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When Politics Trumps Economics: Contrasting High-Skilled Immigration Policymaking in Germany and Austria

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Abstract

High-skilled immigration policy (HSI) has become of increasing interest among immigrant-destination countries, but success in establishing liberal policies has varied considerably across countries. Focusing on two reluctant immigration states, Germany and Austria, this article explains why high-skilled immigration policy reforms in these two countries have led to starkly diverging outcomes. Whereas previous studies have concentrated on the politics of organized labor market actors and the market-institutional context in which they are embedded, this article contends that variation in HSI policy liberalization also reflects increasing politicization through issue linkage to adjacent immigration domains, in this case, immigrant integration policy. The findings challenge the predominant interest-group-centric work on high-skilled immigration and show how arguments for and against liberalization can traverse immigration policy domains.

Introduction

High-skilled immigration (HSI) policy has become of increasing importance to immigrant-receiving countries (Boeri et al. 2012; Triadafilopoulos and Smith 2013). Nearly every industrialized nation has introduced one or several visa programs through which skilled and high-skilled immigrants are supposed migrate (Haas, Natter and Vezzoli Forthcoming). However, success in establishing attractive and open HSI policies, which outline the admission and selection criteria as well as the work and residence rights (i.e., post-entry rights) for these immigrants, has varied considerably across countries (Author; Cerna 2016; Lowell 2005). The predominant strand in labor migration policy research, and HSI policy more specifically, argues

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1 High-skilled immigrants are defined as individuals who possess “a university degree or extensive equivalent experience in a given field” (Iredale 2001, 8). However, specific definitions for these high-skilled workers vary across studies and countries (see Parsons et al. 2014).
that differences across states’ policies are driven by “market factors”, particularly the politics of organized labor market actors such as employer associations and unions (Brucker et al. 2012; Cerna 2009; Cerna 2016; Facchini, Mayda and Mishra 2011) and the market-institutional context in which they are embedded (Devitt 2011; Menz 2011; Wright 2012a). Accordingly, we should expect similar HSI policy outputs in countries with similar ‘market factor’ constellations.

However, this is not the case when comparing HSI policy liberalization attempts in Germany (2005) and Austria (2011), which were characterized by similar market-institutional contexts and prevalent interest group alliances in favor of HSI policy liberalization. In fact, despite proclamations to make Germany more attractive to qualified foreign workers, the government was not able to implement a previously strongly favored points system and instead only granted exemptions from an otherwise restrictive labor migration policy to a narrow pool of “very highly skilled” applicants. Austria, in contrast, was able to implement a points system that granted flexible admission and liberal post-entry rights to a wider pool of skilled and high-skilled applicants. This discrepancy is even more puzzling given that Germany initially appeared more poised for liberalization than Austria, as it had undertaken first steps toward skill-focused policies by implementing an IT Green Card in 2001 (Kolb 2003). In contrast, Austria was an unlikely candidate for liberalization, as it had moved toward more restrictive immigration regulations during the late 1990s and early 2000s (Kraler 2011).

What explains this difference? Despite increasing recognition of the importance of “non-market” factors in HSI policy, such as organized citizen groups (Kennedy 2019), government

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2 Points systems are a means of regulating labor migration by allocating work permits according to set thresholds of points granted for applicants’ level of education, work experience, age, or even health (Parsons et al. 2014). Prominent examples include Canada or Australia.

3 This term describes migrants who possess a master’s or doctoral degree, or equivalent training and experience, as opposed to “just” highly skilled migrants who have obtained a minimum of a bachelor’s degree or corresponding qualifications (Ruhs 2013, 56).
preferences (Wright 2012b; Wright 2015) or electoral competition and national institutions (Carvalho 2014; Money and Falstrom 2006), the current literature is missing an explicit focus on the politicization of HSI and its consequences for policy liberalization. Such a focus, however, helps explain under which conditions “politics trumps economics,” particularly in countries where labor market actors enjoy traditionally strong and embedded roles in policy-making.

By drawing on but also moving beyond the literature on the politicization of immigration, this study argues that despite HSI being generally a difficult policy area to politicize, it can become so if it is successfully linked to other, more contentious immigration-related domains. Specifically, the link to immigrant integration policy is argued to unfold spillover effects that significantly weaken economically grounded pro-liberalization arguments and make support for liberalization contingent upon addressing the linked issue. In contrasting the cases of policy-making in Germany’s “Immigration Act” (2005) and Austria’s “Alien Rights Reform Act” (2011), I demonstrate that politicization and issue-linkage effects can explain the relative success or failure of attempts to liberalize regulations for HSI.

This paper makes several contributions: First, it contributes to a growing literature that challenges the economic interest group framework in high-skilled immigration research by providing evidence that even in cases where labor market actors are comparatively strong, the increasing salience of immigration has weakened their influence over traditionally market-dominated policy domains. Second, it provides a different explanation for why henceforth “wanted” immigration can become contentious by suggesting that the adjacent but separate policy domains of immigrant admission and immigrant integration (Hammar 1985) can affect each other. It thus differs from prior studies that have tended to analyze the politics of integration
and admission policy separately (Duncan and Hecke 2008; Givens and Luedtke 2005; Money 1999).

The findings also have wider implications: As governments in Europe and the US and, more recently, Asia have looked to HSI programs to more actively manage and select immigrant streams, it is important to understand that while it is more positively viewed than other migration policy domains, HSI is not immune from a growing politicization of migration. Furthermore, the potential for substitutive relationships between immigrant admission policy and other immigration-related domains – when made politically salient – suggests more generally that these complex relationships can also shape the trajectory of contemporary immigration politics.

The remainder of this article is structured as follows. The first section outlines the predominant political economic account of variation in high-skilled immigration policy and its limitations. The second section offers a theoretical perspective on the conditions under which HSI can become politicized and the implications for policy liberalization attempts. The third section follows with an outline of the methodology and case study choice. In the fourth and fifth sections, I present the analysis of the two cases and a discussion of the findings. Lastly, in the conclusion the findings are summarized and the implications for the politics of high-skilled immigration further explored.

The Political Economy of High-Skilled Immigration Policy

The prevailing consensus on high-skilled immigration policy holds that it is shaped by labor market considerations (Afonso and Devitt 2016; Wright 2015), specifically articulated by organized labor and capital (Brucker et al. 2012; Facchini, Mayda and Mishra 2011) and determined by the political struggles between the two (Cerna 2009; Cerna 2016). In this
clientelist approach, interest groups such as unions and employer associations seek to influence labor immigration policy to increase concentrated benefits for their constituents, while the costs of immigration policy are usually diffused among the public (Freeman 1995). Employer associations are generally said to prefer as few restrictions as possible on their ability to hire foreign workers and have been identified as key drivers of policy liberalization (Freeman 2006; Kennedy 2019; Menz 2011). In contrast, unions are argued to oppose liberalization, as they are concerned about wage dumping, loss of their control over the labor supply, and possible labor market competition for domestic workers (Penninx and Roosblad 2000, 1-20). Nonetheless, these preferences are not monolithic, and in fact, varying stances toward labor migration among unions and employers have led to the emergence of alliances between both groups to restrict or liberalize labor migration policy (Afonso 2012; Cerna 2009; Watts 2002).

More recent work has further argued that institutional differences matter. On the one hand, differences in national labor market institutions and production regimes shape employer preferences for foreign labor, suggesting that in coordinated market economies (CMEs), demand is lower and more exclusively focused on sector-specific high-skilled labor migrants, whereas in liberal market economies (LMEs), greater demand for general high- and low-skilled labor migrants exists (Devitt 2011; Menz 2011; Wright 2012a). On the other hand, differences in policy-making traditions, such as the absence or presence of neo-corporatism that formally includes organized labor and capital as “social partners” in government policy-making (Schmitter 1981), affect whether immigration policy is more likely to be dominated by interest group objectives or characterized by the relative independence of governments in pursuing their immigration policy ambitions (Cerna 2016; Wright 2012b; Wright 2015).
Nonetheless, while this body of literature makes an important contribution to the study of high-skilled immigration policy, it does not provide a convincing answer to the empirical puzzle. First, both Germany and Austria are both CMEs, suggesting similar employer preferences for high-skilled immigration. Second, cross-actor alliances in favor of liberalization formed in both Germany (see Cerna 2016; Menz 2011) and Austria (see Fassmann 2013a; Krings 2013). And third, both countries have neo-corporatist modes of policy-making⁴ that offer organized labor market actors significant influence over policy-making. Therefore, policy preferences, alliance formation, and policy inclusion were similar in both cases and thus less meaningful in explaining why Austria succeeded and Germany failed in their respective attempts to introduce points systems and liberalize HSI policy.

A number of recent studies have taken issue with the prevailing political economic approach. Some scholars have stressed the importance of organized citizen groups in influencing high-skilled immigration policy (Kennedy 2019). In contrast, others have more directly argued to loosen “the theoretical straightjacket of interest group politics” (Afonso and Devitt 2016, 606) altogether and have explored how political parties and sources of their policy preferences, such as political ideology and policy legacies (Wright 2012b; Wright 2015) or electoral competition and national institutions (Carvalho 2014; Money and Falstrom 2006), shape differences in HSI policy. However, these studies have predominantly focused on country cases such as the US, the UK, or Australia, where organized labor market actors are comparatively weaker and have fewer institutionalized channels of policy influence at their disposal. Thus, it remains unclear under what conditions political rather than economic factors shape HSI policy success in countries with

⁴ While the institutionalized cooperation in Austrian neo-corporatism could be argued to provide greater formal power to social partners than the less formalized German variant, cross-temporal examination of labor migration policy reveals significant variation in the extent of interest group power to shape policy in Austria (see Kraler 2011; Triadafilopoulos and Zaslove 2006).
stronger labor market actors that enjoy institutionalized mechanisms of policy consultation. Moreover, despite growing political relevance, insights from the politicization of immigration literature have been largely neglected in the study of traditionally more market-dominated immigration areas. However, as I argue below, a focus on politicization can provide a fruitful avenue to understand how exactly economic interests in policy liberalization can become constrained.

The Politicization of High-Skilled Immigration Policy

To better understand when and why economic actors are constrained by political concerns, it is helpful to start with the literature on the politicization of immigration, which suggests that the politicization of immigration policy significantly weakens interest group influence (Givens and Luedtke 2005; Joppke 1999). “Politicization” is commonly understood as being characterized by simultaneously high issue salience, i.e., the issue receives a high level of public attention, and actor polarization, i.e., political actors differ markedly in their policy positions on the issue (Brug et al. 2015; Grande, Schwarzbözl and Fatke 2018). As long as policy issues are technical in nature and remain out of the public spotlight, interest groups such as businesses enjoy greater influence in policy-making (Culpepper 2010), and political parties are likely to find consensus on appropriate legislation (Givens and Luedtke 2005). Once immigration becomes a salient issue with greater public attention, however, it moves from the closed circles of interest group politics to the public political arena, where political parties are able to mobilize the electorate to their advantage (Guiraudon 1998; Joppke 1999). This shift decreases the chances that parties will find consensus in favor of policy liberalization (Givens and Luedtke 2004; Hansen and Koehler 2005).
However, while the politics of immigration literature differentiates between immigrant admission policies, i.e. policies that regulate the conditions of immigrant entry, and immigrant integration policies, i.e. policies that support immigrant social, economic and political inclusion into their respective host-society (Hammar 1985), it has so far little differentiated between different types of admission policies (e.g., low- vs. high-skilled, humanitarian vs. family) nor delineated how admission and integration policy areas may interact (see e.g. Alonso and Fonseca 2011; Breunig and Luedtke 2008; Duncan and Hecke 2008; Givens and Luedtke 2005; Money 1999). Importantly, this approach leaves open the question of how, precisely, high-skilled immigration policy becomes politicized, given that it pertains to a more positively viewed type of immigrants. As high-skilled immigrants tend to be fewer in number and with greater educational and language endowments, they are less likely be perceived as economic or cultural threats (Money and Falstrom 2006). In addition, through their projected income and occupational levels, high-skilled immigrants are also more likely to be perceived as contributing via taxes and less likely to become reliant on social services (Facchini and Mayda 2012). This argument is supported by a number of recent studies that demonstrate that HSI are viewed much more favorably among European publics than are low-skilled immigrants (e.g. Helbling and Kriesi 2014; Naumann, Stoetzer and Pietrantuono 2018).

However, HSI policy can become meaningfully politicized if it is linked to other immigration areas, specifically, those that are more contentious. What is considered contentious likely differs across country contexts, however. Whereas in traditional immigration countries such as the US and Australia, other admission-related domains such as irregular migration or

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5 Public opposition to HSI is possible but is less likely to be politically significant. Opposition to HSI tends to be sector-specific, i.e., in sectors that employ predominantly highly skilled natives (Malhotra, Margalit, and Mo 2013), and only becomes politically potent in the presence of sector-specific, high-skilled unions (Cerna 2009), when picked up by wider organized citizen groups (Kennedy 2019), or if geographically concentrated enough to impact local party dynamics (Money and Falstrom 2006).
family reunification are viewed as politically salient (Freeman, Leal and Onyett 2013; Kennedy 2019; Wright 2013), in reluctant and new countries of immigration such as those in central Europe, immigrant integration policy is often seen as particularly controversial, with parties adopting strongly partisan preferences on the issue (Alonso and Fonseca 2011; Breunig and Luedtke 2008; Duncan and Hecke 2008; Givens and Luedtke 2005; Money 1999).

If such a linkage exists, however, it can unfold significant spillover effects that impact the chances for HSI policy liberalization. Once HSI is linked to an adjacent controversial policy issue, rationales shift away from purely economic assessments, either in favor of or against the issue, to questions about whether further immigration, even if it is economically or fiscally desirable, is politically acceptable. This shift specifically weakens the influence of economic market actors who would benefit the most from liberalization, such as employers. Furthermore, controversy surrounding connected immigration issues can engender cross-pressures and electoral risks for politicians. This controversial potential can either lead to decreasing support for the HSI provisions in question (Freeman, Leal and Onyett 2013) or to conditional support provided that restrictive policies in these adjacent immigration areas are passed in return (Wright 2013).

Such a linkage is likely to occur if HSI policy is embedded in large-scale immigration reforms that place it in greater proximity to other immigration issues (Kennedy 2019, 350; Wright 2012b, 748). Moreover, it is also likely to occur if HSI constitutes a significant break with policy legacy. If the proposal suggests not merely adjusting policy settings or existing instruments while leaving intact the existing immigration paradigm but instead aims to fundamentally alter policy goals, the proposal is likely to mobilize greater opposition among powerful political actors and the public (Ellermann 2015; Wright 2015). However, these are
necessary but not sufficient conditions for this linkage occur. Such linkage must also be actively injected into the policy process by political actors. Most likely, issue linkage of this type will occur if promoted by political parties that act as issue entrepreneurs, i.e., they bring a previously marginal issue into political focus and take on a policy stance that differs markedly from those of the political mainstream (Hobolt and Vries 2015). In the context of immigration, this role has often been attributed to either center right parties (Bale 2008; Boswell and Hough 2008; Green-Pedersen and Odmalm 2008) or radical right populist parties (Grande, Schwarzbözl and Fatke 2018; Howard 2010).

In sum, the influence of economic interest in HSI policy liberalization is argued to be undermined if politicization occurs through an issue linkage to immigrant integration policy. The expectation is that HSI policy liberalization is more likely if the reform is not politicized, as policy-making is then dominated by interest groups, and greater chances for party consensus exist. Conversely, HSI policy liberalization will be less likely if it becomes politicized, as the circle of policy actors widens and parties are less likely to agree. Further, I have argued that HSI becomes politicized if it is linked to contentious immigrant integration policy. Through spillover effects, HSI policy can become caught in the “crosshairs” of political struggle over immigrant integration. In the absence of proximity to immigrant integration policy or lack of contention regarding the issue at the time, these effects should be minimal and exert little effect on HSI policy.

Methodology

The article employs a structured, focused comparison, i.e., a systematic comparison of variation in key explanatory variables and outcomes across two detailed qualitative case studies,
comparing the 2002-2004 policy reform in Germany (“Immigration Act” 2005) and Austria’s 2009-2010 policy reform (“Alien Rights Reform” 2011), which inform the empirical puzzle. These two countries, and in particular these two policy-making episodes, lend themselves well to comparison within a most-similar-systems design, given their similar citizenship configurations, immigration experiences, and an overall demand-driven approach to labor immigration.\footnote{Demand-driven immigration systems are characterized by the predominance of labor market tests and requirements to hold a job offer, while supply-driven systems are characterized by the predominance of human capital evaluations through points systems (Chaloff and Lemaitre 2009).} Moreover, in both cases, the interest group system is neo-corporatist, and the policy preferences of employer groups and unions were similar, i.e., employers were in favor of more skilled and high-skilled immigration, while unions were more ambiguous in their positions but eventually conceded.

While the German case has already received some academic scrutiny, prior work has focused predominantly on the importance of economic demands and client politics (Cerna 2016), political party dynamics (Boswell and Hough 2008), or the impact of policy legacies (Schönwälder 2013), offering much less attention to how issue linkages have affected the policy debate. Further, by contrasting the case of Germany with the comparatively less studied case of Austria, the comparison allows us to systematically test whether the argued conditions indeed explain the success or failure of HSI liberalization attempts. In addition, to generalize the observed patterns beyond these two episodes, I also place both policy reforms within a temporal context.

To test the proposed relationships, I conducted 21 in-depth interviews between May and June 2014 in Germany and Austria with politicians, administrative personnel and policy experts, and interest group representatives. I recruited participants for semi-structured interviews through a non-random sampling method, selecting suitable participants from public records and, while
on-site, also through snowball sampling for additional interviewees. The information obtained from these interviews enabled me to gain insights into relevant actors’ motivations as well as the political dynamics of the decision-making process. Evidence from interviews was further triangulated through the collection of public statements and reports, content analysis of parliamentary debates, and the consultation of secondary literature to provide a comprehensive picture of the two policy reforms.

Key concepts were operationalized as follows. First, to be deemed politicized, the policy issue must be publicly salient, and political parties must significantly diverge on the policy solution (Brug et al. 2015; Grande, Schwarzbözl and Fatke 2018). In contrast, an issue is not deemed to be politicized if the issue is salient but there exists sufficient consensus on how to address the issue among the main political actors, and thus, party polarization is not present, or conversely, if actors may differ in their policy positions but the issue at hand is not publicly salient (Brug et al. 2015, 5-7). Further, a linkage to contentious integration policy exists if, first, HSI policy is directly and repeatedly connected to or conflated with issues of immigrant integration, and, second, immigrant integration is regarded as contentious. Lastly, policy liberalization is assessed by drawing upon data on the number of changes in specific policy provisions for HSI, including conditions of entry (such as the presence of labor market tests, length and renewability of permit) as well as post-entry rights (such as employer portability, spousal employment, and access to permanent residence).

Germany’s Immigration Act (2005): One Step Forward, Two Steps Back

Historically, labor migration to Germany has been regulated via labor market demand, as the infamous guest worker system of the 1950s and 1960s illustrates. Even after the official end of
foreign labor recruitment in 1973, several legal exemption ordinances, such as the *Anwerbestoppausnahmeverordnung* from 1990, continued actual labor migration to Germany in the form of contract-bound and seasonal workers (Borkert and Bosswick 2011, 99-100; Ellermann 2015). Despite these elements, a comprehensive immigration policy had not been advanced.

In the late 1990s and early 2000s, however, the incumbent government coalition of the social-democratic SPD (Sozialdemokratische Partei Deutschlands) and the Green Party had introduced several policy innovations, such as the IT Green Card (2000) to attract skilled foreign IT personnel, and had reformed German nationality law (2001) to provide greater legal integration of resident foreigners. Spurred by this “reform climate,” the coalition also tasked an independent “commission on immigration” (led by chief officer Rita Süssmuth) with proposing avenues to reform immigration policy more generally. Composed of politicians from all parties, various social actors, and labor market interest groups, the commission suggested in its widely publicized final report to employ a Canadian-style points system to regulate labor migration. This system would allow especially qualified foreign workers to immigrate without a job offer in hand and thus departed significantly from the previously exclusively demand-led system (Schönwälder 2013; Süssmuth 2001). In particular, the commission report argued that high-skilled labor immigration was essential to combat the consequences of demographic change, minimize the economic impact of present and anticipated labor shortages, and ensure Germany’s competitive edge in the global economy (Süssmuth 2001).

Importantly, the proposal was supported by both employers and unions. Employer organizations such as the Federation of German Industries (BDI, Bundesverband der Deutschen Industrie), Confederation of German Employers’ Associations (BDA, Bundesvereinigung der
Deutschen Arbeitgeberverbände) and Chamber of Commerce and Industry (IHK, Industrie- und Handelskammer) argued that liberalization was necessary to fill labor market shortages and remain internationally competitive (interview, BDA official; Menz 2013) and also launched a significant public relations campaign (Menz 2011). The unions, represented by the German Trade Union Confederation (DGB, Deutscher Gewerkschaftsbund), were initially skeptical but eventually agreed to a points system, provided it would include clear, definable criteria and would protect domestic workers (interview, DGB official; Cerna 2016, 112).

Nonetheless, despite interest group support for the legislative draft based on the commission’s recommendation in 2001, the proposal became politicized. While the SPD, Greens and the market-liberal FDP (Freie Demokratische Partei) welcomed the proposal, the conservative CDU (Christlich Demokratische Union Deutschlands) and CSU (Christlich-Soziale Union) parties strongly opposed it (Borkert and Bosswick 2011, 102). The sister parties CDU and CSU argued that the policy draft would lead to more immigration and threaten German employees and rejected the idea of the demographic necessity for labor migration, instead arguing that Germany already possessed sufficient regulatory instruments to facilitate the immigration of high-skilled immigrants (Bundestag 2001; Schönwälder 2013, 281-82). This opposition was strategic, as the issue of immigration had gained a strong salience among the German public during the 1999 state election campaigns of the CDU, which opposed the dual citizenship proposition in the nationality law reform, and had proven to be a successful issue to mobilize voters (interview, think tank policy expert; Boswell and Hough 2008). Indeed, the proposal garnered strong public salience during the years 2001 and 2002.7

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7 For example, one of Germany’s most widely read newspapers, the Frankfurter Allgemeine Zeitung (FAZ) dedicated over 37 articles to the issue in 2001. In 2002, over 48 articles were related to the struggle over immigration reform.
This instance of politicization centered specifically on the points system for qualified immigrants as it broke with existing policy legacy and thus evoked intimately connected issues of immigrant integration. In suggesting an active and permanent immigration channel, the proposed points system symbolized a break with the policy legacy of limited and exclusively demand-led immigration and constituted, if only symbolically, a turn toward becoming a classic country of immigration (*Einwanderungsland*) (interviews, think tank and research institute policy experts; Bauder 2013). The latter was a particularly difficult and contentious notion among the German public and political elites, who had until recently insisted that Germany was not a country of immigration. The ensuing debate over the points system and immigration law instituting it was thus an expression of the political process of coming to terms with its reality (interviews, think tank and research institute policy experts). Specifically, this debate activated long-smoldering concerns about immigration and its impact on Germany, providing fertile ground for a wider public debate about issues of immigrant integration (Bauder 2013; Schönwälder 2013), not least because the government had long eschewed an active integration policy even as issues of immigrant integration started to gain greater public salience over the course of the 1990s and early 2000s (Heckmann 2003).

This opportunity was actively exploited by the CDU/CSU, which injected the issue of immigrant integration into the concrete policy debates over the immigration law. Suggesting that Germany possessed a limited capacity to accept any more newcomers, CDU/CSU politicians such as Michael Glos asserted that the government should first focus on integrating those immigrants already residing in Germany (Bundestag 2001, 22032). This approach constructed a narrative of trade-off: Liberalization of immigration law, even if it was for HSI, entailed first dealing with immigrant integration. A content analysis of the parliamentary debate supports this
view. Among a total of 21 speeches, the proposal was opposed on grounds of integration concerns twelve times, most often by CDU and CSU politicians. Furthermore, it was asserted three times that only exceptionally highly skilled migrants should be allowed and four times that, despite exceptions, a general increase in labor migration was not acceptable.

This issue linkage had two effects. First, it supplanted arguments for the liberalization of immigration law on economic grounds with arguments against liberalization on integration grounds. It cemented the argument that economic demand for foreign labor had to be balanced against preventing Germany from becoming a major immigration destination (interviews, think tank expert, DGB official and commission member). In addition, the issue focus on immigrant integration also weakened the relevance of economic actors, which traditionally have less strongly articulated preferences on matters of integration. Particularly pro-liberalization employer associations were not strong enough to counter the political framing of the debate as a question of immigrant integration rather than market priorities (Schönwälder 2013, 283).

Second, the issue linkage relegated policy provisions for HSI to the background. Policy content had shifted to furthering immigrant integration, such as through reforming the residence permit system and introducing integration measures, such as mandatory integration and language classes for foreign residents (Borkert and Boswick 2011, 102-03). As one member of the expert commission ‘immigration’ put it: “The reform eventually included, first and foremost, integration measures for those already residing here [in Germany]; in the second place, it upheld

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8 Following arguments were counted as related to integration: “Bill does not guarantee that foreigners are being integrated” [3], “Integration capacity of our society and labor market has been reached” [2], “we need to first integrate people that are already in Germany before we accept further migrants”[4], “the unemployment rate of foreigners living in Germany is already high [3].”

9 By comparison ten times, the bill was opposed on grounds that it would create labor market competition for domestic workers.
the general immigration stoppage; and exemptions for specific migrant types, such as highly skilled ones, came only in the third place” (interview, commission member).

The bitter fight over the content of the new immigration law ended in early 2002 with a narrow majority supporting the immigration law in a highly divided Bundesrat—the upper chamber of the German parliament. The law was immediately challenged on procedural grounds by the conservative opposition and was eventually revoked on processual grounds by the Constitutional Court. However, by the time the draft was resubmitted for consideration in 2004, the composition of the upper chamber had changed in favor of the conservatives, which allowed them to block and renegotiate the proposal after election. The CDU made clear that the maintenance of immigration stoppage and the removal of the points system was non-negotiable in exchange for their cross-partisan support (Boswell and Hough 2008, 281; Schönwälder 2013). This declaration led to the eventual abandoning of the points system and replacement with specific exemptions in order to finally pass the law in 2004 (Borkert and Bosswick 2011, 102-03).

The resulting policy output fell far behind of what was initially proposed. While exceptions for high-skilled immigrants were made in §18 and §19 of the Residence Act – a subset of the new Immigration Act – they remained restrictive in nature. The track for “highly skilled” foreign workers (§19 of the Residence Act) was reserved for a narrow pool of exceptional academics and researchers, granting them and their spouses immediate work and long-term settlement permits, and required a steep average salary of 85,000 EUR. “Conventional” high-skilled foreign workers such as managers or scientific personnel for R&D received under §18 only temporary, limited work and residence titles, with both themselves and their spouses being subject to labor market tests and potential mandatory integration classes
(interview, advisory body policy expert; Heß 2009). Permanent residence was possible after five years, given demonstrated sufficient income, German proficiency, and social insurance contributions (Cerna 2016, 119). Thus, while the 2005 Immigration Act was supposed to regularize immigration and attract skilled and high-skilled immigrants, the act did not succeed in liberalization and instead only further limited and regulated labor mobility (Schönwälder 2013).

Other liberalization attempts of HSI policy were more successful because they took place in narrow, targeted reforms and thus decreased the opportunities to successfully politicize them or link them to issues of integration. In 2000, the German government introduced the IT Green Card, which aimed to attract applicants with a tertiary degree in computer science or who held a job offer with an annual salary of over 51,000 EUR, allowing them to stay for up to five years and to bring their spouses (OECD 2013b, 70). This policy was introduced in response to lobbying by high-tech employer associations, notably by BITKOM, which argued that the sector was experiencing significant labor shortages (Schönwälder 2013). Although initially skeptical, unions eventually supported the proposal (Cerna 2016, 110-14). While this was a first step towards HSI liberalization, the proposal nevertheless suggested only a narrow, sector-specific work visa that left the predominant “zero-immigration” paradigm intact (Ellermann 2015). In addition, the IT Green Card proposal was unilaterally announced by Chancellor Schroeder at the CeBit computer expo in March 2000, surprising politicians and public alike (Borkert and Bosswick 2011, 110; Cerna 2016, 110-14). Both factors left little space to politicize the issue and link it to other immigration concerns. Despite attempts by the CDU, such as their now infamous “Kinder statt Inder” campaign (“Children instead of Indians”)\(^\text{10}\), arguing it was threatening the

\(^{10}\) Indians were referenced in particular as the preceding public discourse had centered on the stereotype of Indian-origin IT professionals as a likely target group of the policy proposal.
prospects of domestic workers, the policy did not become successfully politicized (Triadafilopoulos and Zaslove 2006, 187).

Moreover, a number of targeted and narrow liberalizations between 2007 and 2012, focusing on the adjustment of existing policy instruments, demonstrate a similar pattern. For example, after complaints by employers and unions over the high salary threshold of 85,000 EUR for high-skilled labor migrants, the 2009 Labor Migration Control Act lowered it significantly, to 63,000 EUR (Cerna 2016, 120-21). Further, in 2012, the Residence Act was amended after the government had presented plans to counter labor market shortages, including liberalizations for skilled and high-skilled workers (BMAS 2011). Jointly supported by the social partners, the amendment removed labor market tests for certain shortage occupations, dropped the salary-based requirements under Paragraph §19, and implemented a conditional job search visa (Cerna 2016, 123-24; OECD 2013a, 254). Notably, these liberalizations were adjustments to existing instruments, which drew comparatively little public attention and had no significant overlap with other immigration policy areas.

**Austria’s Alien Rights Reform Act (2011): Shifting Gears, In Moderation**

As in the case of Germany, labor migration to Austria has traditionally been regulated through labor market mechanisms (Fassmann 2013b). Beginning in 1994, Austria regulated immigration via a strict quota system that allocated a fixed number of annually available permits per migrant stream, including family-based residence permits (interview, research institute policy expert) (Kraler 2011). Starting in the mid-2000s, however, the Austrian government became increasingly dissatisfied with the existing quota system, which had become less effective in steering migrant numbers (Kraler 2011, 42-43). This dissatisfaction was also driven by increasing employer
complaints. In particular, the employer associations Chamber of Business (WKÖ, Wirtschaftskammer Österreich) and the Federation of Austrian Industry (IV, Industriellenvereinigung) argued that growing labor shortages could not be met with the existing quota system. In addition, they expressed disappointment with the rather restrictive provisions of the EU Blue Card, which they had hoped would open more liberal pathways specifically for skilled and high-skilled labor immigration (interviews, WKÖ and IV officials; Fassmann 2013a).

In 2008, the employer associations began to push more actively for a liberalization of Austrian labor immigration by launching several media campaigns to advocate for new regulations and developing a first concrete policy proposal (Fassmann 2013a). In a joint position paper with the International Organization for Migration (IOM), the social partners argued that impending demographic changes and future labor market shortages necessitated a wholesale labor migration reform, centered around a points-based system as in Canada (IV, IOM and WKÖ 2008). Specifically, such a system was argued to enhance Austria’s international competitiveness by granting high-skilled immigrants and their spouses unrestricted labor market access and other rights not permitted by the quota system (IV, IOM and WKÖ 2008; Kraler 2011).

After the Austrian parliamentary elections in 2008, the employer associations urged the incoming governing coalition of the social-democratic SPÖ (Sozialdemokratische Partei Österreichs) and center-conservative ÖVP (Österreichische Volkspartei) to commit to a new immigration reform. The government consequently tasked the employer organizations alongside with major labor groups, the Trade Union Federation (ÖGB, Österreichische Gewerkschaftsbund) and the Austrian Federal Chamber of Labor (BAK, Bundesarbeitskammer), to develop a concrete proposal (interview, WKÖ official; Fassmann 2013a). While the labor unions were initially highly skeptical of the proposal, citing fears of wage competition and a
potential strain on social systems, they agreed to reform under the condition that additional domestic worker protection regulations would be implemented to avoid wage dumping (interviews, WKÖ and IV officials, think tank policy expert; Krings 2013).

The proposed points system, entitled the Red-White-Red Card (RWR Card), envisioned three quota-free tiers: skilled workers in shortage occupations with job offer in hand, high-skilled workers without a job offer, and “key workers” who had passed a labor market test, providing clear and fast transitions from temporary to more permanent residence permits for applicants and spouses alike (Sozialpartner 2010).

The social partners’ proposal was taken up and turned into a legislative draft by the governing parties in 2010. In contrast to the German proposal of a points system, however, the Austrian draft was far less politicized as it lacked sufficient party polarization despite a moderate level of issue salience. Austria’s largest parties, the social-democratic SPÖ and the conservative ÖVP, were generally committed to immigration reform, although with different ideas about its eventual form: The ÖVP saw itself as close to business and thus sympathetic to calls for fewer regulatory restrictions for companies, while the SPÖ emphasized the need for defined criteria to avoid mass immigration and wage competition (interview, Ministry of Interior official). While not opposed to the points system and high-skilled migration itself, the opposition parties, specifically the right-wing, anti-immigrant FPÖ (Freiheitliche Partei Österreichs) and the national-conservative BZÖ (Bündnis Zukunft Österreich), demanded greater restrictiveness in the eligibility criteria. The Green Party, in contrast, argued for even more progressive provisions,

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11 Although they recognized that skilled immigration could have overall positive effects on the economy, the ÖGB in particular was concerned with the general implications of increased labor migration for native workers, especially in anticipation of the general labor market opening to workers from the new EU member states in 2011 (interview, WKÖ official; Krings 2013).
particularly for spouses (interviews, Ministry of Interior and Ministry of Labor and Social Affairs officials; Fassmann 2013a).

Thus, parties essentially agreed that a points system should be pursued but disagreed on the details, indicating only a low degree of actor polarization (see Brug et al. 2015, 5-7). As one interviewee noted, “most of the conflict over the law took place among the social partners, not among the parties” (interview, Ministry of Interior official). Further, despite increasing issue salience of the topic of immigration over the course of the previous decade (see Meyer and Rosenberger 2015), the proposal initially received comparatively little public attention as key debates took place largely below the public political radar (interview, research institute policy expert; Fassmann 2013a).

Notably, the lack of politicization of the suggested Austrian points system was also shaped by the fact that it continued, to a certain degree, existing policy practices and was not as easily connected with issues of immigrant integration. First, the proposed points system continued previous Austrian policy of demand-driven migration by requiring a job offer under most tiers, except for highly skilled immigrants, as part of the eligibility criteria (interviews, research institute expert and Ministry of Interior official). This approach diverges from other points systems, such as that in Canada, where a job offer is a bonus but not a requirement to qualify for immigration. Furthermore, some interviewees argued that the proposal constituted a logical continuation of the old quota system, which already comprised discrete migration channels, merely now emphasizing qualifications over raw numbers (interviews, Ministry of Labor and Social Affairs official and research institute expert). The relative path dependence of the proposal decreased the extent to which it could be conceived as diverging significantly from the existing immigration paradigm.
Nonetheless, it must be emphasized that the introduction of a points system served a similar symbolic signaling function in Austria as it did in Germany, and thus bore the potential to trigger public fears that Austria would invite even more immigrants (interview, advisory body policy expert). To avoid backlash and critical scrutiny from a largely anti-immigrant public, therefore, the governing parties purposefully delegated policy work to the social partners, who negotiated largely behind closed doors (Krings 2013) and conducted the policy process rather swiftly in only five months (Kraler 2011, 42-43). Nor was the proposal’s potential to trigger public opposition lost on the employers (interviews, WKÖ official and think tank policy expert), who took care to communicate explicitly the extra-ordinary economic and demographic added-value of migration (see IV, IOM and WKÖ 2008). Although most labor shortages were perceived in manufacturing and service industry (interviews, IV official and think tank policy expert), the public justification of the new immigration system was consciously framed around high-skilled migration, which was expected to elicit less public opposition (interviews, WKÖ official, think tank and research institute policy experts).

Second, the decreased chance to elicit public opposition also affected the chances to meaningfully link the points system to issues of immigrant integration, despite being bundled along with regulations on integration and asylum in the Alien Rights Reform Act. On the one hand, issue linkage was difficult, as immigrant integration policy reform had preceded immigration reform in Austria. Under the previous right-wing ÖVP-FPÖ coalition government (2000-2007), Austria had passed new integration regulations referred to as Integrationsvereinbarung. This policy instituted mandatory German language proficiency before migration of family members as well as mandatory integration classes for newcomers (Kraler 2011, 47-49). In addition, the Alien Rights Reform Act of 2011 affirmed the importance of
German language proficiency by including and streamlining these requirements alongside the RWR Card. This development minimized the relevance of immigrant integration as an immediate hot-button topic that would offer an opportunity on which to politicize.

On the other hand, the radical right-wing opposition parties FPÖ and BZÖ did attempt to establish an issue linkage between integration and the points system but did so only to a limited extent. A content analysis of the 16 speeches delivered during the parliamentary debate reveals that the predominant criticism offered by FPÖ and BZÖ centered on the critique that gaining points to qualify for some tiers was too easy and open to scams (argument raised three times), and that the proposed waiving of mandatory language skills for high-skilled applicants and their spouses would undermine integration policy (raised four times) (Nationalrat 2011b). To a certain extent, this linkage unfolded negative spillover effects, as one interviewee highlighted: “the issue of required German language knowledge for spouses applying for family reunification was viewed very negatively. And in the wake of this the RWR Card was also negatively viewed” (interview, WKÖ official). Nonetheless, both employer associations and government politicians countered that generous admission and post-entry rights for applicants and spouses were crucial to make the card attractive (IV, IOM and WKÖ 2008; Kraler 2011; Nationalrat 2011a).

The resulting policy output, in form of the Alien Rights Reform Act in 2011, included the proposed RWR Card points system and outlined several different tiers for high-skilled workers, qualified workers in shortage occupations (regulated via a shortage list), and other “key workers” who had passed a labor market test and held a job offer with a minimum salary of 1.5 times the national average. In addition, for highly qualified immigrants, a job search visa for over 6 months was included. Workers entering under the scheme were exempt from mandatory

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12 Other, less frequently raised reasons for opposition included: “RWR Card will lead to lower wages for Austrian workers” [1], and “Current labor market situation does not require more foreign workers” [1].
language skills and could apply after only 12 months for an unrestricted work permit not tied to a specific employer (called the RWR+ Card), entitling them after five years to a permanent residence title. Notably, previous quotas and prior three-year waiting periods for family reunification were removed, and spouses were granted immediate work permits. However, except for high-skilled applicants, spouses had to have demonstrated basic German knowledge prior to migrating (interview, Ministry for Europe, Integration and Foreign Affairs official; Kraler 2011, 43; Krings 2013, 271). Notwithstanding the mostly demand-driven character of the points system, the Austrian case demonstrates a considerable liberalization of key admission and post-entry rights regulations.

While labor market actors in Austria appear to have been in a stronger position to influence HSI policy than in Germany, their inclusion in the policy process marked a discontinuity rather than continuity of past immigration politics. Since the 1980s, an increasing process of “parliamentarization” of migration policy had taken place that marginalized the social partners’ influence in labor migration policy (Kraler 2011, 52). The waning policy influence of unions, specifically, is evidenced by the 1994 labor migration law that established the quota regulation but reflected only few of the trade union demands (Kraler 2011, 32). This process was further accelerated by the rise of the FPÖ in 1992, which successfully mobilized public discontent over immigration and immigrant integration. Making immigration a key election issue during the late 1990s, the FPÖ pressured mainstream parties to advance immigration policy more actively and thus shifted immigration policy competences further from the social partners to the arena of parliamentary political contest (Kraler 2011, 30-31; Krings 2013, 264; Meyer and Rosenberger 2015, 33, 48).
The increasing marginalization of interest groups enabled the right-wing coalition government between the ÖVP and FPÖ to eliminate low- and semi-skilled worker channels altogether in 2002, instead expanding seasonal and short-term employment – against the explicit opposition of unions – while restricting residence permits and instituting mandatory German language proficiency and integration classes in 2006 (Kraler 2011, 36-38; Triadafilopoulos and Zaslove 2006, 177). The social partnership model only resurfaced after the SPÖ entered government again as part of the Grand Coalition (Krings 2013, 264, 69). This series of events suggests that even in countries with neo-corporatist policy-making tradition, interest group influence can be substantially curtailed by the politicization of immigration.

Discussion

The two case studies presented herein demonstrate that HSI policy reform was shaped by different dynamics. Whereas in Germany, the points system became the lynchpin of contention among political parties, in Austria, political parties disagreed rather on the details of a points system than on the need for such immigration reform itself. This absence of politicization enabled a greater influence of economic interests in policy making in Austria, whereas the presence of politicization in Germany critically weakened interest groups’ pro-liberalization efforts. Importantly, the case studies revealed that politicization depended on the success of linking HSI policy to adjacent, contentious immigrant integration issues. This issue linkage was importantly shaped by policy legacies, the timing of integration policy, and the strength of issue entrepreneurs. The proposed points system broke more radically with policy tradition in Germany than in Austria and thus opened up wider debates about the role of immigration and issues connected with it. Moreover, immigrant integration was a lingering and salient hot-button
issue in Germany, whereas in Austria, immigrant integration, although equally salient, was no longer an urgent issue, as it had been addressed under the preceding government. Lastly, in both instances, issue entrepreneurs in the form of right-wing opposition parties emerged that actively injected issues of immigrant integration into debates on HSI policy. However, while in Germany the CDU, as the largest opposition party, was able to severely weaken pro-liberalization arguments resting on economic benefits, in Austria, the FPÖ arguments mobilized integration concerns only to a limited extent and thus did not call into question the economic benefit narrative supporting policy liberalization.

Taken together, the results of the comparative analysis suggest that successful issue linkage to contentious policy issues is a sufficient but not necessary condition for the politicization of HSI. Politicization of HSI policy itself, however, is a necessary but not sufficient condition for HSI reform to fail, as successful liberalization of immigration policy also requires party control over strategic veto points, i.e. institutional opportunities where a specific share of party votes is needed to pass legislation, such as holding a majority of seats in the upper legislative chamber (Abou-Chadi 2016). This has been the case in Austria, where in 2010 the Grand Coalition dominated both lower and upper chambers, leaving smaller opposition parties such as the FPÖ and BZÖ considerably less power, but not in Germany, where the CDU/CSU held control over the upper chamber and was able to veto the points system proposed by SPD and Greens.

**Conclusion**

Under what conditions do political interests undermine economic interests in high-skilled labor migration policy? The cases of Germany and Austria demonstrate that HSI policy liberalization
was possible where the reform proposal was not successfully politicized by linking it to another contentious immigration policy area. In Germany, the connection to integration policy proved to be contagious to immigrant admission policy, specifically efforts to liberalize regulations for skilled and high-skilled immigrants. In Austria, notably, the policy could not be successfully linked to issues of integration policy, thereby enabling a greater influence of economic interests in policy-making. While this study focused only on cases in which labor market actors were in favor of liberalization, the study by Berg and Spehar (2013) suggests that political parties can find common ground for policy liberalization in cases where labor market actors are jointly opposed to liberalization.

This study’s findings contribute to an ongoing debate in high-skilled migration policy literature that challenges the dominant economic interest group politics framework (Kennedy 2019; Money and Falstrom 2006; Wright 2015). One the one hand, the findings demonstrate that even in countries with stronger interest group systems, HSI liberalization attempts can fall short of their stated aims if the politicization of HSI induces centrifugal political dynamics that weaken the position of labor market actors. On the other hand, the findings also suggest that variation in HSI policy appears to be importantly shaped by how arguments for and against liberalization can traverse and connect to other immigration policy domains.

This study also helps illuminate how the domains of immigrant admission and immigrant integration may relate to each other. While the politics of immigration literature has argued that immigrant admission and immigrant integration policy differ in their partisan logic (Duncan and Hecke 2008; Givens and Luedtke 2005; Hammar 1985; Money 1999), we know little about if and how these two domains interact or shape each other. While these potentially more complex relationships require further academic attention, the findings here suggest that issue linkages
between different policy areas can be constructed but require active political entrepreneurship. Once established, however, issue linkages can lead to substitutive relationships rather than complementary ones.

Finally, this study also offers wider implications. While governments may set out to attract the “best and the brightest” and manage migration more actively, the trajectory of HSI policy depend on whether political elites are able to separate it credibly from other issues connected to migration, or, as Wright (2013) suggests, convincingly signal restrictions in adjacent policy areas. However, difficulties in striking a balance between different domains of immigration policy and concomitant domestic tensions are not only prevalent among Western states, but also increasingly visible in new countries of immigration in Asia, such as China (Ding and Koslowski 2017). The degree to which HSI policy becomes meaningfully liberalized or follows a restrictive trajectory depends not only on economic demand and labor market politics but more and more also on how the wider field of immigration policy is handled. Thus, the fate of current debates over proactive HSI policy and the introduction of points systems in Germany (2018), but also in the UK and the US (as of 2019), will also be increasingly shaped by the politicization of immigration writ large.
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