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# **Organised Interests, Labour Market and Migration: the Swedish Model**

Paper presented at the 2nd Stockholm Workshop on Global Migration Regimes  
11-13 June, 2004

# Organised Interests, Labour Market and Migration: the Swedish Model

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## Introduction

Knowing how future demand for labour will develop with any degree of certainty is difficult.<sup>1</sup> Long-term demographic forecasts, however, point to a major shortage of labour in an ageing Europe. One of a number of proposed solutions is labour immigration. If this type of immigration assumes major proportions we can expect institutional changes in society. A legitimate question in this respect is how welfare systems and labour market arrangements will be affected. In the labour market sector, central government, employers and unions have jointly developed institutions aiming at proper procedure, fair competition and predictability. Corporative arrangements have been a feature of the labour market in several European states. Over the past 20-25 years, liberal market ideas have questioned and challenged corporativism particularly organised union interests. But while much has changed during this period, there is reason to ask: What have the past fifty years taught us about the relationship between immigration and employment that is worth bearing in mind when discussing future labour immigration or other immigration?<sup>2</sup>

In the following, I will examine the arguments presented by unions and employers concerning labour immigration and other immigration in relation to the Swedish labour market, with the aim of identifying coinciding and disparate interests. I will also consider how the country's institutional arrangements in respect of labour immigration have changed over time. I will then seek to apply these historical lessons in a discussion on labour immigration in the future. I will argue that the institutional arrangements must take various organised interests, recruiting costs and social costs into account. Thus the focus will be on the functioning of the labour market rather than on migration policy.

In Sweden, the national union and employer organisations have played a key role since the early 20<sup>th</sup> century in developing institutions for the labour market. The original meaning of the term 'Swedish model' related to labour-management cooperation and to the peaceful development of the employment market after the Second World War. The central union body (the Swedish Trade Union Confederation, LO) and its employer counterpart (the Swedish Employers' Confederation, SAF) negotiated pay, working conditions and solutions to many labour market problems. Both organisations were keen to avoid mandatory legislation. Tim Tilton aptly describes the Swedish model as an informal contract between different interests and parties in society: "It rests on a compromise between the strongest and best-organised

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<sup>1</sup> See for example the pessimistic view of Rifkin, Jeremy (1995), *The End of Work: the decline of the global force and the dawn of the post-market era*, New York: G.P. Putnam's Sons.

<sup>2</sup> The import of labour to Sweden has been studied by e.g. Nelhans, Joachim (1973), *Utlänningen på arbetsmarknaden*, Lund; Lundh, Christer & Rolf Ohlsson (1999), *Från arbetskraftsimport till flyktinginvandring*, Stockholm: SNS; Lundqvist, Torbjörn (2002), *Arbetskraftsinvandringen och facket: debatt och historia i framtidsperspektiv*, in Malmberg, Bo & Lena Sommestad, *Befolkning och välfärd: perspektiv på framtidens välfärdspolitik*, Stockholm: Institute for Futures Studies; Lundqvist, Torbjörn (2003), *Arbetskraftsbristens problem: historiska lärdomar?*, in Florin, Christina & Torbjörn Lundqvist, *Historia – en väg till framtiden?: perspektiv på det förflutnas roll i framtidsstudier*, Stockholm: Institute for Futures Studies.

capital sector”.<sup>3</sup> Central government, however, came to play an important role in relation to immigrant labour via a national agency, the Labour Market Board (AMS).

During the 1970s, the sensitive balance between the social partners tipped in favour of the LO, which acquired increasing influence over government policies through its links with social democracy. In the 1990s, however, the unions lost ground in terms of both influence and legitimacy. Contributory factors included a general climate of liberalisation, a degree of decorporatisation, a high rate of unemployment and a liberal-conservative government.

Regardless of how the balance of power has shifted over time, unions and employers have often had mutual interests to defend, but have just as often had different aims and different opportunities for their achievement. Due to the extensive influence that the labour market organisations have had in public life, and to the Social Democrats’ lengthy term in office, the employment market has held a special position in Swedish politics. It should be recalled that possibly the most forceful political vision of the post-war period was that of a society in full employment. Politics may be defined as power based on interests, and in Sweden’s case there is a clear link to the labour market, and also for that matter to large areas of welfare policy.

Where immigration is concerned, the link to the employment market is clearest in the case of immigrant labour. But there is also a connection with other forms of immigration. In Sweden, labour immigration coincided with the period of labour shortages that in principle extended throughout the post-war period up to the early 1970s.<sup>4</sup> When unemployment grew, non-Nordic labour immigration was halted. The 1980s and 1990s saw an increase in other forms of immigration instead (refugees, others in need of sanctuary, family ties).<sup>5</sup> The labour market was unable to absorb these immigrants adequately, which led to unemployment. Thus immigration became a labour market issue.

My object in this paper is to examine what arguments the social partners have presented regarding labour immigration and other immigration from a labour market perspective. My starting point is that both sides have interests to protect, and the aim is to examine these interests. A further aim, however, is to demonstrate the importance of arriving at a model in which these interests coincide. In this connection, it is vital to consider how labour immigration in Sweden actually developed and what institutional solutions were applied. The study begins with this question and returns to it later when I discuss the lessons of history. The study is based on the assumption that what we have learnt over the past half-century can help us in the years to come, particularly as forecasts concerning the future availability of labour have prompted a debate on labour immigration. Most analysts take the view that labour immigration will be essential in the longer term.

In the public debate, labour immigration and other forms of immigration have generally been discussed as separate issues, which they are to some extent; at the same time, however, their link to the labour market is a common denominator. The issues are also connected in that when the government has rejected labour immigration, critics have drawn on arguments from the immigration debate and accused those supporting the government line of xenophobia, despite the fact that the latter have not opposed regular immigration. The issue is quite simply a sensitive one, and those advocating liberalisation have introduced rhetoric from the immigration policy debate. Matters came to a head in connection with efforts to prevent the free movement of labour from the EU’s new Eastern European member states by means of

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<sup>3</sup> Tilton, Tim (1992), *The Role of Ideology in Social Democratic Politics*, in Misgeld, Klaus, Karl Molin & Klas Åmark eds., *Creating Social Democracy. A Century of the Social Democratic Labor Party in Sweden*, University Park, PA: Penn. State Univ. Press., p. 444.

<sup>4</sup> The Swedish development coincide in the whole with the general development of labour migration in Western Europe. See for example Bade, Klaus J. (2003), *Migration in European History*, Oxford: Blackwell.

<sup>5</sup> The concept immigration here includes all types of immigration except labour immigration.

transitional rules. The current importance attached to the issue is clear from the Swedish government's decision in 2004 to appoint a parliamentary committee charged with reviewing the regulatory framework for labour immigration from countries outside Europe (the EU/EEA). The aim is to develop a set of rules that can be applied if and when labour shortages arise in the future, without adversely affecting the right of asylum.<sup>6</sup>

## **Institutional arrangements in the 20<sup>th</sup> century**

From 1860 to 1910, the principle of free labour immigration applied in Sweden. This period, however, was characterised by mass emigration, primarily to North America. Between 1840 and 1930, some 1.3 million Swedes emigrated, of which 200,000 later returned. The First World War changed much. Passports for entry into Sweden became compulsory again in 1917. After 1900, labour immigration became an increasingly controversial issue as foreign workers were sometimes imported to act as strikebreakers or to beat down wages. Accordingly, from 1919 onwards immigration was subject to the consent of the labour market organisations. Thus the corporative 'Swedish model' in the labour immigration field had arrived, although as yet on a modest scale compared with what was to come.

During the interwar years, a restrictive immigration policy prevailed, due to high unemployment. In the final years of the Second World War, however, citizens of the Nordic countries and the Baltic States were given free access to the Swedish labour market. The 1950s were characterised by a series of institutional changes of a liberalising nature: the abolition of visa requirements for citizens of a wide range of European countries, the institutionalisation of the joint Nordic labour market, the Aliens Act of 1954, and the liberal recommendations of the OECD. These changes helped bring about free labour immigration from Europe, known at the time as 'tourist immigration' as people were allowed to spend three months in Sweden seeking employment. This liberal period ran from 1955 to 1968.

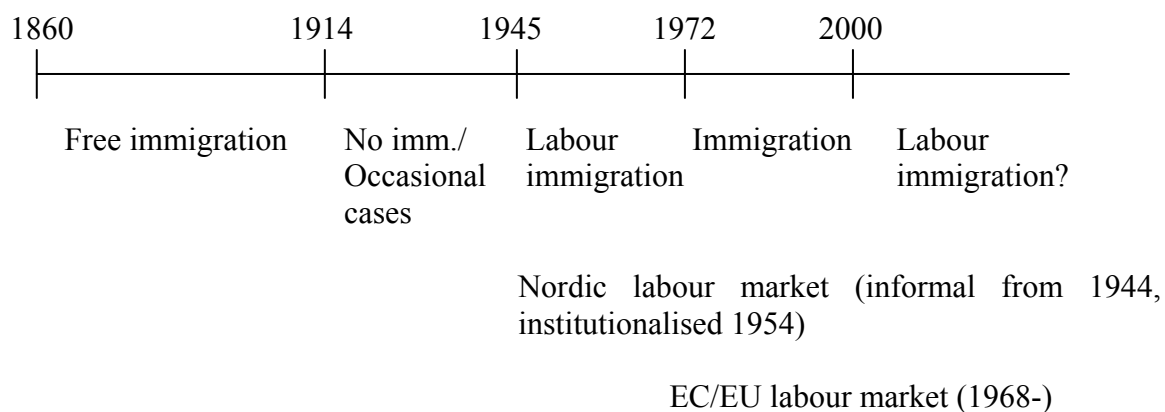
In the early 1960s, there were a large number of job-seeking foreign citizens in the country, which caused social problems. In particular, a temporary economic decline in 1965 led to criticism of the prevailing set-up. In 1968, this liberal system was abolished and work permits were once again required prior to entry. Efforts were made to match supply to demand. At the same time, collective recruitment of labour was once again given consideration. The Labour Market board was to consult with the social partners and import labour in consultation with employers. This new policy step was a response to the social problems that had arisen over unemployed 'tourists'. Jobless foreigners were not, of course, a monumental social problem, but they represented a blot on a policy model that prescribed full employment and the absence of social problems.

In 1968, the Riksdag (Swedish parliament) adopted guidelines for immigration policy under which the domestic labour reserve (married women, the occupationally disabled, the elderly) was to be utilised before immigration could come into question. The volume of immigration was to be determined by the current employment situation and by the availability of housing, education, healthcare and other services. From 1972, non-Nordic labour immigration more or less ceased.

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<sup>6</sup> Dir 2004:21, Kommittédirektiv, Översyn av regelverket för arbetskraftsinvandring, Ministry of Industry, Employment and Communication.

Figure 1: *Immigration and labour market over time*



From 1945 up until the early 1970s, net immigration totalled just over 400,000. During the post-war part of the 1940s and in the 1960s, the immigration surplus was 20,000 per annum, while in the 1950s the figure was only 11,000. Many of the post-war immigrants were refugees and a large number of them remained in the country. In the 1950s, however, labour immigration was dominated by people from the neighbouring Nordic countries or from Western Europe, who tended to leave after a year or two. The depleted net figures, therefore, were to a great extent due to the tendency of labour immigrants to return home. Of the total immigrant surplus of just over 200,000 up to 1960, almost 150,000 were citizens of one of the Nordic countries, largely Finnish citizens. A considerable number of the remainder were political or economic refugees from the war or the post-war chaos economies, principally those of Eastern Europe and Germany. Labour immigration during this period, therefore, should primarily be seen as a move to develop a Nordic full employment model. This was one of the main aims of the joint Nordic labour market.

In the 1960s, net immigration was almost twice as large as in the 1950s. Finns continued to dominate, Italians still arrived, but others, especially Yugoslavs, now comprised a substantial group. Greeks, Turks and other nationalities were also attracted to Sweden. From the mid-1970s, immigration almost exclusively involved refugees and later their families. The greatest influx of refugees occurred during the Balkan War of the 1990s, which coincided with Sweden's worst unemployment crisis since the 1930s. Ever since, the integration issue has been linked to unemployment.<sup>7</sup>

### **Recruitment approaches and labour immigration policies**

One of the more interesting questions is how labour immigration should be organised in order to be both cheap and effective. The institutional arrangements are crucial determinants in recruitment costs, social costs, competitive relations and industrial relations etc. In the following, I will briefly outline various types of institutional arrangements for recruiting foreign labour. I will seek to analyse the changes that have taken place, applying the concepts of state and market. Both the state (central government) and market mechanisms are present to a greater or lesser degree throughout the period. For the purposes of analysis, however, it is a good idea to try to separate them.

Two types of market solutions were applied during the period: either companies imported labour or job-seekers sought out companies in Sweden. The state laid down rules

<sup>7</sup> Ekberg, Jan ed. (2004), *Invandrarna, arbetsmarknaden och välfärdsstaten* (SOU 2004:21), Stockholm.

concerning which countries these two solutions could be applied in. In the case of labour immigration, which was more closely regulated and politically controlled, the government was an active player, recruiting collectively via the Labour Market Board. Meanwhile, employment opportunities in Sweden for individual job-seekers from non-Nordic countries were restricted. Thus recruitment of foreign labour during the period in question took three basic forms: individual job-seeking, recruitment by employers, and government recruitment via the Labour Market Board. There were also variations within these three basic categories. Individual immigration continued throughout the period and was dominated by Nordic citizens entering via the joint Nordic labour market. During the period 1955-1968, large groups also came to Sweden from other European countries as 'tourist immigrants'. Citizens of a number of different countries could freely seek employment in Sweden and then apply for a work permit, which was usually granted.

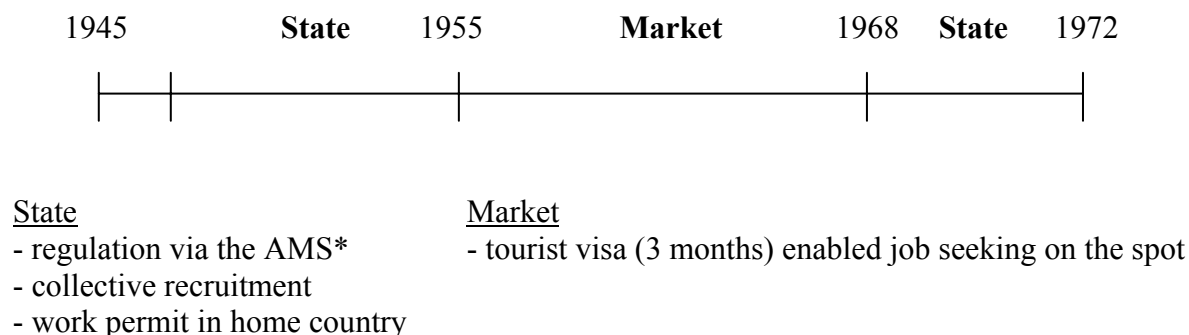
Company recruitment principally targeted the Nordic countries, especially Finland. In 1950, this sphere of activity came under government regulation via the Labour Market Board. Between 1950 and 1955, companies were required to register their interest in foreign labour with the Board, which in turn worked with the government agencies in the countries concerned. These agencies selected potential recruits, and the Swedish company was then allowed to offer them employment. This elaborate procedure yielded just 15,000 workers.

After 1955, this recruiting approach was little used. The other type of government recruitment was the collective import of labour, which was practised even less. The most significant examples were probably the recruitment of Italians and Hungarians in 1947, followed by that of Yugoslavs in 1966 and Turks in 1967.

Labour migration to Sweden, then, came in different forms. In principle, labour immigration via the joint Nordic labour market was an extension of the Swedish labour market. In the case of European immigration, we can divide the period from the Second World War and up to the early 1970s into three parts: a pre-1955 policy regulating company recruitment or replacing it with collective state recruitment, a period of largely free labour immigration from Europe between 1955 and 1968, and a return in 1968-1972 to government control and regulation of immigration.

The two main types could be described as government action and control on the one hand and a market solution on the other. The latter developed in response to the failure of the former. Government regulation was unable to respond adequately to the demand for labour. In principle, it could be argued that under the government recruitment scheme costs were too high. The classic solution was to let market mechanisms solve the problem. More workers could be recruited at lower cost. When unemployment rose (marginally) in the mid-1960s, social costs ensued. The market solution offered an adequate supply of labour, but the price was deemed too high when foreign job-seekers were unable to find employment and were often left penniless. The authorities were forced to provide them with temporary accommodation in the form of barracks and tents. Policy was reversed, and both regulation and collective recruitment were reintroduced. To a great extent, however, labour supply was only maintained as a result of a deep recession in Finland that caused larger numbers of Finns to enter the Swedish labour market.

Figure 2: *State or market: Institutional arrangements during the labour immigration period*



\*National Labour Market Board

## Union and employer interests

### Labour immigration

During the early post-war years, immigration policy in Sweden was informed by economic pessimism. A predicted downturn in the economy bred extreme caution in the view policymakers took of foreign labour. Imported labour was to be confined to certain 'key industries', which in practice meant export industries. Work permits were to be granted to well-qualified labour, which in practice meant skilled workers. But unskilled labour could also be granted a work permit for employment in the export sector. In the early 1950s, the Labour Market Board took steps to curb the influx of unskilled labour to low-paid jobs. Unskilled immigrants were informed when applying for work that they could not count on help from employment offices in finding a job. They were also urged to leave the country as soon as possible.<sup>8</sup> At an abstract level, the immigration of unskilled labour ran counter to the basic tenets of the Rehn/Meidner model according to which labour was to be channelled into more productive companies and industries. The model was intended to soften the inflationary impact of full employment, reduce pay gaps, encourage productivity-boosting restructuring measures and promote industrial peace. The import of labour for low-productivity operations was contrary to the fundamental beliefs of Swedish social democracy.<sup>9</sup>

In the 1950s, both the LO and the SAF began to emphasise the importance of matching immigration to the needs of the Swedish labour market. What appeared on the surface to represent a consensus of opinion between the two bodies, however, disguised the fact that the SAF expected the Labour Market Board to supply Swedish companies with an adequate flow of labour, while the LO expected the Board to restrict the intake so as not to jeopardise full employment.<sup>10</sup>

<sup>8</sup> Nelhans (1973), p. 93.

<sup>9</sup> Lundh, Christer (1994), *Invandrarna i den svenska modellen – hot eller reserv?: fackligt program på 1960-talet*, *Arbetarhistoria* 70.

<sup>10</sup> To submit a proposal, put forward by a governmental committee for consideration by a broad group of interests and authorities, is an institution in Swedish politics, here after "comment on government report". The Swedish Trade Union Confederation (LO), 28/1 1952, and the Swedish Employers' Confederation (SAF), 31/1 1952, comments on government report SOU 1951:42, Ministry of Justice, National Archives, 28/1 and 31/1 1952 respectively.

Early on, a discussion developed about problems involving foreign citizens in the labour market. The Swedish Metalworkers' Union carried out a study in 1946 which concluded that claims of workplace problems with immigrant labour were exaggerated. Some irritation between Swedish and foreign employees had been noted, but incidents were relatively few and small in scale.<sup>11</sup>

In 1951, the LO conducted a survey in which 750 local union branches were asked for their views on foreign labour. Half of the replies were negative, citing various reasons for their attitude. The most common objection was that immigrant workers were "reluctant to organise". As many as 40 per cent of this group based their position on the claim that immigrant workers were not interested in the union or the principle of collective solidarity. Also, they argued, the presence of non-union labour represented a threat in the event of an economic downturn. The housing shortage was another problem cited by this group. The expert responsible for the survey felt that language was a factor, noting that this had not emerged in the replies.<sup>12</sup> Initially, the unions demanded that the granting of work permits be conditional upon union membership. In the labour agreement with Italy and Hungary in 1947, for instance, the workers had to pledge union membership before leaving their native countries. The employers applied the same principle so as not to jeopardise industrial peace.<sup>13</sup>

The rules on labour immigration were changed on two occasions: in the mid-1950s and in 1967-68. The employers, however, adopted largely the same position throughout the period: as much freedom as possible. For one of the key organisations in Swedish industry at that time, the Engineering Employers' Association, labour supply was a major problem. In fact, only wage drift was considered a greater headache, but this was part of the same complex – labour competition.<sup>14</sup>

The LO advocated controls that would enable the unions to deny people work permits. Researchers have shown that union interests were a major factor in the restrictive policies pursued by the government in 1967-68. Only now was the LO able to gain full political backing for its views.<sup>15</sup> As early as 1947, when collective regulation applied, the Metalworkers' Union had rejected certain companies as recipients of foreign labour. In 1951, the Labour Market Board instructed county labour boards that work permits had to be approved by the union concerned.<sup>16</sup> During the 1950s, however, the Board appears to have acted as an independent authority by ignoring the union line in certain cases. But in the 1960s the unions again had a major impact on the work permit process as a result of the Board's increasing reluctance to override union pronouncements on individual applications. Work permits became a part of the union arsenal. Permit refusals targeted employers who failed to meet union standards of behaviour, whether on pay or on working conditions. The unions were particularly tough on low-wage companies. Another reason for denying people work permits was a fear that Swedish workers might lose their jobs to outsiders, especially German workers.<sup>17</sup>

Events in the 1960s could be said to have bolstered the unions' position vis-à-vis the employers. This was clearly demonstrated by the fact that in 1971 the Labour Market Board

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<sup>11</sup> Nelhans (1973), p. 77.

<sup>12</sup> Elmdahl, Jonas (1951), Arbetskraftsbrist under högkonjunktur, *Landsorganisationens (LO) skriftserie* 65, pp. 35-42.

<sup>13</sup> Nelhans (1973), p. 187.

<sup>14</sup> Lundqvist, Torbjörn (1998), Arbetsgivarna efter 1945 – arbetskraftsbrist och kartellstrategi: Verkstadsföreningen, samt Bryggeriarbetsgivareförbundet och SAF, *Arbetslivsrapport* 1998:38, ALI (Institute for Working Life).

<sup>15</sup> Nelhans (1973), pp. 194-195.

<sup>16</sup> Nelhans (1973), p. 191; Scheidegger, Daniel (1999), Metallarbetareförbundet och den utländska arbetskraften 1946 till 1970, (seminar paper, Department of Economic History, Uppsala University).

<sup>17</sup> Nelhans (1973), pp. 189, 196.



sided with the union against two major companies, Eriksberg (shipbuilding) and Bofors, and turned down their applications for work permits for 300 and 150 workers respectively.<sup>18</sup>

The growing tendency to use work permits as a union weapon became evident during the collective bargaining round of 1970-71. This was a period of industrial unrest and wildcat strikes. Bargaining proceeded unusually sluggishly even for these troubled times, and the unions were particularly reluctant to approve work permits, especially those involving individual applications.<sup>19</sup> Given the background of wildcat strikes and employers who felt threatened by them, the tactic of using work permits as a weapon appears in retrospect to be more a sign of the times than a carefully considered union strategy. It does, however, show that the unions were preparing to take a tougher line on permits. In 1972, the LO urged member unions to adopt a generally restrictive attitude, and in principle this put a stop to non-Nordic labour immigration. The crises of the 1970s then ensued, and the matter disappeared from the agenda.

Labour immigration is not governed by any legal provisions. A corporative model is still in place in Sweden, under which the Labour Market Board considers work permits in consultation with the social partners. Ordinarily, work permits are not to be issued to applicants from outside the Nordic area or the EU, but exceptions are made for people in key positions and in shortage occupations.<sup>20</sup>

### **Adjusting to Sweden**

This became a political issue in the 1960s. Immigrants' problems in adjusting to Swedish society and the Swedish labour market became a subject of widespread debate.<sup>21</sup> The LO emphasised the importance of immigration *per se* being accepted by the population at large, an essential precondition of immigrant integration. Greater acceptance could be gained, it was felt, by disseminating information about immigration to the general public and by avoiding too heavy a concentration of immigrants in certain areas or companies.

The politicisation of the issue and the vision of full employment caused the Social Democrats and the unions to begin questioning the wisdom of labour immigration. It was deemed of secondary importance. The first priority was to ensure full employment for all those already in the country, whether native Swedes or immigrants. The labour reserve of women, the elderly and the occupationally disabled was to be found work before foreign labour was imported. According to the LO, this was both a humanitarian and a social concern. The unions also took the view that immigrants should enjoy the same standard as Swedes in terms of housing, education and social benefits. If this was not available, immigrant labour would have to wait. Companies could not be allowed to pass the costs on to the public sphere, as such a course was thought to adversely affect LO members in particular. For the LO, preventing the emergence of a proletariat paid less than the statutory minimum wage for a blue-collar worker was an important matter of principle. Quite apart from the solidarity principle involved, of course, it was feared that the emergence of such an underclass might lead to a deterioration in conditions for the working class in general.

It was here that the question of controlled immigration came into the picture. The LO declared that we should not take in immigrants faster than they a) could adjust to life in Sweden and b) have access to the same terms and conditions as native Swedes. This meant that the housing, care and education situation would have to be considered to the same extent

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<sup>18</sup> Nelhans (1973), pp. 191-193.

<sup>19</sup> Nelhans (1973), p. 190.

<sup>20</sup> Dir 2004:21, Kommittédirektiv, Översyn av regelverket för arbetskraftsinvandring, Ministry of Industry, Employment and Communication.

<sup>21</sup> SOU 1967:18, *Invandring och problematik*, Stockholm.

as the employment situation. For this reason, effective checks on the flow of immigrants to Sweden were important. Once the immigrants were inside the country, controls could be relaxed.<sup>22</sup>

In sum, the LO stood for a restrictive immigration policy while at the same pursuing an immigrant integration policy emphasising assimilation and equal rights with the native population. This was a policy founded on union logic and the interests of the working class.

The SAF for its part felt that the “aliens problem” had been exaggerated in that Nordic citizens were being counted as immigrant labour instead of as migrant workers “who to a great extent move back and forth” within the Nordic area. Nordic citizens, it felt, should be placed on a par with Swedish citizens. The Employers’ Federation also objected to the fact that all aliens were being treated according to what it called a “standard plan”. Many of them returned home after only a few years in Sweden.

The SAF advocated liberalisation. It wanted Sweden to comply with the recommendations of the European Council that member states should introduce the principle of free movement for labour. The SAF was against granting access to the labour market when unemployment prevailed, but the rules were otherwise to be liberal. This represented a fundamentally different approach to that of the LO. The SAF envisaged a European set-up similar to the present EU, where no specific integration policy was required for immigrant labour within Europe. The labour market was to be free and governed by supply and demand. The LO for its part was anxious to protect the standards and rights that the working class had fought for in Sweden.<sup>23</sup>

A report from a Nordic committee proposed that aliens denied work permits be granted the right of appeal. This was rejected by the LO. It argued that the general system for considering permit applications might be undermined by judicial review, especially as the former in some cases was relatively arbitrary.<sup>24</sup>

At the beginning of the 1970s, refugee policy came under discussion.<sup>25</sup> The LO declared that its basic position on immigration policy “as a whole is that general immigration controls are both one of the pillars of Swedish immigration policy and an instrument for enabling immigrants and other vulnerable groups to assert themselves in the Swedish labour market”. The LO appeared to want refugee immigration, too, to be subject to a work permit review at the general level. Referring to the 1951 Geneva Convention on Refugees, for instance, it emphasised that “it is left to the national authorities themselves to decide how (the provisions) are to be incorporated into national legislation”. The LO was desperately anxious to avoid the emergence of an immigrant labour reserve living under the threat of unemployment and reducing pay and benefit levels in Swedish working life. This, however, was how the situation in Sweden was already being described by the Nordic committee.<sup>26</sup>

The SAF objected to this description. It claimed there was no such trend in Sweden. Statistics showed that immigrants were no worse paid than native Swedes and were to be found in a wide range of occupations and industries.<sup>27</sup> Without taking a position on whether the SAF actually did not perceive any problems, or simply did not want to perceive any, it is true to say that this standpoint suited those who wished to see a liberalisation of the rules on labour immigration, while the reverse is true of those favouring a restrictive policy.

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<sup>22</sup> LO’s comment on government report SOU 1967:18, Ministry of the Interior, National Archives, 11/10 1967.

<sup>23</sup> SAF’s comment on government report SOU 1967:18, Ministry of the Interior, National Archives, 20/9 1967.

<sup>24</sup> LO’s comment on government report SOU 1972:84-85, and Nordisk utredningsserie 16/70, Ds In 1972:20, Ministry of the Interior, National Archives, 7/5 1973.

<sup>25</sup> SOU 1972:84, *Flyktingskap*, Stockholm.

<sup>26</sup> LO’s comment on government report SOU 1972:84-85, and Nordisk utredningsserie 16/70, Ds In 1972:20, Ministry of the Interior, National Archives, 7/5 1973.

<sup>27</sup> SAF’s comment on government report SOU 1972:84-85, and Nordisk utredningsserie 16/70, Ds In 1972:20, Ministry of the Interior, National Archives, 10/5 1973.

In connection with another government inquiry, the LO proposed that all employment-related immigration be channelled through Sweden's employment offices, and that "immigrants be given less access to work permits". Denying them permits was one way of combating the concentration of immigrant labour at workplaces with poor environments or conditions. The LO rejected a proposal to allow refugees and other immigrants temporary work permits pending a decision on their applications.<sup>28</sup>

Several of the LO's responses reflected the views of its member unions. The Metalworkers' Union in particular called attention to the concentration of immigrants in certain industries and services where working conditions and the work environment were a problem. It proposed a number of counter-measures, including further control of immigration, the provision of more extensive information about Swedish conditions prior to immigration, mandatory registration at employment offices, and vocational training that would give immigrant labour freedom of choice.

The Hotel and Restaurant Workers' Union had its own special problems. It observed that "totally private recruitment is being practised much too widely". As many immigrants in this sector had been granted residence and work permits on special grounds, the union had been unable to review their suitability for employment. In cases where applications had been turned down, there had sometimes been trouble. Union officials had often felt threatened, and for this reason the union had "frequently considered abstaining from the right to state its opinion in permit cases". These problems caused the union to demand, as an "absolute condition", an adequate command of Swedish on the part of anyone wishing to start a business. "If this condition is not met, the consequences for both union organisations and the community as a whole will be dire."

The National Union of Agricultural Workers, too, claimed to have problems with employers. They were many and small, and often lacking in "a sense of social responsibility". This, together with immigrant farm labourers' lack of interest in the unions, foreshadowed poorer working conditions. Mandatory union membership for immigrant labour was a conceivable solution to these problems.<sup>29</sup>

From a union viewpoint, labour immigration was hardly a single, unvarying phenomenon. The relatively controlled situation that existed in the Metalworkers' Union sector differed from the problems that the small union organisations in the service industry had to contend with. It was the small unions that were particularly anxious to see labour immigration controlled.

The SAF, however, was opposed in principle to giving the unions a significant say in work permit cases, arguing that this was a matter for the authorities, and that "the opinion of a given union organisation should not in itself be allowed to decide a case, bearing in mind that the organisation must necessarily base its position on the special interests of its own members, and also bearing in mind that the union concerned may have tactical motives for its decision". The same held true for employer organisations.<sup>30</sup>

Besides their links to the Social Democrats, the unions drew their strength from a high rate of membership and full employment. From a union viewpoint, labour immigration represented a threat to the LO's influence in the community for three reasons: a greater risk of unemployment in the event of a future recession, the risk of lower union membership, and the associated risk of collective union strategies at individual workplaces becoming less effective. Full employment gave the unions a better relative position in the social partnership. Foreign

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<sup>28</sup> SOU 1974:69, *Invandrarna och minoriteterna*, Stockholm. LO's comment on the government report SOU 1974:69, Ministry of Labour, National Archives, 11/11 1974.

<sup>29</sup> LO's comment on government report SOU 1974:69, Ministry of Labour, National Archives, 11/11 1974.

<sup>30</sup> SAF's comment on government report SOU 1974:69. Ministry of Labour, National Archives, 8/11 1974.

workers did not have the same union traditions and might choose not to join. Local unions were often dependent on being able to display a united front vis-à-vis the employer.<sup>31</sup>

Union strength, then, could be eroded by a major wave of labour immigration. Also, large-scale immigration could lead to price dumping, which posed a threat to the LO's function as a cartel. From a union viewpoint, therefore, opposing labour immigration was a rational move. On the other hand, the LO regarded itself as a progressive force that contributed to welfare development by advocating structural improvements, in the spirit of Rehn-Meidner, even if these left members out of work.

Here we have the essence of the union dilemma. Labour immigration could enhance welfare in the country and thus the welfare of LO members as well. At the same time, it might weaken the unions and thereby hamper their members' welfare growth.

Immigrant workers' command of Swedish became a union issue in the 1960s, which can partly be seen as the outcome of a collective union strategy. It was felt that if immigrants acquired a grasp of the language and of how Sweden worked, this would raise their union consciousness. 'Cultural conflicts' had occurred since the post-war years and usually involved accusations that immigrants adopted an excessively individualistic approach to their work, e.g. by working harder than prescribed by the collective norm and thereby 'wrecking' piecework agreements. It was sometimes felt that immigrants came to Sweden, worked hard for a couple of years and sent the money home. These 'guest workers' took no collective responsibility for fellow-workers who were older and less robust, or workers who would perhaps remain in the same job throughout their productive lives. The LO, therefore, was opposed to a system of guest workers. Such systems, it argued, tended to upset conditions for those in regular employment and risked endangering union influence at the workplace. Thus there was a logical connection between the LO's immigrant integration policy and its policy on immigration. The object was to integrate immigrants into Swedish society and thereby strengthen the unions.

It is also worth noting that this approach to foreign labour is reflected in Swedish social democracy. Tim Tilton writes that "(the) integrationist approach flows naturally from Social Democratic values".<sup>32</sup>

## **Immigration and the labour market**

During the 1980s and 1990s, the immigration focus shifted to refugees. At the same time, Swedish migration policy was internationalised.<sup>33</sup> In 1995, the LO was given the opportunity to comment on asylum matters and on refugee policy in a global perspective.<sup>34</sup> Unemployment was the main topic of the day, and the LO argued that Sweden should pursue an integration policy that enabled immigrants to be assimilated into Swedish working life and into the community. As two-thirds of all non-Nordic immigrants were now unemployed, the LO wanted to either reduce immigration to a minimum to facilitate integration – by adjusting the flexible part of immigration policy downwards – or to upgrade the goals of integration policy. In other words, Sweden should either take in fewer immigrants or improve integration. The LO wanted a clearer budgetary link between immigration and integration policy. Probably as a result of the high unemployment rate, it also wanted the government to invest in

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<sup>31</sup> Lundqvist, Torbjörn (2000), Arbetsgivarpolitik under full sysselsättning. En ekonomisk-historisk studie av Verkstadsföreningen 1946-1983, *Svensk Modell i Förändring* – SMIF 2000:1, Uppsala university.

<sup>32</sup> Tilton (1992), p. 425.

<sup>33</sup> Tamas, Kristof (2004), International Migration Control: Swedish Migration Policy from 1985 to 2004, (paper).

<sup>34</sup> SOU 1995:46, *Effektivare styrning och rättssäkerhet i asylprocessen*, Stockholm; SOU 1995:55, *Ett samlat verksamhetsansvar för asylärenden*, Stockholm; SOU 1995:75, *Svensk flyktingpolitik i ett globalt perspektiv*, Stockholm.

return migration. This type of proposal can be controversial, but the LO cited the democratic and economic advantages of such a move for the countries concerned, as the returning migrants could “contribute an understanding of union activity, collective bargaining and tripartite cooperation”.<sup>35</sup>

In 1995, a government report proposed a range of measures for reducing unemployment among immigrants: loans for immigrant entrepreneurs, immigrant recruitment programmes for employers, wage subsidies for immigrants, and government-financed local employment projects for immigrants.<sup>36</sup>

The SAF (and the Federation of Swedish Industries) wanted to analyse more closely the reasons why immigrants had been unable to gain a “permanent foothold” in the labour market in the 1980s, despite the favourable business climate. In the late 1980s, even labour immigration was discussed. Among the reasons cited for the high rate of immigrant unemployment were: cultural background, employer uncertainty about the immigrants’ qualifications, the shift in labour demand towards jobs that were “increasingly incompatible with immigrant competence”, and, not least, demand in the growing service sector for “specifically Swedish skills”. The latter was described as a cardinal reason: “one of the problems is that new immigrants in particular lack the specifically Swedish skills that are becoming essential in an increasing number of occupations”. The employer organisations saw deregulation of the labour market as a solution to the problems. They felt that the government’s employment policy was having displacement effects, and proposed both the introduction of exemptions from the Security of Employment Act and freer wage setting. “Large-scale immigration is a powerful reason for deregulating, and for not just amending labour law but also reviewing opportunities for company growth”.<sup>37</sup>

The LO came out strongly against what it called an “Americanisation” of the Swedish labour market: “Deregulation of the labour market, greater pay differentials and tax relief for domestic services are all proposals that would have a profound impact not only on the Swedish labour market but also on the drive for equality that has distinguished Swedish society.” Such policies would create “wider social and economic gaps between different sections of the community”. The LO, therefore, opposed the idea of “some type of sheltered employment” for immigrants, as it felt this reflected the same approach as the proposals to deregulate and split up the labour market. Instead, it called for a policy advocating full employment and an “upgrading of skills throughout the workforce”. It was also opposed to the use of quotas and wage subsidies for immigrants: “In strategy terms, finally, it is never wise to create more jobs by helping people to split the total wage pool into increasingly small and unequal parts or by forcing people into employment markets that they and their children will have difficulty escaping from”. As an alternative, we find the LO proposing a classic Social Democratic approach: “Instead, the principal strategy must be to boost the overall number of jobs by strengthening Sweden’s competitiveness in terms of the workforce’s qualifications and its ability to constantly marshal new skills in the structural transformation now under way in Swedish working life.”

Like the SAF, the LO discussed the importance of culture and language, arguing that “better Swedish tuition for all who require it is one of the most important instruments of future immigrant integration policy”.

Instead of quotas, wage subsidies and other targeted measures, the LO called for the application of what might be termed a Swedish model whereby the social partners were to be

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<sup>35</sup> LO’s comment on government report SOU 1995:46, Ministry of Labour, Government Offices Archives, 3/11 1995. No comment from the SAF.

<sup>36</sup> SOU 1995:76, *Arbete till invandrare*, Stockholm.

<sup>37</sup> SAF’s (and the Federation of Swedish Industries) comment on government report SOU 1995:76, Ministry of Labour, Government Offices Archives, 13/10 1995.

given the opportunity to integrate immigrants into the labour market. It wanted the partners to engage in “attitude-changing processes”, to prepare workplaces to receive people who had been jobless, and to take part in various types of training. It also favoured employers drawing up special recruiting programmes.<sup>38</sup>

In 1996, a government report discussed segregation.<sup>39</sup> The LO focused on the problem of housing segregation and ethnic discrimination in working life. It called for the introduction of a rule reversing the burden of proof in certain discrimination cases, i.e. requiring employers to prove their innocence. Also, it strongly emphasised the importance of employment for the achievement of integration. It blamed the failure of the government’s integration policies in the 1990s on unemployment:

As long as full employment prevailed, the problems were not of the same magnitude as today. Access to jobs was what enabled people to integrate... The fact that many refugees joined the ranks of the unemployed in the 1990s has served to accentuate the integration problem.<sup>40</sup>

The LO asserted that in the wake of mass unemployment, “intolerance, ethnic discrimination and racist violence have become increasingly commonplace in Swedish daily life”. It could be said, therefore, that a policy of full employment was at the root of the LO’s stance on integration. Another classic line of approach was a proposal to join the employer organisations in “helping to bring about a trial programme to develop models for general workplace introductions of good quality”.<sup>41</sup>

While full employment and other lines of approach drawn from the ‘Swedish model’ made up the LO’s strategy, the SAF had a very different course to suggest: “The problem in our view is rather that the regulatory framework and the institutions which took shape in a homogenous society enjoying full employment seem increasingly abstract in the new society and the new employment situation that is currently emerging in Sweden.” The employer organisations have been pursuing this line since the early 1980s; it was initially applied to wage negotiations and the Swedish model as a whole by the Engineering Employers’ Association. In the same spirit, the SAF now urged that top priority be given to “adapting the labour market rules and reshaping employment policy so as to facilitate recruitment, contract work and self-employment”.<sup>42</sup>

Here, both the SAF and the LO display an ideological continuity with respect to the problem of integration. Also, both organisations are convinced that political control will not solve all the problems. While the LO believes in a combination of partner initiatives and political solutions, the SAF wants flexible solutions, changes of attitude and immigrant enterprises willing to join existing networks in the local business community. The SAF is also suspicious of general political solutions.

In 1999, a government report discussed immigrant entrepreneurs.<sup>43</sup> The LO was in favour of providing immigrants with business training and guidance, and also of increasing start-up grants, of improving loan facilities and of taking other measures in this area. It noted, however, that claims that immigrants were better suited to self-employment was “a myth”.

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<sup>38</sup> LO’s comment on government report SOU 1995:76, Ministry of Labour, Government Offices Archives, 9/10 1995.

<sup>39</sup> SOU 1996:55, Sverige, framtiden och mångfalden, Stockholm.

<sup>40</sup> LO’s comment on government report SOU 1996:55, Ministry of Labour, Government Offices Archives, 28/10 1996.

<sup>41</sup> LO’s comment on government report SOU 1996:55, Ministry of Labour, Government Offices Archives, 28/10 1996.

<sup>42</sup> SAF’s comment on government report SOU 1996:55, Ministry of Labour, Government Offices Archives, 24/9 1996.

<sup>43</sup> SOU 1999:49, *Invandrare som företagare – för lika möjligheter och ökad tillväxt*, Stockholm.

Often, starting one's own business was "a last line of escape from a situation characterised by unemployment, exclusion from the benefit system, and discrimination".<sup>44</sup>

The SAF for its part declared that the guiding principle should be improvements for small businesses in general and "not for immigrants in particular". It felt that Sweden's high levels of taxation imposed a particularly heavy burden on "prospective immigrant entrepreneurs". If taxes were reduced, there would be less need for "publicly financed loans to stimulate new businesses and growth". Besides high taxes, bureaucratic procedure was considered particularly troublesome for immigrants. Instead of separate solutions for immigrants, the SAF called for a normalising approach, including initiatives to be undertaken with business organisations. In the same spirit, it advocated greater individualisation in municipal reception programmes.<sup>45</sup>

## Diversity

During the era of labour immigration, the LO pursued an integration policy that more or less espoused the 'Swedification' of immigrants. This policy disappeared when refugee immigration came to dominate the scene. Instead of just helping immigrants to adjust to Swedish society, the idea now was also to help Swedes adjust to immigrants. It was a case of persuading the labour market to accept heterogeneity as a positive factor. Policymakers began talking about the advantages of diversity. This was largely in line with official government policy. Nor was the SAF's position very different, although it showed less inclination to involve itself in social affairs.

As for the reasons behind the adjustment problems, and the extent of these problems, interpretations differ. The LO has constantly viewed social conflicts and problems relating to immigrants as a serious matter, while the SAF has not. While the LO has sought to explain these adjustment problems in terms of the job shortage, the SAF has argued that unemployment among immigrants is due to labour market regulation. LO members are viewed by the SAF as 'insiders' protected by regulation, while unemployed immigrants are 'outsiders' denied entry to the labour market. Deregulation is seen as the antidote. During this debate, the LO has been anxious to offer an alternative to deregulation. It's campaigning on behalf of greater diversity in working life and greater employability for immigrants has, quite apart from the solidarity aspects, a strategic dimension. If immigrants find work, and full employment is achieved, this shows that deregulation is unnecessary.

Today, the LO champions diversity, describing it as an asset both to employers and in the labour market. But employers, too, are now beginning to talk about diversity. There are differences of emphasis, however. For employers, diversity means applying the principle of flexibility, i.e. tearing down the regulatory barriers in the labour market that impede integration. The SAF comments: "In the public view, diversity is about creating the best possible conditions for the individual. This means accepting that people are different, have different preferences and wish to solve the problems of daily life in different ways." This in turn means that "policymakers must actively contribute by eliminating obstacles and opening the door to new opportunities for growth and diversity".<sup>46</sup> For the unions, diversity represents a political means of achieving full employment. For the employers, diversity provides a motive for deregulating or liberalising the labour market. As they see it, union interests are an impediment to diversity in working life.

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<sup>44</sup> LO's comment on government report SOU 1999:49, Ministry of Culture, Government Offices Archives, 10/9 1999.

<sup>45</sup> SAF's comment on government report SOU 1999:49, Ministry of Culture, Government Offices Archives, 10/9 1999.

<sup>46</sup> Mångfald i praktiken. En skrift om företagsverksamhet och mångfald, SAF (2000).

What, then, is the reasoning behind the unions' diversity strategy? Large groups of immigrants from the 1980s and 1990s are either unemployed or outside the workforce. To permit labour immigration in such a situation would be to risk creating a permanent group of unemployed and precipitating the emergence of a proletariat stuck in an insecure, low-paid sector. Such a development runs counter to the goal that has motivated the LO ever since the early 20<sup>th</sup> century: to strengthen the working class by collectively raising its standard of living via a wage policy based on solidarity with the low-paid. In actual fact, this has been at the root of the LO's strength as an organisation. The high rate of membership (degree of organisation) among its affiliated unions is attributable to its historical emphasis on low-paid groups.

Sweden is no longer a relatively homogenous society, and the Swedification of immigrants is no longer a realistic strategy. The unions' collective strategies at the workplace, meanwhile, have altered in response to developments in society and changes in the nature of work. The high rate of unemployment that was a feature of the 1990s weakened labour's position in relation to management. Full employment strengthens the union's position. As a union strategy, therefore, to advocate diversity is to promote a policy of full employment. To oppose labour immigration until unemployment has been eliminated is to pursue the same logic.

Consequently, I would maintain that the LO view of immigrant labour bespeaks continuity. The same apprehension that labour immigration may pose a threat to full employment is evident throughout the period, from 1945 up to the present day, and will probably persist in the future. And it is based on the same thinking in relation to the strength and welfare of the unions and the working class. However, I would also argue that there has been a shift in strategy from emphasising influence at the local workplace to placing greater emphasis on the logic of full employment by promoting immigrant employability via the diversity approach. This is also a result of the high rate of unemployment that prevailed in the 1990s and the debate on racism and discrimination, in which the LO adopted a leftist stance in opposition to xenophobic "right-wing extremists".

Economic historian Christer Lundh argues that the LO's immigration and immigrant integration policies should be viewed in the light of the Swedish model. Immigration was not to be allowed "to jeopardise full employment, structural reform or the policy of wage solidarity".<sup>47</sup> At the same time, it was necessary to integrate the immigrants into Swedish society and working life, both for their own sakes and in order to preserve union solidarity. This interpretation appears logical and offers a better explanation of the LO's restrictive position on labour immigration than accusations of xenophobia, which were sometimes levelled in the debate of the 1960s and which are still heard today.

The differing approaches that the LO and the SAF have adopted, the 'Swedish model' versus deregulation, could be said to represent the two main lines of argument in the Swedish debate on the relationship between immigration policy and immigrant integration policy on the one hand and the labour market on the other.

## **The future and the lessons of the past**

There is a certain rationality in the way both the unions and the employers view labour immigration and other immigration. While the unions prioritise employment and job security, the employers give precedence to efficiency and growth. Central government for its part

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<sup>47</sup> Lundh (1994), p. 34.



needs to embrace both sets of interests, but at the same time the political parties hold disparate views. The Social Democrats are intimately linked to the unions while the views of the political right tend to coincide with those of the employers. A logical approach in this matter might be to ensure that institutional arrangements take the interests of both partners into consideration. Such an approach must not, however, be at the expense of the public interest in general. I have no definitive answer to the question of how such institutional arrangements might look, and researchers are silent on this issue in Sweden. Based on historical experience, however, I intend to make certain points in relation to these matters.

Why did the principles of labour immigration undergo change during the period? One of the chief reasons is union influence. But I also contend that on the basis of past experience, it could fairly be argued that the market solution, 'tourist immigration', came about in response to the failure of market regulation. The system of government control could not respond adequately to the strong demand for labour that characterised the 1950s. In principle, it could be argued that the costs for each individual immigrant were too high under the recruiting system permitted or applied by the state during that time.

The classic solution was to let market mechanisms solve the problem. Recruitment costs (job seeking and transportation) were transferred to the immigrant. This gave employers access to a far greater supply at a much lower cost. When unemployment rose (marginally) in the mid-1960s, social costs developed. The market was able to solve the supply problem but the social cost was deemed exorbitant when unemployment set in and posed a threat to full employment. This prompted a return to greater regulation and collective state recruitment. Labour demand remained high, however, and supply was maintained largely as a result of a deep Finnish recession that led to an increase in the number of Finnish immigrants entering the Swedish labour market.

In the 1950s, policy favoured the employers, due to what is referred to in this paper as the market solution, i.e. tourist immigration. In the 1960s, policy favoured the unions when the market solution was abandoned and non-Nordic labour immigration was halted. These developments reflect the shifts of power between unions and employers that took place during the period under review. But the employment situation and the Social Democrats' policy of full employment were probably no less important factors. The unions won support for their sceptical position on labour immigration when unemployment developed.

Based on past experience of labour immigration, we can make certain assertions about problems of principle and opportunities of various kinds. There are historical examples here of successful and unsuccessful approaches which may help us in our future actions in this area. In general, it could be said that the advantage of free immigration is that recruitment costs are comparatively low for employers, but also for the state. The costs of job-seeking are transferred to the applicant.

In historical terms, free immigration has also been a prerequisite for the recruitment of large numbers of people. The immigration levels that pertained in 1945-1970 would not have been possible had free labour immigration not been permitted from a number of countries with a labour surplus. The problems that arose concerned social costs both to society and to many individual immigrants. Another problem was the tendency of unskilled workers to seek employment in Sweden. From a union viewpoint, this could be described as an employers' market. Another approach tested at this time was individual immigration with work permits granted prior to arrival. This method may be given consideration once again should staffing agencies enter the picture. When central government in the country of origin and/or the host country wants to control who enters/leaves it, one method it can use is collective recruitment. In this area, union organisations can act as referral bodies. The advantage of this system over free immigration is that recruitment can target shortage occupations. The drawback is the cost. Should large-scale immigration prove necessary, some type of free immigration will probably

be required. A form of 'tourist immigration' may develop in the EU. Another possibility is market solutions via staffing agencies, which would probably be very costly. Nor should we forget that refugee resettlement is an alternative to labour immigration.

When discussing the possibility of future labour immigration and seeking to draw on the lessons of 1945-1970, we should bear in mind that the bulk of immigration in that period was an internal Nordic affair which, despite the language problem, belonged to a joint, comparatively self-regulating market. The Finnish and Swedish labour markets functioned as vessels of communication to the benefit of both. We can hardly expect to see similar opportunities and benefits in the future. The 'Swedish model' in the labour immigration field was applied as early as 1919, although only on a modest scale compared with what was to come. Central government had the dominant role in this field and was involved in a tripartite corporative relationship with the social partners. The Labour Market Board came to require consensus on the part of employers and unions, and this gave the LO an informal right of veto.

The arrival of labour immigration coincided with the growth of union influence, the Swedish model and a strong nation-state. The union can hardly expect the same degree of influence in the event of a new wave of labour immigration in the future. Should one develop, the most rational course would probably be for unions and employers to work together to avert disloyal competition and the emergence of an extensive black labour market. Past experience of cooperation in accordance with the Swedish model could guide them in this respect. Disloyal and unlawful behaviour damaged the collective interests of both. In the future, it will continue to be in the interests of both sides to avert such behaviour. One of Sweden's largest companies, Asea, claimed that it cost over SEK 8,000 (750 euros) to recruit an Italian worker in the 1950s, which was a considerable sum at the time. This investment immediately became an expense when a competitor attracted the worker away from Asea. The argument was that labour immigration should be viewed as a collective benefit to society and should therefore be paid for by the state. As the very cause of labour immigration is a shortage of labour, competition for labour naturally develops in such a situation. This competition affects the recruitment process and inspires collective solutions or market solutions, while the economic risk for companies is greater in the event of individual solutions.

In a government report on EU enlargement and the free movement of labour, past experience of organised recruitment is briefly discussed.<sup>48</sup> The report describes the recruitment of doctors, primarily from Poland, and concludes that the Swedish county councils' recruitment drive should "serve as an example for other kinds of organised labour immigration". This recommendation is based on the recruitment of an occupational category in which unusually high qualifications and language skills are required. Medical training is both lengthy and expensive, given which a relatively costly recruitment process may be motivated. It is clear from the analysis undertaken for the purposes of the report that further research is needed in such an important area for the Swedish economy.

What makes this matter so important? In principle, we could argue that the greater labour immigration is in magnitude, the more important it is to have arrangements in place that help us recruit the right individuals at as low a cost as possible. The problem is that recruiting costs rise with one's level of ambition. In Sweden, we have a range of institutions that help reduce recruitment costs inside the country: a common language, education, culture, employment offices, vocational specification and so forth. When these institutions are not shared by the recruit, the recruiter incurs high transaction costs. In such cases, operations must be organised in such a way as to keep down these costs. When we introduce social costs into

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<sup>48</sup> SOU 2002:116, *EU:s utvidgning och arbetskraftens rörlighet*, Stockholm.

the analysis, it becomes clear that the question of how we should organise labour immigration cannot be dealt with in economic terms alone. Labour immigration affects the employment market in different ways, which is one of the reasons why employers and unions have been brought into the work of developing institutional arrangements.

## **Conclusion**

The interesting thing about post-war labour immigration is that different types of institutional solutions were tried out. Whether or not this should be regarded as a learning process is an empirical question. We can fairly assume, however, that efficient solutions were preferred, but that meanwhile there were restrictions affecting recruitment costs: other countries' legislation, international agreements, union and employer interests, and social costs both to society and to individual immigrants. Institutional theory with an economic-historical approach, therefore, is a suitable starting point for examining organisation and institutional design in a field where not only economic but also political and social considerations need to be taken into account.

As regards experience of immigration and the labour market over the past twenty years, two points need mentioning. Unemployment has afflicted immigrants in particular, and has hampered their integration into Swedish society. If the widely-predicted shortage of labour does in fact materialise, immigrants will be in a better position to establish themselves in the employment market. But we can also conceive of a scenario reminiscent of the 1960s, in which immigrant workers are given precedent over the labour reserve of unemployed immigrants already in Sweden. The direction of the labour immigration debate in recent years suggests that such a development is not unlikely as the LO has come down on the side of unemployed immigrants against labour immigration, while both employers and liberals have frequently called for the immediate opening of Sweden's borders to immigrant workers.

Labour immigration, like other forms of immigration, affects institutional relations in the labour market. Various organised interests seek to influence the design of institutions that have either developed in response to the disruption of the established order or whose purpose is to solve problems that have arisen as a result of immigration. Institutional arrangements are affected by the way in which immigration is organised and by which groups gain support for their positions. In this paper, I argue that there is a conflict between recruiting costs and the unions' interest in maintaining good order in the labour market. Quite simply, if there is great demand for immigrant labour, institutional arrangements would have to be introduced to cut down recruiting costs, which in turn is likely to benefit employers at the unions' expense. The challenge facing us is to find solutions that strike a balance between the interests of the state, the employers and the unions.



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