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**Is unrestricted immigration
compatible with inclusive welfare
states? The (un)sustainability of
EU exceptionalism**

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Abstract

The economist Milton Friedman was one of the first to argue that there is a fundamental tension between what he called "free immigration to jobs" and "free immigration to welfare" (Friedman 1978). The political scientist Gary Freeman made a similar point in his widely cited article on 'Migration and the political economy of the welfare state', which concluded that "ultimately, national welfare states cannot coexist with the free movement of labor" (Freeman 1986, p.51). The implication of these arguments is that you can have large-scale labour immigration or an inclusive welfare state - but not both. However, under the 'free movement' rules of the European Union, EU workers have both the right to freely migrate and work in any EU member state and the right to full and equal access to that country's welfare state. Does the experience of the EU show that the alleged tension between large-scale labour immigration and inclusive welfare states does not exist or, if it exists, that it can be overcome? Or will the free movement of workers within the EU prove to be unsustainable? In this paper I argue and show why continuing to insist on both unrestricted migration and equal access to national welfare states for EU workers has the potential to undermine the political sustainability of 'free movement' because it does not take adequate account of important differences in the labour markets and welfare states across EU member states.

Keywords

immigration, labour markets, welfare states, European Union

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Preface

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I Introduction

The free movement of workers is one of the fundamental freedoms of the European Union (EU). It gives citizens of EU countries the right to move freely and take up employment in any other EU country *and* – as long as they are “workers” – the right to full and equal access to that country’s welfare state. This combination of unrestricted intra-EU migration and equal access to national welfare states for EU workers is an important exception to the tension and trade-off between immigration and access to social rights that characterizes the labour immigration policies of the United States and other high-income countries (including many European countries’ policies for admitting workers from outside the EU).

This paper discusses the likely sustainability of this “EU Exceptionalism” in the long term. I begin, in section 2, by explaining why we can expect a tension between immigration and inclusive welfare states. I show that, in practice, this tension is reflected in trade-offs in high-income countries’ labour immigration policies between openness to admitting migrant workers and some of the rights, especially social rights, that migrants are granted after admission. In other words, greater openness to labour immigration is typically associated with greater restrictions on new migrants’ access to the national welfare state, and vice versa.

Section 3 reviews the key features of the legal rules for the free movement of workers within the EU and discusses the changing scale and politics of intra-EU migration since the early 2000s. The rules governing the free movement of EU workers and their access to national welfare states are much more complex than is typically acknowledged in public and media debates. In the context of this paper, it is particularly important to emphasise that the right to unrestricted access to the welfare state is limited to EU migrants who are “workers”. The legal status of a “worker” is defined in broad terms by EU law that allows for some limited room for (frequently contested) variations in national definitions across different EU member states. EU migrants who are either inactive (e.g. retired persons) or active but not engaged in ‘genuine and effective work’ do not enjoy full and equal access to the welfare states of their “host countries”.

Because I am interested in discussing the exceptionalism of unrestricted access to both labour markets and welfare states for EU migrants, my discussion of free movement in this paper is focused on EU citizens who move to another EU country for the purpose of employment and who qualify as “workers”. The paper is not concerned with the intra-EU migration and social rights of EU citizens who are not workers, a group that has recently been much discussed in debates about alleged “benefit tourism”. This usually refers to claims that EU citizens move to other EU countries for the primary purpose of accessing benefits rather than working and contributing. Although popular in media and public debates across the EU, there is little evidence to support this claim. In the UK, for

example, there is no evidence to support the idea that access to the welfare state is a major driver of EU immigration and EU migrants are significantly less likely than UK workers to access out-of-work benefits (see, for example, O'Connor 2013 and 2014; Sumption and Allen 2015). In any case, the great majority of EU migrants across EU member states are labour migrants who qualify as “workers”.

While the overall cross-country labour mobility in the EU has remained relatively low, intra-EU labour migration flows have increased considerably since enlargement in 2004 and 2007 when 10 low-income countries in Eastern Europe joined the EU. Some countries, including the UK and Ireland, have experienced very high immigration of East European workers over the past decade, while others such as Sweden have seen much more limited inflows. Together with the economic downturn that began in 2008, the larger than anticipated increase in intra-EU migration to certain member states has triggered a debate about the sustainability of the current rules for the free movement of workers within the EU, especially the combination of unrestricted access for EU workers to both the labour markets and welfare states of all EU member states. A number of EU countries including the UK, the Netherlands, Denmark and Germany have called for more restricted access for EU migrants to welfare benefits. The UK has been the only country in the EU that proposed (in 2013) to introduce restrictions on EU nationals' access to the British labour market (a proposal that appears to have been withdrawn in 2014). The European Commission and some other member states such as Sweden have, at least so far, insisted on maintaining the status quo as much as possible.

As I show in section 4, a key reason for the emerging debate about free movement in the EU, and for the different views about whether and what aspect of free movement needs to be reformed, stems from the fact that EU member states have very different labour markets and welfare states. In a free movement area with unrestricted labour migration across countries, the nature of the labour market plays an important role in shaping the *scale* of immigration in particular countries. More flexible labour markets tend to attract more migrant workers, especially for employment in lower-waged jobs, than more regulated labour markets. At the same time, the nature of the welfare state, especially the extent to which it provides non-contributory benefits, impacts on the net-fiscal contribution that new migrants make. In countries with welfare systems characterized by a high share of non-contributory benefits, low-skilled immigration will, *ceteris paribus*, create a smaller net-benefit (or greater net-loss) than in countries with welfare states that include a greater share of contributory benefits.

The key argument of this working paper is a conceptual one: in countries that have *both* a relatively flexible labour market *and* a relatively non-contributory welfare state (and my exploratory empirical analysis suggests that this is the case in the UK and Ireland) ‘free movement’ can generate specific

fiscal costs and economic tensions that are not present, at least not to the same degree, in countries characterised by more regulated labour markets and/or more contributory welfare states. These specific costs and economic tensions have *the potential* to undermine the domestic political support for the free movement of EU workers, thus threatening the political sustainability of the current rules for intra-EU migration among the 28 member states. Whether and to what extent this potential threat results in *actual* political pressure for policy change in countries with relatively flexible labour markets and relatively non-contributory welfare states depends on a range of factors relating to, among other things, the wider economic effects of free movement and, critically, the domestic politics of immigration.

2 The tension between immigration and the welfare state

Is large-scale immigration compatible with equal access for migrants to the welfare state? Most theoretical and empirical research of immigration policies in the United States and other high-income countries suggests that the answer is “no”.

The United States: “Immigration yes, welfare no”

In the United States, the economist Milton Friedman was one of the first to argue, in a much-quoted speech in 1978, that there is a fundamental tension between what he called “free immigration to jobs” and “free immigration to welfare”:

“...it is one thing to have free immigration to jobs, it is another thing to have free immigration to welfare, and you cannot have both. If you have a welfare state, if you have a state in which every resident is promised a certain minimum level of income or a minimum level of subsistence regardless of whether he works or not, produces it or not, well then it really is an impossible thing.” (Friedman 1978, p.3)

Similarly, in a seminal paper on immigration and the welfare state, political scientist Gary Freeman concluded in 1986 that

“...the relatively free movement of labor across national frontiers exposes the tension between closed welfare states and open economies and that, ultimately, national welfare states cannot coexist with the free movement of labor.” (Freeman 1986, p. 51).

Friedman and Freeman based their arguments on similar explanations that relate to the fiscal costs of immigration and the impact of immigration on the political sustainability of the welfare state more generally. Writing in the late 1970s, Friedman essentially argued that the emergence of the welfare state made immigration during the second half of the 20th century much more expensive for the

United States than free immigration in the late 19th and early 20th century. Similarly, emphasising the inherent and inescapable “logic of closure” of the welfare state (where members must be distinguished from non-members), Freeman argued that large-scale immigration challenges the fiscal and political stability of the welfare state.

The trade-off between immigration and migrants’ access to social rights is also at the heart of US policy-making on immigration. A good example is the change in migrants’ access to welfare benefits in the mid-1990s. In 1994, President William Clinton formally appointed the bipartisan US Commission on Immigration Reform, which was created by the 1990 Immigration Act with the mandate to “review and evaluate the implementation and impact of immigration policy” (US Commission on Immigration Reform 1995, p. 2). The commission published three separate reports with a series of recommendations for reforming US policies toward illegal and legal immigration as well as naturalization. The commission was appointed at a time when concerns about the effects of immigration – both legal and illegal – had become an increasingly important focal point of the US immigration debate. In November 1994, for instance, Californian voters approved Proposition 187, intended to deny illegally resident aliens and their children welfare benefits, nonemergency health care and public education.ⁱ The fiscal effects of immigration were thus an important theme of the commission’s work.

In its 1994 and 1995 reports, the commission urged Congress to maintain immigrant access to social safety net programs but reduce the admission of immigrants, both permanent and temporary, including the elimination of most low-skilled labour immigration. The commission argued that while illegally resident migrants should not be eligible for public benefits except in emergency cases, legal immigrants should not be denied access to public benefits programs. As Susan Martin, the commission’s executive director, explained in 1996, this recommendation was based on the idea that US policy should strike a “grand bargain” on legal immigration: reduce the growth in immigration, but maintain legal immigrants’ full access to the social safety net.ⁱⁱ Congress rejected this recommendation. It instead kept immigrant numbers high, and in 1996 reduced migrant access to benefits as part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This policy outcome broadly reflected the “immigrants yes, welfare no” approach advocated, among others, by Michigan senator Spencer Abraham, a key opponent of restrictive admission policies. In his analysis of the US politics of immigration control in the 1990s, Daniel Tichenor (2002, p. 284) described this policy as:

“a triumph for free market expansionists, who allied with pro-immigration liberals to sustain unprecedented legal admissions with anti-immigrant conservatives to trim alien substantive and procedural rights. The outcomes of 1996 suggested that large-scale immigration would

flow into the United States uninterrupted for the foreseeable future, and that those who arrived would enjoy fewer membership rights until they acquired citizenship.”

The trade-off between openness to immigration and access to social rights is also reflected in public opinion toward immigration in the US (and other countries) and it has become a relatively undisputed core feature of recent proposals for immigration reform in the US. Research evidence on the determinants of attitudes toward immigration suggests that social and other rights for migrants can reduce public support for more open admission policies, especially among skilled (and well-paid) residents whose taxes would contribute to covering most of the costs of providing public services and benefits for low-skilled migrants (Hanson, Scheve, and Slaughter 2007). Jim Dolmas and Gregory Huffman (2004, p.1155) claim that “apparent opposition to immigration may in fact not be disapproval of immigration per se, but instead might be opposition to the benefits that immigrants will subsequently receive after having emigrated.” Gordon Hanson (2005, p.1) thus argues for the United States that “generating greater political support for open immigration policies would require reducing immigration’s adverse effects on the labour market earnings and fiscal burdens on US residents.” As one of the policy options, Hanson (ibid., 2) proposes that the country “expand temporary migration programs and phase in immigrant access to public benefits more slowly over time.” A comprehensive immigration reform bill passed by the US Senate in 2012 included the creation of new guest worker programs that would admit more low-skilled workers but without giving them immediate full access to the US welfare state.

International evidence: Trade-offs between openness and rights in labour immigration policies in high-income countries

My recent book (Ruhs 2013) shows that the tension between immigration and social rights can be generalized, both conceptually and empirically, to a trade-off between openness to admitting migrant workers and the rights that migrants are granted after admission.

Conceptually, the starting point is that all rights – for migrants and non-migrants – create multifaceted costs and benefits that vary across different types of rights, between the short and long run, and – critically – between workers with different skills and earnings. For example, the net fiscal impacts of migrants (and citizens) – i.e. the taxes they pay minus the value of the services and welfare benefits they receive – critically depend on their skill levels and earnings. Because rights have consequences, in the sense that they create costs and benefits, restrictions of migrant rights are, and need to be analysed as, instruments of nations states’ labour immigration policies. It is plausible to expect high-income countries to selectively and strategically restrict some of the rights of migrants in a way that maximizes the net benefits for the receiving country (see also Cox and Posner 2009).

For most rights, high-income countries can be expected to perceive equality of rights with citizens as best for the national interest. The equality of labour rights, for example, can play an important role in ensuring that migrant workers are not preferred to domestic workers because they can be employed at a lower cost due to reduced rights. Some other rights, however, can create net costs for the receiving country, at least in the short run. For instance, granting low-skilled migrants in low-paid jobs full access to the welfare state may create net fiscal costs for the receiving country that may not be offset by other types of benefits that employing low-skilled migrants can create. Where rights create net costs for the receiving country, openness to labour immigration can be expected to critically depend on the extent to which costly rights can be restricted and hence the trade-off between openness and costly rights.

Of course, governments of nation states are not completely free to restrict the rights of migrant workers in any way they see fit. The “liberal constraint” – including national constitutions, domestic judiciaries and international human rights commitments – imposes some limits on states’ ability to restrict the rights of migrant workers. These constraints vary across different countries with different political systems e.g. liberal democracies are more constrained than authoritarian regimes. In most liberal democratic countries, migrants with permanent residence status are typically granted almost all the rights of citizens, with the important exception of the right to vote in national elections. Most restrictions of migrant rights thus require temporary rather than permanent immigration programs.

To explore the interrelationships between openness, skills and rights in practice, my book analyses the characteristics of labour immigration policies and migrant rights in high- and middle-income countries. Given that there are no readily available measures of admission policies and migrant rights, I constructed two separate indexes that measure: the openness of labour immigration programs in forty-six high- and middle-income countries to admitting migrant workers; and the legal rights (civil and political, economic, social, residency, and family reunion rights) granted to migrant workers admitted under these programs. Importantly, the unit of my analyses is labour immigration programmes rather than countries as a whole. This is because, with the notable exception of Sweden, all countries use different labour immigration programs for admitting migrants for employment in low-, medium- and high-skilled jobs. Different programs are often associated with very different degrees of openness and rights for migrant workers.

My empirical analysis finds that over 90 percent of labour immigration programs in high-income countries are temporary migration programs (defined as programmes that grant temporary residence and work permits on arrival). Migrant rights restrictions are very common and variable across countries. It also shows that labour immigration programs that target the admission of higher-

skilled workers are more open and grant migrants more rights than programs targeting lower-skilled workers.

As shown in Table I below, in upper-high income countries, there is also evidence that labour immigration programmes can be characterized by trade-offs between openness and some migrant rights—that is, programmes that are more open to admitting migrant workers are also more restrictive with regard to specific rights. It is crucial to emphasize that the trade-off between openness and rights affects only a few specific rights rather than all rights, and that they most commonly include selected social and economic rights as well as rights relating to residency and family reunion. My empirical analysis suggests that trade-offs between openness and migrant rights can be found in policies that target a range of skills, but are generally not present in labour immigration programs specifically designed for admitting the most highly skilled workers for whom there is intense international competition.

Table I: Correlations between openness and rights (aggregate and sub-indices), all programs in upper high-income countries, 2009

Targeted skill level	Openness					
	only LS	LS	MS	HS1	HS2	Only HS2
Observations	11	30	28	40	41	10
Aggregate rights			-0.341 (0.08)	-0.402 (0.01)	-0.349 (0.02)	
Political rights						
Economics rights			-0.372 (0.05)	-0.311 (0.05)		
Social rights			-0.32 (0.09)	-0.33 (0.03)	-0.339 (0.03)	
Residence rights			-0.327 (0.09)	-0.36 (0.02)	-0.3 (0.06)	
Family rights				-0.33 (0.04)	-0.31 (0.04)	

Notes: p-values in parentheses; correlations with $p > 0.10$ are not shown; N=71 programs; LS ... programs that target low-skilled workers (less than high-school and no vocational skills) and possibly others; MS ... programs that target medium skilled workers (with high school, vocational training or trades qualification) and possibly others; HS1 ... programs that target high skilled workers (with first degree from university or equivalent) and possibly others; HS2 ... programs that target high very high skilled workers (with second or third degrees from university or equivalent) and possibly others; Please note: many programs cover more than one skill group

Source: Ruhs 2013, p.85

Importantly, the analysis in Ruhs (2013) focuses on migrant workers whose admission can be controlled by nation states. It thus excludes migrants admitted under free movement agreements such as that operating among EU member states (which is the most advanced free movement agreement in the world). For the EU countries included in the analysis in Ruhs (2013), the openness and migrant rights indices only include policies toward non-EU (“third country”) nationals.

3 Free movement of workers in the EU: Open borders and equal social rights

The remainder of this paper focuses on the policies that govern the labour migration of EU citizens within the European Union. As I show below, by facilitating unrestricted labour migration *and* unrestricted access to the welfare states of EU countries, the current policies for the free movement of EU workers constitute an exception to the international pattern of trade-offs between the admission and social rights of migrant workers. The EU’s current policies have, however, come under increasing political pressure in recent years, especially from the UK but also from some other member states. What are the sources of this pressure, and is this EU exceptionalism sustainable?

Open borders

Along with the free movement of goods, services, and capital, the free movement of labour is one of the four fundamental freedoms of the European Union. The “free movement of EU workers” (henceforth, “free movement”) means that any EU citizen (i.e. any person holding citizenship of one of the 28 members states of the EU) is entitled to move and freely take up employment in any other EU country. More specifically, EU citizens are entitled toⁱⁱⁱ:

- look for a job in another EU country
- work there without needing a work permit
- reside there for that purpose
- stay there even after employment has finished
- enjoy equal treatment with nationals in access to employment, working conditions and all other social and tax advantages

It is important to emphasize that the beneficiaries of this freedom primarily include *jobseekers*, i.e. EU citizens who move to another EU country to look for a job. For economically inactive groups (such as retirees), the right to free movement and residence within the EU is conditional on health insurance and sufficient resources such that they won’t become an “unreasonable burden” on the host state (for more discussion, see Costello and Hancox 2014). However, family members of EU nationals working in another EU country are entitled to reside and work in that country (regardless

of their nationality) and their children have the right to be educated there. ^{iv} After five years of continuous legal residence, EU citizens and their family members obtain the right to permanent residence in the host EU country (without any of the conditions that may have applied in the previous 5 years).^v

When a new country joins the European Union, EU law allows existing member states to impose “transitional provisions” that restrict the employment (but not residence) of workers from the new member states for a limited period of time. Transitional provisions were introduced to address fears about mass immigration from new member states. In May 2004, eight East European countries (the so-called “A8” countries) plus Cyprus and Malta joined the EU, and in May 2007 Romania and Bulgaria (the “A2 countries”) became members. The levels of GDP per capita in A8 and A2 countries were and continue to be significantly below those in the EU15 countries (i.e. the EU members before enlargement in 2004). For both these enlargements, pre-existing EU member states were allowed to impose temporary employment restrictions on A8 and A2 workers for a maximum of seven years. Table 2 below shows the years when the EU15 member states lifted restrictions on the employment of A8 workers and A2 workers. The UK, Ireland and Sweden were the only three countries among the EU15 member states that chose not to impose any transitional controls on the employment of workers from the A8 countries.

Table 2: Lifting of transitional controls for A8 and A2 migrants: EU15 member states*

	A8 Accession (2004)	A2 Accession (2007)
2004	Ireland, Sweden, UK	N/A
2006	Greece, Spain, Italy, Portugal, Finland	N/A
2007	Luxembourg, Netherlands	Finland, Sweden
2008	France	
2009	Belgium, Denmark	Denmark, Greece, Spain**, Portugal
2011	Germany, Austria	
2012	N/A	Ireland, Italy
2014	N/A	Belgium, Germany***, Spain, France, Luxembourg, Netherlands, Austria, UK

Notes: *EU15 refers to the fifteen member states of the European Union before enlargement in 2004. ** Spain temporarily re-imposed restrictions on Romanians from 2011; *** Germany partially lifted restrictions for some A2 workers in Jan 2012.

Source: Migration Advisory Committee 2014, p. 57

Equal social rights

EU laws imply a general principle that all EU citizens should be treated equally in EU member states – with some exceptions (for a detailed discussion see Costello and Hancox 2014). For example, EU

citizens who have moved to another EU country are entitled to vote in local elections but not in national elections of their country of residence. With regard to employment rights, EU workers are generally entitled to equal treatment with national workers in the workplace. So this means that an EU citizen working in another EU country must be treated in exactly the same way with regard to, for example, working conditions (e.g. pay and dismissal procedures), access to training and collective bargaining (if it exists) etc.

In terms of social rights, the right to equal treatment for EU citizens living in another EU member state depends on whether they are economically active or not, the extent of integration in the host country and the type of the benefit claimed (Costello and Hancox 2014). For EU citizens who move to another EU country for the purpose of employment – the primary group of interest in this paper – access to the welfare state critically depends on having the legal status of a “worker”. To be considered a worker by EU law, a person must pursue “effective” and “genuine” economic activity.^{vi} This broad definition leaves some limited room for further specification by member states (see, for example, the discussion in Anderson, Shutes and Walker 2014). EU workers are entitled to equal access to all social rights granted to nationals of the host country. So this means that an EU national who has moved and taken up employment (in a way that meets all the criteria of a “worker”) in another EU country is entitled to exactly the same rights to social assistance and social security as nationals of that member state.^{vii}

EU law does allow restrictions on EU migrants’ access to some welfare benefits for a maximum period of five years, but only for specific groups of migrants who do not meet certain criteria such as having “sufficient resources” in order not to become an “unreasonable burden” on the host state. This can affect, for example, employed people who do not qualify as “workers” and certain groups of inactive people. The degree to which EU law requires member states to grant EU migrants who are inactive equal access to the welfare state has been legally contested (see e.g. *Abdirahman and Ullusow v Secretary of State for Work and Pensions* 2007 and *Patmalniece v Secretary of State for Work and Pensions* 2011). A recent judgment by the European Court of Justice (*Dano v Jobcenter Leipzig*, 11 Nov 2014) confirmed that EU member states can exclude inactive EU migrants with insufficient resources from selected welfare benefits (mainly certain types of social assistance).

“A Member State must therefore have the possibility, ... of refusing to grant social benefits to economically inactive Union citizens who exercise their right to freedom of movement solely in order to obtain another Member State’s social assistance although they do not have sufficient resources to claim a right of residence.” (Para 78).

Intra-EU migration since 2004

Despite the absence of restrictive migration policies within the EU, intra-EU labour migration remains relatively low: Eurostat data suggest that in 2013 just under 3 percent of EU27 citizens lived in another EU country. EU migrants constitute a minority, about 40 percent, of all migrants across the EU although this share varies across different countries (in 2012, Belgium, Ireland, Luxembourg, and Cyprus were the only EU countries where EU migrants exceeded non-EU migrants^{viii}). The annual cross-border mobility rate of EU citizens within the EU has been much lower than the mobility across US states (OECD 2012^{ix}).

While intra-EU labour migration remains relatively low (although what is “low “ and “high” is obviously very subjective), it has increased significantly since EU enlargement in 2004 and 2007. The gradual removal of restrictions on the employment of A8 nationals since 2004 (and A2 nationals since 2007) has resulted in considerable increases in the number of “free movement migrants” in the EU15 countries. However, as shown in Tables 3 and 4 below (and Table A1 and A2 in the Appendix), there has been variation across EU countries.

Table 3 shows the numbers of EU25 citizens in selected EU15 countries (excluding citizens of the reporting country) in 2004 and 2013. The figure for 2013 excludes citizens of Romanian and Bulgarian who joined the EU in 2007. Germany hosted the largest number of migrants from other EU25 countries in both 2004 and 2013, but the number grew at a relatively small rate (15 percent) during 2004-2013. The UK stands out in terms of both the absolute number of EU25 migrants (second highest in 2013) and the increase during 2004-2013 (120 percent). As shown in Table 4, the number of A8 citizens in the UK increased by a factor of ten during 2004-2013. There has also been a rapid increase in EU25 migrants in Ireland (Eurostat data for 2004 are not available) which recorded the highest share of EU25 migrants in the population in 2013 (7.85 percent).

Table A1 in the Appendix provides similar data as Table 3 but with Romanians and Bulgarians included in the 2013 figures. Germany and the UK are still hosting the largest numbers of EU migrants in 2013, but the numbers of EU27 migrants in Italy and Spain (shown in Table A1) are much larger than the numbers of A25 migrants in these two countries (as shown in Table A3). This is because Italy and Spain have both received by far the largest numbers of Romanian and Bulgarian migrants since 2007 (see Table A2 showing the increases in Romanian migrants in selected EU15 countries).

Table 3: EU25 citizens in selected EU15 countries (excluding reporting country)

	2004		2013		% Change
	thousands	% pop	thousands	% pop	2004-2013
Germany	2,332	2.83%	2,676	3.26%	14.76%
UK	1,031	1.76%	2,263	3.54%	119.50%
Spain			1,144	2.45%	
Belgium			732	6.56%	
Ireland			360	7.85%	
Netherlands	224	1.38%	353	2.11%	57.58%
Austria	182	2.24%	348	4.11%	90.81%
Italy	190	0.33%	259	0.43%	36.32%
Sweden	207	2.31%	266	2.79%	28.64%
Denmark	67	1.23%	130	2.31%	94.88%
Portugal			58	0.56%	
Finland	35	0.66%	73	1.35%	112.14%

Source: Eurostat (migr_pop1ctz, accessed in March 2015); empty cells mean data not available from Eurostat

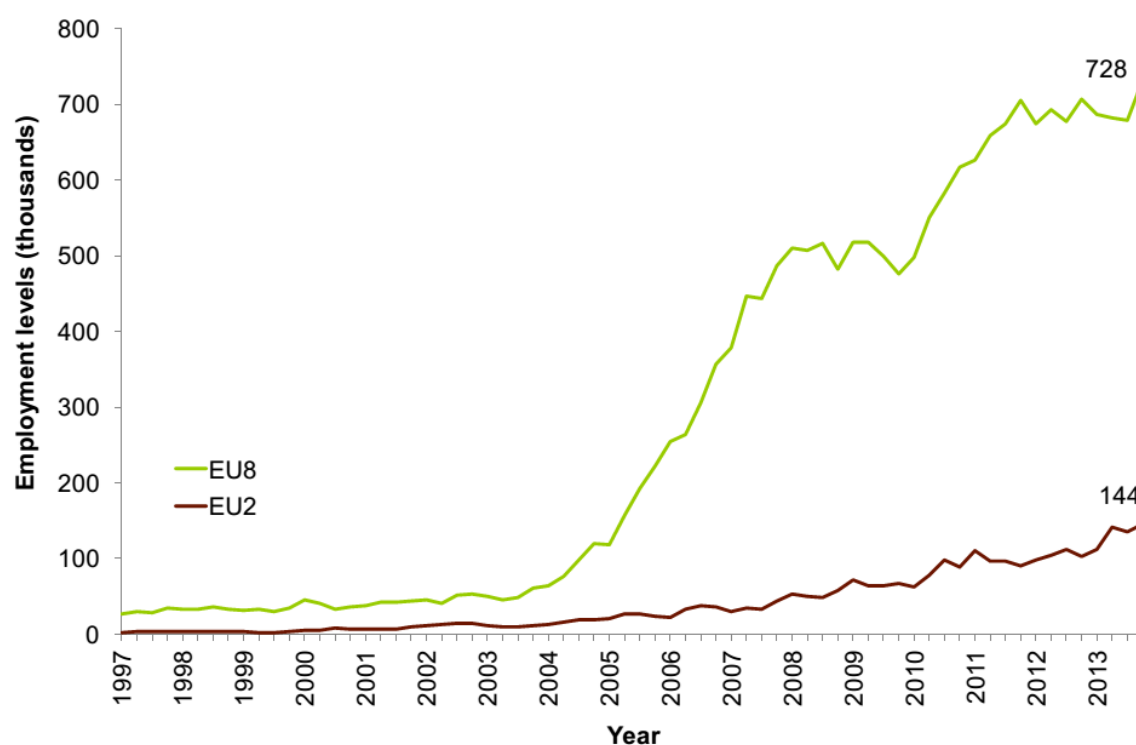
Table 4: A8 citizens in selected EU15 countries

	2004		2013		% Change
	Thousands	% pop	thousands	% pop	2004-2013
Belgium			81.8	0.7%	
Denmark	10.0	0.2%	46.3	0.8%	365%
Germany	480.7	0.6%	849.0	1.0%	77%
Ireland			203.3	4.4%	
Spain	42.7	0.1%	124.5	0.3%	192%
Italy	55.6	0.1%	127.4	0.2%	129%
Netherlands	13.1	0.1%	99.5	0.6%	658%
Austria	59.6	0.7%	129.2	1.5%	117%
Portugal			3.1	0.03%	
Finland	15.8	0.3%	47.5	0.9%	200%
Sweden	21.1	0.2%	70.7	0.7%	234%
UK	82.8	0.1%	934.3	1.5%	1029%

Source: Eurostat; empty cells mean data not available from Eurostat

As shown in Figure 1, in the UK the employment of migrants born in the A8 countries increased from less than 100,000 in 2004 to over 700,000 in 2013. The economic downturn that began in 2008 led to a temporary stabilization (rather than declines) in the number of A8 workers in the UK.

Figure 1: Employment levels of A8 migrants and A2 migrants in the UK, 1997-2013



Notes: Rolling 4-quarter average. Data include individuals aged 16 and over. “Migrants” are defined by country of birth (not citizenship). Source: ONS data, chart taken from MAC 2014, p. 80

Compared to British workers, A8 migrants in the UK are younger, more skilled (in terms of their education), and have higher employment rates. However, the great majority of A8 workers are employed in low-skilled jobs, which means that many A8 workers are doing jobs for which they are considerably overqualified. On average, A8 migrants are among the lowest earners in the UK (for more detail see, for example, Rienzo 2014 and Ruhs 2012).

The changing politics of free movement

Before EU enlargement in 2004, the principle of free movement for EU15 workers was remarkably stable and largely unchallenged by individual EU member states. This may be partially explained by the fact that levels of GDP per capita of different member states were relatively similar (with some notable exceptions including, for example, Portugal and Spain). As a consequence, intra-EU migration remained relatively low and, in most EU countries, was not particularly controversial in public policy debates.

The “politics of free movement” began to change after 2004 when eight low-income countries in Eastern Europe joined the EU and some – although not all – EU countries experienced significant A8 immigration. As could be expected, countries that received very large numbers of A8 migrants, such

as the UK and Ireland, began more intense debates about the consequences on their labour markets, welfare states and societies. Still, until recently, it was rare to see direct challenges and calls for reform of the principle of free movement from EU member states.

In Ireland, for example, debates in the five years following EU enlargement in 2004 focused on combatting exploitation of EU nationals some of whom were employed under sub-standard conditions that violated Irish employment laws. In the UK, much of the early debate about A8 immigration focused on the impact on public services and the need to ensure that local councils are adequately funded to deal with the sharply and largely unanticipated increased inflow in terms of schools, hospitals and other public amenities. A key issue in the UK was the government's failure to anticipate and prepare for the rapid increase in A8 immigration. The scale of labour migration from the new EU member states to the UK since May 2004 has been significantly larger than that predicted by the government before EU enlargement. A study commissioned by the Home Office predicted that EU enlargement would lead to an average annual net migration of 5,000-13,000 A8 nationals for the period up to 2010 (Dustmann et al 2003). In practice, average annual net migration of A8 nationals moving for more than one year was over 50,000 in that period (Office for National Statistics 2012).

The key change in debates about free movement occurred sometime between the onset of the economic downturn in 2008 and the end of the transitional restrictions on the employment of Romanian and Bulgarians in January 2014. The latter event in particular created fears about a mass influx of A2 workers into the EU15 member states. Various EU member states began, many for the first time, to call for an urgent reform of the policy of free movement of EU workers. As I briefly describe below, a range of proposals have been made by different countries over the past few years but there is a common issue at the heart of the debate in all countries: the tension between the free movement of labour and equal access to the welfare state. An increasing number of countries argue that the EU has to face up to this tension but there is some disagreement about what should be done, i.e. restrict the free movement of labour, restrict access to the welfare state, or both?

The policy position of the UK

The UK has been most vocal among EU member states in its calls for reforming the free movement of EU workers. It is, to the best of my knowledge, the only country among all the EU member states that has suggested introducing restrictions on the movement of EU workers across EU countries. In an op-ed for the *Financial Times* in late 2013, entitled "Free movement within Europe needs to be less free"^x, David Cameron, the British Prime Minister suggested a cap on EU immigration. More recently, the UK government appears to have given up this demand, partly due to strong objections by Germany and a number of other EU15 countries.

The UK government has also argued that EU nationals' (including EU workers') access to the welfare state needs to become more restrictive. The UK has in fact already implemented policy changes in this area, some of which are potentially contrary to EU law and are therefore likely to be formally challenged by the EU (see Costello and Hancox 2014). Since January 2014, EU job seekers have to wait for three months before they can receive unemployment benefits ("Job Seekers Allowance"). Since April 2014, migrant jobseekers from EU countries are unable to claim Housing Benefit. In 2014, the UK Government also introduced a more rigorous test in determining who was a 'worker' given that workers received more generous access to welfare benefits than other people. Finally, as of July 2014, EU migrants in the UK have been barred from claiming child benefits and child tax credits until they have been in the country for three months. Access to child benefits for children living outside the UK has been a particularly controversial issue in recent debates.

In a major speech on immigration in November 2014 (six months before a national election where immigration was a key theme), David Cameron suggested that restrictions on access to welfare benefits for EU migrants (including EU workers) must go even further. Cameron suggested that EU workers should only become eligible for in-work tax credits and access to social housing after four years of residence in the UK (this policy was subsequently confirmed in the Conservatives' election manifesto). According to David Cameron, "this is about saying: our welfare system is like a national club...It cannot be right that migrants can turn up and claim full rights to this club straightaway."^{xi} There appears to be significant cross-party support for more restrictions on EU nationals' access to welfare benefits in the UK. In December 2014, Ed Miliband, the then Leader of the Labour Party (in opposition to the Coalition Government of the Conservatives and Liberal Democrats at the time), proposed to restrict EU migrants' access to benefits for a minimum of two years (again, this policy was later included in the Labour party's election manifesto).^{xii}

Calls for restrictions of welfare benefits for EU nationals in other EU countries (Germany, Netherlands, Austria, and Denmark)

An increasing number of other countries among the EU15 support the idea of restricting EU nationals' access to the welfare state. In a joint letter sent to the EU presidency in 2013^{xiii}, the governments of Germany, Netherlands, Austria and the UK argued that:

"... we need practical measures to address the pressures placed on our social welfare systems. Arrangements at national or EU level that allow those who have only recently arrived in a Member State and have never been employed or paid taxes there to claim the same social security benefits as that Member State's own citizens are an affront to common sense and ought to be reviewed urgently."

Commenting on the letter to the EU Presidency submitted by Germany, Netherlands, Austria and the UK, the Danish Prime Minister stated: “I think it is important that there is not an unacceptable burden on these types of benefits, which would lead people to question free movement”.^{xiv}

In a speech in June 2013, the Dutch Foreign Minister made clear that the Netherlands want to protect the free movement of workers but change the rules for access to the welfare state.

“The Netherlands strongly believes that the free movement of people is one of the fundamental matters of the EU...We are not talking about restricting this freedom but we believe that a discussion is necessary on whether this freedom should entail full access to the social security systems of member states.”^{xv}

The German Coalition agreement^{xvi} of December 2013 includes a section on “poverty migration” (*Armutswanderung*) within the EU. It argues for protecting the free movement of workers but suggests that Germany will seek to make changes to EU migrants’ access’ to the German welfare state. Specifically, it says that “ ... having consideration for ECJ jurisprudence, the conditions for claiming and for excluding claims to basic subsistence shall be made more precise.” (p.108).

The Polish government has made clear that it prioritizes the free movement of workers over equal access to welfare benefits. Polish citizens constitute the great majority of A8 migrants in EU15 countries. The Polish Foreign Minister said in June 2013^{xvii}:

“I tell you frankly, we will veto any attempt to compromise on one of these four freedoms of the single market. But this not to say that the member states should not be able to regulate their social provisions. You are a richer country then we are, so you have more generous unemployment benefits... if you have gaps in your social security system, you are free to plug them”.

Of course, some of the quotes above were aimed at domestic electorates and do not necessarily reflect firm national positions on these issues. Nevertheless, it is clear that EU member states are, for the first time, engaged in a full blown debate about how to deal with the tensions between unrestricted labour migration and access to the welfare states for EU workers. In this debate about the trade-off between access to labour markets and welfare rights, most countries that have expressed views are arguing for the protection of the free movement of labour but for increased restrictions on access to the welfare state.

The European Commission, which is meant to represent the interests and principles of the EU as a whole, has, at least so far, taken a fairly strong line in defence of *both* free movement of labour and equal access to the welfare state for EU workers. Jose Manuel Barroso, the European Commission President until late 2014, repeatedly called the principle of free movement “non-negotiable” adding that EU member states already have enough legal powers to deal with “abuse” of free

movement.^{xviii} Laszlo Andor, a former EU Commissioner for Employment, Social Affairs and Inclusion, has recently argued that “a lot can be done without EU treaty changes to manage migration better” (Andor 2015). In response to David Cameron’s proposals for restrictions on welfare benefits of EU workers, the European Commission said in late 2014 that: “These are UK ideas and they are part of the debate. They will have to be examined without drama and should be discussed calmly and carefully. It is up to national lawmakers to fight against abuses of the system and the EU law allows for this.”^{xix}

In other words, the European Commission seems supportive of EU member states’ efforts to better enforce existing EU laws relating to the free movement directive including the development of “clarifications” – but the European Commission has made it clear that it does not want to see major changes to existing rules about access to labour markets and welfare rights for EU workers.

In the rest of the paper, I will argue and show why this position – continuing to insist on both open borders and equal access to national welfare state for EU workers – ignores important differences in the labour markets and welfare states across EU member states, and thus endangers the political sustainability of free movement of workers within the EU in the long-term.

4 The role of labour markets and welfare states in shaping the scale and fiscal costs of immigration

Labour market flexibility and the scale of labour immigration

The flexibility of the labour market (and the structure of the economy more generally) plays an important role in affecting the scale and skill composition of labour immigration. Flexible labour markets are characterized by fewer employment rights and protections, and thus make it easier for employers to “hire and fire” workers, than more regulated labour markets. Labour market flexibility impacts on the scale of labour immigration because certain employment rights can create costs for, and hence affect the recruitment decisions of, employers.

Employers face a downward-sloping demand curve for labour, meaning that *ceteris paribus*, higher labour costs will be associated with fewer workers employed. Certain employment rights for workers – such as the right to a collectively agreed wage, work-related benefits, and health and safety standards – increase labour costs for employers, thereby generating a trade-off between numbers and rights of workers employed. In other words, employers’ demand curve for labour is downward sloping with regard to certain rights.

The trade-off between the rights and number of employed workers is familiar, as when employers oppose minimum wage increases because they assert that higher labour costs will mean fewer jobs.

The analogy to migrants' rights is clear: if migrants have more rights, their cost to employers can be higher and fewer people will be employed. On the other hand, more limited migrant rights may mean lower costs for employers and more migrants employed. In this sense, increasing the rights of migrants can affect their employment in the same way that a higher minimum wage can reduce the number of jobs (for all workers, not just migrants). Of course, it needs to be added that not all rights create significant costs for employers and not all increases in labour costs will have significant impacts on the number of workers employed. It is nevertheless clear that some rights do create costs and that *significant* increases in labour costs will, *ceteris paribus*, encourage profit-maximizing employers to reduce the number of jobs on offer.

An important corollary to the argument that labour market regulation impacts on employer demand for migrant labour – and thus the scale of labour immigration of EU workers – is that the degree of *enforcement* of existing regulations plays a key role as well. Imagine two countries “A” and “B” that have similar levels of labour market regulation “on paper” but with very different degrees of enforcement: enforcement is much more effective in country “A” than in country “B” (which, for example, could be characterized by greater degrees of informality in the labour market). In this example, we can expect employer demand for migrant labour in country B (the low enforcement country) to be higher than in country A (the effective enforcement country).

The role of labour market regulations and their enforcement in reducing employer incentives for recruiting migrant workers is perhaps best illustrated by the Swedish, British and Irish experiences with A8 immigration since 2004. As discussed earlier in this paper, the UK, Ireland, and Sweden were the only countries among the EU15 member states that decided not to impose any transitional restrictions on the employment of A8 migrants when the A8 countries joined the EU in 2004. Compared to Ireland and the UK and controlling for population size, Sweden experienced much lower inflows of A8 workers (see Table 4 earlier in this paper). Why has this been the case? A key reason lies with Sweden's extensive labour market regulation coupled with high degrees of enforcement (clearly helped by trade union presence in the workplace) compared to the much more flexible labour markets and weaker enforcement in the UK and Ireland. Sweden's labour market structures and regulations meant that any East European workers employed in Sweden needed to be offered exactly the same wages and employment rights as Swedish workers. Most wages and benefits in Sweden are set via collective bargaining and, with most workers in unions, wages and benefits adhere to industry-wide standards. At the time of EU enlargement in 2004, Sweden introduced a number of additional enforcement measures aimed at preventing immigration from undermining the effectiveness of existing labour market regulations and collective bargaining structures. The requirement of equal rights in Sweden's highly regulated labour market effectively meant that, from the employers' view, migrant workers were as expensive as Swedish workers. The insistence and effective protection of equal labour rights in practice made Sweden's policies towards admitting and

employing A8 workers much more restrictive than suggested by its formal decision to grant A8 nationals immediate access to the labour market.

In contrast, the UK has the most flexible labour market in the EU and is well known for its low levels of enforcement of labour market regulations. In its recent analysis of low-skilled immigration, the UK's independent Migration Advisory Committee (MAC) found that "on average, a firm can expect a visit from HMRC inspectors [which, among other things, is tasked to enforce the minimum wage] once in every 250 years and expect to be prosecuted once in a million years. Such enforcement effort hardly provides an incentive to abide by the NMW." (MAC 2014, p. 4). The MAC also argued that the remit of the UK's Gangmasters Licensing Authority (GLA), which currently regulates employment agencies in agriculture and food processing, needs to be extended to other sectors such as construction, cleaning and hospitality. The MAC further noted that the current fines on employers who are found to be in breach of regulations are "trivial" and need to be increased.

The relatively high level and effective enforcement of labour market regulation in Sweden explains, to a considerable degree, why Sweden has experienced relatively low levels of labour immigration of A8 nationals compared to the UK and Ireland. Of course, there have been other factors at work as well, including differences in language (English vs. Swedish) and economic conditions. I am arguing that the differences in labour market regulation in the UK, Ireland Sweden played an important role but they are clearly not the only factor in explaining differences in the scale of A8 immigration in the three countries.

As I have argued elsewhere (Anderson and Ruhs 2010), a wide range of public policies in the UK have contributed to a growing demand for migrant labour. These policies include labour market policies as well as housing policies, education and training policies, an underinvestment in certain occupations in the public sector (such as social carers) etc. These public policies and other determinants of employer demand for migrant labour will vary across countries. For example, the "varieties of capitalism" literature (see, for example, Hall and Soskice 2001) distinguishes between liberal and coordinated market economies based on whether the key spheres of production are coordinated by market or nonmarket mechanisms.^{xx} Liberal market economies (such as the UK and Ireland) are more likely to be characterised by more flexible labour markets where wages are primary determined by markets rather than non-market mechanisms. Migration scholars working within the "Varieties of Capitalism" literature have pointed out that, compared to coordinated market economies with relatively regulated labour markets, liberal market economies with flexible labour markets are typically associated with larger low-wage labour markets and greater employer demand for migrant workers, especially but not only for employment in low-waged jobs (see, for example, Devitt 2011).

The nature of the welfare state and the fiscal effects of immigration

The characteristics of the taxation system and the social benefit system, especially the extent to which access to welfare benefits requires a prior contribution, play a key role in shaping the fiscal effects of immigration of A8 and A2 workers in EU15 countries.

In general, the net fiscal effects of immigration – i.e. the difference between the taxes migrants pay and the costs of public services and benefits that migrants consume in the host country – depend on a range of factors including: the characteristics of migrants (especially their age and skills); migrants' labour market participation, performance and impacts (i.e. whether or not migrants are employed, migrants' earnings and how immigration affects wages and employment of domestic workers); and the nature of the welfare state (including any restrictions on migrants' access to social benefits and public services). So cross-country variations in the fiscal impacts of immigration can stem from differences across any or all of these factors. As explained earlier in this paper, my analysis of free movement focuses on EU workers (especially recent intra-EU labour migration of A8 and A2 nationals) who enjoy full access to the welfare states of their host countries. This means that the migrants I discuss are all in employment. The available evidence suggests that the effects of East European immigration on wages and employment of resident workers in EU15 countries (or at least in the countries where studies have been conducted) have been relatively minor.^{xxi} So, given this paper's focus on employed A8 migrants whose characteristics and labour market effects have been fairly similar (although obviously not completely the same) across EU15 countries, most of the cross-country variation in the fiscal effects of immigration is likely to be determined by two factors: potentially different distributions of skills and earnings of A8 migrants across A15 countries (migrants in higher paid jobs will make a greater net-fiscal contribution than migrants in lower-paid jobs) and differences in the nature of the welfare state. As I discussed in the previous section, the number, skills composition and distribution of earnings of A8 and A2 migrants in a given EU15 country is related to the flexibility of its labour markets, the structure of its economy and wider public policies. So in the remainder of this section I focus on the nature of the welfare state, especially on the social benefits system.

Welfare benefits can be broadly classified into contributory and non-contributory benefits. Contributory benefits are benefits that are only paid if the beneficiary (and their employer) has made a prior contribution. Non-contributory benefits are paid regardless of whether the beneficiary has made prior contributions or not. Within non-contributory benefits, it is common to further distinguish between means-tested benefits (which target the poor as they are paid only if the beneficiary's income is less than a certain threshold) and non-means tested benefits that can include universal benefits for all residents and categorical benefits for specific groups of the population.

Together with the structure of the taxation system (e.g. its progressivity), the precise mix between contributory and non-contributory benefits provided by the national benefits system affects the impacts of labour immigration on public finance and the social policies of the host country in at least three ways. First, *everything else being equal*, in welfare systems characterized by a high share of non-contributory benefits, low-skilled labour immigration will be associated with greater net fiscal costs (or smaller net fiscal benefits), at least in the short term, than in welfare systems that include more contributory benefits. This is because new migrant workers (or any citizen who takes up employment and enters the welfare system for the first time) will be able to access non-contributory benefits immediately and without having to make a specific social contribution toward funding that benefit. In contrast, new migrants will only become eligible to access contributory benefits after a qualifying period and while making specific contributions to the social insurance system. So, everything else being equal, the difference between taxes paid and benefits received by low-skilled migrant workers will be more favourable under more contributory systems.

In practice, everything else is not equal and different countries welfare systems differ along a range of other dimensions including, for example, the monetary value of the specific benefits made available (i.e. the level of “benefit generosity”) and the taxation system (e.g. the structure of social contributions and income taxes). In theory, it need not necessarily be the case that countries with less contributory welfare states will always experience greater net-fiscal costs from low-skilled labour immigration than countries with more contributory systems. However, considering what we know about differences in taxation and welfare generosity across different EU countries^{xxii} as well as the characteristics of A8 migrant workers and their labour market impacts, I argue that it is highly likely that this will be the case in practice, at least in the short-term (when non-contributory benefits are paid and contributory benefits are still restricted).

In addition to generating greater net-fiscal costs from low-skilled immigration in the short-term, relatively non-contributory benefits systems can make it more difficult – or at least more costly – to target social policies at specific groups among the resident population. For example, the UK provides means-tested (non-contributory) tax credits to low-income earners.^{xxiii} There are two elements to tax credits – *working tax credits* plus *child tax credits* for those working tax credit claimants with children. So this is effectively a form of income support for low-waged workers in the UK. The stated purposes of this policy are to raise the incomes of those in low-wage employment and thereby “make work pay”, i.e. to make low-wage employment more attractive than being out of work and receiving out-of-work benefits, and to reduce child poverty in the UK. Since this is a non-contributory benefit, new migrant workers from the EU taking up low-waged employment in the UK are immediately entitled to receive this income support even though they are not among the intended target group of this policy.

Data on tax credits obtained from the UK's Department of Work and Pensions (via a Freedom of Information Request) show that, as of March 2013, 415,000 (equivalent to 17 percent) of the total 2.45 million claimants of tax credits were not UK nationals (see O'Connor Sep 2013; the data do not distinguish between EU and non-EU nationals). This share is roughly equivalent to the share of non-UK nationals in low-waged employment in the UK, which makes sense given that tax credits are means-tested and aimed at low-income earners. More recent analysis using data on tax credits for families in March 2014 suggest that 16% of families claiming in-work tax credits were "migrant families" in the sense that they had at least one adult who was a non-UK national. Just under 8 percent of these migrant families were EU migrant families and just over 8 percent were non-EU migrant families. The share of EU families varies across different types of in-work benefits. It is highest for "working tax credit only" i.e. in-work tax credit without children (10.2 percent of claimant families are EU families – significantly higher than the share of EU migrants in the low-skilled workforce^{xxiv} - and 4.6 percent are non-EU families). The average annual claim per family for a working tax credit only (i.e. without child tax credit) was £2,161 and for working tax credit and child tax credit it was £9,357 (O'Connor, Nov 2014). According to estimates by the think-tank Open Europe (Nov 2014), state benefits can account for about one third of the take-home pay of a single minimum wage earner without children (including 3.4% in Working Tax Credits and 29% in housing benefits). For a single earner on the minimum wage with two dependent children, Open Europe estimate that state benefits can account for 63% of take-home pay (including 9% in working Tax Credits, 2% in Child Tax Credits, 6.5% Child Benefits and 25% housing benefit).

A related third reason why immigration can create greater challenges for less-contributory benefits systems relates to public opinion and common perceptions of fairness. Aside from any monetary fiscal costs, granting new migrants access to low-income support without any requirement of prior contributions or qualifying period can be criticised in media and public debates as a "something for nothing" policy approach. Of course, the "something for nothing" critique could also be made with regard to citizens who enter the low-waged labour market for the first time but it is likely to be voiced even more strongly in the case of new migrants.^{xxv} Public opinion data suggest that the majority of the British public want EU migrants to enjoy full access to the welfare state only after at least 3 years of residence in the UK (see Appendix Table A3).^{xxvi}

If welfare benefits are seen as entitlements funded from the work of all the citizenry (i.e. "tax-financed" rather than funded by social contributions), then migrants will more easily appear as "free-riders" living off the welfare state of the host country. By contrast, if welfare benefits are seen as payments resulting from insurance funds to which people have contributed while working in the host country, migrants who claim such benefits (even when they're no longer in the country, or if they claim on behalf of dependents who are not in the country) may not be perceived to be a great problem.

Britain's and Ireland's challenge with free movement: flexible labour markets and a non-contributory welfare state

Figure 2 aims to compare selected EU15 countries – plus the US for comparative purposes – in terms of the “flexibility” of their labour markets and the “contributory basis” of the welfare state. Both of these concepts are multi-dimensional and cannot be easily summarised in a single set of numbers. In this exploratory analysis, labour market flexibility is measured using an OECD indicator of the “Protection of permanent workers against individual dismissal” (EPRC).^{xxvii} This is a commonly used indicator which measures one of the key dimensions of labour market flexibility.^{xxviii} A greater employment protection score indicates less labour market flexibility.

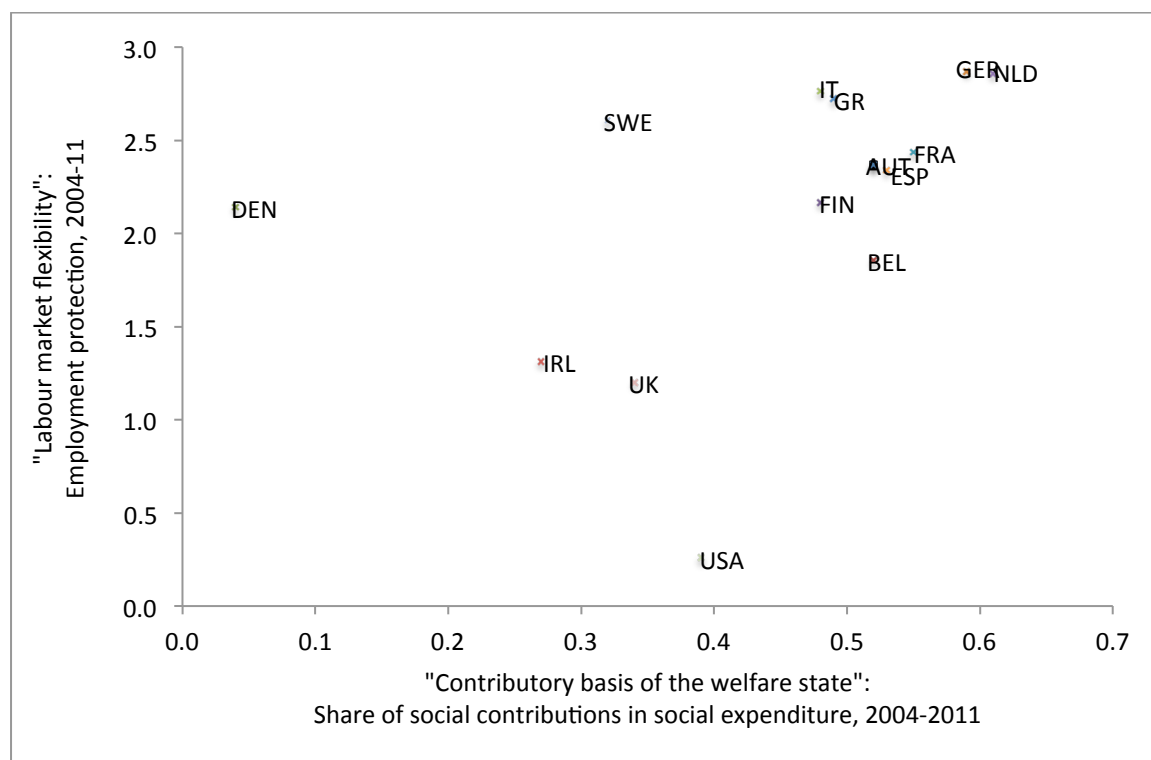
My measure of the extent to which welfare states are “contributory” is related to the way in which social expenditures are funded.^{xxix} Specifically, my measure is based on the share of social contributions (using OECD data on ‘actual social contributions’ which includes contributions by employers and workers) in total social spending (using OECD data on ‘public and private mandatory expenditure’).^{xxx} I argue that a greater share indicates a more contributory welfare state. As it is the case with my indicator of labour market flexibility, this measure is only a proxy with a number of limitations. For example, the measure ignores differences in demographic characteristics and dependency ratios across countries.^{xxxi} A second potential limitation stems from the fact that different countries may impose different residence-based qualification periods and/or create other administrative hurdles (which have nothing to do with the contributory nature of the welfare state) before people can become eligible for benefits. So this may result in different *effective* restrictions on access to welfare which are not picked up by my measure.^{xxxii} It is also important to recognize that social insurance systems that involve contributory benefits can and do provide some degree of “social assistance” (i.e. benefits for people who have not yet contributed).^{xxxiii}

Despite these limitations, the measures used in Figure 2 below can be considered reasonable proxies for labour market flexibility and the degree to which the welfare state is contributory. Rather than precisely locating each country on spectrums of “low vs. high labour market flexibility” and “more-contributory vs. less-contributory welfare state”, my aim here is to make broad comparisons between different countries.

While the employment protection scores for the countries considered here did not change very much during 2004-2011 (see Table A4 in the Appendix), there was some change in the shares of social contributions in social expenditure over the period (see Table A5 in the Appendix). This is primarily because of the economic downturn that began in 2008 and led to significant (although variable) increases in unemployment in many countries which, in turn, led to a decline in social contributions and a rise in expenditure on unemployment benefits. To remove the effects of the downturn on this indicator, Figure A1 in the Appendix replicates Figure 2 below, but with the share

of social contributions in total expenditures measured for 2004-07. Comparing Figure 2 below and Figure A1 in the Appendix, there is no major change in the rankings of countries in terms of their shares of social contributions in social expenditure.

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



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

Source: OECD

Figure 2 reveals one of the roots of the UK's "challenge" with the free movement of workers within the EU: a combination of flexible labour markets with a relatively non-contributory welfare state. Britain has the most flexible labour markets among the EU15 countries, which means that it attracts a relatively large number of EU workers, especially (but not only) for employment in lower-waged jobs. At the same time – together with Denmark, Ireland and Sweden – Britain is also among the four EU15 countries with the lowest share of social contributions in total social spending. This means that compared to most other EU15 member states, Britain's welfare system is less contributory and thus associated with relatively more net fiscal costs from low-waged immigration. Ireland is in a very similar situation. The data in Figure 2 suggest that Ireland has a slightly more protected labour market but an even less contributory welfare state than the UK (as shown in Figure A1 in the Appendix, this still holds if we use data for 2004-07 i.e. before the economic

downturn). Sweden has a similar share of social contributions in total spending as the UK and Ireland but, as discussed above, its labour markets are much more regulated which contributes to relatively lower EU immigration.

Based on the share of social contributions in total social expenditure, Denmark has the least contributory welfare state among the countries shown in Figure 2 but it provides considerably more employment protection than the UK and Ireland. Welfare in Denmark is heavily subsidized by the state and Denmark has among the highest income taxes in the world. Compared to other EU countries, the high income taxes in Denmark finance a relatively large part of public expenditure, including social welfare benefits. Put differently, in Denmark welfare benefits are paid for by almost all residents while in more contributory welfare systems a greater share of the welfare bill is covered by (the social contributions made by) the people who are the recipients of the benefits.

The fact that the UK and Ireland appear similar to each other – and also to the United States – but quite different from all other EU countries in Figure 2 is not surprising given that the UK, Ireland and the US are the only three countries considered here that are routinely classified as having “liberal market economies” and “liberal welfare states”. As discussed earlier in this paper, liberal (as opposed to coordinated) market economies are more likely to be characterised by more flexible labour markets. In his seminal classification of different types of welfare states, Esping-Anderson suggests that in liberal welfare states “means-tested assistance, modest universal transfers, or modest social-insurance plans predominate.” (Esping-Anderson 1990, page 162).

To be clear, I am not suggesting that free movement migration to liberal market economies such as the UK and Ireland generates a net fiscal loss for the existing populations in these countries. As explained at the beginning of this section, the fiscal effects of immigration depend on a range of factors including the skills and earnings of migrants as well as the nature of the welfare state. Everything else being equal, relatively non-contributory welfare states that attract relatively large numbers of migrants for low-skilled employment will be associated with a smaller *but not necessarily negative* net-fiscal contribution of free movement migrants than will be the case in countries with more contributory welfare states and more regulated labour markets. In the UK, Dustmann and Frattini (2013) found that during 2001-2011 recent EEA migrants (defined as EEA migrants who arrived in the UK after 2000) made a positive net-fiscal contribution equivalent to about 0.13 percent of GDP. In his analysis and critique of the analysis by Dustmann and Frattini, Rowthorn (2014) concludes that the net-fiscal impact of recent EEA immigration during 2001-2011 was in the range of 0.00%-0.09% of GDP.^{xxxiv} Both papers focus on all EEA migrants (rather than EEA workers in employment) and they do not distinguish between the net-fiscal impacts of migrants in lower- and higher-skilled jobs. In practice, the relatively large positive net-fiscal contribution of EEA migrants in

higher-skilled jobs offsets the much smaller and potentially negative net-fiscal contribution of EEA migrants in low-skilled employment in the UK.

Implications for policy debates

Under what circumstances can we expect the combination of open borders within the EU and equal access to national welfare states for EU workers to become a domestic political “problem” for liberal market economies with liberal welfare states, or at least “more of a problem” than in coordinated market economies with more contributory welfare states? More broadly speaking, what are the factors that determine whether and how the differences in the scale and fiscal effects of immigration associated with different national labour markets and welfare states threaten the “political sustainability” of the current rules for free movement?

A comprehensive answer to these questions requires an assessment of the determinants of the politics of immigration both in different EU member states and at EU level, which is outside the scope of this paper. The research literature on the determinants and processes of nation states’ migration policies (and public policies more generally) has identified a range of potential factors including: “interests” (e.g. business interests and employer lobbying, see Freeman 1995); “institutions” (e.g. the power struggle between different government departments; see Calavita 1992); “ideas” (e.g. ideas about the macroeconomic impacts of migration; see Balch 2009); and the overall costs and benefits for the “national interest” (however defined, see Ruhs 2013). Public opinion and media can also play an important role in shaping personal and collective migration preferences and national policy debates (see, for example, Blinder 2014). Clearly, all these determinants and factors can and do vary across countries (also see Hampshire 2013).

In this exploratory discussion, I focus on five factors that are likely to be important determinants of whether the combination of a flexible labour market and a relatively non-contributory welfare state results in political pressure to change the current rules for free movement of workers within the EU and/or other public policies such as policies relating to the national labour market and/or welfare state.

First, the generosity of the national welfare state clearly matters, both in absolute terms (i.e. how large is the monetary value of the benefit?) and relative terms (i.e. how does the value of the benefit in a particular country compare to the same or a similar benefit in other EU countries?). If a welfare state is relatively non-contributory but at the same time provides very “low” levels of benefits – keeping in mind that what constitutes a high and low level of benefit is very subjective – the tension between unrestricted immigration and equal access to the welfare state may not create a significant domestic political issue.^{xxxv}

Comparing the welfare generosity of different countries is a complex exercise because of considerable differences between the structures of national welfare systems. Tables A6 and A7 in the Appendix draw on the OECD's Tax and Benefits database to compare the family income (gross and net), taxes and benefits of a married couple with two children, and assuming that the first earner is employed at 50% of the average wage in the country and that the second earner is not working, in the EU14 countries (the EU15 minus Luxembourg) for the year 2013. Table A6 presents the data in national currencies and Table 7 in PPP (US\$). Table 7 makes clear that total benefits paid to such a family in the UK and Ireland (the two EU15 countries with relatively flexible labour markets *and* relatively non-contributory welfare states) are considerably *higher* than the average for all the EU14 countries shown.

A second factor relates to the wider fiscal and other economic impacts of immigration. The discussion in this paper has only focused on one aspect of the economic impacts of immigration, namely, the fiscal effects of the nature of the benefits system. In theory, it is possible that any "costs" arising from giving migrants access to non-contributory benefits may be offset by other fiscal and/or economic benefits generated by immigration. In practice, debates about the economic impacts of immigration, especially of low-skilled immigration, on host countries are often highly contested (for a recent discussion of the economic effects of EU immigration for low-skilled work in the UK, see Migration Advisory Committee 2014).

Third, domestic political debates about immigration and migrants' access to the welfare state are likely to be shaped by national policy debates about how current labour markets and welfare states impact on *citizens* – and on any potential consequences and "spillover effects" that a policy change aimed at migrants may have for citizens.^{xxxvi} For example, the generosity and access of citizens to housing benefits, child benefits and other forms of low-income support are contested issues in many countries. The welfare benefits offered to citizens, including eligibility rules among citizens, clearly change over time. So debates about welfare benefits for migrants can be expected to raise issues for broader debates about welfare benefits for citizens. For example, in the UK there has been a longstanding debate about the effects of in-work tax credits on workers, their employers and the labour market and welfare state more generally. It can be argued that the UK's current tax credits for workers on low incomes are effectively subsidizing low-wage work by general taxation. This subsidy is a benefit to low-wage employers whose incentives to increase wages are reduced by the "top-up" low-waged workers receive through the benefits system. Precisely *how* these larger politics of the relationship between the state and citizens affect the more specific policy debates about immigration and migrants can be expected to vary across policy issues, time and place. Nevertheless, it is clear that these broader politics and policy debates are likely to be an important factor shaping policies aimed at migrants.

A fourth factor that may help overcome the tension between unrestricted migration and full access to the welfare state is the inter-relationship between migration policies and other international policies on, for example, trade and investment. If a particular migration policy is seen to be part of a wider package of policies, any perceived costs created in one policy domain may, in theory, be offset by benefits generated in other policy areas. So in the context of the EU, a key question is whether any costs from the free movement of workers for EU member states are outweighed by the wider benefits generated by being a member of the EU – and, critically, whether national policymakers can convince their domestic electorates that this is the case. In the UK and some other member states, there is considerable debate about this issue.

The fifth and, in my view, key question relates to whether immigration is evaluated in terms of its “national effects” on individual member states (i.e. in terms of the impacts on the citizens of different member states) or in terms of the “collective impacts” on the EU as a whole (i.e. in terms of the consequences for all EU citizens including migrants and their families). If immigration needs to maximize the net-benefits for citizens of the host country, the tension between openness to labour immigration and access to certain types of welfare rights is inescapable and can be expected to result in policy trade-offs (as I have argued in the first part of this paper and, more generally, in Ruhs 2013). The tension can be overcome, however, if the objectives of national policy-making go beyond the national effects of immigration and explicitly include the welfare of migrants and people in other countries.

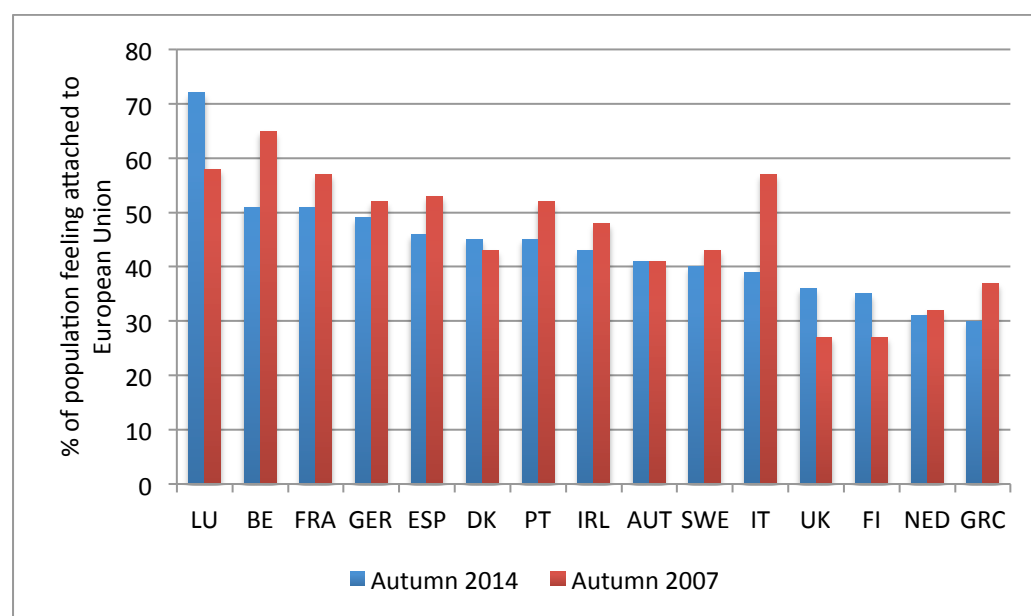
So in the context of free movement within the European Union, the key question is whether and to what extent the free movement of workers needs to be defended in domestic debates of EU member states as a policy that is in the best interest of the citizens of individual member states or in the best collective interest of all EU citizens. Arguably, the “spirit” and normative basis of the principle of free movement is that it is in the best interest of the EU as a whole rather than in the best national interest of each individual member state at all times. The problem is that national immigration debates about free movement often invoke the national interest in the sense that EU immigration is often debated in a way that assumes that it has to maximise the net-benefits for the citizens of the host country rather than the collective benefits for the EU as a whole. This is clearly the case in the UK and, I argue, helps to explain why the UK has been at the forefront of calls for reforming the current rules for the free movement of workers in the EU.

It is interesting to ask why Ireland, which looks very similar to the UK in terms of labour market flexibility and contributory basis of the welfare state (see Figure 2), has *not* joined the UK in calling for limits on EU immigration, more restrictions on EU migrant workers’ access to the welfare state, or both? There are surely a large number of factors to consider when addressing this question but, in the context of the discussion above, one could ask whether, compared to the UK, the domestic

politics of immigration in Ireland are more influenced by the idea that free movement should serve the best interest of the EU as a whole rather than just the best national interest of Ireland. If this were true, more low-skilled migrants with immediate access to relatively costly non-contributory benefits may be more acceptable in Ireland than in the UK.

As shown in Figure 3 below, in 2014 just under half of people in Ireland say that they “feel attached” to the European Union, considerably higher than the share in the UK which was just over a third in 2014. When Ireland was debating the ratification of the Nice Treaty (on further EU enlargement) in 2001, a wide range of stakeholders argued that Ireland had a “moral duty” to ratify the treaty and extend the benefits of EU membership to more countries, partly because Ireland had benefited itself from being a member of the EU.^{xxxvii} In the UK, by contrast, it is extremely rare to hear political arguments about Europe in general, and about EU migration in particular, being couched in moral terms and evoking notions of European “solidarity”. Of course, this is in no way “proof” that debates and the politics of free movement in Ireland pay more attention to the interests of EU citizens and member states as a whole than it is the case in the UK – but it may suggest that there could be something to this potential explanation. A second potential explanation may be that, compared to the UK, Ireland’s economic growth (and recovery after the 2008 economic crisis) is more closely intertwined with – and dependent on – being a member of the EU.

Figure 3 Share of population feeling attached (“very attached” or “somewhat attached”) to the European Union, EU15 countries in 2007 and 2015



Source: Eurobarometer

Policy options in the UK

In the UK, where there is strong political pressure to increase the net-benefits of free movement immigration, there are four theoretical policy options:

- (i) restrict EU labour immigration;
- (ii) restrict EU workers' access to the British welfare state;
- (iii) make Britain's labour markets less flexible; and
- (iv) make Britain's welfare state more contributory (and/or reduce its "generosity" in terms of the level of the non-contributory benefits provided)

While these four policy options are not mutually exclusive, the first two require agreement with other EU member states (or leaving the EU) while the latter two options do not. As discussed earlier in this paper, over the past few years the UK government has called for both (i) and (ii). It appears to have given up on (i) in late 2014 but continues to argue for (ii). The EU Commission has, at least so far (as of May 2015), opposed changes to the rules for the free movement of workers in the EU. Instead, the Commission and some other EU commentators have suggested that the answer to the UK's concerns about EU immigration lies with changes to its welfare state (i.e. make it more contributory to help lower the fiscal costs of immigration) and/or labour markets (i.e. make labour markets more regulated to help lower the scale of immigration, especially for employment in lower-waged jobs).

In the run-up to the national election in May 2015, the UK Labour Party has proposed greater regulation of the UK labour market, including more effective enforcement of the minimum wage and more regulation of employment agencies (policy iii). Reducing low-waged immigration from within the EU was an explicit purpose of this proposed policy. The Conservatives, who won the election in May 2015, have committed to significant cuts in welfare spending and they have recently signalled their intention to reduce tax credits (which contributes to policy iv).^{xxxviii}

Which of these four policies is most desirable is of course an inherently normative question that critically depends on whose interests are considered and prioritised. Arguably, Britain's national interest can be used to justify and prioritise policies (i) and (ii) and the collective interest of the EU as a whole (especially the need to maintain EU workers' unrestricted access to labour markets across the EU) underpins policies (iii) and (iv). To avoid confusion, I am not arguing that it would not be in Britain's interest to change its labour markets and welfare states (regardless of immigration). In fact, based on previous work I have argued for more labour market regulation in the UK (see e.g. Ruhs and Anderson 2010). I am suggesting that a "national interest" approach can be expected to differ from a "collective EU approach" with regard to which policies (immigration policies, labour market policies, or welfare policies) take priority and need to adjust first. A national

interest approach typically rejects the idea that unrestricted immigration is a “given” and that domestic policies (such as labour market and welfare policies) need to be changed to accommodate it.

5 Conclusion

This paper contributes to debates about the compatibility of unrestricted labour immigration and an inclusive welfare state. Focusing on the European Union, the paper discusses the likely sustainability of the EU’s current policies for the free movement of workers. These policies are exceptional in global comparison as they grant EU citizens the right to move freely and take up employment in any other EU country *and* – as long as they qualify as “workers” – the right to access that country’s welfare state on the same basis as its citizens.

I have shown how the combination of unrestricted labour immigration and equal access to the welfare state has come under increasing political pressure after the EU enlargements of 2004 and 2007 when 12 low-income countries in East Europe joined the EU. The UK, which has seen very large inflows of East European workers since 2004, has been one of the strongest advocates for reforming the rules for the free movement of workers within the EU but other countries including Germany, the Netherlands and Denmark have called for policy changes as well. The debate and policy proposals made by these EU member states are based on the tension between free movement of workers and full and equal access to the welfare state. With the exception of Britain, which has called for *both* restrictions to EU immigration and restrictions on EU workers’ access to benefits, most countries have proposed policies that would protect the unrestricted movement of workers across EU countries but introduce greater restrictions on EU migrants’ access to national welfare systems. The European Commission has, at least so far, rejected these arguments saying that the principle and rules of free movement of workers are ‘fundamental’ to the EU and therefore ‘non-negotiable’. It remains to be seen whether and how the EU position shifts when the newly elected UK government tables its proposals for greater restrictions on access to benefits for EU workers in the coming months.

In my judgment, failure to engage in a comprehensive and evidence-based debate about the tension between immigration and equal access to the welfare state for EU workers could, in the not too distant future, endanger the political sustainability of unrestricted labour migration of EU citizens within the EU. As I have shown in this paper, different EU member states have very different labour markets and welfare states. Given that the principle of free movement currently prohibits restrictions on the labour immigration of EU workers and their access to welfare benefits, the nature of labour markets plays a critical role in determining the scale of immigration, and the nature

of the welfare state shapes the fiscal costs of immigration for member states. *Ceteris paribus*, more flexible labour markets will contribute to more labour immigration, especially for employment in lower waged jobs, than more regulated labour markets, and welfare states that include a relatively large share of non-contributory benefits will be associated with smaller net fiscal benefits (or greater net fiscal costs) from immigration (especially low-waged immigration) than welfare states with a greater contributory component.

The European Commission and some member states have suggested that the best answers to the UK's and any other countries' concerns are reforms of their welfare states and/or labour markets and not changes to the EU rules for the free movement of EU workers across member states. In other words, the EU Commission has, at least so far, continued to argue for maintaining the EU's exceptional policy of combining unrestricted labour migration with unrestricted access to EU countries' welfare states.

Will this EU exceptionalism survive in the long-term? While the answer to this question critically depends on the domestic politics of immigration in different member states, a key factor is whether and to what extent it will be possible for national policy-makers, especially those in countries with flexible labour markets and relatively non-contributory welfare states (such as the UK and Ireland), to politically defend the current rules for free movement based on the best collective interest of the EU as a whole rather than the best national interest of individual member states. If there is widespread agreement within the domestic policy spheres of EU member states that the primary (or at least an important) aim of free movement is to maximize the net-benefits for the EU as a whole (i.e. for all EU citizens), the relatively greater costs incurred from immigration by selected member states, especially those with flexible labour markets and less contributory welfare states, will be less important as these costs will be easily offset by the very large gains that employment abroad generates for EU migrants and their families. I have suggested that Ireland is, perhaps, an example of this approach. Despite its similarity to the UK in terms of labour market flexibility and contributory basis of the welfare state, Ireland has not been among the most vocal advocates for reforming the current rules for free movement.

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

Paying more attention to the impacts of free movement for individual EU member states requires an engagement with the tension between unrestricted labour immigration and migrant workers' access to the welfare state. How to best respond to this tension is a normative question with no one right answer. As I have discussed in detail in Ruhs (2013), my own normative position is that, if a choice has to be made, the unrestricted movement of workers within the EU is more important than fully equal access to EU member states' welfare states. The freedom to move and take up employment in other EU countries generates very large economic and other gains for workers and their families in lower-income member states. Protecting this freedom and these gains is, in my view, worth the price of more (temporary) restrictions on access to national welfare states, especially to non-contributory benefits.

Endnotes:

- ⁱ Proposition 187 was eventually declared unconstitutional by a federal court; see Tichenor 2002.
- ⁱⁱ See http://migration.ucdavis.edu/rs/printfriendly.php?id=110_0_3_0
- ⁱⁱⁱ See <http://ec.europa.eu/social/main.jsp?catId=457&langId=en>
- ^{iv} See <http://ec.europa.eu/social/main.jsp?catId=463&langId=en>
- ^v See http://europa.eu/rapid/press-release_MEMO-14-9_en.htm
- ^{vi} See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/199896/free-movement-legal-annex.pdf, page 28
- ^{vii} Given this requirement imposed by EU law, Bruzelius, Chase and Seeleib-Kaiser (2014) describe national welfare states in EU countries as “semi-sovereign”.
- ^{viii} See <http://www.oecd.org/eco/49950244.pdf>
- ^{ix} See <http://www.oecd.org/eco/49950244.pdf>
- ^x See <http://www.ft.com/cms/s/0/add36222-56be-11e3-ab12-00144feabdc0.html#axzz30NYYrQYX>
- ^{xi} See <http://www.bbc.co.uk/news/uk-politics-30250299>
- ^{xii} See <http://labourlist.org/2014/12/we-will-control-immigration-with-fair-rules-miliband-announces-labours-second-election-pledge/>
- ^{xiii} See http://docs.dpaq.de/3604-130415_letter_to_presidency_final_1_2.pdf
- ^{xiv} See <http://cphpost.dk/news/eu-welfare-rulings-challenge-benefits-of-open-borders.5756.html>
- ^{xv} See <http://openeuropeblog.blogspot.co.uk/2013/06/a-pan-european-desire-to-clarify-rules.html>
- ^{xvi} See http://www.handelsblatt.com/downloads/9133918/3/Koalitionsvertrag_CDU-CSU-SPD
- ^{xvii} See <http://polonia.nl/?p=13952>
- ^{xviii} See <http://www.ft.com/intl/cms/s/0/f247a170-7dd3-11e3-95dd-00144feabdc0.html#axzz30S7G56qm>
- ^{xix} See <http://www.bbc.co.uk/news/uk-30243908>
- ^{xx} See, for example, Hall and Soskice 2001.
- ^{xxi} For a discussion of the evidence in the UK see, for example, Ruhs and Vargas-Silva 2015. It needs to be added that just because research has not yet identified significant impacts of East European immigration on wages and employment rates of local-born workers does not necessarily mean that such effects do not exist (especially in specific sectors and occupations). The analysis of the labour market effects of immigration faces a number of methodological challenges and limitations.
- ^{xxii} The “welfare generosity” of different EU countries will be discussed later in the paper, based on Tables A6 and A7 in the Appendix.
- ^{xxiii} For a brief history of tax credits in the UK’s welfare state, see Sainsbury (2012).
- ^{xxiv} Among foreign-born people in low-skilled employment in the UK, about 40% were born in the EU and 60% were born outside the EU (Migration Advisory Committee 2014).
- ^{xxv} There may be a generational argument that young citizens who have not yet contributed themselves should be given rights because of the past contributions of their parents.
- ^{xxvi} It is also interesting to ask what existing migrants think about the access that new migrants (i.e. newcomers) should have to the welfare state. This is currently an active area of research in different countries. See, for example, Reeskens and van Oorscho 2015; and Kremer 2013.
- ^{xxvii} The data and explanation of the methodology are available here: <http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm>
- ^{xxviii} The larger research project will conduct a detailed analysis of a range of other measures relating to, for example, temporary contracts, irregular working, the speed of transition from out of work to work, the right to flexible work, minimum wage, working hours variation etc. The World Economic Forum produces annual Competitive Rankings that include measures of labour market flexibility: <http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/> Also see the discussion in Bosch, Mayhew, and Gautié (2009).
- ^{xxix} The idea that differences in the nature of welfare states, including the ways they are financed, in different EU countries can raise challenges for “free movement” is from new. For example, almost twenty years ago, Palme (1996) discussed how differences in the ways national social security systems are financed in different EU member states can affect the social rights of EU migrants. For a more recent major discussion of how different welfare regimes can impact on the social rights of migrants, see Sainsbury (2012). Sainsbury points out that “The type of funding also serves as a mechanism of inclusion or exclusion [of migrants]. Taxation tends to be more inclusive.” (Sainsbury 2012, p.13).
- ^{xxx} Other researchers have used this measure before, see e.g. Hooijer and Picot 2014.
- ^{xxxi} It includes payments related to pensions (both under “contributions” and “expenditure”). We know that large intra-EU migration flows have been relatively recent and generally comprise quite young people whose long-term residence is yet uncertain. So it is arguable whether pensions should be included in the measure.
- ^{xxxii} I am grateful to Michael O’Connor for pointing this out to me.

^{xxxiii} I am grateful to Martin Seeleib-Kaiser for pointing this out to me.

^{xxxiv} Also see the discussion of in Migration Advisory Committee 2014.

^{xxxv} However, as discussed above, giving non-citizens equal access to non-contributory benefits that are small in value may still be considered as problematic because of the adverse impact on efforts to use the policy to target specific groups of citizens and/or the perceived “unfairness”.

^{xxxvi} For a broader discussion of this issue, see Anderson (2013).

^{xxxvii} See, for example, <http://www.irishtimes.com/news/state-has-moral-duty-to-ratify-nice-ictu-l.309674>

^{xxxviii} In a speech on 22nd June 2015, David Cameron hinted at government plans to overhaul and significantly reduce in-work tax credits in the UK.

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Appendix

Table A1 EU citizens in selected EU15 countries (excl. reporting country), 2004 and 2013

	2004 (EU25)		2013 (EU27)		% change
	thousands	% pop	thousands	%pop	2004-2013
Germany	2,332	2.83%	3,022	3.68%	29.6%
UK	1,031	1.76%	2,421	3.79%	134.8%
Spain			2,061	4.41%	
France			1,407	2.15%	
Italy	190	0.33%	1,240	2.08%	552.63%
Belgium			807	7.23%	
Austria	182	2.24%	415	4.91%	128.0%
Netherlands	224	1.38%	381	2.27%	70.1%
Ireland			379	8.26%	
Sweden	207	2.31%	282	2.95%	36.2%
Denmark	67	1.23%	147	2.63%	119.4%
Portugal			101	0.96%	
Finland	35	0.66%	76	1.41%	117.1%

Source: Eurostat, migr_pop1ctz, accessed in March 2015; empty cells mean data not available from Eurostat

Table A2 Romanian citizens in selected EU15 countries, 2007 and 2013

	2007		2013		% change
	numbers	% pop	numbers	% pop	2007-2013
Belgium			51,295	0.46%	
Denmark	1,672	0.03%	12,374	0.22%	640.07%
Germany	78,452	0.10%	219,117	0.27%	179.30%
Ireland	11,296	0.26%	17,073	0.37%	51.14%
Spain	539,507	1.21%	769,609	1.65%	42.65%
Italy	342,200	0.58%	933,354	1.56%	172.75%
Netherlands	3,225	0.02%	9,496	0.06%	194.45%
Austria	21,882	0.26%	53,473	0.63%	144.37%
Portugal	11,877	0.11%	35,216	0.34%	196.51%
Finland	732	0.01%	1,739	0.03%	137.57%
Sweden	2,252	0.02%	11,169	0.12%	395.96%
UK			105,289	0.16%	

Source: Eurostat, migr_pop1ctz, accessed in March 2015; empty cells mean data not available from Eurostat

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

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

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

Source: Ford, R. and A. Heath 2014, British Social Attitudes 31, chapter 6 (page 90) in Park, A., Bryson, C. and Curtice, J. (eds.) (2014), *British Social Attitudes: the 31st Report*, London: NatCen Social Research, available online at: http://www.bsa.natcen.ac.uk/media/38893/bsa31_full_report.pdf

Table A4 Index of employment protection (individual dismissal, EPR_VI), 2004-11

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Mean 04-11	Mean 04-07
AUT	2.369	2.369	2.369	2.369	2.369	2.369	2.369	2.369	2.369	2.369	2.37	2.37
BEL	1.810	1.810	1.810	1.810	1.810	1.810	2.000	2.000	1.810	1.810	1.86	1.81
GER	2.869	2.869	2.869	2.869	2.869	2.869	2.869	2.869	2.869	2.869	2.87	2.87
DEN	2.135	2.135	2.135	2.135	2.135	2.135	2.135	2.198	2.198	2.198	2.14	2.14
ESP	2.357	2.357	2.357	2.357	2.357	2.357	2.357	2.214	2.214	2.048	2.34	2.36
FIN	2.167	2.167	2.167	2.167	2.167	2.167	2.167	2.167	2.167	2.167	2.17	2.16
FRA	2.468	2.468	2.468	2.468	2.468	2.385	2.385	2.385	2.385	2.385	2.43	2.47
GBR	1.198	1.198	1.198	1.198	1.198	1.198	1.198	1.198	1.198	1.032	1.20	1.20
GRC	2.802	2.802	2.802	2.802	2.802	2.802	2.802	2.167	2.167	2.119	2.72	2.80
IRL	1.437	1.437	1.270	1.270	1.270	1.270	1.270	1.270	1.397	1.397	1.31	1.35
ITA	2.762	2.762	2.762	2.762	2.762	2.762	2.762	2.762	2.762	2.512	2.76	2.76
NLD	2.885	2.885	2.885	2.885	2.885	2.821	2.821	2.821	2.821	2.821	2.86	2.89
PRT	4.417	4.417	4.417	4.417	4.417	4.417	4.131	4.131	3.560	3.185	4.35	4.42
SWE	2.607	2.607	2.607	2.607	2.607	2.607	2.607	2.607	2.607	2.607	2.61	2.61
USA	0.257	0.257	0.257	0.257	0.257	0.257	0.257	0.257	0.257	0.257	0.26	0.26

Source: OECD

Table A5 Share of social contributions in social expenditure (public and private mandatory), 2004-11

	2004	2005	2006	2007	2008	2009	2010	2011	Mean 2004-11	Mean 2004-07
AUT	0.53	0.53	0.53	0.53	0.53	0.51	0.50	0.51	0.52	0.53
BEL	0.54	0.53	0.53	0.53	0.52	0.50	0.49	0.48	0.52	0.53
DEN	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.04	0.04
FIN	0.47	0.49	0.50	0.51	0.50	0.46	0.45	0.45	0.48	0.49
FRA	0.54	0.55	0.57	0.56	0.56	0.53	0.53	0.54	0.55	0.55
GER	0.61	0.60	0.60	0.60	0.59	0.56	0.56	0.59	0.59	0.60
GRC	0.56	0.54	0.50	0.52	0.50	0.43	0.46	0.41	0.49	0.53
IRL	0.29	0.30	0.30	0.30	0.27	0.25	0.25	0.22	0.27	0.30
ITA	0.48	0.47	0.47	0.49	0.50	0.47	0.46	0.46	0.48	0.48
NED	0.63	0.58	0.63	0.62	0.67	0.58	0.58	0.61	0.61	0.61
POR	0.37	0.36	0.37	0.37	0.38	0.35	0.36	0.37	0.37	0.37
ESP	0.59	0.58	0.58	0.57	0.54	0.48	0.46	0.46	0.53	0.58
SWE	0.37	0.36	0.33	0.35	0.32	0.28	0.30	0.27	0.32	0.35
UK	0.35	0.36	0.36	0.36	0.35	0.31	0.32	0.32	0.34	0.36
US	0.43	0.43	0.42	0.42	0.40	0.35	0.34	0.31	0.39	0.42

Source: OECD

Table A6 Taxes and benefits of married couple with two children, first earner is paid 50% of average wage (AW), second earner not working, 2013
(national currencies)

	Average Wage	Gross Income (50% AW)	Housing Benefits	Family Benefits	Social Assistance	In-work benefits	Total benefits	Income Tax	Social Contributions	Total tax	Net Income	PPP
Austria (EUR)	41,940	20,970	3,222	4,360	100	0	7,682	219	3,787	4,006	24,647	0.84
Belgium (EUR)	46,197	23,099	0	3,363	0	0	3,363	66	1,961	2,027	24,435	0.85
Denmark (DK)	393,463	196,731	12,684	27,216	184,151	0	224,051	109,418	11,917	121,335	299,447	7.67
Finland (EUR)	42,257	21,129	4,342	2,632	2,783	1,706	11,463	4,102	1,572	5,674	26,917	0.93
France (EUR)	36,808	18,404	2,567	1,911	2,876	0	7,354	1,469	2,540	4,009	21,749	0.85
Germany (EUR)	44,700	22,350	2,724	7,876	0	0	10,600	120	4,508	4,628	28,322	0.79
Greece (EUR)	20,766	10,383	0	2,077	0	0	2,077	189	2,056	2,245	10,215	0.64
Ireland (EUR)	33,154	16,577	0	3,120	0	9,114	12,234	462	0	462	28,348	0.83
Italy (EUR)	30,039	15,020	0	3,100	0	0	3,100	0	1,425	1,425	16,694	0.76
Netherlands (EUR)	48,421	24,210	3,430	3,250	0	0	6,680	787	4,482	5,269	25,622	0.83
Portugal (EUR)	17,640	8,820	0	730	0	0	730	0	970	970	8,580	0.59
Spain (EUR)	26,027	13,013	0	582	0	0	582	0	826	826	12,769	0.68
Sweden (SEK)	398,220	199,110	19,200	27,000	0	14,034	60,234	40,702	13,900	54,602	204,742	8.81
UK (£)	35,081	17,541	3,207	7,737	0	121	11,065	1,620	1,174	2,794	25,811	0.70
US (\$)	48,774	24,387	0	0	3,024	5,356	8,380	-1,529	1,866	337	32,430	1.00

Source: OECD Tax and Benefits database, data extracted on 26 May 2015

from OECD.Stat; PPP conversion factors (last column) taken from World

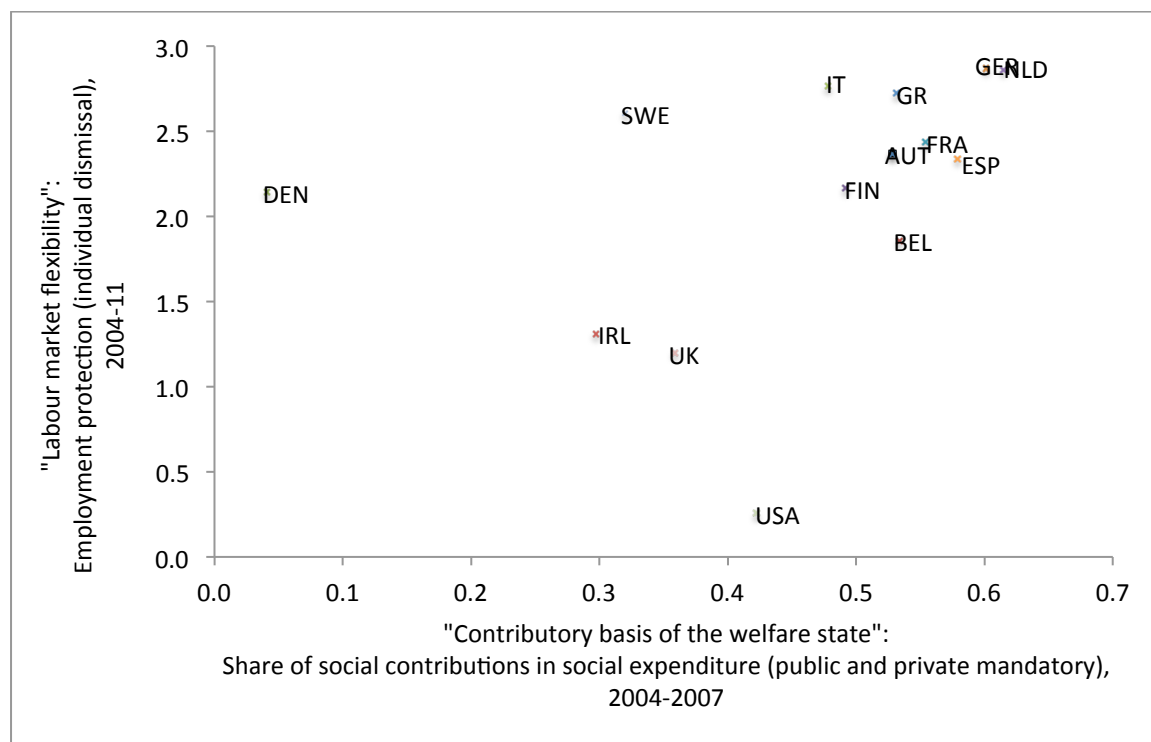
Bank

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

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

Source: OECD Tax and Benefits database, 26 May 2015 (based on PPP Conversion Factors taken from World Bank); * The EU14 countries include the EU 15 countries minus Luxembourg.

Figure AI Employment protection (average 2004-11) and social spending through social contributions (average 2004-07) in selected EU15 countries and the United States



Source: OECD

Notes: see notes to Figure 2