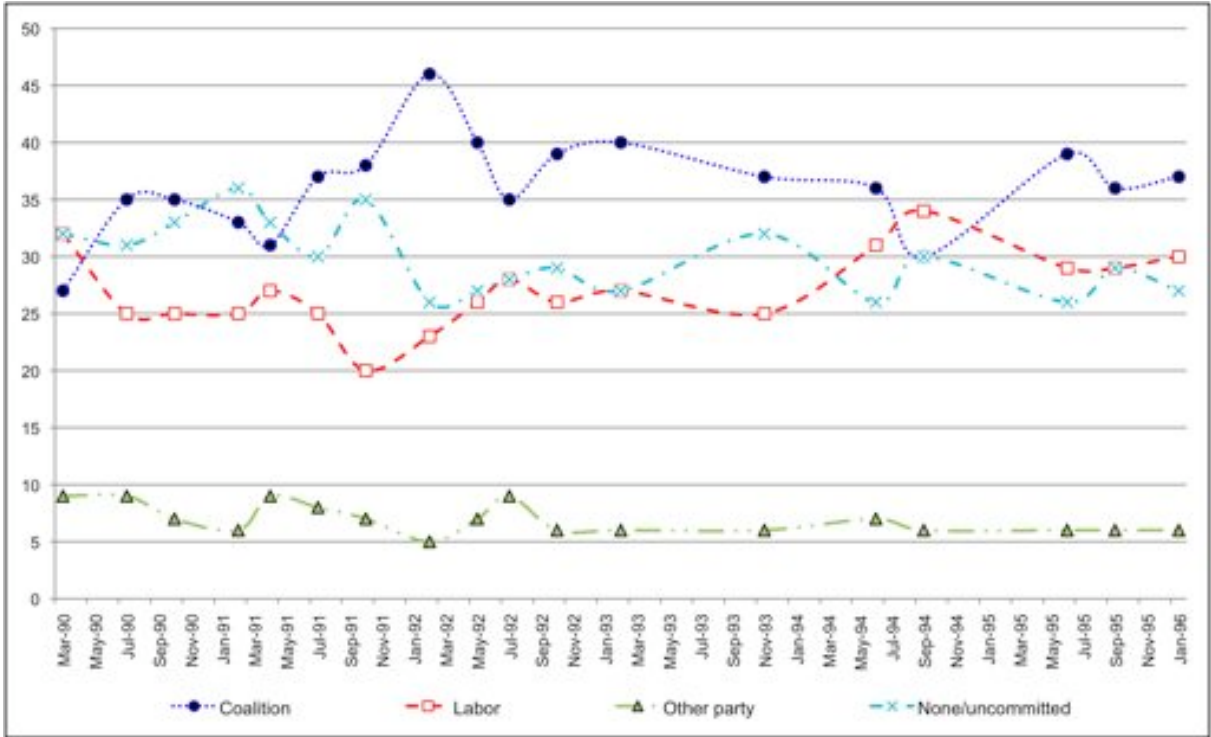
Bob Hawke claimed that the expansion of immigration after the Second World War was the one instance where the major political parties had forged a common position “to advance the national interest ahead of where they believed the electorate to be” (quoted in Healy, 1994: 40). By the mid 1990s, the extent of disagreement over the direction of selection policy was straining this bipartisan commitment (Hugo, 1994a: 3). This contributed to high levels of public dissatisfaction. Opinion polls conducted between 1990 and 1996 showed that clear majorities believed the immigration intake to be too large (see Figure 3.3). Furthermore, consistent preference for the Coalition as better party to handle immigration issues reflected popular dissatisfaction with the policies of the Labor government (see Figure 3.4).

Figure 3.3 Respondents views on the size of the current immigration intake (%), 1990 to 1996



Source: McAllister and Clark (2008): 71

Figure 3.4 Respondents nominating the party they think would best handle immigration, March 1990 to January 1996 (%)



Source: Newspoll (2010) ‘Political and issues trends’, www.newspoll.com.au, 28 March

Tensions over immigration policy were apparent both within and between the major political parties. The pluralisation of immigration politics at a national level had played out on a smaller stage within the Labor Party (Hardcastle *et al.*, 1994: 123). While it had once been a staunch supporter of the White Australia policy, Labor's views on immigration had softened. This was partly due to an expansion of its support base beyond working class voters and towards the liberal middle class from the late 1960s. The party later became increasingly adept at gaining the support of ethnic community groups (Betts, 2003b: 37; Hardcastle *et al.*, 1994: 116). Reflecting the preferences of its broadened constituency, Labor governments between 1983 and 1996 became more favourable of immigration programmes dominated by family over skilled categories, as well as multicultural settlement policies. The overt hostility of trade unions towards immigration moderated considerably over the course of the twentieth century (Collins, 1991: 274; Grattan, 1993: 142; Parkin and Hardcastle, 1994: 437). The legal protection of employment standards through the compulsory arbitration system played an important role in placating union attitudes. Compulsory arbitration meant that employers could not engage immigrant labour to undercut wage benchmarks, and was a pillar of the protectionist settlement still intact in 1996. Unions still called for reduced labour immigration intakes during periods of rising unemployment. But a more ethnically diverse workforce, and the growing pervasiveness of social liberalism within their leadership ranks, saw unions increasingly supportive of large humanitarian and family immigration intakes. The ACTU used its strong ties to Labor governments to exert influence over the direction of immigration policy, particularly between 1983 and 1996 (Hardcastle *et al.*, 1994: 114; Quinlan and Lever-Tracy, 1990: 159-161). Despite receiving trade union support, Labor's pursuit of high family immigration intakes during economic downturns and its promotion of multiculturalism disenchanted many socially conservative working class voters (Betts, 2002: 40-41; 2005: 31). Criticism of these policies also came from within Labor's parliamentary ranks. One minister said that the Hawke and Keating governments used immigration "as a tremendously important element in building up a long-term political constituency" (Barry Jones, quoted in Sheehan, 1998: 110). Another minister claimed that ethnic community pressure for higher family intakes led the government to regularly exceed the planned intake levels (Walsh, P. 1995: 186).

The Coalition had grown increasingly critical of the direction of immigration policy by the mid 1990s and happily received such disparagements. The Liberal and National Parties (and their antecedents) had given broad support to the tenor of immigration policy since its initial

incorporation into the protectionist settlement. Their preference for skilled and European immigrants and incremental changes to the ethnic composition of the programme reflected a generally cautious approach (Birrell, 1984: 70; Rubenstein, 1993: 145). However, the Liberal Party became a microcosm of wider political tensions over immigration during the 1972 to 1996 period. The Liberal Party's liberal wing supported settlement criteria as a basis for immigrant selection policy, while its conservative wing took a more doubtful position.

Despite having stronger links with the Liberal Party, business groups (particularly those representing employers and the housing and construction industries) consistently made a case to both Coalition and Labor governments for higher skilled category intakes (Collins, 1991: 106). But the effectiveness of business lobbying was constrained by a lack of organisational cohesion. Industrial fragmentation, distinct regional economies, a culture of competitive lobbying, and a large overlap in the membership domains of the various representative bodies, had fragmented the political power of Australian business (Eccleston, 2000: 313). One Immigration Department official says that the Hawke and Keating government ministers regularly invited business groups for input in policy deliberations, but 'they could rarely get their act together and one employer group would say this and another employer group would say the other' (interview, Immigration Department official AU36; cf. Hardcastle *et al.*, 1994: 121). However, direct encouragement from the government for a more organised business lobby and changing economic circumstances had led business to become more organised by the mid 1990s (Bell, 1994: 146).

According to Money and Cole, governing parties in Australia are 'virtually unconstrained by legislation or the previous government's policies' in determining the composition and size of immigration intakes and determining selection criteria (1999: 159). However, the longstanding existence of a dedicated immigration ministry served as another source of executive branch influence over policy direction. Even within the Immigration Department, there was a conflict over whether a selection policy that prioritised human capital or settlement criteria was more complementary to the 'national interest'. But from the mid 1980s, the prevailing internal view within the ministry became more aligned with the business preference for a generous and skilled-oriented immigration programme. The senior ranks of the Immigration Department undertook to make immigration policy more positive in its economic impact on account of a series of developments during this period. The ministry was criticised for the way in which it developed and administered policy, particularly for the

weight supposedly given to the views of organised interests over public interest imperatives (cf. Jupp, 1993: 253). Prominent historian Geoffrey Blainey went so far as to assert that a ‘secret room’ existed within the Immigration Department, where policy was made beyond the purview of the broader public (Blainey, 1984: 101). Budgetary imperatives and a growing liberal economic orthodoxy were also having a greater impact on policy-making within the Commonwealth public service (cf. Pusey, 1991: 74). And the Immigration Department’s economic credentials were under intense scrutiny from the Treasury and the Department of Finance (interview, Immigration Department official AU37).

Following these developments, senior Immigration Department officials concluded that immigration selection needed to give greater preference to applicants more likely to deliver a net economic benefit and gain professional employment, rather than those likely to be welfare dependent. As such, an institutional preference emerged for human capital attributes to be given greater priority. The CAAIP’s recommendations that selection policy should focus more on economic criteria thus broadly reflected conventional views within the ministry, if not the government (interviews, Immigration Department officials AU31, AU37, AU42; Bruer and Power, 1993: 118-121; Jupp, 2002: 48-49). The establishment of a ‘human capital orthodoxy’ within the Immigration Department was the product a normative belief in a large immigration programme, rather than the merits of economic rationalism (Hardcastle *et al.*, 1994: 97). Indeed, adjusting immigration selection mechanisms in this manner was viewed as the most likely way of restoring and maintaining community confidence. As a ministry that had been created to administer such an expansive immigration policy, many officials within the Immigration Department were committed to ensuring that this remained the case (Hugo, 2004: 3). The rising levels of public dissatisfaction with existing policy fuelled concerns about the long-term political viability of an expansive programme. One senior official says that ‘the prevailing mood in the Department was: “we’ve moved too far off the centre line. If we don’t bring this thing back, the reaction will shut down immigration”’ (interview, Immigration Department official AU42). In this context, a human capital orthodoxy emerged, because it was ‘an easier thing for the Department to defend... You can more easily defend immigration if it is easily seen that immigrants are adding to the economic welfare of Australia’, according to another official (interview, Immigration Department official AU31).

The necessity of strong border control for the maintenance of credibility and confidence in the immigration programme was another article of faith within the Immigration Department

(Freeman and Birrell, 2001: 546-547). According to Bruer and Power, ensuring strong border control and 'fairness in the allocation of scarce places' were central and constant functions of the Immigration Department from its inception (1993: 122). Mandatory visas for all foreign nationals (except New Zealanders) was key to the operation of this control function, and was refined with the introduction of a codified system of immigration law in 1989 (Jupp, 2007: 144). This system specified that anybody not meeting the stated criteria for visa attainment, or who did not conform to the rigidly defined procedures of visa allocation, would be categorically refused entry, regardless of their individual circumstances. To do otherwise would not only be unfair, but would also undermine the system's credibility.

Increasing scepticism towards the immigration policy status quo from the Immigration Department, the incoming Coalition government and the broader community did not necessarily signal a more restrictionist policy orientation. Other forces were coalescing for a shift towards a liberal approach. As stated above, there had been shifts in industrial composition from manufacturing to services, in market regulation from protectionism to liberalism, and in market orientation from domestic to international markets since the early 1970s. An influential report for the Commonwealth government in 1989 spelled out the implications of these shifts for immigration policy. *Australia and the Northeast Asian Ascendancy* (often referred to as 'the Garnaut report', after its author) argued that a further move away from defensive protectionism and towards greater engagement with Asia was integral to Australia's economic and geopolitical future. It set out various liberal economic policy prescriptions for how this could be achieved, such as lowering trade protection, encouraging international investment, and lowering barriers to skilled immigration. The Garnaut report argued that encouraging international students to Australian universities would facilitate significant trade in tertiary education (Kelly, 1992: 673-674). Birrell says that these prescriptions complemented a broader trend in government thinking that 'if Australia was to sell value added goods and services (rather than commodities) into the booming Asian region, it needed to boost its intellectual resources. Immigration could play a part through an infusion of disciplined, clever and entrepreneurial migrants, especially from Asia' (2003: 37). The Hawke and Keating governments embraced many aspects of the Garnaut report, but its recommendations for immigration policy would have to wait for a more accommodating economic and political environment.

Conclusion

The direction of immigration policy was highly contentious when the Howard government came to office in 1996. This was partly the consequence of a widespread perception that organised interests exerted undue influence over policy. Australian politics is reasonably pluralistic by comparative standards (Bell, 1995: 25-26), but immigration was evidently not an issue where sectional agendas could be seen to dominate. Between 1901 and 1972, consensus existed among the main political parties, organised interests and the broader community over immigration policy. Commonwealth governments were the main drivers of policy during this period, even if consensus was only achieved through protracted negotiation with key stakeholders. This was particularly the case after it assumed authority from the States and established a dedicated ministry after the Second World War. Commonwealth governments set the broad direction of policy, determined intake size and composition, recruited and selected immigrants, and facilitated their integration into society and the labour market (Hardcastle *et al.*, 1994: 121-122). A strong state thus characterised Australian immigration politics, at least until 1972.

The disappearance of the 'nation-building' agenda with the dismantling of the protectionist settlement precipitated the pluralisation of immigration politics. These developments allowed organised interests to cast more effectively their increasingly diverse objectives onto government policy. From the time the British decided to stop exporting convicts, Australian immigration policy was continually readjusted to select the immigrants most compatible with the 'national interest', however so defined by the government of the day. While many agreed that the entry of immigrants should continue to be permitted, immigration policy lost its coherent rationale from 1972 essentially because there was growing disagreement over which category of immigrants should be given priority. In other words, consensus eroded for how to define the national interest upon which selection policy was based. This indecision was complicated by the three recessions that occurred from 1972 to 1996. Nonetheless, there was considerable contention over whether the integration of immigrants into Australian society was facilitated more effectively by the presence of family connections, or the likelihood of labour market success. By establishing a human capital orthodoxy and making successful labour market outcomes among applicants, employers and regional areas the premise of immigration selection policy, the Howard government settled this debate after 1996, as the Chapters 4 and 5 illustrate.

CHAPTER 4

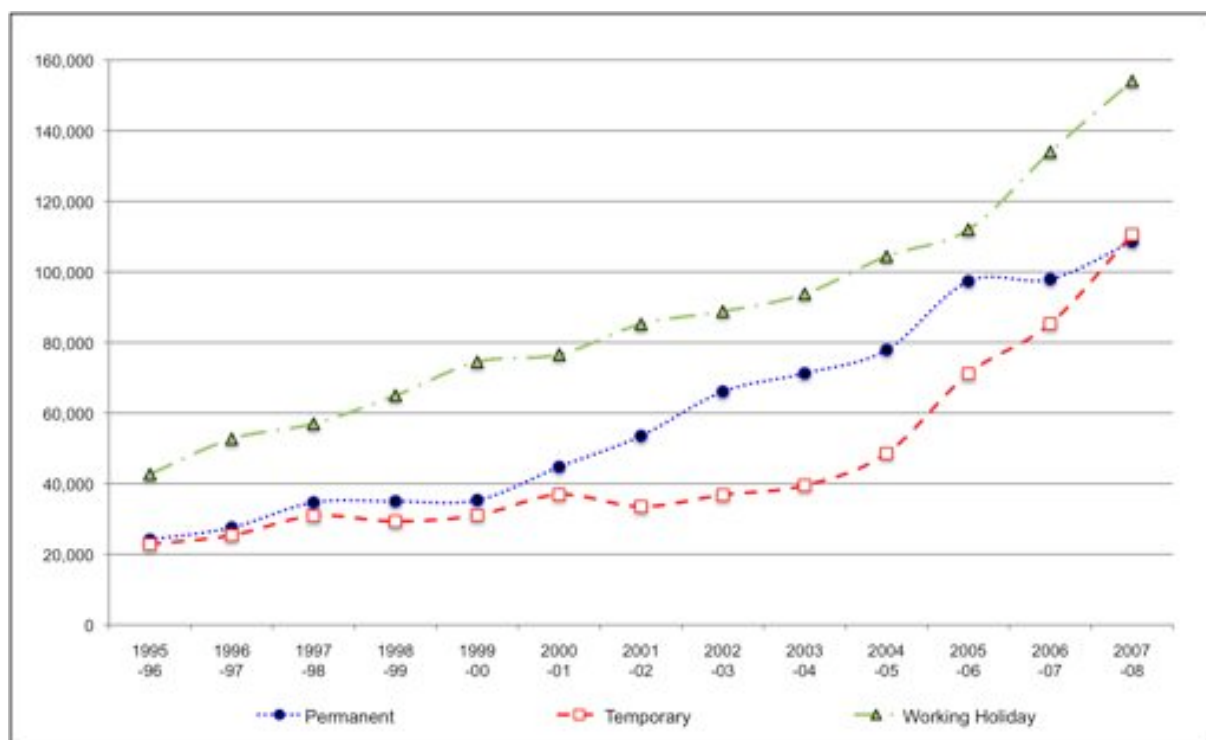
THE LIBERALISATION OF AUSTRALIAN LABOUR IMMIGRATION POLICY, 1996-2007

The Liberal/National coalition government led by John Howard embarked upon a significant liberalisation of labour immigration between its first election victory in March 1996 and its defeat in November 2007. It reformed the parameters of immigration selection policy to favour applicants prejudged as likely to deliver a net benefit to the Australian economy, by using ‘labour market success’ as the basic tenet for selection. This resolved the dispute over the direction of policy that it inherited, which Chapter 3 discussed. The Howard government’s reforms led to a large increase in the number of foreign workers entering through the various permanent and temporary visa categories and under the working holidaymaker scheme (see Figure 4.1). These policy changes were wide ranging and to some extent overlapping, but can be distinguished according to three broad policy segments:

- (1) *Greater priority for human capital criteria* in immigration selection – the criteria for permanent immigration visas were regularly adjusted to give greater priority to young and highly skilled applicants with English language proficiency. International students were given concession to transfer to work visas, because they were considered likely to possess human capital attributes. Conversely, barriers were raised for the entry of applicants in the family and humanitarian permanent visa categories, because they were considered less likely to possess these attributes.
- (2) *Employer-sponsored schemes* – there was a sizeable increase in permanent skilled visas categories requiring sponsorship from an employer. There was also a large expansion of the previously small temporary work visa schemes, for which applicants also required employer sponsorship. Various other reforms relaxed restrictions on employer sponsorship for both permanent and temporary visas.
- (3) *Regional schemes* – there was a promotion of permanent visa categories encouraging foreign workers to settle in regional areas with low levels of population growth and density. Many of these schemes were based on sponsorship from a State/Territory government. Concessions were also introduced for various temporary visa categories to allow employers in regional areas to engage immigrants more easily.

This chapter is divided into two main sections. The first outlines the major components of reform within each of these three policy segments. The second draws upon primary documentation and interviews with policy-makers and stakeholders to analyse the principal factors accounting for these changes. As this chapter investigates, reform occurred for a range of reasons. Many of these reasons overlap between the various policy segments, making them rather difficult to isolate in discussion. Fiscal considerations, demographic concerns, the expansion of new industries, and party-political competition are all factors that explain the *human capital criteria* reforms. Considerations relating to labour shortages, inflationary pressure, and the internationalisation of the Australian economy all contributed to the expansion of *employer-sponsored schemes*. And the differing demands of State/Territory governments and regional labour shortages account for the various reforms to *regional schemes*. Accommodating business interests is a central theme of policy reform across all three segments.

Figure 4.1 Annual labour immigration intakes in Australia by category, 1995/96 to 2007/08



Source: DIMA (2002) *Consolidated stats 1999-00* (for permanent category 1995-96 to 1999-00); DIAC (2009) *Population Flows: Immigration Aspects 2007-08*, Figure 2.4 (for permanent category 2000-01 to 2007-08); DIMIA (2002) *In Australia's interests: A review of the temporary residence program*, Table 4 (for temporary category 1995-96 to 1996-97), Joint Standing Committee on Migration (2007) *Temporary visas ... permanent benefits: Ensuring the effectiveness, fairness and integrity of the temporary business visa program*, Table 1.1 (for temporary category 1997-98 to 2005-06), DIAC (2009) *Temporary Entrance Statistics*, www.immi.gov.au/media/statistics (for temporary and working holiday categories 2007-08); DIAC (2008) *Population Flows: Immigration Aspects 2006-07*, Table 3.16 (for working holiday category 1995-96 to 2006-07).

The main components of policy change

Much of the labour immigration reform between 1996 and 2007 took place within the permanent immigration programme, which is regulated according to a composite annual target range. Smaller targets are established for the ‘skilled’, ‘family’, and ‘humanitarian’ categories within this composition range, each of which contains various visa sub-categories.²⁶ The Cabinet approves these annual targets on the advice of the immigration minister. In 1996, the main permanent skilled visa categories included:

- The ‘Independent’ visa, a supply-driven programme under which successful applicants had to pass a points test. They were awarded points for possessing particular human capital attributes (though they did not require sponsorship from an employer, nor the prior arrangement of employment).
- The demand-driven Employer-Nominated Scheme (ENS), which allowed employers to sponsor qualified foreign nationals for skilled occupations assessed to be in shortage.
- The Concessional visa, another supply-driven scheme that enabled applicants that scored a specified number of points to be sponsored by a family member with permanent residency in Australia. This visa was initially part of the permanent family category, but was transferred to the skilled category in July 1997 and renamed the Linked visa. The greater weighting given to human capital attributes thereafter strengthened its status as a labour immigration scheme.
- The Business Skills visa, another demand-driven scheme that offered permanent residency to foreign investors, executives and entrepreneurs with proven records of business ownership or asset management, and a commitment to manage or establish an enterprise in Australia.

The intake levels for all these visa categories were nominally set according to target ranges. But the demand-driven nature of the ENS and Business Skills visas meant that they were

²⁶ Skilled permanent visa categories cannot be discussed without passing reference to the family and humanitarian categories, as the targets for each are determined concurrently within a singular policy-making process. The targets and the qualification criteria for each category are reviewed every 12 months, making policy adjustment constant and incremental (meaning that it does not conform to ‘punctuated equilibrium’ type models of policy change (cf. True *et al.*, 1999: 97-99)). As such, there were scores of individual changes to the permanent immigration programme between 1996 and 2007. Holton and Sloan claim that ‘it is a daunting task to sort out the regulations as they existed and then changed’ (1994: 295). For this reason, and the sake of simplicity, this chapter concentrates on only the most significant instances of reform.

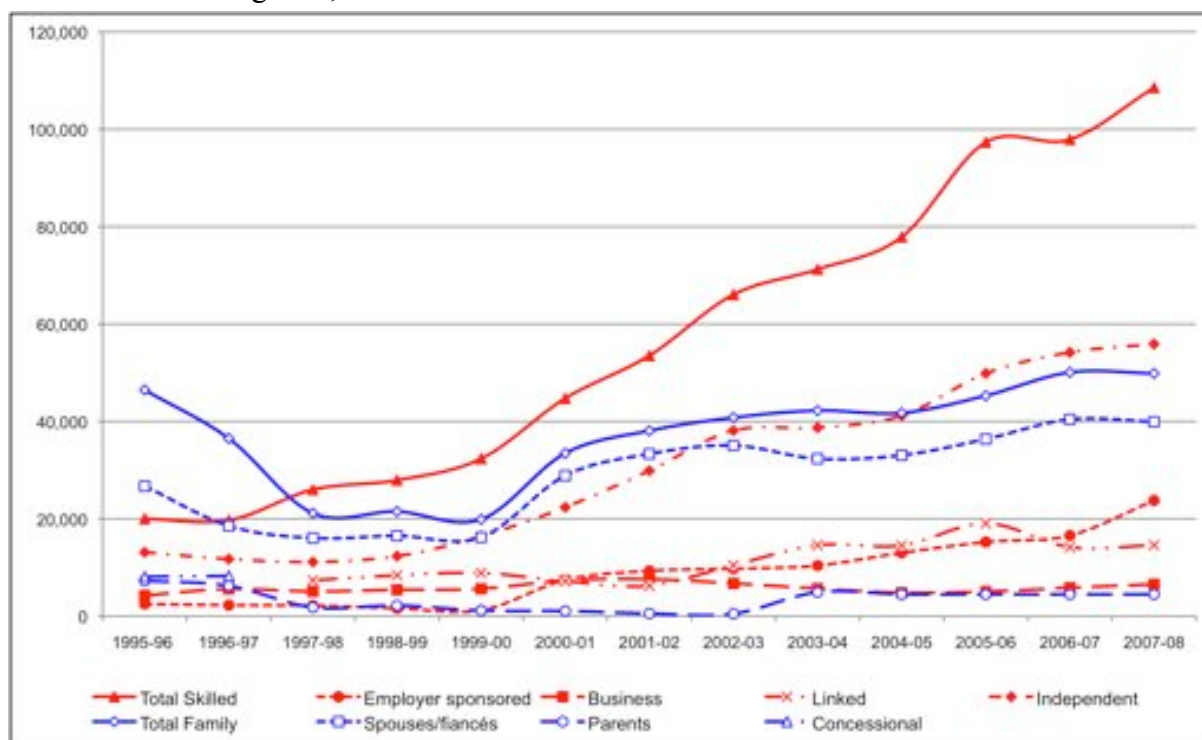
effectively uncapped and generally adjusted according to however many applicants met the requisite criteria (as was also the case with various family visas, such as those for spouses and dependent children). By contrast, the ‘supply-driven’ regulation of the Independent and Concessional/Linked visas meant that policy-makers could easily adjust the points qualification marks according to the size of the desired intake. This gave the government greater control over the intakes for these visas (O’Donnell and Mitchell, 2000: 10-11; Parkin and Hardcastle, 1994: 432).

Priority of human capital criteria

The annual permanent skilled visa intake rose from 24,100 to 108,500 between 1996 and 2007 (see Figure 4.2). Intake levels remained modest during the first three years of the Howard government. However, there was a major recalibration of the permanent immigration programme during this period. The annual target for the family categories declined from 56,700 in 1996 to 31,310 in 1998, and certain *human capital criteria* for family and skilled visas received much greater weighting as the result of policies changes in 1999. These developments resolved the conflict discussed in Chapter 3 and marked the establishment of a ‘human capital’ orthodoxy as the primary basis for immigrant selection (Jupp, 2007: 55-56).

The permanent skilled category intakes increased more markedly after adjustments to the Independent visa qualification criteria. These changes led to a rise in the Independent visa intake from barely 10,000 in 1996 to over 55,000 in 2007. A significant reform came in July 1999, when applicants were awarded additional points for tertiary qualifications or work experience relating to skilled occupations in short supply, or proficiency in languages other than English (Immigration Minister, 1998). Additional points were again given in 2001 to applicants with skills in demand, a job offer in a shortage occupation, or higher-level qualifications from Australian tertiary institutions (Immigration Minister, 2001c). The removal of mandatory minimum requirements for age, general skills and English language proficiency represented another major reform to the Independent visa in 2005. It contributed to the single largest annual increase in the permanent skilled target range of 20,000 places (or 25 per cent) (*The Australian*, 2005b).

Figure 4.2 Annual permanent immigration programme intakes, major categories and sub-categories, 1995/96 to 2007/08



Note: The qualifying criteria for the Concessional family visa was substantially modified in 1997, leading to its transfer to the skilled stream and being renamed the Linked visa

Source: DIMIA (2002) *Australian Immigration Consolidated Statistics 1999-00*, 18 (for 1995-96 to 1999-00); DIAC (2009) *Population Flows: Immigration Aspects 2007-08*, 26 (for 2000-01 to 2007-08)

The widening of concessions to foreign nationals with Australian tertiary qualifications was a central feature of the *human capital criteria* reforms. The Howard government significantly strengthened the pathway from student to work visas through this mechanism. Birrell and Perry estimate that almost half of the recipients of permanent skilled visas in 2007-08 originally went to Australia on student visas (2009: 65-66). The strengthening of the student-work visa pathway came primarily through adjustments to the Independent and Linked visa criteria. In 1999, the government abolished the requirement that applicants to these visa schemes must have worked at least six of the previous 24 months in their nominated profession. This change greatly improved the application chances of international students and virtually guaranteed success for applicants possessing qualifications for occupations deemed 'priority' (Birrell, 1999: 52-55). In July 2001, reforms made it easier for international students to apply 'onshore' (i.e. without having to return first to their home nation) for independent visas. This further consolidated the route between student and permanent skilled visas. Applicants with Australian doctoral degrees and tertiary qualifications applicable to certain professional and trades jobs and occupations in short supply were now given scope to

apply immediately upon graduation without having to leave Australia (Immigration Minister, 2001d). As such, international students made up around 50 per cent of all permanent skilled visa applicants within six months of this change coming into effect (Hawthorne, 2005: 686).

Later initiatives further reinforced the student-work visa pathway. Foreign students graduating with a doctorate, masters or honours-level degree following the completion of a bachelors-equivalent qualification in Australia, were awarded additional points in April 2003 (Immigration Minister, 2003b). And a reform in 2007 allowed students with two years recent tertiary study in Australia who did not otherwise qualify for an Independent visa to work without restriction for 18 months immediately on completion of their studies (Immigration Minister, 2007a). Achieving successful labour market outcomes among applicants was the main aim of all of the changes in this segment of reform. Improving the fiscal contribution of immigration, facilitating the growth of burgeoning knowledge industries, and longer-term demographic considerations were all factors that informed this objective.

Employer-sponsored schemes

The growth of *employer-sponsored schemes* was a related yet distinct development to the *human capital criteria* reforms seen in the development of the Independent and Linked visas. The increase of ENS visas from less than 5,000 in 1996 to almost 25,000 in 2007 contributed to the rise in the permanent skilled categories. A Migration Occupations in Demand List (MODL) was established in 1999 to allow employers to sponsor more easily applicants that possessed skills identified as being in shortage. The number of occupations of the MODL significantly expanded over the following years.²⁷ Moreover, certain labour market testing obligations (i.e. where employers were required to locally advertise vacancies before engaging a foreign national) and eligibility requirements were also removed (DEEWR/Immigration Department, 2009: 11; Immigration Minister, 1999a). Additional reforms came in 2005 through the abolition of labour market testing obligations for employers wanting to sponsor temporary work visa holders on the ENS programme (*Sydney Morning Herald*, 2005). Two years later, the ENS target was increased (Immigration Minister, 2007c).

²⁷ The MODL operated on the basis of a quantitative evaluation of shortages across the national labour market by the Department of Employment and consultations with business associations, trade unions and State/Territory governments. Only occupations assessed to be sufficiently skilled and in acute shortage could be placed on the MODL (DEEWR/Immigration Department, 2009: 9-10).

Australian immigration policy had almost been exclusively focused on permanent settlement prior to the election of the Howard government. However, the period from 1996 to 2007 saw a major expansion of temporary labour immigration schemes, most notably the Temporary Business Entry Long-Stay (Subclass 457) Visa (hereafter, the ‘temporary work visa’).²⁸ Like the permanent ENS visa, the temporary work visas operated on the basis of employer sponsorship, for a maximum period of four years.²⁹ No annual cap existed for temporary work visas, unlike the target-regulated permanent skilled categories. The demand driven nature of the scheme meant that employers could freely sponsor foreign workers under the scheme as long they fulfilled certain regulatory obligations. Regulatory adjustments facilitated an increase in the temporary work visa intake from 22,812 in the 1995-96 financial year to 110,570 by 2007-08, which represented a larger increase than the permanent skilled categories over the same period.³⁰

The expansion of the temporary work visa scheme followed the Howard government’s adoption in August 1996 of virtually all the recommendations of an inquiry into the scheme.³¹ The most significant recommendation of the inquiry was that employers should no longer be required ‘test’ the labour market before sponsoring a foreign worker performing a ‘key’ activity (Immigration Minister, 1996c). A ‘key’ activity was defined as one that the Immigration Department deemed to be essential to an employer’s operations. It needed to be skilled, but excluded trades occupations and, as such, applied predominantly to professional and managerial activities (Roach Committee, 1995: 4-6). Labour market testing requirements were maintained for the sponsorship of workers performing ‘non-key’ activities. Employers also had to demonstrate that they had made some commitment to skills or infrastructure

²⁸ There was some, albeit limited, scope for temporary labour immigration prior to 1996. Temporary work visas existed almost exclusively for high-skilled and professional workers and there was virtually no prospect for subsequent transfer to permanent visas. Employers could also collectively engage a defined number of foreign workers on a temporary basis through a Labour Agreement, but only if the Commonwealth government and relevant trade unions formally agreed that no resident workers were available to undertake the required tasks. In addition, students and working holidaymakers had some working rights, and social/cultural temporary work visas existed for entertainers and religious workers (Brooks *et al.*, 1994: 6-8; Sloan and Kennedy, 1992: 777).

²⁹ A visa holder’s right to residency was contingent upon keeping their nominated job with their sponsoring employer. This right was lost if the employment relationship was terminated. This arrangement differed from the permanent ENS visa, where a visa holder’s residency was not contingent upon the maintenance of the employment relationship with their sponsoring employer.

³⁰ The permanent and temporary labour immigration routes cannot be treated in complete isolation. Despite its status as a temporary scheme, various reforms allowed visa holders to transfer more easily to permanent skilled visas. The temporary-permanent visa pathway became more established from the late 1990s.

³¹ The previous Labor government had originally commissioned the inquiry and announced in 1995 that it would adopt all of its recommendations. The Coalition government reviewed these recommendations shortly after coming to office in 1996, before announcing that it would implement them in full (Kinnaird, 2006: 50-51).

investment before using the scheme. The streamlining of various administrative procedures, including the introduction of a system of ‘pre-qualified sponsorship’ allowing certain businesses to sponsor an unlimited number of foreign workers, were among the other recommendations adopted (Crock, 1998: 119-120; Kinnaird, 1996).

Temporary work visa regulations were further relaxed in July 2001. The distinction between key and non-key activities, and all remaining labour market testing requirements, were abolished. A statutory minimum salary threshold and specified minimum skill levels replaced the existing key/non-key regulations. Sponsoring employers no longer had to outline their attempts to use the domestic labour market to fill vacancies, even for activities previously defined as non-key. They also did not have to show evidence of a sufficient investment in workforce training prior to engaging foreign workers. Additionally, para-professionals and skilled trades workers could be sponsored on temporary work visas (Immigration Minister, 2001d). Delivering successful labour market outcomes for employers was a central motivation for the expansion of immigration programmes based on employer sponsorship. Minimising inflation, an increasingly competitive market environment, and objectives relating to labour market efficiency were all factors behind this motivation.

Regional schemes

The creation and expansion of *regional schemes* was another contributor to rising labour immigration intakes under the Howard government. These schemes were predominantly sub-categories of the Independent, ENS and Linked visas, based on sponsorship by a State/Territory government or a regional local authority or employer. The combined intake of these schemes rose from less than 4,000 visa holders in 2000-01 to over 27,000 in 2005-2006 (Immigration Department, 2008a).

The establishment of the Regional Sponsored Migration Scheme in 1996 marked the first regional labour immigration reform. Skilled applicants with sponsorship from a regionally-based employer (or family member) could use this scheme to gain additional points under the ENS or Concessional family visas (Immigration Minister, 1996a). The State/Territory Nominated Independent visa was created the following year to disperse immigrants more effectively to regions with labour or population shortages. State/Territory governments acted as sponsors under the scheme (Immigration Minister, 1997b). In 1999, the ‘contingency reserve’ scheme was established (and subsequently expanded) to allow regional employers

and State/Territory governments to sponsor Independent visa applicants that had narrowly failed to achieve the points qualification mark (Immigration Minister, 2000, 2002). Changes to the regulations of the State/Territory-sponsored Business Skills and Skilled Independent Regional visas in February 2003 and May 2004 promoted the settlement of business and skilled immigrants in regional and low-population growth areas. These reforms also aimed to deter immigrants from settling in high-density areas such as Sydney (Immigration Minister, 2003a, 2004b). Further incentives for regional settlement came through the creation of another State/Territory government sponsorship scheme in 2003. International students that had studied in these areas gained bonus points, and the entirety of South Australia, including its major cities, was zoned as 'regional' under the scheme (*The Australian*, 2004). The allocation of visas under various regional schemes was tripled to 10,000 in 2005. Regional sponsors were given various concessions, and cities such as Perth and Adelaide were reclassified as 'regional' areas under certain visa categories (*The Australian*, 2005b). A sub-category of the Independent visa was created to attract skilled applicants to regional areas of Victoria as part of this reform package. Additional visa places were allocated for those that had previously studied in regional or low population growth areas who agreed to continue working there for another two years (Immigration Minister, 2005a).

Temporary work visa reforms also incorporated various regional provisions. The skill and salary requirements introduced through the abovementioned July 2001 changes did not apply to employers in regional areas (defined, for the purposes of this scheme, as anywhere outside of the metropolitan centres of Sydney, Melbourne, Brisbane, Perth, the Gold Coast, Newcastle and Wollongong). The statutory salary minimum threshold was 10 per cent lower for regional employers, who were also allowed to engage workers in lower skilled occupations if they could not 'reasonably' fill a position from the local labour force (Joint Standing Committee on Migration, 2007). The significant result of these changes was that the temporary work visa scheme ceased to be an exclusively 'skilled' avenue of labour immigration for regional employers.

Various regional reforms were also made to the Working Holiday Makers (WHM) visa. The WHM scheme was established in 1975 to promote cultural exchange, and originally permitted 18 to 25 year-olds from certain nations to engage in 'incident employment' during their holidays (Immigration Department, 2007: 6). There were limits on the length and nature of employment that WHM visa holders were allowed to undertake. But a series of relaxations to

these regulations and eligibility restrictions precipitated an increase in the scheme from 42,700 in 1995-96 to 154,100 by 2007-08. The Howard government raised the quota of the WHM scheme soon after coming to office and later increased the maximum age of eligibility from 25 to 30 years (Immigration Minister, 1996b, 1999b). An increase in the number of nations with which Australia had reciprocal arrangements significantly expanded the number of people qualifying for the scheme.³² Changes in November 2005 allowed WHM visa holders to apply onshore for an Independent visa. Those that had worked in agriculture in a regional area for at least three months became eligible for a second 12-month visa, which allowed them to work in other industries (Immigration Minister, 2005c). These reforms were extended beyond agricultural employment in July 2006, when WHM visa holders that had worked for three months in any primary industry in a regional area could also apply for a visa extension. Moreover, the maximum term that visa holders could work for a single employer was increased from three to six months (Immigration Minister, 2006). Improving immigration policy outcomes for regional areas was the common aim of all the policy changes in this segment, which were primarily driven by pressure from State/Territory governments and regional employers.

The reasons for policy change

The Howard government designed immigration selection policy primarily according to positive labour market outcomes. It believed that ‘selecting for success’ in this manner was the best way for immigration policy to be made in accordance with the ‘national interest’. This assumption underpinned all three segments of labour immigration policy change. There was some overlap in the motivations for reform across these segments. Increasing the stock of those most likely to make a greater measureable contribution to the Australian economy, on one hand, and decreasing the inflow of those predicted to have a deleterious economical effect, on the other hand, was the main aim of the *human capital criteria* reforms. Delivering benefits to the national economy also underpinned changes to the *employer-sponsored schemes*, albeit in a different manner. The assumption that pressure or demand from employers was an effective proxy for labour market demand informed the greater focus on employer sponsorship. The use of labour immigration policy to deliver net fiscal benefits and

³² In March 1996, Australia had reciprocal WHM agreements with Canada, Ireland, Japan, The Netherlands, the Republic of Korea and the UK. By November 2007, agreements had also been made with Belgium, Chile, Cyprus, Denmark, Estonia, Finland, France, Germany, Hong Kong, Italy, Malta, Norway, Sweden, Taiwan, Thailand and Turkey (Tan *et al.*, 2009: 1).

meet labour shortages were dual motivations for the changes to *regional schemes*. The reforms in all three categories also reflected broader shifts in Australia's economic composition, specifically the growth in export-oriented 'knowledge' industries, and in its political economy, from the protectionist model to one that was more open and liberally-regulated.

Priority of human capital criteria

Selecting for applicant success to achieve net fiscal dividends

The *human capital criteria* reforms between 1996 and 1999 reflect the Howard government's belief that immigration selection policy should be designed to deliver positive labour market outcomes among applicants. The Longitudinal Survey of Immigrants to Australia (LSIA) was the instrument through which this was achieved. As such, the Howard government readjusted the LSIA in 1996 to develop an immigration programme that would maximise 'economic benefit' to Australia. One senior official says that economic benefit was defined according to:

The extent to which and the speed with which the individuals who are selected get a job, get a job related to their skills, and get a well-paying job. They were the three criteria we used. If we select a migrant who's going to get a job quickly, get a good job, a job that uses their skills and that pays well, economically that's got to be a bonus for Australia (interview, Immigration Department official AU27).

Accordingly, the LSIA was used to analyse the labour market performance of immigrants to determine the individual attributes that immigration selection policy should prioritise. Philip Ruddock, the Immigration Minister from 1996 to 2003, says that the LSIA was 'a very important tool for rigorously justifying the decisions that have been made'. In particular, he says that it informed the priority given to human capital criteria in selection policy between 1996 and 1999 (interview, Immigration Minister AU32).

Ruddock and senior Immigration Department officials claim that the identification of poor labour market outcomes and high unemployment rates among family visa entrants was a central reason for the reduction in the permanent family visas in 1996 and 1997 (interviews, Immigration Minister AU32; Immigration Department officials AU27, AU39). This factor also cemented the reform of the Concessional family visa in July 1997, which led to its transfer to the permanent skilled category (where it was renamed the 'Linked' visa).

Thereafter, Linked visa applicants had to meet mandatory minimum requirements relating to “the core employability factors of skill, age and English language ability” (Immigration Department, quoted in Hawthorne, 2005: 682). The establishment of these three core employability factors was critical in the subsequent affirmation of *human capital criteria* in the Independent and Linked visa reforms of July 1999. On one hand, they were used to discriminate against applicants that did not meet a series of minimum standards. Applicants had to be below 45 years, be qualified for an appropriately skilled occupation, and demonstrate vocational-level English competency. On the other hand, those possessing the core employability factors were given priority. Applicants with skills or experience relating to a shortage occupation, and that had recently attained skilled qualifications or work experience in Australia, were awarded bonus points (Jupp, 2002: 151). These reforms directly followed the *Review of the Independent and Skilled Australian Linked Categories* (an independently authored report commissioned by the Immigration Department). Evaluating “the effectiveness” of the Independent and Linked visas “in selecting skilled migrants who can quickly make a positive contribution to the Australian economy, labour market and budget” was the stated aim of the review (Immigration Department, quoted in Hawthorne, 2005: 681-682). The review cited evidence from the LSIA of the budgetary impact of immigrants in the main visa categories to recommend greater priority to *human capital criteria* under the points system (see Figure 4.3).

Figure 4.3 Contribution of immigrants in certain visa categories to the Commonwealth budget in the five years after arrival

	Year 1	Year 2	Year 3	Year 4	Year 5
Business and ENS	Positive	Positive	Positive and improving	Positive and improving	Positive and improving
Independent	Positive	Positive and improving	Positive and improving	Positive and improving	Positive and improving
Concessional family	High negative	Negative	Positive	Positive and improving	Positive and improving
Preferential family	High negative	Negative	Low negative	Low positive	Low positive
Humanitarian	High negative	Negative	Negative	Negative but improving	Negative but improving

Source: Immigration Department (1999): 28

The policy changes that the review prompted were justified on fiscal grounds. They aimed to maximise the inflow among the categories that produced a high net positive contribution to the Commonwealth budget (most notably the Independent visa) and reform those generating a

negative impact (such as the Concessional visa before it was reformed to become the Linked visa). The government invoked fiscal arguments to justify the further prioritisation of *human capital criteria* after it found that, as a consequence of these reforms, applicants were contributing more to the economy, by way of taxation and consumer spending, than they were taking, through consumption of public goods (Immigration Minister, 2001b). Ministers also claimed repeatedly that the policies of the Keating government were the cause of immigrant unemployment and welfare dependence (cf. Immigration Minister, 1996d; 1997a). There was some validity in such assertions, even if they were largely motivated by party-political competition. Various studies found that the labour market outcomes of recently arrived immigrants in both the skilled and family categories (as measured by unemployment, salary, job satisfaction and welfare dependency levels) significantly improved from the mid 1990s (cf. Bridge, 2001: 8-10; Productivity Commission, 2006: 166). Hawthorne says that the Howard government's 'determination to "select for success"', according to its 'redefinition of "acceptable" human capital', produced these improvements (2005: 690). In the hope of achieving positive outcomes, the government's decisions to make it easier for international students to gain work visas were a key component of these reforms.

Facilitating the growth of knowledge industries

The strengthening of the student-work visa pathway was a key component of the *human capital criteria* reforms. Three factors drove this development. First, it complemented the agenda of enticing prospective migrants likely to deliver a net positive return to the national economy. According to one of the authors of the *Review of the Independent and Skilled Australian Linked Categories* (which recommended bonus points for Australian tertiary qualifications), foreign students were less likely to be welfare dependent, and more likely to obtain skilled employment, possess the core employability factors, and quickly become socially integrated. She claimed that these were all factors that the Immigration Department considered to constitute "a good (skilled) applicant" (Hawthorne, 2005: 685-686).

Second, the apparent persuasion of business groups also motivated the removal of skilled visa barriers to student applicants. The stagnation of the permanent skilled intakes between 1996 and 1997 occurred despite business requests for higher intakes (Betts and Gilding, 2006: 40; Freeman and Birrell, 2001: 541-542). The Howard government's rejection of these requests was often made on the grounds that such a move would invariably weaken the quality of the intake. For instance, Ruddock claimed that lowering the visa qualification criteria would

‘irreparably undermine the significant economic, budgetary and employment benefits of skilled migration’ (Immigration Minister, 1999a). The establishment of a path between student and skilled visas overcame this dilemma, since awarding bonus points for Australian qualifications increased the number of eligible Independent and Linked visa applicants. Various business and government officials claim that this idea originated within the business community. Interviews suggest that the proposal of concessions for student applicants was promoted across the business community and gained support from key peak-level business groups such the Business Council of Australia (BCA) and the Australian Chamber of Commerce and Industry (ACCI), and a number of industry-level groups. The proposal supposedly appealed to Ruddock, and subsequently Cabinet, because it allowed the skilled migration intake to increase without lowering the points qualification threshold (interviews, Immigration official AU40; ministerial adviser AU44; BCA official AU54).

The third and perhaps most significant factor was the role of the student-visa pathway in helping to facilitate the expansion of knowledge industries. The growth of the ICT industry in the late 1990s acted as the catalyst for the awarding of concessions to international students. One public servant claims that the initial decision to allow international students to apply for skilled visas onshore ‘was driven almost entirely by the panic that there were not enough IT people in the world’ (interview, Immigration Department official AU38). The high demand for ICT workers was also the main motivation for the 2001 policy change that permitted foreign graduates to apply onshore for Independent and Linked visas. Prime Minister Howard announced this reform as part of the *Backing Australia’s Ability* policy package for science and technological innovation. He justified this change on the basis that ‘often the skills we need may not necessarily be available in Australia to meet short-term needs’ (Prime Minister of Australia, 2001). In a joint statement, Ruddock and the ICT Minister said the reforms were ‘aimed at attracting more highly-skilled ICT workers to Australia and retaining Australian-educated overseas ICT students, ensur[ing] that Australia can build on its competitive skilled migration system and retain its leading position in the crucial global ICT skills marketplace’ (Immigration Minister, 2001a).

The extent to which ICT-related considerations shaped labour immigration policy reflects the broader changes in Australia’s political economy, given the industry’s high degree of integration in international markets. Birrell argues that the decision to place virtually all ICT occupations on the MODL prior to the high tech crash came in response to business group

representations that their members were struggling to compete against intense recruitment from ICT employers abroad (2003: 41-42). Indeed, the government's Business Advisory Panel (BAP) had recommended the relaxations of immigration restrictions on these exact grounds (*The Australian*, 1999a; 1999b). Moreover, the *human capital criteria* reforms of July 2001 occurred soon after the US government increased its work visa quota to accommodate large intakes of ICT workers (*Sydney Morning Herald*, 2000). The ICT crash in the early 2000s prompted the removal of most ICT jobs from the MODL, but concessions for international students transferring to work visas remained. In fact, the government further strengthened the student-work visa pathway after the crash, which Ruddock justified on the basis that it would 'enhance Australia's competitive advantage in attracting skilled people' (Immigration Minister, 2003b). While this pathway had ceased to serve its original purpose of accommodating the surge demand in ICT workers, it assisted the expansion of another burgeoning knowledge industry.

Tertiary education industry had become an increasingly important area of trade for the Australian economy. Its export value rose from A\$1.2 billion in 1991-92, to A\$5.0 billion in 2001-02, and to A\$10.1 billion in 2005-06 (DEST, 2007: 1). The government believed that the incentive of a prospective work visa for students gave Australia a comparative advantage in this increasingly competitive international industry (Parliamentary Secretary to the Immigration Minister, 2001; interview, Immigration Department official AU23). Foreign student enrolments in tertiary institutions increased from 160,245 in 2002 to 323,602 in 2008, following the 1999 and 2001 reforms that strengthened the student-work visa pathway (2009: 65-66).³³

Demographic considerations

As well as helping to meet more immediate-term economic policy priorities, longer-term fiscal considerations served as a further reason for a continued priority for *human capital criteria*. These factors became increasingly important from the early 2000s. The repeated increases of the Independent visa target range during this period coincided with publication of the *Intergenerational Report* (IGR), which showed that the ageing of Australia's population and workforce in future decades would increase the age dependency ratio and impose large

³³ Increased supply of flexible labour was a further advantage of rising international student enrolments, as international students were given relatively broad scope to work (Markus *et al.*, 2009: 12).

fiscal burdens on future generations (Treasury, 2002). There were numerous instances where immigration ministers cited such issues when justifying labour immigration policy changes. For instance, Ruddock said that longer-term demographic trends informed the government's 2001 decision to raise the Independent visa intake. He claimed that a higher skilled immigration intake was needed to offset falling fertility rates, population ageing and increased rates of emigration (Ruddock, 2001: 17-20). Amanda Vanstone (Immigration Minister from 2003 to 2007) claimed that the 2004 decision to further expand the skilled intake would help to ensure 'that Australia's working age population will continue to grow past the middle of this century, rather than decline as it would without immigration' (Immigration Minister, 2004a). And Kevin Andrews (Immigration Minister in 2007) extensively cited Treasury arguments in explaining the government's 2007 expansion of the labour immigration intake and claimed that the reform was a 'necessary' step for Australia to 'meet future challenges such as the ageing of our society' (Immigration Minister, 2007c).

The concerns provoked by the IGR over the economic and labour market impact of population ageing helped to affirm the priority given to *human capital criteria* in immigration selection. The active lobbying of business groups over these issues in the years prior to the report's publication may have contributed to this. From the late 1990s, peak business groups such as the BCA and the ACCI advocated for the implementation of various policies to offset labour force decline, including an expansionary immigration policy (cf. ACCI, 1999: 1-2; BCA, 2000). Industry associations such as the Housing Industry Authority (HIA) commissioned and published academic research highlighting how immigration could help to address long-term population dilemmas (cf. Castles, S. *et al.*, 1999). The Victorian government with the support of the Australian Population Institute (a group comprised predominantly of the representatives of peak business and industry groups) organised a National Population Summit in February 2002, which served as a rallying point for the merits of a 'population policy'. A number of prominent business leaders used the summit to call for the establishment of a policy focused using immigration as the main strategy for a long-term population increase (*Sunday Telegraph*, 2002, *Sydney Morning Herald*, 2002). This was the climate in which the Howard government grew increasingly agitated about population ageing. Ruddock cites the attention drawn to demographic concerns by business groups such as the BCA as an important factor in relaxing labour immigration controls (interview, Immigration Minister AU32). This signified not only the influence of business on the Howard government's labour immigration policies, but also an overlap in their respective agendas.

Employer-sponsored schemes

Selecting for employer success

Whereas good labour market outcomes among applicants provided a guiding principle of the *human capital criteria* reforms, good labour market outcomes among employers informed the expansion of *employer-sponsored schemes*. Again, the LSIA was used to measure such outcomes. According to one official, LSIA data showed ENS visa holders to be ‘absolutely the best migrants’ among the skilled visa categories: ‘they come in and have got a skilled job, because the job has to be on the shortage occupation list, and a lot of times there will be a relationship between the employer and the employee’ (interview, Immigration Department official AU38). This finding informed the policy changes that allowed an increase in employer-sponsored visas, particularly as labour shortages escalated from the early 2000s.

The large expansion of the permanent skilled immigration programme in 2005 was delivered through increases across all of the visa categories, but the ENS visa accounted for the bulk of this increase. The weakening of the labour market testing requirements for sponsoring employers facilitated this expansion. The then Immigration Minister Vanstone said the 2005 skilled immigration reforms centred on the ENS because “employers are the ones that know best the skills that their particular business requires” (quoted in *The Australian*, 2005b). The emergence of acute skills and labour shortages across the economy amidst a 30-year low in unemployment made ‘business requirements’ a pressing priority for policy-makers in early 2005 (Collins, 2008: 246). In pre-empting these sweeping changes, Howard had said, “we have an economic need at the moment for more skilled people. You can’t generate them out of thin air in Australia. It takes a while to re-train people ... If part of the solution to that problem is to bring in more skilled migrants, then I’m in favour of it” (Prime Minister of Australia, 2005). The then Immigration Minister Vanstone affirmed that labour shortages were a reason for the reforms (*Sydney Morning Herald*, 2006). In this manner, the government used employer pressure as a proxy for labour market demand.

Business played an important role in drawing the government’s attention to the magnitude of these shortages and how it should respond to them. According to one report, peak and industry business groups ‘fiercely’ lobbied Vanstone to relax labour immigration controls in order to increase labour supply (*The West Australian*, 2005; cf. *The Australian*, 2005a; *Canberra Times*, 2005). Kevin Andrews explains that the increase of ENS visas in 2007 occurred also because ‘we were being pressured by business because of the shortage of

workers. As unemployment came down, everywhere you went, employers were saying, “we can’t find workers” ... So the question was really how much you increase it by’ (interview, Immigration Minister AU34).

Labour shortages and inflationary pressures

The advice of other authorities on the state of the labour market also informed the growth of *employer-sponsored schemes*. Warnings from the Reserve Bank of Australia (RBA) (the central bank, which was responsible for setting monetary policy) that labour shortages could exacerbate wage inflation most likely enhanced the government’s inclination to relax immigration controls. In February 2005, the RBA Governor told a parliamentary committee that “inflationary pressures cannot be completely eliminated and can be expected to make their presence felt as the economy pushes up against capacity constraints”, such as labour shortages. He suggested that a higher immigration intake would help to dampen these pressures (Official Committee Hansard, 2005: 2, 25-26). In a subsequent statement, the RBA said that acute shortages in a number of sectors had increased ‘the likelihood of wage pressures building beyond what is factored into the inflation forecast’. The RBA Board explicitly cited such factors in its March 2005 decision to increase interest rates (RBA, 2005a; 2005b).

The 2005 ENS visa reforms that made it easier for employers to sponsor applicants therefore aimed to make labour supply more flexible. If high levels of labour demand precipitated wage inflation, there was increased risk of interest rates rising and the economy overheating, thereby turning the economic boom into a recessionary bust. Vanstone later justified this decision on the basis that “without skilled migration, Australian jobs would be at threat as business and industry struggled to fill orders and grow... In turn there would be intense wages pressure and consequent pressure on interest rates” (quoted in Sydney Morning Herald, 2006). The government hoped that relaxing ENS controls would diminish the likelihood of such a scenario. An increase of immigrant labour would notionally improve the allocation of supply according to employer demand, thus filling job vacancies more efficiently and dampening wages pressures.

The internationalisation of Australian markets

The promotion of greater labour market flexibility also motivated the expansion of temporary work visas. In particular, it was hoped that such a move would facilitate structural economic reform. The 1996 expansion of the temporary work visa scheme came in response to the recommendations of a review commissioned by the Keating Labor government. In announcing the review, the then Immigration Minister Nick Bolkus said that the internationalisation of markets and business operations had rendered the existing temporary work visa arrangements arcane:

Ideas, skills and technology are moving around the world more quickly than before. The policy objectives for this government [are] to place Australia, through our rules and regulations in this temporary migration area, in a position to benefit both now and into the future. If we are going to benefit fully by this exchange, it is crucial that we ensure the smooth movement of key personnel into and out of this country (quoted in Roach Committee, 1995: 15).

The review's terms of reference requested an examination of the effectiveness of existing temporary visa arrangements in the context of the government's objectives to make the Australian economy more internationally competitive and integrated (Roach Committee, 1995: 1). Brooks and colleagues suggest that the review was a direct product of the growth in foreign-owned firms that followed the dismantling of trade barriers. During the December 1993 Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (which established the General Agreement on Trade in Services), a number of Asian nations pressured Australia to expand the scope for temporary labour immigration because they perceived existing restrictions (particularly labour market testing requirements) to be 'a non-tariff barrier to the importation of labour services' (Brooks *et al.*, 1994: 55). After March 1996 election, the Coalition continued much of the previous government's twin agendas of liberal engagement and economic restructuring. This extended to the overhaul of temporary work visa regulations. Ruddock said that the recommendations of the Keating government's review accorded with the Howard government's commitment 'to make Australia a more internationally competitive nation' (Immigration Minister, 1996c). It believed that making the labour market more efficient, through labour immigration and other policy instruments, was central to the delivery of this commitment.

Facilitating improved supply of immigrant labour

The alignment of temporary work visa regulations with the government's ambitions for economic competitiveness translated into improving the scheme's 'procedural simplicity' and efficiency for business (Roach Committee, 1995: 4). This meant removing labour market testing requirements and accelerating visa processing. According to the review, 'business, economic and trade agencies were expressing concern that existing procedures were too complex and time consuming, and impeded business in becoming internationally competitive' (Roach Committee, 1995: 1). It claimed that these reforms were needed because, with Australia becoming more economically reliant on trade-based service industries, employers could no longer be expected to source all of their required labour domestically (Roach Committee, 1995: 2).

The imperatives of procedural flexibility for employers also drove the July 2001 decision to completely remove all remaining labour market testing requirements and abolish the distinction between 'key' and 'non-key' activities within temporary work visa regulations. The difficulties in enforcing these regulations had negative consequences for 'both client convenience and good administration', according to the internal Immigration Department review that recommended these reforms (Immigration Department, 2002b: 121-122). One Immigration Department official says that the key/non-key activity distinction was repealed because it created 'a constant battleground between industry and the Department' (interview, Immigration Department official AU23). According to another official:

Almost all employers indicated that the position they sought to fill was a "key activity" even if it was of a relatively low skill... With labour market testing, employers with genuine high-skilled vacancies experienced unnecessary costs and delays to meet the bureaucratic requirements whilst non-genuine cases could usually arrange the job advertising to give the results needed (Rizvi, 2004: 46-47).

The changes centred on serving the interests of business. Improving the ability of its 'client' (i.e. business) to use the scheme was the Immigration Department's main objective in removing regulatory impediments. This decision suggests that a clientelistic relationship formed between business and government around labour immigration. This demonstrated, among other things, the Howard government's belief that positive labour immigration outcomes for employers were a good measure of policy effectiveness.

Having said that, the principle of greater flexibility for applicants also guided the temporary work visa reforms. One official claims that the government believed that skilled workers had the prospect of working in a growing number of international destinations and therefore were less inclined to commit to permanent residency (at least initially) (interview, Immigration Department official AU24). Ruddock used this reasoning in foreshadowing the 2001 temporary work visas reforms, which he justified on the grounds that – in the context of increased competition for skilled immigrants from other states – having an immigration programme centred on permanent settlement hindered Australia’s ability to attract applicants (Ruddock, 1999: 9-10).

Improving flexibility for employers and applicants alike was a motive for the 2005 decision to strengthen the pathway between temporary work and permanent skilled visas. Vanstone defended this decision on the grounds that ‘as we are competing globally for skilled workers, it is essential that Australian employers have a competitive edge in this area’ (Immigration Minister, 2005b). Reflecting on these changes, she claims that government believed that strengthening the temporary-permanent path would allow prospective applicants to ‘try before they buy’, and thereby enhance Australia’s comparative appeal (interview, Immigration Minister AU55). Removing barriers both for employers to engage immigrant labour and for visa applicants was aimed primarily at facilitating improved flexibility in the supply of immigrant labour. This in turn would allow labour immigration to be used to meet the three abovementioned drivers of the reforms to the *employer-sponsored schemes*, that is, responding to labour shortages, offsetting inflationary pressures, and helping the Australian economy adjust to increased international competition.

Regional schemes

The competing demand of State/Territory governments

If the Howard government viewed *employer-sponsored schemes* as the most effective way of increasing the supply of immigrant labour to match demand, it saw *regional schemes* based on sponsorship by State/Territory governments as the next best.³⁴ The proliferation of regional policies between 1996 and 2007 came about in response to the considerable variations

³⁴ Vanstone expressed this sentiment when announcing the 2005 expansion of the immigration programme: “Employers are the ones that know best the skills that their particular business requires... The second focus will be with state and regional sponsorships because people in local areas know best the sort of skills they need” (quoted in *The Australian*, 2005b).

in regional demands, as well as local labour shortages. Pressure from State/Territory governments was a central factor in the Howard government's adoption of certain regional reforms. According to Ruddock, 'close partnership between the Commonwealth and State and Territory governments' was decisive in the February 2003 policy allowing State/Territory governments to act as sponsors under the Business Skills visa (Immigration Minister, 2003a). Pressure from Premier Mike Rann was reportedly instrumental in the decision to classify the entirety of South Australia as 'regional' under State/Territory sponsorship schemes in 2003 (*The Australian*, 2004). And Vanstone said she was acting on the recommendations of a report of the Commonwealth/Victoria Working Party on Migration in creating the Skilled Independent Regional visa (Immigration Minister, 2005a).

In explaining the growth of *regional schemes* during his time as Immigration Minister from 1996 to 2003, Ruddock claims that requests from the Victorian and South Australian governments to use immigration policy to address their population imbalances was a motivating factor (interview, Immigration Minister AU29). Vanstone also says that giving the States/Territories – again, particularly South Australia and Victoria – 'a greater opportunity to have a say who came there' was a driving force behind the proliferation *regional schemes* when she was the Immigration Minister from 2003 to 2007 (interview, Immigration Minister AU55). The governments of these two States exerted the most consistent pressure of the various State/Territory governments for greater shares of labour immigration under the Howard government. While the major parties controlled both States at various times between 1996 and 2007, changes of government did little to alter their respective immigration policy preferences. The South Australian (Labor) Treasurer's claim that "unless our state can populate, we will perish economically", encapsulates the stance of both Coalition and Labor governments (quoted in *The Advertiser*, 2003). Fiscal imperatives, rather than labour shortages, seem to be the main impetus for pressure from these States. Various studies found that immigration selection focused on human capital criteria could deliver higher per capita revenue for State governments. Immigrants with such criteria contributed more on average to government revenue than any other population group (including native-born), paid higher taxes, and were less of a burden on education and welfare expenditure (cf. Econtech, 2004: i-iv; Mathews, 1992: xx).

The governments of Western Australia and Queensland also lobbied the Commonwealth government for more labour immigration. Labour shortages were the main concern of these

States. Such pressure was most apparent during the mining industry boom in the mid 2000s, which centred on these States (interviews, Immigration Department official AU27, Immigration Minister AU32). As the Western Australian government explained in its calls for more immigration in 2006, ‘the demand for mineral and energy products is so great that there is a substantial pent up demand for skilled workers, which is stopping projects from proceeding’ (2006: 3).

The Howard government also introduced regional policies designed to constrain the geographical mobility of foreign workers. The New South Wales government adopted a consistently anti-immigration stance under Labor Premier Bob Carr. This opinion was based on a belief that the disproportionately high number of new immigrants moving to the State’s capital could not be supported by the city’s infrastructure and natural resources. For instance, in March 2000, Carr said that “Sydney would not benefit from a big increase in immigration”, because it was “bursting at the seams” (quoted in *Sunday Telegraph*, 2000). Various officials claim that Carr’s position was the reason for the incorporation of a mechanism into the 2003 reform of the Business Skills visa aimed at deterring immigrants from settling in New South Wales, and instead directing them through incentives to the regions (interviews, Immigration Department officials AU27, AU49, AU50).

Various legal anomalies can also partly explain the spread of regional policies under the Howard government. Qualified scope existed within Australian law for the right to internal free movement. This meant that schemes designed to entice visa holders to particular localities could not necessarily compel them to stay (Crock, 1999: 83-84). Since *regional schemes* could only act as incentive mechanisms, the New South Wales government’s attempts to deter immigrants and the South Australian government’s efforts to recruit them often had little effect. Indeed, 43 per cent of entrants that arrived in the permanent immigration programme of 2000-01 settled in New South Wales, compared to two per cent in South Australia. These rates were considerably disproportionate to the respective populations of both States. The States currently retain some capacity to determine which areas are classified as ‘regional’ or ‘urban’ in the application of immigration policy, even though the Australian Constitution legally deems it to be the domain of the Commonwealth. Accordingly, State governments used this capacity as regional policies proliferated to entice or deter immigrants as they saw fit. As Commonwealth one public servant claims, ‘the difference between the views of Bob Carr and Mike Rann were enormous, and so we had to

run policy which suited the views of both' (interview, Immigration Department official AU27).

The suite of *regional schemes* led to some rather bizarre policy outputs. The definition of 'regional' differed according to individual programmes, and by 2007 five separate definitions existed. Melbourne (Australia's second largest city) was even deemed regional for the purposes of one particular visa. Nonetheless, the orientation of labour immigration policy towards regional demands appeared to have the desired effect. By 2006-07, a greater proportion of immigrants had settled in the States/Territories where they were most wanted (most notably South Australia), and proportionally diminished where they were not (such as New South Wales) (see Figure 4.4).

Figure 4.4 Distribution of population and net immigration by State/Territory (%), 2001/01 and 2006/07

State/Territory	Population		Net immigration	
	2001	2006	2000-01	2006-07
New South Wales	33.8	32.9	43.2	30.9
Victoria	24.7	24.8	26	26.5
Queensland	18.8	19.8	15.5	18.9
South Australia	7.8	7.6	2	7.4
Western Australia	9.8	10	12	14.4
Tasmania	2.4	2.4	0.1	0.7
Northern Territory	1	1	0.6	0.7
Australian Capital Territory	1.6	1.6	0.5	0.5

Source: Australian Bureau of Statistics (2010) *Australian Demographic Statistics*, Catalogue 3101.0, available at: www.abs.gov.au (population figures); McDonald and Withers (2008): 8 (immigration figures)

Responding to regional labour shortages

The reform of labour immigration to meet regional demands was also evident through the introduction of temporary work visa concessions for employers in regional areas. One official involved in these reforms says that they were driven by the government's concern that the existing arrangements did not sufficiently accommodate regional recruitment difficulties, particularly in the context of sustained demand in urban areas (interview, Immigration Department official AU23).

While not exclusively intended as a regional scheme, the reasoning behind the expansion of the WHM visa also centred on regional labour demands. A parliamentary committee inquiry found that the WHM visa provided an 'indispensable pool of labour' to industries

concentrated in rural and regional areas, such as agriculture, hospitality and tourism, despite the restricted working rights (in terms of length of employment) for working holidaymakers (House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2007: 63). Working holidaymakers had in fact become ‘the single largest source of labour for seasonal producers’ in some parts of the horticultural industry by the mid 2000s, according to another inquiry (Senate Standing Committee on Employment, Workplace Relations and Education, 2006: 5).

It seems that the WHM visa was expanded largely due to pressure from agricultural industries. It became increasingly difficult for employers in these areas to source labour in the context of the economic boom and declining unemployment. Senior Immigration Department officials closely involved in the reforms say that regional agricultural employers were particularly influential in driving the November 2005 policy changes to give visa holders an additional 12-month visa if they spent three months working in the sector. The geographical isolation and labour intensiveness of agricultural work made it generally much less appealing to working holidaymakers than non-rural industries. It was ‘a lot easier pulling beers in a holiday resort than picking grapes’, as one official put it. The reforms were therefore designed to give visa applicants a stronger incentive to work in agriculture (interview, Immigration Department official AU27). Lobbying from the hospitality industry employers was the main catalyst for the 2006 decision to extend the maximum duration that a visa holder could work for a single employer. These employers argued that they were investing too much energy into training WHM labour only for it to leave after three months. Moreover, the extension of the WHM changes across the primary sector was partly due to pressure from the meat processing industry, according to another official (interview, Immigration Department official AU23). Various officials also claimed that lobbying by regional industries and National Party parliamentarians (the smaller regional party in the Coalition) for labour immigration policy to be more accommodating of regional shortages was a factor behind these reforms (interviews, Immigration Department official AU23; Department of Prime Minister and Cabinet (PM&C) official AU48). Regional sponsorship was something of a hallmark of Howard government labour immigration policy, which is rather curious given that such schemes never featured prominently since the Commonwealth took command of immigration policy from the States in 1946. The growth of *regional schemes* reflected the government’s electoral considerations, as well as its labour market priorities, which are themes that are further explored in the following chapter.

Conclusion

There was broad agreement that Australian immigration selection policy lacked a coherent underlying objective when the Howard government came to office in 1996. Labor and Coalition governments had equivocated over how the parameters of immigrant selection should be set since the early 1970. The disagreement essentially centred on whether immigration selection should serve as an extension of immigration settlement policy, or focus more on delivering quantifiably positive outcomes to the national economy. The Howard government unambiguously resolved this dilemma in favour of the latter, by reforming policy parameters so as to select applicants principally on the basis of their likelihood of labour market success. In so doing, the government tacitly accepted the arguments made by the CAAIP in 1988. The resulting shifts in policy had a profound impact on the balance between the family and skilled categories of the permanent immigration programme between 1996 and 2007.

In different ways, ‘selecting for success’ was an overriding principle of each of the three segments of labour immigration reform. The *human capital criteria* reforms were aimed at delivering successful labour market outcomes among applicants, the *employer-sponsored schemes* at successful outcomes for employers, and the *regional schemes* at successful outcomes for regional areas. The Howard government’s adoption of selecting for success as the centrepiece of immigration selection was therefore, as one official described, ‘driven partly by evidence, but also partly by an ideological view that immigration is about the needs of the receiving country more than the needs of the individual seeking a new home and a better life’ (interview, Immigration Department official AU39).

The premise that good labour market outcomes for business is the foundation of an efficient labour market signifies another ideological component of Howard government immigration policy. This was evident in the extent to which reform across all three segments accorded with business objectives, and was evident in a number of different respects. In some cases, direct pressure from business groups contributed to policy change. In others, the government drove reform in manner anticipated to benefit business, as with the 1996 temporary work visa reforms. And in others still, the government effectively treated business as ‘client’ and adjusted policy according to its desires, as seen in the 2001 temporary work visa reforms. The Howard government’s approach to labour immigration reform thus rested on an assumption that what was good for business was also good for government policy.

The promotion of employer sponsorship also indicates the use of immigration policy as an instrument of labour market and monetary policies. The expansion of *employer-sponsored schemes* aimed to keep the supply of labour in step with demand and thereby offset inflationary wage pressures. Other broad policy objectives also informed immigration policy reform. Strengthening *human capital criteria* demonstrated the use of immigration policy as a fiscal policy measure. Immigration selection mechanisms were restructured to favour applicants likely to pay more in taxes than they would receive in welfare, and thereby make a positive per capita income contribution.

Some of the assumptions underpinning the Howard government's reforms contained evident inconsistencies. As with employer pressure, the growth of *regional schemes* partly reflected the view that pressure from State/Territory governments acted an effective proxy for local labour market demand. This appears to be central to the growth of policy incentives to direct immigration to the regional areas where it was most needed. Despite the liberal market assumptions of the Howard government's immigration policy, its regional schemes essentially served to correct market imperfections. Their use represented an implicit acknowledgement that, if left to its own devices, labour will not always go towards demand.

How the Howard government was able to shift the parameters of immigration selection policy so resolutely, particularly given the contention surrounding the issue when it came to office, is explored in the next chapter. The Coalition's use of electoral strategies to leverage public support for high immigration intakes is also examined. Using 'selecting for success' as the basis of immigration reform had various political advantages. For instance, it allowed the Coalition to criticise Labor Party policies, but this principle also permitted immigration to be promoted as an instrument for national self-interest.

Chapter 5 analyses the various structural and institutional undercurrents of the Howard government's immigration reforms. It picks up on many of the themes discussed in this chapter and explains why the issues identified as underpinning reformed impacted upon labour immigration policy in the ways that they did. The interconnections between immigration policy and macroeconomic and labour market policies are also further examined. So too is the impact of the further shifts in Australia's industrial structure, and the transition from a protectionist defence model of political economy towards one of liberal engagement. Various institutional themes are explored in greater depth, such as the Howard government's

relationship with business and other organised interests, the impact of party political considerations, the pressures of public opinion, and the relationship between Commonwealth and State/Territory governments.

CHAPTER 5

THE STRUCTURAL AND INSTITUTIONAL DYNAMICS OF AUSTRALIAN POLICY CHANGE

The Howard government ended the equivocation over what should be the guiding purpose of immigration policy that characterised the period from 1972 to 1996, by deeming that it should be based on the notion of ‘selecting for success’. Delivering successful labour market outcomes among applicants, employers and regional areas became the guiding principle of immigration selection. Reforming policy in this manner allowed the Howard government to claim that immigration delivered a net benefit to the Australian economy. Selecting for labour market success was not without precedent. As Chapter 3 showed, human capital criteria had been used in immigrant selection to varying degrees since 1973, and employer-sponsored and regional visas had existed since the NUMAS was introduced in 1979. But the Howard government made labour market success a much more central feature of immigration selection than had ever previously been the case (O’Donnell and Mitchell, 2000: 11).

This chapter examines the structural and institutional economic and political factors that underpinned Howard government’s labour immigration reforms. This analysis helps to explain why the factors identified in Chapter 4 as the driving forces behind these reforms were influential. It argues that labour immigration controls were relaxed to accommodate an increased demand for labour that was fuelled by sustained economic growth. The Howard government used labour immigration reform to meet other policy imperatives, and business groups and State/Territory governments helped to influence the direction of policy change. The first section looks at the relationship between immigration policy reform and macroeconomic developments, before analysing the impact of changes in the dynamics of labour market supply and demand. The links between labour immigration policy changes and the government’s broader economic reform agenda is then discussed, with particular attention paid to the influence of fiscal and monetary policy objectives, and the impact of various dimensions of labour market reform and economic restructuring. An explanation of the political dynamics behind the main policy decisions follows, specifically those relating to party politics and public opinion. Attention then turns to the impact of relationships between State/Territory and Commonwealth governments. The roles of business groups and other organised interests in the reform process are then examined. An overview of policy initiatives since 2007 is then provided, and followed by a concluding analysis of the structural and

institutional undercurrents of the relaxation of labour immigration controls between 1996 and 2007.

Economic growth and structural change

Increased labour market demand was the most important factor behind the relaxation of labour immigration controls between 1996 and 2007. It motivated reform in all three segments, albeit in slightly different ways. Short-term labour shortages drove the expansion of *employer-sponsored schemes*, locality-specific shortages partly prompted the *regional schemes*, and the anticipation of longer-term depletions of labour supply contributed to the *human capital criteria* reforms.

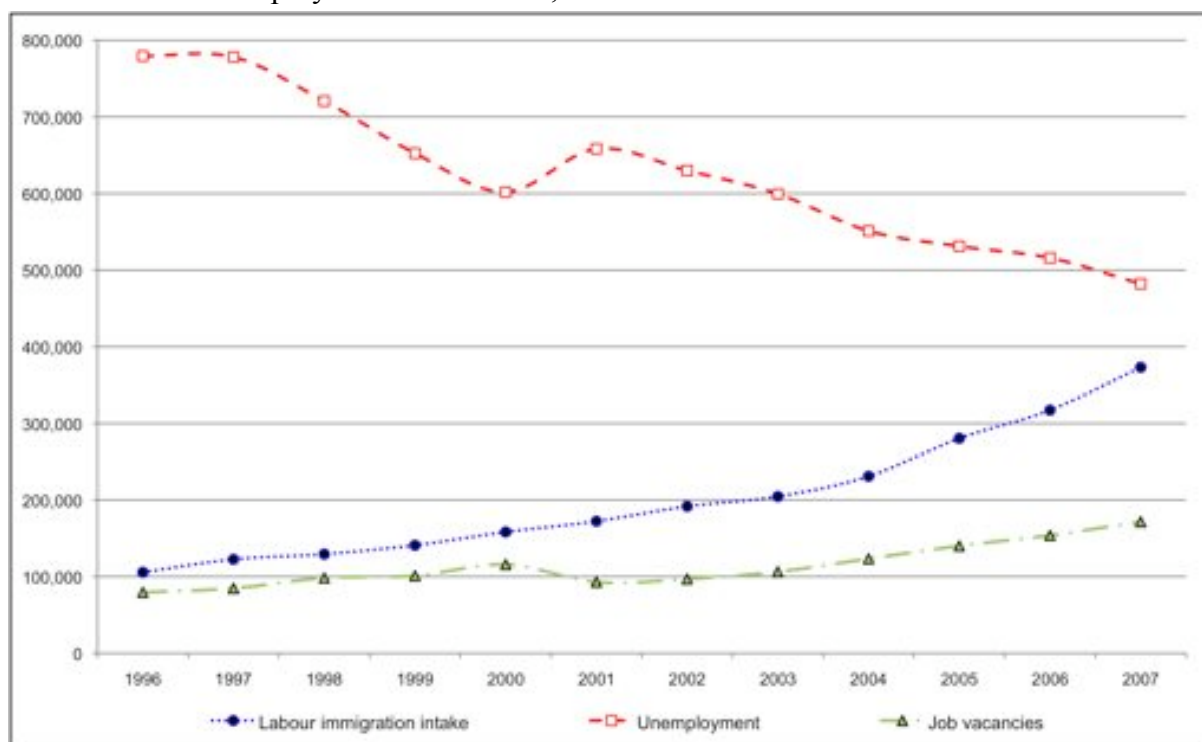
When the Howard government was first elected, economic growth was sustained, but unemployment was at the relatively high rate of 8.2 per cent. The supply of resident labour thus accommodated much of labour demand, which diminished the need for labour immigration. Unemployment had fallen to 4.4 per cent by the time the government left office 11 years later (and a mere two per cent among skilled labour market participants (Commonwealth of Australia, 2007: 4)) (OECD, 2009: 251). This represented the lowest level of unemployment since the early 1970s. With the steady fall in unemployment levels and the corresponding rise in job vacancies, the economy became increasingly reliant on labour immigration (see Figure 5.1).

An 18-year period of continuous economic growth (the longest in Australian history) stimulated this increase in labour market demand (Cahill and Stilwell, 2008: 5). The escalation of demand for commodities (fuelled primarily by the industrialisation of the Chinese economy) was the predominant driver of growth. This generated a major expansion of the Western Australian and Queensland mining industries (Edwards, 2006: 59-60). Minerals and energy exports increased from 29 per cent of all mechanised exports in 1999-2000 to 44 per cent in 2006-07 (Lloyd, C. 2008: 35). These developments resulted in an increased reliance on labour immigration, as one mining industry representative explains:

The price of these raw materials has gone up ... and many companies are trying to take advantage of it. So they want to increase their production and they're expanding their operations or building new ones... What's delaying this is that skilled labour is just not available. Even semi-skilled labour is not available, at short notice at least...

All of those companies undertake training ... but [new workers] just aren't coming out fast enough (interview, Australian Mines and Metals Association official AU14).

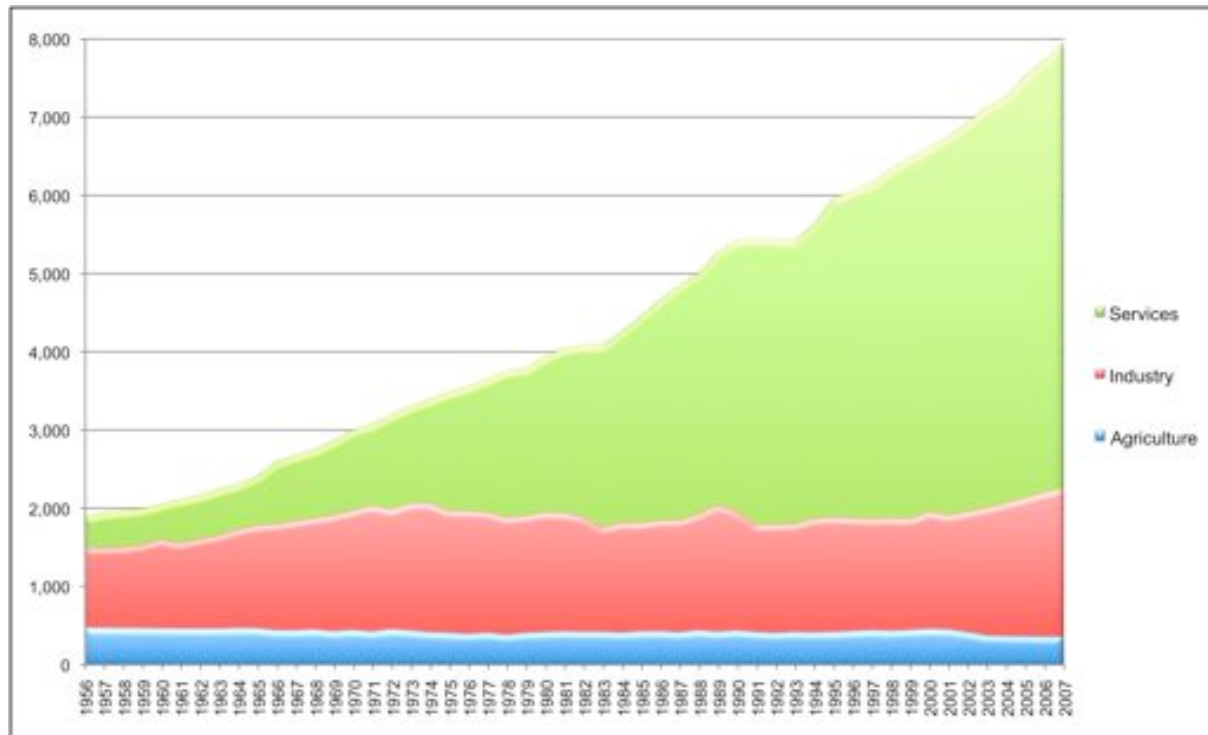
Figure 5.1 Total labour immigration intakes (main visa categories), job vacancies and unemployment in Australia, 1996 to 2007



Source: OECD Statistical Extracts, Annual Labour Force Statistics, <http://stats.oecd.org/> (for job vacancy and unemployment statistics); Figure 4.1 (for labour immigration intake statistics)

Mining was not the sole reason for the sustained growth in economic activity. The proliferation of ICT across all industrial sectors led to further economic expansion, by directly contributing to improvements in labour productivity and capital investment (Edwards, 2006: 50). Governments had encouraged the growth of knowledge industries such as ICT, tertiary education and business and financial services since the mid 1980s to offset the stagnation in manufacturing. Trade liberalisation accompanied this process of industrial change. Secondary industries represented around 35 per cent and services around 57 per cent of the Australian workforce when the Whitlam government began dismantling trade barriers in 1972. These proportions had shifted to 21 per cent and 75 per cent respectively by 2007 (see Figure 5.2). However, the domestic labour market was not always sufficiently equipped to provide the workers needed by these growing knowledge industries, directly prompting policy changes such as the creation of pathways between student and labour immigration discussed in Chapter 4.

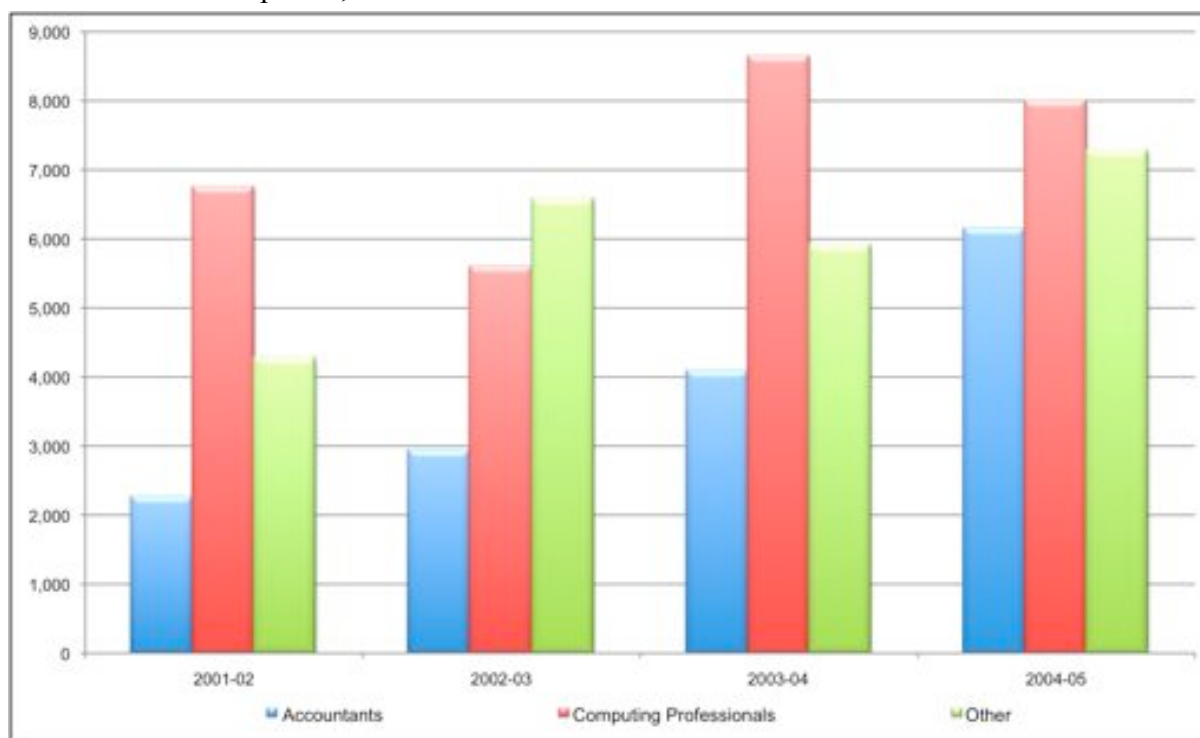
Figure 5.2 Employment in the Australian economy by sector (thousands), 1956 to 2007



Source: OECD Statistical Extracts, Annual Labour Force Statistics, <http://stats.oecd.org/>

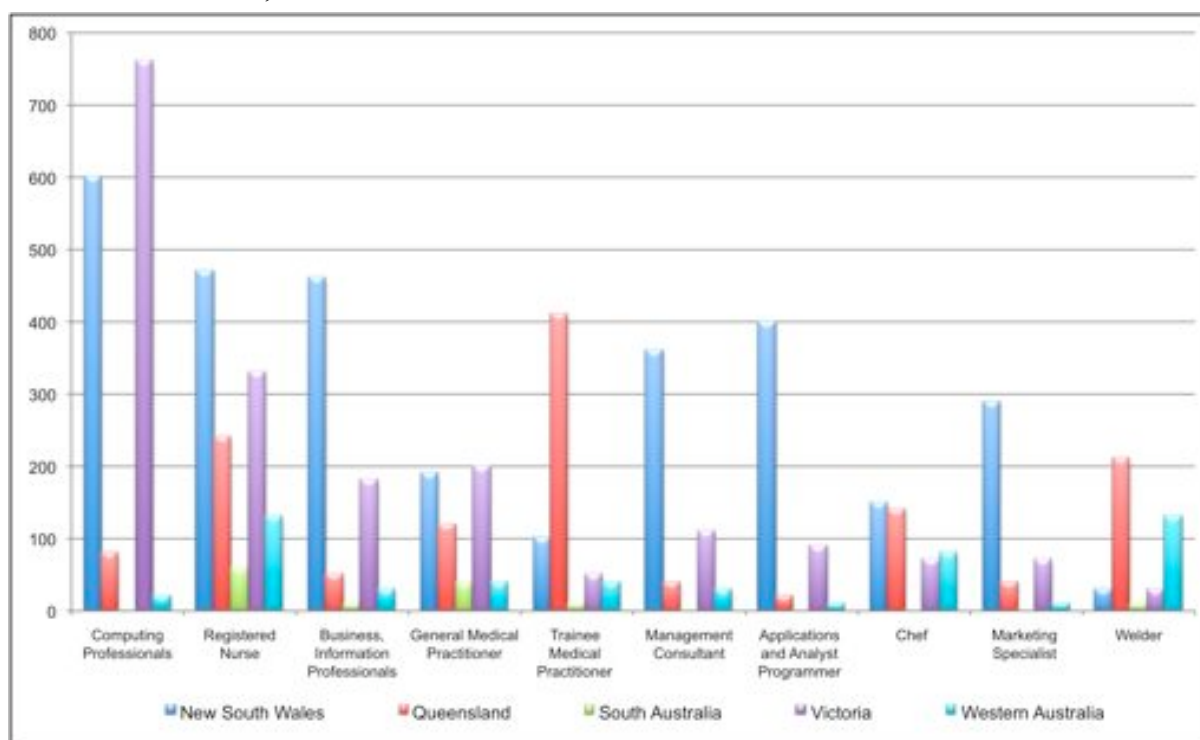
The proliferation of new technologies aided substantial change to production processes and work organisation, which further altered the labour requirements of business (Lloyd, C. 2008: 50). These shifts led to major changes in the occupational composition of the labour market. For example, there was significant growth in higher skilled managerial, professional and associated occupations, as well as among trades and intermediate skilled service sector occupations from the mid 1980s (Richardson, 2007: 20-22). As seen in Chapter 4, the government repeatedly cited short-term labour shortages in justifying various labour immigration policy changes, particularly with respect to the *employer-sponsored schemes*. While industry and occupation-level data is limited, the later years of the Howard government saw knowledge industry occupations such as ICT professionals and accountants make up large proportions of the increased intakes in permanent labour immigration (see Figures 5.3). Workers in ICT occupations were also among the highest number sponsored on temporary work visas in 2007 (along with health professionals) (see Figure 5.4). At the industry level, growth industries such as communications, property and business services (in New South Wales and Victoria), and construction and mining industries (in Western Australia) were among the biggest sponsors of temporary visa holders (see Figure 5.5). The growth of labour immigration in these areas of the labour market reflected increases in labour demand.

Figure 5.3 Skilled Independent visas granted to primary applicants by nominated occupation, 2001/02 to 2004/05



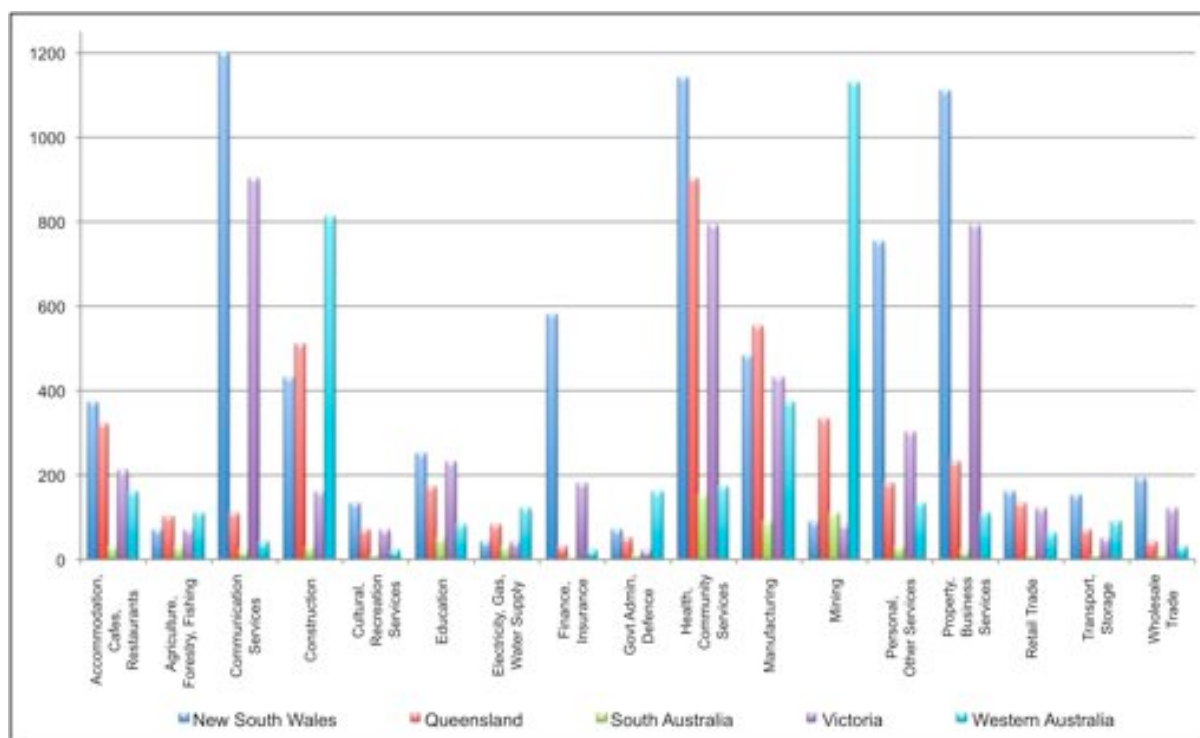
Source: Birrell *et al.* (2006): Tables 1.2, 1.4, 1.5

Figure 5.4 Top 10 occupations for temporary work (sub-class 457) visas granted, by State, 2006/07



Source: Immigration Department (2007) Commonwealth submission to the Joint Standing Committee on Migration inquiry into eligibility requirements and monitoring, enforcement and reporting arrangements for temporary business visas, Table 1.9

Figure 5.5 Temporary work (sub-class 457) visas granted, by industry sponsor and State, 2006/07



Source: Immigration Department (2007) *Commonwealth submission to the Joint Standing Committee on Migration inquiry into eligibility requirements and monitoring, enforcement and reporting arrangements for temporary business visas*, Table 1.9

The impact of broader economic policy considerations

Fiscal policy

Chapter 4 alluded to the links that existed between labour immigration reforms and fiscal, monetary and labour market policy considerations. According to Kelly, these three policy domains formed the central planks of the Howard government's economic agenda (2009: 265-266). The government avowed to tighten fiscal policy in order to return the budget to surplus upon inheriting a large deficit from its predecessor (Gruen and Sayegh, 2005: 631-632). This partly explains the premium placed upon the likely net fiscal contributions of particular categories of immigrants, which led to the *human capital criteria* adjustments between 1996 and 1999. The impact of population ageing on long-term government revenue projections had implications across a wide spectrum of economic and social policy. As such, the publication of the IGR in 2002 had a major bearing on the subsequent direction of fiscal policy (Gruen and Sayegh, 2005: 623-624). Raising the retirement age, and increasing labour force participation and labour productivity levels, were the central measures recommended by the report. The Treasury also suggested that the right mix of skilled and young immigrants could help to meet these objectives and thereby 'slow the process' of population ageing (Henry,

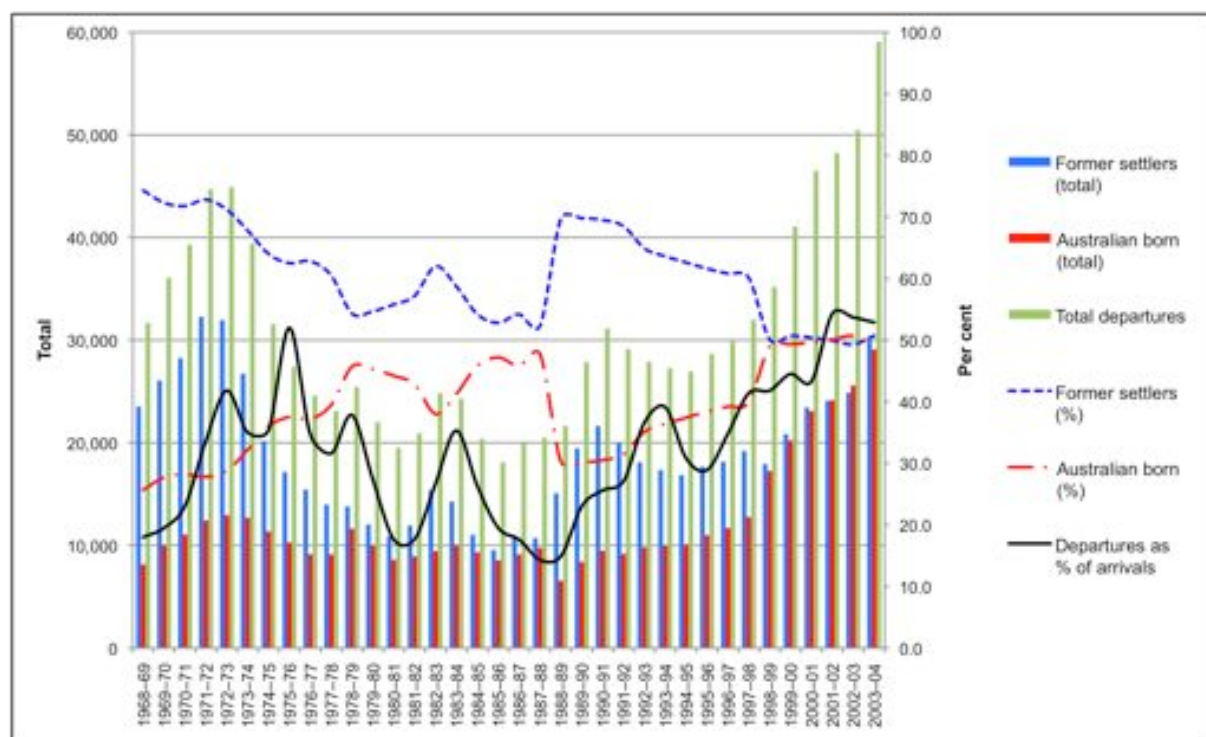
2004). The Treasury's forecasts and prescriptions with respect to population ageing had a large impact upon the views of policy-makers across government (Gruen and Sayegh, 2005: 629; Henry, 2003: 4; interview, PM&C official AU48), and particularly resonated within the Immigration Department (interviews, Immigration Department officials AU19, AU21, AU27). When the Treasury revised its projections in the subsequent *Intergenerational Report 2007*, it found that increased fertility rates and 'changes to government policy encouraging greater numbers of skilled migrants who are younger on average than the resident population ... have led to a projection of a significantly larger and slightly younger population' than had previously been anticipated (Treasury, 2007: 11). These changes were partly informed by the observations contained in the first IGR.

The forecasted impact of population ageing was not a unique dilemma and was much less severe in Australia than in other developed economies (Tiffen and Gittens, 2004: 8). But it perhaps had a greater bearing over labour immigration policy than elsewhere (despite a considerable body of research suggesting that the impact of increasing immigration in preventing the ageing of the Australian population would be minimal at best (cf. Hugo, 1994b: 60)). One possible explanation relates to a longstanding bugbear of Australian public policy: the tyranny of distance. Government ministers often lamented the loss of many high skilled residents through emigration when discussing Australia's population dilemmas. Australia had long been regarded as a nation of immigration, but it was increasingly one of emigration. An estimated four per cent of the national population lived abroad at the turn of the twenty-first century (Hugo, 2004: 62-65). Around 75,000 residents permanently departed Australia in 2007, which was a significantly larger number than had departed on average per year over the post-war era. Moreover, people born in Australia accounted for an increasing number of those leaving (see Figure 5.6). A high proportion of emigrants were professionals with skills in demand, such as ICT specialists, scientists and engineers (Markus *et al.*, 2009: 65).

Research found that Australia's ability to attract skilled immigrants was contingent upon the policies of other states (Cobb-Clark and Connolly, 1997: 688-689). Indeed, government ministers acknowledged that there was stiffer competition from the traditional destination states, as well as a number of reluctant states that were increasingly using immigration policy to meet various objectives (cf. Ruddock, 1999: 9). Advances in passenger transportation had made it easier for people to move to and from Australia and, in this sense, the 'tyranny of

distance' factor had diminished. Nonetheless, as seen in Chapter 4, ministers felt that stronger policy incentives were required to entice prospective applicants to Australia. Interviews with various public servants and ministerial advisers indicate that geographical deterrents, increased competition from other states, and higher rates of skilled emigration, all combined to forge an institutional consensus that Australian governments needed to work harder to attract skilled immigrants (interviews, BAP member/Australian Industry Group (AIG) official AU09; Immigration Department officials AU23, AU36, AU39, AU40). This seems to have heightened the Howard government's inclination to relax labour immigration controls.

Figure 5.6 Permanent departures from Australia, settlers and Australian-born, 1968/69 to 2003/04



Source: Hugo (2004): 59

Monetary policy

The high demand for labour between 1996 and 2007 cannot solely be attributed to economic growth and structural change. Market regulatory changes also compounded the widespread emergence of job vacancies. Some business groups viewed the temporary work visa scheme as a 'last resort strategy', to be used only when labour could not be sourced locally (interview, Master Builders Association (MBA) official AU30; AIG official, cited Official Committee Hansard, 2007: 1). However, others saw the scheme as a 'release valve' to alleviate short-term wage pressures (ACCI official, quoted in Official Committee Hansard, 2007: 41-45).

This suggests that some businesses were using labour immigration to respond to shortages of labour willing to work for existing wage rates, rather than absolute shortages.

These views existed not only among the business community. They also appeared to underpin the government's heightened preoccupation with wage inflation. In 1990-91, Australia experienced its third and most brutal recession in the space of two decades. Minimising inflation had not been the guiding purpose of central bankers prior to the recession, even if it was nevertheless a desired policy outcome. However, low inflation targeting became *the* central priority of the RBA from the early 1990s onwards, and it pursued this objective with continued hawkishness after it was granted independence in 1996 (Bell, 2005: 71-74; Bell and Quiggin, 2008: 73-80).³⁵ The boom-bust cycles that characterised the Australian economy between the early 1970s and the early 1990s greatly affected the political fortunes of the governments of this era. The RBA's success in inflation targeting was a key ingredient in the sustained economic growth thereafter and the Howard government paid heed to its observations accordingly. As seen in Chapter 4, this had implications for immigration policy. Importantly, the removal of restrictions on employer-sponsored visas in 2005 directly followed the RBA's warning that labour shortages were contributing to inflationary pressures.

Labour market regulation

Skills and training

Changes in labour market regulation may have indirectly shaped decisions to relax labour immigration controls in response to inflationary pressures. Birrell argues that the Howard government's relaxation of labour immigration restrictions to fill labour shortages was tantamount to 'papering over the cracks in Australia's domestic training system' (2001: 28). Supporting this view, various parliamentary inquiries found that changes to labour market regulation undermined the stock of human capital in the resident workforce, thereby further compounding the magnitude of labour shortages (House of Representatives Standing Committee on Economics, Finance and Public Administration, 2007: 27-29; Senate Employment, Workplace Relations and Education References Committee, 2003: 15-16).

³⁵ According to Bell, a 'new political economy of inflation' emerged in Australia during this period, which arose due to various factors, including: 'the effects of labour market insecurity in fostering labour discipline; the external pressure for low inflation from financial markets; the effects of rising competitive pressures in product markets, which makes employers less willing to grant wage increases and workers less able to win them; the link between rising productivity and low inflationary growth; and the link between rising business and household debt levels and inflation aversion' (2005: 79).

Indeed, in evaluating the impact of temporary work visas on domestic skill formation, Toner and Woolley found the scheme had:

The potential to adversely affect domestic rates of training in the trades [as it represents] a major addition to the annual flow of new tradespersons onto the Australian labour market and introduces new considerations into employer calculations about investment in training... As a result, employers are likely to have less incentive to train Australian apprentices than would otherwise have been the case (2008: 47, 50).

Immigration was explicitly used to fill labour shortages in the decades after the Second World War (Mitchell *et al.*, 2001: 5). There were few other practical means of finding the necessary labour to facilitate rapid economic expansion during this period, as unemployment was virtually non-existent. Unemployment under the Howard government fell to low levels by contemporary standards, but not to the levels of the post-war decades. Why, then, were labour immigration controls relaxed so readily? It is possible that labour market shortages may have been compounded by the impact of labour market regulatory reform. The introduction of workplace-level bargaining in place of a relatively centralised system of wage determination was designed to give the economy greater capacity to adapt to external economic shocks and minimise inflationary pressure. This represented another policy response to the recession of the early 1990s. The more liberal labour market created by this shift has been credited with aiding the recent period of continuous low-inflationary growth (Edwards, 2006: 47-51). But it also appeared to weaken the capacity of domestic labour supply to meet shortages. According to Mitchell and colleagues, the nature of labour market regulation has always shaped Australian vocational training policy (2001: 7). Briggs claims that the decentralisation of wage bargaining 'represented a decisive "institutional break" that paved the way for further labour market deregulation' (2006: 872). Following this, the shift in the determination of wages and employment conditions to the workplace level in 1993 appeared to make employers more reluctant to invest in training. The promotion of a competitive and market-based training model was a by-product of this shift.

Workplace bargaining encouraged managers and workers to make wage-based trade-offs on other employment issues, including on skills and training. The Keating government's accompanying introduction of a more market-led training model invariably shaped the

outcome of workplace negotiations over training. However, these outcomes were tempered by the existence of established industry-based skills and national-based qualifications recognition frameworks. The Howard government's extension of both workplace bargaining and market-based training diminished the capacity of policy-makers to coordinate skills outcomes with labour market demand. Its market-based training reforms led to the abolition of a mandatory employer training levy and the allowance of private training organisations to compete with government vocational training colleges. These reforms may have better served the particular short-term labour demands of individual employers, but they also led to the erosion of transferable occupation and industry-specific skills, declining enrolments in many trades-based apprenticeships, and stagnation in public and private sector vocational skills investment. With the onus for training now resting more heavily on individual employers, external recruitment – or 'poaching' – was increasingly used to meet skill and labour requirements. Poaching became a cyclical phenomenon that led to market failures. The prospect of trained workers leaving for other firms compounded the disincentive for employers to invest in skills development. Much of the training that employers did undertake was specific to their own operations and not readily transferable (Senate Employment, Workplace Relations and Education References Committee, 2003: xxv, 42-44, 181-182; Sheldon and Thornthwaite, 2005: 408-414).

It appears that, as a consequence of these developments, employers became increasingly reliant on immigration rather than training to meet their labour requirements. In one study, 89 per cent of employers cited an absence of suitable labour within Australia as an important reason for hiring foreigners on temporary work visas, and 26 per cent specifically cited a need for such labour 'at very short notice ... particularly for jobs that require training that may take some years' (Khoo *et al.*, 2004: 6). Furthermore, two separate parliamentary committee inquiries suggested that the increasing availability of foreign workers arising from reforms to the temporary work visa and WHM schemes discouraged employers in some industries from investing in training (House of Representatives Standing Committee on Workplace Relations and Workforce Participation, 2007: viii, 141-148; Senate Standing Committee on Employment, Workplace Relations and Education, 2006: vii-ix).

Decline of permanent employment

The shift from permanent and full-time employment, towards temporary and part-time employment, was another consequence of labour market regulatory changes that compounded

labour shortages. The vast majority of jobs created in recent decades were among those legally classified as ‘casual’ (that is, part-time jobs with fewer rights than those employed on permanent contracts). Casual employment increased as a proportion of the Australian workforce from 16 per cent in 1985 to 27 per cent in 2002. It was promoted as a more flexible form of employment that allowed employees to work on their own terms and move freely between jobs, and for employers to hire and fire workers with fewer legal constraints. The growth in casual employment was mainly due to the shift away from centralised bargaining and the dramatic decline in trade union representation (trade union membership as a proportion of the Australian workforce declined from 50 per cent in 1982 to 19 per cent in 2007). Both of these features had preserved permanent and full-time work as the predominant modes of employment (de Ruyter and Burgess, 2003: 226-229; Watson *et al.*, 2003: 48, 78).

Workers employed on a casual basis were significantly less likely than those on permanent contracts to receive structured training. According to Sheldon and Thornthwaite, the growth of casual employment diminished employer ‘responsibilities for training and developing employees as part of a more enduring commitments towards employees... Wherever labour markets remain relatively tight, these trends also reduce employees’ sense of organisational obligation and commitment’ (2005: 405). An erosion of ‘internal’ labour markets was another consequence of declining permanent employment, which further exacerbated labour shortages. Whereas job vacancies could previously be filled with internal applicants, employers became more reliant upon external labour markets and poaching workers from other firms (Lewis, 2008: 4).

Changes to labour market regulation were not the only contributing factor to the erosion of the skills base. The structural economic reforms of the 1980s and 1990s also had a significant impact. Industries with high concentrations of full-time and permanent employment, where employees had good access to training, accounted for a high proportion of the jobs lost from industry restructuring. Casual and temporary jobs with limited training access were clustered in many of the areas of industrial growth (see Figure 5.7) (Watson *et al.*, 2003: 50-54).

Furthermore, state-owned and large private corporations had once played an important role in directly providing skills through the large-scale engagement of apprentices and trainees, who were subsequently disseminated across industries and down to smaller private sector employers. But the sweeping industry deregulation and privatisation of this period whittled these training structures away (Richardson, 2007: 19; Sheldon and Thornthwaite, 2005: 409).

Figure 5.7 Characteristics of selected industries with job losses and job gains, Australia, 1985 to 2001

Industry	Full-time (%)	Permanent (%)	Training (%)	Employment change (thousands) (1985-1993)
<i>Job losses</i>				
Rail transport	99	100	47	-58
Coal, oil and gas	98	98	58	-14
Electricity and gas	97	100	55	-49
Metal products	96	88	18	-3
Textile, clothing, footwear manufacturing	91	84	5	-32
Finance	85	97	56	-15
<i>Job gains</i>				
Trade construction	91	73	20	173
Road transport	88	74	21	47
Property and business services	71	75	36	537
Education	69	83	62	175
Retail trade	58	62	27	373
Health	57	83	45	171
Accommodation and associated industries	43	43	20	228
<i>All industry average</i>	76	79	38	2,223

Source: Watson *et al.* (2003): 54

Despite the decline of secondary industries that were once the largest providers of trades-based training, the systemic labour shortages of recent years were concentrated amongst traditional technical trades. While much of the growth in temporary and permanent labour immigration came through knowledge professionals, Immigration Department statistics show that visas for trade occupations also sizeably increased, particularly from 2002 onwards (Immigration Department, 2005: 14; 2008b: 12-13). Moreover, the structural problems in training and skills development also pertained to occupations concentrated in burgeoning knowledge industries such as ICT (Sheldon and Thornthwaite, 2005: 408). These problems may have compounded the magnitude of the labour shortages that led the relaxation of labour immigration controls.

Public opinion and party politics

Public opinion

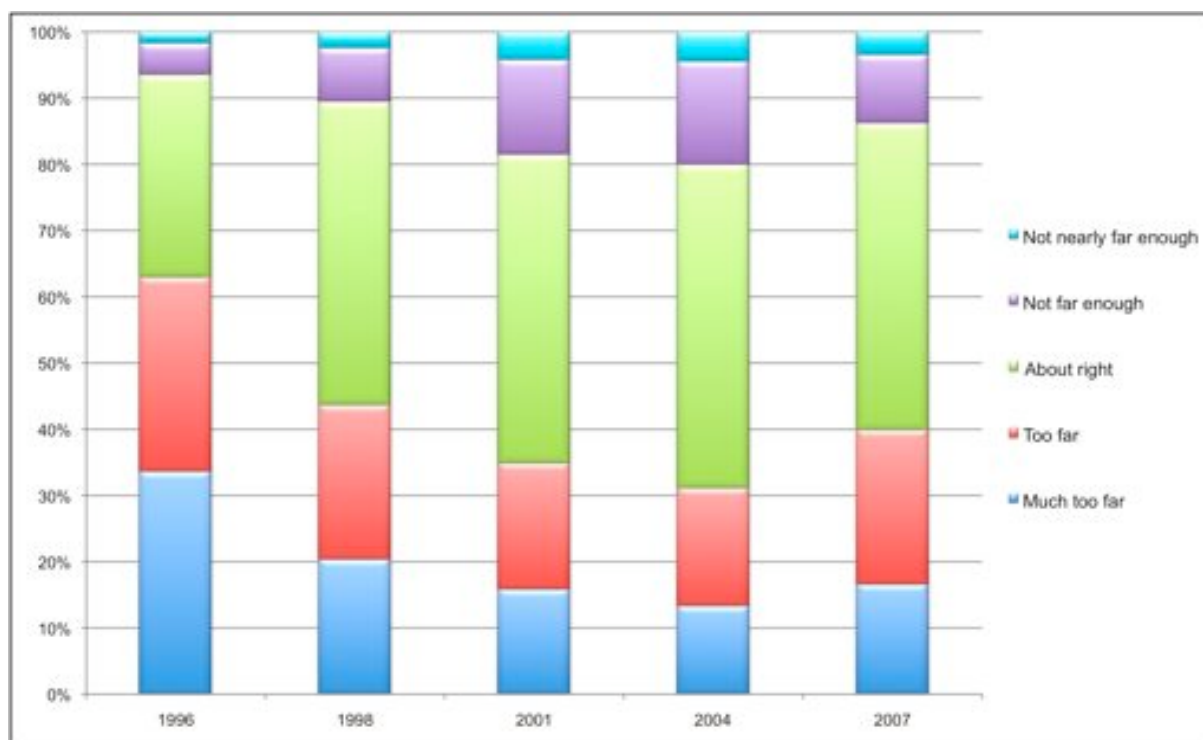
Sustained economic growth not only increased the demand for labour, it also helped to engender an acceptance of the need for more immigration across the community. As Kevin Andrews (Immigration Minister in 2007) put it:

Australians will accept immigration and higher levels of immigration provided they see that it's in the national interest... We moved from a period of high unemployment, where you were trying to find jobs for workers, to a period of low unemployment, where you were trying to find workers for jobs... As that changed, people were more accepting of immigration (interview, Immigration Minister AU34).

Polling data shows that public attitudes in relation to intake size and the labour market impact of immigration became more favourable after 1996 (see Figure 5.8 and 5.9). McDonald and Withers claim that the record inflows of predominantly labour immigrants during the latter years of the Howard government occurred 'without major opposition' (2008: 3). While the healthy state of the economy undoubtedly contributed to this development, it was not the only factor.

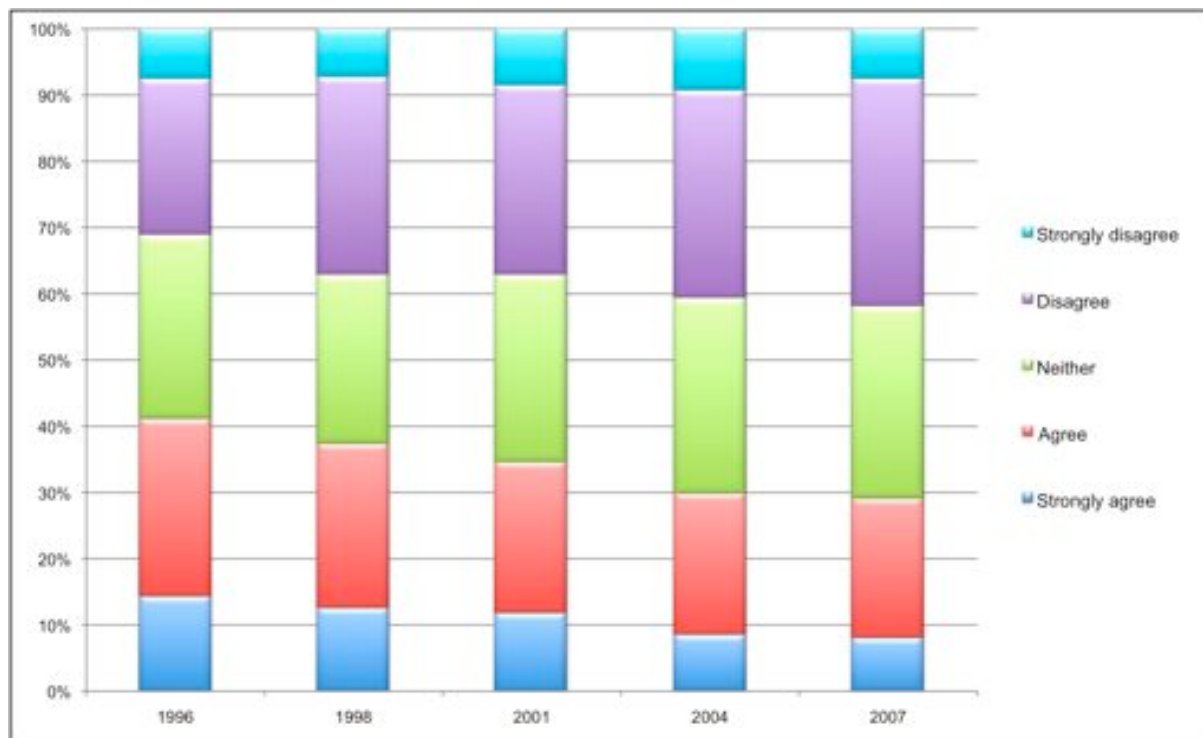
Public opinion polling suggests that immigration and related issues were relatively inconsequential electoral issues between 1996 and 2007. They did not appear to significantly shape voting patterns at Commonwealth elections, aside from refugees and asylum seekers in 2001 (see Figure 5.10). The Howard government was nonetheless adroit at exploiting immigration to achieve desirable political and policy outcomes, an endeavour assisted by the manipulation of public opinion. To this end, Prime Minister Howard used Cabinet as a mechanism for exerting personal dominance within the government to direct attention towards political as well as policy considerations (to a much greater extent than his immediate prime ministerial predecessors) (cf. Rhodes *et al.*, 2009: 82; Walter, 2008: 191; Weller, 2007: 189). This was particularly evident with respect to two episodes.

Figure 5.8 Respondents' views on the size of the current immigration intake (%), 1996 to 2007



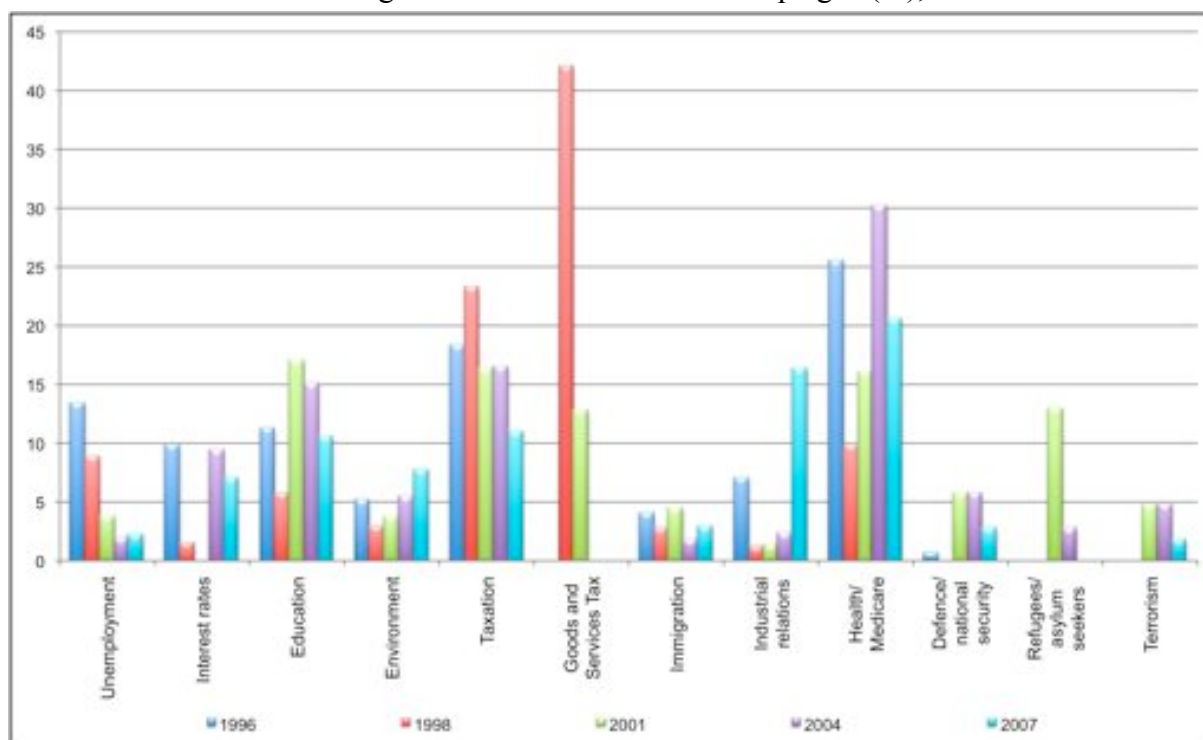
Source: McAllister and Clark (2008): 71

Figure 5.9 Respondents' views on whether immigrants take jobs away from people born in Australia (%), 1996 to 2007



Source: McAllister and Clark (2008): 72

Figure 5.10 Number of respondents citing the issues most important to them and their families during Commonwealth election campaigns (%), 1996 to 2007

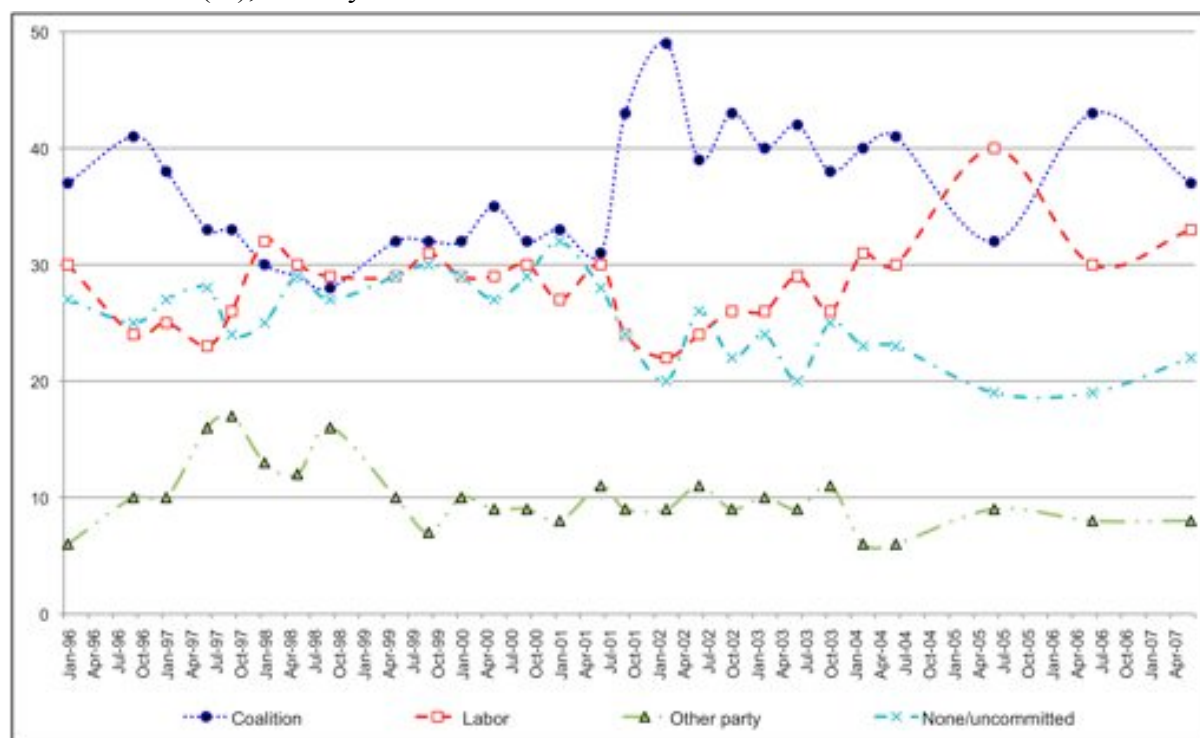


Source: McAllister and Clark (2008): 53

Party political competition

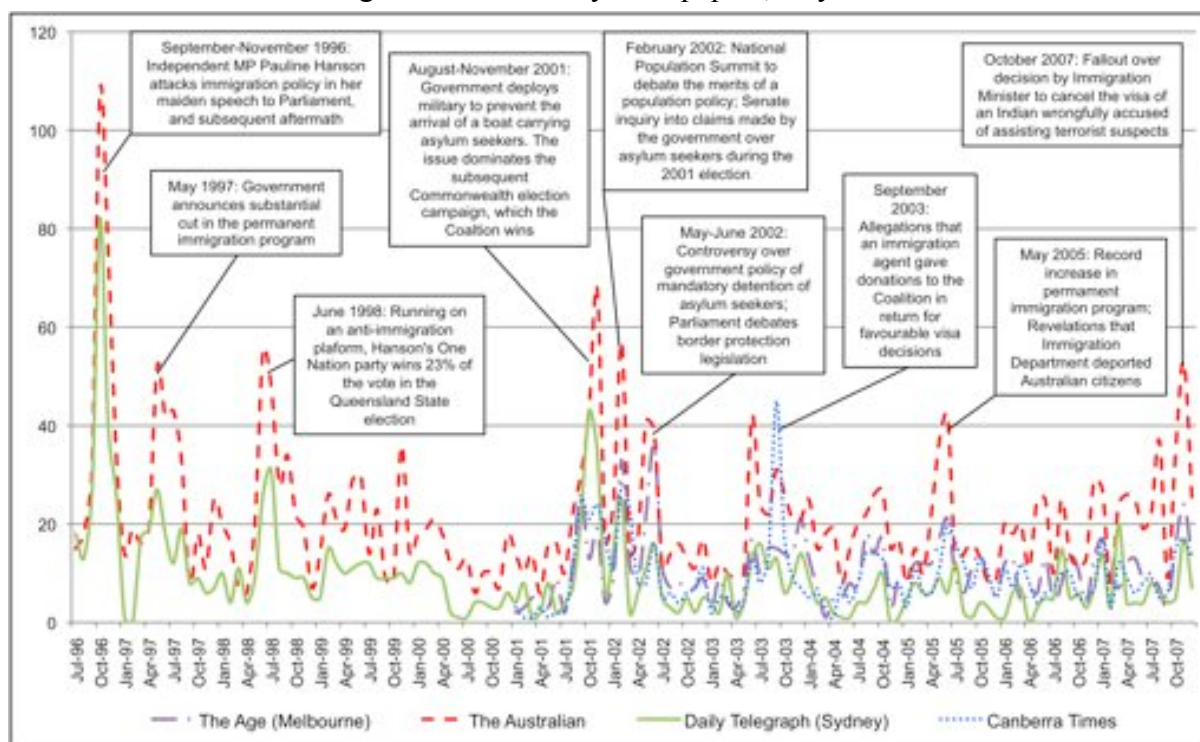
As discussed in Chapter 3, immigration is an issue that has historically cut across the political party divide. The Coalition parties were generally more liberal and the Labor Party more restrictive over labour immigration policy, whereas the reverse was generally the case with respect to family immigration (although these characterisations are far from universally applicable). The capacity of immigration to create tensions between the Labor's blue-collar and social liberal support bases became apparent between 1996 and 2007. The Coalition's courting of traditionally Labor-supporting working-class voters through appeals to patriotic sentiments on various policy issues, including immigration, was key to its electoral success during these years (Betts, 1996; Betts, 2005: 38). There were periods when neither major party had a decipherable advantage in public confidence in their immigration policies, but the Coalition held a clear lead from 1996 to 1997, and 2001 to 2004 (see Figure 5.11). There was more press coverage of immigration during these periods, which suggests that its salience as a political issue increased (see Figure 5.12). The Howard government used immigration to its clear political advantage on both occasions, and this had major consequences for labour immigration policy.

Figure 5.11 Respondents nominating the party they think would best handle immigration (%), January 1996 to June 2007



Source: Newspoll (2010) 'Political and issues trends', www.newspoll.com.au, 28 March

Figure 5.12 Number of articles containing the term 'immigration' in the domestic political news coverage of selected daily newspapers, July 1996 to December 2007



Source: Author's calculations based on data generated from Factiva.com

Note: Periodicals selected on the basis of a variety of ownership, format, and locality. No data available for *The Age* and the *Canberra Times* prior to January 2001.

The restructuring of the immigration programme

As outlined in Chapter 3, a lack of community confidence in the management of immigration policy emerged under the previous government. A series of opinion polls conducted in the wake of the 1996 election showing that consistently large majorities wanted lower intake levels indicated a continued dissatisfaction with the status quo (*The Age*, 1996a; *The Australian*, 1996; *Canberra Times*, 1996). The election of Pauline Hanson to the Commonwealth Parliament exemplified this vexation. The Liberal Party had endorsed Hanson as its candidate for a predominantly working-class electorate with a large Labor majority. She was deselected weeks before the election after expressing controversial views about welfare for Aborigines. Hanson ran as an independent candidate and was elected, after which she gained notoriety and support from a sizeable section of the community for her views on immigration, notably that too many people of Asian origin had been permitted entry under the immigration programme (Kelly, 2009: 365-369; Knightly, 2001: 321-326). The Howard government distanced itself from Hanson, but nonetheless claimed that its predecessor had prioritised family immigration in order to maximise electoral support from ethnic communities (see Chapter 3). This provided the Coalition with a political justification for the *human capital criteria* reforms between 1996 and 1999 (see Chapter 4). According to one senior minister, the Howard government had inherited an ‘ad hoc’ immigration programme that was not sufficiently focused on delivering positive labour market outcomes:

If you’re going to run an immigration programme, it should be geared towards what is in Australia’s best interest, not what is in the best interests of some migrants who arrived here five or 10 years ago, which is what the family reunion programme was about. And frankly there was any amount of evidence that the Labor Party as a corporation was rorting this programme and feeding off being “the party friendly to migrants” to stack branches and win seats (interview, Cabinet minister AU28).

The Coalition exploited division between the major political parties by claiming that its dismantling of Labor government policies reflected popular sentiments. Debate within the Coalition over the direction of immigration policy at this time proved to have a bearing on later developments.

Philip Ruddock, the Immigration Minister during this period, had consistently been on the liberal side of the immigration policy divide within the Liberal Party (unlike Howard). He

was a self-professed ‘enthusiast for immigration’, and did not wish to see cuts to the overall intake level (interview, Immigration Minister AU32). Howard’s professed sympathy for Hanson’s view that immigration contributed to unemployment appeared to influence the 1996 and 1997 Cabinet decisions to reduce and readjust the size and composition of the permanent immigration programme (*The Age*, 1996b; *Daily Telegraph*, 1997). Indeed, various officials claim that Ruddock was on the losing side of these debates within Cabinet (interviews, Immigration Department officials AU39, AU40). Ruddock nonetheless believed that policy adjustments were required to ‘restore integrity’ in immigration policy. He claims that ‘the “Hanson factor” wasn’t racial. It was about people being unhappy with migration selection generally, and the only way in which they thought they could deal with it was to support some more outspoken candidate’ (interview, Immigration Minister AU32). Ruddock argues that improving ‘the quality of migration’, through the *human capital criteria* reforms, ultimately aimed to improve public confidence in the immigration programme, thereby allowing intake levels to be increased as necessary (interview, Immigration Minister AU32). These views gradually began to resonate across the Howard government, as echoed by Treasurer Peter Costello in February 1999:

In the long term, immigration is good for Australia and good for the economy... Australia was built on immigration and it will be built on immigration in the future. But the important thing is to get an immigration policy which is attuned to the needs of the moment and which enjoys public support ... and we want to make sure that it’s balanced towards the economic needs in the future (quoted in *Sydney Morning Herald*, 1999).

Asylum seekers and border control

The second period where popular opinion clearly approved of the Howard government’s handling of immigration also ultimately increased its inclination to relax labour immigration controls. In August 2001, the government’s deployed the military to prevent a Norwegian freighter that had rescued a sinking boatload of asylum seekers from entering Australian territorial waters. This episode followed a relatively large increase in the number of people seeking unauthorised entry by sea (cf. Marr and Wilkinson, 2003). Howard later claimed:

The community felt that Australia was losing control of her borders. They didn’t like that and they wanted their government to do something about it, and they wanted it

done in a decent manner, but they wanted it done effectively. What we were able to do in the second half of 2001 was to deal with the problem in a very effective way... The public was clearly saying: “look, you’re the government, you’ve got to do something about this”. And we did. And by the end of 2001, the problem was no more (ABC, 2008).

These developments occurred shortly before the 2001 Commonwealth parliamentary elections. The Coalition had lagged in opinion polls through much of the year. But its support surged after the military deployment, which was compounded by Labor’s ambiguous response to the decision. The phrase that Howard used to defend the deployment – “we will decide who comes to this country and circumstances in which they come” – became the Coalition’s main campaign slogan for the election, which it subsequently won.

The government’s border control policy represented a dominant attitude within the Howard government that ‘there’s proper way to come and there’s an improper way to come and there’s plenty of opportunity to come in the proper way’, in the words of one official (interview, Immigration official AU39). The stance was heavy-handed, but nevertheless popular in the broader community. It successfully channelled a ‘consistently low level of tolerance for what is seen as unregulated immigration and threat to national sovereignty’, according to Markus and colleagues (2009: 128; cf. Betts, 2005: 36-37). It is likely that the Howard government’s resolute stance on seaborne asylum seekers helped to negate public anxieties about immigration control more generally, and thereby increased support for its labour immigration policies.

Following the increase in public support for its handling of immigration, a predominant outlook was established within the Howard government that it had more political capital to relax labour immigration controls. According to Ruddock, the government’s adoption of a ‘hard line’ policy on border control and asylum seekers improved community confidence in its management of immigration flows: ‘tough border protection is a means to an end. It’s a means of building public confidence in the immigration programmes that you want to build’ (interview, Immigration Minister AU32). Vanstone also claims that these developments led the government to believe that it had more scope to relax labour immigration controls (interview, Immigration Minister AU55). This view ultimately extended to Howard.

Howard's departure from his earlier restrictionist position on labour immigration followed the strengthening of labour demand at the end of the 1990s (cf. *The Australian*, 2000). A senior official in Howard's department says that the government's tough position on unauthorised asylum seekers in 2001 affirmed this view. '[It] made it then very much easier to accept high levels of immigration without it becoming a major political debate ... because Australians had become persuaded that the borders were secure, [and] that meant they were much more willing to support higher levels of immigration' (interview, PM&C official AU48). This was an important factor in the decision to facilitate the wide-ranging expansion of labour immigration controls in 2005. In the context of a tightening labour market and growing inflationary pressures, Howard accepted that 'the immigration intake needed to be increased, as long as there was a strong focus on skills', according to the official (interview, PM&C official AU48). This interpretation is supported by Howard's biographers, who wrote prior to the defeat of the Coalition at the 2007 election:

Howard is proud of the fact that his immigration and border protection policies have led to public acceptance of high levels of immigration. "People feel that the programme is under control". There is evidence that Howard is right about his policies increasing public support for immigration. Much of that support, though, has been contingent on Howard's tough stance on refugees (Errington and Van Onselen, 2007: 373).

The Howard government's critics commonly characterised it as conservative and reactionary on immigration policy matters. Ruddock concedes that the government's contrasting positions on labour and humanitarian immigration may have appeared 'a little schizoid' (interview, AU32 Ruddock). But there was broad consistency between the Howard government's record and those of previous Coalition governments (see Chapter 3). That is, it was generally conservative with respect to the size and composition of the immigration programme (set in accordance with the national economic interest, social cohesion and the sovereign right of governments to determine the principles of immigration selection), but was prepared to be pragmatic in liberally adjusting these principles if circumstances required (Rubenstein, 1993: 154-156). Despite its dogmatism on the sovereignty principle, the Howard government followed its Liberal predecessors by relaxing labour immigration controls as economic circumstances required. Whether its deft use of immigration control and asylum seekers to

manipulate public opinion and the political fault lines of the opposition were consistent with the record of its predecessors is another matter.

Party political considerations were also a factor behind the growth of *regional schemes*. As mentioned in Chapter 4, the Coalition parties had a concentration of electoral support in regional areas and many areas of Howard government policy were tailored to regional demands.³⁶ Accordingly, the increased number of *regional schemes* reflected the ‘high priority given under the Coalition to the needs of regional Australia’, in the words of one official (interview, Immigration Department official AU23). Not unlike the proclivity of the previous Labor government towards a family-oriented immigration policy, it is therefore possible that the Howard government was more attuned to regional demands because of electoral considerations.

State/Territory governments

The power vested by the Australian Constitution to the Commonwealth government over immigration did not preclude State/Territory governments from exerting influence over immigration policy between 1996 and 2007. As discussed in Chapter 4, the creation of numerous *regional schemes* proliferated in part from the adoption of a very flexible definition of ‘regional’. This gave State/Territory governments greater scope both to attract immigrants to the areas where they were needed, and deter them from where they were not. With the exception of New South Wales, all of the States/Territories consistently pressured the Howard government for more liberal labour immigration policies, particularly measures specifically directed at increasing their own immigration intakes.

The responsiveness of the Howard government to the demands of State/Territory governments is something of an oddity. State/Territory governments had shown little active interest in immigration policy in previous decades. And most were Labor-controlled (Labor in fact won every State/Territory election between June 1998 and November 2007). However, the different political colour of the different tiers of government appeared to have little impact. Vanstone claims that party-political factors were irrelevant in the Howard government’s receptivity to the demands of Labor-controlled States/Territories. She says that

³⁶ For instance, a 2007 inquiry by the Commonwealth Auditor-General found that a disproportionate amount of the funding under the Regional Partnerships Program was allocated to Coalition-held electorates (cf. ANAO, 2007).

these governments were viewed ‘as an information mechanism to guide us in selecting the right people for them. [We believed that] if it was the right people for them, it was the right people for Australia as a whole’ (interview, Immigration Minister AU55). According to this interpretation, pressure from State/Territory governments was taken as a proxy for regional labour market demand. This essentially represented a regional variation of the Howard government’s definition of the national economic interests that it used to design aspects of labour immigration selection policy.

Organised interests

Trade unions and ethnic community organisations

The pluralism that had characterised immigration politics since the 1970s abruptly ended with the election of the Howard government. Policy was implemented in rather a unilateral manner during its first three years in office and the influence of business increased thereafter. The formalised consultation process was maintained as part of the annual determination of the permanent immigration programme. But it was used primarily as a mechanism for selling predetermined policies, rather than guiding their direction.

Organised interests that had previously been able to influence government decisions were engaged as part of the consultation process, but in a seemingly tokenistic fashion. A number of trade union representatives claim their input was either ignored or met with hostility by ministers and public servants (interviews, ACTU officials AU08, AU33). This partly reflected the declining industrial power of Australian trade unions, which diminished their capacity to exert political sway. More importantly, it signified the Howard government’s deep antipathy towards an institution that it believed held an unduly influential role over policy-making under the previous government (Kelly, 2009: 303-308).

Ethnic community organisations such as the FECCA had been given prime access to the immigration policy-making process by the previous Labor government. However, Howard government ministers marginalised them. While these groups had once been courted by both major parties, the Coalition came to see them as more aligned to the Labor Party. Moreover, there was scepticism within the Coalition regarding the control that ethnic community organisations actually held over the voting behaviour of their constituents (interviews, FECCA official AU41, NSW Community Relations Commission official AU51).

Business groups

In contrast to the inability of these organised interests to influence immigration policy, the institutional capacity of business increased under the Howard government. In the words of one senior public servant, business groups had an ‘extraordinarily strong’ influence over policy developments between 1996 and 2007. In particular, peak bodies such the ACCI and the BCA were ‘big drivers of policy-making’ (interview, Immigration Department official AU27). Indeed, interviews suggested that these and other business groups were granted a privileged position from which to influence immigration policy, and were often directly solicited for opinion or advice from senior ministers (interviews, BCA official AU07, BAP member/AIG official AU09, MBA official AU30, ACCI official AU43; Immigration Department officials AU19, AU23; ministerial adviser AU25).

As mentioned in Chapter 4, pressure from business contributed to reform in all three categories of labour immigration policy. Business was able to exert this influence for two reasons. First, it effectively utilised its close links with the Coalition parties. An expansionary immigration policy focused on labour immigration was a core policy objective of a number of business groups. In the words of a peak business group chief executive, a liberal immigration policy was one of the ‘key policy principles of the organisation’ (interview, ACCI official AU13). Segments of the business community grew concerned about the direction of immigration policy during the early years of the Howard government, when the immigration programme was cut and Hanson’s popularity was at its peak. According to one business official, there was a sense that ‘if the programme could not succeed under whatever guise was politically defensible, then the debate could be lost for a number of years’ (interview, HIA official AU46).

The commitment to immigration was also driven by the liberalisation of market regulation following the breakdown of the protectionist settlement. The predominant response among business groups to these developments was to seek further liberal regulation, particularly in relation to labour markets (Boreham, 2002: 185, 194). Desire for relaxed immigration controls was an extension of this pursuit.

Various senior officials suggest that business groups are given latitude to influence immigration policymaking irrespective of the party in government (interviews, Immigration Department officials AU19, AU27). But overlapping market philosophies and close

organisational relationships with the Coalition parties appeared to increase this scope. The Coalition was in unison with business groups in believing that government's role was to facilitate free markets and, by extension, implement policies favourable to business. Moreover, business had good opportunity to lobby individual Coalition parliamentarians on immigration policy. As one senior Howard government minister put it:

We are the party of business, we look for support from business and we have pro-business policies. And the fact is that business in this country is typically pro high immigration... All our MPs go to dinners with business and they're all saying, "you've got to increase the immigration programme"... And inevitably they get a sympathetic ear (interview, Cabinet minister AU28).

The second reason business could exert influence on immigration policy was that the greater organisational coherence that business had established in the 1990s (see Chapter 3) increased their leverage over the direction of policy. Business groups (most notably the BCA) used this organisational strength to play key roles in bringing about major policy reforms, such as the decentralisation of wage bargaining in the early 1990s and taxation reform in the late 1990s. The success of business in both instances was the result of mobilising grass roots support from prominent corporations and business leaders, drawing upon research to bolster their position and utilising alliances with senior government ministers and officials to convince initially reluctant governments of the necessity of reform (Bell, 2006: 160-162; Eccleston, 2000: 320).

Business groups took a similar approach to population policy, which encompassed a relaxing of labour immigration controls. The BCA, the ACCI and various industry associations essentially formed a loose 'advocacy coalition' (cf. Birkland, 1998: 57) to make the case for reform. As with earlier campaigns, business groups frequently drew upon research to substantiate their arguments. This was seen as an important part of persuading those in the government and the broader community who might be otherwise sceptical (interview, BCA official AU54). The manner in which the case for relaxing immigration controls was advocated was also seen as crucial. One business official claims that 'as a business community, we did not want to jeopardise the whole of the immigration programme by making outlandish calls for further immigration. You could only press the envelope so far and still retain community acceptance of the programme' (interview, ACCI official AU43).

Another representative says that the prevailing mood in the community in the late 1990s meant that the issue had to be approached strategically and sensitively: ‘my objective at the time was to have a considered debate, establish some sensible policy parameters around how you would construct a sensible immigration programme, have a longer-term target, and then a method of getting there’ (interview, ACCI official AU13). These sentiments are echoed by another business group official, who claims that the inclusion of immigration expansion in its broader population policy campaign had to be handled ‘with kid gloves, because you did not want to trigger a political backlash. Rather, you wanted to trigger a measure of consensus, which I must say, over the course of the period, slowly started to emerge’ (interview, BCA official AU54).

It is difficult to pinpoint the precise impact of these groups in influencing the Howard government’s labour immigration decisions. But as Chapter 4 demonstrates, business groups clearly played a role in the policy changes that occurred between 1996 and 2007. However, the Howard government was not prepared to countenance the calls by other segments of the business community for a doubling of Australia’s population. Construction industry groups and companies and other beneficiaries of product market growth (which Betts (1999: 3-4) dubs the ‘growth lobby’) were at the forefront of this campaign. Vanstone expressed the government’s view when the wide-ranging reforms of 2005 were followed by pressure for a further expansion: “immigration must always be in line with what the economy needs... The government doesn’t have any truck with people who want to set immigration levels irrespective of how secure and strong the economy is” (quoted in *The Australian*, 2005c). Thus, while the Howard government believed that delivering good outcomes for business was an effective measure for designing immigration policy, this belief was not an absolutist one.

The Immigration Department

The Howard government’s assertion of its immigration control prerogatives over unauthorised boat arrivals mirrored the prevailing attitude within the Immigration Department that its job was to ensure ‘strict enforcement of the rules to achieve integrity’, in the words of one official (interview, Immigration Department official AU39). Indeed, the centrality of immigration control to the protectionist settlement necessitated a strong role for the state in immigrant selection (see Chapter 3). But as the protectionist settlement unravelled, the state adopted a less interventionist role in economic affairs, as evident in changes to the regulation of product,

financial and labour markets. This had implications for the state's role in the control and selection of foreign workers.

Commonwealth governments increasingly adopted the view that business knew its needs better than the state did, and that such an approach led to greater market efficiency. This was the premise for the adoption of a demand-driven temporary work visas policy in the 1990s. The scheme allowed employers to engage foreign workers more efficiently and without many of the administrative constraints of the permanent skilled categories. Employers were able to use temporary work visas as freely and extensively as they desired, as long as certain basic conditions were met. By giving employers control over an aspect of immigration selection in this manner, the Howard government was in effect delegating a longstanding preserve of state authority (Mares, 2009a).

Serving employer objectives was a key purpose of the Immigration Department between 1996 and 2007. This accorded with the Howard government's proclivity for business-friendly policies. As seen in Chapter 4, removing regulatory burdens from business was a common pretext for liberal labour immigration reforms. But the Immigration Department went beyond this by entering a more clientelistic relationship with business, as demonstrated through various policy initiatives. From 2005, the Immigration Department conducted a series of foreign worker recruitment expos in partnership with the State/Territory governments, business groups and industry associations (*The Australian*, 2005d). According to an ACCI representative, this episode illustrated the Immigration Department's responsiveness to direct requests from business to help them recruit workers from abroad (Official Committee Hansard, 2007: 42). Another scheme was established at the suggestion of business in 2005, whereby Immigration Department officials were seconded to industry associations to assist with visa sponsorship procedures. Dialogue between business and the Immigration Department was promoted through this programme (interviews, Immigration Department officials AU12, AU23).

As well as aiding good labour market outcomes for business, the Immigration Department also accommodated the Howard government's desire to see changes in immigration policy deliver good labour market outcomes among applicants. This was achieved by adjusting the parameters of the LSIA to increase selection among those most likely to have a positive fiscal impact. As discussed in Chapter 4, these adjustments were significant because of the extent to

which the Howard government utilised the LSIA to make its case for the *human capital criteria* reforms of 1999 (Richardson and Lester, 2004: 15-16). Boswell argues that the ‘highly contested’ nature of immigration policy means that the credibility of ‘evidence’ will vary according to differing policy preferences (2008: 479). So while the LSIA was the ‘evidence-base’ upon which policy change was justified, the evidence was gathered selectively, according to the government’s particular definition of the national interest.

The assumptions underpinning the Howard government’s immigration policy preferences – that good labour market outcomes, for employers and immigrants alike, equal good immigration policy – thus faced minimal obstruction from the Commonwealth bureaucracy. Two factors can explain this. The first relates to the entrenchment of a human capital orthodoxy within the Immigration Department in the late 1980s (see Chapter 3). Jupp claims that this development was ‘not influential enough to produce a major shift away from the family reunion and humanitarian programmes’ at the time, but nevertheless ‘laid the basis for such shifts upon the change of government’ (2002: 59). The Immigration Department found agreement from other ministries in the execution of the Howard government’s policies, according to various officials. The Treasury and the Department of Finance, which had been critical of the Immigration Department’s lack of economic rigour in the 1980s, were particularly supportive (interviews, Immigration Department officials AU19, AU39).

Secondly, the Immigration Department willingly implemented the Howard government’s agenda because of its ‘very, very strong culture’, with respect of the view that ‘the elected government of the day sets the policy and our job is to find ways to do it’, in the words of one official (interview, Immigration Department official AU39). The tendencies were amplified by the demise of tenured employment for senior public servants, which served to increase the political control by governments over the bureaucracy (Verspaandonk and Holland, 2003: 3-4). This development began in the 1970s and accelerated in the years leading up to the 1996 election (Weller, 2001: 24-34). It was further advanced when the Howard government sacked the heads of six government ministries within days of assuming office, including the secretary of the Immigration Department. While not tantamount to a wholesale politicisation, it did serve to make the public service – particularly its senior ranks – more attentive to the agenda of a new government (Mulgan, 1998: 7-8; Rhodes *et al.* 2009: 38; Tiernan, 2006: 322). This responsiveness evidently permeated through the ranks of the Immigration Department.

Discussion

The shift in Australia's political economy can partly explain the widespread support that an expansive and business-friendly labour immigration policy received within the executive branch of the Commonwealth government and from the State/Territory governments and business groups. The transformation from a protectionist to a liberal and internationally integrated economy was profound. Australia's level of external trade as a proportion of GDP rose from 13 per cent in 1970 to 21 per cent in 2008 (Lloyd, C. 2008: 37). This period saw a large increase in the export of services such as tourism and education, particularly to Asia, which by 2006 accounted for more than half of Australian exports (Edwards, 2006: 40, 53-54). Francis Castles and his colleagues claim that 'the repercussions of this process of active engagement with global economic forces have been felt to varying degrees in all policy areas' (2006: 132). Immigration policy was no exception.

The integration between Australian and Asian markets signified a major change from the days of the protectionist settlement and had implications for immigration policy, as well as economic and geopolitical relations. The 1989 Garnaut report said that increased trade with Asia in knowledge-based service industries would mean more people of Asian origin visiting and immigrating to Australia. Indeed, there was enormous growth in immigration among people born in various parts of Asia in recent decades, even if Britons and Europeans still accounted for the largest segments of settlers (see Figure 5.13). By 2007, the days of an immigration policy that explicitly discriminated on the basis of national origin were truly over.

The replacement of protective with liberal market regulations accompanied greater international economic engagement (Lloyd, C. 2008: 32). This had consequences for immigration policy. As discussed in Chapter 3, labour market regulation and immigration controls have a longstanding interconnection within Australia's model of political economy. Under the protectionist settlement, the existence of labour market regulation that protected workers' wages and employment rights and conditions was contingent upon restricting labour supply through immigration control. As the protectionist settlement was progressively dismantled, policies designed to improve workers' employability and their capacity to move freely between jobs gradually replaced protective employment laws. Removing these protections, and the regulatory constraints they placed on employers, would also theoretically add to business dynamism (Mitchell *et al.*, 2001: 15-17). This shift aimed to enhance labour

flexibility in order to match labour supply with labour demand more efficiently in a national economy that was becoming more integrated in competitive international markets. As labour market regulation was interconnected to immigration control under a defensive protectionist political economy, so too were they linked in one of liberal engagement. The premium placed on *human capital criteria* in immigration policy to select the applicants most likely to succeed in the labour market complemented the government's objective to improve worker mobility. The promotion of *employer-sponsored* and *regional schemes* permitted businesses to fulfil their labour requirements efficiently and relatively free of the constraints of domestic labour supply. This reflected a shift in the national policy priorities that underpinned the nature of labour market regulation. When the guiding principle of Australia's political economy was to neutralise class division and promote national unity in the years following federation, tight labour immigration controls had reinforced a model of labour market regulation aimed primarily at protecting the position of resident workers. Now that the political economy had shifted to promote market freedom and international engagement, immigration controls were relaxed to support a labour market regulatory model designed to advance the position of business.

Figure 5.13 Overseas-born population in Australia by region, 1971 and 2006

Region	1971	2006	% increase
British Isles	1,089,000	1,169,000	7%
Other Europe (includes Central Asia)	1,122,000	1,085,000	-3%
West Asia (includes Turkey)	46,000	208,000	352%
South Asia	45,000	266,000	491%
East Asia	30,000	418,000	1293%
South-East Asia	33,000	594,000	1700%
Africa	62,000	267,000	331%
USA and Canada	43,000	100,000	133%
Latin America (includes Caribbean)	13,000	93,000	615%
Pacific	16,000	117,000	631%
New Zealand	80,000	418,000	423%
Total overseas-born	2,579,000	4,735,000	84%
Australian-born	10,177,000	15,122,000	49%

Source: Markus *et al.* (2009): 57

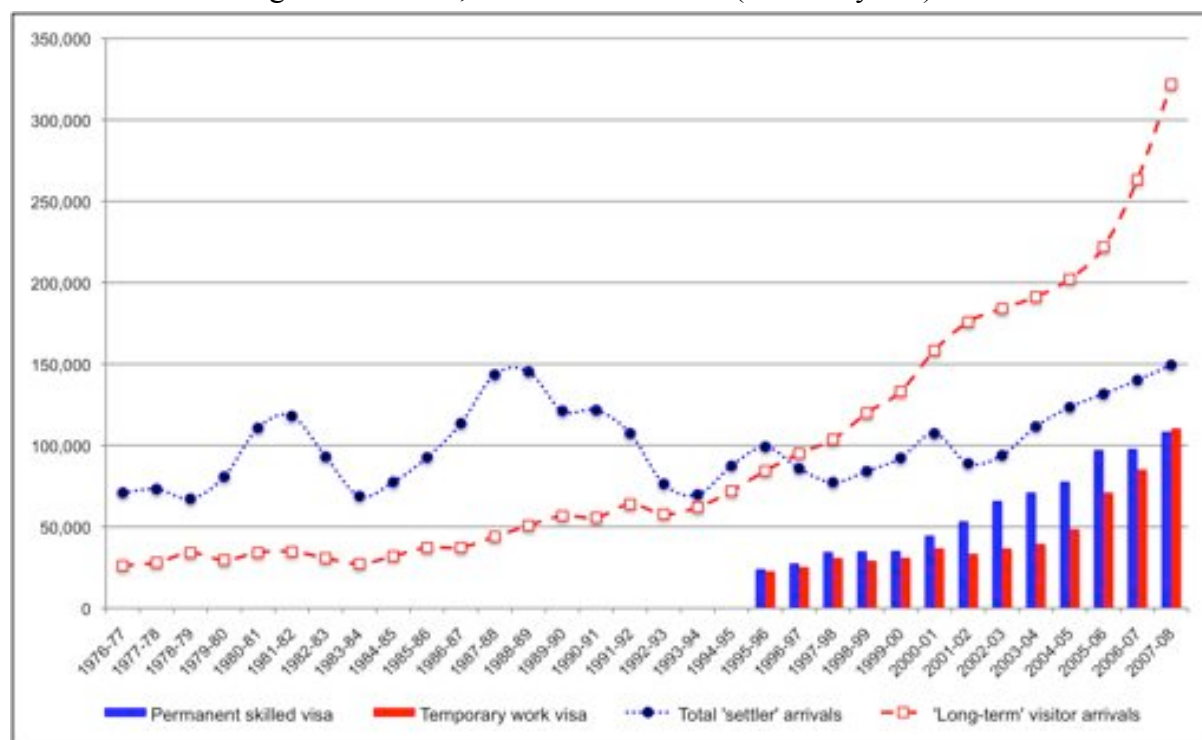
The equation of good immigration policy with good labour market outcomes for business led to the large expansion of the temporary work visa scheme. By 2007-08, the number of people permanently settling in Australia had reached a 20-year high. Skilled visas accounted for much of this growth. However, 'long-term' immigration – a category used to define arrivals that are not short-term visitors, but not necessarily intending to settle permanently – had increased exponentially. Figure 5.14 shows that the large increase in those arriving on

temporary work visas contributed to this growth. The growth of temporary work visas is significant for two reasons. First, Commonwealth governments had consistently rejected temporary labour immigration throughout the post-federation era (Hugo, 2004: 17). Employer exploitation of indentured guestworkers in the plantation industries during the late eighteenth century had ingrained a deep and widespread preference for permanent over temporary immigration (Maclellan and Mares, 2006: 27-29). Second, temporary work visa regulations were relaxed to improve the efficiency with which employers could engage foreign workers. Facilitating business activity in the context of a liberal and open economy motivated this reform, which was the catalyst for increased intakes under the scheme. Giving employers their capacity to, in effect, self-regulate their use of the temporary work visas was consistent with both the Howard government and the Immigration Department's definition of good immigration selection policy. But this development is somewhat incongruous with the lengths that Commonwealth governments have traditionally gone to maintain authority over immigration selection and control.

Business groups had close political and ideological affiliations with the Coalition parties. However, the Howard government's adoption of labour immigration policy reforms that accommodated business interests did not necessarily indicate that it was in thrall to business. Rather, it was a reflection of the confluence in their respective objectives. Business was attracted to *employer-sponsored schemes* because their demand-driven regulation meant they could be utilised quickly in response to short-term labour shortages. The government was attracted to them because their sensitivity to labour demand helped to contain wage growth and minimise inflationary pressure. The liberalisation of financial markets and the floating of the exchange rate in the 1980s had heightened the imperative of containing inflation, but diminished the capacity of Commonwealth governments to do so. However, sponsorship-based labour immigration could act as a possible lever in this respect because it allowed the supply of labour to be increased in response to demand. Business and government goals also overlapped with respect to the *human capital criteria* reforms. An increase in the overall stock of skilled workers followed these reforms, which to an extent helped to supplement the waning commitment of business to workforce training. The reforms also delivered a proportionate growth in workers likely to make a net positive contribution to the national accounts, thus complementing the government's fiscal policy objectives. The expansion of labour immigration therefore came about not simply because of business pressure. The Commonwealth government also used immigration policy as an effective macroeconomic

policy instrument.³⁷ In essence, the confluence of business and government objectives was the main driving force behind the relaxation of labour immigration controls between 1996 and 2007.

Figure 5.14 Settler and long-term arrivals and permanent and temporary labour immigration intakes, 1976/77 to 2007/08 (selected years)



Note: 'Settler' arrivals include visa-holders that intend to settle permanently; 'long-term' arrivals include temporary visa holders (excluding returning residents) intending to stay longer than 12 months

Source: Figure 4.1 (for permanent skilled and temporary work visa statistics); DIAC (2009) *Emigration 2008-09*, Commonwealth of Australia, Canberra, Tables 1 and 2 (for settler and long-term statistics)

Post-script

The Howard government faced few institutional obstacles in implementing its labour immigration policies, and major opposition to its agenda was not evident during its time in office. Green groups that voiced concern about the environmental impact of increased immigration levels gained little traction. Ethnic community groups occasionally called for a larger allocation of the immigration intake for the family rather than labour and skilled categories, but to no avail. While often expressing similar sentiments, the opposition parties did not use Parliament to obstruct the government's major legislative initiatives. Nevertheless,

³⁷ Immigration policy was used to such a large degree in this respect over recent years that one prominent economics commentator claimed that it became 'the unspoken third arm of official economic policy' (Pascoe, 2010).

after the demise of Hanson and particularly after the 2001 election, labour immigration policy received scant attention – negative or otherwise – either in Parliament or the broader forums of political debate, such as the media. The subsequent rising of intake levels to previously unreached heights makes this development rather remarkable.

One notable exception to this was the growing opposition from the trade union movement to the regulation of temporary work visas. In 2005, the Howard government sought to remove any remaining protectionist elements of labour market regulation by abolishing compulsory arbitration, weakening employment protection mechanisms and significantly curtailing the ability of unions to represent workers. Despite the significant decline of its political influence, the union movement launched an orchestrated campaign against the new laws. As part of this campaign, unions drew attention to various cases of immigrant worker exploitation to attack the temporary work visa scheme. Unions claimed that weakened minimum standards for wages, employment conditions and job protection left visa holders more vulnerable (cf. *The Advertiser*, 2006; *Canberra Times*, 2006). The Labor opposition also grew increasingly critical of the scheme's regulation. The campaign against the Howard government's labour law reforms began to have an evident impact upon the Coalition's standing in opinion polls. Civil penalties for companies and individual employers caught breaching their legal obligations were introduced, according to Kevin Andrews, largely in response to controversies surrounding the instances of worker exploitation. These cases were contributing to diminished public support for temporary work visas, which was particularly problematic given the persistence of labour shortages (interview, Immigration Minister AU34; cf. Immigration Minister, 2007b).

There has been a reversion to a more restrictionist labour immigration policy since the Coalition's defeat at the November 2007 election. Despite its involvement in the union campaign against temporary work visa regulations in 2005, the ascent of a Labor government did not herald a more restrictive labour immigration policy. Rather, it initially followed the example of its predecessor and further increased intake levels. The permanent immigration programme for 2008-09 was increased by 38,000 to 190,000 as the economy continued to expand. The rise of skilled categories by 31,000 represented both the largest ever single-year increase and overall intake.

The downturn in the Australian economy was comparatively mild following the onset of the global financial crisis in late 2008, but labour demand nonetheless contracted. So too did the permanent skilled immigration, which was cut by 24,400 places (or 19 per cent) in early 2009. (Markus *et al.*, 2009: xii-xiii). The government's ability to implement this reduction was thwarted by a large backlog of visa applications built up from before the crisis. Priority was given to processing ENS and State/Territory sponsored visas and Independent visa applicants with an occupation on the newly established 'critical skills list'. Applicants with qualifications in ICT, medical, accounting and engineering – which remained in high demand – were consequently given priority and trades professions were sent to the bottom of the processing queue (Birrell and Perry, 2009: 64-70; Mares, 2009b).

The financial crisis was not the sole motivation for these changes. The Labor government was also concerned that many international students transferring to permanent skilled visas were undertaking vocational training courses simply to meet the points test requirements for permanent residency, rather than utilising the qualifications nominated in their applications. The establishment of a strong student-work visa pathway had led to a large rise in foreign nationals undertaking tertiary education (see Chapter 4). The rapid growth in private vocational colleges offering courses for qualifications on the MODL directly contributed to this trend. Mares claims that most of these colleges were legitimate and provided quality education and training. But many of the colleges offering courses for occupations in persistent short supply, such as cooking and hairdressing, were 'nothing more than visa factories'. This undermined the reputation of the Australian tertiary education industry, and contributed to the visa-processing backlog. In the hope of addressing these concerns, the government abolished the MODL in February 2010 and thereby weakened the student-work visa pathway (Mares, 2010).

Pockets of labour demand persisted across the economy despite the financial crisis. This allowed intake levels to remain steady for the demand-driven temporary work visa scheme (Markus *et al.*, 2009: xiii). However, the number of entrants has dramatically declined after various restrictions were made to its regulation (*The Age*, 2010). In April 2009, the Labor government raised the standard of English proficiency required by applicants, increased the minimum salary level, and specified that employers had to demonstrate stronger commitments to training before utilising the scheme. These changes followed a review into the regulation of

the temporary work visa scheme, which was initiated after trade unions alleged that employers were using the visas to drive down labour costs (Mares, 2009a).

The re-emergence of union antipathy towards labour immigration can be explained by the major reform of the Australian labour market over the previous two decades. Writing prior to the replacement of protectionist labour market regulation with a liberal model, Quinlan and Lever-Tracy prophetically warned that ‘a shift towards a more deregulated labour market which undermines union influence and the arbitration system, could foment divisions within the labour market and arouse strident union and working class hostility to further immigration’ (1990: 161). Changes to labour market regulation exposed the potential drawbacks of temporary work visas for both resident and migrant workers, even if they produced benefits for business and government. As Kinnaird notes, ‘the fundamental point about the ... visa is that employers can sponsor skilled migrants without any reference to whether there is a skill shortage in the field or not’ (2006: 53). This was not particularly problematic in an economic environment of employment growth, and a regulatory environment that maintained a sufficient level of protection for worker rights and wage benchmarks, even in the context of an otherwise liberal regulatory framework.

The recent decline in labour immigration intakes is thus partly the result of the – perhaps predictable – tensions created by the erosion of these protections by the labour law reforms of 2005, and the removal of checks and balances on employers’ use of temporary work visas. These developments combined to offer possible incentives for employers to engage immigrant rather than resident workers. Having said that, contracting labour demand has also evidently impacted on falling labour immigration. This is consistent with the post-war pattern of intakes, which increased during periods of economic growth and declined during or in the aftermath of downturns.

Aside from these regulatory changes, the Labor government that was first elected in 2007 embraced the fundamental premise of the Howard government’s immigration policy: that it should be designed in accordance with national economic interest, as defined by optimal labour market outcomes for immigrants and employers alike. However, both Labor and the Coalition pledged to work towards a lower immigration intake during the 2010 election campaign, evidently in response to a rise in community support for slower population growth. Concerns relating to environmental sustainability, increasing congestion and a lack of

sufficient infrastructure in the major urban centres, and another rise in the arrivals of seaborne asylum seekers, seemingly contributed to these sentiments. There was also a visible backlash against the endorsement by Kevin Rudd (Prime Minister from November 2007 to June 2010) for a ‘big Australia’, and a 60 per cent increase in the national population by 2050. But the major increase in recent immigration – particularly temporary immigration in the form of international student and temporary work visas – also appeared to play a part (Sloan, 2010; *Sydney Morning Herald*, 2010).

Conclusion

By the time the Howard government was voted out of office in November 2007, the labour immigration intake was at its highest level in Australian history. A long period of economic growth combined with various structural weaknesses in the domestic labour market led to increased labour demand, which drove the relaxation of labour immigration controls. But other institutional factors were also at play. The incumbent Coalition parties initially saw an immigration selection system that favoured human capital over settlement criteria as a way of both gaining political leverage against the opposition Labor Party, and containing the appeal of Hanson’s anti-immigration populism. However, they gradually came to see a selective expansion of immigration as compatible with their broader economic agenda and pro-market inclinations.

The Immigration Department’s institutional preference for a selection policy based on delivering measurably positive economic and labour market outcomes assisted the process of policy change. State/Territory governments and business groups shared these objectives and their persuasions influenced the Howard government’s growing inclination towards more liberal labour immigration controls. Political and ideological affinities resulted in greater access to policy-making for business groups, but previously influential organised interests were neutered. Nonetheless, the government faced minimal opposition in relaxing labour immigration control, including from the broader community. It is likely that the Howard government’s political manipulation of broader issues relating to immigration control increased popular acceptance of the case for labour immigration liberalisation, although this was undoubtedly helped by the buoyant economic climate.

While some of the elements its reforms were radical, they were shaped by three longstanding features of Australian immigration policy discussed in Chapter 3: immigration continued to be

used as a policy instrument for nation-building; the state retained a strong role in controlling immigration flows; and the nation's geography shaped policies pertaining to immigration selection and control. Each of these three features was adapted to shifting contexts and demands in shaping the development of immigration policy between 1996 and 2007.

As was the case with the changes to immigration policy in the periods after federation and the Second World War, immigration policy was used to facilitate national economic prosperity between 1996 and 2007. The manner of its utilisation was adapted to shifts in Australia's political economy and the regulation of its markets. The affirmation by the Howard government of labour market success among applicants, in the form of human capital attributes, as the principal basis of immigrant selection – rather than family connections or nationality – indirectly stemmed from the transition from protectionist defence to liberal engagement.

Economic recession and political barriers impeded the moves by previous governments to make corresponding adjustments to immigration policy. Free of such constraints, the Howard government willingly adopted a model of selection based on the likelihood of labour market success, both among individual applicants and sponsoring employers. This helped to facilitate shifts in the Australian economy towards the internationally integrated knowledge industries upon which it had become increasingly dependent for wealth-creation.

Tight labour immigration controls had once been justified on the basis of protecting the wages and employment conditions of the resident workforce. The efficacy of such restrictions were seen not only as redundant but also potentially harmful to business competitiveness in a more open economy. Moreover, the greater subjugation of economic policy to the whims of global markets prompted the Howard government to use immigration as a macroeconomic policy instrument.

The shift to a political economic model of liberal engagement also had implications for the state's role in controlling immigration. The Howard government gave business greater control over immigrant selection, since it used good business outcomes as a yardstick for gauging good immigration policy. But the government also intensified efforts to prevent the entry of those prejudged as unlikely either to succeed in the labour market, or to deliver a net dividend to the Australian economy. This was evident both in the diminished scope for family category

entrants, and the lengths to which the government went to prevent the arrival of a comparatively small number of seaborne asylum seekers.

Despite Australia's protectionist history and its longstanding maintenance of a racially discriminatory immigration policy, engagement with Asia and the increase of Asian immigration occurred with relatively minimal controversy (the brief popularity of Hanson being the one main exception). But it is quite likely that a lingering sense of vulnerability about Australia's geopolitical position as a still predominantly Western-identifying nation surrounded by Asia underpinned the popularity of Howard government's stance on asylum seekers, as a number of authors suggest (Freeman, 2004a: 174; Markus *et al.*, 2009: 48-50). However, research by McAllister shows that the community's broad acceptance of the government's premise for its actions – that is, that it had a sovereign right to determine who should be permitted entry, and a duty to defend the inviolability of border controls – also fostered popular support (2003: 454-459).

The preoccupation of Commonwealth governments and the Immigration Department with immigration control have undoubtedly been shaped by Australia's geographical isolation. But an overt and perhaps exaggerated sense of vulnerability towards unwanted immigration has been matched by an equally overt insecurity over its ability to attract desired immigration. Technological advancements made Australia much easier to reach than in the past, but the increased competition for labour from other nation states had an evident impact on the Howard government's labour immigration reforms. The 'tyranny of distance' factor thus continued to shape Australian immigration policy, but the proliferation of *regional schemes* shows that it took on a new dimension between 1996 and 2007. Not only did policies incorporate incentives to attract prospective labour immigrants *to* Australia, but also *within* Australia, through the various carrots offered for the settlement in regions with population and labour shortages.

The Howard government's relaxation of labour immigration controls can be seen as an adaptation of these three resilient features of Australian immigration policy to contemporary contexts. But what Hugo calls the 'culture of migration' characterising Australia's immigration politics also explains policy developments between 1996 and 2007. The inclinations of government – be it Commonwealth or State, Coalition or Labour – and organised interests, such as business, to look to immigration policy to solve broader policy

dilemmas reflects a general level of consensus by the major parties, institutions and stakeholders, and across the broader community (at least to a greater degree than in other developed states) that, if properly regulated, immigration can be beneficial to the national interest.

The prospects of a reversion to the incoherence that marked immigration selection policy between 1972 and 1996 are minimal. A bipartisan consensus seems to have been established around a human capital orthodoxy as the principal basis for selection. However, economic slowdown and rising concerns about environmental sustainability and urban congestion indicate that the immigration policy-making contexts have once again changed. Moreover, the combination of a more liberal labour market and the lax regulation of temporary work visas may have contributed to the recent rise in community antipathy towards expansionary immigration. While it is difficult to assess the significance of recent events, it could well be the case that Australian immigration politics has once again reached a crossroad.

SECTION III
THE UNITED KINGDOM

CHAPTER 6
THE POLITICS OF UK LABOUR IMMIGRATION PRIOR TO 1997

CHAPTER 7
THE LIBERALISATION OF UK LABOUR IMMIGRATION POLICY, 2000-2004

CHAPTER 8
THE STRUCTURAL AND INSTITUTIONAL DYNAMICS OF UK POLICY CHANGE

CHAPTER 6

THE POLITICS OF UK LABOUR IMMIGRATION POLICY PRIOR TO 1997

Recent developments in UK labour immigration policy cannot be understood without reference to the historical and institutional contexts that shaped the contours of policy-making. In the mid 1990s, the UK was widely characterised as having the most restrictive immigration selection criteria of any developed economy. According to various scholars, the policies of the Thatcher and Major governments had aimed to keep inflows to the ‘irreducible minimum’ (Salt, 2006: 252). It was claimed that in contrast to its European counterparts, the UK had ‘succeeded in restricting immigration where others had failed’ (Somerville, 2007: 4). These governments has supposedly demonstrated that it was indeed ‘possible to limit unwanted migration’ (Freeman, 1994: 297), through ‘horrendously tight’ immigration controls (Layton-Henry, 1994: 293), and an ‘exceptionally strong and unrelenting hand in bringing immigration down to the inescapable minimum’ (Joppke, 1999: 100). The UK was said to represent ‘Europe’s (and the Western world’s) closest approximation to a successful zero immigration country’ (Hansen, 2004: 338). According to Messina, this restrictionism was so entrenched by the time the Blair government came to office that UK policy-makers were ‘effectively prohibited from choosing the policy option of new labour migration’. He claims that they were ‘imprisoned’ by a path dependent legacy of ‘entrenched cultural and political hostility’ going back to the 1960s. An ‘illiberal and restrictive “ideological framework”’ was so ‘deeply embedded’ that expansionary labour immigration was effectively removed ‘from the menu of politically viable policy options’ (Messina, 2001: 267-268). This was apparently the case even when there were sound economic reasons for pursuing such policies (Freeman, 1994: 298). Writing three years before the 1997 election, Layton-Henry asserted:

Immigration and related issues have been heavily politicised in the post-war period, to such an extent that it is now a powerful constraint on policy makers... The case in favour of immigration in terms of economic advantage, capital investment, expanding the labour force, international contacts and trade, and the acquiring of enterprise and entrepreneurial skills has little salience in public debates. The weight of public and media opinion tends to focus on the disadvantages of immigration and the need for tough immigration controls (Layton-Henry, 1994: 276).

Between 2000 and 2004, policymakers in the UK were able to defy this trend by relaxing labour immigration controls to an extent greater than anywhere else in Western Europe. The UK's 'exceptionalism' was thus turned on its head. In understanding how and why the Blair government was able to embark on this shift, it is important to explain the reasons for the restrictionist legacy that it inherited.

This chapter examines the politics underpinning the UK's post-war labour immigration and related policy developments. The next section provides a brief outline of labour immigration policy developments prior to 1945, with a focus on the development of immigration control from the early 1900s. An overview is then given of the expansion of labour immigration in the period from 1946 to 1962. The policies introduced to limit labour and secondary immigration from the Commonwealth, and the reasons for these shifts, are then assessed. This is followed by a discussion of developments relating to European and skilled immigration after 1973. The relevant institutional contexts inherited by the Blair government are then examined. This sets the scene for Chapters 7 and 8, which explore the liberalisation of labour immigration controls between 2000 and 2004.

Labour immigration policy prior to 1945: The advent of selection and control

Despite the restrictionist characterisation of UK immigration policy in the mid 1990s, it was not always the case. Until the early twentieth century, foreign nationals were more or less free to enter the UK as they wished. As Ryan says:

Throughout the nineteenth century, the principle of the free movement of people was accepted by the political elite in Britain... The understanding of the time was that labour migration was a necessary concomitant of a successful trading economy. The interests of the British state in maintaining a global empire discouraged the view that movement across national borders should be restricted (2005: 10).

The passage of the 1905 Aliens Act heralded a significant shift in immigration control (Saggar, 1992: 27). Brought about in response to large waves of predominantly Jewish immigration from Eastern Europe, it represented the first attempt by UK legislators to impose restrictions on immigration (Spencer, I. 1997: 10). Under the 1905 Act, authorities were permitted to prevent entry to or deport those legally defined as 'aliens' (that is, those who

were not British ‘subjects’) who they adjudged to be incapable of supporting themselves (Money, 1997: 699; Winder, 2004: 259-260).

The Aliens Restriction Acts of 1914 and 1919 introduced a series of more specific controls with direct implications for the rights of foreign nationals to work. The 1919 Act specified that ‘aliens’ wishing to engage in employment had to obtain a Work Permit from the Department of Employment, which required sponsorship for a particular job from an employer. To successfully apply for Work Permit, a sponsoring employer had to demonstrate that no suitable candidate could be found within the domestic labour force. The person sponsored was required to be sufficiently skilled and experienced, and their engagement could not undermine established norms regulating wages and conditions (Layton-Henry, 1985: 104-105). These criteria remained largely unchanged for the next 80 years, and Work Permits provided the main avenue for foreign nationals to work legally until 1945 (Salt, 2006: 261-262).

Labour immigration policy from 1945 to 1962: A period of expansion

The UK’s post-war labour immigration schemes started earlier than in other Western European states. After the 1945 general election, the incoming Attlee government set out to expand secondary industry and the public sector as part of its plans for economic reconstruction. It soon became apparent that a shortage of labour stood in the way of these ambitions, which was compounded by the emigration of some 750,000 Britons between 1946 and 1950 (Layton-Henry, 1985: 89). Policymakers turned to foreign labour to meet this shortfall, which was delivered from three sources: continental Europe, Ireland and the British colonies.

European labour immigration was facilitated by two policies. The Polish Resettlement Act 1947 granted work and settlement rights to Polish soldiers that had fought under British military command. Through the establishment of the European Voluntary Workers programme in 1946, the government also recruited hundreds of thousands of displaced Central and Eastern Europeans, and prisoners of war from Germany, Italy and the Ukraine, to fill specific labour shortages. However, the scheme was abandoned four years later (Ryan, 2005: 12). Labour requirements primarily drove these policy decisions, but neither business groups nor trade unions played any notable role in their development. At the direction of Cabinet, government ministries such as the Ministry of Labour, the Foreign Office, and the

Home Office instigated the European Volunteer Workers and Polish resettlement schemes, with no major support or dissent evident among the opposition parties, organised interests or the broader community. Moreover, it was these ministries, rather than business, that undertook recruitment for both schemes. Selection was based on general qualifications and candidates were assigned to specific employment upon arriving in the UK (Freeman, 1979: 180-182; Paul, 1997: 67-78).

The second source of post-war labour immigration came through the exceptional status granted to Irish nationals under the British Nationality Act 1948 ('the 1948 Act'). This allowed them to work freely, resulting in over 50,000 Irish nationals entering the UK labour market on average each year until the end of the 1950s. The initiative was largely driven by the potential incongruity of categorising Irish nationals according to the terms of the 1948 Act.³⁸ Immigration controls would have been required if they were classified 'aliens', which would have been bureaucratically cumbersome and difficult in practice. Many had served in the British defence forces and remained in the UK after the war. 'Subject' was considered an unacceptable classification by the Irish government, as it had recently fought the UK for its independence. However, Paul claims that the Irish government – still yet to proclaim a republic – was keen to 'reject the *status* of British subject', but had no desire 'to do away with the *rights* of British subjecthood' (1997: 98, emphasis in original). The UK government's solution was to categorise the Irish as neither subjects nor aliens, but they were effectively given all of the legal privileges of the former. The UK's labour needs, and a stagnant economy and high unemployment levels in Ireland, enhanced the attractiveness of this solution. This specific factor helped to shape the outcome of the Attlee government's decision on the legal classification of Irish nationals under the 1948 Act (Paul, 1997: 90-110).

The 1948 Act also facilitated the third source of foreign labour by granting citizenship and the right to work freely to the nationals of all Commonwealth states and colonies. The 1948 Act resulted in some 500,000 people from the Commonwealth entering the UK between 1948 and 1962. Arrivals from the so-called 'New Commonwealth' colonies in Africa, the Caribbean and South Asia vastly outnumbered those from 'Old Commonwealth' states such as Australia, Canada, New Zealand and South Africa (Messina, 2001: 262; Money, 1999a: 67-68; Paul,

³⁸ Irish nationals were still at the time recognised as subjects under UK law, despite the establishment of the Irish Free State and the passage of the Irish Citizenship Act 1935 (Ryan, 2001: 859-860).

1997: 90). In legal terms, these people were not immigrants, but rather extra-territorial citizens exempt from immigration control and with an uncontested right to permanent settlement (Hansen, 1999b: 94). Labour shortages were not the government's main motivation in facilitating Commonwealth immigration (Hatton and Wheatley Price, 2005: 123; Messina, 2001: 263). Hansen argues that the Attlee government explicitly rejected using Commonwealth immigration to meet labour shortages (2000: 5). Much of the immigration from the New Commonwealth was relatively unorganised and voluntary. Many paid their own way, rather than having their passage subsidised through labour recruitment programmes, as was characteristic of the post-war immigration schemes of other states (Layton-Henry, 1992: 12).

The facilitation of Commonwealth immigration was initially motivated by a desire to re-establish uniformity in legal status among British subjects. This uniformity had been weakened through separate citizenship legislation in Canada and Ireland a few years earlier. The 1948 Act granted citizenship according to the Roman-derived notion of *civis Britannicus sum* to all British subjects, each of whom were considered to have an identical relationship with the Crown, irrespective of whether they were resident in the UK. According to Hansen, the Act equally bestowed the 'full privileges in and the full protection of the United Kingdom', including all rights of movement and employment (2000: 251). He claims that the creation of 'a definition of citizenship including Britons and colonial subjects under the same nationality' was done 'before large-scale migration was considered possible', and 'for reasons that had nothing to do with migration'. The 1948 Act therefore did not intend to encourage colonial labour immigration, even if it had this effect (Hansen, 2000: 17).

The Colonial Office and its respective ministers were at the forefront of these decisions concerning post-war Commonwealth labour immigration. While other ministries such as the Ministry of Labour favoured imposing controls, the Colonial Office advocated free movement. The latter was able to garner support for its position through the 1950s largely because of a bipartisan objective to preserve close relations with Old Commonwealth states. The Conservative Party, in government from 1951 to 1964, was particularly committed to this objective. Hansen says that the Old Commonwealth states were 'central to the UK's economic and foreign policy; they contributed to its international prestige and influence; and they ensured the flourishing of the English language and British culture in the international arena' (2000: 19).

From the mid-1950s onwards, governments toyed with the possibility of restricting working rights for Commonwealth subjects. Despite its commitment to the Old Commonwealth, Hansen argues the Conservative government was:

[Only] superficially and residually committed to the entry rights of New Commonwealth citizens... When New Commonwealth migration picked up in the 1950s, politicians could not bring themselves to apply controls to Old Commonwealth citizens. At the same time, there was selective, but uncompromising, resistance to applying racially discriminatory restrictions (Hansen, 2000: 17-18).

This was particularly the case in 1955, when the Colonial Secretary threatened to resign when the prospect was raised in Cabinet, saying that he would accept either blanket immigration controls over all Commonwealth subjects or none at all. Consequently, Cabinet chose to maintain unfettered New Commonwealth immigration over imposing restrictions on all colonial subjects (Hansen, 2000: 19). Joppke claims that New Commonwealth immigrants were therefore ‘never actively solicited but passively tolerated for the sake of a secondary goal – the maintenance of empire’ (1998: 271).

The implementation and maintenance of unrestricted entry to Commonwealth subjects between 1948 and 1962 occurred in a low salience environment. The unrestricted inflow of colonial immigration provoked minimal concern in the broader community in the decade after the 1948 Act was passed. The issue was ‘low ... on the list of government priorities’, according to Hansen (2000: 246-247). The existence of a liberal labour immigration policy was therefore made easier by the absence of major political sensitivity attached to the issue. However, the salience surrounding New Commonwealth immigration soon increased. During the latter half of the 1950s, annual labour immigration inflows from Europe and Ireland were comparable and often larger than from the New Commonwealth (Spencer, I. 1997: 91). But public opinion on colonial immigration turned decidedly negative after race riots erupted in London and Nottingham in 1958 (Hansen, 1999b: 95). The issue remained highly salient in the wake of the riots and the introduction of restrictions became increasingly likely. This resulted in a significant upsurge in colonial immigration before restrictions eventuated in 1962 (Freeman, 1979: 24). Immigration flows from the New Commonwealth alone increased from less than 65,000 in 1959 to some 200,000 in 1961 (Money, 1997: 700).

The expansion of labour immigration from 1946 to 1962 was motivated by a variety of considerations, principally relating to macroeconomic, citizenship and foreign policies. The decisions that facilitated all three sources of labour immigration were driven from within the executive branch, rather than pressures outside of government. Labour and Conservative governments over this period were able to devise and implement a series of liberal immigration policies free of external pressure because it was ‘not an electoral issue’, according to Messina (2001: 268-269). However, this changed from the late 1950s, when events such as the 1958 riots generated greater interest among pressure groups and increased media scrutiny (Karapin, 1999: 429-432).

Commonwealth immigration policy from 1962 to 1997: A period of restriction

European, Irish and Commonwealth immigration between 1946 and 1962 helped provide the UK with workers to assist in the post-war reconstruction effort, whether or not this was the intended effect of policy change. Messina claims that the European and Irish labour immigrants ‘precipitated barely a political ripple’. By contrast, Commonwealth immigration ‘left an enduring political legacy’ and definitively shaped immigration politics over the rest of the century (Messina, 2001: 264). Over the course of the 1960s and 1970s, a series of laws wound back the provisions of the 1948 Act for Commonwealth citizens to enter and work freely in the UK. Family immigration, race relations and citizenship, as well as labour immigration, were at issue.

The Commonwealth Immigrants Act 1962 (‘the 1962 Act’) restricted colonial labour immigration. It specified that primary immigration was available only to British subjects in possession of a voucher issued by the Ministry of Labour under three quota-based categories. Category A was created for pre-arranged employment, Category B for specific skills in short supply, and Category C for lower-skilled labour shortage occupations, with preference given to those that had served in the British armed forces (Messina, 2007: 109-110; Money, 1999a: 68-69). Category C was abolished in 1965 and the Wilson Labour government tightened the eligibility criteria of the other two categories on several occasions (Hatton and Wheatley Price, 2005: 124-125; Karapin, 1999: 429; Winder, 2004: 371-375). These changes resulted in a substantial decline in primary labour immigration, particularly among those from the New Commonwealth. The total number of Labour Vouchers issued to New Commonwealth nationals declined from 38,802 in 1963 to 2,865 in 1971 and for Old Commonwealth nationals from 2,299 to 897 over the same period (Hansen, 2000: 265). Most of the

immigrants from the Commonwealth prior to 1962 were workers without dependents and few intended to settle permanently (Messina, 2007: 108). Such expectations changed when the available routes of entry narrowed, with many instead deciding to stay and to send for their partners, children and other family members. Despite the large decline in labour immigration after 1962, there was a large subsequent increase in secondary immigration. Women and children made up a small fraction of the New Commonwealth nationals arriving in the UK before the passage of the 1962 Act, but within a decade they represented around 75 per cent of total inflows (Messina, 2001: 262-263; Winder, 2004: 374).

Two subsequent laws heralded a further dwindling of both primary labour immigration and secondary immigration. The Commonwealth Immigrants Act 1968 ('the 1968 Act') introduced the concept of 'patriality', whereby 'patrials' (defined as anyone born or naturalised in the UK, or with a parent or grandparent with UK citizenship) were exempt from immigration control.³⁹ Annual quotas were established through the voucher scheme for the primary immigration of 'non-patrials' (Money, 1999a: 69). The Immigration Act 1971 ('the 1971 Act') 'abolished the last vestiges of the old Empire-embracing concept of British subject or citizen', according to Ian Spencer. It specified that, unless they were patrials, those previously defined as subjects were bound by the same entry and working restrictions as other foreign nationals (Spencer, I. 1997: 144). The scope was thus further reduced for colonial labour immigration, as an individual's rights to citizenship and immigration were now linked to their connections with the UK, rather than to the Commonwealth. The 1971 Act also jettisoned the labour voucher scheme. All non-patrials seeking employment in the UK now had to apply through the Work Permit scheme, which had previously existed only for the now defunct category of aliens. The 1962, 1968 and 1971 Acts collectively represented the endpoint of post-war labour immigration (Ryan, 2005: 15). The number of Commonwealth citizens accepted for settlement declined from 72,508 in 1972 to 33,070 in 1979 (Messina, 2007: 35).

Despite the decline in Commonwealth immigration, the issue remained politically salient. A National Opinion Poll of February 1978 found that over 85 per cent of respondents believed there were too many immigrants in the UK, and more than 80 per cent opposed the admission

³⁹ The main aim of the 1968 Act was to pre-emptively prevent entry to UK citizens of Asian descent that were in the process of being exiled from Kenya (cf. Hansen, 1999a: 810).

of immigrants' siblings and parents (Layton-Henry, 1985: 122). The Thatcher government came to office in 1979 with a pledge to overhaul immigration and nationality laws in order to curtail the remaining inflows of New Commonwealth immigration. When she was Opposition Leader, Margaret Thatcher attempted to tap into this hostility by asserting that the scale of immigration was fundamentally changing the character of some local communities, which she claimed were feeling "swamped" (quoted in Thränhardt, 1997: 178). The Conservative Party's election manifesto had made commitments to restrict Work Permits, introduce settlement quotas, restrict entry to non-dependent family members and redefine entitlements for attaining UK citizenship and residency. A number of these pledges were fulfilled through the passing of the British Nationality Act 1981, which Sagar argues 'effectively closed the immigration door' to the New Commonwealth and extinguished the political volatility of the issue (1992: 135; cf. Layton-Henry, 1994: 286-289; Messina, 2007: 173). According to Geddes:

The election of the Thatcher government effectively shut down debate on immigration because there was nowhere else for ostensibly liberal politicians to go and little scope for the racist extreme right to make a breakthrough. The tough talk of the first Thatcher government actually helped put pay to the immigration issue (2003: 39).

The political sensitivities of colonial immigration returned, however, over the issue of settlement rights for Hong Kong residents prior to the 1997 return of Hong Kong to China. In 1981, the government decreed that settlement rights would be granted only to the 20,000 people who could claim patriality. No such rights were given to the 3.5 million Hong Kong residents with the legal status of 'citizens of the British Dependent Territories' (a classification introduced in the 1981 Act that relevantly superseded the category of subject). In the wake of the Tiananmen Square massacre, UK settlement rights were extended to around 50,000 residents and their dependents in 'essential' or high-skilled occupations, including civil servants, police and defence personnel, and various professional categories (Layton-Henry, 2004: 298-299; Paul, 1997: 185-187; Winder, 2004: 425-427). However, many candidates for primary immigration instead decided to relocate to the US, Canada, Australia, and other states actively seeking to attract skilled and business immigrants from Hong Kong. Winder claims that 'when the time came, those 50,000 passports would turn out to be more than enough: Britain was so successful in getting across its unwelcoming message

that even this small quota was not filled' (2004: 426). According to Hansen, the episode represented the final abandonment of *civis Britannicus sum*:

The year 1948 was the highpoint of this ideal: there was no question of ending the formal right of all British subjects to enter the UK... By 1962, the tradition was abandoned with agonising regret; by 1971, no one was prepared to defend such a position publicly; and by 1991, it is doubtful that few people could even conceive of such an argument ever being made (Hansen, 2000: 251).

Hansen notes that from the end of the Second World War to 1962, the UK 'operated one of the most liberal migration regimes in the world, granting citizenship to hundreds of millions of colonial subjects across the globe' (2000: 16). Why and how did these arrangements change so resolutely? It is informative to return to the period when labour immigration restrictions were first introduced.

Various arguments have been advanced to account for the initial shift in policy in 1962. Joppke claims that there was a 'widely noted absence of economic considerations' in the determination of immigration policy from the early 1960s. Unlike other Western European states, the UK's post-war expansionary labour immigration phase ended for primarily political rather than economic reasons (Joppke, 1999: 102). Supporting this argument, Ian Spencer dismisses the possibility that the 1962 Act came about because of declining labour demand, claiming that restrictions were introduced 'despite labour needs, not because of them' (Spencer, I. 1997: 155). Others claim that policy-makers had racial motivations for restricting colonial labour immigration (cf. Paul, 1997: 132-133). Small and Solomos argue that both Conservative and Labour governments during the 1960s 'were not merely responsive' to public antagonism towards New Commonwealth immigration, but 'actively regulated and racialised' the issue (2006: 240). Layton-Henry asserts that governments went to considerable lengths to maintain open avenues for Irish immigration, while simultaneously tightening controls on Commonwealth immigration (1994: 274; cf. Paul, 1997: 91). Suggestions that racism inspired such double standards overlook the logistical challenge of implementing controls at the UK's shared border with Ireland, particularly compared with enforcing restrictions at its ports (Ryan, 2001: 869-871). Hansen argues that while racial hostility may have mobilised populist pressure, there is no supporting evidence for the claim that policy-makers explicitly rationalised restrictions on this basis (2000: 245-250). However, the labour

immigration policy changes of this era did have a greater impact on New Commonwealth nationals, who made much more extensive use of the voucher scheme than those from the Old Commonwealth (as indicated above).

There is general agreement that the 1962 Act was introduced in the context of emerging populist pressures for immigration restriction. According to Messina, this heralded a shift in UK immigration politics away from 'the elite policy making arena to a wider public, political forum' (Messina, 2001: 266). Money argues that local electoral pressure in the wake of the 1958 riots was the principal reason for policy change. In particular, she cites grassroots mobilisation within the Conservative Party, and pressure from local anti-immigration organisations, as key factors (Money, 1997: 699-707). Karapin disputes the extent to which these factors were important. He says that while the Conservatives were able to gain a small degree of electoral advantage on the issue, it was not one that mobilised significant voter support (Karapin, 1999: 432). Regardless of the extent to which policy-makers responded to grassroots pressure or tightened controls on their own initiative, Hansen claims that the strength of the executive branch allowed reform to be easily implemented:

The door to the Commonwealth closed so quickly because policy-makers faced few constraints on pursuing the tight immigration policy demanded by the public. A strong executive, weak legislature, and tightly controlled judiciary allowed governments to respond to electoral demands with a single-minded success unknown in the rest of Europe or America (2000: 244).

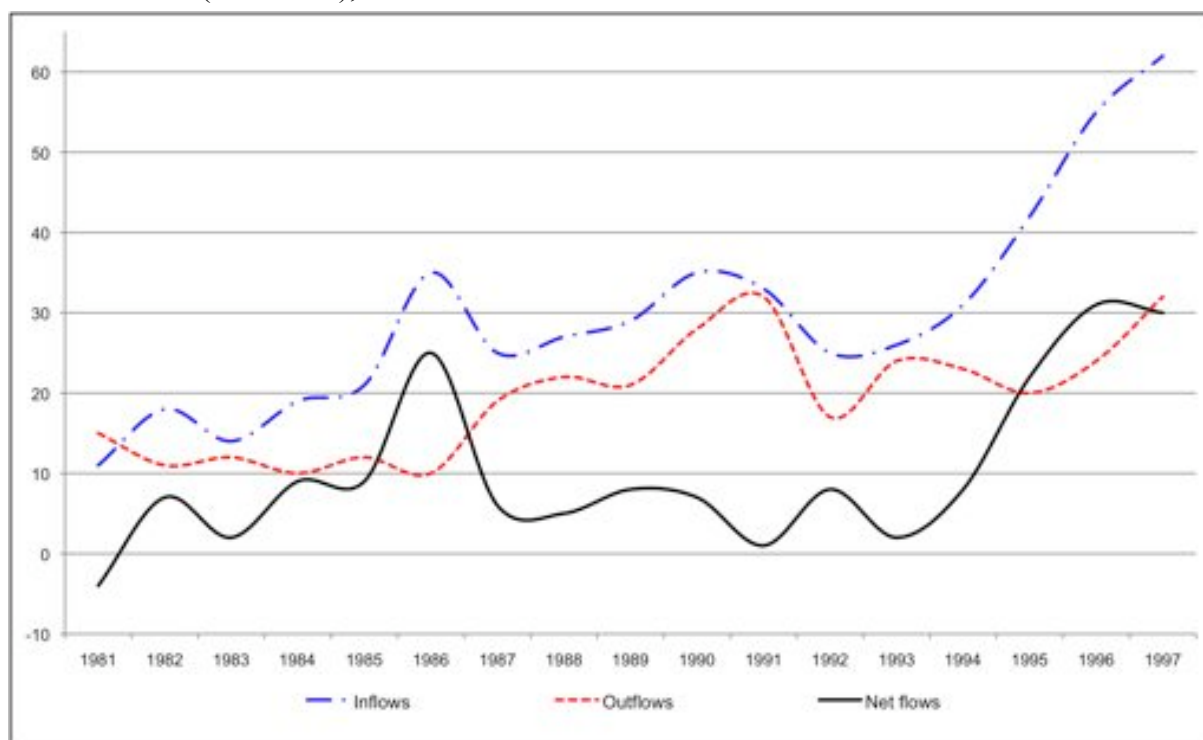
Ian Spencer says that 'at the critical Cabinet meeting in 1961 the Treasury was very clear that Asian and black immigration was of continuing benefit to the British economy and that grounds of economic self-interest could not be used to justify the introduction of restrictions' (Spencer, I. 1997: 155). Be that as it may, it appears that the Cabinet decision to restrict colonial labour immigration owed something to a calculation that the political costs of maintaining New Commonwealth immigration outweighed the benefits of maintaining ties with the Old Commonwealth. The Colonial Office and its ministers successfully tapped into colonial sympathies to gain support for liberal immigration controls in the 1950s. But the persuasiveness of these arguments had ebbed by the following decade.

European and other labour immigration policy from 1973 to 1997: Reflecting a shift in foreign policy priorities

The case of post-war Commonwealth immigration highlights the links between post-war labour immigration policy and family immigration, race relations and foreign policy. With respect to the foreign policy, the weakening of colonial ties was one factor that enabled the tightening of entry to Commonwealth nationals. The UK's burgeoning relationship with Europe explains a contrasting shift in labour immigration policy. On 1 January 1973, the UK became a member of the European Economic Community (EEC), which committed member states to the principle of free movement of labour (Spencer, I. 1997: 143-144). This development enabled both an increase in both migration inflows and outflows between the UK and other EEC states over the following years (see Figure 6.1). According to Ian Spencer, 'by 1983 citizens of the Commonwealth were in a position broadly equivalent to the one aliens had been in 1945. Europeans, who in 1945 had no rights to enter and settle in UK, by 1981 were at liberty to do so' (1997: 150). Changes in labour immigration policy thus corresponded to changing foreign policy priorities.

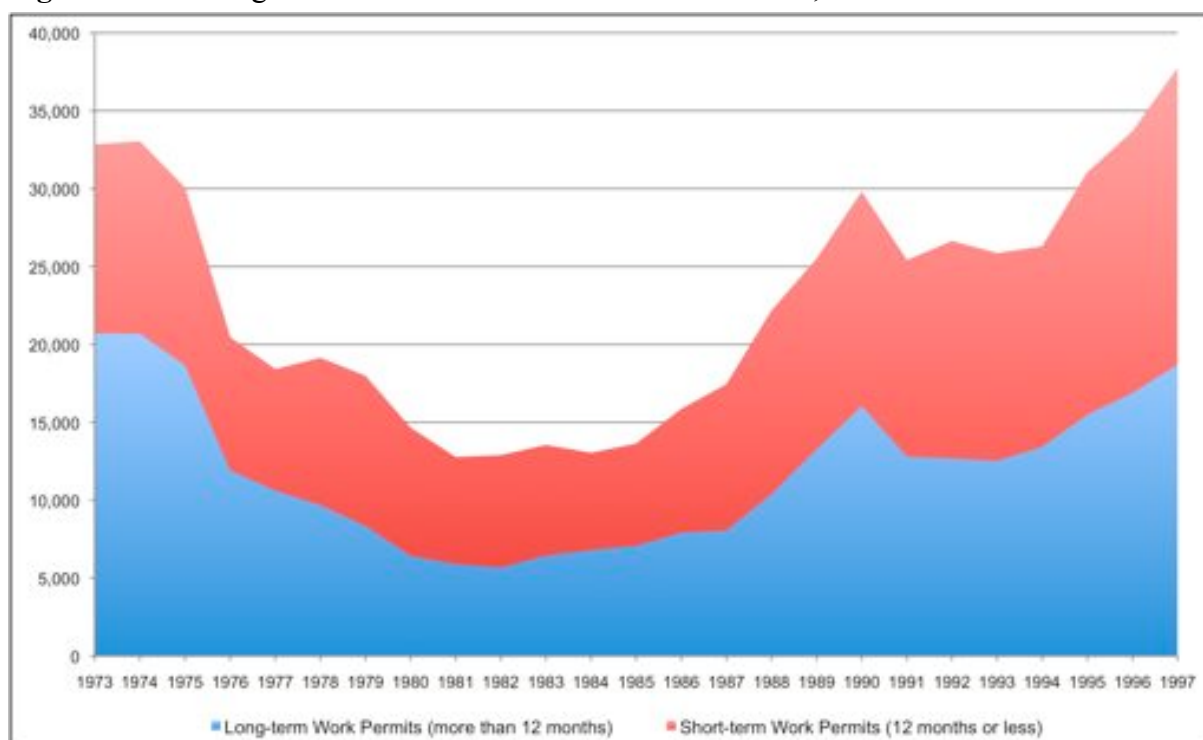
From 1973, Work Permits provided the main labour immigration avenue for non-EEC nationals. The 1971 Act specified that Work Permits would only be granted for jobs requiring a specified minimum skill or qualification level. This resulted in a large decline in the number of permits issued from the early 1970s (see Figure 6.2). The Conservative Party's pledge during the 1979 general election to "severely restrict the issue of Work Permits" came to nothing once it assumed office (quoted in Layton-Henry, 1994: 286). A series of reviews by the Thatcher government into the operation of the scheme found that it was functioning effectively. No significant changes were made to the regulation of Work Permits, and the number issued in fact increased from the mid 1980s (Salt, 2006: 252-253). In 1991, the Major government loosened the Work Permit criteria by creating a 'two-tiered' system, with an additional category introduced to provide streamlined sponsorship mechanisms for intra-company transfers and occupations in shortage (Rollason, 2004: 136).

Figure 6.1 International migration flows between the UK and EU-15 member states (thousands), 1981 to 1997



Source: Salt (2005): 11

Figure 6.2 Long-term and Short-term Work Permits issued, 1973 to 1997



Source: Dobson *et al.*, (2001): 225

In 1994, the government established another avenue for European labour immigration by ratifying the European Agreement of 1991, which facilitated the entry of Central and Eastern Europeans. This allowed nationals from EU candidate states to establish their own businesses in the UK, resulting in increased inflows of self-employed and contract workers, especially from Poland (Drinkwater *et al.*, 2009: 164). The arrival of greater numbers of Europeans and skilled workers would be key features of UK immigration policy and politics in the following decade.

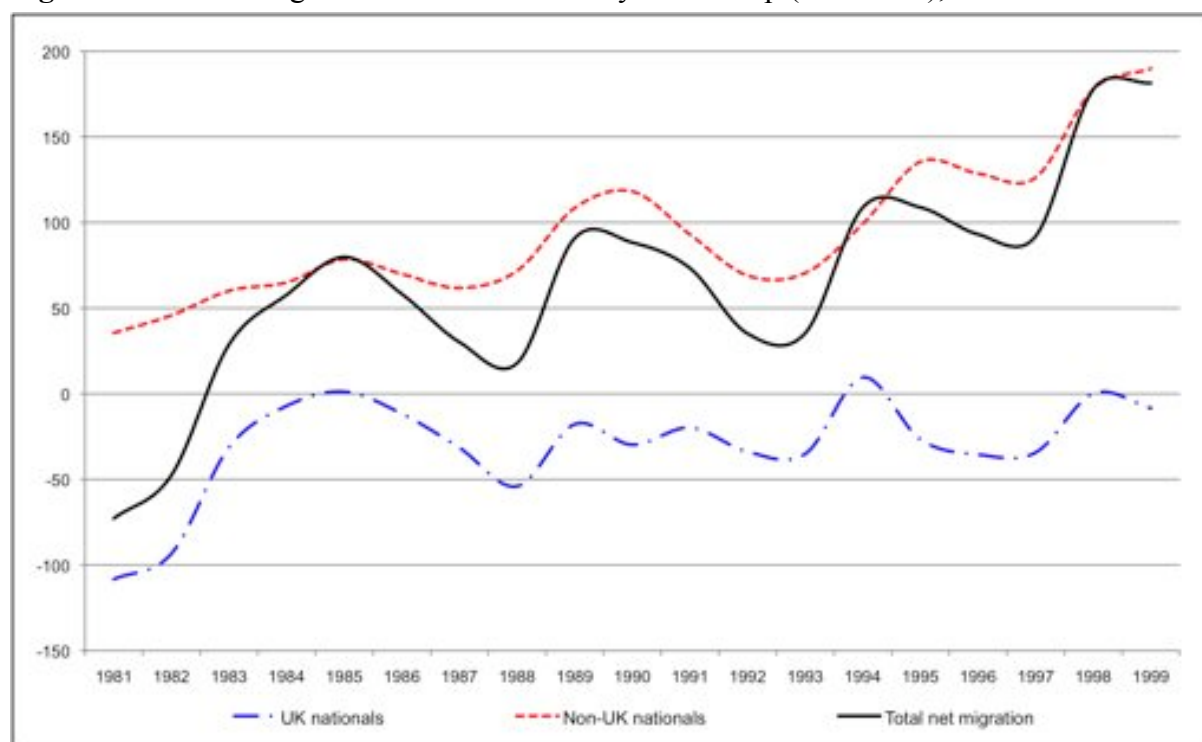
Labour immigration policy contexts inherited by the Blair government

When the Blair government was first elected, the economic climate was becoming more conducive to a liberal shift in labour immigration policy. The performance of the UK economy was rather sluggish between the 1960s and the 1990s, and the resident workforce provided a largely adequate supply of labour, but this situation had begun to change by 1997. Labour shortages in the public sector were constraining the capacity of the government to deliver adequate services, particularly with respect to education and health care. There was growing concern about the implications of population ageing for future labour supply and the cost of pensions. According to Layton-Henry, these pressures allowed the relaxation of immigration controls to be defended as economically beneficial (2004: 299). Net migration in fact reached positive levels in the early 1980s and steadily increased thereafter (see Figure 6.3). Particularly after the recession of the early 1990s, a more buoyant economy and a flexible labour market created a growing number of job opportunities. The English language emerged as the global *lingua franca* (Hansen, 2004: 340), and increasing numbers of Europeans utilised their rights to freely work in the UK (cf. Favell, 2008a: 35-36). But it still remained relatively difficult for non-EU nationals to work legally in the UK (Winder, 2004: 408, 442). Moreover, there were various institutional and political barriers to a liberalisation of labour immigration policy.

A ‘gatekeeper’ mentality within the Home Office (the government ministry responsible for immigration policy), and a bipartisan policy consensus to strict immigration controls appeared to institutionalise the restrictionist legacy inherited by the Blair government. Joppke claims that the Home Office exerted ‘absolutist’ control over immigration across Whitehall (1999: 137). Prior to 1997, the main preoccupation of the Home Office centred on ‘keeping people out of the country and not letting them in’, according to one civil servant (interview, Home

Office official UK40).⁴⁰ However, these arrangements were not wholly applicable to labour immigration, as the Work Permit scheme had always been administered by the Department of Employment (previously known as the Ministry of Labour). But various officials claim that the close connection with other dimensions of immigration policy invariably extended the gatekeeper mentality to labour immigration control (interviews, Home Office officials UK28, UK30, UK31; Home Office adviser UK29).

Figure 6.3 Net migration flows to the UK by citizenship (thousands), 1981 to 1999



Source: Layton-Henry (2004): Table 8.6

A similar outlook appeared to be entrenched within the Conservative and Labour parties. The post-war experience had helped to forge an unspoken bipartisan commitment to maintaining tight controls. This was underpinned by an assumption that a more permissive immigration regime was socially undesirable and economically unnecessary. According to Hammar, a wide perception of ‘deep racial prejudices’ held among the general public underpinned the tenor of UK immigration politics (1985: 286-287; cf. Statham, 2003: 167). Sarah Spencer claims that this was fuelled by the failure of the Conservative and Labour parties ‘to reassure the public that immigration is under control’ (1998: 91). This created the situation where both

⁴⁰ The UK’s island status possibly exacerbated this mentality, as it may have served to focus attention more acutely on the arrival of outsiders, as compared with mainland states (Messina, 2001: 260-261)

parties became 'locked into a public discourse on immigration-related issues in a fashion that effectively prohibit[ed] them from significantly altering the status quo' (Messina, 2001: 273).

The Conservatives were commonly portrayed as more resolute than Labour on immigration control (Law, 1995: 235; Messina, 2001: 260). Yet there were few concrete differences in the records of either party in government. According to Julie Smith, the Conservatives and Labour 'espoused broadly similar policies in practice over the last 40 years, even if their rhetoric has differed' (2008: 415-416). Inter-party differences did exist with respect to settlement policy, with Labour tending to a more liberal approach than the Conservatives. But the existence of a restrictionist consensus on immigration control perhaps resulted in the major parties succumbing to populist pressures more than in other states. One effect of this was that far-right anti-immigration parties were prevented from gaining electoral traction, unlike in many other reluctant states. Conservative and Labour governments often explicitly justified strict immigration controls in the name of preserving harmonious race relations and marginalising the far right (Freeman, 1994: 299-300).

While inter-party differences over immigration may have been infrequent, conflict was often apparent *within* both the Conservative and Labour parties (Money, 1999b: 30-38; Saggart, 1992: 134-135). Labour's sympathies were often divided between two of its main constituencies. The party generally had liberal positions on humanitarian immigration, owing to the consistent support it received from ethnic minority voters (Messina, 2001: 283). However, Labour also had to be mindful of the interests of its working class constituency, which often saw immigrants as competitors in the labour market and thus opposed liberal immigration policies (Freeman, 1978: 31-32). This was most apparent in the 1940s and 1950s, when the Trades Union Congress (TUC) voiced occasional concern at unrestricted entry for Commonwealth immigrants (Winder, 2004: 349; Hansen, 2000: 6-7). In industries such as mining, unions insisted on certain conditions before employers could utilise the European Voluntary Workers scheme (Wrench, 2000: 133). Layton-Henry claims that despite the 'suspicion' and 'hostility' expressed towards immigration in the early post-war decades, union attitudes became increasingly liberal from the 1970s (1985: 98).

In any case, unions generally had minimal influence on government immigration policy, regardless of which party was in office. The same can also be said about the role of organised business. In some sectors, such as hospitality, business recruited Commonwealth immigrants

through industry associations (alongside public employers, such as London Transport and the National Health Service, which also actively engaged foreign labour) (Money, 1999: 80; Paul, 1997: 119; Small and Solomos, 2006: 242). That said, the role of business in both the expansionary and restrictionist phases of post-war immigration policy was marginal. The Confederation of British Industry (CBI) (and its predecessor organisation, the Federation of British Industry) ‘apparently made no attempt to influence the outcome’ of the major government decisions of this era, such as the 1962 Act, according to Freeman. ‘Whether the organisation’s reticence [was] evidence of indifference, or simple unobtrusiveness, is difficult to say’ (Freeman, 1979: 184; cf. Messina, 2007: 112).

The absent role of business groups during the major policy developments of the post-war era is not altogether surprising. Like other organised interests, business groups in the UK were characterised as politically weak (Grant, 1993). It was typically difficult to establish a commonality of interest across business in the UK due to industrial fragmentation, a pluralist mode of interest group interaction with government, and the relatively competitive nature of market relations. Moreover, the majoritarian nature of Westminster democracy and a model of policy-making dominated by a select number of key central ministries and senior ministers, typically resulted in UK governments with power akin to ‘elected dictatorships’ (Burch and Holliday, 2004: 2-3). This meant there was often little need to involve organised interests in the process of policy-making, according to Greenwood and Traxler (2007: 323-324). These factors help to explain the centrality of the executive branch of the state in driving the key liberal labour immigration reforms between 1946 and 1962.

Conclusion

This chapter has provided the context of the Blair government’s relaxation of labour immigration controls. In 1997, these controls remained comparatively strict, to the extent that the UK was widely considered an ‘exceptional’ case. The salience of New Commonwealth immigration had largely dissipated when the Blair government came to office. However, acute sensitivities still surrounded immigration control, as seen in the Home Office’s gatekeeper mentality and the bipartisan consensus of restrictionism.

A notable feature of post-war labour immigration policy was the tendency for it to be made ‘by the way’ of broader policy reform (Dery, 1999: 165-166). That is, adjustments in labour immigration policy were often incidental to the making of other policies. The decisions that

allowed unfettered entry for Irish and Commonwealth workers were essentially subsidiary to broader foreign policy objectives. In particular, they eventuated because of policymakers' desire to preserve relations with a newly independent Ireland and the states and colonies of the British Empire. Domestic political pressure was a dominant factor in the restrictions imposed on Commonwealth labour immigration after 1962. However, the UK's shift from the Commonwealth to Europe as the main sphere of international engagement was another major consideration in these decisions. It was this factor that resulted in EEC (and later EU) nationals being permitted to work freely in the UK, thereby showing another instance of labour immigration policy being made incidentally to other policies. This feature partly explains why the impetus for the relaxation of labour immigration controls came largely from the executive branch of the state, rather than organised interests such as business.

After 1997, labour immigration policy and the politics underpinning it would continue to be shaped by the traits of the post-war period. As the following two chapters show, an institutional environment characterised by ingrained restrictionist mentalities, a tendency for labour immigration change to eventuate as the by-product of reform in other policy areas, and a proactive executive branch, continued to be dominant themes under the Blair government. Various pressures had built up by 1997 that provided the potential for a break with the UK's restrictionist legacy, but the ensuing relaxation of labour immigration controls could not necessarily have been anticipated.

CHAPTER 7

THE LIBERALISATION OF UK LABOUR IMMIGRATION POLICY, 2000-2004

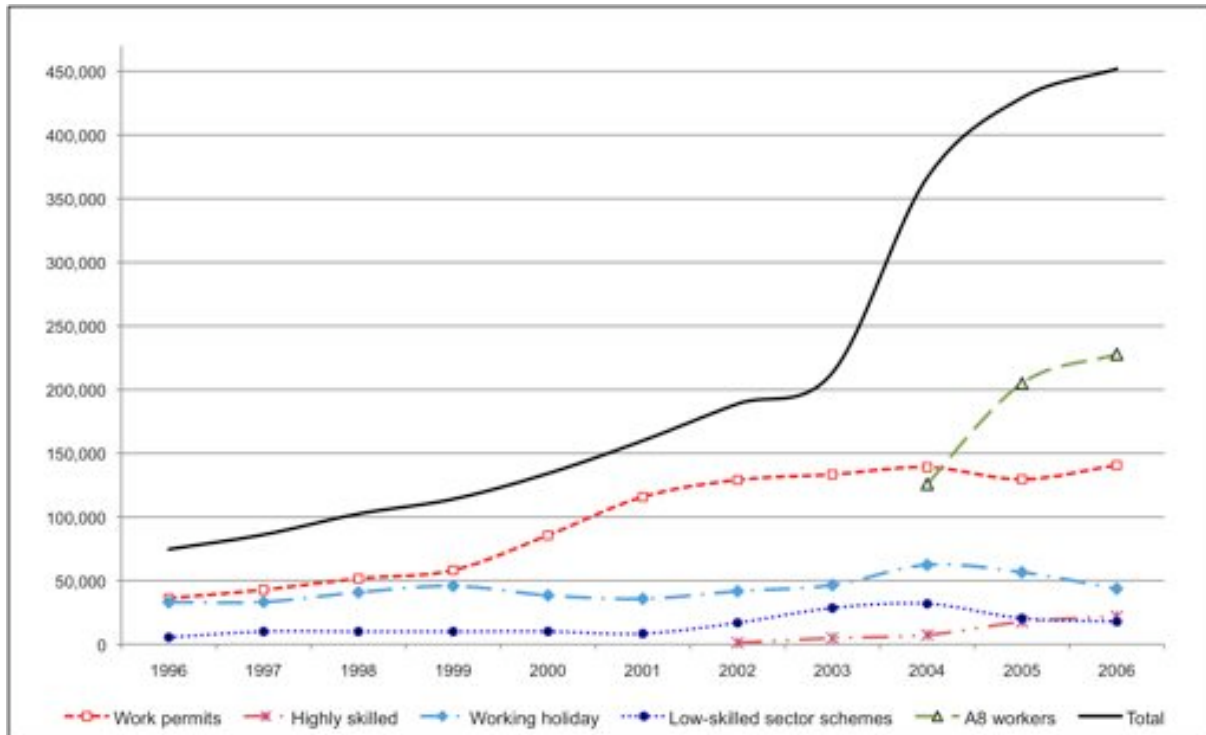
Between 2000 and 2004, the Blair government presided over various changes in policy that made it easier for certain categories of foreign nationals to work in the UK. As a result, there were large increases of labour immigration across the main visa and entry categories (see Figure 7.1). These developments were somewhat unexpected, since no mention of labour immigration issues was contained in either the 1997 and 2001 Labour Party election manifestos. The Blair government's reforms were not really labour immigration reforms as such. Rather, labour immigration was a relatively minor component of broader policy agendas, as with the period of liberal change between 1946 and 1962 discussed in Chapter 3. A lack of coordination in policy-making was a consequence of this, which had implications for the political impact of policy change. The Blair government's adjustments of labour immigration policy can be categorised into three segments:

- (1) *High-skilled and professional categories* – where the employer-sponsored Work Permit scheme was expanded, and visas for innovators, high-skilled professional workers and graduating foreign students were introduced.
- (2) *Lower skilled categories* – through the enlargement of existing sector-specific schemes and the introduction of new ones, as well as the loosening of employment restrictions for working holidaymakers.
- (3) *European labour mobility* – through permitting nationals from new member states of the European Union to work freely in the UK.

This chapter has two main sections. The first discusses the details of policy reform within each of these three segments in detail. The second section then evaluates the reasons motivating policy change in each segment, by drawing upon data gathered from interviews with government ministers, civil servants and the representatives of organised interests, and an analysis of primary documentation. As will be seen, objectives relating to microeconomic reform, border control and foreign policy principally motivated the relaxation of labour immigration controls in the *high-skilled and professional*, *lower skilled*, and *European labour mobility* categories respectively. The prominent role of central government ministries and

senior government ministers – rather than other institutions and stakeholders – in driving policy change was a common theme in all three segments of reform.

Figure 7.1 Annual labour immigration intakes in the United Kingdom by main visa/entry categories, 1996 to 2006



Source: Home Office (2008) *Control of Immigration: Quarterly Statistical Summary*, October-December, 30, 42 (for highly skilled, low-skilled sector schemes 2000-2006, and A8 worker figures); Loizillon (2004): 129, 131 (for low-skilled sector schemes and 1996-1999 and working holiday 1996-1998 figures; Salt, John (2007) *International Migration and the UK*, SOPEMI, 76, 87 (for work permits and working holiday 1999-2006 figures).

The main components of policy change

High-skilled and professional categories

As discussed in Chapter 6, certain categories of non-UK nationals were permitted to work in the UK without restriction at various stages in the post-war era. This was the case with respect to Commonwealth citizens from 1948 to 1962, Irish nationals after 1948 and nationals of EEC (and later EU) member states after 1973. For those not within these categories, the Work Permit scheme was the chief avenue for labour immigration. A steady rise in Work Permits from the mid 1990s accompanied a consistent increase in job vacancies. The scheme was demand-driven, in that employers could engage suitably qualified foreign nationals on Work Permits so long as certain obligations were met with respect to the domestic labour market. As such, the increase in Work Permits simply reflected an increase in labour demand, and occurred without any amendments to the regulation of the scheme.

The Work Permits scheme was made more responsive to labour demand following the introduction of a range of reforms in September 2000. The requisite level of skills and qualifications for applicants was watered down. Prospective Work Permit holders had previously required a university degree *and* two years work experience or five years senior company level experience, but now needed only the equivalent qualification of a UK degree or advanced level diploma, *or* three skills experience in a suitably skilled occupation. Moreover, the requirement for employers to locally advertise vacancies was relaxed for the new ‘shortage skills’ (mainly highly skilled professionals such as ICT specialists and engineers) and ‘key workers’ sub-categories (skilled occupations in short supply, such as electronic technicians and specialty chefs). The maximum tenure of Work Permits was increased from four to five years, and it was made easier for multinationals wishing to facilitate intra-company transfers and multiple-entry permits. Furthermore, instead of returning to their homeland, non-EU tertiary students could now apply for a Work Permit immediately upon graduation (Glover *et al.*, 2000: 20-21; Rollason, 2004: 135; Somerville, 2007: 30-31).

The pathway between student and work visas was further strengthened with the establishment of the Science and Engineering Graduates Scheme, introduced as part of a package of reforms in the 2003 Budget. This change allowed students from outside the EU to obtain a 12-month work visa after graduating from a UK tertiary education institution in certain science, mathematics and engineering subjects, provided they attained a specific level of achievement. The scheme was later expanded to students graduating from Masters and PhD programmes in all other fields of study. The Scottish government and the Home Office jointly established a similar programme, which granted a work visa to foreign students at Scottish universities to continue staying in Scotland for two years upon graduating (Salt, 2006: 271; Somerville, 2007: 37; HM Treasury, 2006b: 3.104). A large rise in foreign student numbers made the establishment of these student-work visa pathways particularly significant. This increase had eventuated from a Prime Minister’s Initiative in 1999 that aimed to double the total number of students from outside the EU by 2005. The target was achieved one year ahead of schedule, by which time the UK had attained almost a quarter of the global market for foreign students. A follow-up scheme based on similar principles was established in 2006 (O’Leary, 2007: 480; Spencer, S. 2007: 354).

The introduction of the Highly Skilled Migrant Programme (HSMP) in December 2001 accompanied these reforms. Initially established as a 12-month pilot scheme, applicants were awarded points based on their qualifications, skills, work experience and earnings, with no limit to the number of visas allocated. Unlike the situation with Work Permits, HSMP visa holders were not bound to a single employer or job, making it the first policy to allow foreign nationals (at least those subject to labour immigration controls) the right to work in the UK without guaranteed employment. The visas were initially valid for one year, but could be extended upon showing evidence of employment. Visa holders were eligible for permanent settlement after four years (*The Times*, 2001a; *The Times*, 2001b; *Daily Telegraph*, 2001). Chancellor Brown announced an expansion of the HSMP in the April 2003 budget. Additional points were awarded for prior work experience, and the requisite minimum earnings thresholds were reduced for applicants from lower income nations (HM Treasury, 2003c: 3.97-3.101; Rollason, 2004: 139-140). The points qualification mark was lowered later that year, and applicants were given additional points if they were younger than 28 years, or if their spouse had a tertiary degree. Further regulatory changes meant that applicants no longer had to have worked for four years in a graduate-level position, or earned the equivalent of £40,000, as was previously the case (*Daily Mail*, 2003b; Somerville, 2007: 33).

A pilot ‘innovators visa’ for foreign nationals with intellectual property in specific areas (particularly ICT and e-commerce), and the means of financing its development, was introduced in September 2000 (*Financial Times*, 2000b). Scope already existed for foreign entrepreneurs and businesspeople to operate in the UK, but this was expanded under the new scheme (*The Independent*, 2000). While not a labour immigration programme as such, the innovators visa used human capital criteria as the basis for selection when it was later implemented as a permanent programme. Applications were approved via a points test based on their skills and entrepreneurial ability, in addition to the quality of their business plans (Salt, 2006: 270). Improving the overall supply of skills, which was a key component of the microeconomic reform agenda driven by the government ministries responsible for economic policy, underpinned all of the policy changes in the *high-skilled and professional categories*.

Lower skilled categories

Labour immigration controls were also relaxed selectively to permit increased labour supplies for various lower skilled areas of the labour market. The Seasonal Agricultural Workers Scheme (SAWS) was established after the Second World War to allow labour providers in the

agricultural sector to engage young Europeans (originally displaced persons but later full-time students) on temporary work contracts during peak seasons (Martin, 2003a: 23). Over the following decades, it continued to function primarily as a programme promoting youth mobility and cultural exchange, providing a small yet steady supply of labour to agricultural employers (Loizillon, 2004: 114; Salt and Millar, 2006a: 351). SAWS operated according to an annual quota that remained stable at around 5,000 places per year. The quota was raised to 10,000 in 1996, then to 15,200 in 2001, and again to 18,700 in 2002 (Loizillon, 2004: 129). In November 2002, Chancellor Gordon Brown further increased the quota to 25,000, and announced various regulatory reforms that significantly expanded the scope of the scheme. SAWS would now operate throughout the year, not just between May and November as was previously the case, and it was broadened to a range of agricultural sub-sectors. Furthermore, while the scheme remained available only to full-time students, the 25-year age limit for applicants was removed, the maximum visa period was extended from three to six months, and those eligible could now apply for multiple visas (*Daily Telegraph*, 2002; Loizillon, 2004: 117; Martin, 2003: 23-24).

A similar programme called the Sector Based Scheme (SBS) was established for the hospitality and food manufacturing sectors in May 2003. It was created as a 12-month programme for non-EU nationals aged between 18 and 30. An annual quota of 20,000 SBS visas was made available to employers that could prove they were unable to recruit UK residents for lower skilled vacancies (*Daily Mail*, 2003a; Home Office, 2003a).

Reforms were also made to the Working Holidaymakers (WHM) scheme, a two-year youth mobility visa created in the 1970s for Old Commonwealth nationals. In order to be eligible for the scheme, candidates previously had to be younger than 28 years, and could only work up to 50 per cent of the duration of their stay. There were restrictions of what types of work could be pursued. For instance, “engaging in business or providing services as a professional sportsman or entertainer or pursuing a career” was not permitted (Home Office quoted in Loizillon, 2004: 117-118). These restrictions were justified on the basis that the scheme was intended to help tourists finance their holidays through menial or low-skilled employment, such as bar work. Reforms to the WHM visa in 2003 transformed it from a scheme aimed primarily at cultural exchange to a labour immigration programme. The maximum age for visa holders was raised to 30, all employment restrictions were removed to allow work in any occupation for the entire two-year term of visa, and visa holders could apply for transfer to a

Work Permit after one year. The scope of the scheme was also extended to nationals from New Commonwealth states (Somerville, 2007: 143-145; Home Office, 2003b). All of the labour immigration policy changes within the *lower skilled categories* were components of the government's border control reforms.

European labour mobility

While not strictly an immigration policy measure, the Blair government's most significant initiative with respect to foreign workers (in terms of scale) related to its response to the 2004 enlargement of the European Union. As mentioned in Chapter 6, free movement of labour with other member states had been in place in the UK since it joined the EEC in 1973. When eight Central and Eastern Europe states (the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia and Slovenia (the 'A8' states)) joined the EU in 2004, the 15 existing Western European member states of the EU ('the EU-15') were permitted to restrict A8 nationals from freely working in their labour markets for up to seven years. The stated rationale behind these measures was to protect the EU-15 states against the prospect of increased unemployment and wage depression, in the event of large inflows of workers from less developed Central and Eastern European states (Dustmann *et al.*, 2003: 11-12). Moreover, similar transitional measures had been imposed when Greece, Spain and Portugal joined the EEC in the 1980s (Jileva, 2002: 691).

Existing member states all implemented similar labour market restrictions during earlier membership enlargements (Boeri and Brücker, 2005: 637). By contrast, the responses of EU-15 states to the 2004 enlargement varied. Belgium, Finland, Germany, Greece, France, Luxembourg and Spain adopted restrictive policies that provided no or very limited scope for A8 nationals to work. Austria, Denmark, Italy, the Netherlands and Portugal introduced quotas or work permit schemes for A8 nationals, in many cases allowing work only in specific or shortage sectors. And Ireland, Sweden and the UK allowed unrestricted access, although Ireland and the UK imposed restrictions on welfare provision (Boeri and Brücker, 2005: 638; Gajewska, 2006: 380).⁴¹ In order to prevent the possibility of 'benefit tourism', the Blair government decreed that A8 nationals could not to claim any welfare benefits before accruing 12 months employment. Upon securing employment, workers from the accession

⁴¹ The Treaty of Accession of 16 March 2003 established that the EU-15 states could review their stances on the second and fifth anniversaries of accession. A number of the states that had initially imposed restrictions used this provision to remove restrictions on free movement (either in part or entirety) on these anniversaries.

states also had to sign on to a Workers' Registration Scheme (WRS), for which they were charged a fee (*The Independent*, 2004). The *European labour mobility* reforms were primarily driven by the government's foreign policy objectives, as well as various other – somewhat disconnected – policy agendas.

The reasons for policy change

With the details of the Blair's government liberal reforms of labour immigration control set out, this section discusses the reasons underpinning these policy changes. Distinct objectives in other policy realms largely account for change in each of the three segments. A microeconomic supply-side agenda led by the Treasury of increasing economic growth to improve productivity was the main impetus for the reforms in the *high-skilled and professional categories*. The efforts of the Home Office and the Prime Minister's Office (PMO) in tackling the highly salient issue of border control was the principal motivation for the *lower skilled categories*. And the policy of facilitating greater *European labour mobility* to the UK was essentially a confluence of these two agendas, combined with foreign policy considerations. The pressure for labour immigration policy change came from within – rather than outside of – government in all cases. However, the diverse motivations for reform reflect the uncoordinated manner in which it occurred.

High-skilled and professional categories

The responsiveness of immigration to labour demand

The significant increase in Work Permit approvals between 1996 and 2000 was not the product of proactive government decisions, but rather the responsiveness of existing regulations to labour market demand. Be that as it may, one senior civil servant claims that:

Ministers could at any time intervene and have said, “no, this is not a skills shortage area”, or “we’re going to tighten up on the requirement for advertising to show that you can get a domestic worker to do this”, and they chose not to... There wasn’t one big policy decision, as opposed to a series of relatively low-level policy decisions that were responding to demand ... created by a stable, successful economy, a flexible labour market, and substantial growth in a number of sectors ... [where] there was substantial labour demand that could quite easily be accommodated from abroad, and was through the Work Permits system (interview, Cabinet Office/Department of Work and Pensions (DWP) official UK26).

The continued acceleration of Work Permit approvals after 2000 was also due to sustained employer demand for skilled foreign workers. But it was also the result of policy reforms to make the scheme more sensitive to labour market conditions. As with other policies in the *high-skilled and professional categories*, these changes were largely the inspiration of the ministries responsible for administering economic policy.

Improving the supply of skills

A major domestic policy objective of the Blair government was to overcome the ‘boom and bust’ cycles that had long characterised the UK economy. The Treasury under Gordon Brown saw microeconomic productivity improvement as the means for achieving long-term macroeconomic stability. As part of this broad objective, labour immigration was but one small component of a series of overarching policy goals. The UK was characterised as having low total factor productivity levels, particularly compared to its large industrialised competitors. The Treasury believed that improvements in labour productivity and supply-side areas of the UK economy noted for chronic weaknesses (such as a lack of investment in technology, infrastructure and human capital) could bridge this gap. To this end the Treasury, together with ministries such as the Department of Trade and Industry (DTI) and the Department for Education and Employment, pursued a series of comprehensive policy reforms through its ‘productivity and growth agenda’. It aimed to enhance investment in research and development, promote more innovation and competition, increase market flexibility, utilise physical capital more efficiently, and improve skill levels (cf. HM Treasury, 2000b).

The relaxation of labour immigration policy controls in the *high-skilled and professional categories* related to the Treasury’s strategy for skills improvement in two key respects. Firstly, these reforms added to the UK’s stock of skilled human capital. The Treasury under Brown identified improving skills development as a central component of its supply-side agenda because of its potential contribution to productivity growth (HM Treasury, 2000c: 3.16). In this context, Brown said in his 2003 Budget speech that ‘expanding the skills we need requires not only new investment in training but a modern approach to the economic and social benefits of legal immigration’ (HM Treasury, 2003a). Various civil servants said that the Treasury’s view that immigration could help improve the UK’s supply of high-skilled workers was the reason for the central role that it played in developing the HSMP (interviews, Treasury official UK23; Home Office officials UK28, UK32, UK42).

For similar reasons, the Treasury was also instrumental in introducing the 2000 and 2003 policies that created a direct pathway to work visas for graduating foreign students (interviews, Treasury/Cabinet Office official UK22; Home Office official UK40). According to one senior Treasury official, the ministry saw this ‘as an addition to our skills base... We were trying to increase the number of graduates, and here they are... It seemed illogical to send them out and say, “go back to wherever and then apply from there”’ (interview, Treasury/Cabinet Office official UK22).

Addressing market imperfections

Addressing market imperfections to meet short-term labour shortages was the second way that labour immigration reform connected to the Treasury’s supply-side agenda. In this respect, the Treasury viewed labour immigration as a stop-gap measure until education, training and labour market participation reforms took effect. Brown’s Treasury believed markets to be the most effective way of ‘allocating an economy’s resources’. But it also believed that government intervention was required in areas where markets tended to operate imperfectly, for instance in investment in infrastructure and workforce training. Market imperfections or ‘externalities’ existed in these areas because ‘there is an incentive for each firm in these cases to wait for someone else to invest, and then gain from their investment without committing any cost. Hence, if left entirely to the market, firms may tend to under-invest’ (HM Treasury, 2000b: 4.19).

Other government ministries had identified various structural shortcomings in the UK’s skills and training performance. The Department for Education and Employment commissioned a series of reports by the National Skills Task Force in 1999 and 2001, which found serious deficiencies in basic literacy and numeracy skills and intermediate, general transferable and ICT skills across the workforce (*EIROnline*, 2000; Hogarth *et al.*, 2001: 8). The Treasury saw this as evidence of systematic market failure. The UK’s poor skills performance was the result of ‘voluntary training policies’, and employers being unable ‘to capture all the benefits of their investment ... if trained employees leave’, or if such investment did not quickly pay off (HM Treasury, 2001: 3.90-3.99). Brown would later say that government intervention in training and skills policy was necessary given that ‘thousands of employers are unable to recruit the skilled staff they need because training is so poor’ (HM Treasury, 2002a).

Labour immigration was seen as a supplement to other human capital and skills policies to address these market imperfections, initially through the changes to the Work Permit regulations. The DTI had first explored the possibilities for loosening immigration restrictions for professionals and entrepreneurs in a 1998 white paper (Rollason, 2004: 133; Somerville, 2007: 30-31). Following this, the Treasury outlined various measures in the Pre-Budget Report of November 1999 to 'increase the quality of the UK's human capital', in order to 'help generate an enterprise economy'. It announced plans to increase the adaptability of skills by improving basic skills standards, vocational and managerial training, and strengthen the links between the education system and business requirements. Significantly, the report also announced a modification of Work Permit regulations to give preferential treatment to high-skilled professions in ICT and other sectors with persistent shortages. A loosening of the criteria under the Work Permit system was foreshadowed so that skilled immigrants could 'help the UK address skill gaps' (HM Treasury, 1999: 3.80-3.99). The Treasury tacitly acknowledged that problems with skills development was the underlying motivation for these reforms:

Failing to fill [job] vacancies with skilled workers will retard productivity and growth and mean fewer employment opportunities in the longer term. Developing people in the UK through education and training is key in achieving this, but access to skilled people from overseas is also part of the answer. Equally important is to enhance the UK's image as an attractive location for talented overseas students and entrepreneurs (HM Treasury, 2000a: 3.76-3.77).

In essence, the government saw improvement in domestic education and training as the most appropriate policy tools for improving the UK's poor skills performance. However, market imperfections meant that 'immigration of skilled labour may alleviate the problem in the short to medium term' (HM Treasury, 2002b: 6.1-6.2). Labour immigration reform in the *high-skilled and professional categories* was thus used in order to address structural and regulatory deficiencies in the labour market.

Lower-skilled categories

Improving immigration control

A rather different set of motivations underpinned the reforms to the *lower-skilled categories*. The Blair government's desire to contain the salience of asylum and other 'unwanted' immigration, by incorporating labour immigration policy into a reform of immigration control, largely drove these changes. UK governments had found it difficult to grapple with the upsurge in human trafficking, visa overstaying and asylum claimants since the early 1990s (Hampshire, 2005: 2). These were not issues limited to the UK, which in relative terms received consistently smaller inflows of asylum seekers than many other Western European states (see Figure 7.2). Nonetheless, the UK had been previously insulated against inflows of this magnitude. Home Office statistics showed that while fewer than 4,000 asylum applications were received in 1988, this had steadily increased to over 80,000 by 2000 (Home Office, 2008a: 56; Watson and Danzelman, 1998: 16).

Figure 7.2 Inflows of asylum seekers to selected Western European states (per 100,000 population), 1995 to 2002

	1995	1996	1997	1998	1999	2000	2001	2002
Austria	77	91	87	180	247	225	370	460
Belgium	118	125	119	223	350	417	240	180
Denmark	99	115	99	111	122	189	240	110
France	36	31	38	39	52	65	80	90
Germany	161	147	132	124	115	95	110	90
Netherlands	192	150	225	296	267	275	210	120
Norway	36	43	55	197	228	241	330	390
Sweden	106	68	113	153	126	184	270	370
Switzerland	244	258	345	593	637	242	290	370
United Kingdom	96	64	72	101	153	165	150	190
Average	117	109	129	201	230	210	229	237

Source: Messina (2007): 118

Following the efforts of its Conservative predecessors, much of the Blair government's energy on immigration issues during its first term was directed at minimising illegal immigration and asylum claims. According to one official, these issues proved to be the 'total political occupation' of the Immigration and Nationality Directorate (IND) (the agency within the Home Office responsible for immigration control) (interview, Home Office official UK28). In 1999, Home Secretary Jack Straw declared that the increase in asylum applications was fuelled by 'large numbers of economic migrants abusing the system', and an inefficient appeals process that allowed failed applicants to remain in the UK 'for years' (Home Office,

1999: preface, 8.9). During its first term, the government curbed access to welfare and legal rights as a way of deterring asylum seekers. These measures proved ineffective, as applications subsequently increased.

In 2000, the Home Office Minister for Immigration Barbara Roche foreshadowed a change in strategy through a series of speeches in which she called for “imaginative rethink” on immigration policy. Roche aimed to shift the tone of public discourse to emphasise that “immigrants have had a very positive impact on the societies they join”. She called upon policy-makers to address simultaneously the issues of asylum and labour requirements, by finding “ways to meet legitimate desires to migrate and be ready to think imaginatively about how migration can meet economic and social needs” (quoted in *BBC Online*, 2000). Roche says that her speeches were aimed at setting out a different policy direction for managing immigration:

What you had at that period were unfounded claims for asylum, which were basically about economic migration. I tried to take on the political arguments and say that there’s nothing wrong with economic migration, providing it’s legal. But you can’t use it as a way of making asylum claims because asylum is such a precious concept that if you undermined it, we will lose it (interview, Home Office minister UK33).

According to Sarah Spencer, the approach that Roche advocated represented ‘the replacement of the language of immigration “control” with that of immigration “management” and opened up the possibility of the UK developing a more consistent, positive and holistic approach to migration policy’ (2002: 1). A joint report by the Cabinet Office’s Performance and Innovation Unit (PIU) and the Home Office that had been drafted in the year preceding her speeches (although not published until 2001) made similar prescriptions. The report argued that:

There is little evidence that native workers are harmed by migration. There is considerable support for the view that migrants create new businesses and jobs and fill labour market gaps, improving productivity and reducing inflationary pressures. Continued skill shortages in some areas and sectors suggests that legal migration is, at present, insufficient to meet demand across a range of skill levels (Glover *et al.*, 2001: viii).

Furthermore, the report put forward a qualified fiscal case for relaxing labour immigration controls. It cautiously suggested that immigration could contribute to increased per capita growth, and implied that increased labour demand rendered attempts to prevent the entry of 'economic migrants' futile. 'People move in response to economic and other incentives, and they will switch between different migration categories in response to those same incentives'. Moreover, growing labour demand made it 'very difficult for the government to constrain entirely the growth in migration' (Glover *et al.*, 2001: 2.14, 3.13). Sarah Spencer (2007: 350) says the report was received 'with some enthusiasm at the Treasury, if less so within IND itself'. By this stage, a number of reforms in the *high-skilled and professional categories* had already been implemented or developed, but only through the Treasury's microeconomic agenda, rather than immigration control policy. According to one of its co-authors, the PIU report sought to place 'a proper analytic and policy framework around a phenomenon which was happening because of wider economic and social forces that hadn't really ... been analysed or explained' (interview, Cabinet Office/DWP official UK26). The report therefore aimed to construct a broader narrative for impending reform.

There was much caution about the adoption of a liberal strategy for asylum minimisation. One senior official says he recalls 'being struck by the extent to which Jack Straw wanted to keep his head below the parapet' (interview, Home Office official UK28). Prior to one of Roche's speeches, *The Guardian* (2000a) reported that Straw was 'acutely aware of the rightwing backlash over asylum seekers and is seen in Whitehall as ultra cautious in introducing major changes in such a sensitive area. But he is also keen on opening up debate, and will watch public reaction to the speech with close interest'. This caution extended beyond the Home Office right across Whitehall. Another senior civil servant says that '[Straw knew] what she was saying, the Treasury almost certainly, and [the Department of] Employment would have consulted her over the line that she was taking' (interview, Home Office official UK35). Indeed, Roche herself says that the Department of Employment was 'very nervous' about the tenor of her speeches (interview, Home Office minister UK33). According to another report in *The Guardian* (2000b), she had 'Tony Blair's blessing ... [although] Downing Street, which has shown a close interest in Mrs Roche's text, knows it is walking a tightrope'.

'Managing' immigration

David Blunkett attempted to extend the narrative and take up Roche's call for strategic reform when he became Home Secretary after the May 2001 general election. The parameters of Blunkett's 'managed migration' agenda included relaxing labour immigration controls for lower skilled jobs in shortage areas, as well as professional and high skill occupations, in the hope of drawing people away from illegal routes of entry and asylum. He claimed this would also increase the productive capacity of the economy by helping to fill labour shortages (Blunkett, 2001). The first step in this process was to transfer responsibility for labour immigration policy from the Department of Employment to the Home Office. According to a ministerial adviser, this reflected Blunkett's belief that incorporating all immigration matters within a single department would allow the managed migration strategy to be executed more effectively (interview, Home Office adviser UK29). But in the immediate term at least, this transfer resulted in weakened bureaucratic coordination of labour immigration. There was a distinct lack of expertise within the Home Office on the economic and labour market dimensions of immigration. While it administered small schemes such as SAWS and the WHM visa, the Home Office's primary domain was border control. According to one senior official:

There never had been any economic input into Home Office thinking on migration... There were never macro discussions on the link between any form of immigration – whether it was controlled or uncontrolled – and anything to do with economic policy... It didn't feature in our thinking at all, it didn't feature in the Home Secretary's thinking, and it wasn't relevant to the issues to do with immigration of the day (interview, Home Office official UK28).

In 2002, Blunkett and his special advisers wrote a white paper on the managed migration strategy. It took up Roche's call by attempting to integrate labour immigration, asylum, citizenship and border control policies. The white paper also extended the narrative set out by the PIU report by fusing the expansion of controlled labour immigration with the minimisation of uncontrolled illegal immigration:

It has to be clear to those who seek work here that we are tackling this issue and that there are alternative legitimate routes. Managed migration schemes and our wider employment policies will help to ensure that labour market demands can be met

through legal sources and that those wishing to work in the UK have legal routes available to them (Home Office, 2002: 77-78).

According to one senior official, it was a strategy aimed at ‘validating forces that we couldn’t control... The idea was that you could be tougher on the asylum seekers if they had a legitimate route’ (interview, Treasury/Cabinet Office official UK22). In the words of another official, managed migration was one borne out of a realisation that:

The two groups of potential migrants didn’t live in completely separate worlds. Those who were intent on circumventing the system were as likely to try to use legitimate routes. Equally those who had entered the country under some legitimate permission, if they ever got refused, were quite likely to apply through the asylum route (interview, Home Office official UK31).

The strategy carried high political risks and rewards. It assumed that the broader community would be able to distinguish between ‘wanted’ types of immigration on one hand, that the government supposed would deliver economic benefits, and ‘unwanted’ types on the other hand, that it claimed to be undermining the integrity of border controls (Spencer, S. 2007: 348-349). Public opinion polls from this period showed widely negative views held toward the latter. However, skilled and legal labour immigration was indeed much less salient and did not elicit significant consternation (Boswell *et al.*, 2005: 24-25).

The political volatility of immigration control attracted interest from the very top. The asylum issue was high on Prime Minister Blair’s domestic agenda when the managed migration strategy was being set out in mid 2001. He said that it was “the toughest immediate issue”, with “the capacity to explode at any moment” (quoted in Seldon, 2005: 635). Blair believed that reducing the number of asylum applications was central to restoring public confidence in the government’s capacity to control immigration (Seldon, 2007: 75-76; Spencer, S. 2007: 359-360). While the managed migration strategy involved a more ‘positive’ approach for minimising asylum applications, it also entailed bolstering the government’s earlier efforts to reduce the UK’s ‘appeal’ as a destination. The rights of asylum seekers and their access to benefits were reduced, and border security measures were strengthened, in order to prevent people from entering in the first place (Spencer, S. 2007: 343-344). The government aimed to

promote its efforts through various headline-grabbing initiatives, such as Blair's February 2003 pledge to halve asylum applications by the end of the year (*Financial Times*, 2003).

Despite sharing Blair's desire to neutralise the political volatility of immigration, those close to Blunkett say that he remained 'convinced [that] the tough policy on asylum had to be balanced by encouraging policy on skilled legal migration' (interview, Home Office official UK31). He told his biographer that a "talk tough and act tough *and liberal*" approach, centred on "security, stability and order" for unwanted migration, which he believed would engender greater public support for relaxing labour immigration controls (quoted in Pollard, 2005: 275, 278, emphasis in original). Blunkett shunned the exclusively restrictive approach favoured by his predecessors, because he believed that such an approach was ineffective in a climate of high labour demand (interview, Home Office adviser UK29). As claimed in the 2002 white paper, the large number of job vacancies was 'a magnet for those seeking better jobs and lives for themselves and their families' (Home Office, 2002: 24). According to Sarah Spencer, Blunkett believed that 'the lack of legal channels for migrants to take those jobs [was] both encouraging illegal immigration and lengthening the asylum queues. Conversely, clamping down on illegal migration and asylum would mean closing off some sources of much needed labour' (2007: 350). Blunkett and his office thought that the best solution to this quandary was 'to develop proper systems of labour migration that people could legally and legitimately use' (interview, Home Office adviser UK29). The changes to the *lower-skilled categories* aimed to neutralise the magnet of job vacancies through demand-driven and targeted labour immigration schemes, such as SBS and SAWS.

The Treasury fully endorsed these reforms, says an adviser closely involved in their implementation (interview, Home Office adviser UK29). The high profile and punitive deterrence of 'unwanted' immigration made the Treasury "very jumpy", according to Blunkett, because of a view that "if you didn't have very substantial legal routes for working in this country our economy would be closed down" (quoted in Spencer, S. 2007: 350). Indeed, the changes to the WHM scheme came about partly from the Treasury's desire to make it 'more flexible and responsive to labour market needs' (HM Treasury, 2003b: 3.101). Removing tacit discrimination against New Commonwealth nationals within the eligibility requirements also motivated these changes, according to various officials (interview, Home Office officials UK40, UK42). So too was an apparent desire to reduce regulations that

restricted the working rights of WHM visa holders, which were complex and difficult to police (Loizillon, 2004: 118-119; Rollason, 2004: 141-142; Somerville, 2007: 143).

Pressure from employers in lower skilled industries

Employer lobbying seems to have played a role in the expansion of SAWS and the creation of the SBS. The National Farmers' Union (NFU) had consistently lobbied the government to relax immigration controls in the period prior to the change in policy (interview, NFU official UK07; *Financial Times*, 2000a). During a government review of SAWS in August 2002, the NFU and other industry associations called for its scope to be expanded, eligibility restrictions to be removed, and the annual quota increased. The government incorporated all of these proposals into its reforms. Furthermore, a British Hospitality Association (BHA) representative says that the group 'specifically asked for' the introduction of the SBS to help meet labour shortages (interview, BHA official UK20). According to other reports, the Home Office cited employer lobbying as a reason for the scheme's introduction (Loizillon, 2004: 115-117, 123).

The employer response to reforms in the *lower-skilled categories* was otherwise ambivalent. Despite the promised economic benefits of managed migration, segments of the business community argued that the strategy provided only a 'partial remedy'. These groups said that more attention needed to be paid to 'domestic shortcomings' in education and training in order to overcome the 'chronic deficit' in skills (*Financial Times*, 2002a). Moreover, a senior civil servant says that the government's concerns about immigration control was the principal motivation:

It was a case of the government saying that our capacity to exert control over this is actually quite limited, because there are strong forces at work here ... and therefore we've got to try to bring some order to something that's largely happening anyway ... rather than the government being lobbied, because I don't think the employers ever needed to lobby (interview, Treasury/Cabinet Office official UK22).

While business was an obvious beneficiary of the *lower skilled category* reforms, the initiative for policy change therefore came primarily from within government.

European labour mobility reforms

A decision marked by indecision

Considerations relating to foreign policy, as well as a desire to improve labour supply and immigration control, were all factors that motivated the *European labour mobility* policy. The Blair government's decision to allow A8 nationals to work freely occurred in the face of some equivocation within the government. A number of EU-15 states that had initially made a commitment to allow free movement, such as Denmark, Greece and the Netherlands, subsequently reneged. Nonetheless, Foreign Secretary Jack Straw's assurance in December 2002 that restrictions would not be imposed on A8 workers was given in the knowledge that the UK would be the only large EU-15 state to pursue this course. The Foreign and Commonwealth Office (FCO) and the DWP (which had replaced the Department of Employment) then expressed scepticism over the veracity of research estimating the likely size of inflows from the new member states to be modest,⁴² but the decision to restrict welfare access for A8 nationals appeared to allay these concerns. One official says that the decisions of the other large EU-15 state to impose restrictions 'certainly made some people nervous, and we knew as a consequence that we would get more than we otherwise expected, but we still thought that it would be a good thing' (interview, Cabinet Office/DWP official UK26). This is confirmed by another senior official, who says, 'we could have changed our mind if we wanted to ... [but] we did it because we thought it was the thing we wanted to do' (interview, Treasury/Cabinet Office official UK22). According to his biographer, it was Blair who ultimately sanctioned the government's confirmation to permit free movement (Seldon, 2007: 457). But it was a decision underpinned by a diversity of motivations.

Foreign policy considerations

Factors relating to foreign policy were especially important in the decision to allow free movement. In particular, the government believed that the move would fortify positive relations between the UK and the A8 states, according to a senior civil servant (interview, Home Office official UK42). A ministerial adviser confirms that despite its indecision, the FCO 'wanted to cement good relationships with the new Eastern European countries'

⁴² A number of earlier studies had predicted that the vast majority of A8 nationals would go to Germany and Austria (Alvarez-Plata *et al.*, 2003; Boeri/Brücker, *et al.*, 2001; Fertig, 2001). A June 2003 report commissioned by the Home Office followed on from these studies and cautiously predicted that the average annual net inflows to the UK would range from 5,000 to 13,000 persons (Dustmann *et al.*, 2003: 58). Despite various caveats attached to this figure, the report was ridiculed in sections of the UK press, particularly after the policy reversals of other states.

(interview, Home Office adviser UK29). UK governments had long been staunch advocates of incorporating the former communist states of Central and Eastern Europe into the EU. In building upon the efforts of the Thatcher and Major governments, the Blair government forcefully pushed for membership of all the new Central and Eastern European states in the face of strong opposition from France and other EU-15 states. This was especially evident when the UK held the rotating presidency of the EU in 1998, and again when the enlargement was finalised at the Copenhagen Council in December 2002 (Seldon, 2007: 127, 407-408). As Bache and Nugent claim, 'as a leading advocate of enlargement', the UK 'would not have been well placed to be seen to be acting in a restrictive manner' (2007: 536). Moreover, according to one Cabinet minister, free movement of labour represented to many of the A8 states:

An important testament of the seriousness of which they were really new EU members, and we thought it was important to encourage them and to strengthen the enlargement decision... And an important symbol to that commitment was people being able to work here (interview, Education/Home Office minister UK38).

It was believed that not affording workers from these states the same rights as workers of other EU states would in fact undermine the UK's diplomatic efforts. Another minister involved in the deliberations confirms the impact of this view:

All the way up to 2004, Britain played a far more well-disposed role towards the A8 countries than most others did. There was huge investment by every department in working with their counterparts... The broad attitude was that unless there were absolutely compelling reasons not to, we had to bring the borders down entirely... The very positive political relationships [with the A8 states meant] by that stage it would have made it very difficult for us as a government to say "no" ... and throw away all of that good work (interview, Home Office minister UK41).

Immigration control

As with the changes to the *lower-skilled categories*, considerations relating to immigration control were also relevant with respect to the *European labour mobility* reforms. Any restrictions imposed would have to be lifted in entirety no later than May 2011, thereby

merely delaying the inevitable (interview, Treasury/Cabinet Office official UK22). According to one Cabinet minister:

We took the view that there was no point in putting off the evil day. This was something that we'd signed up to, we welcomed and we wanted for a variety of different reasons. We therefore had to face up to it right now and we thought there were significant benefits (interview, Education/Home Office minister UK38).

Moreover, regardless of its decision on free movement of labour, the government had no legal capacity to prevent A8 nationals entering the UK. Blunkett forcefully put the view that in the context of a buoyant labour market, restricting their right to work would be an invitation for A8 nationals to work illegally, and thus undermine the managed migration strategy (interviews, Home Office officials UK31, UK42; Blunkett, 2006: 593-594; Spencer, S. 2007: 352).

Labour market considerations

Aside from considerations relating to foreign policy and immigration control, the anticipated impact on the labour market was another factor feeding the decision to allow free movement. The push by UK governments to 'widen' the EU had been a way of circumventing the desire of other large EU-15 states, such as France and Germany, to 'deepen' the EU's institutional reach through greater integration (Schimmelfennig, 2001: 53). But the strong support for enlargement by Blair and his predecessors was also due to 'the economic benefits likely to accrue to the UK, as a major trading country, from a European market that is as wide as possible', according to Bache and Nugent (2007: 535; cf. Rachman, 2006; Schmidt, 2006: 28).

Facilitating *European labour mobility* furthered the quest for greater labour market flexibility, which was another component of the government's ambitions to improve labour market supply in promoting its microeconomic agenda. According to one senior official, the government believed there were strong 'labour market reasons for taking a liberal approach' on A8 workers (interview, Home Office official UK31). When confirming the government's decision to allow free movement, Blunkett lauded 'the new opportunities for trade and labour market flexibility' that would be supposedly delivered (*Hansard*, 2004: Columns 23-24).

Interviews suggest that the Treasury was again particularly influential in promoting this view within the government (interviews, CBI official UK02; Home Office minister UK41).

By this time, the Treasury had begun to argue that greater labour market flexibility would help to complement its productivity and growth agenda. In its earlier deliberations over joining the European Monetary Union (EMU) (which would have meant yielding domestic control over monetary policy), the Treasury concluded that greater labour market flexibility – particularly increased geographical mobility of labour – would act as an effective adjustment mechanism to buffer against destabilising economic shocks (cf. HM Treasury, 2003c: 1). The logic behind this argument was that greater labour mobility would increase the potential supply of labour, thus helping to rectify imbalances between supply and demand that might otherwise push up the price of labour, and generate inflationary pressure (HM Treasury, 2003b: Box 1.1). While the UK ultimately did not join the EMU, Brown and the Treasury appeared to conclude that facilitating labour mobility in order to increase labour supply – such as by relaxing immigration controls – would nonetheless allow the UK’s monetary policy to operate more effectively (Brown, 2003; HM Treasury, 2003b: 4.23). Indeed, a 2004 Treasury report argued that ‘easing inflationary pressures’ was one of the economic advantages delivered by the government’s labour immigration policies (HM Treasury, 2004: 4.60-4.62). The Treasury used this reasoning to argue that a policy of free movement would make the labour market more flexible, and thereby help the economy to grow further at a sustainable pace. One senior civil servant says:

There was a view that the British economy would grow faster with less inflation with this group [of A8 workers]... We had a lot of success with open markets and supply-side policies and basically we thought that supply creates its own demand... And if you have faster growth than labour supply, you can run the economy at a higher rate of output before you have to put the brakes on. So it we thought that if it added to the underlying growth rate, we could then – through the Bank of England’s monetary policy – ensure that demand then matched that growth. And that would then result in a bigger, faster growing economy (interview, Treasury/Cabinet Office official UK22).

A senior business lobbyist confirmed the influence of this rationale on the government's decision:

The Treasury was picking up in discussions with the Bank of England and a range of employer inputs ... that the labour market was tightening, that companies were beginning to struggle to get the labour they needed, and that to continue the flexible labour markets which were pivotal to British economic success ... that a new intervention was needed, that we would need labour from Eastern Europe (interview, CBI official UK02).

The Governor of the Bank of England later endorsed these arguments, claiming that the increase in labour immigration – particularly of A8 workers – had:

Helped the economy to continue growing without upward pressure on wages, which would otherwise have forced us to raise interest rates further than they actually went... If we had no flows of migrant labour from the accession countries, then it would certainly affect the way the labour market operated and in the recent past it would probably have led to faster growth of average earnings and hence probably higher interest rates than we otherwise had... Employers have been able to use migrant labour to fill gaps in skill shortages, thus enabling them to continue growing output in a way that they wanted to and to ensure faster growth in the economy. That is a fact... The growth rate of the labour force had effectively doubled in the last couple of years as a result of the extra flows of migrant workers (King, M. 2005).

This is not to necessarily suggest that the government considered the link between inflation and immigrant labour in such a clear-cut and rational manner. In the words of one minister, 'were we so ready to embrace flows from A8 right from the beginning with no controls as a matter of public policy to keep wages lower and therefore inflationary pressures down? The answer is no' (interview, Home Office minister UK41). Nonetheless, considerations relating to labour market supply were an important part of the *European labour mobility* reform, as with the policy changes in other segments. But the vacillation that characterised the 2004 *European labour mobility* decision, and the diverse motivations for allowing A8 nationals to work in the UK without restriction, reflected the disorderly manner of labour immigration policy-making under the Blair government.

Conclusion

In the mid-1990s, the UK was characterised as having among the most restrictive labour immigration controls of any developed economy. But in the space of a less than five years, it went from being exceptional for its restrictiveness to being exceptional for its liberalism. By end of Tony Blair's premiership in 2007, the UK had perhaps the most liberal policy regime in Western Europe. According to Sarah Spencer, it was now 'firmly open to labour migration in a way that seemed inconceivable only a decade ago' (Spencer, S. 2007: 358).

Layton-Henry claims that the assumptions upon which the Blair government based its immigration control policies were broadly consistent with those of previous governments (2004: 315-317). This assessment is largely correct, but there are a number of key differences. Like its predecessors, the Blair government resolutely sought to demonstrate its authority over immigration controls. However, it carved a new path in asserting that unwanted immigration was most effectively minimised through a variety of means that went beyond the traditional punitive approach. The Blair government claimed that relaxing labour immigration selection mechanisms would augment the state's capacity to control immigration. This would help to manage more effectively the irregular migration flows that were being drawn towards a buoyant jobs market. Furthermore, Layton-Henry correctly claims that the Blair government maintained that it had an 'absolute right to determine which non-citizens should be allowed to enter and remain', in accordance with 'the national interest' (Layton-Henry, 2004: 315). But for the first time in many decades, a policy of selectively encouraging immigration fell within the government's understanding of the national interest. Relaxing labour immigration controls was seen as complementary to immigration control, foreign policy and microeconomic policy objectives. In fact, the Blair government's initiatives in each of the three segments of reform were, in essence, by-products of these broader policy agendas.

Freeman claims that since employers were supposedly the principal beneficiaries of the Blair government's liberal labour immigration policies, that his model of 'client politics' can explain the reasons for change (2004b: 334-336). Menz also argues that policy change occurred because of 'employer concerns and interests', as well as 'activism on the part of the Home Office' (2009: 162-164). According to Ruhs, the increased availability of migrant labour meant that employers indeed benefitted more from changes in UK labour immigration policy than any other group (2006: 17-18). But this does not necessarily mean that employer groups led the push for policy change. This chapter has argued that as with the period of

liberal reform implemented between 1946 and 1962, the executive branch of the state – rather than business groups or other organised interests – was the main institutional driver of policy change between 2000 and 2004. Moreover, the relaxation of labour immigration controls was largely an incidental consequence of other policy agendas that were driven by a diverse range of state actors and institutions. The ministries responsible for administering labour immigration policy (the Department for Employment prior to 2001, and the Home Office thereafter) played largely peripheral roles, and reform was thus implemented without much coordination or consideration of the potential longer term impact. The structural and institutional dynamics behind the Blair government's labour immigration reforms are explored in greater depth in Chapter 8, which analyses precisely why the factors identified as driving policy change were influential.

CHAPTER 8

THE STRUCTURAL AND INSTITUTIONAL DYNAMICS OF UK POLICY CHANGE

A common ingredient of the three segments of the Blair government's labour immigration policy reforms discussed in Chapter 7 is that they all served an economic purpose. Were it not for a buoyant economy with relatively low unemployment and a high demand for labour, there would have been no economic case for relaxing immigration controls, and the reforms may not have occurred. Despite the importance of economic considerations to all three reform segments, the executive branch of the state – or more precisely, certain senior government ministers and ministries – rather than business, provided the main impetus for policy change. Business groups played a role in the reforms to the *lower skilled categories* and voiced support for other components of the liberalisation agenda (Geddes, 2005b: 6). However, while business stood to gain directly, the reforms were largely a case of the 'government predicting a problem' rather than 'capitulating to lobbying', in the words of one business group representative (interview, CBI official UK02). The executive branch played the central role in defining the parameters of public discourse and driving a series of expansionary policies.⁴³ But there was also a lack of coordination in the making of policy across the *high-skilled and professional*, *lower skilled* and *European labour mobility* reforms.

This chapter analyses the structural and institutional underpinnings of the Blair government's changes to labour immigration policy, in order to explain the significance of the factors identified in Chapter 7 as driving reform. The first section examines the relevant structural factors that made labour immigration liberalisation an attractive policy course, looking particularly at the regulation of the UK labour market. Factors that defined the salience of immigration – including party politics, media coverage and public opinion – are then discussed. Attention then turns to the institutional factors that drove policy change, in order to explain why the impetus principally came from the executive branch, and not from organised interests. It analyses the involvement of business groups and trade unions in the policy process and their influence on labour immigration reform. The roles of the main state institutions and actors involved in policy change are then examined. An overview is then provided of policy developments in the period since 2004, during which there has been a

⁴³ Statham similarly argues that the executive branch under the Blair government played a dominant role in framing public debate around asylum seekers (2003: 170).

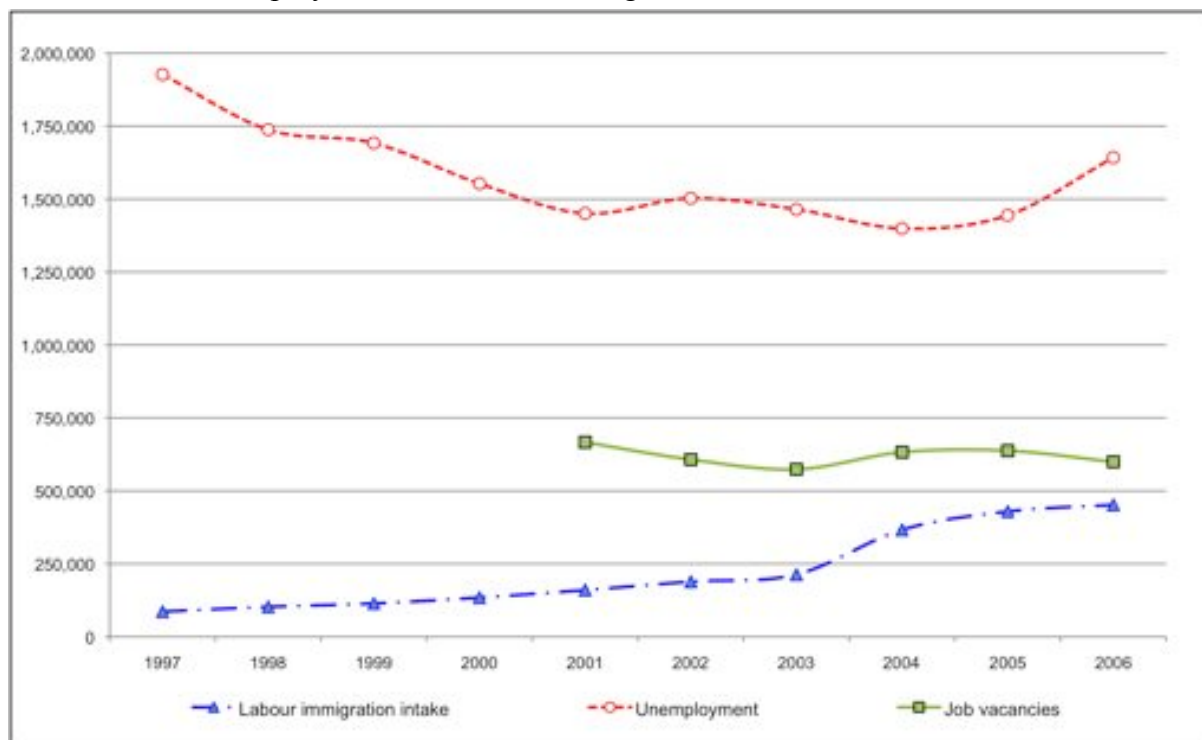
tightening of labour immigration controls and the creation of more formalised policy-making mechanisms. Finally, some conclusions are made about the processes and dynamics behind UK labour immigration policy-making.

The UK economy and its institutional structures

The continuous growth of the UK economy is fundamental in understanding why the Blair government adjusted immigration controls to make it easier for foreigners to work. Declining unemployment and the emergence of labour shortages meant that the labour required to sustain this growth was less readily available from within the domestic labour market.

Between 1997 and 2005, there was a steady decline in the unemployment rate, and relative stability in the number of job vacancies. The concurrent increase in labour immigration flows over this period may have helped to meet labour shortages (see Figure 8.1).

Figure 8.1 Total labour immigration intakes (main visa categories), job vacancies and unemployment in the United Kingdom, 1997 to 2006



Note: Job vacancy figures calculated on the basis of the April-June three-month rolling averages for each year. No figures available for 1997-2001.

Source: OECD Statistical Extracts, Labour Force Statistics, Standardised Unemployment Rates, available at: webnet.oecd.org/wbos/index.aspx (for unemployment figures); National Statistics Office (2009) *Labour Force Survey*, available at: www.statistics.gov.uk/statbase/Product.asp?vlnk=9390 (for job vacancy figures); Figure 7.1 (for labour immigration intake figures)

Job vacancies and labour shortages

The Blair government justified many of its adjustments to labour immigration policy between 2000 and 2004 on the basis of addressing labour shortages. In 2000, the Treasury said that the existence of skills shortage necessitated the expansion of the Work Permit system (HM Treasury, 2000a: 3.77-3.78). Barbara Roche cited emerging skills shortages and helping to “ease the upward pressure on pay” in the private sector in foreshadowing the later shifts in labour immigration policy (quoted in *Financial Times*, 2000c). And the 2001 PIU report recommended that immigration be used to complement other instruments in addressing the ‘clearly unsatisfied demand at all skill levels in the labour market’ (Glover *et al.*, 2001: 50). Furthermore, Prime Minister Blair justified the decision to open the UK labour market to A8 nationals in 2004 in the following terms:

There are half a million vacancies in our job market and our strong and growing economy needs migration to fill these vacancies. Some of these jobs are highly skilled, some are unskilled jobs which people living here are not prepared to do...

Given the facts we faced a clear choice: use the opportunities of accession to help fill those gaps with legal migrants able to pay taxes and pay their way, or deny ourselves that chance, hold our economy back and in all likelihood see a significant increase in illegal working (Blair, 2004).

According to one senior adviser, the issue of labour and skills shortages was the ‘main reason’ for the loosening of labour immigration controls (interview, Home Office adviser UK29).

Foreign policy and comparative economic advantages

The institutional structure of the UK economy was another factor contributing to labour immigration reform. The promotion by the Blair government and its predecessors of labour market flexibility as a key component of the UK’s comparative economic advantage complemented a liberal labour immigration policy (cf. Fioretos, 1996: 22; Hall, 2007: 66-67; Ruhs, 2007: 9). As discussed in Chapter 6, foreign policy considerations can largely explain the shift from the Commonwealth to Europe as the main source of labour immigration. The Blair government further consolidated this shift with its policies on *European labour mobility*. UK governments have been much more selective than their European counterparts in signing onto EU policy measures, and this has been exemplified in their positions on border and asylum policy. As with the Thatcher and Major governments before it, the Blair government

consistently said that the UK's island status meant that it had different imperatives in regulating the entry of foreigners. As a 1999 Home Office white paper on immigration and asylum claimed:

The main focus of UK immigration control has traditionally been at the point of entry. For the UK, frontier controls are an effective means of controlling immigration, and of combatting terrorism and other crime. These controls match both the geography and traditions of the country and have ensured a high degree of personal freedom within the UK. This approach is different from the practice in mainland Europe where, because of the difficulty of policing long land frontiers, there is much greater dependence on internal controls such as identity checks (Home Office, 1999: 2.09).

This argument was invoked to justify the UK's decision not to join the common EU border zone established by the 1990 Schengen Convention, and in negotiating the right to 'opt out' of EU asylum and immigration policies. These arrangements enabled the UK to participate only in the measures it viewed as consistent with its supposedly unique immigration control requirements. According to Geddes, the EU has been used as 'an alternative institutional venue for the pursuit of British migration policy objectives that are not necessarily attainable by domestic means alone' (2005a: 725). The Blair government took full advantage of the EU's potential in this respect, by opting out of common policies extending various rights to immigrants, and opting in to those that enhanced its control over irregular immigration (Geddes, 2005a: 732-738). While utilising EU policy to restrict entry and settlement of 'third country nationals' (i.e. those from outside the EU) that it deemed as unwanted, the Blair government also used it to entice nationals from within the EU that it considered to be desirable. This was most evident in the 2004 *European labour mobility* decision, which the government justified in part because of its compatibility with the regulation of the UK labour market.

Whereas most EU-15 states saw free movement as having a potentially adverse economic impact, the Blair government believed it could gain a competitive advantage from opening its labour market. When first announcing the government's intention to allow A8 nationals to work freely, Foreign Secretary Jack Straw said such a move was "in the UK's interest" because it would "attract workers we need in key sectors" (quoted in *The Independent*, 2002).

By contrast, the language used by leaders of the EU-15 states that imposed restrictions was often couched in terms of the potential risks that would be otherwise posed to their more protectively regulated labour markets. For instance, Chancellor Gerhard Schröder said that local labour markets in Germany, particularly those bordering the accession states, could not accommodate a large inflow of workers (Jileva, 2002: 694).

Although it is not a perfect indicator of vacancies, unemployment in the years immediately prior to the 2004 EU enlargement was lower in a number of states – such as Austria, Denmark, Luxembourg and the Netherlands – that adopted more restrictive policies on A8 workers (and maintained tighter labour immigration controls more generally) than in the UK (cf. OECD, 2009: 250). Sweden adopted an open labour market policy for A8 workers and, unlike the UK, did not restrict access to welfare. Despite having similarly low levels of unemployment, around 5,000 A8 workers went to Sweden each year after enlargement, compared with over 200,000 to the UK (Drew and Sriskandarajah, 2007). Stronger demand for labour in the UK was one reason for this disparity (Krings, 2009: 54). Another possible factor is that the more liberal regulation of the UK labour market may have allowed businesses to employ migrant workers on relatively lower wages and conditions than in Sweden, which had more protective regulation (Ruhs, 2007: 24). Moreover, the more flexible nature of its labour market might have placed the UK economy in a better position than other EU-15 states to absorb more workers without an accompanying increase in unemployment (Somerville and Sumption, 2009a: 13).⁴⁴ This suggests that the extent of labour demand in the UK, which underpinned the Blair government's relaxation of labour immigration controls, may have been shaped by the regulation of its labour market.

The effects of liberal labour market regulation

Liberal labour market regulation perhaps allowed the UK to accommodate a larger inflow of workers than if it had more protective regulation, but it may have also compounded the magnitude of labour shortages. A report for the government's Migration Advisory Committee on why systemic shortages existed in parts of the UK labour market cited the following reasons:

⁴⁴ When compared against other EU-15 states, the regulation of the UK labour market is considered to be more liberal or flexible than other EU-15 states, because of its relatively low wage benchmarks, and the greater ease with which employers can fire workers and use part-time and temporary work contracts (Ruhs, 2007: 9).

Low wages, poor employment conditions, high rates of labour turnover (low rates of retention), a lack of training of local workers, reluctance to invest in labour saving technology and/or change to more capital intensive production processes as well as various inflexibilities in local labour supply including reluctance to engage in certain types of work because of the lack of flexibility of the benefits system (Anderson and Ruhs, 2008: 6-7).

In a widely publicised report on the economic impact of immigration, the House of Lords Select Committee on Economic Affairs contended that addressing these deficiencies, particularly labour market inactivity among UK residents and training investment, were preferable options to a liberal labour immigration policy (2008: 31, 37-38).⁴⁵ However, Taylor says that the UK's 'historical failure in training and skills' meant that implementing an effective training policy would have been rather difficult. He claims that the UK suffers 'from a particularly chronic lack of workers equipped with recognisable and adaptable skills', particularly compared to other EU-15 states (Taylor, 2007: 222, 234). Finegold and Soskice argue that a range of reinforcing structural attributes seriously impeded the creation of an effective training policy. Industry-based training initiatives proved difficult to establish or coordinate because of decentralised labour market regulation. The reluctance of both Labour and Conservative governments to sanction compulsory training, owing to a view that companies should be left to determine their own arrangements, reinforced these difficulties (Finegold and Soskice, 1988: 21-22). This 'orthodoxy of voluntarism' placed the onus of skill development on individual employers (King and Wickham-Jones, 1998: 442). But employers were often disinclined to invest too heavily in training their employees, lest other companies poach them (Anderson and Ruhs, 2008: 38-42).

If liberal labour market regulation made it difficult for the UK to meet labour shortages through conventional responses such as training, why did this only become pronounced in the early 2000s? The structural problems in the UK labour market had been longstanding, particularly with respect to skills and training (King, D. 1997: 385-388; Stevens, 1999: 16-

⁴⁵ The relatively low unemployment rate presided over by the Blair government disguised some important realities. While overall labour market inactivity rates remained stable from 1975 to 2000, there was a five-fold increase in labour market inactivity among working age males over this period. By 2000, some 30 per cent of unskilled males aged 25 to 54 were inactive (Nickell, 2001: 727-735). The invoking of low unemployment and high job vacancy levels to justify a relaxation of labour immigration controls was therefore somewhat disingenuous.

17). However, government policies from the 1980s onwards aggravated these problems. Initiatives aimed at injecting market principles into and reducing trade union influence over training policy further weakened the capacity of the domestic labour market to respond to labour shortages. In 1988, the Thatcher government replaced the national tripartite body responsible for training policy with regional Training and Enterprise Councils, which did not provide for union representation (Wood, 2001: 261-262). As a consequence, employer preferences for voluntarist training arrangements and their antipathy towards formalised mechanisms, such as apprenticeships, came to dominate the tenor of training policy, and governments became more 'hands-off' in their approach. This led to greater employer autonomy and flexibility in determining their own training arrangements, but also weaker coordination of training outcomes (King, D. 1993: 215; King, D. 1997: 397). As Desmond King claims, Conservative governments of this era believed that 'questions of training and skill acquisition were fundamentally individual ones best sorted out by the market... National training policy [was] ignored, an orientation further distancing firm-based arrangements from the concerns of public policy' (1997: 404-405).

Changes made to the regulation of the UK labour market from the early 1980s further strengthened voluntarist training arrangements. As rapidly declining union membership contributed to a weakening of trade union power, it became easier for business to hire and fire workers. Job security weakened and temporary and fixed-term employment contracts increased as a result of this (Brown and Edwards, 2009: 17-18; Nickell, 2001: 720-722; Schmidt, 2002: 162-164). Temporary employment diminished the commitment of UK employers to training, according to Arulampalam and Booth. They claim that this was because workers employed under such arrangements, or those not covered by union-negotiated collective agreements, were 'significantly less likely' than those on permanent contracts and union negotiated agreements 'to be involved in any work-related training to improve or increase their skills' (1998: 521). Problems also existed in the design of the national framework for the recognition of vocational qualifications. Again, this system came to be dominated by employer policy preferences, and was essentially predicated on perpetuating the status quo rather than improving skills standards. Inherent deficiencies in training policy and skills development were thus not addressed. Skills standards declined in a number of industries and occupations after the introduction of this framework in the late 1980s, notably in areas where shortages would later develop, such as in engineering,

management and retail (Grugulis, 2003: 457-461). Immigrant labour would later be increasingly relied upon to help address these skills shortages.

The restructuring of UK industry during the 1980s also exacerbated labour and skills shortages. This became particularly apparent as the demand for labour increased with sustained economic growth from the mid 1990s. A shift away from manufacturing towards services, as well as technological change, had a large impact on the skill profile of the UK workforce. These developments contributed to fluctuations in demand and supply, which further exacerbated labour shortages. The ‘hollowing out’ of the labour market was one consequence of these changes. The demise of manufacturing led, on one hand, to a fall in intermediate manual skilled jobs and, on the other hand, to growth in work in the service sector. This in turn resulted in a rise in both lower and high-skilled employment (Greenhalgh and Gregory, 2001: 639-642). These shifts in industrial composition led to both increased demand for labour (manifested through higher vacancy rates) in some localities and industries, and excess supply (as seen in the emergence of pockets of unemployment or inactivity) in others. Such conflicting trends were highlighted by a 2006 Treasury report on the London economy, which found that localised industrial change had created dynamism at the higher skilled end of the labour market, such as in finance and the creative industries, and generated growth in lower-skilled service sector jobs. However, it also showed many long-term residents had been squeezed by economic change:

London greatly benefits as an international business centre, with a highly skilled and flexible international workforce able to benefit from these processes of change...

This dynamic model of growth benefits those with the skills and ability to adapt to work in new and emerging businesses... But while dynamic growth benefits many, it can cause problems for others. Workers who are displaced or who do not have the appropriate skills may face prolonged periods of worklessness. For example, information technology has removed much of the processing work that was previously carried out by staff highly trained in shorthand or audio typing skills. Those who consider themselves unable to retrain or who lack the confidence or support to gain the necessary skills may find these negative consequences of vibrant city growth a reality (HM Treasury, 2006a: 40).

The report claimed that labour immigration helped the London economy structurally adjust by meeting fluctuating labour demand (HM Treasury, 2006a: 42). Indeed, Favell argues that young, motivated and often highly skilled Europeans were particularly drawn to the growth of menial service sector jobs in London (2008a: 9, 35-36). But in the context of industrial restructuring and the flexibility of the UK labour market, labour immigration arguably contributed to labour market segmentation.

Employers in some areas of the economy became structurally dependent in their demand for migrant workers, particularly at the lower skilled end of the labour market (Anderson and Ruhs, 2008: 42; Ruhs, 2007: 26). Anderson and Ruhs claim that liberal labour market regulation, the consequences of industrial restructuring, and other factors such as inefficiencies in the welfare system, created 'system effects' that shaped and constrained 'the incentives underlying employers' choices about how to respond to perceived staff shortages' (2008: 8). As discussed in Chapter 7, the Treasury acknowledged that various market imperfections made it difficult to respond to labour shortages through strategies such as training resident workers, increasing wages, or investing in labour-saving technology. Consequently, the attractiveness of relaxing labour immigration controls as a solution to labour and skills shortages was enhanced. As one civil servant says, compared to the alternative options, 'migration is very flexible ... you're better off with a few Bulgarians' (interview, Home Office official UK40). This point is revisited below.

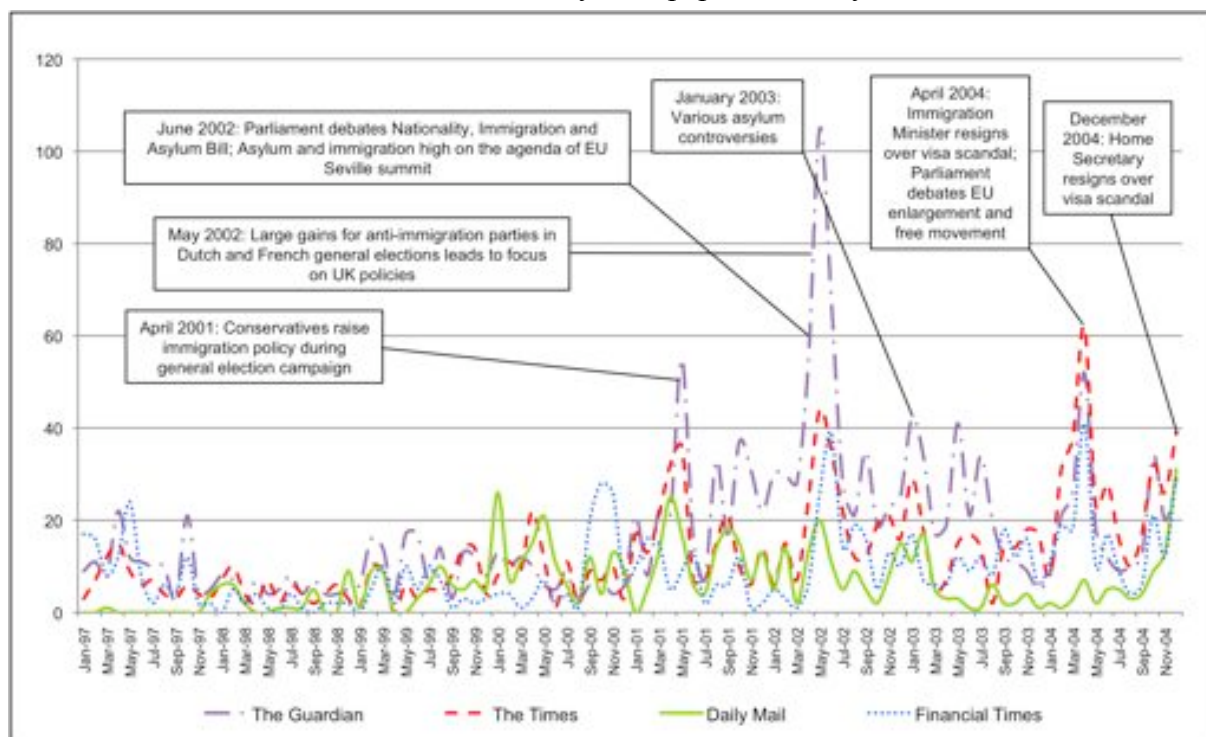
Public opinion, the media and party politics

The lack of dissent from the potential sources of opposition in Parliament, the press and the broader public further increased the utility of labour immigration to plug labour shortages in all three segments. Some differences emerged in the positions of the Labour and Conservative parties over immigration issues between 1997 and 2004, mostly in relation to asylum seekers and illegal immigration. During the 2001 general election campaign, Conservative leader William Hague accused the government of being too lax in its border controls and said Labour would turn the UK into a "foreign land" if re-elected (quoted in *The Observer*, 2001). But until 2004, there was general agreement from the Conservative Party about the government's labour immigration policies (Boswell *et al.*, 2005: 20-21).

The relaxation of labour immigration controls also received broad support from the editorial pages of the press. This was the case among socially liberal publications such as *The*

Guardian and *The Independent*, the economically liberal *Financial Times*, and even the more right-leaning mastheads. For instance, the *Daily Mail* gave ‘in principle’ support to the September 2000 speech by Barbara Roche that heralded a broad shift in immigration policy. It claimed that ‘a well-regulated programme of “managed migration”, with incomers getting work permits for specific, high-tech jobs would certainly have advantages’ (*Daily Mail*, 2000). *The Times* said that the 2002 white paper that set out the government’s managed migration agenda was ‘balanced and reasonable’. *The Times* argued that ‘opening this country’s borders to skilled workers currently unable to come here is not only economically sound, it also allows the rest of David Blunkett’s proposals for tackling problems with immigration to be seen as fair and reasonable rather than mean-spirited and isolationist’ (*The Times*, 2002a). Coverage of the government’s *European labour mobility* decision in 2004 was not quite as complimentary. Tabloids such as the *Daily Mail* and *The Sun* contended that such a move could lead to a surge in ‘benefit tourism’ (Boswell *et al.*, 2005: 23). Nevertheless, while press coverage of immigration issues intensified between 2000 and 2004, it appears that labour immigration issues were not the main reason for this increase in salience (see Figure 8.2).

Figure 8.2 Number of articles containing the term ‘immigration’ in the domestic political news sections of selected daily newspapers, January 1997 to December 2004

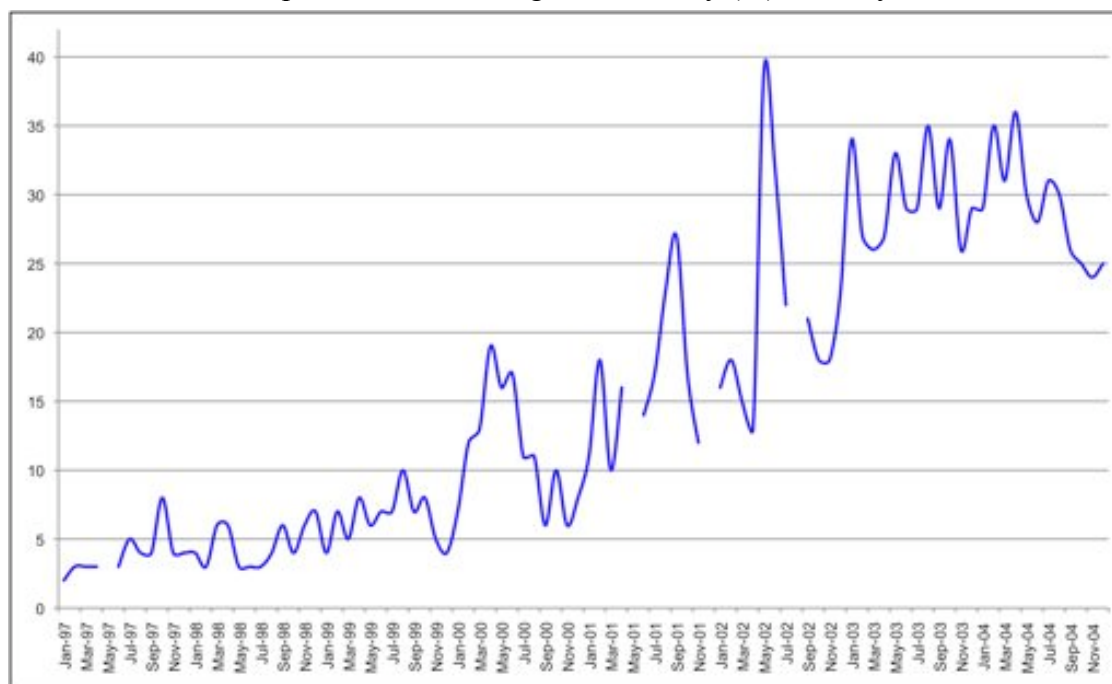


Source: Author’s calculations based on data generated from Factiva.com

Note: Periodicals selected on the basis of a variety of ownership, format, and availability of data.

Measures of public opinion reflected the general extent of support for (or at least a lack of dissent against) the government's relaxation of labour immigration controls from the main opposition party and the press. There was, however, a mood of increased concern from the general public on immigration-related issues from the time of the election of the Blair government until 2004 (see Figure 8.3). But as with the level of salience as measured by press coverage, it appears that other immigration matters, rather than labour immigration, drove the rise in public interest.⁴⁶ Opinion polls often showed that the UK was seen a 'soft touch' on immigration and there were high levels of opposition to the acceptance of more asylum seekers (Boswell *et al.* 2005: 24). However, an ICM poll published in May 2001 found that 70 per cent of respondents supported entry for foreign nationals with skills in short supply (*The Guardian*, 2001). Another poll conducted by the European Commission ahead of EU enlargement found that public opinion in the UK towards labour immigration was in line with the EU-15 average (though much less supportive than in a number of states that had imposed restrictions on A8 workers) (see Figure 8.4). The relatively low levels of salience around labour immigration, if not other immigration issues, may have made it easier for the Blair government to implement its reforms than if salience levels were high.

Figure 8.3 Respondents citing race relations/immigration/immigrants as one of the three most important issues facing Britain today (%), January 1997 to December 2004



Source: Ipsos MORI Issues Index (2009) 'Trends since 1997', www.ipsos-mori.com, 24 August

⁴⁶ A strengthening of the 'migration-security' nexus may well have contributed to this increase, particularly in the wake of the September 11 attacks.

Figure 8.4 Responses among EU-15 member states to the statement: ‘we need immigrants to work in some sectors of our economy’ (%), December 2003

	Absolutely agree	Rather agree	Rather disagree	Absolutely disagree	Don't know/ no answer	Difference between total agree and total disagree
Austria	28	32	24	12	3	24
Belgium	21	26	26	23	4	-3
Denmark	28	35	17	9	11	37
Germany	15	30	30	22	3	-7
Greece	16	27	26	30	1	-13
Finland	34	34	15	13	5	40
France	32	32	17	17	3	31
Ireland	38	40	12	7	4	60
Italy	29	26	23	20	2	12
Luxembourg	55	26	10	6	2	66
Netherlands	26	27	20	25	3	9
Portugal	34	28	14	20	4	27
Spain	29	34	20	11	6	32
Sweden	54	24	8	8	6	62
United Kingdom	25	31	17	22	4	18
EU-15 average	26	30	22	19	4	16

Source: European Commission (2004) Justice and Home Affairs: Flash Eurobarometer 155, available at: ec.europa.eu/public_opinion/flash/fl155_report_en.pdf, 15

Organised interests

The Blair government was perhaps further encouraged to relax immigration controls by the support it received from organised interests, such as trade unions and business groups. Unions consistently supported labour immigration policy initiatives such as the 2004 decision on *European mobility* (*The Times*, 2002). Various union officials claim that steady employment growth, and an acceptance that liberal markets were the key to national comparative advantage, were among the reasons for union support. Socially liberal views on immigration among union leaders, and a desire to mitigate racist attitudes in membership ranks, were also important. The introduction of a national minimum wage in 1999, which helped to cushion the economic impact of low-wage immigration, was another key reason for union support (interviews, TUC official UK13; Unite official UK 25). However, unions did express some concerns about the reforms to the *lower skilled categories* (*The Times*, 2003). Despite the strong historical links between the Labour Party and the trade union movement, the weakened political position of unions meant that it is doubtful whether their policy preferences on labour immigration actually had a tangible influence over the Blair government’s decision (as was the case in other policy areas during this period (cf. Taylor, 2001: 245-250)).

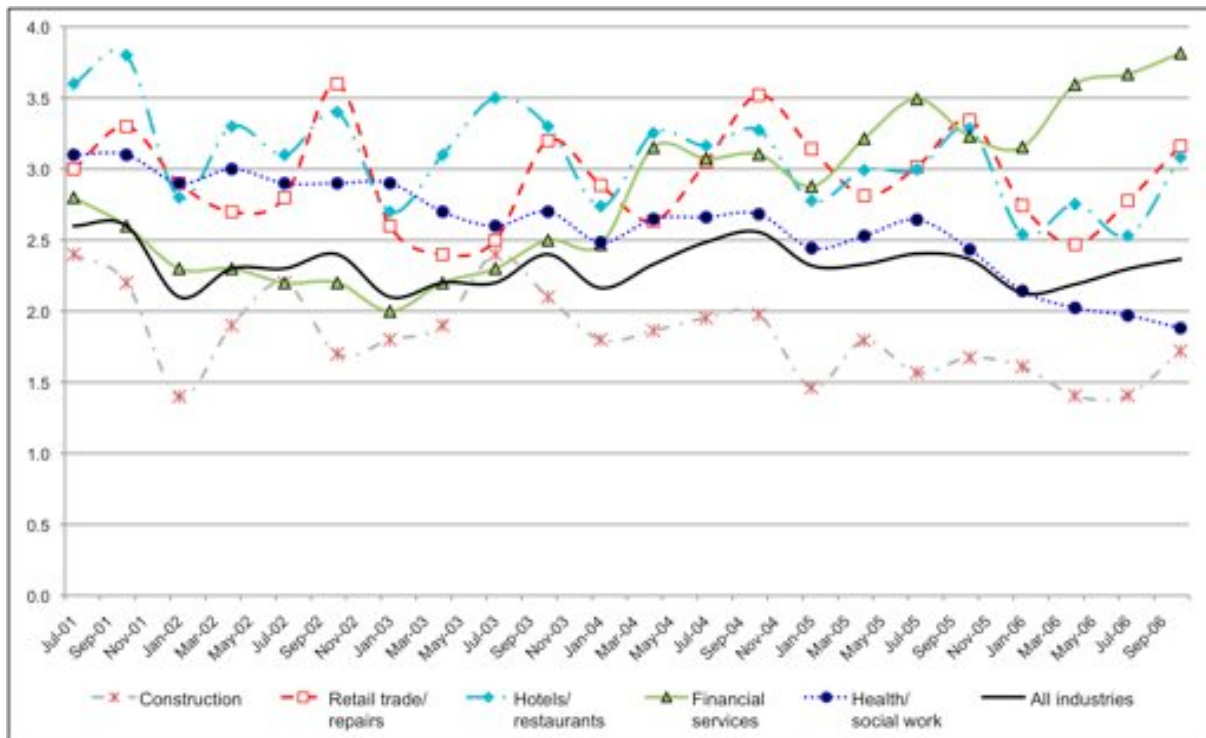
Business in the UK has a legacy of political weakness and fragmentation, as discussed in Chapter 6. The CBI has historically been the largest and most influential of the UK business

associations, but was somewhat marginalised by the Thatcher and Major governments. Nevertheless, Grant claims that the Blair government was ‘well disposed to big business’, and gave the CBI ‘direct access’ to policy-making. He says that the CBI and other business groups had a more favourable relationship with the Blair government than any other organised interest, including unions (Grant, 2005: 411-418). This relationship was particularly strong between 1997 and 2001, and weakened somewhat thereafter, but remained rather constructive until Blair stood down as prime minister in June 2007 (Grant, 2009: 83-85). The strengthened role of business groups under the Blair government raises the possibility that business may have influenced the direction of labour immigration policy. Peak associations such as the CBI and the British Chambers of Commerce (BCC) often voiced support for government policies, such as the reforms to the *lower-skilled categories* and *European labour mobility* (*Financial Times*, 2002b; *The Times*, 2002b). However, business played a rather peripheral role during the key instances of reform. Various government officials suggest the ‘perfectly calibrated and entirely demand-led’ regulation of the Work Permit scheme may have accommodated business interests (interview, Home Office official UK40; cf. Cabinet Office/DWP official UK26). Much of the growth in Work Permits indeed occurred prior to the policy changes of 2000.

But while market considerations had a discernible bearing on all three segments of labour immigration policy change, the preferences of peak-level business groups did not. A major factor for their marginal role in the reform process was simply a lack of interest. On numerous occasions, any support that peak business associations lent to immigration policy initiatives was accompanied by the caveat that investment in education and training were preferable policy alternatives (cf. *Daily Telegraph*, 2003; *Financial Times*, 2002a). Additionally, such support generally came only as labour shortages became more pronounced, and business groups such as the BCC strictly viewed relaxing labour immigration controls as a short-term and temporary measure (interviews, BCC officials UK04, UK11). Groups such as the CBI had ‘philosophical’ commitments to ‘flexible labour markets, open trading markets, free competition’, but no similar attachments to liberal labour immigration. This was because ‘we don’t have a long-term legacy of policy in this area’, in the words of one official. The regulatory obligations of employers engaging immigrant workers were the main issue on which it would actively lobby for policy change. Otherwise, labour immigration was seen as a ‘political’ issue that the CBI would avoid engaging with where possible (interview, CBI official UK02).

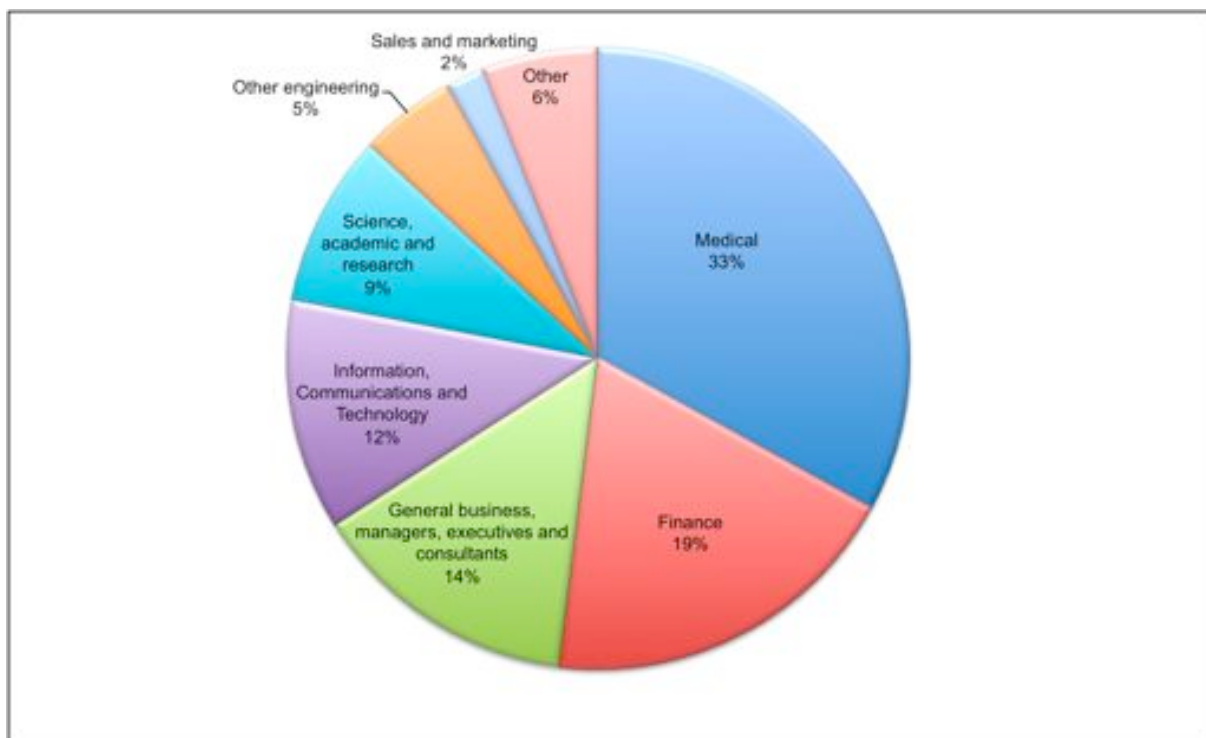
Industry-level business groups played a somewhat more proactive role in the reform process than the peak-level bodies. Variations in the magnitude of labour shortages suggest that some industries stood to benefit more from the relaxation of immigration controls than others. In relative terms, vacancy rates were above the all-industry average in the hospitality, finance, health, and retail (and related) industries during the liberal reform period (see Figure 8.5). Medical, finance, ICT and managerial professions accounted for a large proportion of the visas approved under the HSMP and Work Permit scheme in 2005 (see Figures 8.6 and 8.7). The growth of the Work Permit intake coincided with increased concentrations of sponsorship among the health, ICT and hospitality sectors (see Figure 8.8). The labour market distribution of A8 workers was rather diffuse, with the majority employed in lower-skilled jobs, and a relatively large number in ‘administration, business and management’ industries across the UK, as well as in the London hospitality industry (see Figure 8.9). These trends suggest that the financial and business services, health and hospitality industries were the greatest beneficiaries of the government’s labour immigration reforms between 2000 and 2004. This helps to explain why the BHA was among the more engaged industry associations in lobbying the government for policy change. But these other industries were not so active. Layton-Henry claims that shortages in the health industry provided a further motivation for the relaxation of labour immigration controls (since the government itself is a large employer in this industry) (2004: 298), but the research conducted for this study did not show this to be a major factor behind policy change. Curiously, the financial and business services industries (principally represented by the CBI) appeared not to have made any major agitation for reform. Nor did retail industry associations, despite retail employers experiencing significant shortages (interview, British Retail Consortium official UK19). The lack of interest taken by organised business in labour immigration, as evident by their general disinclination to push for changes in selection and control policy, is indicative of a restrictionist outlook, which is further illustrated below.

Figure 8.5 Vacancies per 100 employee jobs by industry in selected industries (3-month rolling average, month ending), July 2001 to January 2006



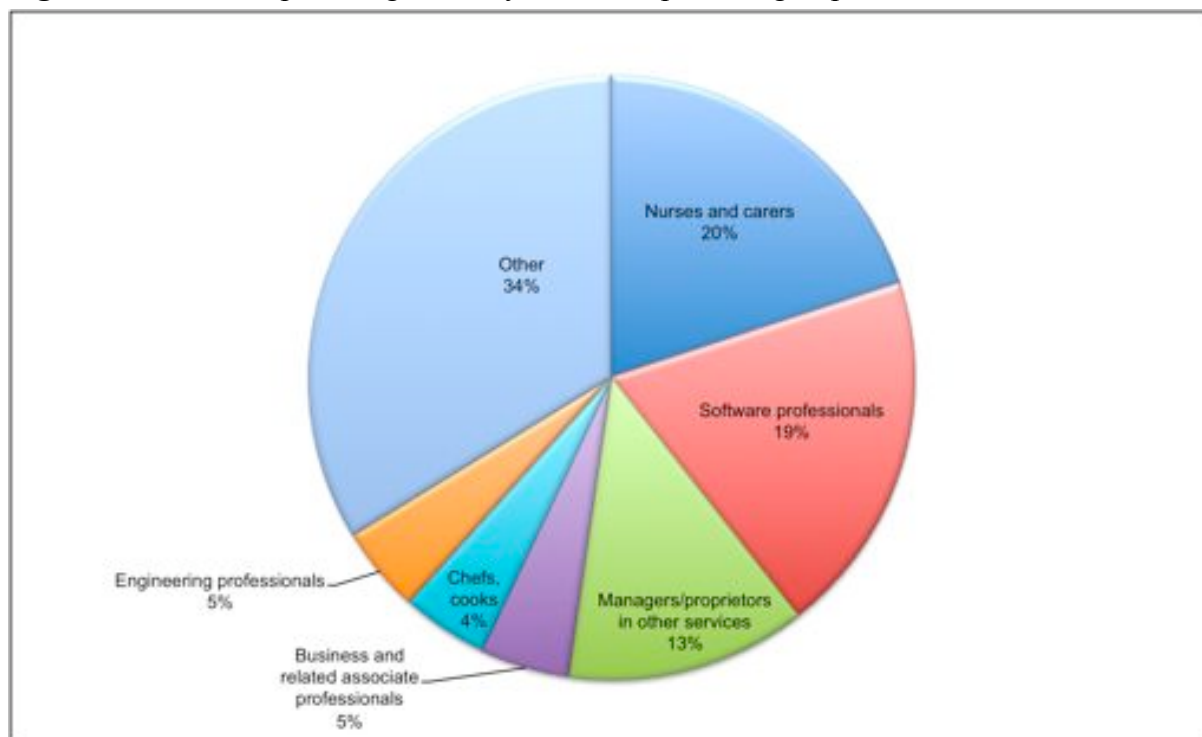
Source: Office of National Statistics (2008) Labour Market Statistics, 17 December, available at: www.statistics.gov.uk

Figure 8.6 Highly Skilled Migrant Programme applications approved by occupational group, 2005



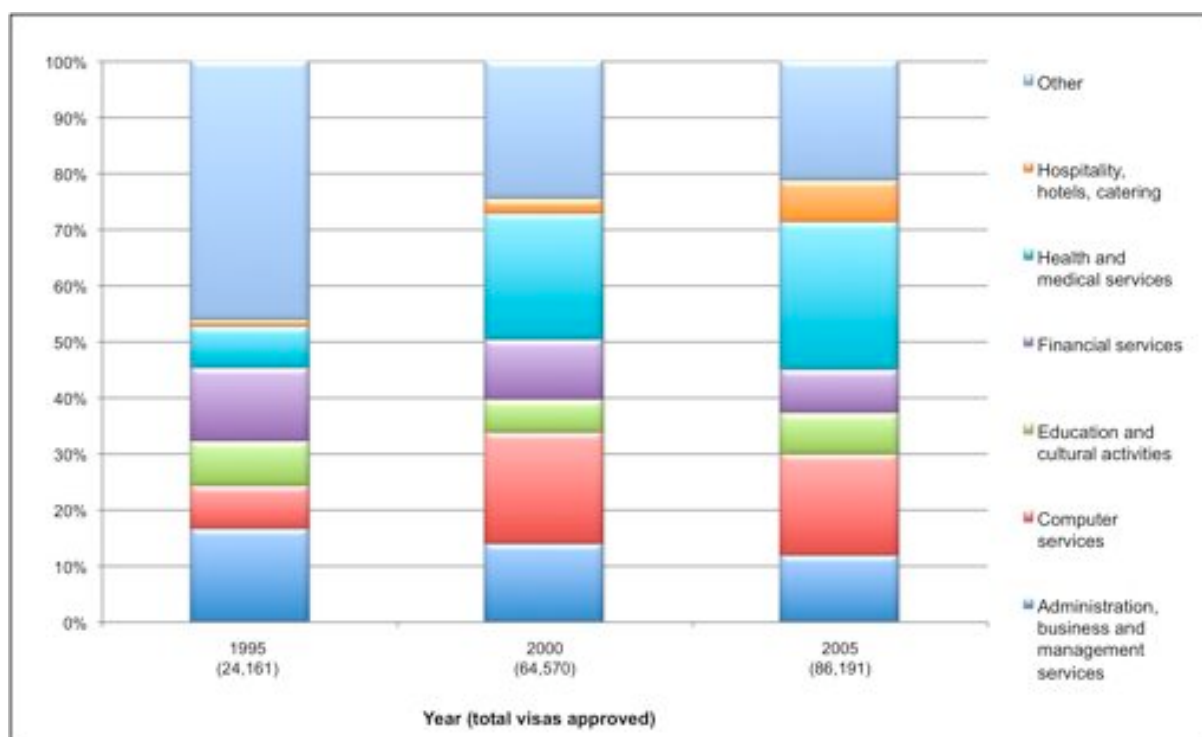
Source: Salt and Millar (2006a): 349

Figure 8.7 Work permits granted by main occupational group, 2005



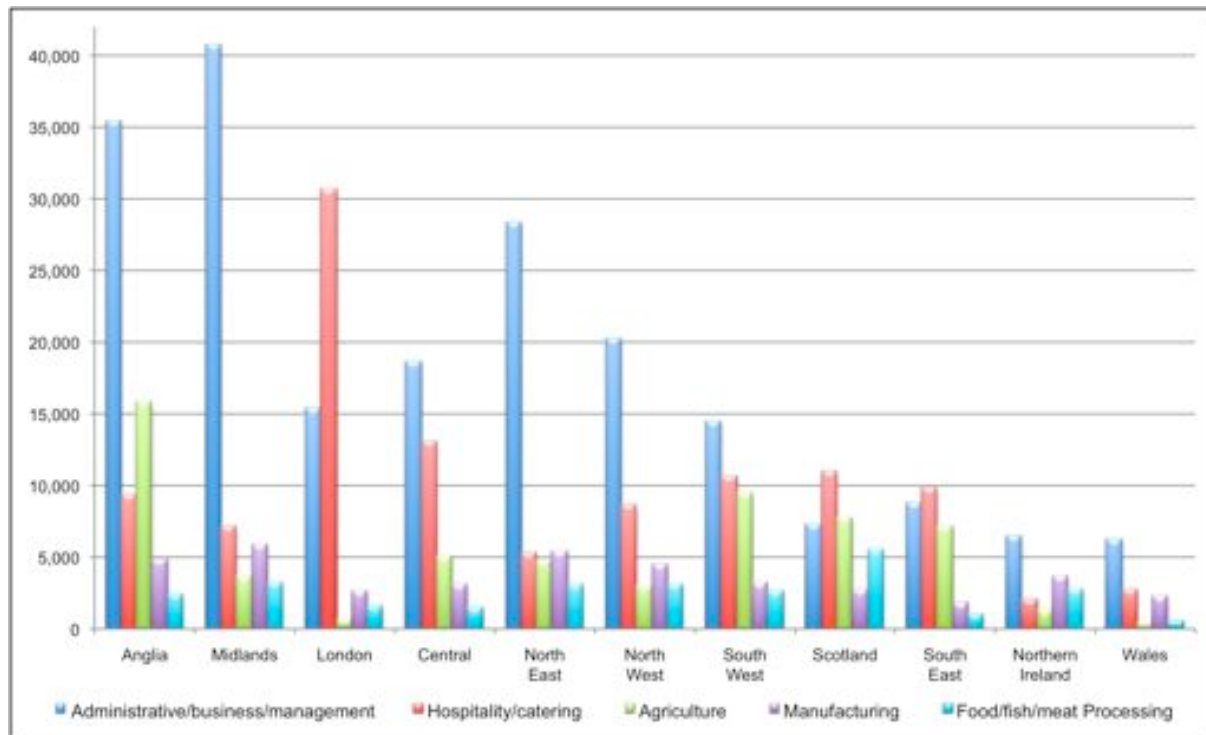
Source: Salt and Millar (2006a): 346

Figure 8.8 Work permits approved by industry (% of total approved), 1995, 2000 and 2005



Source: Salt, John (2007) *International Migration and the UK*, SOPEMI, 77

Figure 8.9 Geographical distribution of largest industry classification sponsors of A8 workers, May 2004 to December 2006



Source: UK Border Agency (2007) *Accession Monitoring Report: May 2004-December 2006*, 21

The executive branch of the state

The main force for relaxing labour immigration controls came not from business, but rather from within the government itself. As discussed in Chapter 6, the executive branch in the UK is institutionally strong. Large parliamentary majorities enabled the ‘core executive’⁴⁷ of the Blair government – dominated by the PMO and the Treasury – to wield significant influence over a range of policy areas (Burch and Holliday, 2004). This dominance was pronounced in the realm of labour immigration policy during the period of liberal reform, as core executive institutions and actors set down the policy agenda with minimal input from other government ministries or organised interests. In particular, the PMO (through its broader agenda on immigration control), the Treasury (on microeconomic reform), the FCO (on foreign policy), and a reformist Home Secretary in David Blunkett, were notably assertive agents of policy change.

⁴⁷ Following Burch and Holliday’s definition, the core executive is taken here to mean ‘the small number of agencies at the very centre of the executive branch of government that fulfil essential policy setting and general business coordination and oversight functions above the level of departments’. In the UK, these agencies can be taken to include the PMO, the Treasury, the Cabinet Office and the FCO (Burch and Holliday, 2004: 2-3). The ‘core’ of the executive branch is not always strong. For instance, Heffernan highlights its weakness under the Major government (2003: 352-353)

The Home Office

The Home Office played only a marginal role compared to that of these core executive actors and institutions during the main instances of policy change. The Home Office and IND had long held responsibility for immigration and border control, but their jurisdiction did not extend to labour immigration until Blunkett brought this policy domain over to the Home Office in 2001 from his previous ministerial posting at the Department of Employment. Blunkett came to the Home Office with ‘strong ideas and strong views’ about what needed to be achieved, in the words of a senior official (interview, Home Office official UK31). He was frustrated by its gatekeeper mentality that had been ingrained by the legacy of restrictionism, as Chapter 6 showed (interview, Home Office officials UK28, UK40). Blunkett and his advisers – rather than the IND and the Home Office – largely crafted the framework for the managed migration agenda. According to Sarah Spencer, the notion of relaxing labour immigration controls as a device for stemming irregular immigration flows was met by ‘incomprehension’ from the IND (2007: 351; cf. Blunkett, 2006: 316-317, 339).⁴⁸ The Home Office and the IND lacked strong coordinating roles even after taking formal responsibility for all policy matters relating to immigration in 2001. The impetus for policy change instead came from elsewhere. While their involvement in labour immigration policy was generally done in collaboration with the Home Office, the PMO and the Treasury were more instrumental in driving policy change. Moreover, it was clear from interviews with business and government representatives that business groups would regularly liaise with the Department of Business, Innovation and Skills (BIS) (formerly the DTI) on matters relating to employers’ regulatory obligations with respect to foreign workers, rather than the Home Office. This was in part due to BIS’s status as the main ministry for business liaison, but it was also due to a widespread perception that whereas BIS did its utmost to remove regulatory burdens on business, the Home Office largely strove to enforce such regulations (interviews, CBI official UK02, BCC official UK04, BHA official UK20; BIS official UK34; Home Office minister UK41). The Home Office’s gatekeeper mentality was thus retained throughout the period of liberal labour immigration reform.

⁴⁸ Blunkett’s recounts his frustration with the Home Office and the IND to his biographer: “The people inside the Home Office didn’t believe that we would do what we said. And they had a policy of their own. I’ve never experienced anything quite like the first few months here. We were running parallel policies. There were my policies and there was officials called ‘Home Office policy’, and that was what they worked to. I had to say to them over and over again, “There is only one policy and it’s what we say it is”” (quoted in Pollard, 2005: 273-274). Interviews with various officials indicate that relations between Blunkett’s office and the Home Office were indeed of this ilk (interviews, Home Office officials UK28, UK31, UK35; Home Office adviser UK29).

The Prime Minister's Office

The status of PMO as ‘the core of the core, the centre of the centre’ of the executive branch increased under Blair, according to Heffernan (2005: 612). The Treasury during the Blair years took a keen interest in all areas of policy relating to the economy. By contrast, minimising political damage and exercising control over high salient issues was the principal domestic affairs preoccupation of the PMO (Bennister, 2007: 337-338). Indeed, Sarah Spencer says that Blair gave the issue of immigration control, and particularly asylum, ‘an extraordinary amount of his personal attention’, as seen in Chapter 7 (Spencer, S. 2007: 359-360). One senior Home Office official says ‘we had very, very frequent dealings with Tony Blair and with Number 10 and the PM Delivery Unit. He would be taking a very detailed personal interest in what was happening’. According to another, ‘we used to go to meetings in Number 10 every week and sometimes several and [Blair] was very engaged’ (interviews, Home Office officials UK40, UK42). But as discussed below, it is likely that that the involvement of Blair and the PMO in immigration control policy inadvertently undermined the government’s liberal labour immigration reforms.

The Treasury

As with the PMO’s involvement in the *lower skilled category* reforms, the changes to the *high-skilled and professional categories* were one, largely peripheral, part of a broader policy agenda driven within the core executive. Nevertheless, the Treasury’s interest in labour immigration policy was partly the result of what it viewed to have been past opportunities missed. The Thatcher government’s miserly extension of UK settlement rights to a small minority of Hong Kong nationals (see Chapter 6) had struck a particular chord. According to one senior official, the episode was seen within Treasury as ‘a chance to bring in a really dynamic, highly educated, highly entrepreneurial group of people, and we didn’t take it’ (interview, Treasury/Cabinet Office official UK22). The official says that the Treasury saw the expansion of labour immigration ‘as a good piece of supply-side economics’, in extending its skills and labour market policies (interview, Treasury/Cabinet Office official UK22; cf. interview, Treasury official UK23).

The Treasury was able to involve itself in labour immigration policy by virtue of its status as a “permanent member of the core executive” (Moran quoted in Smith, M. 1999: 6). During Brown’s tenure, its authority in this respect was extended well beyond its usual remit, largely

due to Brown's dominance as chancellor.⁴⁹ According to a former permanent deputy secretary of the Treasury:

The Treasury has three functions. It's a ministry of finance. It's a budget and tax ministry, and it has sometimes been an economic ministry – that is, a ministry that wants to get the best use of the country's resources. At different times in the Treasury's history, each of these three functions has come to the fore. It is right to say that in the last few years the economics ministry side of the Treasury has perhaps come to the fore as never before' (quoted in Coates, 2005a: 60).

Or – in the words of Brown – the Treasury under his command acted “not just a Ministry of Finance, but also a Ministry working with other departments to deliver long-term economic and social renewal” (quoted in Lee, 2008: 19). This allowed the Treasury to greatly extend its institutional reach and intervene in areas of domestic economic and social policy to an extent unprecedented during peacetime (Deakin and Parry, 2000: 216-218; Lee, 2007: 72-73; 2008: 18-19), including into labour immigration.

Like the Thatcher government (Grant, 1993: 18-19), Blair and Brown believed their government was more attuned to the needs of business than business itself. Gamble says that while Thatcher government was strongly guided by *laissez-faire* principles, it gave the state a more interventionist role so as ‘to police the market order and provide those goods ... that the market cannot provide for itself’ (1994: 5-6). Brown believed markets to be the most efficient mechanism for allocating economic resources. But he also saw an activist state as a necessary “lubricant in the engine of the ... economy”; it needed to help coordinate areas where the market allocation did not function effectively, particularly with respect to supply-side investment in areas such as skills (quoted in Coates, 2005b: 7; cf. Krieger, 2007: 424-426). The Treasury under Brown identified the lack of private investment in skills as a market imperfection, as Chapter 7 discussed. It decried the shortcomings of the ‘voluntarist’ orthodoxy, but was ultimately unable to address these problems. While the Treasury provided carrots for employers to increase investment in workforce skills, it was not prepared to wield sticks to compel them to do so. This was essentially due to the fear that such compulsion

⁴⁹ This outcome was partly the consequence of Brown's negotiation of control over domestic policy in exchange for agreeing not to challenge Blair for the Labour party leadership in 1994 (Burch and Holliday, 2004: 18).

could stifle the dynamism of the UK's liberal markets, which after all were a cornerstone of its comparative advantage (Coates, 2005a: 182-184; Coates and Hay, 2001: 462-466). Hay claims that Treasury's efforts to promote labour market flexibility offered 'yet further incentives for the market to fail to provide [skills] investment' (2004: 53). This essentially compounded the 'anaemic' nature of the skills base (Lee, 2008: 30). However, immigration offered a resolution to this dilemma (Taylor, 2005: 197-202; Taylor, 2007: 234-237). By relaxing labour immigration controls, the government could both increase supply to make the labour market more flexible on one hand, and provide a 'blood transfusion' of skilled workers to enhance productivity on the other.

Despite its interest in labour immigration, the Treasury played a cautious role in the policy process. Its interventions in labour immigration were made from a distance, and always only as an extension of broader microeconomic policy. Peston's assessment of the role of the Treasury under Brown is that it 'intervened and influenced every government debate of any significance', and 'annexed for itself agendas that ought to belong to other parts of Whitehall' (2005: 73-74). This rings true to a point with respect to labour immigration, but the Treasury was politically wary of being too closely associated with the issue. One senior official says that the Treasury 'always knew that the politics of this thing were difficult. So they were in favour of this liberal immigration regime ... but they never took it over in the way that they did with a number of other areas of policy' (interview, Treasury/Cabinet Office official UK22).⁵⁰ Although the Treasury saw its involvement as tangential, its impact on labour immigration reform was nonetheless significant.

Discussion

The emergence of labour shortages in the context of sustained growth created a clear economic motivation for relaxing labour immigration controls between 2000 and 2004. Various structural factors also made this policy response more attractive than possible alternatives. The low salience of labour immigration during this period perhaps further enhanced its attraction. While the salience of immigration as a general issue continually increased from 1997, labour immigration appeared to contribute little to this upsurge. This

⁵⁰ Aside from occasional references to labour immigration policy in his budget and pre-budget speeches, Brown appeared to be deliberately cautious when discussing this issue as Chancellor. For instance, he said in a November 2006 speech, "managed immigration has a role to play, but I stress the word managed" (quoted in *Daily Mail*, 2006).

resulted in a situation where the government did not see the development of a more liberal labour immigration policy as significant in its own right. Rather, it was essentially considered as an unproblematic means for other, more important ends. As such, decisions to relax labour immigration controls were taken without much regard for the possible long-term ramifications.

The lack of formal coordinated mechanisms for policy-making allowed the Blair government's labour immigration decisions to occur in an incoherent manner, driven as they were by the diverse agendas of core executive actors and institutions. Despite the Blair government's promotion of 'joined-up government' (cf. Kavanagh and Richards, 2001), there was no established policy network for labour immigration policy-making. One minister says, 'it wasn't that there wasn't liaison, there was all the normal Cabinet procedures for discussion and working together... But there was no real joint thinking approach about how to address some of these issues' (interview, Education/Home Office minister UK38). Different ministries often had different and even conflicting objectives with respect to labour immigration policy (interviews, CBI official UK02; Home Office minister UK41). According to an official, 'what we ended up having was not one immigration policy for government but actually quite a few immigration policies for government. There was a Treasury policy on migration, there was an Education [ministry] policy on migration, there was a DWP policy, and a BIS policy' (interview, Home Office official UK40). Moreover, the Home Office and the IND had weak command over labour immigration and their engagement with other ministries and non-government stakeholders was minimal and intermittent (interviews, Home Office officials UK28, UK30).

The 2004 decision to allow A8 nationals to work freely exemplified these characteristics. It was the result of various other considerations relating to monetary, labour market, welfare, immigration control, and foreign policies. These issues represented interweaving yet largely disconnected agendas of different ministries. Admittedly, the decision was complicated by the equivocations of other nation states, which in turn contributed to the Blair government's own indecision (cf. Kvist, 2004: 315-316). But the lack of coordination on this particular decision contributed to a backlash against the Blair government's liberal labour immigration policies, which became apparent after 2004.

Post-script: UK labour immigration policy and politics since 2004

A reversion to restriction

Various labour immigration policies with a restrictionist hue have been implemented over the last few years. Assessing these more recent developments, and the reasons why they occurred, helps to illustrate further the nature of UK immigration politics and policy-making. The impact of the global financial crisis on the employment prospects of resident workers was a factor contributing to the tightening of controls after October 2008. But the introduction of restrictive policies prior to the economic downturn can be interpreted as a backlash against earlier liberal policies. The Blair government had relaxed labour immigration controls with minimal opposition from the press, other political parties, and popular opinion. These forces turned against the government's handling of immigration after 2004. Two factors largely account for this.

First, the liberal shift in labour immigration policy under the Blair government did not extend to a shift in the terms of public debate. Its attempt to create a narrative around the reforms to the *lower skilled categories* proved somewhat ineffective. A likely reason for this is that the government underestimated the difficulty of promoting the virtues of relaxing labour immigration controls, while simultaneously pursuing a highly visible strategy of minimising asylum and other unwanted immigration. Tackling asylum issues in this manner did not neutralise, but rather drew attention to the issue. A further consequence was that the distinction between asylum and labour immigration became blurred. This undermined the Blair government's efforts to create a narrative around the relaxation of immigration controls (see Chapter 7), which were lost in the clamour surrounding asylum. As Sarah Spencer says:

Positive messages from Home Office ministers on the economic benefits of labour migration were drowned by the negative messages on asylum... The public did not hear messages direct from ministers but via the press, and the tabloids continued to headline anti-asylum-seeker stories on a regular basis, despite falling numbers... [And] the public did not, as the government had anticipated, readily tell the difference between an asylum-seeker, a migrant worker or an international student in their neighbourhood (2007: 348-349, 359).

The government's failure to anticipate the size of the inflow of A8 workers following EU enlargement was a second factor contributing to the backlash. A 2003 report commissioned

by the Home Office estimated that the average annual net immigration of A8 workers to the UK would range from 5,000 to 13,000. The report's authors placed strong caveats on this prediction, saying that an absence of reliable statistics on net migration flows to the UK and from the A8 states introduced 'a large potential error in the analysis' (Dustmann *et al.*, 2003: 58). This warning proved prophetic, as the scale of the inflows was significantly greater than the report anticipated. One year after the 2004 accession, some 200,000 A8 nationals were recorded as working in the UK labour market. By October 2006, this figure had increased to almost 500,000 (Border and Immigration Agency *et al.*, 2007: Table 1). The Immigration Minister later conceded that the scale of the inflow was 'unpredicted' (Byrne, 2007).⁵¹ The rather haphazard way in which the government's position on A8 workers had been finalised contributed to this outcome. Senior ministers and officials knew that the changing policy stances of other EU-15 states had implications for the scale of labour immigration to the UK. But the government nonetheless opted to allow free movement without properly considering or acknowledging that the inflows would be much larger than predicted.⁵² These factors contributed to the backlash that culminated in a more restrictionist labour immigration policy.

Restrictions on European labour mobility

The government's deliberations in deciding whether to allow free movement for A2 workers exemplified the backlash against its earlier liberal policies. On 1 January 2007, Bulgaria and Romania (the 'A2' states) became members of the EU. Similar transitional arrangements applied with respect to free movement of labour for the nationals of these states. In contrast to its position on the 2004 enlargement, the Blair government opted to restrict their ability to work, and instead set an annual quota of 20,000 who could work in the UK. The Bulgarians and Romanians accepted under this quota could only work in low-skilled food processing and agricultural jobs (although self-employed workers were exempt from these restrictions) (*The Guardian*, 2006b).

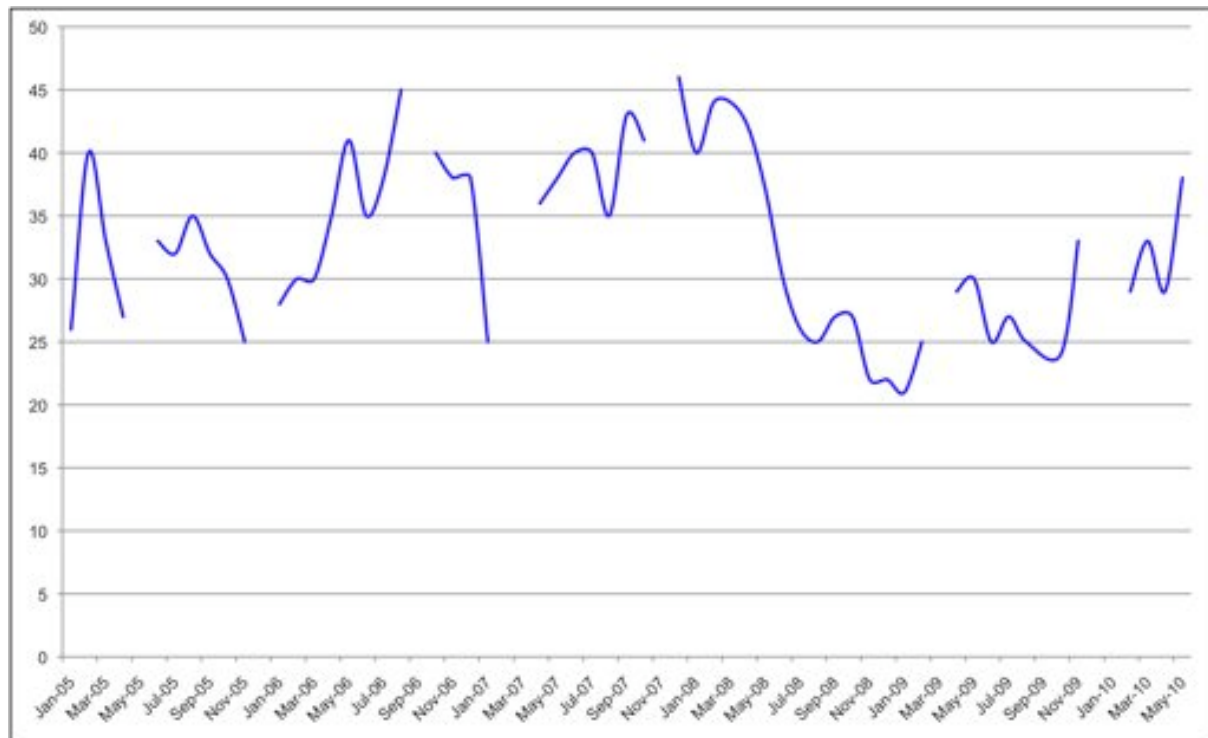
⁵¹ The Migration Advisory Committee found that the report's estimation of the total aggregate emigration flows of A8 workers was, at one level, correct (2008: 5.3-5.4). Where it erred was on the assumption that all EU-15 states would open their labour markets simultaneously, since it did not factor in the possibility that transitional arrangements would vary. One of the authors of the report later told a House of Lords committee inquiry that he was "absolutely sure that if Germany had opened its labour market to the accession countries we would have seen lower inflows to the UK" (Dustmann, quoted in House of Lords Select Committee on Economic Affairs, 2008: 74).

⁵² The report for the Home Office received significant media coverage. Senior government figures sought to distance themselves from its findings. As David Blunkett told the House of Commons, "the figure of 13,000 has never crossed my lips" (Hansard, 2004: Column 27).

There were signs that actors and institutions within the executive branch, including Blair and FCO ministers, wished to allow A2 nationals to work without restriction in the UK (*The Guardian*, 2006c; *The Independent*, 2006c). But sustained media coverage of the arrival of larger than expected numbers of A8 workers appeared to fuel broader perceptions that the government had lost control of the UK's borders. Opinion polling reflected growing unease in the broader community. Measures of public opinion and press coverage indicate that immigration became a more salient policy issue in the lead up government's decision on A2 workers in late 2006 (though other immigration issues remained more dominant in press coverage than labour immigration) (see Figures 8.10 and 8.11).

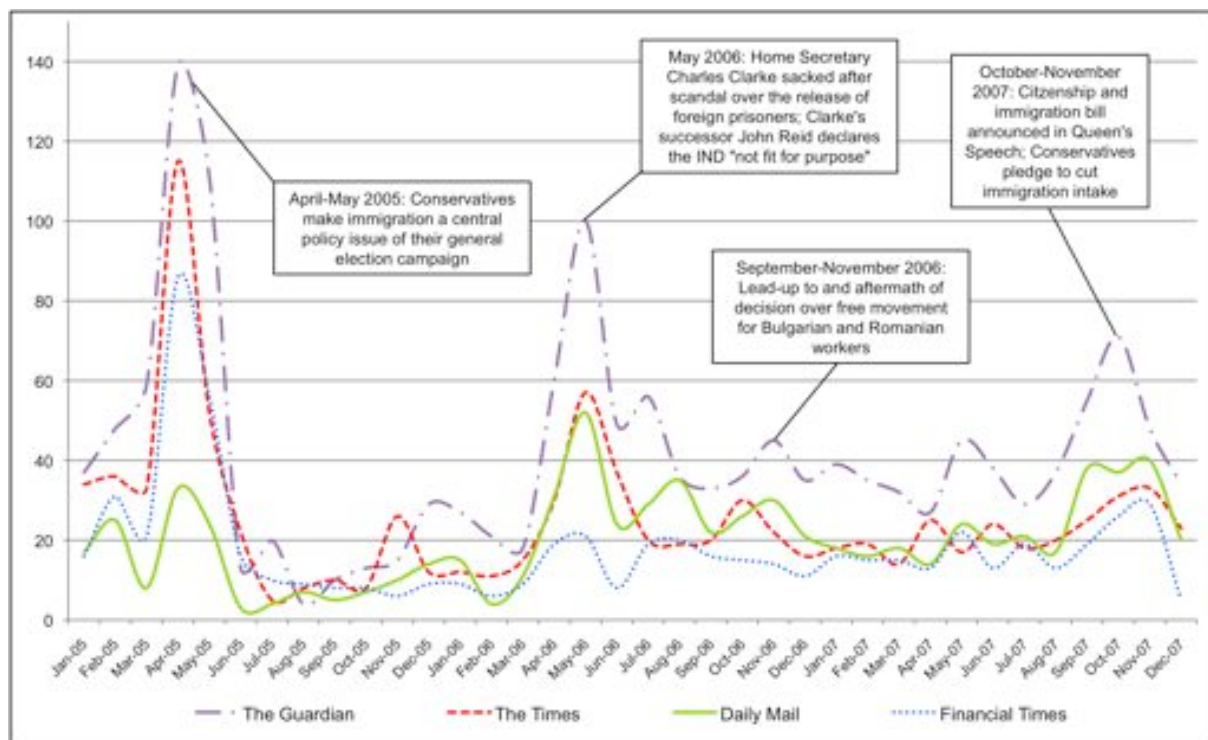
The Conservatives challenged the government's immigration policies more forcefully after Michael Howard became party leader in 2003. The party made a more restrictionist immigration policy (including on labour immigration) a key component of its 2005 general election platform. Conservative campaign posters declared, "it's not racist to impose limits on immigration" (quoted in *The Independent*, 2005), and its manifesto stated that the UK had 'benefitted from immigration' but that the government had 'lost effective control of our borders' (Conservative Party, 2005). The party softened its tone on the issue after David Cameron became leader in December 2005, but maintained a critical focus on the government's allegedly incompetent management of immigration (Smith, J. 2008: 423-424). Public opinion polls found that respondents consistently favoured the policies of the Conservatives on immigration to Labour's (see Figures 8.12). In the month prior to the A2 decision, 52 per cent of respondents said that asylum and immigration issues were likely to influence the party that they would vote for. Crime and anti-social behaviour and health care were the only issues that scored higher ratings (Ipsos MORI, 2006).

Figure 8.10 Respondents citing ‘race relations/immigration/immigrants’ as one of the three most important issues facing Britain today (%), January 2005 to May 2010



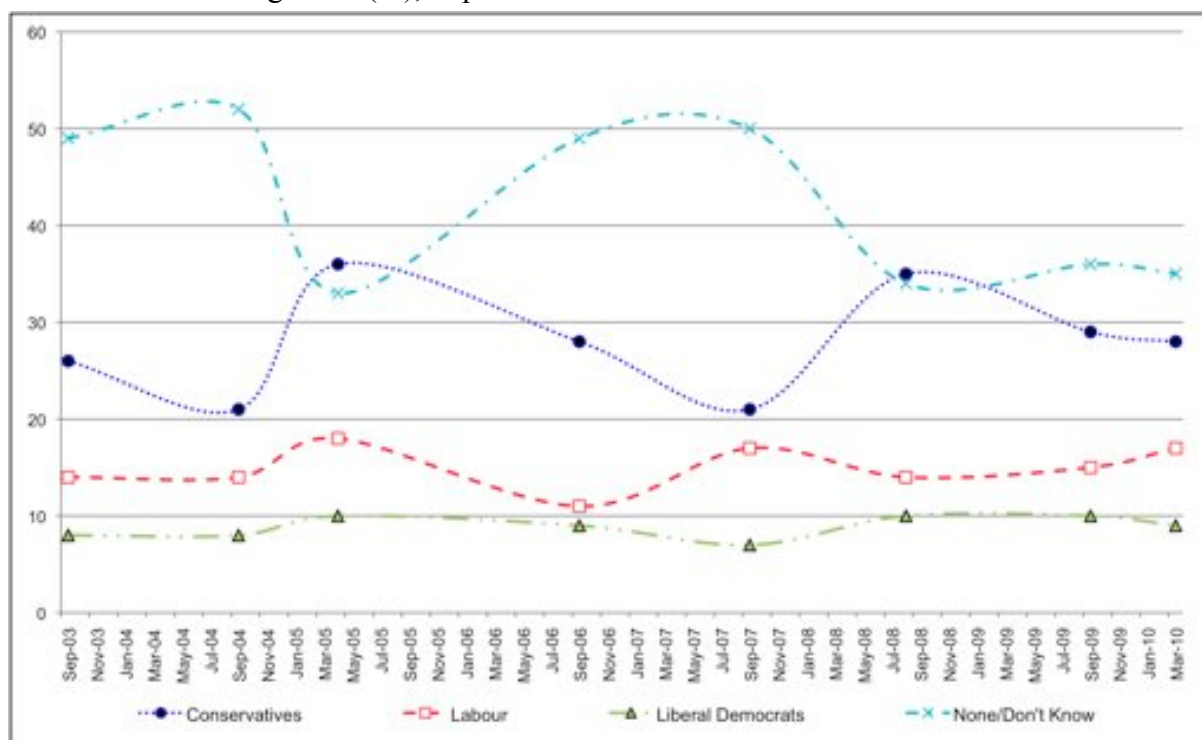
Source: Ipsos MORI Issues Index (2010) ‘Trends since 1997’, www.ipsos-mori.com, 23 August

Figure 8.11 Number of articles containing the term ‘immigration’ in the domestic political news sections of selected daily newspapers, January 2005 to December 2007



Source: Author’s calculations based on data generated from Factiva.com

Figure 8.12 Respondents nominating the party with the best policies on asylum and immigration (%), September 2003 to March 2010



Note: Figures for September 2003 and September 2004 only for asylum

Source: Ipsos MORI (2010) Best party on key issues: Asylum and immigration, 23 August, available at: www.ipsos-mori.com

Among organised interests, the Trades Union Congress called on the government to allow A2 nationals to work freely (*The Independent*, 2006b). However, various business groups called for limits on free movement. The head of the CBI had criticised the Conservative's proposals for stricter labour immigration controls during the 2005 general election campaign (*Financial Times*, 2005). UK businesses had also widely praised the motivation of A8 workers and their role in filling job vacancies (cf. Anderson *et al.*, 2006: 66-78). The Director-General of the BCC claimed they had "higher-level skills and a far better attitude to work than local people". But he also said their "vast" number risked creating "significant social problems", and pondered whether "enlargement fatigue" made it appropriate to impose working restrictions on A2 nationals (quoted in *Financial Times*, 2006a). The Director-General of the CBI also claimed it would be a mistake to for the government to allow free movement:

The question is about the numbers, the sheer numbers. This is by far the biggest wave of immigration in the history of these islands. It has implications for the social fabric, for housing and education, for the way we live in this country... We should

have a pause for breath before the next wave of new comers (quoted in *The Guardian*, 2006a).

In explaining why peak business groups adopted this position, one representative says ‘the business mood shifted because the public mood shifted... The government appeared to have lost control and didn’t have the faintest [idea] how many people were in the country... [We] felt the need to be a bit more cautious in order to be good corporate citizens’ (interview, CBI official UK02). Another claims that peak business groups pressured the government for restrictions because ‘we were trying to listen to the concerns of lots of other different groups who were saying that there was pressure on public services in communities with high levels of migration’ (interview, BCC official UK04). Support for an unrestricted policy for Bulgarian and Romanian workers was muted even among industry associations whose members had gained substantial benefits from the inflows of low-skilled A8 workers, such as those representing agricultural and hospitality employers. The BHA in fact called for restrictions, despite its earlier support for liberal policies (interview, BHA official UK20).⁵³ The response of business shows that its ambivalence during the earlier liberal period of reform reflected a restrictionist mindset. While business groups were prospective beneficiaries of liberal labour immigration controls, they hesitated from advocating such a position for fear that it could adversely affect their reputations in the broader community, which they presumed to be hostile to liberal policies.

MigrationWatchUK was one group that was particularly vocal in advocating for controls to be imposed on A2 workers. The organisation had emerged in the early 2000s as a self-styled think-tank headed by a former diplomat with support from various academics.

MigrationWatchUK was consistently critical of the Blair government’s immigration policies, but was nonetheless able to gain access to Home Office ministers to put its position.

However, it predominantly sought to influence public debate through the media, particularly tabloid newspapers favourable to the anti-immigration thrust of its message. According to a MigrationWatchUK spokesperson:

⁵³ Some business and industry groups did call upon the government to adopt a free movement policy, perhaps most notably Business for New Europe, which had the support of companies such as Sainsbury’s and Centrica (*The Independent*, 2006a).

We are very influential with public opinion. In relation to Romania and Bulgaria, it was politically impossible for the government to grant full access to those two countries. The public ... could see that the decision with respect of the [A8 workers] had given a result that was completely unexpected to the government, [though] not unexpected to us... People would not have accepted it. And that's because of our influence on public opinion, I think, in part (interview, MigrationWatchUK official UK27).

The groundswell of opposition emanating from the unanticipated scale arrivals from the A8 states deterred the government from allowing free movement for Bulgarians and Romanians. According to one senior civil servant, 'we couldn't say on the second accession ... "well, there won't be all that many, it will be fine". That [option] wasn't really open to us' (interview, Home Office official UK42). The decision to impose restrictions ultimately came after Home Secretary John Reid and a number of senior ministers mounted considerable resistance to the prospect of free movement within Cabinet (Bache and Nugent, 2007: 536-537; *The Times*, 2006).

Following the decision on A2 workers, further regulatory changes in November 2008, April 2009, and March 2010 made it more difficult for foreign nationals from outside of the EU to qualify for employer-sponsored work visas (Dobson and Salt, 2009: 27; Home Office, 2008c; House of Commons, 2010). In June 2010, the newly elected Cameron government pledged to introduce an annual cap on non-EU labour immigration, in order to reduce net intakes 'to tens of thousands rather than hundreds of thousands'. The government tightened eligibility criteria for skilled visas as an interim measure, and said that its full strategy for achieving this reduction would be set out and implemented by April 2011 (Home Office, 2010).

A shift towards more coordinated policy-making

Despite the tightening of controls since the 2006 decision, a number of routes for labour immigration remain relatively open. While the Conservatives (the larger party in the Coalition) claim that immigration is 'too high and needs to be reduced' (Conservative Party, 2010a), they also say they want to 'continue to attract the brightest and the best people to the UK, but with control on the overall numbers coming here' (Conservative Party, 2010b).

This reflects two changes that have occurred in UK immigration policy and politics since 2000. First, Messina's claim that 'policymakers are not free to choose new labour migration' (2001: 268) has been proved wrong. Labour immigration well and truly returned to the public policy landscape under the Blair government. The 2004 decision on A8 workers prompted 'almost certainly the largest single wave of immigration that the British Isles have ever experienced', according to Salt and Millar (2006b: 14). Labour immigration from outside the EU is likely to continue, even if controls are further tightened in the future, particularly since intra-company transfers account for a large proportion of non-EU labour immigration, which would be practically difficult to curtail (Dobson and Salt, 2009: 27-28).

Second, the executive branch has sought to increase its control over labour immigration selection and the manner in which policy is made. This development has unfolded since the Blair government's unveiling of the Points-Based System (PBS) in 2005. The PBS consolidated the 80 existing visas for labour, student and business immigration into a new structure consisting of five tiers. An independent Migration Advisory Committee (MAC) of academic economists was established to advise the government on how immigration selection under the PBS could best complement supply and demand within the domestic labour market (*Financial Times*, 2006b; Home Office, 2005: 16-17). The PBS was designed to give the government more control over the entry and selection of foreign workers. It was billed as a 'tough, new Australian-style points system' (Home Office, 2008d), under which 'only the migrants with the skills Britain needs can come – and no more', in the words of former Immigration Minister Liam Byrne (Home Office, 2008b). 'Skilled' immigration would be permitted in instances of labour market 'shortage' when it was 'sensible' to do so (Migration Advisory Committee, 2008: 12).

The advent of the PBS represented a concerted effort to establish a more coherent policy network around labour immigration policy. It seems that labour immigration policy-making has indeed become more integrated than was the case during the period between 2000 and 2004. One Home Office official says that there was 'a huge shift in how we engage with Whitehall partners and stakeholders' after the establishment of the PBS (interview, Home Office official UK32). This development resulted in the IND being granted the status of a semi-autonomous agency. It became the UK Border Agency (UKBA) and was given greater authority over all areas of immigration policy, including labour immigration. The UKBA's economic and 'evidence-based' policy-making credentials were bolstered through the creation

of the MAC, which based its analysis on quantitative assessments, as well as consultation with employers and other interested parties. This opened up channels for formal dialogue with stakeholders. The Migration Impacts Forum was also set up to advise the UKBA on the social impacts of immigration. This body includes representatives from a range of ministries and non-government stakeholders, including various community organisations, and peak business and union bodies, such as the CBI and the TUC (Dobson and Salt, 2009: 21-22; Home Office/Immigration and Nationality Directorate, 2006: 16-20). The policy preferences of stakeholders, such as business, appears to have shifted, as seen in the vocal opposition of peak industry groups to the prospect of the Cameron government imposing tighter controls on non-EU labour immigration (cf. *Financial Times*, 2010). Whether this changing policy preference was a direct consequence of a more formalised policy-making apparatus being created is unclear. Nevertheless, these recent developments suggest that UK labour immigration politics may be in the process of transformation.

Conclusion

The processes and dynamics underpinning the liberalisation of labour immigration policy between 2000 and 2004 exhibited the hallmarks of the reluctant state model. Many actors and institutions remained fixed in restrictionist mindsets. Labour immigration policy-making lacked coordination, and policy change occurred incidentally to broader reform agendas. And a restrictionist legacy and the executive branch's lack of experience in administering liberal policy change constrained its capacity to negotiate the fraught terrain of immigration politics.

Business groups played a minor role in the reform process between 2000 and 2004. While employers were indeed beneficiaries of these policies, the engagement of their representatives was rather limited and ambivalent. Peak associations lent support to Blair government's initiatives, and some industry associations agitated for specific changes, but business groups did not provide impetus for reform. It seems that business groups were wary of being too closely associated with a politically sensitive issue. In fact, their support for restrictions in A2 workers in 2006 was the one instance where they appear to have had some influence on government policy.

As with the period between 1946 and 1962, the executive branch largely drove the liberal shifts in labour immigration between 2000 and 2004. Core executive institutions and actors, such as the Treasury, the PMO and the Home Secretary's office under David Blunkett, played

particularly predominant roles in these developments. The Treasury took an interest in labour immigration only because it promised opportunities for the achievement of a broader microeconomic agenda. Structural deficiencies in the UK economy and the regulation of market institutions constrained the feasibility of various policy options in pursuing this agenda. The voluntarist nature of training arrangements prevented the Treasury from fulfilling its ambition of unleashing the UK's potential reservoir of human capital, which it believed would boost productivity levels. However, the Treasury was not prepared to force business to invest in workforce skills and training, as this would supposedly undermine the dynamism created by liberal markets. The Treasury found a solution to this dilemma in the relaxation of labour immigration controls, as seen in the *high-skilled and professional category* reforms. Blair and the PMO's desire for the government to be seen as in command of the UK's borders generated a wide-ranging shake-up of policies around immigration control, which extended to labour immigration through the *lower skilled category* reforms. To this end, Blunkett and his ministerial office assisted Blair and the PMO. Blunkett challenged the gatekeeper mentality of the Home Office and the IND by insisting that broadening the scope for legal labour immigration would help to control irregular immigration, rather than relying only on the punitive measures that had been previously used. These respective agendas, and foreign policy considerations, informed the *European labour mobility* reform of 2004. The uncoordinated manner in which this decision was made, and the way in which the government chose to politically manage immigration policy, contributed to the subsequent backlash against liberal reform.

The Blair government relaxed labour immigration controls at a time of relatively low salience, which was another parallel with the period between 1946 and 1962. It faced minimal opposition from the public, the media, opposition parties and organised interests. However, the Blair government also inherited a legacy of restrictionism that influenced the manner in which it addressed immigration control issues. The government believed that adopting high visibility strategies would allow it to flaunt its border control credentials in a public policy context that demanded state vigilance. But when the Blair government did appear to lose control over immigration after the *European labour mobility* reform of 2004, this precipitated a backlash. Moreover, the attention drawn by the government to its control efforts overshadowed its attempts to construct a narrative around the merits of liberal labour immigration reform. These two factors resulted in the line between wanted labour immigration and unwanted asylum and irregular immigration being increasingly blurred.

It appears that the economic downturn since 2008 and the backlash against the Blair government's liberal policy changes are the main factors for the tightening of labour immigration controls since 2004. The language of restrictionism has re-emerged with respect to labour immigration and it is likely that controls will be further tightened. However, a return to the pre-1997 'zero' immigration scenario is unlikely (even for non-EU labour immigration). It appears that the major parties recognise that some labour immigration is inevitable and indeed desirable. This is reflected in the deliberate creation of a mechanism to allow greater coordination in labour immigration policy-making, which may well lead to a more formalised policy network of government and non-government actors and institutions and, consequently, perhaps also a shift in the UK's immigration politics.

SECTION IV
CONCLUSION

CHAPTER 9
THE IMPACT OF POLICY LEGACIES ON THE PROCESSES AND DYNAMICS OF
LABOUR IMMIGRATION SELECTION AND CONTROL

CHAPTER 9

THE IMPACT OF POLICY LEGACIES ON THE PROCESSES AND DYNAMICS OF LABOUR IMMIGRATION SELECTION AND CONTROL

The preceding chapters analysed the labour immigration policy-making process in two states that implemented liberal reforms in recent years. The specific reasons for policy change, the manner in which it occurred, and role of key institutions and actors were all examined. These developments at the national level occurred against the backdrop of an increase in international migration flows and a corresponding trend among developed states to (selectively) relax labour immigration controls. As discussed in Chapter 1, this trend in labour immigration policy was partly driven by various structural changes across developed states. Ageing populations and workforces, shifts in industrial composition away from manufacturing, technological changes in production, and the growth of knowledge industries such as ICT, all contributed to the emergence of labour shortages (Boswell *et al.*, 2004: 10-11). These factors were more pronounced in some states than in others. For instance, population ageing was particularly acute in Germany, Italy and Japan (Bongaarts, 2004: 8-10). However, it was not in these states that labour immigration controls were most significantly relaxed, but rather in Australia and the UK.

These two cases were chosen to examine the reasons why states relax labour immigration controls, because their adoption of liberal reforms, and their differing immigration policy legacies, provided a good ground for comparison. The instrumental role that immigration has played in the process of nation-building in Australia has led it to be classified as a traditional destination state with a positive immigration policy legacy. By contrast, immigration has not been significant in the formation of national identity in the UK. It has a more negative immigration policy legacy and is generally regarded as a reluctant state. Examining the reasons for liberal shifts in labour immigration policy in two states with different immigration politics has allowed insights to be gained into the processes of policy change, and the dynamics that underpin it.

To illuminate the processes and dynamics of recent reform in Australia and the UK more explicitly, the first part of this chapter returns to the questions outlined at the end of Chapter 2. This discussion informs a critical appraisal of the various conceptual accounts that offer explanations for why states may relax labour immigration controls. This is followed by an

analysis of the relationship between labour immigration policy and politics, and of the roles of policy legacies and narrative construction in mediating this relationship. The conclusion of this chapter outlines the broader implications of this thesis.

Why states relax labour immigration controls

The Australian and UK case studies both show that increased labour demand driven by sustained economic growth was the central factor underpinning the decisions to relax labour immigration controls. But this was accompanied by a range of other reasons for why and how policy change occurred in each case. To examine these factors, we return to the questions posed at the end of Chapter 2 about the processes and dynamics of labour immigration policy. This section first assesses whether the state's various functional duties shaped labour immigration policy decisions in Australia and the UK. The roles of business groups and trade unions in the reform process are then examined. This is followed by a look at the importance of national-level institutions and governing parties in influencing the particular character of labour immigration policy. Finally, it analyses the use of immigrant labour in the structuring of labour markets, the relationship between labour immigration and labour market regulation, and the extent to which these factors shaped policy decisions.

How did the states' basic requirements to facilitate wealth accumulation shape labour immigration selection and control policies? How did the states reconcile such policy decisions with their other core imperatives, such as the duty to promote fairness and to protect their territorial integrity?

Boswell's state-centred account of immigration policy posits that states need to fulfil certain functional imperatives, such as providing the conditions for wealth creation, promoting fairness, and protecting the rights and security of their citizens. This account offers a useful framework for explaining policy developments in Australia and the UK. It helps to explain *why* the Howard and Blair governments relaxed labour immigration controls, *how* they were able to do so, and the developments that occurred the post-reform period.

In Australia, labour immigration policy liberalisation helped the Howard government to meet its fiscal, monetary and labour market policy objectives, and facilitated broader shifts in the national economy towards expanding industries and international engagement. In the UK, the

Blair government's relaxation of labour immigration controls assisted its efforts to raise productivity through microeconomic reform and extend liberal markets as a core component of national comparative advantage. Policy change thus complemented the state's accumulation imperatives in both cases, to use the terminology of Boswell's framework. Moreover, the state's need to protect its territorial integrity informed the Blair government's introduction of lower-skilled immigration schemes, with the aim of controlling irregular immigration flows more effectively.

According to a number of state-centred theorists, states may use distortion techniques to overcome the tensions between populist pressure for tighter immigration controls on one hand, and economic pressure for liberal controls, on the other. This was true in both Australia and the UK. But the varying success of the Howard and Blair governments in using focusing events to create distortions between various strands of immigration policy helps to account for the later divergence in their respective policy paths. The Blair government's decision to publicise loudly its attempts to minimise irregular immigration fuelled negative salience around broader immigration issues. The uncoordinated manner of policy-making in relation to free movement for A8 workers also contributed to the backlash against the unexpected scale of inflows. These factors fuelled perceptions that the integrity of border controls had been weakened, and that increased immigration was contributing to unfair socio-economic outcomes. To use Boswell's framework, the UK's reversion to more restrictive immigration controls came about because these developments undermined the state's security and fairness imperatives, which outweighed any accumulation-related benefits of maintaining liberal controls.

The use of distortion techniques produced different results in Australia. The Howard government responded to Pauline Hanson's protests against the supposedly unfair and detrimental outcomes of immigration selection policy in 1996 by making entry harder for applicants adjudged likely to deliver a negative economic impact. It also used force in 2001 to prevent the entry of seaborne asylum seekers attempting to avoid the formal immigration avenues. These resolute stances appeared to bolster public confidence in the Howard government's handling of immigration control, which gave it more political capacity to increase labour immigration levels with less risk of complaint from the electorate.

Its successful use of distortion techniques to neutralise the political salience of immigration meant that the Howard government was more inclined to relax labour immigration controls after 2001. By contrast, the Blair government's distortion techniques inadvertently raised the salience of immigration and precipitated a reversion to more restrictive controls after 2004. Boswell's state-centred theory therefore provides a useful framework for analysing policy developments in these two cases. However, it is less successful in illuminating the circumstances in which states may use immigration to meet their accumulation imperatives, and the ways in which policy legacies can shape or constrain the policy choices available to states.

The expansion of employer-sponsored visas in Australia is an example of a state reconciling its accumulation function with other core imperatives. Lahav's notion of 'remote control' is useful in this respect. The Coalition parties used their close organisational and ideological ties with business to establish clientelistic – or what Lahav calls 'principal-agent' – relationships around immigration selection. The Howard government believed that good labour market outcomes for business equated to good immigration policy. Further, it believed that business was better positioned than the state to source the required immigrant labour, and therefore devolved an aspect of state responsibility for immigration selection to business. Allowing businesses to engage immigrant workers largely free of administrative constraints made the supply of immigrant labour more responsive to employer demand, and thereby improved labour market efficiency.

Lahav shows how states may use third parties as immigration control agents (for instance, through instruments such as employer or carrier sanctions) in the hope of resolving 'economic-political control dilemmas'. The benefits that states gain by using such strategies to improve their control over immigration will notionally outweigh the costs of outsourcing part of their sovereign responsibility. Similar principles guided the use of employer sponsorship as a *remote selection* strategy. The Howard government believed that the economic benefits flowing from a more efficient labour market would outweigh the costs of surrendering some of the state's autonomy over immigration selection. Thus, the concepts of the functional imperatives of the state (as employed by the state-centred accounts) can shed light on the reasons why states may relax labour immigration controls, and how they might resolve the potential political difficulties of such decisions.

What was the role of organised interests, particularly those predicted to benefit from or bear the costs of labour immigration (such as business and trade unions), in the making of policy? Did these interests influence policy decisions, and if so, how and through what means?

Group politics theorists such as Freeman suggest that organised interests such as business and trade unions play key roles in labour immigration policy change. Freeman uses his client politics model to argue that immigration policy produces concentrated benefits and diffuse costs and that the beneficiaries therefore have a greater stake. Accordingly, vote-maximising politicians will be more persuaded by the interests agitating for liberal reforms, because these groups – such as employers – have a greater incentive to be more organised than those likely to oppose to such reforms – such as the workers and residential communities where newly arrived immigrants are most concentrated.

Business played a prominent role in the reform process in Australia, as Freeman predicts. However, the client politics model does not explain the passivity of business groups in the UK. Moreover, it cannot account for either the prominence of government institutions and the executive branch, or the lack of significant opposition from organised labour, in both cases. Consistent with Freeman's argument, employers were an important source of institutional pressure in the relaxation of labour immigration policy controls in Australia. Peak groups such as the BCA and the ACCI, and various industry associations, played key roles in persuading the Howard government to relax labour immigration controls. The industry associations that most actively pushed for liberalisation were those most likely to reap a large short-term benefit, such as those representing the housing industry, and hospitality, agriculture and mining industry employers. However, it is difficult to claim that employer pressure was the definitive reason for why policy change occurred. State/Territory governments were also active in making the case for reform. And the Howard government had its own self-interested reasons for relaxing labour immigration controls, as these changes complemented its fiscal, monetary and labour market policy agendas (even if these issues overlapped with business interests).

The client politics model is conceived with reference to the traditional destination states (Freeman, 1995a: 886). It should nevertheless be able to account for the UK's liberal reforms, since the framework explicitly seeks to account for instances of expansive immigration

policy. However, the Blair government's implementation of seemingly pro-business policies did not necessarily reflect business preferences. UK business groups were fragmented in their policy preferences, and did not seek to influence the direction of policy in a concerted manner. Some industry associations did push for the loosening of labour immigration controls, such as those representing agriculture and hospitality employers. But the major instances of liberal reform were not the result of agitation by peak business groups, such as the CBI and the BCC, that were largely passive in their support. In fact, opposition to the prospect of free movement for A2 workers was the one instance where these groups sought to openly influence a labour immigration policy decision.

Other studies have also found the executive branch of the state to be more dominant than organised interests in UK immigration politics. In his analysis of the Blair government's immigration policies, Hansen argues that 'rationally motivated nation-states have an interest in attracting these migrants and in using regulated forms of migration control to pursue that interest' (2004: 339). Statham and Geddes also take issue with the applicability of Freeman's thesis. They argue that 'the government appears as an active "entrepreneur" dominating and influencing the political environment'. In their study of political claims-making around UK asylum policy, political elites were shown to exercise 'considerable autonomy', and played a more dominant role in the policy process than organised interests (Statham and Geddes, 2006: 254, 266).

There are various possible reasons for the limited applicability of the client politics model to labour immigration policy in Australia and the UK. First, Freeman equates the state with vote-maximising politicians (who can be pressured to support expansionary immigration policies in return for electoral support) (1995a: 885). This effectively renders the state as a passive mediator that can be easily steered towards the policy objectives of organised interests. This characterisation discounts the potential for the state to exercise 'autonomy in the formulation and implementation of preferences that are independent of societal interests', as Boswell claims (2007: 79). The theory therefore cannot account for the possibility that the active drivers or facilitators of reform may be influential politicians (as seen in the agenda-setting role played by David Blunkett in the UK, or in the conversion of John Howard to the merits of relaxed controls), or government ministries (such as the UK Treasury, through the pursuit of its supply-side agenda).

Second, in focusing on the role of organised interests to explain why immigration controls are often more liberal than majority public opinion would otherwise allow, the client politics model overlooks the importance of issue salience. The Australian case shows that views on immigration will not necessarily determine individual party preference, even when opinion polling gauges reasonably high levels of voter dissatisfaction (cf. Goot, 2000: 57-58). Moreover, the level of salience can affect the capacity of organised interests to influence policy (Dür and De Bièvre, 2007: 7). The relatively low salience of immigration may have been a reason why business groups were successful in agitating for the relaxation of controls in Australia. Conversely, the high salience of the issue may have enhanced the influence of groups favouring restriction in the post-liberalisation period in the UK.

The peculiarities of labour market regulation in the US point to a third reason for the limitations of Freeman's theory. The client politics model has been crafted from various comparative studies, but the US experience seems to underpin a number of its assumptions, and thereby skews its broader applicability. Low minimum wage benchmarks, weak employment protection laws, weak trade unions and minimal scrutiny of informal market activity may give American employers greater incentives to hire immigrants willing to work in low-skilled, low-paid jobs. These features mean that the relative costs and benefits of immigration are greater in the US than elsewhere, and give organised interests more reason to pressure for policy change (Hollifield, 1992: 36). For various reasons, the liberal regulation of labour markets in Australia and the UK heightened the attraction of relaxing labour immigration controls. But Freeman's prediction that workers will oppose liberal labour immigration initiatives because of the likely detrimental impact on the wages and employment prospects of resident workers was not borne out in either case.

The UK's liberal labour market regulations make the absence of union opposition to the Blair government's labour immigration initiatives between 2000 and 2004 somewhat puzzling. Trade union leaders' socially liberal views on immigration and tolerance of liberal markets, as well as a buoyant economic climate yielding steady employment growth, all combined to quell potential union opposition. In addition, the recent introduction of a national minimum wage helped to cushion the economic impact of low-wage immigration. There has been some recent evidence of A8 immigration placing downward pressure on wages at the lower end of the labour market (Low Pay Commission, 2007: 157). But the findings of a government report, indicating that around 80 per cent of A8 workers earned within 33 per cent of the

national minimum wage, suggests that wages would have been pushed to lower levels had the benchmark not been introduced (Gilpin *et al.*, 2006: 21). As one senior civil servant says, this meant that ‘from a political point of view, the minimum wage [was] absolutely essential in making the policy sustainable’ (interview, Cabinet Office/DWP official UK26).

Organised labour in Australia became more hostile to the relaxation of labour immigration controls after 2005. The main factors fuelling this hostility were the Howard government’s dismantling of strong employment security and wage protections, and the weakening of employment regulations for temporary work visas. According to Freeman, ‘the effects of migration depend on the skills of migrants and sectors they enter’. He suggests that high-skilled immigration will complement the labour market needs of the receiving state and therefore be tolerated, but that low-skilled immigration may be perceived as threatening the job prospects of natives and will hence be resisted (Freeman, 2006: 234). However, the Australian and UK cases show that the level of protection offered by labour market regulation is more likely to shape the impact of immigration on wages and employment (and therefore how resident workers respond to labour immigration reform) than – as Freeman suggests – the skills of newly-arrived immigrants.

A fourth and related reason for the limitations of Freeman’s theory is that organised interests in the US command disproportionate influence over immigration policy.⁵⁴ Candidates are more reliant on external fundraising in congressional elections compared with elsewhere (Dür and De Bièvre, 2007: 5). And the US Congress plays a significant role in shaping immigration policy (Sassen, 1999: 187) compared to the Australian and UK systems, in which power is concentrated within Cabinet. As Fenna claims, Cabinet systems present ‘far fewer meaningful points of access to policy-making’ (2004: 152). With respect to labour immigration, this meant that the capacity of ministers in Australia and the UK to adjust policy was far less subject to legislative scrutiny than would have been the case in the US. This in turn means that – contrary to Freeman’s assumptions – the influence of organised interests was largely contingent upon the access granted by Cabinet ministers, rather than congresspersons or parliamentarians, as Freeman assumes.

⁵⁴ Freeman has acknowledged that the different systems of political representation will affect the capacity of organised interests to influence policy (2005: 123).

The assumption that business groups will have a natural interest in immigration control policy and, moreover, have the capacity to exert that influence, provides a fifth reason for the minimal applicability of the client politics model. This premise essentially follows Lindblom's argument that business does not face the collective action problems of other interests in capitalist democracies in order to exert leverage over public policy, due to its unique function in generating and distributing goods, income and employment. As a result, governments pay heed to business interests because voters will primarily hold politicians – rather than businesses – accountable for the negative fallout of a cessation in business activity (Lindblom, 1982: 326-329). The Australian and UK examples show that these advantages are not inherently sufficient for business to have automatic influence over labour immigration policy. As Atkinson and Coleman demonstrate, the capacity of business groups to exert influence is also contingent upon their organisational coherence. The extent of membership coverage, whether the views espoused by business group leaders represent those of their members, and whether they are unified or fragmented in terms of policy preferences, all condition the sway that business groups are able to exert (Atkinson and Coleman, 1989: 53).

Business groups in Australia had an ongoing interest in immigration policy. However, their lack of organisational coherence in the 1980s and early 1990s diminished their capacity to influence policy. This changed in the late 1990s, when groups such as the BCA and the ACCI pursued a strategy based on building advocacy coalitions. While this gave Australian business greater scope to influence policy, reform ensued only when the Howard government became convinced that relaxing labour immigration controls was compatible with its own objectives. Freeman equates the alignment of policy outputs and the preferences of business interests with business power. However, as a number of studies show, the actual influence of business is often contingent on the extent of the state's receptivity and the extent to which the respective agendas of business and the state overlap (cf. Princen, 2007: 17-18; Woll, 2007: 58-59). Business groups played an important role in convincing the Howard government of the merits of reform, but it was a confluence of interests – rather than the government succumbing to business pressure – that eventually drove policy change.

In sum, Freeman's client politics model helps to illuminate the role of business groups in the implementation of liberal policy change, particularly in the Australian case. However, because it overlooks the importance of issue salience, generalises the peculiarities of US politics and labour market regulation, discounts the role and interest of the executive branch

of the state, and contains misguided assumptions about business group influence, its ability to account for the relaxation of labour immigration controls is somewhat limited.

To return to a theme mentioned above, trade unions did not stand in the way of the major instances of liberal policy change in either case. Trade unions in the UK encouraged the relaxation of labour immigration controls, and Australian unions played a largely passive role and were not significantly involved in the reform process. While the latter grew hostile to the growth of temporary work visas from 2005, this was mainly a consequence of the Howard government's liberal labour law reform agenda. These respective stances are significant insofar as Australian unions largely drove the restriction of labour immigration in the early twentieth century, and UK unions displayed some antipathy to labour immigration after the Second World War. However, the weakened industrial and political power of organised labour in both Australia and the UK means that it is doubtful whether unions in either case would have had the capacity to successfully oppose the recent relaxation of labour immigration controls, even had they wanted to.

What was the role of particular national-level institutions (such as the respective branches of the state, government ministries responsible for immigration, labour and economic policies, or particular 'policy institutions') in influencing or shaping the direction of labour immigration selection and control policy?

The Australian and UK cases show that national-level institutions played an important role in bringing about liberal labour immigration policy reform. The Treasury's prescriptions for offsetting long-term demographic decline, the RBA's warnings over the inflationary pressures caused by labour shortages, and the lobbying of State/Territory governments, were all factors that increased the Howard government's inclination to relax labour immigration controls. The strong influence of the executive branch over labour immigration policy, and the responsiveness of the public service to Cabinet, meant that the Howard government faced few institutional impediments to reform. Moreover, the Immigration Department's institutional preference for an immigration selection policy that favoured labour over other categories of immigration helped to facilitate the government's agenda. Boswell's argument that ministries often use expert knowledge to legitimise policy decisions is informative in this respect. The Immigration Department's somewhat selective use of 'evidence' helped to redefine the

parameters of immigration selection in support of the Howard government's policy preferences is an example of this phenomenon. In the UK, the dominance of the executive branch over labour immigration also allowed the Blair government to introduce liberal policies without any major institutional constraints. The strength of the core executive in general, and institutions and actors such as the Treasury, the PMO and the Home Secretary's office in particular, provided much of the impetus for the relaxation of labour immigration controls.

Foreign policy was another 'institution' that was shown to shape policy developments in both cases. Continuing a trend that began in 1973, the UK's institutionalised relationship with the EU shaped the Blair government's policies, but – with respect to its 2004 decision on A8 workers – EU membership had a more profound impact on labour immigration selection and control than had ever previously been the case. The gradual shift in the focus of Australia's foreign economic policy away from the UK and towards East and South East Asia – a process that began after the Second World War and accelerated from 1972 – informed changes in its immigration selection policy, the outcomes of which were evident in the shifting composition of the origins of foreign nationals immigrating to Australia. These institutional features are quite unique to each case and the executive or foreign policy may not play such a dominant role over labour immigration policy in other states. The Australian and UK cases nevertheless demonstrate the importance of a state's institutional traits in shaping the direction of labour immigration policy.

Did centre-left or centre-right political parties in government shape the particular direction of labour immigration selection and control policy?

The literature on political parties suggests that labour immigration policy cuts across the philosophies and the electoral support bases of both centre-right and centre-left political parties, and therefore neither can be thought to be more likely to liberalise controls. A centre-right government in Australia and a centre-left government in the UK implemented reform. In Australia, a liberal labour immigration policy was consistent with the Coalition parties' liberal market philosophies. The Coalition faced no evident pressure from within its support base for increasing labour immigration on cultural or security grounds (although these were foundations for protest against other immigration issues, as seen with Hanson in 1996 and

asylum seekers in 2001). As discussed, the UK Labour government could implement reform without any major internal obstacles, because its labour immigration policies received the support of organised labour. Liberal labour immigration controls may have been inconsistent with the pre-New Labour belief in strong protections for workers' employment conditions and job security. But they were largely compatible with Labour's support for liberal labour market regulation and supply-side labour market policies under Blair and Brown (Taylor, 2007: 216-217, 234-237). The evidence from the two cases therefore supports the proposition that neither centre-left nor centre-right parties are more likely to relax labour immigration controls.

*Were certain industries or employers structurally dependent on labour immigration?
If so, how? What created the conditions for this?*

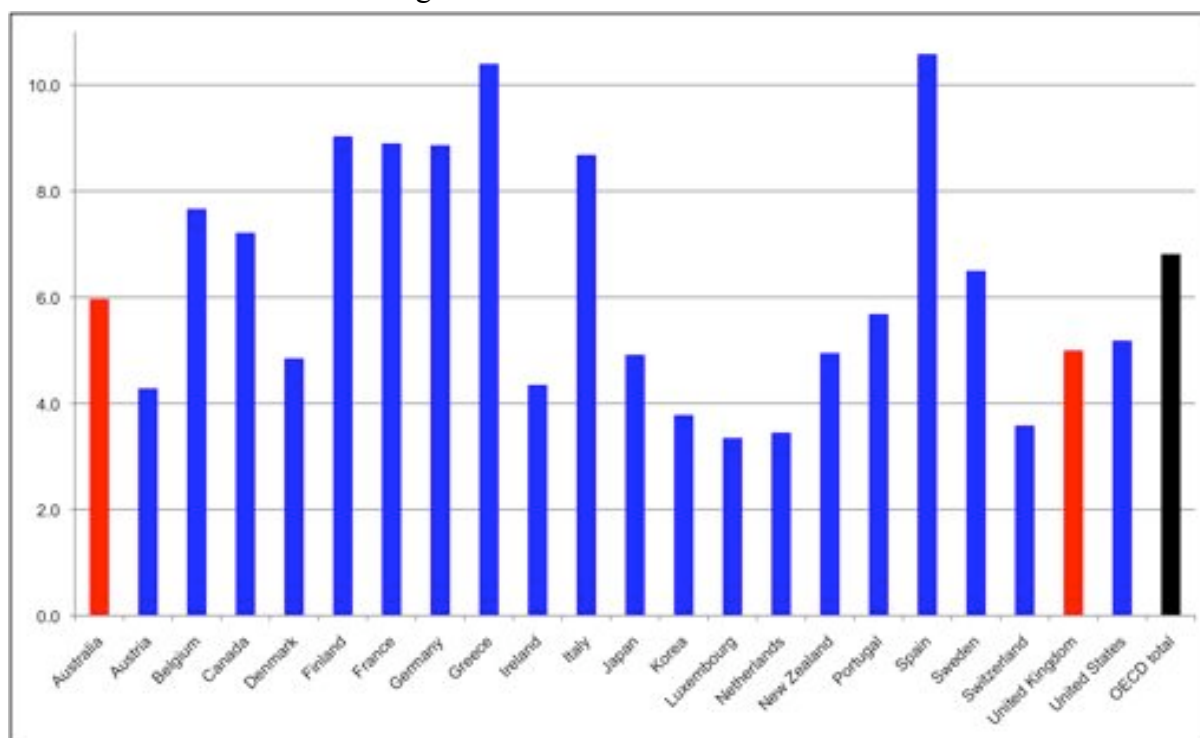
Various structural functionalist accounts suggest that immigrant labour can become a structural feature of labour supply under certain conditions. Sassen's 'globalisation thesis' – which falls within the structural functionalist paradigm – has been criticised for its reductionism (cf. Hansen, 2002: 263-264; Meyers, 2000: 1268-1269). But her argument that the growth of international markets and business activity has diminished the state's control over immigration has some resonance with respect to the two case studies presented here. In both cases, the growth of industries with highly integrated global labour markets (such as ICT in both cases, and finance in the UK) contributed to the relaxation of labour immigration controls. Increased regional trade integration in both Australia and UK placed further pressure on policy change. Moreover, the growth of employer-sponsored visas, particularly in Australia, reflected the use of immigration policy as a vehicle for greater labour market efficiency, as was deemed necessary in the context of more competitive and internationalised market environments. The Marxist and segmented labour market theories assume that the value of immigrant labour to employers (and the state) lies in its concentration in marginal or secondary segments of the workforce. This has limited application to Australia. While the Howard government relaxed immigration controls to allow labour markets to function more efficiently, the intake of labour immigration was primarily skilled. Later developments saw the lowering of skill thresholds for temporary work visas, but the Howard government's immigration selection policies actively discriminated against candidates deemed unlikely to succeed in the labour market, such as those with lower levels of skill, English language

competency, and age. Structural functionalist accounts have more explanatory value with respect to the UK. Although there was a focus on selecting skilled applicants, the reforms in the lower-skilled and intra-European labour mobility categories provided greater scope for immigration to address shortages in areas of the economy prone to structural dependence on low-skilled, low-wage labour.

It is questionable whether labour immigration controls were relaxed to deliberately undermine the collective power of the working class, as Marxist writers would have it. Structural functionalist accounts nonetheless help to explain why labour immigration policy was used as a plank of monetary policy, which was a reason for reform in both Australia and the UK. Various structural functionalist accounts show how Western European governments used immigrant labour during periods of low unemployment in the post-war decades to overcome labour supply bottlenecks and facilitate low inflationary economic growth (Castells, 1975: 44; Castles, S. 1986: 772-773). This was a motivation for the reforms of the Howard and Blair governments. Labour immigration controls were relaxed in both states after economic growth diminished labour supplies, thereby raising the risk of escalating labour prices and their economies overheating. Unemployment fell to 4.3 per cent in second quarter of 2007 in Australia and to 4.6 per cent in the third quarter of 2004 in the UK (OECD, 2010). These were low levels by contemporary standards, but nowhere near the levels in many Western European economies when post-war immigration was at its peak.⁵⁵ This suggests that during the recent period of labour immigration expansion, labour shortages caused by falling unemployment in Australia and the UK were not absolute, as they essentially were in post-war Western Europe. Moreover, to reiterate a point made in Chapter 8, unemployment rates during the contemporary period were at comparable or lower levels in a number of states with tighter labour immigration controls (see Figure 9.1). In any case, structural functional accounts provide some insight into the structural role that immigrant labour can play within labour markets, as well as how this may shape labour immigration policy decisions.

⁵⁵ In the 1960s, unemployment hovered between 1.0 per cent and 2.1 per cent in France, 0.8 per cent and 2.0 per cent in the Netherlands, and 0.7 per cent and 2.2 per cent in Germany (Castells, 1975: 40-43).

Figure 9.1 Harmonised unemployment rates in selected OECD states (%), 2000-2005 average



Source: Author's calculations based on OECD (2009): 250

Did the character of market regulation shape labour immigration selection? Did national comparative advantages reinforced by market regulation shape the design of immigration selection mechanisms (for instance, preferences for certain skills)?

To use the terminology of the varieties of capitalism framework, both Australia and the UK are LMEs with relatively liberal labour market regulations. This classification also applies to a number of other states that oversaw significant liberal labour immigration reforms during the recent wave of international migration, such as Canada, Ireland and New Zealand. By contrast, states in East Asia and continental Europe generally maintained relatively tighter labour immigration controls. Many of these states are CMEs with much more protective labour market regulations. This suggests that comparative political economy theories of market regulation, such as those that utilise the varieties of capitalism framework, may shed light on the reasons why some developed states relaxed labour immigration controls more than others.

Menz uses the varieties of capitalism framework to propose that states will adjust labour immigration selection mechanisms to select foreign workers with skills complementary to the comparative advantages offered by their production systems. This largely holds true in relation to the UK where, as he predicts, labour immigration appeared to be concentrated in highly skilled occupations in the ICT, finance/business and health industries, and lower skilled occupations in administration and hospitality. However, Menz's argument is less pertinent with respect to the Australian case. The evidence suggests that newly arrived foreign workers were clustered in highly skilled jobs in knowledge industries such as ICT, and to a lesser extent in other areas of comparative advantage, such as mining. But there appeared to be relatively minimal immigration of lower skilled workers, which selection policy actively discouraged. This was despite Australia's status as an LME, and the growth in temporary service industry jobs with limited training opportunities.

The application of the varieties of capitalism framework to notions of comparative advantage by other writers has relevance to the two case studies, particularly the UK. Fioretos extends the link between market regulation and production systems to predict that states will engage in multilateral institutions in ways consistent with their comparative advantages (2001: 215). This can be seen through the responses of member states to various EU policy measures. For example, according to Fioretos, the UK has generally reacted to EU initiatives by seeking 'to preserve its existing comparative institutional advantage that provides low-cost production' (1996: 28). This explains the fear of UK governments that, were the UK to join the European Monetary Union, a loss of autonomy over currency adjustment mechanisms would undermine the allure of its comparatively lower wage and production costs to foreign direct investment (Fioretos, 2001: 229-230). Similarly, concerns that its flexible labour market and wage setting institutions could be fragmented appeared to inform the UK's antipathy towards the EU Social Protocol until 1997 (Fioretos, 2001: 230-231; Schmidt, 2002: 264-268). From this perspective, the Blair government used labour immigration policy to further its quest for greater labour market flexibility, believing that an increased supply of labour would be beneficial. In contrast, various EU-15 states with more protectively regulated labour markets (and in some cases lower unemployment levels) saw the enlargement of the European workforce in 2004 as an economic threat.

The varieties of capitalism framework can be extended in other ways to illuminate the reasons for labour immigration policy change in Australia and the UK. Liberal labour markets with

weaker systems of employment protection – typical among LMEs – are assumed to produce more temporary employment relationships. The diminished commitment of employees to their employers thus encourages ‘both parties to focus on more immediate gains, and so short-term workers generally receive less training’, according to Harcourt and Wood (2007: 146). While such arrangements make it easier for workers to move between firms, it can be predicted that poaching will be a common way for LME firms to acquire skilled workers (particularly in the context of more competitive market relationships). This will deter investment in training, and thereby lower the stock of skills across the labour force. By contrast, greater inter-firm collaboration around training and more rigid labour markets through stronger employment protection – a hallmark of CMEs – will mean that labour is less mobile, but poaching less prevalent (Hall and Gingerich, 2009: 460; Streeck, 1989: 93-94; cf. Menz, 2009: 10). In both Australia and the UK, the shift towards more liberal systems of labour market regulation placed a greater onus on individual employers to make their own training arrangements. This increased their inclination to poach labour, and possibly compounded labour shortages.

Moreover, the varieties of capitalism framework has been used to predict that businesses and governments operating in LMEs will be more hostile to the presence of trade unions in the workplace and the influence of unions over public policy (Thelen, 2001: 71-74; Wood, 2001: 250-253). The weakening of unions had implications for labour supply in both Australia and the UK. Large decreases in union membership in both states, and the active marginalisation of union involvement in training policy in the UK, meant that policy increasingly reflected the preferences of employers. In both cases, governments incorporated ‘market-led’ training principles that primarily sought to meet the short-term labour requirements of employers, but led to weakened skills bases. Transferable and occupation- and industry-specific skills were eroded in Australia and the standards and portability of skills declined in the UK. This resulted in employers in both states being less equipped to respond to labour shortages.

If states with liberal labour market regulations are more susceptible to labour shortages, why then did they only become pronounced in Australia and the UK in recent years? Economic growth and decreased unemployment evidently provides one explanation. Another might be the recent affirmation of both states as LMEs in light of the large-scale economic restructuring and market liberalisation undertaken by their governments during the 1980s and 1990s. Australia exhibited some of the trademarks of a CME (such as centralised wage

bargaining and strong trade unions) until a deregulatory policy agenda was pursued in the 1980s and 1990s (Briggs, 2006: 869-872). The gradual shift to workplace bargaining resulted in more part-time and temporary employment, greater competition over wages, and the erosion of industry and formalised training structures. All of these factors made employers less willing to invest in training, and thus undermined the skills base. Similarly, while Hall and Gingerich consider the UK to be a relatively 'pure' LME (2009: 459), others argue that this only became the case after the election of the Thatcher government. Before this point, there had been extensive collective bargaining and greater employer cooperation in the UK (Goodin, 2001: 207; Howell, 2003: 119).

The logic of the varieties of capitalism framework can therefore be extended to suggest that liberal modes of labour market regulation will exaggerate the extent of labour shortages. Periods of increased labour demand will compound these shortages, and prompt governments to look for alternative labour supply mechanisms. Since immigration and training are the 'only two ways for a nation to secure an adequate supply of skilled workers', according to Toner and Woolley (2008: 48), buoyant economic environments may therefore make states with liberal labour markets more likely to relax labour immigration controls than states with more coordinated or protective forms of regulation. This is merely a prediction, as the two cases presented here are LMEs, and no direct comparison has been made with a CME. Nonetheless, the relationship between labour market regulation and labour immigration policy controls is fertile ground for future research. Indeed, additional elements of the varieties of capitalism framework could be used to further investigate other patterns in comparative labour immigration policy. For instance, the greater preoccupation of LME firms with short-term profitability may diminish their inclination to invest in assets with longer-term rates of return, and thereby act as a further barrier to training investment.

The resilience of immigration politics

The existing literature helps to illuminate the reasons for the recent relaxation of labour immigration controls in Australia and the UK. The concept utilised by state-centred accounts that states have to meet various functional duties in order to secure their legitimacy helps to explain some of the Howard and Blair governments' specific motivations for labour immigration reform, as well as the political strategies they used in its implementation. The group politics theories help to account for the influential role of Australian business groups, but evidence from both cases exposes the various limitations of these theories. The cases also

show that national-level institutions play an important role in influencing the particular character of labour immigration policy, and confirm that neither centre-left nor centre-right parties are more likely to preside over liberal reform. While structural functional accounts are more applicable to the UK, in each case they offer an understanding of the various ways that immigrant labour provided structure to labour markets, which served to influence policy decisions. And the evidence from Australia and the UK suggests that theories employing the varieties of capitalism framework can be used to argue that the character of national labour market regulation may shape the available supply of labour within a domestic labour market, and that labour immigration may be used as a complementary supply.

Despite the insights offered by the existing literature, none of the above theories fully explains the role of the various institutions and actors involved in the labour immigration policy process, and the manner in which they implemented reform in Australia and the UK. This issue is important because it helps to account for developments in the period following liberal reform in each of the two cases, and can therefore be used to infer general lessons about labour immigration policy and politics. In Australia, labour immigration controls were relaxed incrementally and through a deliberative process. Reform was justified on the grounds that it fulfilled economic needs and objectives, and was consistent with an accepted definition of the national interest. In the UK, liberal shifts in labour immigration policy were the incidental consequence of the pursuit of objectives in other policy areas. Reform was implemented unilaterally and in an uncoordinated manner characterised by an absence of consultation. The contrast in the manner in which reform was managed by the various actors, institutions and stakeholders involved in the process both reflected and served to reinforce a positive immigration policy legacy in Australia, and a negative one in the UK. Returning to the historical institutionalist concepts outlined in Chapter 1 will help to advance this argument.

Creating narratives for reform around policy legacies

Similar factors underpinned the relaxation of labour immigration controls in both states. Labour immigration was not implemented for its own sake but rather to help meet broader policy objectives that were underpinned by a range of largely exogenous shifts, such as structural economic change and market regulatory reform. In Australia, a range of institutions and actors, such as senior government ministers, various government ministries, State/Territory governments and business groups, came to see labour immigration policy as

an appropriate device for achieving these objectives. The adroit handling of liberal policy change was seemingly due to the longstanding role of the executive branch in managing immigration control and selection within clearly defined parameters and in accordance with due process. In the UK, various senior ministers and ‘core’ government ministries saw the loosening of labour immigration controls as complementary to their broader goals. But while business groups could be thought to share their objectives, business played a largely incidental and ambivalent role in the reform process. The rather disorderly way in which policy was made was due largely to the inexperience of those driving reform, their insufficient political deftness in managing the inevitable socio-economic impact of increased immigration, and the weak coordinating role of the government ministry responsible for administering reform.

This shows that the two states’ respective policy legacies shaped the labour immigration policy preferences of the actors and institutions involved in the reform process, and the way that policy change was managed. Moreover, the Howard government used Australia’s positive immigration policy legacy to construct a coherent narrative to justify the implementation of liberal reform. This generated greater immediate and lasting support for its reforms among stakeholders and the broader community. By contrast, lacking a similarly positive legacy, the Blair government found it difficult to create such a narrative, which contributed to the unpopularity of its reforms.

Hall’s use of the notion of ‘policy paradigm’ to explain the shift in UK monetary policy from a Keynesian to a monetarist orthodoxy in the 1970s and 1980s can help to explain labour immigration policy developments in the two cases. Hall explains that the shift in the UK monetary policy paradigm emanated from a period of economic stagnation that began in the early 1970s, which could not be alleviated by the hitherto conventional economic policy responses, informed by Keynesian principles. A loss of confidence in the policy orthodoxy among policy-makers, media commentators and the broader public followed. This led to a ‘shift in the locus of authority’ around macroeconomic policy-making beyond Whitehall, and an expansion of the ‘marketplace in economic ideas’ across the press and think tanks all in search of credible policy alternatives (Hall, 1993: 286). Political parties became engaged in the debates over the merits of alternative policy paradigms. The Conservative opposition under Margaret Thatcher adopted a monetarist paradigm, which it successfully used to critique the Labour government’s economic management. This paradigm formed the basis of

the narrative that helped the Conservative Party win the 1979 general election and informed (for a short time anyway) its macroeconomic policy once in office. Within a few years, monetarist views became institutionalised within the traditional policy-making venues in Whitehall, and thereby affirmed a shift in the policy paradigm. While the election of the Thatcher government was an important part of this shift, it was mediated through a raft of state and non-state institutions and stakeholders (Hall, 1993: 283-289).

Hall's illustration of the policy paradigm can help to account for the shift to a human capital orthodoxy as the basis for Australian immigration selection policy. In this case, there was not only a change in policy, but also in the policy parameters, or what Hall calls 'the hierarchy of goals and set of instruments employed to guide policy' (1993: 283-284). Exogenous forces provided a spur for change, but there was deep involvement by various actors and institutions in the reform process. The shift in the immigration selection policy orthodoxy came about because of a need for economic competitiveness in the context of greater international integration, even if the basis of policy remained consistent with principles defined according to the national interest. The consistent use of immigration as an instrument for nation-building in the two centuries between colonisation and the election of the Howard government was achieved by selecting the applicants deemed to be compatible with the national interest. Although the policy paradigm over how national interest was defined changed in response to changing contexts, agreement on its definition across the major political parties, organised interests and the broader community was important in generating support for consistently large immigration intakes.

The origins of the Howard government's successful shifting of the policy paradigm originated in the fragmentation of consensus on how immigration selection policy should be defined in the early 1970s. The fragmentation was underpinned by the shift from a protectionist model of political economy to a more internationally engaged and liberal model. Disagreement emerged between organised interests and the major political parties as to whether human capital or settlement criteria should be the principal basis for immigration selection. This contention contributed to growing malaise about the state's capacity to select immigration in line with the national interest. From the mid-1980s, support coalesced behind the notion that human capital criteria should be the main foundation for immigration selection, and that policy should be adjusted to favour the candidates most likely to deliver a net economic benefit to Australia. This view first emerged within the various government ministries and

gained traction among the opposition Coalition parties and later with business groups. From 1996, the Coalition in government established a human capital orthodoxy as the core principle for immigration selection. Positive labour market outcomes for applicants, employers and regional areas became the yardstick by which good immigration selection policy was measured. The government used this policy paradigm to gain leverage against its political opponents, boost its electoral standing and generate popular support for its – increasingly liberal – labour immigration policies. The congruence between a human capital doctrine and the imperative of economic competitiveness in the context of the broader shifts in Australia's political economy further assisted the establishment of the new paradigm. Despite the imposition of some restrictions, developments since 2007 suggest that a human capital orthodoxy has been affirmed as the basis for immigration selection. There is a large degree of institutionalised support in Australian immigration politics for the view that immigration is beneficial to the national interest, so long as it fulfils a justifiable need and is properly regulated. This support is consistent with Australia's status as a 'traditional destination state'. The Howard government was able to use this undercurrent, formed in large part by Australia's positive immigration policy legacy, to relax labour immigration controls with broad support among institutions, stakeholders and the community.

The Blair government's reforms were not as resilient. This was due not only to its rather inept handling of policy change, but because the policy paradigm for liberal labour immigration controls was not firmly established. Schmidt's argument that governments will have difficulty implementing policies that do not easily 'fit' with the national policy legacy – particularly if a case is not sufficiently made to stakeholders and the broader public for why reform is appropriate or necessary – is informative in this respect (2002: 65-66). The UK's restrictionist legacy did not prevent the Blair government from loosening labour immigration controls between 2000 and 2004, which it was able to do with relatively little fanfare. Attempting to construct a narrative for liberalising labour immigration controls, the government had invoked arguments about the UK's comparative economic advantages and the imperatives of effective border controls. However, these arguments were not sufficiently strong or coherent to institutionalise a new policy paradigm. This narrative became seriously fragmented as increasing numbers of A8 workers arrived ahead of the decision on A2 workers, and precipitated a collapse of the liberal reform agenda.

The respective geographical features of Australia and the UK impacted upon the Howard and Blair governments' narratives in a manner that was beyond the control of either. Howard's phrase – 'we will decide who comes to this country and the circumstances in which they come' – captured the essence of why his government's resolute stance against the arrival of seaborne asylum seekers had such a high degree of popular support. But this principle was equally applicable to the relative support in the electorate for its liberal labour immigration reforms. The prevention of entry to anyone deemed unlikely to deliver a net benefit was the flipside of an immigration selection policy based on permitting entry only to those likely to produce a net benefit for the Australian economy. Successful control over immigration flows was a prerequisite for this policy to function effectively and hence receive popular support. While Australia's geographical isolation allowed this control to be exerted, such luxury was not available in the UK. The Blair government's attempt to create a successful narrative around labour immigration was overwhelmed by the negative attention drawn to the continuing inflows of asylum seekers and other unwanted forms of immigration. The UK's close proximity to continental Europe, and the multiple points of entry for would-be immigrants, meant that border control could never be as successful as in Australia. This blurred the Blair government's messages on unwanted immigration on one hand, and labour immigration on the other, and undermined its capacity to create a positive narrative with respect to the latter.

Immigration politics and the limits to successful narrative construction

The successful creation of a narrative can be a key factor in determining whether or not policy reforms gain popular acceptance, according to Schmidt and Radaelli (2004: 206). Narrative construction was crucial in determining the degree of support for liberal labour immigration reform among stakeholders and the broader community in the two cases presented here. The availability of a positive policy legacy was a decisive factor in crafting a successful narrative in Australia, and this appeared to engender more resilient support for policy change than in the UK. Hall argues that ideas are an essential ingredient in successfully building a policy paradigm, because they allow a political discourse to be created between society and the state:

Politicians, officials, the spokesmen for social interests, and policy experts all operate within the terms of political discourse that are current in the nation at a given time, and the terms of political discourse generally have a specific configuration that lends representative legitimacy to some social interests more than others, delineates

the accepted boundaries of state action, associates contemporary political developments with particular interpretations of national history, and defines the context in which many issues will be understood (1993: 289).

In a similar manner, a state's 'ideology of immigration' will constrain its ability to create a policy paradigm that is inconsistent with the broader traits of its immigration politics. The impact of contrasting ideologies of immigration on the immigration politics of traditional destination and reluctant states is illustrated in the following excerpts from interviews with two government officials. The first is a British immigrant working in the Australian Immigration Department, and the second is a Home Office official recently returned from secondment to Australia:

Immigration is such a given in this country... Some of those European countries where they have a low birth rate are looking down the barrel of annihilation. I don't want to exaggerate ... but they can't have the kind of migration programmes that we run... Australia is either lucky or makes its own luck [because it] runs a programme that everyone is confident is well managed. The integrity is there and it delivers [positive outcomes] and ordinary Australians are made aware of that (interview, Immigration Department official AU38).

Immigration not being part of [the UK's] myth of nation-building tends to make the debate in the public domain almost unremittingly negative... [Immigration] becomes quite mangled by negative publicity in the newspapers, primarily, whereas the public debate in Australia was a good deal more balanced and mature ... because there is a genuine public interest in the nation-building part of it (interview, Home Office official UK30).

Ideologies of immigration serve to produce self-reinforcing mechanisms within policy processes and dynamics – or what Thelen terms 'feedback effects' – that shape the viability of options available to policymakers (1999: 392-396). These feedback effects are evident at a number of levels.

While net immigration in Europe and North America is comparable in relative terms, 'European governments and their electorates continue to display a profound ambivalence

about immigration', according to Boswell, even when there is a patent economic case for relaxed controls (2005: 1). Recent data produced by the International Social Survey Program shows a continuing gulf in public attitudes to immigration across traditional destination and reluctant states. Australians and Canadians responded in a categorically positive manner when questioned about the economic and cultural contribution of immigration and current intake levels, whereas Britons and Germans remain unequivocally negative (cited in Markus *et al.*, 2009: 123-124). Breunig and Luedtke find that a nation's immigration politics is one of the few institutional factors with a tangible bearing on governing party preferences on immigration (2008: 141). Penninx and Roosblad show a nation's policy legacy to be the most important factor explaining trade union attitudes towards immigrants (2000: 200-206). Feedback effects might also account for the more active role of the UK media in fuelling the negative salience of immigration compared to Australia, and the respective policy preferences of institutions and stakeholders in both cases. Despite the recent relaxation of labour immigration controls among traditional destination and reluctant states alike, the differences in their immigration politics appear to be enduring.

Conclusions

What, then, are the broader implications of this study? Can the findings of these cases be extrapolated to other traditional destination and reluctant states? Given that considerable diversity exists within these categories, any generalisations should be made with caution, particularly since these two cases contain various traits that set them apart from other states. Australia's geographical isolation gives it an abnormal capacity to control immigration flows, but also means that it has to work harder to attract immigrants, even compared to other traditional destination states. For more complex reasons, the UK has long been regarded as an exceptional case among the reluctant states.

This thesis has nonetheless shown that, with respect to the central research question outlined in Chapter 1, policy legacies had a significant impact on the processes and dynamics that shaped labour immigration selection and control decisions during the recent wave of international migration. As the case studies demonstrate, a nation's past immigration policy experiences shape its policy-making structures, as well as institutional and stakeholder policy preferences, which are core constituent components of a nation's immigration politics. The UK case shows that even when reluctant states implement liberal labour immigration policies, these characteristics tend to create feedback effects that make it difficult for reform to be

durable. The relationship between immigration policy and politics thus becomes self-reinforcing.

This does not necessarily mean that states are forever bound to their status as a traditional destination or reluctant state. The US has shown many of the hallmarks of the latter model in recent years. Australia became increasingly 'reluctant' in the two decades prior to the Howard government's election, and there are signs that its immigration politics may be entering another transitional phase. Conversely, UK governments have recently established mechanisms for labour immigration policy to be made in a more considered, deliberative and formalised manner. This may mean that possible consequences of government decisions will be assessed more carefully, which would provide for greater stability in its immigration politics.

In any case, this thesis has shown that although they may be resilient, the institutions that help to make a nation's immigration policy and shape its politics will inevitably undergo a process of adaptation in response to changing contexts. As Freeman argues, the politics of immigration during the 'good times' of economic growth exhibit distinct traits to those during the 'bad times' of economic stagnation. This thesis has looked at the reasons for policy change in the context of a 'good times dynamic' that has since been resolutely swept away by a global economic downturn, the consequences of which are yet to be fully realised. Whatever change the future brings, the contexts of national-level labour immigration policy will undoubtedly change with them.

APPENDIX A

INTERVIEWEES – AUSTRALIAN CASE STUDY

Jose Alvarez, Deputy Manager – NSW Branch, Immigration Department (4/4/08)

Kevin Andrews, Minister for Immigration and Citizenship, 2007 (12/3/08)

Paul Bidwell, General Manager – Membership and Policy, Commerce Queensland (24/1/08)

Roger Boland, National Industrial Relations Director, Australian Industry Group, 1971-2000 (13/2/08)

Nick Bolkus, Minister for Immigration and Ethnic Affairs, 1993-96 (1/2/08)

David Buckingham, Executive Director, Business Council of Australia, 1996-2001 (5/9/08)

Geoff Bull, Principal Employee Relations and Legal Consultant, Australian Mines and Metals Association (12/2/08)

Sharan Burrow, President of the Australian Council of Trade Unions, 2000-2009 (12/3/08)

Patrick Coleman, Director of Policy, Business Council of Australia (4/2/08)

Chris Conybeare, Secretary, Immigration Department, 1990-96 (21/2/08)

Bert Dennis, President, Australian Population Institute, 1998-2006 (31/1/08)

Penny Gale, General Manager – Policy and International Business, Business SA (8/4/08)

Wayne Gibbons, Deputy Secretary, Immigration Department, 1969-93 (19/3/08)

Philippa Godwin, former Deputy Secretary, Immigration Department (19/3/08)

Jenny Goldie, National President, Sustainable Population Australia (19/2/08)

Wilhelm Harnisch, Chief Executive Officer, Master Builders Australia (3/3/08)

Tony Harris, Deputy Secretary, Immigration Department, 1986-1990 (4/3/08)

Bill Healey, Director – National Affairs, Australian Hotels Association (26/2/08)

Peter Hendy, Chief Executive, Australian Chamber of Commerce and Industry, 2002-2008 (25/3/08)

Cawley Hennings, Workplace Relations Officer, National Farmers Federation (7/2/08)

Bob Herbert, Member of the Immigration Department's Business Advisory Panel, and Chief Executive, Australian Industry Group, 1996-2004 (4/2/08)

Peter Job, Director – Working Holiday and Sponsored Training, Migration Program, Immigration Department (25/2/08 and 18/3/08)

Steve Kates, former Chief Economist, Australian Chamber of Commerce and Industry, 1980-2004 (12/3/08)

Stepan Kerkyasharian, Chairperson and CEO, Community Relations Commission of NSW (4/4/08)

Chris Lamont, Senior Executive Director – Industry Policy, Housing Industry Association (3/4/08)

Alan Matheson, former Ethnic Affairs Officer and International Officer, Australian Council of Trade Unions (4/2/08)

Gavin McCairns, Manager – NSW Branch, Department of Immigration and Citizenship (4/4/08)

Vince McMahon, former Deputy Secretary, Immigration Department (17/3/08)

Andrew Metcalfe, Secretary, Immigration Department, 2005-present (25/2/08)

Greg Mills, Assistant Secretary – Migration, Immigration Department (25/2/08)

Nick Minchin, Minister for Industry, Science and Resources, 1998-2001, and Minister for Finance, 2001-2007 (27/2/08)

Neil Mullenger, Director – Research and Statistics Section, Migration Branch, Immigration Department (18/3/08)

John Nicolaou, Chief Economist, Chamber of Commerce and Industry Western Australia (29/1/08)

John Nieuwenhuysen, Director of the Bureau of Immigration, Multicultural and Population Research, Immigration Department, 1989-1995 (23/1/08)

Marie Nicholson, Industry Outreach Officer, Immigration Department (7/2/08)

Anthony Parsons, First Assistant Secretary – Migration and Temporary Entry, Immigration Department (25/2/08)

Mark Paterson, Chief Executive, Australian Chamber of Commerce and Industry, 1996-2002 (8/2/08)

Jane Press, Director – Migration Policy and Analysis Section, Department of Education, Employment and Workplace Relations (29/2/08)

Bob Pride, Director of Public Affairs, Chamber of Commerce and Industry Western Australia (29/1/08)

Kathy Rankin, Senior Manager Policy, NSW Business Chamber (22/2/08)

Sharon Ride, Director, Federation of Ethnic Communities' Councils of Australia, 2003-2007 (19/3/08)

John Ridge, former President, Australian Computer Society (6/2/08)

Andrew Rimington, Manager – Employment, Education and Training Policy Unit, Victorian Employers' Chamber of Commerce and Industry (1/4/08)

Abul Rizvi, Deputy Secretary and Assistant Secretary, Immigration Department, 1990-2006 (26/3/08)

Julius Roe, National President of the Australian Manufacturing Workers Union (7/4/08)

Philip Ruddock, Minister for Immigration and Multicultural and Indigenous Affairs, 1996-2003 (11/3/08)

Peter Shergold, Secretary of the Department of Employment and Workplace Relations, 1998-2002, and Secretary of the Department of Prime Minister and Cabinet, 2003-2007 (3/4/08)

Des Storer, First Assistant Secretary – Strategic Policy Group, Immigration Department (25/2/08)

Mark Sullivan, former Deputy Secretary, Immigration Department (19/3/08)

Daniel Tehan, adviser to various Howard government ministers, and Director – Trade and International Affairs, Australian Chamber of Commerce and Industry (26/2/08)

Phillip Toyne, Executive Director, Australian Conservation Foundation, 1986-1992, and Deputy Secretary, Commonwealth Department of Environment, 1994-1997 (27/3/08)

Amanda Vanstone, Minister for Employment, Education, Training and Youth Affairs, March 1996 to October 1997, and Minister for Immigration and Multicultural and Indigenous Affairs, October 2003 to January 2007 (17/10/2008)

Peter Vardos, Assistant Secretary – Multicultural Affairs, Immigration Department (25/2/08)

David Wheen, First Assistant Secretary – Migration Program, Immigration Department, 1990-1994 (13/3/08)

Glenn Withers, adviser on immigration policy to the Hawke, Keating and Howard governments (25/3/08)

APPENDIX B

INTERVIEWEES – UNITED KINGDOM CASE STUDY

Lucy Atherton, Senior Legal Adviser, EEF the Manufacturers' Organisation (12/10/07)

Sean Bamford, EU and International Relations Policy Officer, Trades Union Congress (18/10/07)

Annabel Berdy, Employment and Risk and Safety Policy, British Retail Consortium (1/11/07)

Stephen Boys Smith, Director-General, Immigration and Nationality Directorate, Home Office, 1998-2002 (26/8/08)

Jerry Camp, General Manager, Association of Labour Providers (10/10/07)

Charles Clarke, Secretary of State for Education and Skills, October 2002 to December 2004, and Secretary of State for the Home Office, December 2004 to May 2006 (8/10/08)

Zaki Cooper, Director, Business for New Europe (25/10/07)

Bob Cotton, Chief Executive, British Hospitality Association (6/11/07)

John Cridland, Deputy Director, Confederation of British Industry (19/9/07)

Jack Dromey, former Deputy General Secretary, Unite (22/11/07)

Christine Durance, Head of Policy Development, UNISON (18/10/07)

Andrew Eldred, Employee Relations Manager, Engineering Construction Industry Association (18/10/07)

Sir John Gieve, Permanent Secretary, Home Office, 2001-2005 (14/11/08)

Lucie Goodman, Policy Development Officer, Federation of Small Businesses (19/10/07)

Sir Andrew Green, Chairman, Migration Watch UK (17/12/07)

Matt Hardman, Campaigns Manager, Forum of Private Business (1/11/07)

Michael Howard, Secretary of State for the Home Office, May 1993 to May 1997 (28/10/08)

Sir Bill Jeffrey, Director-General, Immigration and Nationality Directorate, Home Office, 2002 to 2005 (5/9/08)

Peter Jones, Deputy Director of Migration, Foreign and Commonwealth Office (8/10/08)

Graeme Leach, Chief Economist and Director of Policy, Institute of Directors (6/11/07)

Gerry Lean, Industrial Relations Director, Construction Confederation (11/10/07)

Clare Lombardelli, Senior Policy Officer, Treasury (15/11/07)

David McIlroy, Head of Borders, Managed Migration, Multilateral and Development, Migration Directorate, Foreign and Commonwealth Office (8/10/08)

Tony McNulty, Minister of State, Home Office, May 2005 to October 2008 (29/10/08)

Isabella Moore, President, British Chambers of Commerce, 2002-2004 (18/10/07)

Paul Noon, General Secretary, Prospect (19/10/07)

Kieran O’Keeffe, Policy Adviser, British Chambers of Commerce (5/10/07)

Sir David Omand, Permanent Secretary, Home Office, 1998-2000 (12/9/08)

Marc Owen, Head of Strategy and Head of Policy, UK Borders Agency, Home Office (5/9/08)

Jon Payne, Chief of Staff, UK Borders Agency, Home Office (4/9/08)

Nick Pearce, Special Adviser to the Secretary of State for Education and Employment, 1999-2001, and to the Secretary of State for the Home Office, 2001-2003 (28/8/08)

John Philpott, Chief Economist, Chartered Institute for Personnel and Development (21/11/07)

Jonathan Portes, Team Leader, Performance and Innovation Unit, Cabinet Office, 1999-2001, and Chief Economist and Deputy Director for Work, Welfare and Poverty, Department of Work and Pensions, 2002-present (30/11/07)

James Potter, Senior Legal Adviser, National Farmers Union (11/10/07)

Stephen Radley, Chief Economist, EEF the Manufacturers’ Organisation (12/10/07)

Habib Rahman, Chief Executive, Joint Council for the Welfare of Immigrants (4/10/07)

Barbara Roche, Minister of State for Immigration, Home Office, 1999-2001 (9/9/08)

Lorraine Rogerson, Director of Immigration Policy, UK Borders Agency, Home Office, 2003-2007 (28/10/08)

Derek Scott, Economics Adviser to the Prime Minister, 1997-2003 (5/10/07)

Andrew Turnbull (Baron Turnbull of Enfield), Permanent Secretary to the Treasury, 1998-2002, and Cabinet Secretary, 2002-2005 (6/11/07)

Jane Whewell, Director of European Strategy and Labour Market Flexibility, Employment Relations Directorate, Department for Business, Innovation and Skills (11/9/08)

Richard Wilson (Baron Wilson of Dinton), Permanent Secretary to the Home Office, 1994-1998, and Cabinet Secretary, 1998-2002 (28/3/07)

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