

**EU migration and welfare benefits:  
Is unrestricted labour immigration compatible  
with an inclusive welfare state?**

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## Can't have both?

“...it is one thing to have free immigration to jobs, it is another thing to have free immigration to welfare, and you cannot have both. If you have a welfare state, if you have a state in which every resident is promised a certain minimum level of income or a minimum level of subsistence regardless of whether he works or not, produces it or not, well then it really is an impossible thing.” (Milton Friedman 1978)

“ ...the relatively free movement of labor across national frontiers exposes the tension between closed welfare states and open economies and that, ultimately, national welfare states cannot coexist with the free movement of labor.” (Gary Freeman 1986)

# Key features of labour immigration policies in high-income countries (Ruhs 2013)

- Greater openness toward skilled migrant workers
- More rights under skilled labour immigration programmes
- Trade-offs between openness and some rights (esp. social rights)

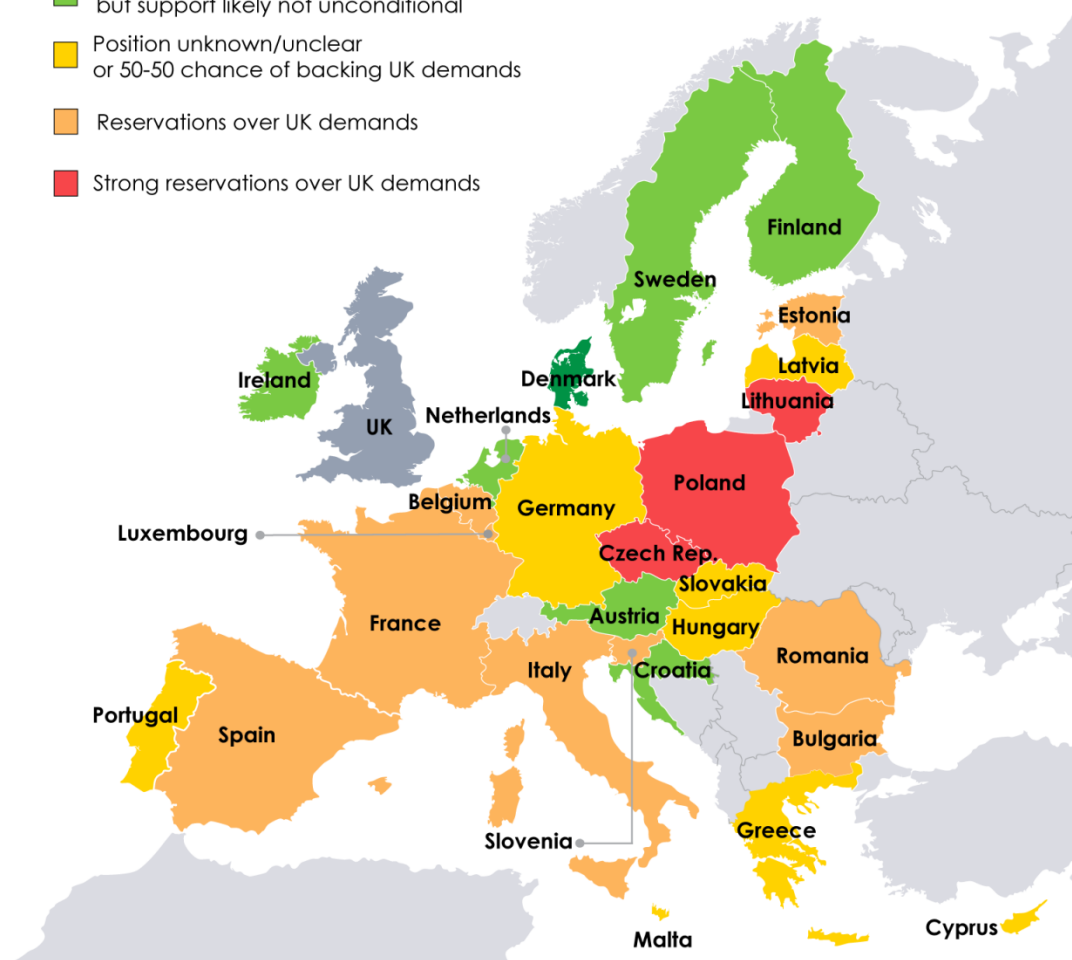
Free Movement in Europe:  
Unrestricted labour immigration and  
equal access to the welfare state (for “workers”)



# The changing politics of free movement ...

## Limiting EU migrants' access to welfare

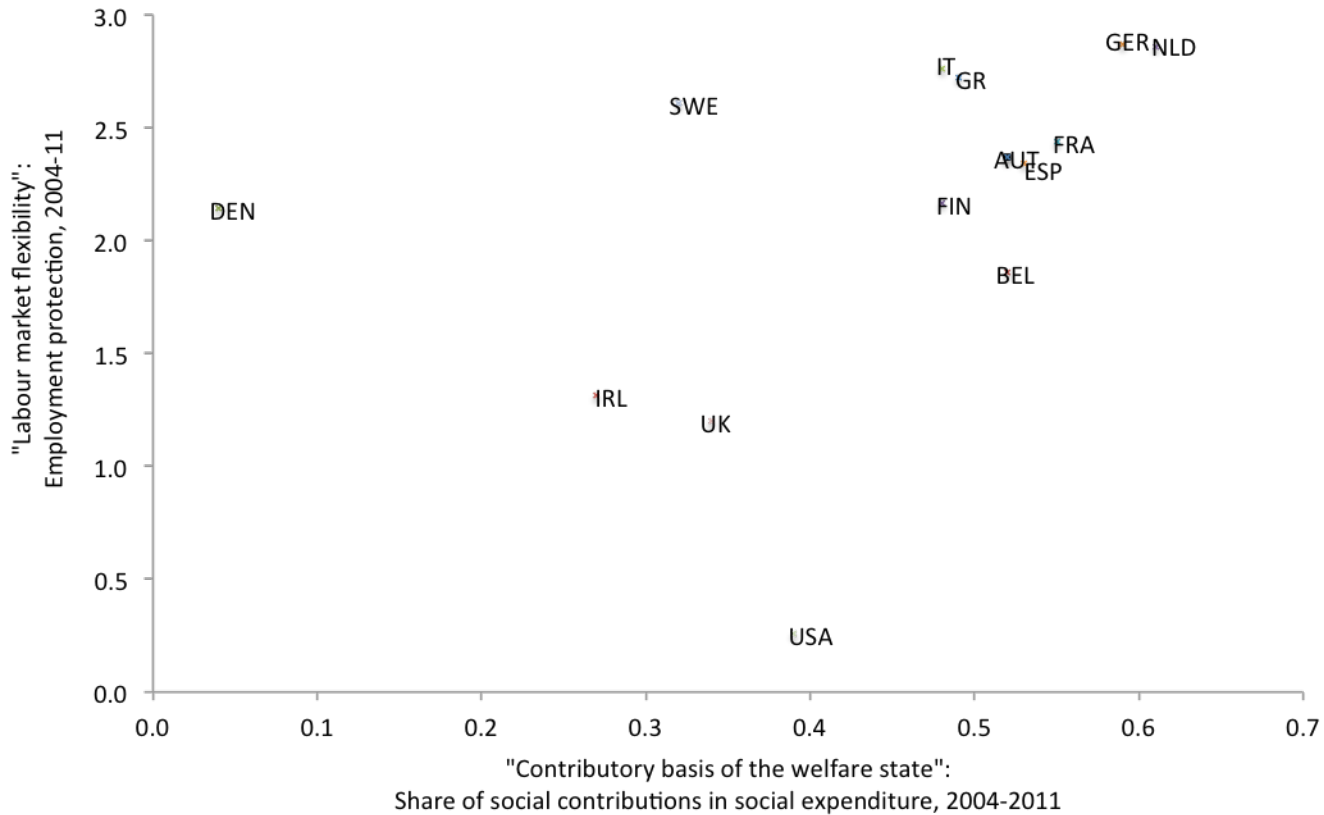
- Very likely to back UK demands
- Sympathetic to UK demands, but support likely not unconditional
- Position unknown/unclear or 50-50 chance of backing UK demands
- Reservations over UK demands
- Strong reservations over UK demands



## Argument:

- Flexibility of labour markets affects scale of labour immigration (e.g. UK-Sweden comparison)
- Nature of welfare state shapes fiscal effects of immigration

Figure 2: Employment protection and social spending through social contributions in selected EU15 countries and the United States, average for 2004-2011



Notes: "Employment protection" refers to OECD data on "Protection of permanent workers against individual dismissal" (EPRC). A higher protection score implies less labour market flexibility; "Social contributions" are based on OECD data on "actual social contributions". "Social expenditure" includes public and private mandatory social expenditure. A higher share of social contributions in social expenditure indicates a more contributory welfare system.

Source: Ruhs 2015

**Table A3** Views about qualification period for full welfare benefits,  
by overall views about impact of immigration on Britain

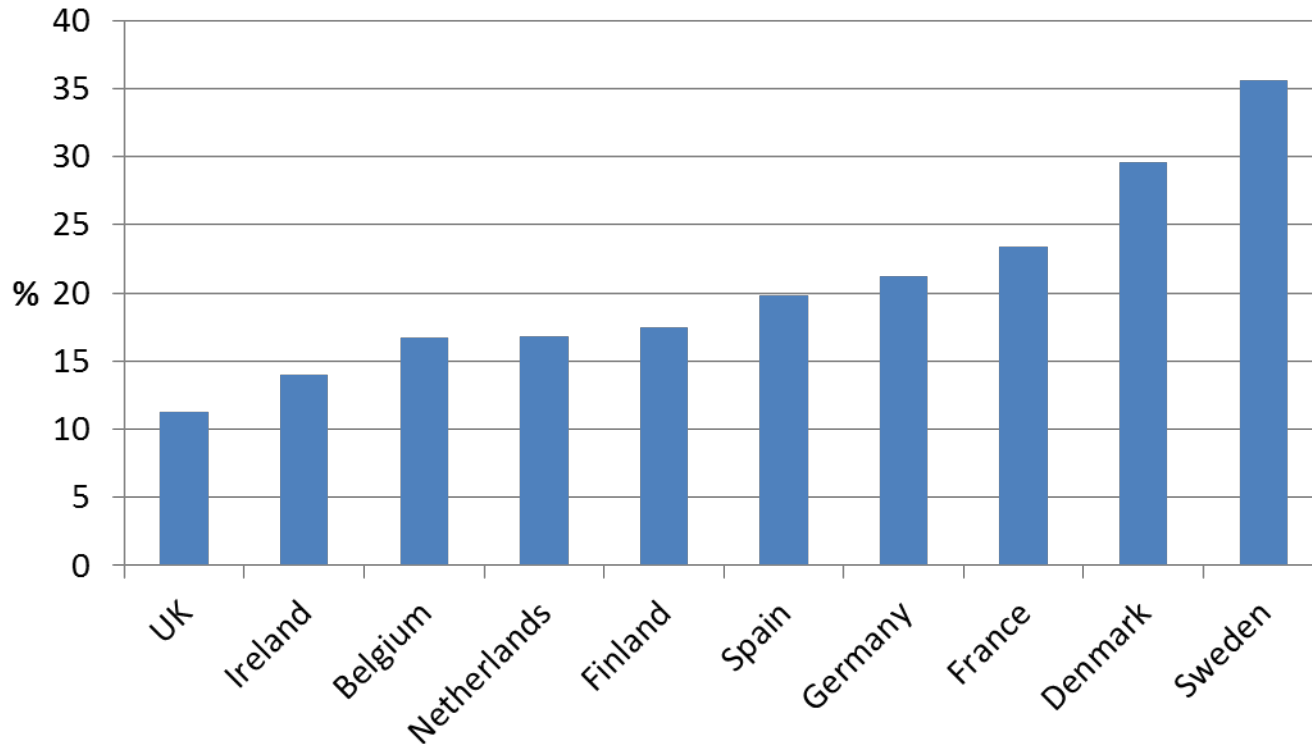
	View of the overall impact of immigration				All
	Positive	Neutral	Somewhat negative	Strongly negative	
<b>EU migrants</b>	%	%	%	%	%
Immediately	27	13	8	4	14
After 1 year	29	19	25	14	23
After 3 years	24	28	25	19	24
After 5 years	12	23	28	25	21
After 10 years	4	9	8	19	9
Never	2	5	4	19	6
Don't know	1	3	2	1	1
<i>Open (1 year/immediate)</i>	56	32	33	18	37
<i>Restrictive (5 years or more)</i>	18	37	40	63	36
<i>Net open-restrictive</i>	+38	-5	-7	-45	+1
<i>Weighted base</i>	544	260	479	319	1602
<i>Unweighted base</i>	505	261	496	341	1603
<b>Non-EU migrants</b>	%	%	%	%	%
Immediately	23	15	7	3	13
After 1 year	23	25	19	8	19
After 3 years	26	23	28	17	24
After 5 years	20	16	25	29	22
After 10 years	4	9	13	19	10
Never	1	8	7	24	9
Don't know	2	4	1	1	2
<i>Open (1 year/immediate)</i>	46	40	26	11	32
<i>Restrictive (5 years or more)</i>	25	33	45	72	41
<i>Net open-restrictive</i>	+21	+7	-19	-61	-9
<i>Weighted base</i>	544	260	479	319	1602
<i>Unweighted base</i>	505	261	496	341	1603

*The net open-restrictive score (in italics) may not always reflect the percentage figures in the table, due to rounding*

Source: Ford, R. and A. Heath 2014, British Social Attitudes 31, chapter 6 (page 90) in Park, A., Bryson, C. and Curtice, J. (eds.) (2014), *British Social Attitudes: the 31st Report*, London: NatCen Social



When should immigrants obtain rights to social benefits/services?  
“Immediately upon arrival” or “after one year (whether or not have worked)”



Source: European Social Survey 2008

# Implications for domestic policy debates: Does “it” matter, and why?

Key factors:

- Determinants and processes of policy-making (interests, institutions, ideas, costs/benefits, role of public opinion etc.)
- Generosity of the welfare state
- Fiscal and other economic impacts of immigration
- National policy debates and implications for citizens
- Inter-relationship between policies on migration, trade , investment etc. (i.e. “policy package”?)
- “National effects” or “collective effects” (UK vs Ireland?)

# Policy options

Policy responses to Britain's situation (not mutually exclusive):

- restrict EU immigration
- **restrict EU migrants' access to welfare state**
- make Britain's labor markets less flexible
- make Britain's welfare state more contributory (and/or reduce “generosity”)

Key Q: In whose interests? EU as a whole vs national interests?

# Restricting EU workers' access to in-work benefits?

## **“No” because :**

- “Not legal/feasible” – debatable (to a degree)
- “Welfare benefits not major pull factor” – I agree
- “not much money” – perhaps, subjective (to a degree)

## **“Yes” because:**

- Institutional differences (esp. labour markets and welfare states) associated with cross-country differences in:
  - Scale of labour immigration (labour market flexibility)
  - Net fiscal costs of labour immigration (nature of welfare state)
  - social norms about basis of welfare redistribution
  - Implementation of “contributory principle” for newcomers; perceived “fairness” → public support
- EU ms not all equally “European” (or just the UK?)

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Table A7 Taxes and benefits of married couple with two children, first earner is paid 50% of average wage (AW), second earner not working, 2013  
PPP US\$)

	Average Wage	Gross Income (50% of AW)	Housing Benefits	Family Benefits	Social Assistance	In-work benefits	Total benefits	Income Tax	Social Contributions	Total tax	Net Income
<u>Austria</u>	49,929	24,964	3,836	5,190	119	0	9,145	261	4,508	4,769	29,342
<u>Belgium</u>	54,349	27,175	0	3,956	0	0	3,956	78	2,307	2,385	28,747
<u>Denmark</u>	51,299	25,649	1,654	3,548	24,009	0	29,211	14,266	1,554	15,819	39,041
<u>Finland</u>	45,438	22,719	4,669	2,830	2,992	1,834	12,326	4,411	1,690	6,101	28,943
<u>France</u>	43,304	21,652	3,020	2,248	3,384	0	8,652	1,728	2,988	4,716	25,587
<u>Germany</u>	56,582	28,291	3,448	9,970	0	0	13,418	152	5,706	5,858	35,851
<u>Greece</u>	32,447	16,223	0	3,245	0	0	3,245	295	3,213	3,508	15,961
<u>Ireland</u>	39,945	19,972	0	3,759	0	10,981	14,740	557	0	557	34,154
<u>Italy</u>	39,525	19,763	0	4,079	0	0	4,079	0	1,875	1,875	21,966
<u>Netherlands</u>	58,339	29,169	4,133	3,916	0	0	8,048	948	5,400	6,348	30,870
<u>Portugal</u>	29,898	14,949	0	1,237	0	0	1,237	0	1,644	1,644	14,542
<u>Spain</u>	38,275	19,137	0	856	0	0	856	0	1,215	1,215	18,778
<u>Sweden</u>	45,201	22,600	2,179	3,065	0	1,593	6,837	4,620	1,578	6,198	23,240
<u>United Kingdom</u>	50,116	25,059	4,581	11,053	0	173	15,807	2,314	1,677	3,991	36,873
<u>United States</u>	48,774	24,387	0	0	3,024	5,356	8,380	-1,529	1,866	337	32,430
EU14 (excl. Lux)	45,332	22,666	1,966	4,211	2,179	1,041	9,397	2,116	2,525	4,642	27,421

Source: OECD Tax and Benefits database, 26 May 2015 (PPP Conversion Factors taken from World Bank)