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

The free movement of workers is one of the fundamental freedoms of the European Union (EU). It gives citizens of EU countries the right to move freely and take up employment in any other EU country and – as long as they are “workers” – the right to full and equal access to the host country’s welfare state.

This combination of unrestricted intra-EU migration and equal access to national welfare states for EU workers is an important exception to the tension and trade-off between immigration and access to social rights that characterizes the labour immigration policies of most high-income countries (including many European countries’ policies for admitting workers from outside the EU, see Ruhs 2013).

EU member states have in recent years been engaged in a highly divisive political debate about the sustainability of this ‘EU exceptionalism’ in the future. A group of member states, most notably the UK but also including Denmark and the Netherlands, have called for more restricted access for EU workers to welfare benefits. At the same time, some other member states and the European Commission have expressed their scepticism and, in some cases, outright objection to calls for reforming free movement insisting that the current policy of unrestricted access to labour markets and full and equal access to welfare states for EU workers must continue.

The current debates about the future of free movement raise a number of important research questions: What explains the shifting domestic politics of free movement across

different EU countries? Why are some member states much more concerned about the EU’s “exceptionalism” with regard to immigration and access to the welfare state for EU workers than others? And what are the implications for the political sustainability of the current rules for free movement in the future? To address these questions, a wide range of factors would need to be considered including differences relating to institutions, interest groups, ideas, socio-economic conditions and public opinion as well as variations in policy-making processes across different EU member states.

My recent COMPAS working paper (Ruhs 2015) – which is the first output of my larger research project on EU migration, labour markets and welfare states – makes a first contribution to this new research agenda. It focuses on two key factors that, I argue, can help explain the scale and economic effects of EU immigration as well as potentially explain the differential policy concerns about free movement across EU member states. These two factors are the nature of the national labour market and the type of the national welfare state, both of which vary considerably across different EU member states.

In a free movement area with unrestricted labour migration across countries, the nature of the labour market plays an important role in shaping the scale of immigration in particular countries. More flexible labour markets tend to attract more migrant workers, especially for employment in lower-waged jobs, than more regulated labour markets. At the same time, the nature of the welfare state, especially the extent



to which it provides non-contributory benefits, impacts on the net fiscal contribution that new migrants make. In countries with welfare systems characterized by a high share of non-contributory benefits, low-skilled immigration will, *ceteris paribus*, create a smaller net fiscal benefit (or greater net loss) than in countries with welfare states that include a greater share of contributory benefits, at least in the short run.

The key argument at this stage of my research project is a conceptual one: in countries that have both a relatively flexible labour market and a relatively non-contributory welfare state (and the exploratory empirical analysis in Ruhs 2015 suggests that this is the case in the UK and Ireland) ‘free movement’ can generate specific fiscal costs and economic tensions that are not present, at least not to the same degree, in countries characterised by more regulated labour markets and/or more contributory welfare states. These specific costs and economic tensions have the potential to undermine the domestic political support for the free movement of EU workers, thus threatening the political sustainability of the current rules for intra-EU migration among the 28 member states.

Whether and to what extent this potential threat results in actual political pressure for policy change in countries with relatively flexible labour markets and relatively non-contributory welfare states depends on a range of factors related to the domestic politics of immigration. I argue that a key factor is whether, and to what degree, it is possible for national policy-makers to justify and defend the current rules for free movement based on the “collective impacts on the EU as a whole” (i.e. in terms of the impacts on all EU citizens as a group) rather than just (or primarily) in terms of the “national” effects for their citizens.

If there is widespread agreement within the domestic policy spheres of EU member states that the primary (or at least an important) aim of free movement is to maximize the net benefits

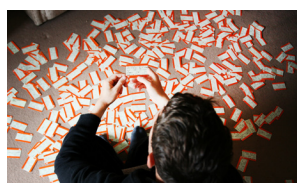
for the EU as a whole (i.e. for all EU citizens), the relatively greater costs incurred from immigration by selected member states, especially those with flexible labour markets and less contributory welfare states, will be less important as these costs will be easily offset by the very large gains that employment abroad generates for EU migrants and their families. It is not unreasonable to hypothesise that Ireland may be an example of this approach. Despite its similarity to the UK in terms of labour market flexibility and contributory basis of the welfare state, Ireland has not been among the most vocal advocates for reforming the current rules for free movement.

If, on the other hand, there are strong domestic political pressures to increase the net benefits from free movement for individual member states – as it is currently the case in the UK – the tension between unrestricted immigration and equal access to the welfare state can become a problem that threatens the political sustainability of free movement. My own assessment (which is necessarily subjective and surely influenced by the fact that I have been an EU migrant in EU-sceptical Britain for the past 20 years!) is that, to be politically sustainable in the long run, EU laws and policies need to take more and not less account of (variations in) their national effects for individual member states.

#### Key references:

- Ruhs, M. (2015) Is unrestricted immigration compatible with inclusive welfare states? The (un)sustainability of EU exceptionalism’, COMPAS Working Paper No. WP-15-125, COMPAS, Oxford.
- Ruhs, M (2013) *The Price of Rights: Regulating International Labor Migration*, Princeton University Press, [www.priceofrights.com](http://www.priceofrights.com)

**About the speaker:** Martin Ruhs is Associate Professor in Political Economy at the Oxford University Department for Continuing Education, and a COMPAS Affiliate.



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