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Labour Market Uncertainty and Migration Policy
Canadian, German and Spanish experiences compared

Guglielmo Meardi, Antonio Martín Artiles, Axel Van den Berg

‘The houses have collapsed and I have no family. I don’t know whether to leave or what. We immigrants feel the crisis more – and we feel the earthquake more’
‘Without home and without work. Big trouble’
Abdelhali Bouhobba and Ali Elmourabiti,
immigrants in Lorca, to *El País*, 14th May 2011
[Immigrants make 20% of Lorca’s population – and 80% of the homeless caused by the 11th of May earthquake]

Introduction

The recent economic crisis has highlighted the issue of unequal distribution of vulnerability among categories of employees, which is exacerbated in times of perceived uncertainty. One major line of labour market segmentation in terms of security is between national citizens and immigrants, as illustrated by the seminal work of Piore (1979): immigrants may then carry an over-proportional burden of uncertainty and act as a ‘buffer’ in cases of employment level shocks, alongside other peripheral employment groups such as women, youth and aged workers. Immigrant workers may be subjectively more prone than those other peripheral groups (especially women) to accept high levels of flexibility, mobility and overall uncertainty. Moreover, such an arrangement has the political advantage, for national policy makers, of shifting the burden of uncertainty on to non citizens, who cannot punish the government through their democratic vote and therefore their unemployment or forced mobility may be less costly. Alternatively, immigrants might even abandon the country in case of downturns, whether freely or forcedly. Within a context of increased labour market uncertainty, the distribution of it between different groups is of increased political and social relevance (Crouch 2011). However, an intentional use of migrants as secondary segment of the workforce implies a high degree of integration between migration policy and labour market policy, or the demographic consequences of unplanned immigration may be even more costly, politically, than labour market uncertainty as such.

In fact, there has been an increasing focus across Europe on the ‘active management’ of immigration according to ‘labour market needs’. Frequent references are made in Europe to the Canadian model of the ‘points system’ as selection of those immigrants that are needed for the labour market, at the time when they are needed. In Autumn of 2010 many German media published reports on the Canadian system as a model, describing it as ‘welcoming’ (*Frankfurter Allgemeine Zeitung*, 7/11/2011) as well as ‘flexible’ and ‘a model for other countries’ (*Berliner Zeitung*, 18/10/2011). However, migration scholars have highlighted that migration policies have a tendency to fail, both because of overarching global contradictions

and because of inconsistent interests within immigration countries (Castles 2004). Is it therefore realistic to subordinate migration to labour market policy?

This paper will compare the actual evolution of the Canadian system with the migration policies of the two EU countries with the largest numbers of immigrant workers, Germany and Spain. Germany and Spain differ sharply in terms of economic and labour market structure and migration history: the former is a co-ordinated market economy with a strong manufacturing sector where immigration started in the 1950s, while Spain is a semi-peripheral liberal market economy with statist elements, where the sectors of agriculture, construction and tourism are larger than average, and net immigration only started in 1986 and peaked after 2000.

The paper aims at identifying the policy dilemmas related to the link between migration policy and labour market uncertainty: how far can migration be a socially sustainable policy response to the governance of labour market uncertainty? The question is tackled through an a quantitative analysis of the elasticity of migration flows depending on employment trends, and a qualitative analysis of migration policy formation in different countries. Canada is increasingly presented as a model for European societies: how far is that model successful, and how far is it transferable to countries with different governance systems such as Germany and Spain?

Migration policies and labour market flexibility

Classic works linking migration to structural labour market demand (e.g. Castles and Kosack, 1973) are largely rooted within a 'Fordist' framework, and they have been accused of economic determinism. Piore (1979) provided an additional insight, at a time when he was himself detecting a shift towards post-Fordism, by linking migration more specifically to flexibility. According to Piore, migrants, inherently more mobile and more sensitive to economic incentives, are employed in a secondary segment of the labour market, characterised by flexibility and insecurity.

Our analysis brings Piore's insights forward by giving central importance to the concept of 'uncertainty', with reference to more recent debates on flexibility and insecurity, and pays more attention to national political variables. It also provides a balanced treatment of migration and labour market development, without an a priori presumption of the priority of one over the other. This distinguishes our work from most of the fast-growing literature on migration policies and on labour markets, which tend to treat one of the two as exogenous. For instance, a recent comparative analysis of European employment models (Bosch et al. 2009) mentions migration only occasionally, as a largely exogenous factor, and only for the countries of recent immigration (Spain, Greece, Hungary), but forgets about it in the case of countries of longer migration history (UK, Germany). Conversely, political scientists have produced comparisons of migration policies that make very little reference to labour markets: Scheien's (2008) explanation of the migration policy differences between North American and continental European policies focuses on the role of citizenship and immigrants' voting rights, which provide for instance political parties with incentives to include newly arrived citizens in the US, but not in Europe – despite opinion surveys not revealing any greater xenophobia in Western Europe than in the US. Also a recent critical study of European migration policies (Schierup, Hansen and Castles, 2006) focuses on citizenship and the welfare state, but with no systematic consideration of labour markets.

There have been some recent attempts at linking the two issues more closely (Anderson, 2010; Standing, 2009), pointing at flexibility and precariousness as main features of recent

migration, but this insight is yet to inspire systematic comparisons. Recent comparative studies of immigration and labour markets have predominantly come from a 'Varieties of Capitalisms' approach, asserting that liberal market economies rely more on migrant labour while co-ordinated market economies produce skills internally (e.g. Menz, 2008; Crul and Vermeulen, 2006). Yet the relationship between VoC and migration is not that simple, and a variety of different statements, not entirely consistent, has been made. Menz (2008) proposes that Bismarckian welfare states (more reliant on employment-related funding) receive more serious challenges from migration than liberal, or even Mediterranean welfare states, more reliant on taxation and therefore 'pooling' financial uncertainty better; but Messina et al. (1992) expect liberal labour markets and welfare states to foster the development of solidarity along national lines and therefore ethnic conflict, while Faist (1996) and Morrissens (2006) argue that in LMEs it is easier for migrants to find a job, but at the cost of higher risks of poverty. Brücker et al (2006), on a classic economic line, suggest that in LMEs migration affects wages, while in corporatist regimes, wages being compressed, it affects unemployment, and Borjas (1999) claims that generous welfare states act as magnets for migrants. Ireland (2004) argues that the degree of involvement of ethnic associations in welfare states' provisions affects ethnic relations in European countries. Moreover, the distinction is not as fixed as VoC theory would expect: recent studies have detected the capacity of liberal market economies, such as Ireland and the UK, to move away from their liberal path dependency, towards more restrictions on migration and more investment in skill creation (Devitt, 2010). Overall, this growing body of research has tended to focus on skills and on the welfare state, but with little consideration of flexibility and insecurity.

Yet from the policy maker's perspective immigration and labour market flexibility are intimately linked. Thus, the European Commission's *Employment in Europe Report* of 2008 points out that

'employment and unemployment rates fluctuate more strongly for migrants than for non-migrants in response to changes in economic growth, suggesting not only that migrants' labour market outcomes are more sensitive to economic developments, but also that this provides an extra degree of flexibility (EC 2008, 51).

It is precisely this supposed 'extra degree of flexibility' that is the basis of much of the Commission's positive evaluation of immigration in recent times, for instance in the 2006 'European Year of Worker Mobility'. The evidence of the 2008 report was however quite selective, including only Belgium, Denmark, Spain, Greece, Sweden, UK, and excluding the Central European co-ordinated economies.

The crisis that started in 2008 has shed more light on the issue, revealing the nature of employment insecurity. Already in 2007, before the crisis, immigrants were more likely to be in temporary rather than permanent employment contracts (34% for non-EU immigrants, against 14.5% for the EU population average) and suffered higher unemployment in all EU countries (a 4% gap EU-wide) (EC 2008). With the crisis, immigrants have also suffered more frequently from job losses, especially in Ireland and Spain.

This paper follows two steps to clarify this issue. First, it tests – quantitatively – the existence of the link between labour market uncertainty, defined as employment and unemployment shocks, and migration flows. In particular, with test the following hypotheses:

H1.1: There is, historically, a structural *link* between migration and the unemployment rate, with migration reacting to fluctuation in the demand for labour;

H1.2: The strength of the above-mentioned link is however *declining* since around the 1990s, as immigration cannot follow increased labour market instability closely; that is,

migration was more effective at solving labour market imbalances during Fordism than during post-Fordism;

H1.3: If immigrants are really used as a buffer to protect natives against labour market insecurity then one would expect *immigrants to end up disproportionately in sectors that are volatile in terms of employment*, and their unemployment rate would be more elastic to economic swings.

Second, we look at the role of immigration policies within this link: to what extent do policies respond to labour market needs? And how are these responses framed in different political systems and Varieties of Capitalism? Here we test the following hypotheses on an ambiguous link between economic structures and migration policies:

H2.1: The *policy frames vary by country*; Germany has a more corporatist, consensual approach to migration policies, with therefore more obstacles to border opening than Canada, Spain being somewhere in between; economic arguments as a rationale for migration policy have different degrees of legitimacy – and electoral support – in different countries;

H2.2: *Migration is framed differently in different productive systems and Varieties of Capitalism governance varies*, in which not so much the professed political aims, but also structural processes matter; in particular, border closure may actually imply a tacit preference for more insecure forms of immigration.

These two steps allow us to reach a critical conclusion on the extent to which migration policies can be used, in a socially sustainable way, as a societal strategy to cope with uncertainty, notably through the use of migrants as a ‘buffer’ absorbing employment shocks and carrying an over-proportional burden of uncertainty.

The selection of cases is relevant for addressing this issue. In particular, in recent debates on German migration policies, Canadian policies (e.g. the points system and temporary work permits) have often been presented as a model to follow in terms of ‘flexibility’ and ‘active targeting’ – but with little systematic analysis as to whether the two cases are comparable. Spain, in addition, allows us to examine immigration policies in a case of lower governability, due to its geographic location but even more to the share of the informal economy, and to link them to particularly high uncertainty both in the labour market and in social protection (increasingly privatised welfare). Some macro differences between the countries obviously limit the comparability. In particular, Canada has a population density of 3 persons/km² (even though 90% of the country is uninhabitable) and no border with poorer emigration countries; Germany and Spain have population densities of 229 and 91 persons/km² respectively and border on poorer emigration countries. Moreover, Canada and Spain, but not Germany, have large immigration pools with knowledge of their languages. Nonetheless, different contexts do not preclude policy comparisons – they only preclude easy transpositions from one country to the other.

Elasticity of migration to unemployment

Canada

The correlation between labour market and immigration can be gleaned from Figure 1 below which plots the numbers of immigrants admitted to the country and a (lagged) measure of unemployment for the period from 1950 until 2010. The curve indicating the number of immigrants admitted to the country fairly closely mirrors the curve representing the (one-year lagged) unemployment rate, at least until 1990. After that, the relationship is less clear with

immigrant levels rising more or less continuously irrespective of the movements of the unemployment rate. The inverse relationship for the period until 1990 is borne out by a simple statistical test: Pearson's r for the years 1950-1990 is $-.46$. For the later period it is half that, $-.24$. These results are confirmed by other, more statistically sophisticated tests showing the immigrant numbers closely tracking what the (lagged) movements of the unemployment rate would predict until they start diverging in 1990 (Veugelers and Klassen 1994; Green 1999: 129-130; see also Islam 2007).

Figure 1. About Here

The reason of the failed reduction of immigration in case of increasing unemployment in recent times is that with respect to refugees and family class immigrants the Canadian government has not been able or willing to adjust the numbers of immigrants accepted to short-term economic conditions. Successive Canadian governments have found it difficult to resist the pressures from 'ethnic' voters and their organizations in favour of liberal family reunion regulations. The only category of immigrants whose numbers have been relatively manipulable, particularly after the introduction of the points system are the economic or independent class immigrants (Bodvarsson & Van den Berg 2009: 392). It may, therefore, be instructive to look at the three main immigrant classes separately. In Figure 2 we show the immigrant inflows for those three classes (as well as for the small 'Other' category) together once again with the (lagged) unemployment rate for the years 1980 to 2010.

Figure 2. About Here

As can be seen, the curve depicting the numbers of economic class immigrants goes steadily upward starting from 1985 reflecting a change in policy in favour of bringing in more highly qualified economic immigrants irrespective of short-term labour market fluctuations. But the curve displays a cyclical rather than a smooth upward drift and the cycles still seem to be more or less mirroring the (lagged) unemployment rates. In fact, Pearson r for the correlation between the two variables is $-.59$ for the entire period from 1980 until 2010 and as high as $-.73$ for the '80-'90 decade. In other words, even as it claimed to abandon the short-term 'absorptive capacity' approach for a longer-term one, the government nevertheless did adjust the numbers to short-term conditions as well, albeit at a rising and higher level over time.

Canadian immigration policy, as we will discuss, has always had an important short-term component with immigrant flows being regularly adjusted to the labour market's short-term 'absorptive capacity'. This remains true even after the Canadian government had explicitly adopted a more long-term orientation: only during the most recent crisis does the relationship appear to break down: the unemployment rate and immigration numbers have risen in tandem during the years since 2008. Canada therefore confirms H1.1 and H1.2.

In order to answer the following question, on the concentration of migrants in insecure occupations (H1.3), we now look more closely at the *differential* fate of immigrants and native-born Canadians in the Canadian labour market.

In a careful comparison of immigrant occupational distributions with those of native-born Canadians for the census years 1981, 1986 and 1991, and looking at several immigrant cohorts, Green (1999: 56) finds that immigrants are overrepresented in professions such as engineering and health professions, while being underrepresented in farming, other primary occupations and transport. More recent data from a Statistics Canada analysis (Gilmore 2009) confirm the persistence of this pattern. There appears to be something of a bifurcation in the occupational distribution of immigrants relative to the Canadian born, with immigrants being overrepresented in *both* highly skilled occupations and the professions and in some of the less skilled occupations. The same pattern was identified by Hiebert (1999) as well.

Overall, then, the degree of segmentation of immigrants, and particularly their concentration in less desirable, insecure jobs and occupations, appears to be moderate in Canada. However, as Hiebert (1999) shows, there is a great deal of variation between immigrants of different countries of origin or ethnicity, with, for instance, Vietnamese and Filipino women immigrants and generally visible minority women doing particularly badly. However, in another way immigrants in Canada *do* contribute a degree of flexibility to Canadian labour markets that would not be there in their absence: their occupational mobility appears to be higher than that of nationals (Green 1999; Goldmann, Sweetman & Warman 2009).

With respect to immigrants' unemployment experience compared to native-born Canadians, the picture is similarly mixed. This can be seen in Figure 3 which shows the unemployment rates for immigrants and native-born Canadians for selected years from 1981 until 2010. From this figure it appears that immigrants were *less* likely to be unemployed than native-born Canadians until 1991 after which the situation is reversed, with immigrant unemployment rates rising from 1 to almost 3.5 percentage points above those of the Canadian born and the gap seems to be widening especially in the most recent years.

Figure 3 about here

This reversal is partly due to extremely high levels of unemployment among the very recent immigrants, but even for the most established and best-educated among immigrants they are still a couple of percentage points higher than those for their native-born counterparts. This indicates a worrying trend: immigrants receive less recognition and lower rewards for their human capital than the native born, and increasingly so over time. It is also worth noting that the reversal takes place at precisely the time when the proportions of economic class immigrants, who are most rigorously selected on the basis of skills and educational credentials (see below), are growing rapidly as a result of the federal government's deliberate policy to increase the overall skill level of immigrants admitted to the country. The most plausible explanation, proposed by several authors (Picot and Sweetman 2005; Reitz 2004; Reitz 2005; Reitz 2007a; Reitz 2001; Reitz 2007b), is the change in the countries of origin of the more recent cohorts of immigrants.

Germany

Figure 4 shows the trends in immigration (entries, left scale), migration saldo (difference between entries and exits, left scale) and unemployment rate (right scale).

Figure 4. about here

As in Canada, it is possible to detect a countercyclical relation between the two trends: when unemployment falls, immigration rises, and when unemployment rises, immigration declines. The inverse correlation between the unemployment trend (change, in %, from previous year) and in the immigration trend (change, in %, from previous year) is quite strong: Pearson $r=0.69$. Interestingly, the correlation is very strong for the period up to 1990 (-.76), as compared to the period 1990-2009 (-.24): the elasticity of migration on the labour market is therefore declining, exactly when it would be needed more to face increased uncertainty.

By contrast, exits are virtually unrelated to unemployment (-0.05). In other words, it appears that immigration has been very important to face labour market change: the call of *Gastarbeiter* between 1955 and 1969 to meet labour shortages; the restricted immigration in

the 1973-mid 1980s period in the face of rising unemployment; and again, at a faster pace, in the late 1980s a rise of arrivals while unemployment was falling, but then a decline when (following the reunification shock) unemployment rose in the 1990s; and a decline again in the early 2000s, as unemployment is rising. By contrast, the expectation that people would leave when no longer needed by the labour market has proven unfounded: in particular, the *Gastarbeiter* did not go back home in the 1970s, as had been hoped; and exits are actually increasing fast in recent years, in spite of emerging labour shortages (exit however include non-working age people).

Yet the causal link is not so obvious. There is virtually no link between lagged unemployment (previous year data) and migration trend in the following year (Pearson's $r = -0.01$), as we had found in Canada, which would mean that migration elasticity on labour market change is particularly fast in Germany. By contrast, there is some between immigration trend and unemployment the year after (-.32), suggesting either a counter-intuitive positive effect of immigration on employment, or an even more counter-intuitive predictive capacity of employers, governments of migrants, with immigrants arriving in the expectation of increased employment opportunities.

The unemployment of foreigners is more elastic to economic swings than nationals downwards, but less elastic upwards (Figure 5). This is particularly noticeable during the recent economic recovery (2009-11), when foreigners appear to benefit from job growth much less than nationals. The combined effect of this divergent elasticity, meaning that migrants suffer more from crisis but benefit less from growth, is a rapidly increasing unemployment gap: in May 2011, unemployment is 6.4% for German nationals and 14.6% for foreigners. Interestingly in 2008-09, despite the German labour market performing much better than in the rest of Europe and unemployment falling to the lowest level since unification, Germany became a new *emigration* country, with more leaving than arriving (but many of those leaving are no longer of working age). As a whole, therefore, immigrants act only partially as an employment buffer, although the more recent ones appear to do so.

Figure 5. about here

While previous migration waves into Germany were concentrated in manufacturing, with rather secure employment, or took place through asylum, more recently immigrants, whether high or low-skilled, tend to be concentrated in flexible employment. Temporary employment and especially agency work have increased in recent years and in both cases foreigners are over-represented. 13.6% of employed foreigners have temporary contracts, as against 8.5% Germans (data: Mikrozensus 2008, Statistisches Bundesamt). Twice as many foreigners as Germans are in agency work. In total, 37% of non-EU employees, as against 25% German employees, are employed in some 'atypical' forms (mostly part-time). Interestingly, the gap between Germans and foreigners has tripled between 1997 and 2007: foreigners are taking over an ever larger share of the increasing insecurity.

For non-EU employees, flexibility is also potentially enforced through residence permit regulations: 28% of them are for a limited time and conditional on employment. It may be argued that such regulations, rather than ensuring control on the number of immigrants (because it is difficult to guarantee that they will leave at the end of the permit) enforce additional employee vulnerability, as the immigrants are under pressure to accept any job at the time when their permit expires.

Spain

In Spain immigration is more recent than in Canada and Germany and therefore we do not have long-term series. Spain only became a net immigration country in 1986, paradoxically at a time when unemployment was at 22% - but it was starting to decline. Between 1986 and 2000 immigration grew steadily but data by year are imprecise because much of it took place irregularly, due to a very restrictive immigration regime compensated by periodic regularisations. It is since 2000 that data are more precise (albeit to some extent distorted by the peak of a massive regularisation in 2004) and numbers more considerable: between 2000 and 2010 the number of immigrants grew almost five-fold from around one million to around five million, by far the largest increase in the EU. Figure 6 indicates the development in connection with the unemployment rate. Some migration elasticity is visible, first in the faster increase since 2004, when unemployment was falling, but above all in the fewer arrivals since the beginning of the crisis in 2008. This is not surprising given the extreme labour market orientation of immigration in Spain, where asylum is of very little importance and family reunion rather recent: the economic activity rate of immigrants in Spain is, at 77%, 20 points above that of nationals.

Figure 6. about here

However, like in Germany in the case of the *Gastarbeiter*, Spain does not seem to be able to send no-longer necessary immigrants home, despite the introduction of some incentives to voluntary repatriation. Moreover, the elasticity of migration to economic conditions is not sufficiently fast to adapt to changes as rapid as the recent ones: in 2008, 833,000 new work permits were given to foreigners, a 46% increase on the previous year, in spite of unemployment already increasing by more than 50%: it is estimated that half of those receiving these new work permits have not found employment (Tobes Portillo 2011).

The disproportional insecurity of immigrants in Spain became apparent during the recent economic crisis, which has affected Spanish employment in a particularly dramatic way. Between 2007 and 2010, unemployment grew from 7.9% to 18% among Spanish nationals, but from 12.4% to 29.4% for foreigners (Figure 7). The increase has been particularly dramatic for foreign men, reflecting the role of the construction sector in the Spanish crisis and in foreigners' employment (Meardi, Martin and Lozano Riera 2012). It is also known (Cachón 2009) that immigrants are more likely to work with temporary contracts than Spanish nationals (50% against 25% in 2008). This is not only due to segregation in sectors with high incidence of temporary employment, such as construction and agriculture: immigrants are much more likely to be on temporary contract in all sectors.

Figure 7. about here

Migration policy evolution in relation to the labour market

Canada

Up until the early 1960s, the Canadian government's main concern with respect to immigration was "preserving the fundamental character of the Canadian population" (Knowles 2007: 179). This meant that Canadian immigration authorities heavily favoured immigration from a few selected countries in Europe. These immigrants were primarily semi-skilled workers and farmers. But during the mid-1960s the Canadian federal government undertook a complete overhaul of the immigration regime, abolishing the discriminatory national origin preference system and replacing it with a system emphasizing educational credentials, skill, family reunification and refugee status as the main criteria for selection.

In 1962, the federal government issued a new set of regulations which effectively revoked the preferential treatment of immigrants from specific countries and established, for the first time, education, skill or other qualifications as the primary criterion for admission (Green and David 2004; Knowles 2007: 187; Li 2003: 23). In 1965 the new Liberal government created a new ministry, significantly called the Department of Manpower and Immigration, signaling “the government’s intention to relate immigration more closely to the needs of the Canadian labour market” (Knowles 2007: 192). This was followed, in 1967 by the introduction of the much-celebrated points system.

With the introduction of the points system, the Canadian government created three classes of immigrants: sponsored dependents, i.e. close and dependent relatives of landed immigrants and citizens, nominated immigrants, i.e. non-dependent adult relatives, and independent immigrants. Only independent immigrants were subjected to the full points system to determine their admissibility.

Particularly as a result of the creation of an intermediate nominated immigrant class, the share of immigrants joining family members grew rapidly at the expense of the presumably more economically desirable independent class of immigrants (Wright and Maxim 1993: 341; Bloom, Grenier and Gunderson 1995: 989-990; Knowles 2007: 211). Finally, and quite contrary to the intentions behind the new points system, as the family reunification component increased in importance the average skill level of newcomers actually declined significantly.

The new Immigration Act of 1976 created three classes of immigrants, a family class which included formerly non-dependent family members such as parents and grandparents, an economic class which was to be selected strictly according to the points system, and a class of refugees.

In effect the Act led to a further increase in the relative importance of family class immigrants and refugees and a decline in the proportion of immigrants selected through the points system as the government gave top priority to processing the former two categories of applicants (Green and David 2004: 121).

The government’s apparent inability to control the numbers of family class and refugee entrants was a constant theme in political debate about immigration policy from the mid-‘70s until the late 1980s (see Knowles 2007: Ch.12). Nevertheless, throughout this period, as before, the government had been able to pursue what amounts to a “tap-on, tap-off policy” by manipulating the numbers of economy class immigrants in response to immediate labour market conditions (Aydemir and Borjas 2006: 6; Daniel 2005: 683; Beach, Green and Worswick 2006: 6). By the mid-1980s, however, a new major concern entered the debate about the country’s long-term immigration policy goals: Canada’s declining birth rate. In 1985 the Conservative government adopted a new, long-term approach. It argued that immigration levels, especially of economic class immigrants, needed to be substantially increased in order to bolster the Canadian population and retain a favourable age structure. This constituted a marked shift in Canada’s approach to immigration, one which has held sway ever since (Green and David 2004: 122-125).

The first sign of a loosening of the link between immediate labour market needs and immigration policy was the January 1986 removal of the requirement of prearranged employment for independent immigrants and the lowering of the weights of the items related to local labour market needs in the points system. This had the effect of almost tripling the number of economic class immigrants admitted into Canada between 1986 and 1989 (Green and David 2004: 123; Beach, Green and Worswick 2006).

In 1986, a significantly more lenient points system was created for investors, self-employed workers and entrepreneurs (Walsh 2008: 800). The 1992 Immigration Act gave the government broad regulatory powers to control the inflow of different categories of immigrants with the aim of increasing the relative importance of economic class immigrants and raising the total annual intake to about 1% of the population. The 2001 Immigration and Refugee Protection Act (IRPA), replacing the Act of 1976, consolidated and extended these policy trends and strengthened the importance of general human capital rather than specific skills in an attempt to attract a more versatile, flexible highly qualified labour force suitable for a fast-changing knowledge-based economy (Knowles 2007: 257-262; Tolley 2003; Li 2003: 26, 36, 79; Telegdi 2006).

Taken together, the successive policy changes leading up to it signal a clear abandonment of the short-term “absorptive capacity” approach and “a victory of the long term over the short term view of the benefits of immigration” (Green and David 2004: 130). The clearest sign that the government has abandoned the old “tap-on-tap-off” approach is the fact that in spite of the serious recession of the early 1990s the numbers of economic class entrants was allowed to keep on rising in spite of public criticism (Knowles 2007: 243) a pattern that was repeated during the recent crisis of 2009-10, as can be seen in Figure 2.

However, in recent years, in response to growing labour shortages in certain industrial sectors and to the growing frustration of employers with the rising backlog of economic class applications, the federal government has taken a number of steps which, taken together, may be seen as something of a return to the short-term labour market needs approach.

First, in order to deal with the growing backlog of unprocessed economic class applications (900,000+ in 2008), the government decided to use its newly acquired powers through the 2008 amendment of the IRPA to restrict skilled worker applications to 38 occupations thought to face shortages or applicants with pre-arranged employment (Alboim 2009a: 32)

Second, the provincial nominee program, originally a small niche program allowing the provinces to nominate small numbers of immigrants to help alleviate particularly urgent regional labour shortages, has been allowed to increase in size from only a few hundred in 2000 to over 30,000 (including their dependants) in 2009 (Canada 2010: 6).

But most importantly, through several temporary foreign worker programs (TFWPs) the number of temporary migrants has been allowed to rise from between 70 and 80 thousand in 1985 to close to 180,000 in 2009 (Canada 2010: 53). Add to these some 80,000+ students admitted annually to study in Canada’s universities and colleges, and the total number of temporary entrants into Canada now exceeds those of ‘real’ immigrants by several tens of thousands.

Under the TFWP, in order to obtain permission to hire a temporary worker, employers need to obtain a Labour Market Opinion from Human Resources and Skills Development Canada. To obtain this they need to demonstrate that they have made significant but unsuccessful efforts to recruit Canadian workers, that the temporary worker will be paid the going wage rate and there is no labour dispute that could be affected by the hiring of the worker. The TFWPs were originally designed to allow especially highly skilled foreign workers to fill temporary jobs in Canada for which employers were unable to recruit Canadian workers. However, from early on the TFWP had a sizeable low-skill component as well, notably the live-in caregivers and the seasonal agricultural workers programs. Live-in caregivers were required to have a job as a live-in caregiver for a handicapped or elderly Canadian for two years, after which they could apply for permanent residence status and bring their dependent family members to Canada. Foreign seasonal agricultural workers, on the other hand, have

no such right nor are they entitled to most benefits of Canada's social protection system. Neither category of worker is entitled to bring any family members to Canada. Finally, under pressure from employers, the federal government has accepted more and more general low-skilled temporary workers, in particular under the new Low Skill Pilot Project.¹

Altogether, these low-skilled temporary foreign workers now constitute close to 45% of the total number of temporary foreign workers (Canada 2009: 62-63). Apart from the live-in caregivers, who constitute about 12% of the total, these low-skilled workers are not entitled to apply for permanent residence status. This is in sharp contrast with foreign students and high-skilled temporary workers who are allowed to apply for permanent immigration through the so-called Canadian Experience Class program.

In short, Canada *has*, in fact, sought to devolve at least some of the least secure jobs, particularly in agriculture and some other low-skill occupations, unto temporary migrants who must leave the country again when their job is done, ceases to exist or when their temporary permit runs out. Nor can these temporary foreign workers rely on any of Canada's social protection programs to compensate for the insecurity of their position.

There has been some concern and criticism about the potential for abuse of such workers, given their complete dependence on their employers and the restrictive conditions under which they have been admitted to the country, as well as the effectiveness of the monitoring of their repatriation (Alboim 2009a; Alboim 2009b; Fudge and MacPhail 2009). As Fudge and MacPhail put it, "Currently, the low-skilled TFWP represents an extreme version of labor flexibility; it provides employers with a pool of unfree workers who are disposable at will and with, until very recently, little political cost to the federal or provincial Governments" (2009:43-44). The recent crisis appears to have somewhat undermined the support for the TFWP among Canadians (*ibid.*: 44-45) and raised questions on their consistency with Canada's overall long-term immigration policy (see Alboim 2009a; 2009b).

Nor is reliance on workers who can be sent back to their home country when not needed anymore entirely new to Canada. During the Great Depression immigration was virtually halted and some 28,000 immigrants were actually deported from 1930 to 1935 because they had become a "public charge" (Bodvarsson and Van den Berg 2009: 386).

Germany

Population flows in Germany have been strongly influenced by international politics variables which are outside our research focus: after 1945, 9 million people left West Germany (including 4 million previously forced labourers), 10 million Germans from territories lost to Poland and Czechoslovakia arrived to West Germany, and 3 millions left East Germany for West Germany. The rise of immigration since 1961 is linked to the erection of the Berlin Wall in the same year, and therefore exhaustion of a source of labour supply; and more recently arrivals have been caused by the Yugoslavian wars, while reunification has dramatically changed the demographic profile of Germany (Birsl 2005).

Even considering these major external factors, there has been a link between labour market and migration, as discussed in the previous section. However, migration policy has not been subject to just economic considerations, and certainly not just employers' considerations. It has been linked to ideas of citizenship, culture, history, as well as the role of Germany in the world. In the 1950s-60s, *Gastarbeiter* schemes were also a positive choice for a specific

¹ We are ignoring a number of additional features and complexities of the system of temporary foreign worker programs here. They are described in Fudge and MacPhail (2009).

family model (male breadwinner) and explicitly preferred over the alternative of increasing female labour market participation. Until the 1980s, liberal policies towards refugees and asylum seekers were rooted in a strong post-Nazi discourse on human rights and on 'compensation' for having previously caused so many refugees.

An apparent paradigm shift was announced by a new social-democratic-green government coalition in 1998, defining Germany for the first time as an 'immigration country' and planning changes to nationality law, and a Green Card for engineers and a points system for economic immigrants. However, change was more symbolic than regulatory. The nationality system was changed only moderately due to staunch rightwing opposition. The Green Card, which was not such an innovation given that some short-term occupational schemes had existed before (Cyrus and Vogel 2005), was a major failure with very few applicants. And most importantly, the economic immigration reform was very laborious and no points system was eventually introduced, while only highly restrictive channels for labour immigration were opened. Moreover, in 2004 Germany decided not to open its labour market to workers from the new EU member states – a barrier that was kept as long as the EU allowed it, i.e. until May 2011.

Although the debate is still very much on culture and citizenship, since the 1998 turning point it has focussed on the labour market more – paradoxically at a time when, as described in the previous section, the link between fluxes and labour market has weakened. These debates have become more prominent in 2010 due to emerging 'labour shortages' being forcefully denounced by employers, and in particular to skill shortages. So far immigrants have predominantly occupied low-skilled positions: foreigners and naturalised citizens, who constitute 16% of the total workforce, occupy 27% of unqualified jobs but only 11% of higher education jobs (Mikrozensus data, 2007). The main examples of skill shortages are engineers, IT specialists, and nurses and doctors. In care and healthcare, employers have been proactive in searching employees abroad, i.e. nurses in Poland: nursery colleges in Poland teach German, but even Poland is not sufficient to fill the shortage of 400,000 nurses, foreseen over the next ten years. In this debate, employers, sceptical in the 1980s and early 1990s given high internal unemployment and political conservatism, have increasingly taken a pro-immigration stance (Menz 2008). In 2007 they obtained concessions from the government facilitating economic immigration, and the employer association BDA proposed a points system of the kind just elaborated in the UK. On the other side, trade unions strongly oppose temporary immigration, as disruptive to the labour market, and favour integration initiatives (especially training) for foreigners already in Germany, as well as stronger regulation of the labour market. The introduction of minimum wages in a number of sectors, such as construction, cleaning, temporary agencies, care and postal service, in the run-up to the opening of the labour market to the new member states proved the enduring importance of corporatist consensus for immigration policy making.

Differences by *sector* are of paramount importance; the attention should therefore shift from the aggregate labour market to specific labour shortages emerging rapidly; e.g. health & care has had the largest growth of employment in Germany (more than doubled from 5 to 12% of total employment in last 25 years), and here migration has played an important role.

The focus on skilled migrants, which is stressed in particular by the Varieties of Capitalism literature (e.g. Menz 2008), is contradicted by the fact that the programs to attract skilled immigrants over the last ten years have clearly failed, in part because of very high barriers in terms of administrative obstacles, limited and time-consuming (2-3-years wait) recognition of foreign degrees and high earning requirements. In 2009 only 169 non-EU foreigners entered

as qualified worker immigrants, compared to 29,000 through generic work permits, 28,000 asylum seekers and 43,000 through family reunion (data: BMI).

In fact, far from focussing on skills, Germany is developing, at a very fast rate, a low-wage sector where migrants are increasingly required, partly because German women are increasingly reluctant to act as a 'reserve army' providing unpaid housework/care and taking unskilled/precarious jobs through the tax-privileged 'Mini-Jobs'. The rapid increase in female employment over the last few years, rather than replace immigrants, has produced new demand for low-wage service jobs to be provided by immigrants, in a social multiplier effect. This is the case of such sectors as food processing, domestic work and services such as cleaning. 4 Million German families use domestic labour, but there are only 148 thousand registered domestic workers in the whole country, suggesting that there must be a larger number of unregistered foreign workers providing these services, although probably not as large as in Southern Europe (Finotelli, 2008): the widespread precarious working and living conditions of unregistered foreign domestic workers has even raised literary interest recently (Polanska, 2011).

The debate is still, however, linked to internal debates on multi-culturalism, with one side arguing that Germany has to improve its image towards foreigners by providing more opportunities to foreigners who already live in the country, while others argue that Germany has so far chosen the 'wrong' immigrants (especially unskilled Turks). A book claiming the latter, by social-democratic member of the Bundesbank board Thilo Sarrazin (2010), caused much furore in 2010. This focus on the labour market is inherently joined with a focus on demography, given that Germany has the lowest birth rate in Europe.

In terms of party politics, Germany does not have a clear Right-Left divide on this issue. Between the 1970s and the 1990s there has been a general consensus between the main political parties on limiting immigration. The 1993 restrictive reform of asylum was passed with the agreement of the social-democratic opposition, and it was not amended when the social democrats and Greens came to power. The more pro-open-border party are the Greens as well as the (rightwing) liberals of the FPD, the only party to explicitly invoke an economic, market-driven rationale for opening the borders, presenting Canada as a model to follow. The more immigration-sceptic parties are the Bavarian wing of the Christian-Democrats (CSU), but also, despite an internationalist ideological discourse, the leftist *Linke* (whose voters are the most immigration-sceptic of all voters). In contrast with most of Western Europe (but similarly to Spain and Canada), there is no explicitly xenophobic, anti-immigration party in parliament, but in terms of public opinion (Eurobarometer), Germans are among the most anti-immigration in Europe. It can be said, therefore, that debates on migration are, rather than public and between parties (except occasional scandals such as the one around the Sarrazin's book), mediated and negotiated within political blocs, such as between CDU and CSU, between CDU-CSU and FPD, within the SPD, between SPD and Greens.

The party-political definition of the migration problem is rooted in a strongly proportional and 'balanced' political system, combined with a corporatist orientation. In particular, the elaboration of migration policy reforms since 2000 was discussed through the creation of a specific independent commission (the Süßmuth commission), in which employers and trade unions were represented. It was this Commission that repeatedly referred to the Canadian points system as a model, even if the trade unions expressed their preference for the Australian points system, less focussed on just employer preferences. Although the commission was eventually unable to produce a viable reform, it was decisive in framing the

debates and the definition of the issues, and in particular in prioritising social consensus over economic rationality as the main decision factor (Menz, 2008; Schneider, 2009).

Germany still shows a classic western European gap between economic need and professed debates, whereby immigrants are needed but not wanted (Zolberg, 1987), as well as a classic liberal dilemma, of liberalisation combined with border controls (Hollifield, 1982). It also shows, however, specific German political frames, whereby decisions are taken mostly by consensus between the main parties and with the social partners. The amount of 'veto powers' and consultation translates into incremental change and protection of the social regulation system.

German immigration (but not emigration!) displays a relatively high degree of governability, that is, it responds to government decisions: the *Gastarbeiter* schemes, the *Anwerbestopp* (end of *Gastarbeiter* scheme) of 1973, the restrictions on refugees of 1993, Schengen, the change in nationality laws and, to a lesser extent, the Green Card in 2000, and the restrictions on the employment of workers from the new EU member states in 2004 (which diverted the flow towards UK and Ireland). But there is little effect of policy decisions on exits: in particular the incentives to repatriation in 1980 produced only a small increase in people leaving over the following years.

Recent labour market reforms may have changed the patterns of labour market integration of immigrants. After the major liberalisation enacted in 2004 ('Hartz' reforms), immigration first increased but then declined steeply: it is not clear that liberalisation opens up more (attractive) possibilities for outsiders such as immigrants, but it is certainly the case that immigrants occupy more of the new precarious forms of employment, discussed in the previous section. Moreover, the major cut on long-term unemployment benefits in 2005 may have 'pushed' more foreigners to leave over the recent years, but this would need to be confirmed by more focussed investigation.

Spain

Spanish immigration policy is recent in comparison to Germany and Canada and has been characterised by instability and lack of cross-party consensus (Cachón 2009). What is striking is the speed with which policy makers have tried to place immigration under labour market considerations, or in other words how immigration policy has been, with a Spanish neologism, 'labourized' (Rojo and Camos 2005). By contrast, unlike in Canada and Germany, despite a fast-ageing population in Spain demography is not debated much in relation with immigration, apart from the acknowledged need for more care workers.

In a first period (1985-2000), immigration was highly restricted by the government, and therefore took place outside the regulations depending on the autonomous demand of the labour market. After 2000, the criterion of the 'national employment situation' gained primary importance and immigration has been subordinated to administrative pressures, although irregular entries never really stopped and the demand for migrant labour has kept being dominated by the sectors of construction, agriculture and tourism, where undeclared employment is particularly frequent (around 20% of the total, judging from the gap between LFS and Social Security data). With regard to construction, migration itself had the effect of increasing both supply and demand for labour, according to the 'Say's Law' of migrants adding to demand for housing (Oliver 2006), exacerbating the overall volatility of the Spanish economy.

The 'inorganic' way in which Spanish migration policy has evolved was particularly evident in Law 4 of 2000, passed with only the votes of the ruling conservative *Partido Popular*,

introducing yearly contingents, to be filled only by migrants not yet in Spain. Previously, yearly contingents could include offers for workers already in the country although illegally, and therefore were used as a form of regularisation. A few months later the Law 8 of 2000 marked a policy shift by introducing measures for the integration of immigrants and the recognition of their social rights. This second law was passed with the support of the leftwing opposition and small government coalition parties, *against* the vote of the ruling conservative *Partido Popular*.

The main decision of the last decade was the regularisation of 2004. This was preceded by a Report of the Economic and Social Council, whereby employers and unions agreed on the need to regularise undeclared immigrants, and supported a labour market-oriented immigration policy (CES 2004). Work on the report started before the 2004 elections, which unexpectedly resulted in a socialist victory. After the elections, the government, under union pressure, implemented the proposals of the Report with the Decree 2393/04, leading to the regularisation of around 600,000 immigrants, and following the smaller regularisations of 1986, 1991, 1996, 2000 and 2001. Regularisation may be seen as an integral way in which the Spanish labour market and immigration interact, rather than a contradiction between the two (Cachón 2009).

In the same year, regulations were passed to bring order to the immigration system. Three main channels of entry are foreseen: the 'general regime' for workers with already an employment offer; the 'contingent' set every year according to employer needs; and a residual possible contingent for job-seekers, which betrays the government's optimism on the Spanish labour market's absorption capacities. At the same time a Tripartite Labour Commission was created, with the task of negotiating the yearly contingents at the regional level, on the basis of a Catalogue of occupations of difficult coverage, produced by local administrations. The Spanish system since 2004, therefore, displays strong corporatist elements, at least at the official level.

As mentioned in the previous section, in 2008 the yearly contingent proved to be completely out of step with the changing economic circumstances, but in the following years it was reduced sharply. In addition, the contingent failed as a means to favour more long-term migration: in 2004-08, although 2/3 of the contingent was meant for permanent-contract employees, in fact 91% of contingent immigrants were then employed with a temporary contract, and 68% of them in agriculture (Cachón 2009). In particular, the contingent requires employers to offer at least ten jobs, which is unsuitable for small and medium enterprises except in sectors, like agriculture, where strong business associations can combine multi-employer offers. Also the 'general regime' proved impractical and ineffective, because the required employment contract *before* the migrant's entry is entirely unrealistic (Boado and González Ferrer 2008). The temporariness of immigrants is confirmed by the nature of residence permits, of which, in 2008, 59% were temporary and only 41% permanent; as mentioned in the case of Germany, the effects of temporary residence permits are ambiguous.

Following the recent crisis, the government introduced an 'incentive to voluntary return', hoping to convince 100,000 immigrants to leave. However, only about 5,000 took the offer, confirming the political difficulty of managing 'exits'.

Conclusions

The political solution of using immigrants to take on the burden of labour market uncertainty and specifically unplanned swings in demand is not new: in fact, there are examples from Canada from the early XX Century, and from the German *Gastarbeiter* schemes of the post-

war period. Our comparison has shown that there is, in the long term, a degree of elasticity of immigration to unemployment in Canada and Germany, and, less clearly because of the short time series, in Spain. However, in Canada and Germany such elasticity has decreased in the last twenty years rather than increasing as it should have done in response to the greater need for flexibility. In particular, the recent ‘job miracle’ in Germany, with rapidly falling unemployment and emerging labour shortages, has not produced a rise in immigration – Germany has actually become an emigration country. It may be argued that the other sections of the population, in particular women (especially in Germany) or younger and older age groups, have taken up part of the flexibility burden, and that immigration is one, but by no means the main labour market buffer. By contrast, a sizeable part of the immigrant population in Canada and Germany is either inactive or active in rather secure occupations.

In Canada, the segregation of migrants in insecure labour market positions is not very clear, because of the heterogeneity of immigration in that country, but it seems to be increasing in the lower skill strata. In Europe, segregation is clearer, and mostly so in Spain where the recent economic crisis has highlighted the vulnerability of immigrants.

In terms of Varieties of Capitalism, the German labour market is confirmed as less elastic, and the Spanish one as the most volatile. Also, policy making is more corporatist and consensual and therefore gradual in Germany than in Canada: in particular, the role of organised labour is very evident, if possibly declining, in Germany, and it is also clear, but much less restrictive, in Spain, while it appears as negligible in Canada. Despite these differences, segmentation of migrants occurs everywhere, and despite the stress on skills in Germany and Canada, immigration is largely channelled into a secondary segment as foreseen by Piore.

The analysis of the immigration policy evolution reveals that migration, in any case, is governable only to a limited extent. The problem of European immigration policy is not just in the implementation, but also at the source, in the models themselves. The German fascination for Canadian immigration policies overlooks the numerous side effects that these had in Canada itself, for instance on skills and on the growing, rather than falling, number of family reunions. Also, it neglects that Canada has actually tried to focus increasingly on long-term planning, rather than short-term flexible adaptation. The need for flexible, insecure immigrants in Canada has been increasingly met through specific Temporary Migrant Workers Programs, which involve similar problems to those met in Europe.

In particular, it is apparent that no immigration system can really deal with the problem of uncertainty by repatriating immigrants when no longer needed: neither Germany in the past nor Spain recently have managed to do so. While higher unemployment among immigrants than among nationals can be politically and financially (for the social security system) less expensive, its long-term sustainability, both politically and socially, is debatable.

Paradoxically, the country with the strongest link between labour market and employment is Spain – the one with the least coherently developed migration policy. The reason is that immigration in Spain is extremely labour-oriented but also largely unregulated, taking place outside the (restrictive) administrative rules. This might suggest a ‘hyper-liberalist’ conclusion: that the best immigration policy (from a labour market perspective) is *no* immigration policy. However, even in Spain social security costs as well as social tensions have increased recently, and immigration appears to have exacerbated, rather than compensated, uncertainty – for instance in its role in the construction industry (Meardi, Martin and Lozano Riera 2012).

Our comparative analysis has taken place at the national level, as this is where the main immigration policies are elaborated. It is likely however that the link between immigration and uncertainty is clearer at the sectoral level. There has been in recent years a 'sectoral turn' in migration policies (Caviedes 2010), and indeed the role of immigrants as flexible workforces is apparent in sectors such as care in Germany and construction in Spain. Yet while immigration may provide short-term sectoral solutions, the long-term implications are societal and comprehensive social policies may become necessary – as Spain, in its extreme experiment of immigration boom, has witnessed.

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Figure 1. Immigration Flows and Unemployment Rates* in Canada, 1950-2010

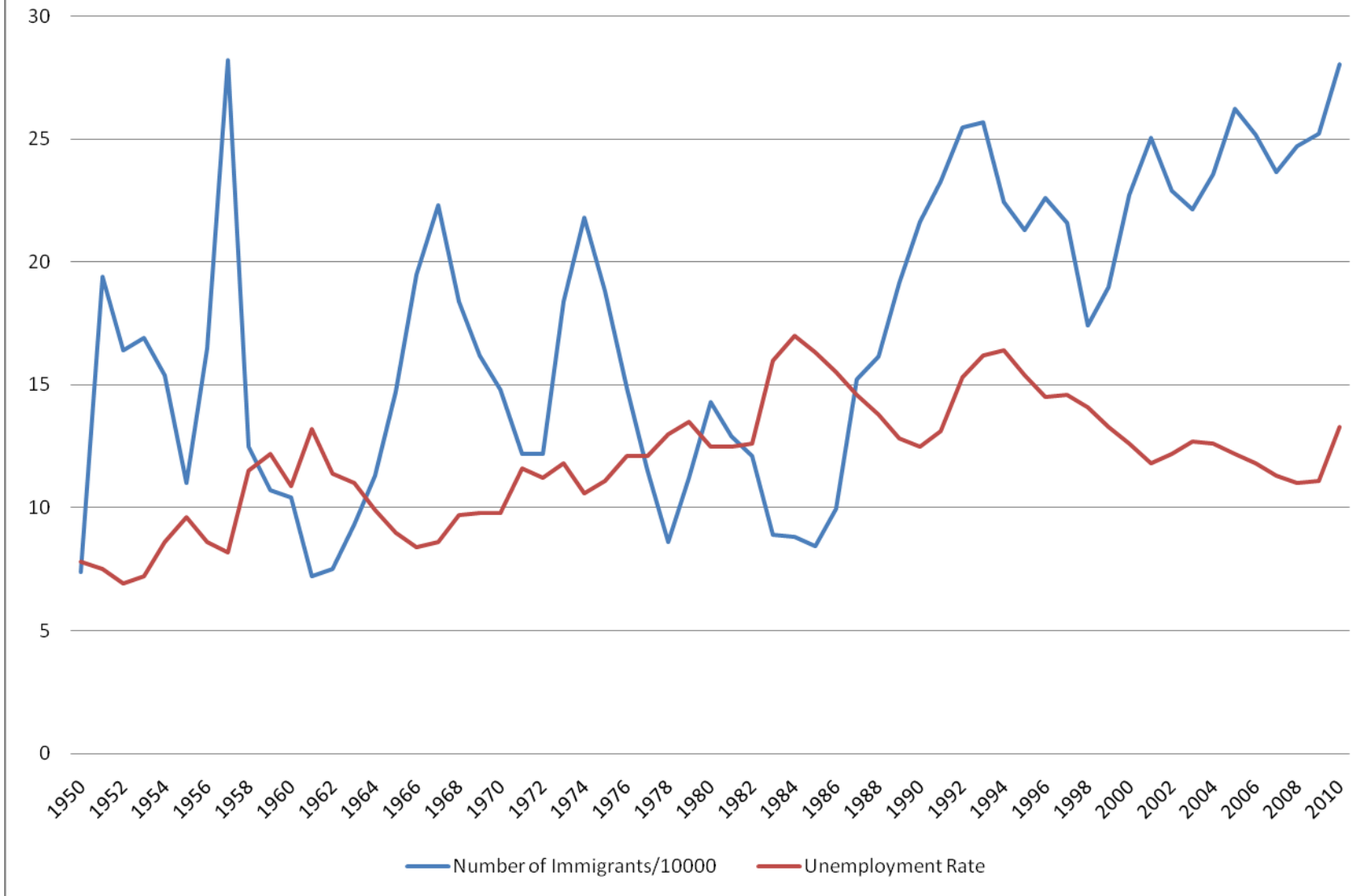


Figure 2. Immigrants* to Canada by Immigrant Class and Unemployment, 1980-2010

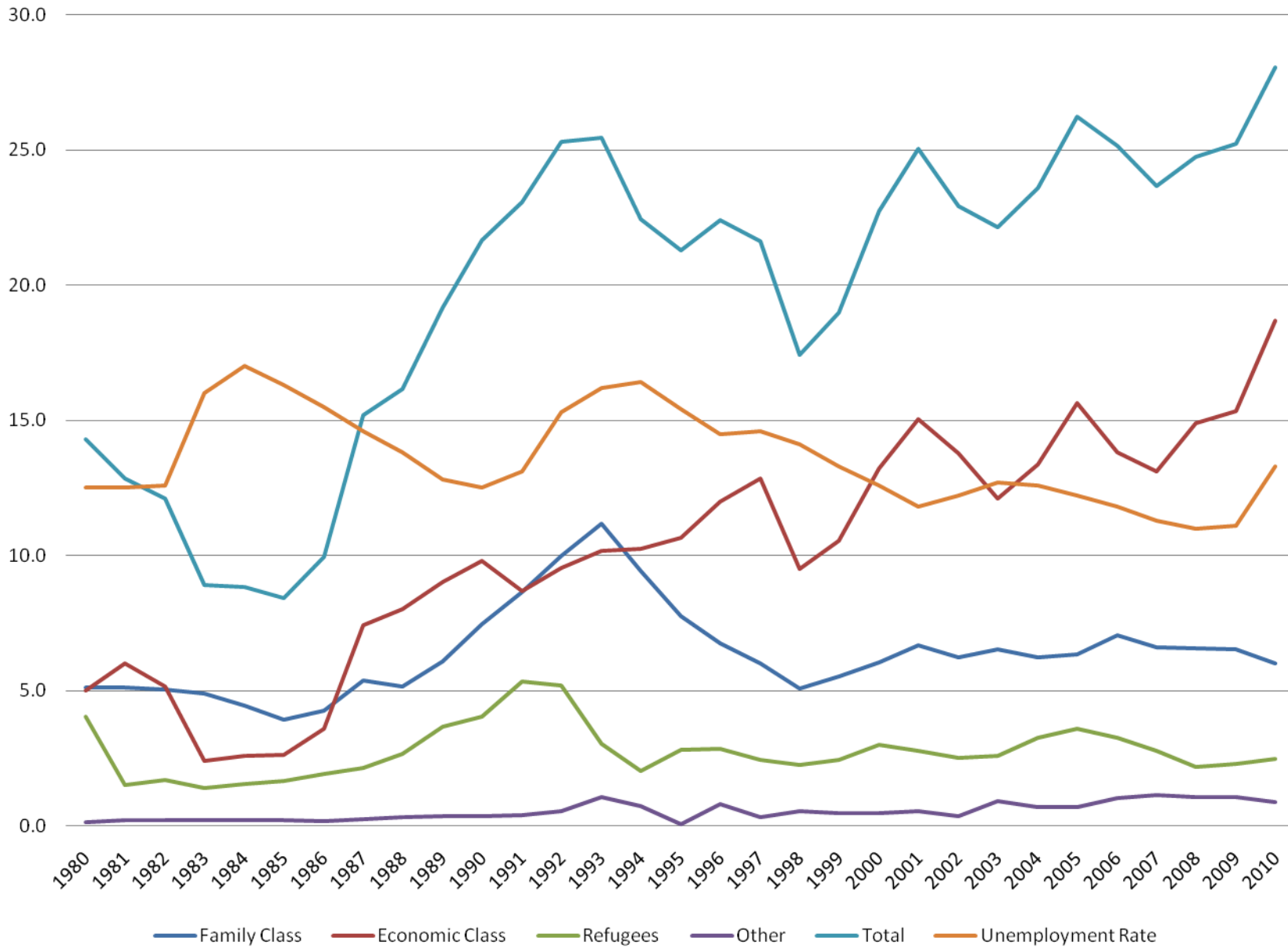


Figure 3. Unemployment Rates for Native-Born and Immigrants, Canada, 1981-2010



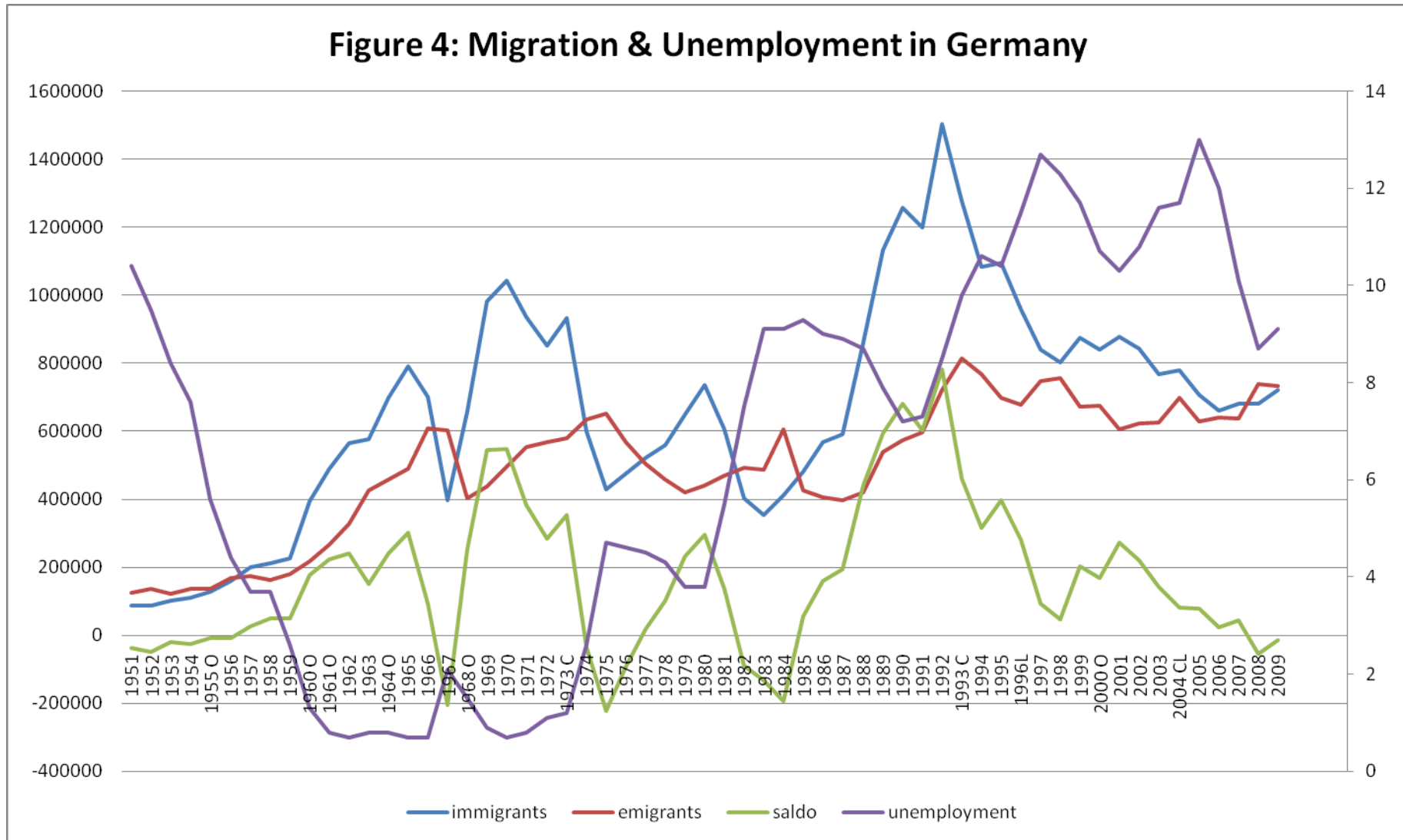


Figure 5: total unemployment in Germany (1993=100) (data: Bundesagentur für Arbeit; data for 2010 and 2011 are provisional)

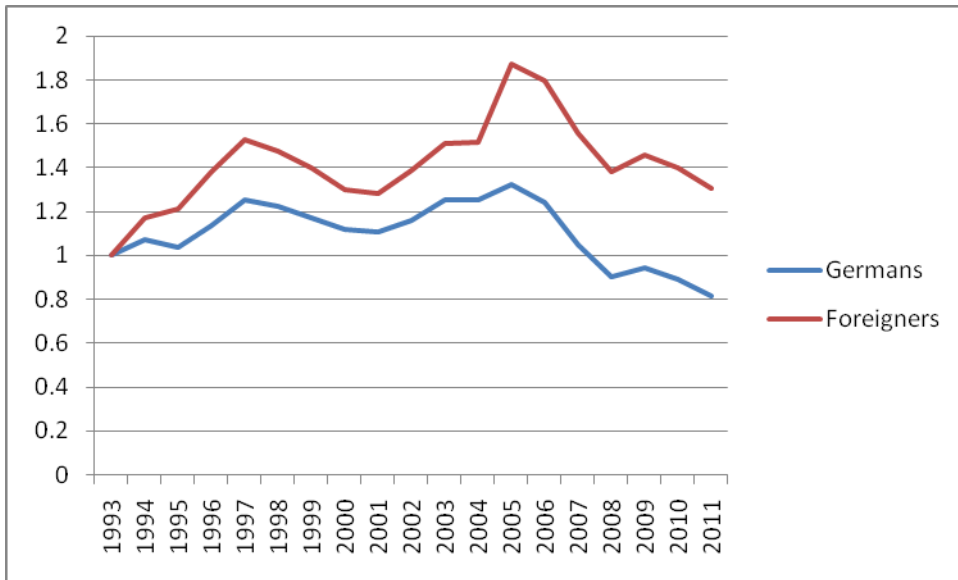


Figure 6

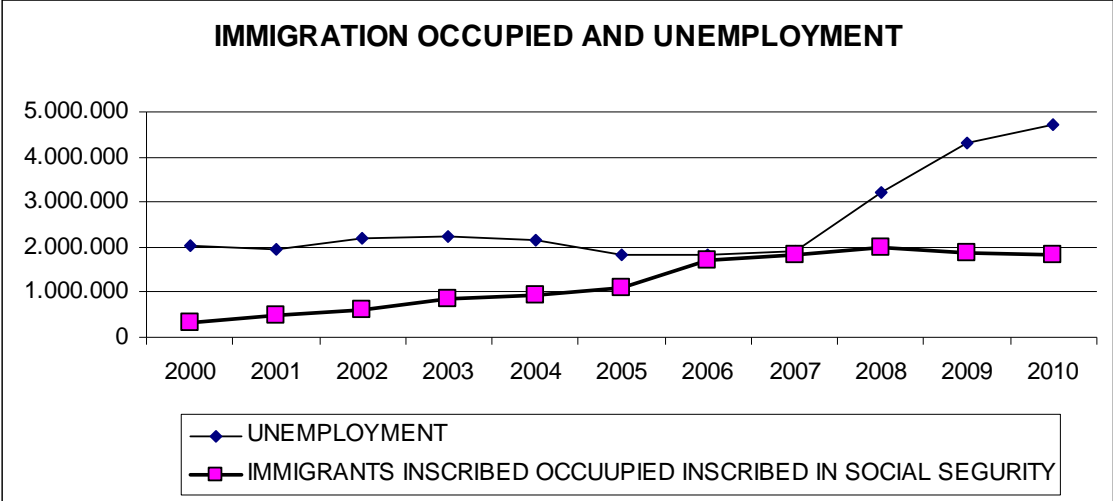


Figure 7 – Unemployment rates in Spain

