



# Changing European Welfare States and the Evolution of Migrant Incorporation Regimes

Background paper reviewing welfare  
state structures and reform dynamics in a  
comparative perspective

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Background paper reviewing welfare state structures and reform dynamics in a comparative perspective<sup>i</sup>

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### Abstract:

This paper aims to outline the core features and cross-national differences of the welfare state structures of Germany, the Netherlands, Spain and the United Kingdom. Based on a comparative analysis of welfare state reform processes of the countries under review over the past two decades, the paper gives a broad overview of migrants' social rights in light of changing welfare states and migration dynamics across the EU.

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# Glossary

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Beveridgean welfare states	Focus on poverty prevention through tax-financed and means-tested assistance. Benefits are less generous, flat-rate provisions available to the entire population, and thus tend to be more inclusive. Examples include the United Kingdom, Ireland and Scandinavian countries.
Bismarckian welfare states	Characterised by an objective for income maintenance through social insurance that is linked to employment through contributions. While benefits are earnings-related and may be generous, the coverage is generally more exclusive. Examples of countries include not only Germany and the Netherlands, but also countries such as Belgium, Luxembourg, France and Italy.
Distributive recalibration	Concerns the re-balancing of welfare provision across policy clienteles and organized interests.
Functional recalibration	Refers to the changing nature of social risks against which the welfare state aims to protect.
Institutional recalibration	Concerns reforms in the design of institutions, the assignment of roles and responsibilities, levels of decision-making, rules of the game of policymaking, and the responsibilities of states, markets, communities, families, and interest associations.
Normative recalibration	Involves the changing normative orientations underpinnings, values, symbols, and discourses of social policy
Social assistance	Means-tested and tax-funded social benefits.
Social insurance	Benefits that are funded through contributions made employees and/or employers.
Welfare state recalibration	Refers to the social reforms that have taken place over the past two decades in which welfare states have changed not as static models, but as open and dynamic systems in the processes of evolutionary social and economic reconfiguration.

# 1. Changing welfare states and migration dynamics

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Immigration has become a key feature of western European political economies since the end of World War II. Especially after 1960, ethnic heterogeneity increased in European states as the result of a large influx of labour migrants from southern Europe, Turkey and Northern Africa. Guest-workers programmes were established, for example in Germany and the Netherlands, to satisfy the growing demands of Western European economies with cheap labour. In the United Kingdom (UK) and France, favourable migration policies were aimed particularly at attracting citizens from former colonies to meet the labour demands of the post-war economic boom.

Concurrently, as European welfare states expanded during the golden age of the welfare state, social policy was directed towards the needs of ethnically homogenous populations. Migrants were perceived as “birds of passage” (Piore, 1979), and given only restricted social rights on the basis that they were expected to soon return to their native countries. Young European welfare states and their social policies were largely ignorant to the growing influx of non-native residents, who paid contributions and taxes, but who were presumed to not demand access to benefits. However, after the oil crisis of the early 1970s, European countries halted their labour migration programmes, and following the subsequent crisis of stagflation, massive industrial restructuring took effect across the expanding European Union (EU). This particularly threatened low-skill migrant male production workers, many of whom lost their jobs. Moreover, against expectations, most foreign labourers did not repatriate to their native countries; on the contrary: non-native workers wished to stay in their host countries and reunite with their families. Aided by changing public opinion in Europe and the proactive role of domestic and regional judicial bodies in upholding the rule of law, the social status of migrants was changing: domestic legal systems began reflecting changing perceptions of equality, non-discrimination and human rights (van Walsum, 2008; Ryner, 2001; Guiraudon, 2001). This made not only the expulsion of non-national citizens difficult, but also extended some social rights such as access to welfare benefits and services to residents independent of citizenship status. A new group of ‘denizens’ emerged, who enjoy extensive social and sometimes political rights that are normally attributed to citizens, but who remained non-citizens (Hammar, 1990). It was no longer citizenship, but residence status

that formed the basis for social rights, which could be acquired by foreigners much more quickly and easily than political rights. This also applied to third country national migrants, who were allowed to establish and re-unify with their families in host countries as the right to family, and hence to family unification, became constitutional law under the legal primacy of the single market (Emmenegger and Careja 2012; see also Mole, 2013). A further group of migrants - asylum seekers and refugees - increasingly contributed to the flow of immigrants into European countries, particularly in the 1990s, and it became clear that social policy was no longer appropriate in both presuming the existence of, and providing largely for, a homogeneous population.

Additionally, labour market integration policies in general have proved increasingly unsatisfactory since the 1990s, and EU welfare states have since truly been struggling to find adequate responses to important changes in their policy environments. These changes, though linked to issues of migration and migrant integration, run far deeper than those policy issues alone. Five sets of socio-economic changes – exogenous, endogenous, historical, supranational and political– have transformed the policy environment of modern social policy over the past decades:

1. *From outside*, intensified international competition has come to challenge the redistributive capacity of national welfare states.
2. *From within* European societies, increased life expectancy, declining birth rates, gender and family change, the shift from an industrial to a service economy, more skill-biased labour markets, the de-standardization of employment relations and the rising demand for health and long-term care services, confront the welfare state with ‘new social risk’ and life course contingencies in the new “post-industrial” economy.
3. *From the past*, large public resources continue to be directed at ‘old social risks’, including unemployment insurance, sickness and disability benefits and, especially, old age pensions. In an era of *relative austerity* and slower economic and productivity growth, prior extensions of welfare entitlements, together with increased fiscal pressure, crowd out the policy space for social policy innovation addressing ‘new’ risks.
4. At the *supranational* level, the European Union, an institutional innovation, just like the modern welfare state, of the post-war era, has emerged as a critical intervening variable

in domestic processes of welfare state change. It is fair to say that in the EU we have entered an era of semi-sovereign welfare states.

5. The final challenge relates to the precarious *political context* of early 21<sup>st</sup> century Europe, marked by increased electoral volatility, the erosion of party loyalties, and the rise in national *welfare chauvinism*, associated with mounting xenophobic populism.

Migration dynamics in European welfare states are interrelated with many of the above mentioned adaptive challenges and are confronted with conflicting and polarised narratives (as it has been in the past, see Guiraudon, 1998). On one hand, the combination of a demographically ageing society and a contracting workforce implies that Europe will require attracting new workers as well as activating groups underrepresented in the labour market - including immigrants and ethnic minorities, alongside older workers, women, the low-skilled, and those with caring responsibilities - in order to overcome future skill and labour shortages. On the other hand, immigration has become closely associated with problems of faltering cultural integration among migrants in many European countries, especially in the aftermath of the attacks of 11<sup>th</sup> September 2001 (Alesina and Glaeser, 2004; Banting and Kymlicka, 2006; Boeri, 2010). In addition, migrants are increasingly accused of abusing the welfare state and profiting from its benefits without deserving it (Emmenegger and Careja 2012). Economic tightening and austerity measures following the 2007 financial crisis will only exacerbate these tensions and conflicting narratives characterizing migration in European welfare states.

Together with worldwide competition, industrial outsourcing and large-scale immigration, intensified European integration is believed to undermine the economic and social security once guaranteed by the welfare state (Ferrera, 2005). A narrative of “welfare paradise lost” has been closely associated with a sense of powerlessness and social anxiety about large-scale immigration. To what extent such problems create threats to social policy protection remains a matter of increasing debate (cf. Mau and Burkhardt, 2009; Burgoon, Koster, and Van Egmond, 2012). Political conflicts surrounding immigration and welfare restructuring seem to have triggered a kind of “racialization” of social citizenship (Castles and Schierup, 2010; Van Hooren, 2011). The new divide is rapidly becoming one of “undeserving” immigrants and minorities pitted against “deserving” nationals who are bearing the brunt of welfare retrenchment under the pressures of globalization.



As welfare provision incurs both inclusion and exclusion dynamics for different groups and cohorts, including migrants, assessment of changing welfare states in terms of inclusion/exclusion is of paramount importance. The central focus of this paper is to outline the cross-national differences in (changing) welfare architectures of four EU member countries (Germany, the Netherlands, Spain and the UK) in general, and their dynamics of social policy change in particular. Specifically, we will examine the effect that these changes have had for migrants in general and for labour migrants, their families, and their descendants. In conclusion, we attempt to assess whether welfare reform dynamics have changed the material life chances of labour migrants and foreign-born citizens entering to form new, or reunite with, their families. The general guiding question underlying the paper is: To what extent have welfare reforms across the UK, Germany, the Netherlands and Spain contributed to or hampered the inclusion of target groups, especially labour migrants, their families and descendants in subsequent generations?

We proceed in five steps. We begin by discussing Europe's heterogeneous welfare regimes typologies in section 2, which also introduces the theoretical lens of welfare recalibration, highlighting four key dimensions—functional, distributive, normative, and institutional – which allows to diachronically analyse the complex ways in which modern social contracts have been redrafted. We then look more closely, in sections 3 to 5, at recalibration policy strategies adopted across the Anglophone welfare state of UK, the Continental welfare states of Germany and the Netherlands, and finally Spain as a Southern European welfare state. By diachronically tracing processes of welfare recalibration along the four key dimensions of functional, distributive, normative, and institutional recalibration, we hope to ascertain the complex ways in which modern social contracts have been redrafted in these four EU countries and to assess the impact this has had on immigrants. In conclusion, section 6 devotes attention to the question of whether, over the past decades of structural change, different welfare states have responded differently to immigration. It considers whether they have grown further apart in the way they have opened up to migrant groups, and whether apparent regime specific “exceptionalisms” have been somewhat abated through long-term social reform in the face of intensified regional mobility, de-industrialization, high unemployment, and more fundamental gender and family demography changes.



## 2. Theoretical Perspective: welfare recalibration of inclusion and exclusion in welfare states

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In order to answer the questions posed above, a brief theoretical background on the different welfare state systems is necessary. While the four countries under review (Germany, the Netherlands, Spain and the UK) are confronted with similar social-economic challenges outlined above, these welfare states do differ in terms of development, policy design, and institutional makeup. First of all, we should distinguish two broad historical policy legacies to social inclusion: the “Bismarckian” tradition of social insurance, found in particular in Continental Europe, and the “Beveridgean” tradition of social assistance and service provision, which is present in different forms in the Anglophone and Scandinavian countries. While the Southern countries incorporated much of the Bismarckian tradition, these welfare states also include distinct Beveridgean characteristics, for example with respect to healthcare.

Two features of institutional differentiation stand out in the Bismarckian and Beveridgean policy legacies, affecting elements of universalism and generosity. The Bismarckian social insurance tradition has been highly effective in securing generous social protection for core male breadwinner industrial workers, but it has a far less effective track record with respect to providing basic economic security for those on the margins of the labour market, notably women, young people, older workers and some groups of migrants. Workers with unstable fixed term contracts, part-time employees, and those with short employment records (including labour market entrants), while being covered by social insurance, may only be able to draw very limited social benefits due to the close link between employment-related contributions and benefits. Hence, Bismarckian social insurance welfare systems tend to be more exclusive. While in Beveridgean policy legacy, each (native) citizen is equally protected through a basic social safety net, in terms of generosity, stringent means-tests may oblige households affected by economic hardship to fund their own support. In both systems, the “quality” of social inclusion of different status groups surely do not coincide, but in general those most affected by economic dislocation are the least protected.

**Table 1 Core principles of welfare regimes**

	<b>UK</b>	<b>Netherlands &amp; Germany</b>	<b>Spain</b>
<b>Welfare regime type</b>	Anglophone	Continental	Southern
<b>Core values</b>	Equality of opportunity (needs based social support)	Status preservation (equivalence principle)	Status preservation and differentiation
<b>Objective</b>	Poverty alleviation	Income maintenance	Income maintenance
<b>Social rights</b>	Residual entitlements	Employment based entitlements	Insider biased entitlements
<b>Employment</b>	Liberal work ethic (self-reliance)	Ambiguous work ethic (differences between Catholicism, Lutheranism and Calvinism)	Weak work ethic
	Full employment	Full male employment	Full male employment
<b>Gender</b>	Family servicing as private matter (neutral)	Nuclear family as cornerstone of society	Extended family as core welfare provider
<b>Basis of entitlement</b>	Need	Work/family needs	Insider/family needs
<b>Responsibility</b>	Individual	Collective	Collective

Source: Hemerijck (2012)

We can further distinguish types of welfare states. The rich literature on ‘worlds’ or ‘families’ of welfare states, dating back to the 1980s, has revealed how key policy and institutional variables are systematically related to one another, producing distinctive clusters of ‘social Europes’, pioneered by the work of Gøsta Esping-Andersen (Esping-Andersen 1990; Castles and Mitchell 1993; Korpi and Palme, 1998; Scharpf and Schmidt, 2000a and b; Schmid, 2006; Ferrera, Hemerijck and Rhodes 2000; Ferrera and Hemerijck, 2003; Hemerijck and Ferrera 2004; Ebbinghaus and Manow, 2001; Hicks and Kenworthy, 2003; Castles and Obinger, 2008; Arts and Gelissen, 2002; 2010; Hemerijck 2013). Table 1 and 2 provide an overview of the different welfare systems including the Continental (e.g. Germany

and the Netherlands), the Southern European (e.g. Spain), and the Anglophone (e.g. UK) types, paying attention to the core principles, as well as their policy legacies, institutions and instruments.<sup>ii</sup>

**Table 2 Policy legacies, institutions and instruments of welfare regimes**

	<b>UK</b>	<b>Germany &amp; The Netherlands</b>	<b>Spain</b>
<b>Social security</b>	Meagre transfers (means-tested and targeted) residual services	Social insurance financed high (contribution contingent) transfers (long duration)  Separate public social assistance	Social insurance financed fragmented transfers (long duration)  No additional safety net
<b>Labour market policy/ regulation</b>	Labour market deregulation	Strong job protection, no active labour market policy	Strong job protection, no active labour market policy
<b>Family support</b>	Neutral	Passive, but generous	Passive, but limited
<b>Beneficiaries</b>	Poor	Male breadwinners	Labour market insiders
<b>Actors in provision</b>	Central role market in welfare provision (state residual, but with a monopoly over benefit provision and activation)	State secondary to the social partners (tripartism) and nuclear family (subsidiarity) Intermediary groups	Central role extended family (state rudimentary) Voluntary (church) organizations
<b>Industrial relations</b>	Decentralized labour relations	Sectorally-inclusive labour relations (wide coverage)	Politicized sector- and firm-based labour relations (fragmented coverage)

Source: Hemerijck (2012)

## 2.1 The ‘double-edged’ sword of welfare inclusion and social exclusion

Welfare provision indeed is a “double edged” sword. The prime objective of all European welfare states is social inclusion in the sense of materially substantiating the material life of

citizens of the nation state through social rights. But inclusion always implies an element of exclusion of social groups and categories that do not fall under selected target groups. The different typologies of welfare regimes have significant bearings on determining the extent of social rights of those living within a state, and the level of inclusion of different groups into social systems. For example, regimes relying on means-tested benefits, are mainly targeted to a very limited clientele of the neediest.

In addition to these stratifying effects of different regime types, a second dimension impacts the inclusion and exclusion particularly relating to immigrant groups across all regime typologies: the policies, rules and norms governing entry into a country, acquisition of citizenship and different types of residence status. These incorporation or integration regimes, as Diane Sainsbury (2012) labels these immigration-related policies, stratify newcomers into different categories. Building on Yasemin Soysal's work (1995), she aptly defines 'incorporation regimes' as: "...the rules and norms that govern immigrants' possibilities to become a citizen, to acquire permanent residence, and to participate in economic, cultural and political life" (2012; 16). While it is no longer nationality, but legal residence, as Sainsbury highlights, which forms the basis of social rights, incorporation regimes are integral to determining newcomers' social rights and access to the welfare state. Welfare reforms, as will be revealed in this paper, impact on the life chances of immigrants through the changing boundaries of social rights and access to welfare provision. Welfare state change, moreover, has different effects for different migrant categories, including labour migrants, family migrants, asylum seekers and refugees. In our survey review, we focus most explicitly on the impact of welfare reform on labour migration and in its wake, family unification. National values and attitudes, policies and rules that affect welfare regimes are not static, but differ between countries and over time, influenced for example by public opinion, national identity, historic legacies, domestic needs and supranational regulations. Therefore, analysing the new contours of migrant incorporation regimes requires a focus on how relevant welfare reforms impinge on migrants' social rights in terms of inclusion and exclusion through social rights extension and contraction (Sainsbury, 2012: 135).

## 2.2 Welfare recalibration

Before continuing with the country sections, let us first elaborate on the concept of welfare recalibration. The social reform momentum of the past two decades is best captured as a *search for a new welfare state*. This search process remains incomplete, resulting from the institutionally-bound and contingent adaptation to new social realities. Welfare state change is a work in progress, leading to patchwork mixes of old and new policies and institutions, on the lookout perhaps for more coherence. This should not surprise us. The post-1945 modern welfare state was not built from scratch. Key differences between European welfare states find their origins in the remnants and legacies of earlier episodes of social policy experimentation in late nineteenth and early twentieth century.

Welfare states are complex systems, whose goals, functions, and institutions change over time, however slowly and incompletely. In the current period, changing welfare states necessarily follow trajectories of post-formative path-dependent transformation and innovation. For this reason, it is imperative to study the politics of changing welfare states, not as models, but, more dynamically, as open systems caught up in processes of evolutionary social and economic reconfiguration: welfare recalibration (Ferrera, Hemerijck, Rhodes, 2000; Ferrera and Hemerijck, 2003; Hemerijck and Ferrera, 2004). Welfare recalibration is theoretically conceptualized as a *system-wide search* for a new, economically viable, politically feasible, and socially acceptable profile of social and economic regulation. Welfare recalibration highlights four key dimensions (see Hemerijck 2013):

1. *Functional recalibration*; concerns the changing nature of social risks
2. *Distributive recalibration*; concerns the re-balancing of welfare provision across policy clienteles and organized interests.
3. *Normative recalibration*; involves the changing normative orientations underpinnings, values, symbols, and discourses of social policy
4. *Institutional recalibration*; concerns reforms in the design of institutions, the assignment of roles and responsibilities, levels of decision-making, rules of the game of policymaking, and the responsibilities of states, markets, communities, families, and interest associations.

The four-dimensional heuristic of welfare recalibration is meant as an open institutional template for diachronically analysing the complex path-dependent ways in which post-war social contracts, beyond core programmes of social insurance, have been redrafted over the past twenty years. The effect such changes have had on migrant inclusion and exclusion may be particularly evident with respect to distributive and normative welfare recalibration. In analysing the three different welfare regime types (Anglophone, Continental and Southern), particular attention is paid to the following key dimensions of welfare regimes:

1. Basis of welfare funding: are benefits and services financed out of taxation, social contributions or private contributions?
2. Actors in provision: who plays the principle role in welfare provision? What is the balance in provision between the state, the market, civil society and the family? How are responsibilities distributed across different tiers *within* the state (national, regional/provincial/local) and have there historically been tensions between these tiers in relation to their responsibilities?
3. Basis of entitlement: are they contributory, means-tested or universal? To what extent have labour market status, citizenship, long term residence and/or migration status been factors in determining eligibility (both historically and currently)?
4. Historical legacies: how and why have the existing welfare frameworks developed in the way they have? What are the historical, ideological and political drivers?

## 3. United Kingdom

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### 3.1 Anglophone welfare regime

Ideologically, the United Kingdom, which together with Ireland is part of the Anglophone welfare regime, is based on the core principles of equality of opportunity and self-reliant individualism, grounded in the belief that freely operating markets are inherently welfare maximizing and ‘that policies interfering with the free operation of markets, with the exception of a few important public goods such as law and order, threaten the pursuit of individual liberty’ (Iversen and Wren 1998: 514). Rooted in classical liberalism, an ethic of self-reliance and individual responsibility, descendent from Puritan Protestantism, is the social norm. Questions of social security and social protection should consequently be treated primarily at the individual level, with a strong focus on those in dire need. Equality of opportunity and a strong work ethic underscore an ethos of self-reliance through active labour market participation in the private sector.

The UK has a system of social protection that is highly *inclusive though not fully universal*. Benefits – which are flat rate – are modest, and social protection reflects an emphasis on *targeted, needs-based* entitlements with low replacement rates (Castles, 2010). The traditional Beveridgean welfare state is founded on the principle of providing minimum income protection as a basic right of citizenship, based on state provided poverty relief and equality of opportunity. The main characteristic of Anglophone welfare states is the reliance on *market mechanisms* for welfare production, a tax and transfer system that does little to promote equality, together with strong ‘poor relief’ orientation (Titmuss, 1974; Esping-Andersen, 1985; Castles and Merrill, 1989; Castles and Mitchell, 1993). Persons without sufficient income have to try and reach a certain level of welfare through self-help or through support within the family.

Unemployment benefits are low and of short duration, wage dispersion is high and labour markets are highly deregulated. Social assistance and social services are in principle only provided on a means-tested basis for the most disadvantaged citizens (Seeleib-Kaiser et al. 2005: 7). Social assistance (i.e. means-tested benefits to alleviate poverty) plays an important role because social insurance benefits are modest, or because this is the only form of income



support available (Daly and Yeates, 2002). Family care and servicing is largely perceived as a private matter. In the UK, health care and social services are financed through general taxation, but contributions play an important role in financing cash benefits, especially pensions. Tax and expenditure levels have remained relatively low -at least compared to Nordic and Continental Europe- and the same is true for public sector employment. The organization of the welfare state (including unemployment insurance) is highly integrated and entirely managed by the public administration. In addition, a highly deregulated labour market and relatively fragmented systems of labour relations, with pay-bargaining taking place mainly at company level, characterize the Anglophone welfare states (Crouch, 1993).

### **3.2 Welfare state recalibration in the United Kingdom**

In Britain, Conservative governments embraced a fairly orthodox market-liberal approach to welfare reform from 1979 to 1997. This helped restore public finances, but inequality and poverty (especially in-work poverty) markedly increased (Rhodes, 2000). After 1997, the Blair government embarked on a broad strategy of 'Third Way' reform, fine-tuning benefit rules to neutralize the 'traps' created by welfare-to-work schemes, and launching a fight against poverty and social exclusion by increasing minimum wage and income guarantees, reforming the tax code, introducing new targeted programs and launching a campaign against child poverty. Much like the Conservatives before them, New Labour's approach was to minimize regulatory burdens on the labour market, but its welfare-to-work strategy differed substantially from its predecessor's workfare policies. New Labour developed the idea of an 'enabling' welfare state with a deliberate policy choice of making welfare provisions more contingent upon paid employment (Clasen, 2005). The first Blair government set out a long-term strategy under the heading 'Opportunity for All'. The central feature of Third Way egalitarianism is its strong reliance on employment and employability to address poverty, disadvantage, and social exclusion. Ideologically, the Third Way largely rejects the pursuit of greater equality through interventionist policies of income redistribution on moral grounds. New Labour's recalibration agenda boiled down to a radical calibration of rights and obligations in such a way that social policy is used as a 'trampoline' rather than a 'hammock'. This is achieved by attaching conditions to benefits, requiring the unemployed to actively seek work and training, matched by more generous in-work benefits for those who take low paid jobs, a policy now underpinned by a minimum wage (Schmidt, 2002). Rather than

providing a generous safety net for the unemployed, New Labour saw the state's role as enabling their re-entry into the labour market, which is seen as the sphere of social integration *par excellence*. Overall, a greater reliance on the market and the private sectors can be ascertained; with regards to pensions, for example, government subsidised private arrangements including occupational pensions have become the preferred option.

### *3.2.1 Labour market -Activation*

The Blair government introduced a series of 'New Deals' which targeted different sectors of the inactive population (Clegg, 2010). The emphasis on paid work, skills and compulsory job search, aimed to move especially young workers from public benefits into employment (Clasen, 2005). Central to New Labour's ideas of the importance of activation is the emphasis on individual's responsibility to seek gainful employment (Daly, 2010). The New Deal envisioned new labour market policy institutions that would offer the unemployed efficient job centres, more personalized support services, and core skills training such as literacy, numeracy and self-presentation (Weishaupt, 2011). The option of passively living on benefits was suspended and failure to comply with New Deal rules would ultimately lead to a loss of benefit rights. After 1997, New Deal programs were extended to additional target groups, including single parents, chronically disabled persons, workless partners of claimants, and older workers. In addition to these New Deals, the Blair government initiated a series of supplementary policies in an effort to curb hardship and promote employment. A national minimum wage was introduced from 1999, set at different levels for different age groups, and has been regularly raised since (Weishaupt, 2011). Perhaps the master trend over the past decade is that New Labour, across a long sequence of policy changes, has steered towards eradicating many differences between varying types of out-of-work support (e.g. unemployment; social assistance; disability) for working-age people in the benefit system, both with regards to benefit levels and the expectation of efforts to return to work. Jochen Clasen and Daniel Clegg (2011) have coined this tendency 'risk recategorization'.

As part and parcel of its 'work first' approach, in terms of institutional recalibration, the Blair government removed the administrative division between the Employment Services (ES) and Benefit Administration (BA) agencies. In 2002, the new British Public Employment Service (PES) system, JobCentre Plus (JCP) offices combined benefit pay-out and personalized job

search and placement services. Hereby, the Labour government created a customer-friendly 'one-stop shop' and work-focused gateway for 'capable' persons, while further streamlining income replacement benefits and employment services (Weishaupt, 2011).

### *3.2.2 Reconciling work and family life*

Another plank of New Labour's 'make work pay' strategy was the replacement of the previous administration's Family Credit with a more generous Working Families Tax Credit (WFTC) in October 1999. It was subsequently extended to adults without children, disabled persons, and pensioners. In combination, the tax credits and the minimum wage ensured that anyone working at least thirty hours a week was to receive an income above the poverty line (Brücker and Konle-Seidl, 2006: 5). An important associated effect of this has been a strong 'fiscalization' of British social security and, as consequence, a more prominent role of Her Majesty's Treasury at the expense of the Department for Work and Pensions (DWP). On the other hand, as tax credits are run through the tax system, the stigma of applying for a benefit was avoided, while the direct link with wages clearly drives home the message of the relative advantage of work over welfare (Glyn and Wood 2001) and sees the market as a solution. Whereas early initiatives on family policy were more about addressing household poverty and intergenerational social exclusion, New Labour enacted an impressive range of family policy measures (Daly, 2010), as part of its agenda of functional recalibration:

1. The WFTC featured additional subsidies to cover childcare expenses.
2. Through the tax credits, payment for couples was transferred from the earner to the main carer.
3. The Sure Start program introduced an integrated platform for child- and family-centred services, locally available in poor areas.
4. The National Childcare Strategy combined the establishment of nursery places with subsidies for pre- and post-school child care
5. Childcare expenses are tax-deductible for lone parents and there is a means-tested benefit for childcare costs (Clasen 2005).
6. The Employment Act of 2002 introduced both paid paternity and adoption leave, while extending paid maternity leave from 18 to 26 weeks.

7. The right to flexible working arrangements for parents with young or disabled children was granted, and in 2007 extended to carers of frail adults.
8. The Work and Families Act of 2006 further extended paid maternity leave to 39 weeks.

In 2013, the Conservative-Liberal government introduced a new Universal Credit, replacing working tax credit, child tax credit, housing benefits, council tax benefit, income support, income-based jobseeker's allowance and income-related employment and support allowance (Seddon and O'Donovan 2013). 'The stated aim of the Universal Credit was to smooth transition into work by reducing the support a person received at a consistent rate as their earnings increased' (Seddon and O'Donovan 2013: 8). What exactly the outcome of this Universal Credit will be in terms of benefit generosity is still unclear at the time of writing.

### 3.3 Making sense of welfare state reform in the UK

In terms of *functional recalibration*, the UK has over the past two decades improved the 'goodness of fit' between activating employability measures and improved passive, means-tested, income measures and in-work benefits, in support of the overriding normative objective of 'making work pay' with a greater focus on family functioning, with greater state responsibility for early childhood care and education and expanded parental leave. In the process, the role of working women was normalized.

Coming to *redistributive recalibration*, the UK has expanded in-work benefits and increased the minimum wage and income guarantees in order to mitigate the plight of the working poor. Also their explicit strategies to fight social exclusion implicate a distinct form of redistributive recalibration.

Politically, New Labour's policy success only became possible after the party had undergone a phase of drastic *normative recalibration* and a change in its preferred mix of policy instruments. This shifting orientation is aptly expressed in Tony Blair's commitment to provide "work for those who can [and] security for those who cannot", a commitment embodied in a comprehensive welfare-to-work policy mix, a re-orientation of family policy, the promotion of a state-regulated private pension pillar, and education policies to improve Britain's global competitiveness.

In an overall assessment of the recalibration agendas pursued in the UK, we can conclude that the enlarged scope of welfare-to-work strategies has made the UK's welfare system more inclusive and unified. Activation policies have widely expanded, supported by a strong normative political discourse stressing 'individual responsibilities'. In the process, social insurance has been re-modelled as a bridge to employment opportunities, based on stricter conditions and sanctions, with a strong emphasis on compulsion. A social liberal model of an 'enabling welfare state' has emerged, departing from a neo-liberal orthodoxy, which has involved making most public income support and services contingent upon paid employment (Clasen, 2005). However, all in all, much has remained embedded in a liberal economy with highly flexible labour markets, deregulated product markets, and a pluralist rather than corporatist political system. Also, Mary Daly (2010) underlines how many of the 'new' family policy measures remained anchored in the classical design of the British welfare state. New Labour deepened the marketization of childcare provision, while relying heavily on tax credits and vouchers. In short, the meritocratic bias of the UK's welfare regime, the emphasis on 'sticks' rather than 'carrots', implies that for those who remain for whatever reasons outside the reach of employment, activation measures and tax credits, poverty and relative deprivation are imminent threats (Clasen, 2005).

### **3.4 The changing architecture of the British migrant incorporation regime:**

Based on British universalism, migrants with a residence permit and especially those from new Commonwealth countries as well as their UK-born children had social rights in post-war Britain that were almost identical to those of citizens (with the exception of housing). Major social reforms in the 1960s and 70s were generally favourable towards newcomers' social rights, for example via the introduction of entitlements to assistance, earnings-related supplements as well as a number of anti-discrimination laws (Sainsbury, 2012). The latter was particularly important in (theoretically) increasing employment opportunities for foreign migrants of minority backgrounds and thereby strengthening their social rights and access to earnings-related benefits. The establishment of the National Health Service exemplified the universal nature of the British system, which provided very modest protection, but which covered the entire population.

This situation however changed from the 1970s onwards, particularly through tougher immigration laws and stricter entry requirements. This marks the beginning of a trend in which immigration policy and residence status have become intimately connected with the provision of welfare in the UK. Access to social assistance and welfare was restricted significantly with an increased emphasis on financial self-sufficiency of migrants. Particularly the so-called ‘no recourse to public funds’ provision, which also applied to migrants entering the UK to reunite with their families, stifled newcomers’ social rights and denied large groups of non-citizens access to an ever-increasing list of allowances, culminating in the 2000 legislation which excluded certain groups of immigrants<sup>iii</sup> (Sainsbury 2012). Combined with general retrenchment policies of the 1980s, which translated into increased means-testing and reliance of market solutions so typical of the Anglophone welfare state, low-income migrants were hit hardest.

Additionally, the UK developed policies which were explicitly aimed at preventing migrants, especially non-EU nationals, from gaining swift access to non-contributory welfare provisions, which has been achieved in a two-pronged manner: On the one hand, a habitual residence rule denies several benefits to immigrants who are not yet residents or who have been in the UK for a short period. On the other hand, the waiting times and probationary periods, before non-citizens could gain settlement status and become entitled to social benefits, have gradually become longer and the list of excluded allowances has expanded. The result is a bar of five to ten years, during which some newcomers and especially third country nationals entering on the family route, are denied means-tested benefits including income support, housing support, council tax benefits and several disability allowances (Emmenegger and Careja 2012; Sainsbury, 2012, see IMPACIM UK mapping report for further details). Particularly family migrants (but also refugees and asylum seekers) have become the target of stricter entry requirements and limited social rights. This is also significant with regards to children of non-citizens born in the UK, who, under the ‘modified *ius soli*’ principle (Sainsbury 2012) of the Beveridgean welfare system that is closely linked to citizenship status, may not automatically be eligible for benefits.

In terms of welfare recalibration over the past two decades, the increased inclusivity achieved especially through distributive policies could imply a positive development for migrants. Increased means-testing is beneficial for migrants and minorities who are prone to

higher poverty rates, and the universalism of the UK welfare state provides at least a minimum transfers system that allows for a life at or just above the poverty line. However, in practice, these formal rights may not necessarily translate into a more favourable situation for non-citizens. For example, the lengthy administrative procedures governing means-tested benefits in the UK result in lower take-up rates among migrants (Morissens and Sainsbury, 2005); stricter entry requirements have had exclusionary effects contrary to the apparent universalism of the British welfare system; and waiting as well as exemption periods have significantly affected immigrant social rights. Moreover, through normative recalibration, welfare provision has become more employment-centred and activating; skills have gained in importance to the detriment of low-skilled migrants. In 2008, the Brown government endorsed the immigration of skilled workers by introducing a points system, modelled on Australian and Canadian experiences, which has made it increasingly hard for third country nationals to enter as lower skilled migrants. On the other hand, the strong focus on individual rights and responsibilities has disadvantaged (family) migrants if they refrain from labour market participation.

Since the late 1970s, the key properties of market solutions and enhanced means-testing took centre stage in the UK's social reform trajectory. Retrenchment and benefit restrictions, in this respect, significantly contracted the entitlements of newcomers and ethnic minorities, as minority groups are less likely to work in occupations with extensive private social insurance coverage (Sainsbury, 2012: 40). Given the Beveridgean nature of the UK's welfare system and the recent tendency of British legislation to tie full social rights to citizenship status, there is a close link between migration policy and access to welfare benefits and services, which is stronger than in the other countries under review here. It is especially entry requirements and immigration rules, rather than changes in social policy and welfare state recalibration *per se*, which have impacted upon and contracted the social rights of especially non-EU immigrants. This primacy is exemplified by a further tightening of immigration policies and citizenship laws over the past 5 years directed at third country nationals, and by recent proposals to further restrict the unification of family members and to prolong the exemption period of limited access to benefits (Aigner, 2009).



## 4. Germany and The Netherlands:

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### 4.1 Continental welfare regime

Germany and the Netherlands are part of the Continental group, together with Austria, France, Belgium and Luxembourg. Those continental welfare regimes have their political origins in Christian democracy (Van Kersbergen 1995; Van Kersbergen and Manow, 2009; 2010). Germany and the Netherlands are influenced by Calvinism in particular.<sup>iv</sup> In Calvinism, work is an almost absolute duty, as we know from Max Weber (1904), a religious end in itself. The Calvinist emphasis on individual responsibility makes Calvinism rather suspicious of establishing poor relief programs without enforcing work discipline, next to only meagre relief. Finally, Calvinism holds a fairly strong anti-statist tradition in important areas of social policy and education.

Core values of continental welfare regimes include status maintenance and the support of traditional male breadwinner nuclear family structures. The Bismarckian tradition of social insurance, based on a tight link between work position and/or family status and social entitlements, stands out (Van Kersbergen, 1995; Palier, 2010a; 2010b). Traditionally, (married) women have been discouraged from participating in the labour market (Lewis, 1992; Esping-Andersen 1996; Iversen and Wren 1998: 515; Seeleib-Kaiser et al. 2005: 7). Women and children thus obtain indirect social protection through derived male-breadwinner stable employment, social insurance and passive family benefits (Häusermann, 2010).

Only the Netherlands has modified the social insurance tradition by providing a basic public pension together with tax-financed minimum social assistance. Replacement rates, in proportion to previous earnings and linked to family status, are generous and benefit duration tends to be long. *Social security coverage is highly inclusive* (although fragmented): thus spending and taxing levels are high. Bismarckian social insurance assumed that men work full-time and that they have long and uninterrupted careers. In terms of labour market regulation, a rather strong emphasis prevails on job security, employment status guarantees

and seniority pay (Palier, 2010b: 608). The occupation-oriented approach manifests itself quite clearly in the institutional structure of Bismarckian welfare states. Trade unions and employers associations actively participate in governing the insurance schemes, thus maintaining some marginal autonomy vis-à-vis public officials, with state authorities setting the framework rules, such as the mandatory retirement age, and the scope for sectoral self-regulation of pay-as-you-go pension schemes. Insurance obligations come into effect automatically at the beginning of a paid job – though in Germany a minimum earning threshold is required. Whoever falls through the insurance net in these countries can fall back on a network of local social assistance support. With respect to wage formation, the emphasis is on sectoral bargaining (Crouch, 1993). Social services are expected to be provided by the family, through the informal care of female homemakers. It should be remarked, however, that the Netherlands has deviated from this general pattern, due to a national generous social assistance system enacted in 1963, and extensive public financing of elderly care services (Van Hooren and Becker 2012).

#### **4.2 Welfare state recalibration in Germany**

The so-called Hartz reforms are exemplary of the German shift toward activation, accompanied with a significant liberalization of atypical work and self-employment. After a political scandal at the Federal Agency for Work<sup>v</sup>, in the beginning of 2002, the second Schröder government (2002-2005) seized the moment by appointing an expert commission led by the then Volkswagen head of human resources, Peter Hartz. In its final report, the Hartz Commission recommended to overhaul the German social insurance system, to restructure the governance of the German PES, to further deregulate the labour market, while radically stepping up activation strategies, especially for labour market outsiders, and, ultimately, to establish a single ‘unified gateway’ for all unemployment and job seeking persons in Germany (Weishaupt, 2010a). All in all, the Hartz reforms (2003-2005) constituted a clear break with the traditional Continental social insurance legacy of high benefit dependency, low employment, reluctant activation, and truncated flexibilization (Seeleib-Kaiser and Fleckenstein, 2007).

#### 4.2.1 Labour market & social assistance

The radical Hartz IV reform, enacted in 2005, involved the merger of the provisions of unemployment assistance for the long-term unemployed and social assistance for those in need without an employment record into a new, tax-financed, “Unemployment Benefit II” (*Arbeitslosengeld II* [ALG-2]) to complement the more traditional unemployment insurance provision, termed “Unemployment Benefit I” (*Arbeitslosengeld I* [ALG-I]). This merger was complemented by tight eligibility criteria, strong activation requirements for all long-term unemployed (Hinrichs, 2010), and a reduction of the duration of unemployment insurance payments from 32 to 12 months (18 months for older workers).

The removal of the entire unemployment assistance pillar from German social insurance system, which previously offered income related (but means-tested) benefits to job seekers with an employment record, trampled with both the insurance and equivalence principles of the Bismarckian welfare state (Trampusch, 2005; Eichhorst and Kaiser, 2006; Eichhorst et al., 2008; Weishaupt, 2010a; 2011; Dingeldey, 2011). A *new layered social protection system* emerged, combining Bismarckian social insurance for core workers with Beveridgean minimum income protection support systems (Eichhorst et al. 2008; Clasen and Clegg 2006). Hereby, traditional limitations of social insurance coverage for new social risk groups were increasingly compensated by strengthening universal, citizenship-based provisions of social protection, giving a larger role to tax-funding in non-contributory benefits, i.e. universal and means-tested assistance schemes (Palier, 2010d). In more institutional terms, the Hartz reforms triggered a major restructuring of the much criticized federal employment agency, the *Bundesanstalt für Arbeit*. Under the new *Bundesagentur für Arbeit*, active and passive labour market policies were thus reorganized to establish a more unified system of job search assistance and placement services, based on new public management principles and reinforced by stricter job search requirements (*Fordern and Fördern*). Pursuant to the Hartz I and II reforms of 2002, restrictions on fixed-term contracts had already been eased and temporary work agency further liberalized so as facilitate and expand job placement via commercial work agencies.

The *activation reforms* have triggered important processes of institutional recalibration (Ferrera and Hemerijck, 2003). Public authorities in most continental countries have aimed for a more unified governance structure in benefit payment, activation and service provision

for all jobseekers. To this effect local authorities have been strengthened, leading to mergers between municipal welfare offices and public employment services in Germany. These administrative reforms were at the expense of the privileged positions of the social partners. Despite the fact that the German social partners have been absent from the PES executive board since 2002, they are still represented in advisory bodies.

#### *4.2.2 Reconciling work & family life*

Concerning policies to *reconcile work and family life*, the Red-Green governments, led by Gerhard Schröder, in Germany put childcare at the core of their policy platform with generous tax deductions for parents taking up childcare facilities in order to stimulate demand, especially among low-income families. The Grand Coalition of CDU/CSU and the SPD, under Angela Merkel, expanded tax reimbursements to cover childcare costs and introduced a new parental leave benefit, while expanding (public) childcare facilities. The Minister for Family, Seniors, Women and Youth Affairs, Ursula von der Leyen (CDU), committed the Grand Coalition to rapidly expand childcare facilities to 750,000 places by 2013 with a subsidy of €4 billion, covering one-third of the costs. In 2007, despite fierce opposition by Catholic factions in German Christian Democracy, a new parental allowance came into force, modelled on the Swedish (and East-German DDR) experience, granting parents to receive 67 per cent of their previous wage for twelve months, with a ceiling of €1,800, with the intent of more equal gender roles, financial security for young parents, and higher levels of labour force participation by mothers. These new reforms demonstrated the German welfare state's new commitment to bringing more mothers and single parents into the world of paid employment in a country plagued by one of the lowest birth rates in the EU (Korthouwer, 2010).

### **4.3 Welfare state recalibration in the Netherlands**

The Netherlands was the first country to adopt a more encompassing strategic approach to Continental welfare restructuring and employment creation with the revitalization of corporatist negotiations between the social partners and the government from the 1980s onwards. The Netherlands combined wage restraint, cuts in social benefits and first steps towards activation with an expansion of flexible, part-time service-sector jobs, while

continuing to tolerate, at this stage, easy access to disability benefits as the Dutch exit route from the labour market (Visser and Hemerijck, 1997; Hemerijck and Marx, 2010). In many Dutch households, stagnant male breadwinner wages resulting from long-term wage restraint were compensated (or even overcompensated) by additional family incomes that came from women's growing part-time job opportunities in the expanding service sector. The massive entry of Dutch women into the labour market is inherently related to the changing status of part-time work. By the late 1990s, three-quarters of all female workers were employed on a part-time basis in the Netherlands (Eichhorst and Hemerijck, 2010).<sup>vi</sup>

#### 4.3.1 Social security and social assistance

From 1994 onwards, successive Dutch governments, led by the social democrats, pursued a 'jobs, jobs, and more jobs' strategy, sought greater efficiencies in social security including partial re-privatization of sickness pay, managed liberalization of administration, reduced social partner involvement, and introduced as well as intensified activation obligations for the long-term unemployed (Kuipers 2006). In an attempt to end the heavy misuse of sickness insurance and disability pensions, these schemes were made more costly to employers (Hemerijck and Visser 2000; Visser and Hemerijck 1997). In order to activate social assistance claimants, a contractual approach and stronger municipal responsibility in terms of measures and resources were implemented.

#### 4.3.2 Labour market – flexicurity & activation

In addition, the Netherlands also managed to negotiate better employment protection for workers in flexible jobs in exchange for small adjustments in dismissal protection for employees on permanent contracts. This so-called 'flexicurity' agreement between the trade unions and the employers in 1995 struck a winning balance between flexible employment (afforded by safeguarding social security and the legal position of part-time and temporary workers), and a slight loosening of employee dismissal legislation. In 2000, the 'flexicurity' agreement was transformed into the Working Hours Act, granting part-time workers an explicit right to equal treatment in all areas negotiated by the social partners, such as wages, basic social security, training and education, subsidized care provision, holiday pay and second tier pensions (Hemerijck and Visser 2001; Hemerijck and Slegers, 2007). The new

2002 Work and Care Act, next, provided for short-term paid care leave and paid adoption leave.

After 2000, Dutch governments took increasingly bold steps to foster activation. In 1998, the activation reform widened the comprehensive approach for all jobseekers (not only the young as was implemented in the early 1990s). Counselling, training, and job offers were provided to all jobseekers after 6 months of unemployment from 2001 onwards. Since 2004, the elderly unemployed are required to look for work. At the same time, employers are no longer obliged to pay premiums for disabled employees aged over 55. In 2005, with the introduction of the *Work and Income according to Labour Capacity Act* (Wet Werk and Inkomen naar Arbeidsvermogen [WIA]) the government significantly reduced disability benefits for partially disabled individuals, but also expanded training opportunities and created wage subsidies for partially disabled workers and their employers (Hoogenboom 2011). In the same year, tax benefits for pre-pension schemes were replaced by a life course scheme that has now been discontinued but which stimulated employees to accrue 210 percent of their annual salary by saving a yearly maximum of 12 percent of their annual income, so as to enable employees to receive 70 percent of their annual salary while away on leave (parental, educational, sabbatical or early retirement) for three years. The Gatekeepers Act, introduced in 2007, raised the stakes by requiring recipients to find work after 3 months.

Moreover, a one-stop shop was provided by the 2002 SUWI Act that culminated the turbulent change in Employment Services and Benefit Administration of the previous decades. Also, the delivery of benefit and assistance of insurance benefit claimants back to work were brought under one roof. In addition, the liberalization of public employment services and new regulation governing private temporary employment agencies has extended the use of market-type mechanisms, such as contracting out and organizational reforms, including, among other things, separating purchasers and providers (Weishaupt, 2010b).

#### 4.3.3 *Reconciling work and family life*

In the Netherlands, in order to help *reconcile work and family life*, those using the life course scheme during periods of parental leave were granted an additional payment worth 50

percent of the minimum wage, but the scheme has been discontinued. Dutch childcare is characteristically a matter of subsidies, tax deductions and exhortations to make employers pick up the bill. In 2005, the Christian-Liberal centre-right government expanded childcare by creating additional facilities at schools and by paying one third of childcare costs. The remaining costs were to be equally divided among employers and employees. In 2007, a new Christian-Social Democratic coalition made employers' contributions obligatory. A new tax rebate subsidy scheme proved so popular and costly that the government felt forced to scale it down in 2008 (Van Hooren and Becker 2012). While childcare provision has become much more widely available, the early end of the school day in classes for young children had remained an obstacle for parents and in particular mothers wishing to work full-time (Plantenga et al., 2009). Meanwhile, in 2009, an additional means-tested child allowance ('kindgebonden budget') was added to the already existing universal child allowance ('kinderbijslag'). Also, a tax credit was introduced for families in which both parents work.

#### **4.4 Making sense of welfare state recalibration Germany & the Netherlands**

Both the Netherlands and Germany made an explicit U-turn away from the Continental pathology of 'welfare without work'<sup>vii</sup>, towards embracing a more inclusive and activating welfare state. Activation programs based on individual guidance and training opportunities – especially those that target 'outsiders' like young, female or low-skilled workers – gained special importance. Germany and the Netherlands targeted stricter activation at recipients of minimum income support and implemented stronger in-work benefits for low-wage earners or their employers via exemptions from social insurance contributions.

In terms of *functional recalibration*, the Netherlands and Germany embarked on a paradigmatic shift away from social insurance systems, principally geared to passive, insider-based, income protection and status maintenance towards activating, employment-friendly, gender-equal and more working family sensitive welfare systems. The gradual move from Bismarckian employment-related social insurance to basic universal income support for the non-employed without prior employment record, which is financed through general taxation and which weakens the equivalence and status preservation principles of Continental welfare provision, stands out. Also, the shift from passive labour market policies aimed at reducing



workers supply by encouraging early exit, towards activation and active labour market schemes, with increased conditionality, testifies to the increased importance of paid work.

In terms of *distributive recalibration*, benefit cuts, high contributions and less generous pensions, combined with heavier pressures on the unemployed to accept job offers, indicate an element of inspiration from the UK's New Labour. There has also been some liberalization of non-standard employment such as fixed term contracts and agency work. In the process, fighting poverty has become a new distributive priority. There is a shift in attention from insiders (i.e., male breadwinners, their dependents and societal representatives) to outsiders (women, low-skill groups and others).

*Institutional recalibration* has primarily involved strengthening the role of the central government and local authorities, often at the expense of the social partners. The activation of welfare beneficiaries and labour market outsiders has also implied the activation of social security, employment service administration and service provision. Different branches of social policy provision have joined up to create 'one-stop shops' and 'single gateways'. The shift from income maintenance to social servicing has given rise to the devolution of social service structures to municipalities and enhanced professionalization of public and private social care provision with more individualized service delivery.

Coming finally to *normative recalibration*, the Continental reform experience has seen the erosion of two core policy values of the Continental welfare state: status maintenance and privileged support for traditional male breadwinner families. In their stead came the promotion of equal opportunities via labour market participation and more inclusive poverty reduction strategies. Virtually all Continental welfare states are in the process of bidding 'farewell to maternalism' (Orlof, 2006). This is not merely the product of changing gender values; it is also part of a deliberate functional recalibration strategy to attract mothers in the face of population ageing into the work force. This required reforms that enable mothers to participate in the labour market, to be supported by women- and child-friendly policies of affordable access to day care, paid maternity and parental leave, albeit, under the proviso of 'free choice' and the confessional 'subsidiarity' principle, prohibiting the state from direct interference in family life (Morel, 2008; Morgan, 2008).

In short, since the early 1990s, Germany and the Netherlands have taken steps to reduce the volume of beneficiaries moving towards early-exit from employment. They have done so by introducing measures ranging from tightening eligibility criteria, reducing benefit replacement rates and introducing stricter administrative controls, which led, in the early 2000s, to abolishing early retirement schemes altogether. In a process of institutional layering, more far-reaching activation reforms were made possible by the cost-saving successes of earlier reforms. Fundamental to the latter more intrusive reforms was the cognitive redefinition of the employment problem away from managing unemployment toward the promotion of employment, on the basis of activation, active ageing, avoidance of early retirement, part-time work, lifelong learning, parental leave, gender mainstreaming, flexicurity, balancing flexibility with security, reconciling work and family life, and the generalization of minimum income protection support.

#### **4.5 The position of migrants in the incorporation regimes of Germany and the Netherlands**

Traditionally, guestworker programmes were the predominant form of entry for migrants in the Netherlands and Germany, which initially provided very limited social rights to newcomers.

In Germany, labour migrants were included in the corporatist welfare state structure mainly through labour unions, providing basic participatory rights in these bodies so influential to German workers' rights. Newcomers had limited access to medical services, unemployment benefits, sickness compensation and child benefits, which even partially extended beyond the German territory for some labour migrants (Sainsbury, 2012). Unlike the UK, Germany did not prohibit recourse to public funds, but claims for support could adversely influence migrants' applications for more permanent residence status; and especially naturalisation had been a lengthy and strict process for foreigners other than *Aussiedler* (ethnic German migrants). Overall, Germany's immigration policies were marked by its insistence –at least until 2000- that it was not a country of immigration despite the growing number of residents not born in Germany.

Over the past decade or so, the German government reformed entry requirements, which resulted in lower thresholds overall. However, the incorporation regime, including eligibility for more permanent settlement status, remains stringent. Strict labour market regulations for non-EU foreigners especially amplify the stratifying effects between high-skilled and low-skilled labours, with more lenient requirements and easier access to social benefits for the former category. For example, pursuant to the 2004 Immigration Law, highly qualified migrants with certain occupational backgrounds or self-employed individuals who create jobs in Germany, received immediate access to settlement permits, which are otherwise only available after 5 years of residence (Sainsbury, 2012). With regard to family reunification, Germany has had a comparatively laissez-faire approach; partially because the right to family life is anchored in the country's constitution and the possibility for reunification as a form of entry has been upheld and confirmed by judicial bodies. Nevertheless, the rules have been stiffened over the years. German tests, which are to be taken by spouses abroad prior to receiving reunification visas, have made requirements for family reunification harder (Migration Integration Policy Index, 2013). As with the other countries under review, differentiated rules in terms of family reunifications have preferred EU-citizens by imposing less stringent entry requirements and conditions of stay.

In the Netherlands, family reunification has been a particularly salient issue. In 1988, a landmark decision by the European Court for Human Rights against the Netherlands (*Berrehab vs. Netherlands*) was important in determining that the family ties of a non-citizen need to be taken into consideration when issuing residence permits and deciding on deportation (Guiraudon, 1998; van Walsum, 2008). While family members are increasingly subject to language and integration tests to obtain a residence permit, a 2010 decision by the ECJ extended the range of family members that qualify for family reunions (Migration Integration Policy Index, 2013). Promotion of family life – which is seen as at least one major element of furthering integration - remains a problematic issue in the Netherlands (ibid).

Both, Germany and the Netherlands stand out for their social insurance-based Bismarckian welfare policy legacy, based on a close link between contributions and benefits of social protection, mediated by employment records. This strong nexus between work and social benefits has meant that the levels of social protection for non-citizens and particularly third country nationals with weak attachment to the labour market were meagre as a

consequence. For one, this is because foreign workers tend to not possess career-long contribution records in their host countries; on the other hand newcomers, and especially those from different ethnic backgrounds, are characterised by a weaker attachment to the labour market with interrupted employment histories. Especially in Germany, the shift towards activation has been highly uneven across different groups, including migrant workers. Bruno and Palier (2010) speak of “dualization” whereby the high-skill industrial core is stabilized at the expense of rising cohorts of low-skill ‘atypical’ workers in the service sector. Since the mid-1990s, German industrial relations, education and training regimes have become increasingly bifurcated between a stable core and a growing periphery, concentrated in emerging service sectors of the German economy. Liberalization outside the industrial core applies particularly to family migrants, who may not have the necessary skills and native language proficiency to participate in the labour market and hence to build up social rights. The resulting effect of ‘benign neglect’ or ‘policy drift’ has been that foreigners often paid higher insurance contributions while being able to claim fewer benefits than citizens (Sainsbury, 2012).

An additional institutional barrier to migrants is the *Vorrangsprinzip*, which gives preferential treatment to native German workers to filling job vacancies. Since the recession of the 1980s, especially low-skilled migrants have been more vulnerable to unemployment. At the same time, employment status has become a core precondition for a residence permit, while claiming unemployment insurance benefits on a residence permit, can endanger the prospects of permanent residency status (Sainsbury, 2012: 57). In the process, students from migrant backgrounds confront ever greater difficulties of entering high-quality, firm-based vocational training and education programs, thus entrenching the logic of dualization.

Over the past decades, the tax-based universal system of social insurance and family policy, in particular, have expanded significantly across Continental welfare states. In this respect, the welfare regimes of Germany and the Netherlands have become more inclusive, which potentially has had a positive impact on the position of migrants as they generally have access to social assistance. However, there are still limitations in the immigrants’ access to social assistance. In Germany, these exceptions apply to: 1) third-country nationals (and their family members) if their stay is for the purpose of looking for a job and 2) third country nationals (and their children) who are unemployed but in working age during their first three months

of stay (see IMPACIM - Workpackage 3: Germany). In the Netherlands, right to residence can be lost if a migrant makes use of subsistence assistance in the first 5 years of residence (see IMPACIM – Workpackage 3: The Netherlands).

The experience of the Netherlands differs from the German one in two respects. From the 1980s onwards, despite economically hard times, in the first place, family reunification policies were relaxed, pushed by new norms about human rights and gender equality. Second, in the 1990s, immigration control and integration policy gained prominence in targeting entry for migrants. Since 1998, this has led to new integration requirements in terms of Dutch language proficiency and normative ‘goodness of fit’ to the Dutch normative order. In 2001, restrictions were imposed on families who “might be perceived of as maladapted or even a threat to the new normative order of the nation” (Van Walsum, 2008: 274). At the same time, high-skilled transnational elites came to enjoy privileged status. In 2004, higher income requirements for migrants and their families became effective, but these were later outlawed by jurisprudence of the European Court of Justice. Nevertheless, family migration rules in the Netherlands have become much stricter in the past decade, and family migration has decreased substantially in that same period.

Family policy has paradoxically expanded in Continental welfare regimes, generally advantaging migrant families. However, the lack of a redistributive element to German and Dutch family policy favours native-born high-income dual earner families more than non-nationals. Here it should be remarked that the most recent Dutch family benefit reform (the introduction of the ‘kindgebonden budget’) have increased its selectivity, being means-tested. In terms of the implications of enacted reforms for migrant families in Germany and the Netherlands, a changing gender outlook came to the fore. Whereas the welfare regimes of the Netherlands and Germany were traditionally based on the ideal of a male-breadwinner family, this is less and less the case. In a male-breadwinner society, family migrants may have received protection from the status and contributions of stable male breadwinner employment. In correspondence with the decline of the male breadwinner outlook, there is an increasing emphasis on activation, as in the UK. In other words, welfare provision has become both more individualized and work-centred.

## 5. Spain

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### 5.1 Southern welfare regime

The Southern cluster of Italy, Spain, Portugal, and Greece bears a family resemblance to the Continental regime, but with specific institutional traits (Ferrera, 1996). Benefit coverage reflects a mixed orientation: Bismarckian in income transfers, with an emphasis on pensions, but Beveridgean in healthcare, with fully universal national health services in both Italy and Spain. The social safety net of basic benefits is not well developed. Social charges (i.e. taxes on employers and employees) are widely used, but general taxation finances healthcare and has become more important in financing social services.

Politically, state and nation-building processes in Spain were accompanied by strong 'familism' and low 'stateness', owing to the encumbering role of the Catholic church (Castles, 1994). The twentieth century also brought four decades of Francoism. Late and compressed modernization seems to have contributed to a pronounced *insider/outsider cleavage* between those in the 'core/regular' and 'peripheral/irregular' sectors versus those in the 'underground' sectors (Ferrera, 1996; Moreno, 2000). *Families* are the primary location of welfare production. The extended family is a highly significant source of care and support, to make up for deficits in the social welfare system. It is also the private sphere where finances are re-distributed, within and between generations (Ferrera, 1996; Trifiletti, 1999). Because social care was primarily provided informally by women, Southern European welfare states suffered from a lower level of female participation in the labour force. It should be noted that in Spain women's labour force participation has increased in recent years, much more than for example in Italy. Moreover, the labour market is highly regulated and there is a strong, politically polarised system of labour relations (Crouch, 1993). Pay-bargaining takes place at various levels, including the national sectoral, the provincial sectoral and the company level<sup>viii</sup>.

Thanks to generous formulas, the value of contributory pension benefits in the Southern welfare states were the highest among the EU member states in the early 1990s, especially in Italy, while the value of benefits for the unemployed, family dependants and the poor in general was by far the lowest (European Commission, 1993; OECD, 2004). This dualism set

the Southern European income maintenance systems apart from the Continental systems, characterized by smaller spreads between ‘high’ social insurance and ‘low’ social assistance protection. The promotion of social assistance and the fight against poverty have been the weakest sectors of policy achievement in the Southern European welfare states – at least until the late 1980s (Matsaganis et al., 2003). The so-called safety-net evolved slowly, through a sequence of fragmented and mainly categorical additions (orphans, widows, disabled, poor elderly etc.), with disparate rules, low integration between cash benefits and (generally underdeveloped) services with wide holes. As a consequence, poverty levels have traditionally remained very high in Southern Europe (Petmesidou and Papatheodorou, 2006; Saraceno, 1997). Many poor households were (and still largely are) ineligible for social assistance, because they fail to fulfil the narrow conditions stipulated by the various categorical programmes. Needless to say, those affected by this syndrome include all of the largest groups of outsiders: the long-term unemployed, new entrants into the labour markets, the large number of irregular and underground workers and, increasingly, low-skilled immigrants.

## **5.2 Welfare state recalibration in Spain**

Spain’s social insurance system was consolidated in the 1960s and early 1970s, but the expansion came only after the transition to democracy (Ferrera, 2010; Bermeo 2000). The maturation of social insurance co-evolved with a segmented labour market, and thus acquired its own degree of internal polarization: generous entitlements for core/regular workers, modest benefits for the peripheral workers, and only meagre subsidies (if any) for those workers unable to establish a formal contact with the regular labour market (Gallie and Paugam 2000). As a result, the Spanish social insurance scheme over-privileged the risk of old age and reserved only a marginal role for family benefits (Ferrera, 1996).

### *5.2.1 Social insurance and social assistance*

From the mid-1980s to the early 1990s, the Spanish welfare state underwent major transformation by adopting a national health service, universal access to education and pensions, and the introduction of minimum income schemes at the regional level (Guillen, 2010). The imperative to curtail public expenditures to qualify for the Maastricht criteria



triggered a series of substantial retrenchments in the early 1990s, restricting both eligibility and generosity in the unemployment protection system. Benefits starting at 80 percent of previous wages were cut to 70 percent and lower, while at the same time minimum contribution periods were raised. Spain engaged in restrictive pension reforms but also proceeded to improve minimum benefits in the field of old age, family allowances and the basic safety net. All Spanish regions introduced their own social minimum protection schemes between 1989 and 1994 (Arriba and Moreno, 2005). The 1995 Toledo Pact, reached among the main political parties, later supported by the social partners, is of special importance in the Spanish welfare recalibration effort (Molina 2011). It was agreed that pensions and unemployment insurance benefits were to remain financed out of social contributions, but that all other non-contributory and social assistance benefits would come to be financed out of taxation. Ever since, the reliance on taxes for financing of ‘outsider’ social protection has grown dramatically, as in Germany and the Netherlands. Several measures of labour market reform were introduced by the Socialist government up to 1996 and by the Conservatives thereafter: the introduction of flexible forms of contract, the rationalization of unemployment benefits, new programs and incentives to reconcile family responsibility and work (and thus gender equality), various activation measures, and a broad reform of employment services.

In the shadow of EMU policies, and a particularly adverse demography, Spain was forced to tread on the politically perilous grounds of severe internal restructuring: less generous benefits for insiders in order to cut down debts and deficits and – to the extent that budgetary constraints allowed – to finance new benefits and services for the outsiders (Guillén et al., 2003; Guillen and Matsaganis 2000). This set the stage for rather ambitious welfare recalibration in the second half of the 1990s, centered on the following ingredients: attenuation of generous guarantees for historically privileged occupational groups, accompanied by an improvement of minimum or ‘social’ benefits; introduction and consolidation of the so-called safety net, especially through means-tested minimum income schemes; the expansion and amelioration of family benefits and social services –with explicit attention to gender equality and equity issues; measures against the black economy and tax evasion; and the reform of labour market legislation with a view to promoting de-segmentation and modification of unemployment insurance benefits (Ferrera, Hemerijck and Rhodes, 2000; Ferrera and Hemerijck, 2003). The crisis and the come to power of the

conservative party in November 2011, opened the door to a new step in the evolution of welfare policies in Spain, characterized by different cuts in social benefits and exclusion of new social groups.

### *5.2.2 Decentralization of welfare state services*

A distinctive element of Spain's welfare recalibration has been politico-institutional: since the 1980s, Spain has witnessed a thoroughgoing process of decentralization of competencies in welfare services including health care, education, social care services, among others (Cabrero 2011; Ferrera and Gualmini 2000), which means that substantial powers have been transferred from the central government to the regions. For example, in 2003, Regional PES offices took over labour market intermediation functions from the national PES organization. While this created numerous problems of implementation and gave rise to new inter-territorial inequities, this process of quasi-federalization of important sectors of social protection system constitutes a far-reaching experiment in politico-institutional recalibration. Additional competencies have been assigned to regions and local governments, and novel modes of concertation have been experimented with, promoting the involvement of social actors in the process of policy formulation and the formation of mixed partnerships in processes of policy implementation (Rhodes, 2003; Guillen and Petmesidou, 2008).

### *5.3.3 Labour market - Activation*

Since the mid-2000s, Spain has markedly accelerated the recalibration of its welfare system (Guillén and León, 2011). A new social assistance scheme was introduced in 2000, the means-tested *Renta Activa de Inserción* (RAI), or Active Integration Income, targeted at those above 45 years of age with family dependents, who have exhausted their unemployment benefits, was coupled to tougher activation and job offer requirements. In 2001 and 2006, labour laws were changed, further relaxing the protection of 'core' employees and improving both the social security rights of irregular/temporary workers and their opportunities to access the regular labour market. In 2002, unemployment insurance beneficiaries were required to sign up to an 'active agreement', compromising active job search and the acceptance of 'adequate employment'. In 2006, the RAI became part of the unemployment compensation system. As a result of economic development, which was not least due to the

intensive use of low-qualified workers, Spain's employment performance improved spectacularly, creating over 8 million jobs in the period from 1996 up to the advent of the global financial crisis. This strong increase is also related to and helps to explain the repeated regularisation of undocumented migrant workers, to which we come back below. A new major reform of the labour market was agreed on with the social partners in 2006. The main aim of the reform was to reduce temporality in the labour market and to gain in "flexicurity".

Spain was hit particularly hard by the 2008 financial crisis and the subsequent European sovereign debt crisis. At the end of 2011 the Socialist Party (PSOE) lost dramatically and a new government was formed by the conservative People's Party (PP), which announced a series of cutbacks and welfare reforms. Among these the extension of a trial period for new employees and a reduction in the severance payment for dismissed workers<sup>ix</sup>.

#### *5.2.4 Reconciling work and family life*

Another significant policy innovation, strongly influenced by European social policy agenda-setting, was the introduction of policies for gender equality and for the reconciliation of work and family life since the early 2000s (Guillén and León, 2011). Over the past decade, in terms of functional recalibration, traditional job and income security for male workers has lost its sway over the Spanish welfare edifice. The same applies to gender and family roles as the rapid and intense incorporation of women to the labour market took place. Female employment has rapidly increased, reaching 53.2 per cent in 2007, up from 30.7 per cent in 1993. In the face of dramatically low fertility rates, under highly adverse demographic conditions, traditionally-held values about the family as the primary provider of social care have weakened in Spain (Guillen, 2010). When the socialist party (PSOE) gained office in 2004, reforms were passed in the area of families, improving paternity and parental leaves. In 2005, a pact with the social partners was reached on improved protection for dependent people and their caregivers under conditions of demographic ageing. A very progressive law on gender equality was passed in 2007, as well as a law to promote care for dependent people and thus facilitate the reconciliation of work and family responsibilities: *Ley de Dependencia*. The latter has been subject to cuts from 2012 onwards<sup>x</sup>. Meanwhile, the most important providers of elderly care are becoming migrant care workers. As in Italy, the care

formerly provided by Spanish women (daughters and wives), is replaced by paid care provided by migrant workers who often live-in with the dependent person (Léon 2010; Van Hooren 2012). It should be noted that, regardless of the large dependence on irregular workers, in 2012 the Spanish government decided that irregular migrants only have access to emergency health care services, with the exception of pregnant women and children up to the age of 18.

### **5.3 Making sense of welfare state recalibration in Spain**

Total social expenditure as a percentage of GDP is still somewhat lower than the EU average, but the difference has been gradually declining. Welfare state building has followed a distinct path, characterized by dualistic social insurance as well as faulty and fragmented social assistance. Under the spur of European integration, the 1990s and 2000s have witnessed substantial efforts to recalibrate and further modernize the welfare state, with a view to achieving more efficient and equitable labour markets. But these efforts have been affected by the crisis, as in other European countries.

Although the past two decades have brought forth important changes to the Spanish welfare state, its Achilles heel remains its high levels of (youth) unemployment. The latter came to the fore again with the 2008 financial crisis and its aftermath, when youth unemployment increased to unprecedented height. Some of the labour market and welfare reforms surveyed above may have, in fact, aggravated Spain's already severe labour market bifurcation (Mato 2011). What the impact will be of the reforms enacted in 2012 is still unclear at the time of writing. While additional social assistance and minimum income protection expanded - suggesting a move from Bismarckian social insurance to Beveridgean tax financing - it is important to emphasize that the social insurance and social assistance tiers of the Spanish welfare state have further moved apart, rather than come closer together as in Germany and the Netherlands. Core workers are still best protected, both within the labour market, by strong job protection legislation, and outside the market, by unemployment insurance. A third of the workforce, mainly youngsters, women, and the long-term unemployed, are confined to undertaking low-skilled activities and/or on temporary contracts, undergirded by only meagre public safety nets. Another development

worth mentioning is the recent increase in private entrepreneurship and increased reliance on extended families for employment and insurance in times of economic crisis.

In terms of *functional recalibration*, more sustainable and internally homogeneous social insurance systems, and a more effective and inclusive safety-net were established. In terms of *distributive recalibration*, the Spanish welfare state became less insider-biased, although vested interests have been able to slow down reform processes. In terms of *institutional recalibration*, the master trend has been regional devolution, a stronger hold of ministries by Ministers of Finance over social policy, supported by occasional social pacts. In short, Spain has established more sustainable and internally homogeneous social insurance systems, and more effective as well as inclusive safety-nets, which has reduced insider-bias. Moreover, the strong institutional recalibration has been typical for Spanish reforms: a strong decentralization, or regional devolution.

#### **5.4 The position of migrants in the Spanish incorporation regime:**

Both immigration and the development of the welfare state under democratic governance are far more recent developments in Spain than in the other countries under review. Since the mid-1980s, Spain has passed several laws and regulations that have both expanded and restricted immigration flows and newcomers' access to welfare; their impact on (labour) migrants has been highly dependent on the colour of government party in power (see Ruiz-Vieytez, 2009). Generally-speaking, however, Spanish immigration policies have been comparatively open and provisions, such as language or cultural tests, are not in place (Arango, 2012). Importantly, Spain has been marked by a proportionally large informal economy, in which particularly undocumented workers fell through the cracks of a formal social safety net. Concurrently, however, relaxed bureaucratic processes meant that, at least until September 2012, residence status was not necessarily required for receiving ad hoc social services such as access to health care and education (Arango, 2012). In addition, a number of extraordinary regularization processes in the years since the mid-1980s have further normalized the status of migrants and facilitated increased access to welfare, in as far as these migrants could retain formal participation in the labour market.

Generally, newcomers in Spain enjoy extensive social rights and access to benefits (see IMPACIM Workpackage 3 – Spain). While family unifications were somewhat limited in the 2000s, these have generally been *laissez-faire* and family migrants do not face significant barriers to accessing the Spanish welfare regime; spouses (and children) of migrants have also been granted equal rights to work over the past years (Migrant Integration Policy Index, 2012). In particular, regular migrant workers are on almost equal footing with citizens and are granted wide-ranging unemployment benefits, which may be due to the relatively targeted labour immigration policies and pre-determined *contingentes* or quotas that determine labour migration flows (Moreno Fuentes and Bruquetas Callejo, 2011). However, just as in Germany and the Netherlands, the social insurance logic, which links contributions to benefits, originally reinforced a strong divide between insiders and outsiders, with a high contributory threshold before migrants are entitled to unemployment compensation benefits. This problem was only exacerbated by the financial crisis, when unemployment numbers among immigrants soared drastically, because migrants were often employed in sectors highly sensitive to the economic cycle, such as the building sector and low skilled-services (Arango, 2012).

A notable element affecting migrants' social rights in the Spanish context is the dynamic between national and sub-state authorities. While according to the Constitution immigration flows, migration policy and border control are the sole responsibility of the central government, sub-state authorities and autonomous regions play a major role in designing and providing social services such as education, health and housing. Without a centralized legal framework, regional implementation is highly asymmetrical especially when not all local governments have assumed responsibility for implementation and there are revenue gaps between different local governments (Banting, 2001). It was only in 2006, that a special Plan for Citizenship and Integration with the aim of promoting social cohesion and integration at different levels was approved (Ministerio de Trabajo y Asuntos Sociales, 2007). This Plan also noted the prevalence of racial or ethnic discrimination; a problem which has formally and institutionally been addressed much later than in the other countries under review. This is likely due to the younger history of migration in Spain and the comparatively low rate of serious, race-motivated incidents. Additionally, the large proportion of immigrants from Latin American countries since the 1990s, and favourable citizenship and residence policies

aimed especially at migrants from other Spanish-speaking countries, decreased at least the integration obstacles related to language.

In comparison with the Netherlands and Germany, the social assistance tier, although it has become more inclusive, remains far less developed in Spain. Since migrants that only recently arrived in Spain will have limited entitlements to social insurance welfare benefits, and are thus largely depend on the social assistance tier, they tend to receive less than their counterparts in the more developed social assistance systems of Germany and the Netherlands. The combination of the staying power of male breadwinner social insurance, underdeveloped social assistance, and strict labour market regulation, are all to the disadvantage of most recently arrived immigrants. Yet, at the same time, the tax-financed health care and social services have been – at least until September 2012 – more inclusive vis-à-vis undocumented immigrants, which makes their situation in many ways better than that of their peers in the other countries under review here.

## 6. Conclusion & Discussion: Welfare state recalibration and its impact on migrant incorporation

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In this conclusion we attempt to draw out how welfare state recalibration has impacted on migrant incorporation in the four welfare states under review. For further elaboration on the interrelation between welfare policies and migrant incorporation, we refer to other IMPACIM publications, in particular to the national and transnational mapping reports of the entitlements and restrictions for family migrants (WP3) and the project's comparative report (WP5).

Over the past two decades, the UK, Germany, the Netherlands and Spain have—with varying degrees of success—made efforts to redirect social and economic policies. This was achieved by passing important social reforms in social security, labour market policy, employment protection legislation, pensions and social services, and welfare financing, which were dependent on the varying starting conditions of the different regimes. The result has been a highly dynamic process of social reform, marked not by half-hearted retrenchment efforts, but by comprehensive trajectories of “welfare recalibration”. Since the late 1980s, all welfare states of the EU have been recasting the basic functional, normative, distributive, and institutional underpinnings upon which they were based. Initially, countries on the European continent tried to contain the rise of open unemployment through strategies of labour supply reduction via early retirement and disability pensions, which ultimately had destabilizing consequences for the sustainability of their welfare systems. New values of work, family, gender relations, distributive fairness, and social integration entered the newly-adopted active welfare edifice, informed critically by the endogenous forces of ageing populations, deindustrialization, and changing gender roles in labour markets and households.

Welfare state futures are not foreordained. The basic character of welfare recalibration has been one of institutionally bounded policy innovation. Many reform efforts across Europe in the 1990s were increasingly couched in terms of the idea of ‘social protection as a productive factor’, based on the progressive recognition that social justice can be made to contribute to economic efficiency and progress. The new policy objective is no longer to



keep overt unemployment down by channelling (less productive) workers into social security programmes, but rather to maximize the rate of employment as the single most important policy goal of any sustainable welfare state.

In terms of functional recalibration, this also implies more immediate linkages between the areas of employment policy and social security, which have had path-transforming consequences for Germany and the Netherlands as they made the U-turn from labour-shedding policies to more inclusive strategies of maximizing employment. This meant new institutional linkages between employment policy and social security, and new policy priorities aimed at activation and reintegration of vulnerable groups. The activation turn across continental Europe also resulted in strengthened minimum income provisions, which further reinforced the ongoing shift from payroll contributions to general tax financing. In addition, Bismarckian welfare provision moved beyond passive male-breadwinner family support towards family services meant to stimulate female employment and help families balance work and care. Economically, the German welfare state resurfaced in the first decade of the twenty-first century as the strongest European economy.

In the post-industrial policy environment of the 1990s, it became clear that the active, service-oriented welfare states were in a stronger position than the passive, transfer-oriented systems to adapt to the challenge of the feminization of the labour market. The new millennium marked the rediscovery of (public) social services, especially for children. Throughout the four countries under review, leave arrangements also expanded in terms of coverage and duration. In the process, European welfare states have moved away from the breadwinner/caregiver model, under which mothers are expected to stay home with their children, to a dual-earner model, under which mothers are expected to enter the labour force.

By and large, country-specific recalibration experiences were usually not guided by some grand design<sup>xi</sup> or carefully thought out master plan, from which successful policy responses then ensued. Trajectories of welfare recalibration were paved with many contingencies, major recessions, multiple policy failures and regime-specific pathologies, severe coordination and implementation deficits, and also setbacks between national and increasingly European tiers of governance, together with important changes in the balance of

political and economic power. Institutionally bounded recalibration and innovation in the welfare state meant hard-won changes, interrupted policy experiments, and both fast as well as slow learning processes. Although many of the adjustments discussed in this chapter have been explicitly regime-specific, including path-shifting reforms and policy “turn-arounds”, as in the Dutch and German cases (Palier, 2010a; Esping-Andersen, 2010), we are nevertheless able to observe a remarkable convergence of employment and social policy objectives, as well as the adoption of increasingly similar policy initiatives, encouraged by a deepening of the EU social agenda. Perhaps these processes are best described in terms of ‘contingent convergence’, revolving around regime-specific strategies to resolve similar challenges and meet common objectives, signalling a transition from a corrective and passive welfare state to a more proactive social investment strategy, with much greater attention on prevention, activation, social servicing, and learning from others (see Hay, 2004). All in all, we can discern a relative shift from the *social protection function* of the welfare state towards a greater emphasis on the *social promotion function* of social and economic policy.

Understanding the new contours of migrant incorporation regimes requires that we acknowledge the profound social policy changes that have swept across Europe over the past three decades of major socioeconomic restructuring. How have country-specific trajectories of welfare recalibration affected immigrant life chances and family member opportunities across Germany, the Netherlands, Spain and the UK? Migration has long presented a challenge to national welfare states. Between 1945 and the early 1970s, there was a definite pro-inclusion social policy stance across the advanced European welfare states, which was not least due to the extensive labour market inclusion of non-citizens. The general drive towards universal social security coverage to all residents of the postwar era has since the 1980s given way to more restrictive immigration rules and a more strongly enforced incorporation regimes. As Maurizio Ferrera has exemplified, the expansion of the national welfare state after 1945 hinged very much on a logic of ‘closure’, of clearly demarcating cohesive citizenship communities of the nation-state. Immigration, by contrast, is best understood as a form of ‘opening’—on the weakening of barriers and closure practices that European nation-states have built to protect their national citizens from outside economic contingencies. In Britain the postwar politics of universalism has been advanced, particularly, by anti-discrimination legislation. By contrast, the expansion of social rights in the Continental German and Dutch welfare regimes proceeded more indirectly by

coverage and scope extension of male-breadwinner social security provision. In Spain this proceeded through the regularization of informally employed migrants since the 1980s.

In all the four countries under review, immigration-related policies have since the 1970s and 1980s become increasingly intertwined with social policies. There is an increased overlap of immigration and integration policies in several countries. This combined dynamic has frequently served as a means for restricting, rather than expanding, social rights of newcomers. Although we can discern less pronounced cleavages between insiders and outsiders of the welfare state than before welfare state recalibration, disparities remain across all four countries: migrants continue to be more prone to poverty (Emmenegger and Careja 2012) and, with the partial exception of Spain, migrants from outside the EU show a weaker attachment to the labour market than citizens, as can be seen in table 3. At the same time, social transfers and benefits in a range of European countries are less likely to elevate migrant households above the poverty line than citizen households, which may be due to the fact that a smaller share of immigrants is covered by contributory social insurances (Morissens and Sainsbury, 2005).

**Table 3: Employment rate 2011, by gender and area of birth**

	Total			Women		
	Native	Other EU-27	Extra EU-27	Native	Other EU-27	Extra EU-27
Belgium	64	62	46	59	57	35
Denmark	75	71	58	72	69	54
Germany [1]	74	71	55	70	63	44
Ireland	59	61	54	55	57	47
Greece	55	61	58	45	55	45
Spain	58	56	54	52	51	52
France	65	67	54	61	63	46
Italy	56	63	61	46	54	47
Netherlands	77	73	61	72	69	54
Austria	73	71	64	68	65	56

Portugal	64	76	67	60	74	65
Sweden	76	74	58	74	70	53
UK	70	76	62	66	71	52
EU-15	66	67	58	61	61	50

Eurostat, Employment rates by sex, age and country of birth

[lfsa\_ergacob]

[1] Data for Germany refer to nationality instead of area of birth

Heterogeneous welfare regimes, confronted with similar problems of structural socioeconomic change, responded quite differently to outside and endogenous challenges. The general trend to more selectivity prevailed in the UK with the expansion of private insurance, increased targeting in public provision and the explicit exclusion of immigrants from recourse to a range of benefits. In Germany, the general erosion of male-breadwinner social insurance provision, coordinated industrial relations, and strong vocational training policies, gave way to dualisation tendencies, distancing the native core of high-skill industrial workers from a growing segment of low-skill precarious workers in the service sector periphery. In the process of economic restructuring, it became increasingly difficult for the offspring of migrant guest workers as well as newly arriving low-skilled immigrants to enter the privileged core of the industrial work force through firm-based vocational training, though this seems to have changed somewhat in recent years. In the Netherlands, the response to new labour market shortages in the late 1980s and 1990s was to mobilize women through part-time work, which in turn fuelled demand for an expansion of services to support female employment. This led to the normalization and upgrading of part-time work and other forms of atypical service employment in the Netherlands. Despite the repeated efforts of regularisation of migrants in Spain, the dualism of income support and large proportions of newcomers in the informal sector has posed significant challenges to successful migrant policy.

Trends of enhanced targeting in the UK, labour market dualisation in Germany, the normalization of female service-sector employment in the Netherlands, and the regularization of undeclared work in Spain, in most countries went hand-in-hand with stricter admission and/or integration policies, which added an additional layer to newcomer incorporation policies across the four countries under review. In the wake of the recent

financial crisis, important restrictions in access to social security have especially affected migrants (Emmenegger and Careja 2012). Compared to the UK, specific policy intervention to exclude migrants from access to social safety nets have been less ‘necessary’, in Germany, the Netherlands and Spain, because their social insurance systems imply general eligibility criteria presupposing a certain period of active labour market participation before being eligible for social protection (Emmenegger and Careja 2012). As highlighted above, this becomes particularly important when considering the overall weaker attachment to European labour markets of migrants from outside of the EU, who find themselves more prone to un- and underemployment (see table 3 and 4).

**Table 4: Unemployment rates in 2007 and 2011, by area of birth**

	Native		Other EU-27		Extra EU-27	
	2007	2011	2007	2011	2007	2011
Germany [1]	8.8	6.0	9.9	7.6	20.5	13.9
Spain	7.6	19.5	10.6	28.3	12.1	32.7
Netherlands	2.7	3.8	4.1	5.6	7.4	10.2
UK	5.1	8.0	5.4	6.7	8.4	10.8
EU-15	6.5	8.9	7.3	12.4	11.3	18.4

Eurostat, Unemployment rates by sex, age and country of birth

[Ifsa\_urgacob]

[1] Data for Germany refer to nationality instead of area of birth

Everywhere, migrant households are disproportionately poor (Emmenegger and Careja, 2012: 130). Significantly, there are widening gaps between different groups of migrants, with those of non-western backgrounds being among the most disadvantaged categories and among those more likely to live below an acceptable standard of living. This stratification between different groups of migrants seems to be a common trend across the countries under review; for example, in the Netherlands, new pillars for ordering social and political life have emerged with their own demands, which do not only build on a citizen-migrant divide, but may also stratify within the migrant population, for example with regards to cultural, ethnic and religious backgrounds. In Germany, and perhaps to a lesser extent in the Netherlands, the comparatively large populations of Turkish origin remains split among

ethnic, religious and ideological divides (Guiraudon, 1998; Crul and Vermeulen, 2006). Stratification of migrants can also be observed between Spanish-speaking newcomers from Latin America and those arriving from countries with high cultural and linguistic differences, and particularly with regards to irregular migrants. In general, Muslim families may be disadvantaged in recalibrated Continental welfare regimes, especially when it comes to schooling and educational attainment. Whereas Indian families and their children in the UK do very well, other more traditional migrant families in which women do not work, face greater disadvantages in ever less male breadwinner biased welfare states. By the early 21<sup>st</sup> century, dual family norms, diminishing the cultural saliency of nuclear family norms, became the new policy consensus behind a revised model of social citizenship based on employment, gender equality, and reciprocal individual social rights and activation obligations. To illustrate this point, we can look at data on the use of childcare facilities in the Netherlands. These show that the take-up rates of childcare subsidies are lowest among Turkish and Moroccan groups, for which respectively 15 and 12 per cent of the children were in formal daycare in 2008, compared to 32 per cent for Dutch natives. By contrast, take-up was higher among Surinamese and Antillean migrants than among native Dutch, with respectively 35 and 45 per cent. The latter groups are much less attached to a male breadwinner type of family norm.

A further tendency, which contributes to the disparities between different migrant groups, is the strategy enacted to meet some of the new challenges of Western European countries. Migration policies targeting highly-skilled workers have all but replaced whatever legacy remained of former guestworker programmes (with perhaps the exception of temporary and seasonal workers). At the same time, however, EU-25 nationals are free to work in other EU countries regardless of skill levels. The selection of highly-skilled migrants may facilitate a closing-of-the gap between highly-skilled migrant workers with strong labour market attachments and citizens. But it does not prevent continued disparities between second generation migrant and native youths – particularly in the Bismarckian welfare regimes of Continental Europe with their educational systems based on early tracking and the limited participation of these migrants in early education childcare. This has become particularly evident when analysing how second generation migrants fare in Western European welfare states when it comes to integration. Education is one widely-accepted marker for the level of integration of second and third generations, and indicators such as the Programme for International Student Assessment (PISA) evidence poor scores for the

countries under review here: Migrant children of both, first and second generations were outperformed by non-migrants students in all categories of testing (OECD, 2009), although the gap tends to be closer with children of the second generation, particularly in the UK. In terms of education, Maurice Crul and Han Vermeulen (2006) found that, at least in Belgium, different levels of integration policies in the Flemish north compared to the Walloon south seemed to not have made an impact upon the school achievements of the second generation Turkish population. Rather, a uniform school system across the country ensured equal results independent of different integration strategies between the two parts of the country. Their research suggests that differences in education systems, including hours of face-to-face contact with teachers and the age at which schooling begins, impact upon migrant students' performances (ibid). Moreover, there also appears to be a causal relationship between different national education systems and the drop-out rates of second generation (Turkish) migrants, as well as their successful transition to the labour market (Crul, 2007). Considering the generally low educational background from which many guestworkers stemmed, differences in schooling systems across countries is an influential factor in enabling the intergenerational mobility that is so integral to present-day economies. More recent immigrants, both from within and outside of the EU, are often more highly educated. Spain, as the most recent destination for migrants in our study, exemplifies this development: Newcomers in Spain tend to have higher average levels of education than traditional migrant workers. Nevertheless, the '1.5 generation' of migrant children still face significant obstacles in equal access to the Spanish education system (Moreno Fuentes and Bruquetas Callejo, 2011).

Integration policies are in place in all countries under review to facilitate incorporation and ease transitions. These vary significantly between and within countries and are aided by anti-discrimination laws. Language and/or cultural knowledge tests have become common tools of both immigration policy and integration in especially the Netherlands, the UK and Germany (see Scholten et al 2012). As immigration requirements, however, these strategies still distinguish between different groups of migrants; for example in the Netherlands since 2006, language tests have had to be passed by certain categories of (ethnic) migrants in their home countries (van Walsum, 2008). Also, present-day practices with regards to citizenship requirements raise the question if citizenship should be seen as a reward rather than a tool for integration. Policies in Germany, in particular, tend to point to the former option.

Until 2002 and preceding the increasing number of EU directives overruling national immigration regimes, integration and immigration policies remained firmly anchored in the jurisdictions of national states. Important pieces of legislation, anchored in the Treaty of Rome and advanced by ECJ decisions with its strong emphasis on free movement, have raised the status of third state nationals. With the supremacy of free movement and competition rules since the late 1980s, the nation-state is no longer the sole and ultimate arbiter of inclusion and exclusion of social protection. On the contrary, the thickening layer of European market integration has resulted in an erosion of domestic social and economic policy autonomy. As a starting point, the Amsterdam Treaty, especially the Social Protocol, created a legal status for more inclusive employment policies for non-EU nationals, but with no substantive effect, except for anti-discrimination policy. An important institutional shift is that issues of migration and asylum affairs transposed from the jurisdiction of Home Affairs to the realm of free movement.

Interestingly, the new politics of “welfare chauvinism” seem to have made a greater imprint on immigration and integration policies in Europe’s more generous Continental and Nordic welfare regimes. Extreme right parties are more vocal in the expansive welfare states of Northern Europe than in the more residual British and Irish welfare regimes, until recently. The Freedom Party of Geert Wilders has been particularly successful in shaping an extremely restrictive immigration and integration policy repertoire in the Netherlands. By contrast, in the less ambitious Anglo-Saxon welfare regime of the UK, more restrictive means-tested and targeted social policies, including longer waiting periods for access to welfare provision, seem to pre-empt support for more restrictive immigrant policies (Banting and Kymlicka, 2006). Though it should be noted that after the massive inflows of Eastern Europeans after 2004, British public opinion has become much more negative and the current British coalition government’s policy is responding to these negative sentiments. In Spain, while welfare chauvinism towards migrant groups is prevalent, general support for income redistribution has thus far remained strong; a trend perhaps explained by the relative youth and limitations of the Spanish welfare system, the lack of an electorally successful populist right wing party and the strong sub-national forces existing within the country (see Moreno Fuentes and Bruquetas Callejo, 2011).



A further trend which can be elucidated is the changing pattern of migration. In the 1960s, low-skilled migrant workers from former colonies and southern countries migrated into the welfare states of continental Europe and Britain; changed family migration norms made reunification and permanent settlement for migrants as well as their descendants possible. Contemporary trends in migration evidences a partial shift to skilled labour migration, where newcomers are no longer necessarily situated in the lowest socioeconomic strata of society, but are more likely to be affluent, highly-educated and skilled. Their attachment to host states is less strong than that of their counterparts in the second half of the twentieth century, particularly given the increasing interconnectedness and technological advances of the past twenty years, which have facilitated easy movement between countries and continents. Improved situations and opportunities in home countries combined with worsening conditions in European labour markets in the aftermath of the latest financial crisis may contribute to a pattern of circular migration where newcomers remain in host nations only temporarily to return to their home countries later. Due to this mobility, the likelihood that these migrants will ever have to fall back on social security becomes smaller. This is likely to affect especially the younger welfare and immigration state under review, Spain, (and perhaps those highly-skilled migrants in the UK), where immigrants were disproportionately affected by crisis-related unemployment (see table 4 above) and the possibility of return to their countries of origin presents an attractive option.

Finally, a phenomenon that has increasingly received scholarly attention recently, is the employment of immigrants as care providers. This is yet another aspect of the intersection of welfare and migration. As we already described in relation to the Spanish case, in countries with relatively limited public care provision, especially for the elderly, there is a strong demand for migrant carers offering a cheap alternative for family care (Léon 2010; Bettio et al. 2006). This is not only the case in Southern European countries, but also occurs in Austria and Germany (Da Roit et al. 2007). Meanwhile, in the UK and Ireland, there is a strong reliance on migrant workers as employees of private care providing agencies (Cangiano et al. 2009). With the increasing costs of long-term care services for the elderly, and cutbacks that have been or will be enacted in this field in many countries, the reliance on migrant care workers might increase further in the future (Van Hooren 2012). Contradictorily, in this scenario, migrant women provide native women with the capacity to be engaged in good ‘insider’ employment, while the migrant women in question often lack

social security even if they work regularly, while their own family members often still live in their country of origin.

Evidently, different welfare regime types, their incorporation systems and integration policies, have had varying effects upon the social rights of migrant communities. While there has been considerable convergence both in terms of immigration policies and trajectories of welfare recalibration in the countries surveyed, the stratification between migrants and citizens, as well as within migrant communities and their descendants reaffirms the importance of social investment and the need for comprehensive welfare state policies. These cannot be blanket solutions, but need to be designed specifically and individually during the current quest for a new welfare state, with the recognition that the answers may well be influenced by past rather than future factors such as national identities, historic legacies, supranational regulations as well as and additional country- and regime-specific intricacies. Particularly with growing anti-immigrant sentiments, the importance of social inclusion and cohesive societies within states remains of paramount importance in the aftermath of the financial crisis. This is especially so considering the current challenges to the future of European welfare states, such as demographic aging. The potential importance of migration in addressing these challenges and in influencing the growth, competitiveness, social progress and political stability of welfare states, is self-explanatory.

## 7. References

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<sup>i</sup> This paper is based on the forthcoming monograph *Changing Welfare States*. Oxford: Oxford University Press.

<sup>ii</sup> In the literature, the Anglophone type is also often referred to as 'Liberal welfare regime'. As the IMPACIM-project has not included a country from the Nordic regime type, this regime type is removed from the analysis.

<sup>iii</sup> These groups include irregular immigrants, sponsored immigrants, and those 'who [have] leave to enter or remain but subject to the condition that [the do] not have recourse to public funds'. See: <http://www.hmrc.gov.uk/manuals/cbtmanual/cbtm10120.htm> [accessed on 20/2/2013].

<sup>iv</sup> See Hemerijck, Manow and Van Kersbergen (2000) for critical differences in Christian social thought, between Catholicism, Calvinism and Lutheranism.

<sup>v</sup> *Bundesanstalt für Arbeit*- the German Public Employment Service

<sup>vi</sup> In Eurostat employment status (part-time or full time) is self-reported, except for the Netherlands in which it indicates less than 35 hours paid employment

<sup>vii</sup> The combination of four institutional treats resulted in adverse labour market consequences (i.e. making labour more and more expensive): 1. the generosity and long duration of insurance-based income replacement benefits; 2. the mainly passive/compensatory nature of such benefits; 3. their contributory pay-roll financing; 4. high minimum wage

<sup>viii</sup> <http://www.eurofound.europa.eu/eiro/studies/tn0808019s/es0808019q.htm> [accessed on 14/3/2013]

<sup>ix</sup> [http://ec.europa.eu/europe2020/pdf/nd/swd2012\\_spain\\_en.pdf](http://ec.europa.eu/europe2020/pdf/nd/swd2012_spain_en.pdf), p. 17 [accessed on 20/2/2013].

<sup>x</sup> See: [http://www.minhap.gob.es/Documentacion/20120803\\_Plan\\_en.pdf](http://www.minhap.gob.es/Documentacion/20120803_Plan_en.pdf) [accessed on 20/2/2013].

<sup>xi</sup> Though the German Agenda 2010 can be seen as an exception to this rule.



