

Facing Economic and Demographic Challenges? The "Swedish Model" and the new labour migration policy

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Introduction

The new rules for labour migration passed by the Swedish centre-right government in 2008 attracted great attention all over Europe: once again Sweden had set itself at the forefront in social and economic policies.

As a specialist in Swedish history and society – and therefore of Swedish model – I was asked in 2010 by FIERI to look into this reform of labour migration, its making, its reception, its impact, as a part of the international project *Which Labour Migration Governance for a More Dynamic and Inclusive Europe?*, carried out with the support of the "Europe and Global Challenges" Programme promoted by Compagnia di San Paolo, Riksbankens Jubileumsfond and VolkswagenStiftung. The research result has been a report, *Labour migration governance in contemporary Europe - The case of Sweden*¹ which has taken advantage of interviews with, among others, Swedish minister for Migration and Asylum Policy, Tobias Billström, Ylva Johansson, representatives of social partners (*Svenskt Näringsliv* and, on the trade union side, Monika Arvidsson and Samuel Engblom), government officials of the Migration Board, of the Ministries of Employment and of Justice as well as employers (the ceo of an IT-company and the founder and president of a large household service company) and finally experts (both political scientists and economists).

This paper is a shortened and revised version of my research report.

Although my task in the research project was to analyze the whole process (from the debate preceding the reform to its implementation), my main interest was to understand whether and how the new rules for labour migration reflect and at the same time stimulate fundamental changes in the Swedish model.

The background of the reform (late 1990s-early 2000s)

After that labour recruitment from non-Nordic countries was stopped in 1972, the number of new immigrants dropped considerably in Sweden. However, refugees and their family members (spouses, minor children, and, in some cases, elderly parents) were still accepted for permanent residence. Indeed, Sweden has been one of the major recipients of refugees in recent decades (Westin 2006).

And indeed the issue of asylum became politicised since the late 1980s: the 1989 legislation restricted asylum seekers' chances to enter Sweden (Geddes 2003: 110-111). The timing of stricter asylum policy coincided with the collapse of the former Soviet Union and wars in the former Yugoslavia (Westin 2006).

Towards the end of the century labour migration – which for a long time since the early 1970s had not been on the agenda – came out again. In the light of the recovery of Swedish economy in the second half of the 1990s, and of the challenges issued by the "demographic threat", the

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¹ <http://www.labmiggov.eu/wp-content/uploads/2012/04/CASE-STUDY-SWEDEN-FINAL-REPORT1.pdf>.

Confederation of Swedish Enterprise (*Svenskt Näringsliv*, SN) initiated in the new millennium a campaign for a less restrictive labour migration policy (Fahimi 2001²; Ekenger, Wallen 2002³).

In the 2002 election immigration was one of the campaign issues, in a double form: integration policies (the Liberal Party put forward the proposal to introduce language skills tests as a condition for citizenship) and labour migration. The centre-right parties, together with the Green party and employers' representatives insisted on the need of making it easier for non EU citizens to work in Sweden, whereas the Social Democrats, the Left party and the unions replied that before turning to labour migration domestic unemployment needed to be reduced. The confrontation between the opposite sides went on after the election (won by the Social Democrats), and in March 2003 a bipartisan alliance formed in the parliament by the Green party together with the centre-right parties charged the government with the appointment of a committee to examine how managing labour migration (Borevi 2010: 111).

The Committee for labour migration (KAKI) was appointed in 2004, at a time when EU enlargement stimulated a debate on whether and how immigration from new member states was to be regulated; the Social Democratic prime minister, Göran Persson, sounded the alarm over "social tourism" (xenophobes' main issue), i.e. the danger that people from new EU countries at least to some extent moved to Sweden with the aim of taking advantage of the generous Swedish Welfare State, and particularly from the generous compensation system for those who are out of work (Wadensjö 2007: 2); an alarm which later on proved to be totally groundless (LO). The ruling party supported a transitional (one year) permit regime, but it did not succeed in achieving a majority in the parliament and Sweden ended up as one of the very few EU countries (together with Great Britain and Ireland) which did not apply any transitional rules. This debate, and its outcome, contributed to a more positive attitude to labour migration (Wadensjö).

The KAKI published its proposals in October 2006, just a couple of weeks before the installation of the new (centre-right) government. In order to fulfil the commitment to a regulated immigration, the committee proposed that the Labour Market Board⁴ verified the labour shortage in the concerned occupation prior to approving recruitment of TCN workers (KAKI 2006: 130-131). While accepting many of the committee's recommendations, the centre-right government will later take distance from this particular point (the labour market test).

The arguments put forward in favour of a new labour migration policy

The government argued that *employer's assessment of the need for recruiting TCN workers should be crucial* in the process, although underlining that from employers' point of view it was supposed to be easier to recruit someone from Sweden and not from abroad, when competences can be found inside the country (Justitiedepartementet 2007: 20 and 37); at the same time, work permit would be granted subsequently to an individualised assessment of foreign labour need as opposed to broader sector based assessment (Justitiedepartementet 2007: 19).

Besides the Confederation of Swedish Enterprise also most political parties, starting with the Moderates, share the idea that in the end it is not question to give a particular job either to a Swede who is unemployed or to a TCN, but rather to give the job to the one who is more fit to do

² The author of this pamphlet preferred avoiding the term 'labour migration' as it recalled the past mass immigration of low skill workers and using instead the concept of 'recruitment immigration', i.e. immigration as an individualized process (a single employer recruiting a single foreign worker) (Fahimi 2001: 7). Fahimi's proposal was to find a middle way between a labour market closed to foreign workers (as the system in force at that time) and a completely unrestricted immigration (Fahimi 2001: 16).

³ The authors put forward economic arguments in favour of labour migration (declining labour force, pressures put by globalization), yet stressing that recruiting foreign workers could not be seen as a first choice, being the process more demanding and more risky compared to recruiting domestic labour force (Ekenger, Wallen 2002: 15-16).

⁴ The Board was replaced in 2008 by the Public Employment Service (*Arbetsförmedlingen*).

it, so that economic growth will benefit from that and the unemployed Swedes as well, as more jobs will be created. Although this is a political message not easy to sell in all political quarters, the Moderates decided to go along this way, together with the other small coalitions partners (AMD2). However, yet being able to count on its own majority, the centre-right government pursued a bipartisan agreement and in the end got the Green Party's support (MV1).

It must be borne in mind however that the initiative of appointing an inquiry committee on labour migration came from a Social Democratic government (JD2).

Several arguments were put forward in order to support the thesis that a new labour migration policy was needed.

1) *Demographic trends and labour shortage*. These seem to have been the main driving forces of the reform – at least officially: many people will soon be leaving working life; such a development may have negative consequences for labour market and economic growth – and therefore for the sustainability of the Swedish welfare system as well. The Minister for Migration stressed that despite fluctuations in the world economy, labour shortage was already affecting several occupations and sectors. Notwithstanding the recurring reference to demographic decline and danger for the future of the Welfare State, demographers and economists does not seem to have influenced in a significant way public discourse on the need of a new labour migration policy; this is quite remarkable, in view of the close relationship between experts and policy-makers in Sweden⁵. As two economists working at the Stockholm University have acknowledged, behind government's decision to pass new rules there were not analysis by experts, but other pressures and aims.

2) *Changed composition of migration flows to Sweden*. After the stop to labour migration immigration to Sweden came to be dominated by asylum seekers. The new rules change perspective, as both Billström and a representative of SN have stressed. The decision to reform labour migration has been influenced in fact also by the will to convey an image of immigration connected not only to asylum seekers but instead to a more active and positive dimension in terms of contribution to society (both of the sending and of the destination country), an idea of immigration meant as a process of mutual development (JD2).

Furthermore, whereas before the reform the need to keep labour migration and humanitarian migration separated was constantly emphasized, together with the reform the possibility to change track came in (among criticisms): it has been the argument that those applying in Sweden for asylum are not always in actual need of it, being rather attracted by Swedish generosity in terms of social policy (JD1).

3) *Labour market failure*. The link between a not satisfying match between demand and supply, notwithstanding unemployment, and the need for more labour migration is clearly stated in the debate. It is argued that the previous immigration policy did not provide all the workers Sweden was in need of; moreover it could take years to find the right person. These difficulties in recruiting people prevented companies from expanding and ultimately from creating more jobs. This is where increased labour immigration can make a difference, although it is not to be seen as the only response to the demographic challenges: rather it constitutes a complement to measures which aim to utilize the labour already in the country (Minister for Migration 2008: 1).

⁵ The science - policy nexus in Sweden and Italy (with regard to labour migration) is my research aim in the second phase of the research project.

4) *Export-oriented industry*. Another argument made by the entrepreneurial side is that many Swedish companies (not only big size) depends on export: Sweden is high-ranked in the global index of countries operating in several countries; it depends on international trade and 'business and people go hand in hand' (SN). The Minister for Migration emphasizes that the 'right person' for a job is not simply someone with an education, but rather someone with special competences not always available on the domestic labour market (Minister for Migration).

5) *Growth*. Supporters of reform stress that immigration to Sweden contributes to increased economic growth, for instance thanks to increased Swedish foreign trade, as it has been showed by the project 'Kosmopolit' (MV1), started in 2007 by Minister for Trade Ewa Björling in order 'to make use of the unique skills of people born abroad to increase Swedish trade with the rest of the world'. A study showed for instance that an increase in the number of people born abroad by some 12,000 individuals would lead to an increase in exports by as much as 7 billion Swedish crowns: entrepreneurs who were born abroad have good knowledge of the culture of their former home countries. They are in an excellent position to conduct cross-border trade and can also help pave the way for other Swedish companies (Government Offices of Sweden 2011).

6) *Consistency with Swedish tradition of openness*. Quite steadily, open door migration policies have been supported by centre-right parties and the Green party by referring to liberal values (Spehar, Bucken-Knapp, Hinnfors 2011: 27). Minister Billström believes that facilitating increased opportunities for labour immigration, apart from being of vital importance for Sweden's chances to meet both present and future challenges in the labour market, will contribute to a more culturally diverse and open society (Billström 2008: 1).

7) *Will to be at the forefront*. The criticism to EU immigration policy is general and cross-party among the interviewees. The Minister for Migration emphasizes the role that Swedish immigration policy can play in the European context:

We hope that the Swedish reform is setting an example which others in Europe will follow. Southern European countries' policy is sometimes worrying, when the basic principle is: well, we will let every year foreign workers come and work, paying them very little, with no chance to get a permanent residence permit and to become one day citizens. This is astonishing to me, as in my opinion the system must work in the opposite way: labour migrants must have rights and at the same time they have to pay taxes; they must be integrated, in other words. Employers must accomplish their duties by paying contributions and so on, but on the other hand immigrants, too, must give a contribution to society as a whole; this is very important if a country wants its citizens to accept labour migration (Minister for Migration).

However, two of the political arguments put forward in support of the reform (besides the economic ones which have been prevailing) – i.e. a liberal shift in immigration policy and the will to reduce the financial burden of asylum seekers on State budget – show that there has been an EU influence with regard to the need of introducing a more restrictive asylum policy and at the same time facilitating a more active migration (Spång).

It has been pointed out that on one hand Sweden wants to teach Europe on labour migration, but on the other hand Sweden wants to learn from Europe on asylum policy, because it is more restrictive. "Sweden aims at 'Europeanizing' asylum policy, and to 'swedify' labour migration" (Hansen; see also Hansen 2010: 91-93).

A change of paradigm (in every sense)

The Government describes the reform which entered into force on 15 December 2008 as one of the most significant in the history of Swedish immigration policy – and indeed a government official of the Migration Board has defined it as “*a change of paradigm*”. Minister for Migration Tobias Billström sums up this turning point by saying: now it is the market to assess its needs, not the minister, or the parliament, or another State authority. Of course, he adds, politics has to make sure that rules are followed, but the starting point is that the individual employer best knows the recruitment needs of his business. That is why when processing cases involving residence and work permits, decisions are based on employers’ own assessment of what kind and how much of labour force he needs, although complying with collective agreements and other requirements (Minister for Migration).

In spite of all the references to population decline, dangers for the Welfare State, challenges issued by globalization and so on, this in fact seems to be the core of the reform: to rewrite the balance of power between market and State in labour migration policy as well (after doing so in education and health policy etc.), both from a symbolic and from a policy point of view.

Symbols are important in politics, and stating, in the country who is world master in Social Democracy, that market, and market alone, is the best judge of economic requirements is not a thing of little account.

Besides that, some provisions of the law strikes foreign observers (including those in a first moment positively impressed with the novelty and courage showed by Sweden with this reform):

- the work permit is being granted based on a non-binding job offer;
- for the first 24 months, a work permit is limited to the employer and occupation specified in the decision.

The Committee on Labour Migration, KAKI, was well aware of both dangers and recommended controls, especially fiscal ones, but no much attention seems to have been paid to this part of its work (UD).

The poor correspondence between the conditions promised to foreign workers in the offer of employment and the ones which come to be applied in fact is blamed not only by the trade union but as well by government officials, experts and media – and OECD.

That the residence and work permit is restricted to one named employer and a particular profession brings with it both an advantage and a disadvantage: it is not easy for irresponsible employers hiring foreign workers and then subcontracting them; at the same time, if the worker is not satisfied with his/her working conditions, s/he can not change (LO).

Thus one outcome of the law (*of its provisions, not of its implementation*) is indeed an exploitation of immigrant workers in some branches – moreover with a subsequent danger of social dumping – that the trade union never tires of denouncing (LO: 2013).

However, it is not only the unions and the Left who express their concern over the shortcomings of the new labour migration policy. Government officials acknowledge that in the long run difficulties are to be expected when it comes to monitoring working conditions, a task which in Sweden is accomplished mostly by the trade unions, but it is not easy for them to monitor in sectors/areas where they do not have members or with workers they don’t speak the language of and/or who are scared or prevented to get in touch with unions; a remark made also by the OECD (OECD 2011: 126). Therefore some kind of public monitoring seems to be needed, but this raises some questions about survival of the Swedish model in its traditional forms and about role of trade unions in a labour market more and more fragmented.

An aggravating circumstance when facing labour migration is Swedish persistency in denying the issue of irregular migration, whereas recent research has focused on the interchangeability *in Sweden as well* of formal and informal labour, for instance in the home service sector: companies (sometime large) doing business on the legal market may turn to intermediaries (subcontractors) who hire workers on the black labour market. Furthermore, migrants' lack of language skills and lack of needed ID documentation can be easily exploited and home services may be one of the few accesses to labour market to some migrants, regardless of their education (Gavanas 2010: 27-3124).

After all, as the founder (a woman) of one of the country's largest companies for home service has made clear to me,

Many people coming from other countries are very good in doing this kind of services; sometimes we say that immigrants are better workers than Swedes, they have different attitudes to home services. Many immigrants are very service-minded and they are doing a really good job (Home Service Company).

Demographic challenges or market imperatives?

After that the reform was passed, the Minister for Migration pointed out that a step further was needed, and that's why the government – once again with the support of the Green Party – appointed in 2009 a committee on circular migration (CIMU), with representatives of all political parties, which in April 2011 released a report with recommendations about how to facilitate mobility of people planning to work in Sweden for a while and then to return home or to move to another country.

Billström reaffirmed his commitment to circular migration in a speech at the London School of Economics (May 2012):

The links between migration and development is a prioritized policy area of the Swedish Government. We believe that if migration is managed responsibly it has the potential to benefit receiving countries, countries of origin and migrants themselves [...]. Circular migration in the Swedish context is not a temporary migrant worker program, but a view that it should be possible for migrants to make a decision to leave Sweden either on a temporary or more permanent basis, and still have the possibility to come back again (Billström 2012).

However, the impact of circular migration on sending countries is a controversial issue of debate in Sweden also. Research shows that whereas the emigration of high-skilled workers may have a positive effect on large sending countries, in the case of small and poor countries negative effects seem to prevail (Lundborg 2010: 33).

Furthermore, although some experts believe that there is no contradiction between support from centre-right parties and the Green party for circular migration and the current labour migration policy allowing TCN migrants to get a permanent residence permit in Sweden (Spehar, Bucken-Knapp, Hinnfors 2011: 14), others, yet acknowledging that the new labour migration law is better compared to several other equivalent countries, point out that there is no strong guarantee that there is a citizenship path: today, with Europe affected by a severe economic crisis, no one would commit to the social incorporation of migrants, whether irregular or regular (Hansen).

16.000 work permits for year, mostly for short periods (either for intra-corporate transfers or for seasonal jobs) are not likely to reverse the trend to population decline in Sweden. Rather, employers may chose to offer a short-term contract in the first place in order to be able to get rid of workers more easily if they do not fit the job (employment protection is quite strong in Sweden) (OECD 2011: 78-79).

In view of these developments, one could assume that the reform seems to have to do mainly with circular migration, which – despite all the emphasis on it as a key factor in international cooperation, to the advantage of the destination as well as of the sending countries – reminds closely the old “guest workers” system that, paradoxically enough, Sweden yet had refused in the past, unlike other European countries.

In the end, labour migration as well as globalization in the whole and “atomization” of society – and of labour market – require new forms of labour organization and mobilization: a problem which, up to now, seems not to have been handled in a satisfactory manner by the European left and trade unions, and which, on the contrary, too often has nourished national (or even ethnic) selfishness, sometimes in the name of defending the Welfare State.