

**Is unrestricted immigration compatible with inclusive welfare states?  
National institutions, citizenship norms and the politics of  
free movement in the European Union**

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**Abstract**

The current rules for “free movement” in the European Union (EU) facilitate unrestricted intra-EU labour mobility and equal access to national welfare states for EU workers. Free movement is thus a case of “exceptionalism” in the view of longstanding theory and research which alleges the incompatibility between open borders and inclusive welfare states. The sustainability of this EU exceptionalism has recently been threatened by highly divisive debates between EU member states about the need to restrict some welfare benefits for EU workers. This paper develops a theory for why the current free movement rules might present particular challenges for certain EU member states. It focuses on the potential roles of three types of national institutions and social norms in determining national policy positions on free movement in the EU15 countries: national labour markets (especially their regulation and “flexibility”); welfare states (especially their “contributory basis”); and citizenship norms (with a focus on the “European-ness” of national identities). I show that these institutions and norms vary considerably across member states and explain why we can expect these differences to contribute to variations in the scale and effects of EU labour immigration, and to divergent national policy preferences for reforming free movement. Although focused on intra-EU labour mobility, the paper contributes to broader research and debates about institutional variations across EU member states, the potential tensions between national institutions/norms and common EU regulations, and the implications for the design and sustainability of different types of EU migration and mobility policies.

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## 1 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 the host country’s welfare state. This combination of unrestricted intra-EU migration and equal access to national welfare states for EU workers is an important exception to the tension and trade-off between immigration and access to social rights that characterises the labour immigration policies of high-income countries, including many European countries’ policies for admitting workers from outside the EU (Ruhs 2013). Free movement thus challenges long-standing theories and arguments about the alleged incompatibility of open borders and inclusive welfare states (see, for example, Freeman 1986).

EU member states have in recent years been engaged in a highly divisive political debate about the future sustainability of this ‘EU exceptionalism’. A group of member states, most notably the UK but also including Denmark and the Netherlands, has called for more restricted access for EU workers to welfare benefits. The UK has justified its call for reforming free movement by arguing that Britain’s welfare state is fundamentally different (“less contributory”) and “exceptional” compared to the welfare states of most other EU member states. Many other EU countries have been sceptical and opposed to fundamental and permanent reform insisting that the current policy of unrestricted access to labour markets *and* full and equal access to welfare states for EU workers must continue.

Nevertheless, as a concession to Britain ahead of its upcoming referendum on EU membership in June 2016, the European Union recently agreed a “new settlement” for the UK which includes an “emergency brake” that allows temporary restrictions on non-contributory in-work benefits for newly arriving EU workers for a maximum period of four years. This emergency break would only come into force if the UK votes to remain in the EU. It would be limited to seven years and could be used by all EU member states, not only the UK. Austria has already signalled that, in the event of a British vote to remain in the EU, it would seek to follow the UK in imposing restrictions on welfare benefits of EU workers. It is likely that some but probably not all of the other member states will want to do the same.

Whatever the outcome of the UK’s referendum, the recent debates about the future of free movement raise fundamental research and policy questions about the types and degrees of institutional variations across EU member states, the potential tensions between national institutions and common EU regulations, and the implications for the economic, social and political sustainability of the current rules for intra-EU labour mobility in the medium- to long-term. This paper is the first output of a larger theoretical and empirical research project that addresses these questions.

The aim of the paper is to provide a theoretical framework and hypotheses for analysing the role of three types of national institutions and social norms in determining national policy positions on free movement in the EU: national labour markets (especially their regulation and “flexibility”); welfare states (especially their “contributory basis”); and citizenship norms (with a focus on the “European-ness” of national identities). I argue that the flexibility of the national labour market plays a key role in shaping the scale and characteristics of EU labour immigration; the contributory basis of the welfare states shapes the fiscal effects and perceived fairness of free movement; and the degree of

“European-ness” of individual and collective identities in a country influences how broadly the “national interest” is defined by drawing boundaries around the perceived “target population” (ranging from ‘national citizens only’ to ‘all EU citizens’) whose best interests free movement is meant to serve from a national policy perspective .

The core hypotheses developed in this paper are as follows: In countries that have *both* a relatively flexible labour market *and* a relatively non-contributory welfare state ‘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. Whether or not these specific costs and tensions lead to the development of a national policy preference for restricting the welfare benefits for EU workers depends critically on how narrowly or broadly the national interest is defined. A broader and more “European” perception of national identity will, I suggest, make it less likely that any domestic costs and tensions arising from free movement will lead to domestic pressure for policy change. These hypotheses are based on a conceptualization of national policy-making that emphasises the application of a “rationalist” logic in the state’s pursuit of the “national interest” but also takes account of institutions and the role of ideas in reconfiguring state interests and determining policy outcomes.

The exploratory empirical analysis in this paper shows that the flexibility of national labour markets, contributory basis of national welfare states and the “European-ness” of national identities differ considerably across EU member states. Given my conceptual framework and hypotheses, these variations suggest the UK as the most likely candidate for demanding reforms of free movement followed by Ireland which is similar to the UK in terms of the flexibility of its labour market and contributory basis of its welfare state, but different in terms of the (much higher) European dimension of the perceived personal and collective identities of its citizens.

I argue that the conceptual framework and hypotheses proposed in this paper have the potential to help explain variations in national policy preferences for reforming free movement across EU member states. The next step of this research agenda is to “test” these hypotheses by conducting systematic and in-depth empirical analysis of the determinants of the changing national policy positions on free movement across EU15 member states. It will be particularly interesting to analyse how and why the national policy positions in Ireland and other EU countries shift if the UK votes to remain in the EU in June 2016. This analysis will consider the roles and effects of potential policy determinants that go beyond national institutions/norms and include a wide range of *actors* (such as political parties and interest groups) as well as the likely inter-relationships between the national politics of free movement and the wider politics of immigration and EU membership.

The paper is structured as follows. The analysis begins, in section 2, with a brief review of key research on the tension between immigration and the welfare state and a discussion of the current rules and changing politics of free movement of workers in the European Union. Section 3 then provides a conceptual framework and hypotheses for analysing the potential inter-relationships between national labour markets, welfare states and citizenship norms on the one hand, and the domestic politics of free movement in EU member states on the other hand. This conceptual and theoretical discussion is followed, in section 4, by exploratory empirical analysis of key differences in the labour markets, welfare states and citizenship norms across the EU15 member states. I then use these variations to discuss, based on my conceptual framework, which countries are most likely to

support restrictions on EU workers' access to welfare benefits. Section 5 briefly reflects on the likely power and limits of the "structural explanation" for the domestic politics of free movement suggested in this paper and identifies additional factors, especially the role of political parties and interest groups, that need to be considered in the empirical analysis. The conclusion briefly discusses the broader question of whether differences between national institutions and social norms might not only cause variation in responses to free movement rules among EU member states but also explain the equally varied national policy responses that we have witnessed in recent times to inflows of migrants, including asylum seekers and refugees, from *outside* of the EU.

It is important to clarify at the outset that, 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.

## **2 The tension between immigration and the welfare state: The changing politics of European exceptionalism**

Is large-scale immigration compatible with equal access for migrants to the national 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". There has, however, been one notable exception: the free movement of labour in the European Union.

### *The tension between immigration and the welfare state*

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: 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: 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 20<sup>th</sup> century much more expensive for the United States than free immigration in the late 19<sup>th</sup> and early 20<sup>th</sup> 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.

A related but yet distinct argument is that increased immigration and diversity can undermine “solidarity” and public support for the welfare state and social policies more generally (e.g. Alesina and Glaeser, 2004). The empirical evidence for this claim has been mixed (e.g. Brady and Finnigan, 2014) and it is clear that public attitudes toward the welfare states are influenced by a wide range of factors that have little to do with immigration. However, 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 (Hanson, Scheve, and Slaughter, 2007).

Recent empirical research suggests that the tension between immigration and migrants’ access to national welfare states is not only a theoretical possibility but is in fact reflected in policy-making in practice. Examining labour immigration policies in over 40 countries<sup>2</sup>, Ruhs (2013) finds that there are trade-offs in the policies of high-income countries between openness to admitting migrant workers and some of the rights granted to migrants after admission. Programmes that are more open to admitting migrant workers are also more restrictive with regard to specific rights, and *vice versa*. The trade-off between openness and rights affects only a few specific rights rather than all rights, and they most commonly include selected social rights (i.e. access to the welfare state), some employment rights as well as rights relating to residency and family reunion. The inverse relationship between openness and some rights can be found in policies that target a range of skills, although they are generally not present in labour immigration programmes specifically designed for targeting the most highly skilled workers, for whom there is intense international competition.

Ruhs argues that these empirical findings are consistent with a cost-benefits approach to regulating labour immigration aimed at maximising the net-benefits of employing migrant workers for the national interest (however defined) of host countries. 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 rights. In this analysis, the trade-off between openness to immigration and access to some social rights is related to the idea that granting lower-skilled migrants in low-paid jobs full access to the welfare state can 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, at least in the short run.

#### *The free movement of workers in the EU: open borders and equal access to the welfare state?*

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

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<sup>2</sup> 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.

international pattern of trade-offs between the admission and social rights of migrant workers. “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. 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 (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.

In terms of access to the welfare state, 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. This broad definition leaves some limited room for further specification by member states. EU *workers* are entitled to equal access to all social rights granted to nationals of the host country.

Before EU enlargement in 2004, the principle of free movement for EU 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 labour mobility 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 (the so-called A8 countries) plus Cyprus and Malta joined the EU and some – although not all – EU countries experienced significant A8 immigration. As shown in Tables 1 and 2 below, there has been considerable variation in the increases in the number of “free movement migrants” in the EU15 countries (i.e. in the countries that were members of the EU before enlargement in 2004). This variation can be partly – but clearly not fully – explained by the “transitional provisions” that allowed EU15 countries to restrict the employment of workers from the new member states for a maximum of seven years. 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 in 2004.

Table 1: EU25 citizens in selected EU15 countries (excluding reporting country)

	2004		2013		% Change 2004-2013
	thousands	% pop	thousands	% pop	
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	133*	3.5%*	360	7.85%	171.68%**
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); empty cells mean data not available from Eurostat. Note: The figure for 2013 excludes citizens of Romania and Bulgaria who joined the EU in 2007. \*Number of EU15 citizens in Ireland in 2002 (no data available for 2004). \*\*change between 2002 (EU15) and 2013 (EU25)

Table 2: A8 citizens in selected EU15 countries

	2004		2013		% Change 2004-2013
	Thousands	% pop	thousands	% pop	
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 could be expected, countries that received large numbers and rapidly increasing inflows of A8 migrants, such as the UK and Ireland, began more intense debates about the consequences for their labour markets, welfare states and societies. Still, until relatively recently, it was rare to see direct challenges and calls for reform of the principle of free movement. 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 working 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.

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 Romanians and Bulgarians (the so-called “A2 nationals”) 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. A range of proposals has 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.

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 labour mobility of EU workers across EU countries. In an op-ed for the *Financial Times* on 26 November 2013, entitled “Free movement within Europe needs to be less free”, David Cameron, the British Prime Minister, suggested a cap on EU immigration. Due to strong objections by Germany and a number of other EU15 countries, the UK government quickly gave up on this idea and instead focused its demands on introducing restrictions on EU workers’ equal access to welfare benefits.

The 2015 election manifesto of the UK’s Conservative party (which won the general election) included a commitment to restrict EU migrants’ access to in-work tax credits and social housing for a period of four years.<sup>3</sup> This election promise became a central demand of the UK government in its negotiations with the other EU member states about a “new settlement for the UK with the EU” ahead of Britain’s referendum on whether to leave or remain in the EU. Following months of debates, the agreement reached between the UK and the EU in February 2016 includes an ‘emergency break’ that enables Britain (and potentially also other member states<sup>4</sup>) to restrict EU workers’ access to non-contributory in-work benefits for a maximum period of four years.<sup>5</sup> However, during this period EU workers must gradually obtain access to welfare benefits, i.e. there can be no complete bar for the entire four years as the UK initially demanded.

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<sup>3</sup> It is worth noting that there was near cross-party consensus on the need to restrict EU workers’ benefits in the UK. The 2015 election manifesto of the Labour Party, the second largest party in the UK, included a commitment to restrict in-work benefits for EU workers for two years (not four as proposed by the Conservatives). See <http://labourlist.org/2014/12/we-will-control-immigration-with-fair-rules-miliband-announces-labours-second-election-pledge/>

<sup>4</sup> Any member state that wishes to apply the emergency break on benefits must apply to the European Council for permission to do so. According to the new rules agreed in the new settlement with the UK, the emergency break is a “...safeguard mechanism that responds to situations of inflow of workers from other Member States of an exceptional magnitude over an extended period of time, including as a result of past policies following previous EU enlargements. A Member State wishing to avail itself of the mechanism would notify the Commission and the Council that such an exceptional situation exists on a scale that affects essential aspects of its social security system, including the primary purpose of its in-work benefits system, or which leads to difficulties which are serious and liable to persist in its employment market or are putting an excessive pressure on the proper functioning of its public services.” (EUCO 2016, p.21)

<sup>5</sup> See EUCO 2016, available here: <http://www.consilium.europa.eu/en/policies/uk/2016-uk-settlement-process-timeline/>

During the six months of negotiations about the new settlement for the UK with the EU, a few member states among the EU15 openly supported the idea of restricting EU nationals' access to the welfare state while others publicly opposed it (until finally agreeing to the settlement in late Feb 2016). For example, Denmark's new Prime Minister Lars Lokke Rasmussen indicated in early February 2016 that he would support UK efforts to reduce EU migrant's access to welfare benefits.<sup>6</sup> Belgium and other EU15 countries remained highly sceptical about the need for reform during the negotiations.<sup>7</sup> It will be interesting to see whether and how the national policy positions on restricting EU workers' welfare benefits change in the aftermath of the UK's referendum on EU membership in June 2016. If Britain votes to remain in the European Union, the "new settlement" agreed between the UK and the EU would come into force and immediately enable all member states to ask the European Council for permission to restrict EU workers' access to welfare benefits.

### **3 National institutions, social norms and the politics of free movement: A conceptual framework and hypotheses**

How can we explain the variation in EU15 member states' policy positions on reforming the current rules for free movement? Under what circumstances does the combination of open borders and equal access to the welfare state for EU workers create domestic political pressure for demanding policy change? This section begins to address these questions by providing a conceptual framework and hypotheses for analysing the potential roles of national labour markets, welfare states and citizenship norms in explaining the scale, effects and domestic politics of free movement in EU15 member states.

#### *Labour market flexibility: Impacts on the scale and skills composition of labour immigration*

Employer demand for migrant labour is critically influenced by the institutional and regulatory framework of the labour market as well as wider public policies such as education and training policies, housing policies, welfare policies, etc. (Ruhs and Anderson 2010). These institutional and regulatory frameworks can constrain and impact on the incentives underlying employers' choices about how to respond to perceived staff shortages as well as impacting on the behaviour of workers.

Labour market regulations and wider institutional and regulatory structures vary considerably across countries. For example, the "Varieties of Capitalism" (VoC) literature makes a broad distinction between liberal and coordinated market economies based on whether the key spheres of production are coordinated by market or non-market mechanisms (see, for example, Hall and Soskice 2001). Liberal market economies are more likely to be characterised by more flexible labour markets, where wages are primarily determined by markets rather than non-market mechanisms such as collective bargaining, and by comparatively weaker vocational training systems (Menz 2009). Migration scholars working within the comparative capitalisms 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 greater employer demand for migrant workers, especially but not only for employment in low-waged jobs (see, for example, Afonso and Devitt 2016; Devitt 2011; Wright 2012).

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<sup>6</sup> See <http://www.bbc.co.uk/news/uk-politics-eu-referendum-35499139>

<sup>7</sup> See <http://blogs.lse.ac.uk/europpblog/2015/10/14/european-views-on-the-uks-renegotiation-romania-denmark-belgium-and-luxembourg/>

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. 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. 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. 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.

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.” (Migration Advisory Committee, 2014: 4).

The relatively high level and effective enforcement of labour market regulation in Sweden is likely to explain, 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.

*The nature of the welfare state: Shaping the fiscal effects and perceived fairness of labour immigration*

Welfare states differ considerably across countries. Depending on the criteria used, various classifications have been proposed. For example, Esping-Anderson’s (1990) seminal typology of welfare state regimes distinguished between liberal, conservative and social democratic welfare states. Soon after Anderson’s initial typology was published, other researchers added and discussed the ‘Mediterranean’ regime as a fourth and distinctive type of welfare state (e.g. Ferrera 1996). One of the fundamental differences across the various types of welfare states relates to the way in which access to social benefits is regulated. Liberal regimes tend to grant access to welfare benefits based on “need” (i.e. using means-testing); social democratic welfare states typically provide flat and universal benefits; and conservative welfare states tend to make access to welfare benefits dependent on prior contributions, typically through social insurance systems (see Seeleib-Kaiser 2015). These descriptions are ideal-types, so in practice there can be significant overlap (Bruzelius, Chase and Seeleib-Kaiser 2015). A considerable part of the comparative research on welfare states over the past 25 years has been dedicated to identifying and discussing classifications and typologies as well as identifying patterns of convergence and divergence across countries and over time (see, for example Arts and Gelissen 2010). For the purpose of this paper, I focus the comparative discussion on the extent to which access to welfare benefits requires a prior contribution which, I argue, can play a key role in shaping the fiscal effects and perceived fairness of labour immigration.

There is a large research literature on the impacts of immigration on public finances of the host country (see, for example, OECD 2013; Dustmann and Frattini 2014). 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 – 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 the relative “generosity” of welfare benefits and any restrictions on migrants’ access to social benefits and public services). While cross-country variations in the fiscal impacts of immigration can stem from differences across any or all of these factors, I argue that the mix of contributory and non-contributory benefits is an important factor, particularly in the context of this paper’s analysis of the fiscal effects of EU workers who are all in employment.

All 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.

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 (briefly discussed later in the paper) as well as the characteristics of A8 migrant workers and their labour market impacts, I argue that it is likely that this will be the case in practice, at least in the short-term.

In addition to potentially 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, which is effectively a form of income support for low-waged workers and families 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 originally intended target group of this policy.

Another important and related reason why immigration can create greater challenges for less-contributory benefits systems relates to public opinion and perceptions of fairness. One narrow but popular idea of fairness toward migrant workers involves the idea that newcomers should not receive benefits without prior contributions or qualifying period. Of course, this approach could also

be applied 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 because of their status of “outsiders”.

While all migrants who are working “contribute” through their employment and income taxes, the idea of “no benefits without prior financial contribution or waiting period” may be more easily implemented (and communicated to the public) in countries whose welfare states are dominated by social insurance programmes that provide benefits to all people primarily based on prior contribution rather than based on “need” (or “means”). Social insurance programmes are, by design, more exclusionary toward migrants than means-tested welfare policies (compare Sainsbury 2012).

In their analysis of public attitudes toward welfare benefits for immigrants in 24 EU countries, Reeskens and van Oorschot (2012) find that most Europeans prefer conditional access to welfare benefits for migrant workers and that the most commonly held principle regulating access is “reciprocity”. Reeskens and van Oorschot also find that people who believe that welfare benefits should be provided based on the principle of “need” (rather than “equality” or “reciprocity i.e. prior contribution”) are significantly more likely to support restrictions on the welfare benefits of newly arriving migrants.<sup>8</sup>

*Citizenship norms: Impacts on policy aims and target groups’*

Based on the discussion above, I argue that in countries that have both a relatively flexible labour market and a relatively non-contributory welfare state ‘free movement’ can generate specific fiscal costs, economic tensions and concerns about “fairness” 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. In principle, addressing these tensions and concerns does not necessarily require reducing immigration or migrants’ access to the welfare state. It could instead involve “domestic solutions” such as reducing the flexibility of the national labour market (which would likely reduce labour immigration) and/or making the national welfare state more contributory for everybody i.e. including citizens.

Whether the combination of flexible labour markets and less contributory welfare states leads to calls for policy reform in a particular country in practice, and the extent to which “domestic solutions” to perceived tensions arising from free movement are likely to be politically feasible, critically depends on whose best interests free movement is meant to serve. If there is widespread agreement within the domestic policy spheres of an EU member state 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.<sup>9</sup> If, on the other hand, there are strong domestic political pressures in a country to maximise the net-benefits from free movement for its own citizens

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<sup>8</sup> 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 Oorschot 2015; and Kremer 2016.

<sup>9</sup> Economic research on migration makes clear that the biggest beneficiaries of international labour mobility (including free movement within the EU) are migrants themselves (see, for example, Portes 2015, Migration Advisory Committee 2012, and UNDP 2009).

the combination of flexible labour markets and less contributory welfare states is more likely to result in a national policy preference for changing the rules for free movement (and it would probably make it less likely that “domestic solutions” will be acceptable).

The key question, then, is how the aims and the primary “target population” of the current free movement policies are perceived and defined in individual member states. The “target population” refers to the people whose best interests free movement is meant to serve from a national policy perspective (ranging from ‘national citizens only’ to ‘all EU citizens’). This is where social norms on the meaning and boundaries of “citizenship” matter. Different countries are characterised by a variety of ‘citizenship regimes’ which Jenson (2007, p. 55) has defined as “institutional arrangements, rules and understandings that guide and shape concurrent policy decisions and expenditures of states, problem definitions by states and citizens, and claims-making by citizens”. Citizenship and ‘citizenship regimes’ are multi-dimensional concepts. Jenson (2007) identifies four key dimensions: the “responsibility mix” (between citizenship, family and the market); “rights and duties” (including their allocation and boundaries); “governance arrangements” (regulating access to the state and the modes of participation in civic life); and “definition of membership” (including identity). Bellamy (2008) identifies three core values of citizenship - belonging, rights and participation – while Joppke (2007) distinguishes between citizenship as ‘status’, ‘rights’, and ‘identity’. Regardless of how different dimensions of citizenship are characterised, it is clear that they are not fixed but historically contingent (e.g. Jenson 2007) and, at least in part, changing over time (e.g. Joppke 2007).

A key aspect of any conceptualisation and analysis of a citizenship regime relates to the notion of ‘belonging’ or ‘identity’. Like citizenship, identity is an amorphous term that can be given different meanings. Most definitions involve, in one form or another, the feeling of membership to a particular community. Modern identities are multiple and frequently conflicting (Kohli 2000), and national identities “can be and have been plural, contested and changeable” (Jenson 2007, p.64). National identity can play an important role in determining the perceived boundaries and membership of a political community (e.g. Miller 1995), distinguishing between insiders and outsiders, and, therefore, in defining the primary “target population” of a country’s public policies.

In the context of this paper, the key question is to what extent the personal and collective identities of citizens of different EU member states are influenced and defined in terms of their perceived attachment to Europe rather than only their feeling of belonging to their respective nation states. Given that identities can be multiple and multi-layered, European identity is not necessarily in conflict with national identity<sup>10</sup> but the relative strength of each is an important issue (see Kohli 2000). I argue that the degree of “European-ness” of personal and collective identities can serve as an indicator of how citizens of different EU member states perceive and define their imagined political community and the target group of people whose best interests free movement is meant to serve.

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<sup>10</sup> Legally speaking, European citizenship *depends on* national citizenship. The legal concept of European citizenship was first introduced in 1992 (Maastricht Treaty) and it was incorporated into the Treaty of the European Union in 2009 (Lisbon Treaty). European citizenship is held in addition to – and depends on – national citizenship. EU citizenship is, therefore, inherently multi-national (Baubock 2010). An effort to introduce a European Constitution failed in the mid-2000s when the majority of citizens in France and the Netherlands rejected it.

While the focus of my analysis of citizenship is on the dimension of ‘identity’ and the implications for defining membership, it is important to add that citizenship norms also impact on – and are affected by – domestic institutions including the welfare state and labour markets. For example, different citizenship norms can have very different implications for definitions and boundaries of “work”, labour market integration policies, “deservingness” in the welfare state and the basic principles that guide redistribution and access to welfare support. Normatively, it can be argued that welfare provision is intrinsically linked to citizenship such that reductions of welfare provision constitute an attack on citizenship itself (King and Waldron 1988). Empirically, social norms on welfare and work can have important inter-relationships with the design of welfare states and labour market institutions (e.g. Larsen and Dejgaard 2013; Rothstein 1998).

### *The politics of free movement*

I argue that variations in the characteristics of national labour markets, welfare states and citizenship norms across EU member states have the potential to play an important role in determining the domestic politics of free movement in general, and national policy preferences on whether to restrict EU workers’ access to national welfare benefits in particular. For the reasons outlined above, more flexible labour markets, “less contributory” welfare states, and “less-European” identities can be expected – individually but especially in combination – to increase the likelihood of a national policy preference for introducing restrictions on EU workers’ access to welfare benefits.

This hypothesis is based on a relatively basic and flexible conceptualization of the process of developing national policy positions and policy-making: Domestic policymakers in EU member states consider and decide on whether to demand reforms of free movement based on an assessment of the costs and benefits for the “national interest” of a specified “target population” (as influenced, among other things, by the prevailing citizenship norms and conceptions of national identity) and given certain institutions including regulations of labour markets and welfare states. These institutions can be seen as constraining or circumscribing the “policy space” for domestic policy-makers in different countries, at least in the short run.<sup>11</sup>

This conceptualization is an adaptation of earlier work (Ruhs 2013) where I developed a basic approach that considers the design of labour immigration policy as a process that involves “choice under constraints”: nation-states decide on how to regulate the *number*, *selection* and *rights* of migrant workers admitted in order to achieve a core set of four inter-related and sometimes-competing policy goals – economic efficiency (e.g. economic growth), distribution (e.g. protecting low-income earners), social cohesion and security – given a common set of potential constraints and

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<sup>11</sup> The roles and malleability of these institutional constraints are important issues for empirical research. Arguably, existing regulations of labour markets and welfare state policies are likely to constitute relatively strong and binding constraints on the policy space for regulating free movement (and other types of labour migration) in the short run. This expectation is in line with the ‘varieties of capitalism’ approach, which suggests that effective public policies need to be “incentive compatible” – namely, they need to be in line with and complement the mode of coordination inherent to the prevailing institutional structures (Hall and Soskice 2001). In the medium to long-run, the institutional framework, and therefore the policy space for regulating free movement, may change (Hall and Thelen 2009).

institutional factors that limit and mediate the ways in which the pursuit of policy objectives translates into actual policies. In the context of this paper's analysis of national policy preferences for reforming free movement, the key policy decision is whether or not to restrict EU workers' welfare rights. As explained in section 2, national policy restrictions on the numbers and selection (e.g. skills mix) of EU workers admitted are essentially outside the scope of legally possible policy options for reforming free movement.

This simple and flexible conceptual framework is meant to provide a relatively parsimonious basis for generating hypotheses and facilitating empirical analysis of the determinants of the politics of free movement in different EU countries. My approach partly rests on a "rationalist" logic and a "statist" explanation of how national interests are formed (compare Weiner 1995). It also considers, however, the potential effects of institutions (specifically, labour markets and welfare states) and facilitates analysis of the role of ideas (specifically, norms about citizenship and identity) in shaping national policy-making. Ideas can be defined as 'beliefs held by individuals' (Goldstein and Keohane 1993, p. 3). Ideational approaches to explaining public policies explore the role of ideas held by policymakers and other stakeholders in determining policy outcomes. A key insight from the constructivist tradition is that ideas can reconfigure interests and thus become significant factors in policy-making (Wendt 1992; Ruggie 1998). In my analysis, ideas about citizenship and identity help define a country's "national interest" in policy debates about reforming free movement.

#### **4 Differences in labour markets, welfare states and citizenship norms across EU member states**

This section provides exploratory empirical analysis of the differences between EU15 member states in terms of the flexibility of their labour markets, contributory basis of their national welfare states, and the "European-ness" of their citizenship norms and national identities. It then uses the theoretical framework developed above to discuss the following question: given the variations in institutions and citizenships across EU countries, which member states can we expect to support restrictions on EU workers' equal access to welfare benefits? In other words, what can we infer from the theoretical discussion about the links between national institutions/norms and the domestic politics of free movement for the likely national policy positions of different EU15 member states on the question of reforming free movement?

##### *National labour markets and welfare states*

Figure 1 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).<sup>12</sup> This is a commonly used indicator that measures one of the key dimensions of labour market flexibility. 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. Specifically, my measure is based on the share of social

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<sup>12</sup> The data and explanation of the methodology are available here:

<http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.htm>

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’).<sup>13</sup> 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 a recent critique, see Bruzelius, Chase and Seeleib-Kaiser 2015). For example, the indicator ignores differences in demographic characteristics and dependency ratios across countries.<sup>14</sup> 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.<sup>15</sup> 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.

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 of what I think are key (but of course not the only) dimensions and differences of labour markets and welfare states between different countries.<sup>16</sup> While more detailed empirical research is clearly needed, I argue that the broad picture painted in Figure 1 is likely to be correct and not particularly surprising given what we know from the existing research literature about labour markets and welfare states in the EU.<sup>17</sup>

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<sup>13</sup> Other researchers who have used this measure include, for example, Hooijer and Picot 2014.

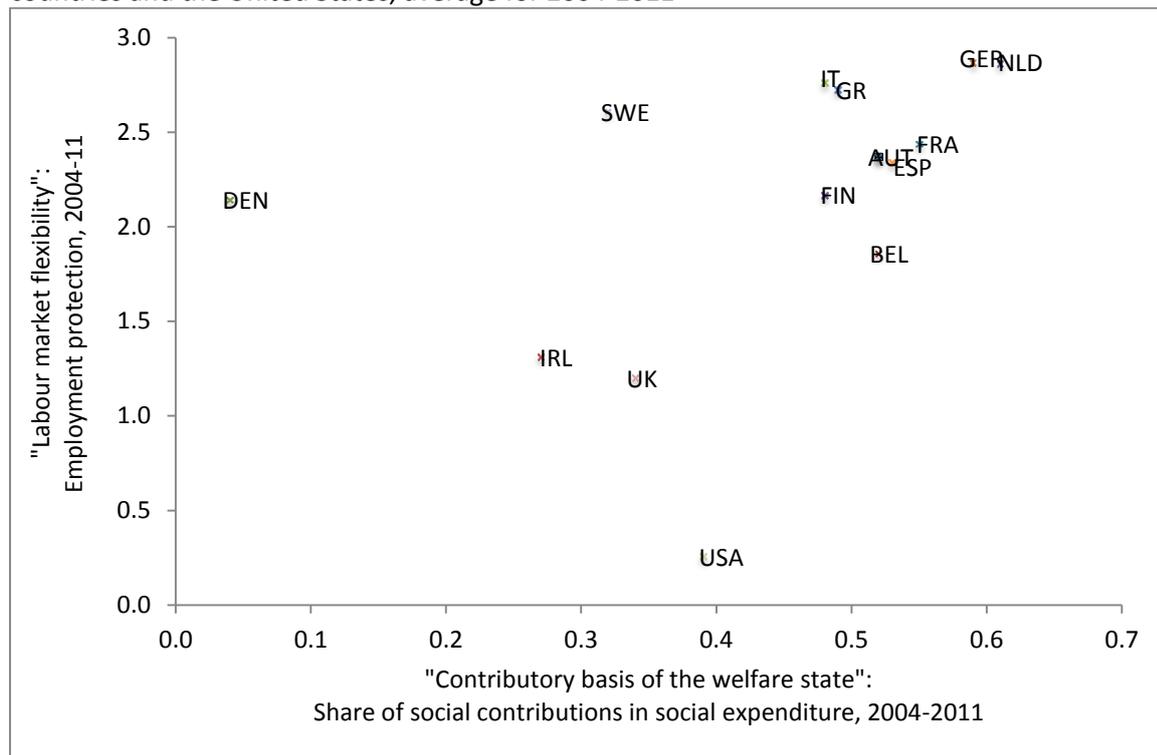
<sup>14</sup> It includes payments related to pensions (both under “contributions” and “expenditure”). We know that large intra-EU migration flows have been relatively recent and generally comprise quite young people whose long-term residence is yet uncertain.

<sup>15</sup> I am grateful to Michael O’Connor for pointing this out to me.

<sup>16</sup> While the employment protection scores for the countries considered here did not change very much during 2004-2011 (see Table A1 in the Appendix), there was some change in the shares of social contributions in social expenditure over the period (see Table A2 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 1 below, but with the share of social contributions in total expenditures measured for 2004-07. Comparing Figure 1 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.

<sup>17</sup> 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 not 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.

Figure 1: 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.

Data Source: OECD

Figure 1 suggests that most EU15 countries are relatively similar in terms of the flexibility of their labour markets and contributory basis of their welfare states. There are, however, some important exceptions and outliers. Compared to the nine countries in the top right corner of Figure 1, Sweden and especially Denmark have considerably lower shares of social contributions in total social spending. 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.

Most importantly in the context of this paper, the UK and Ireland appear very different from all other EU15 member states. They have the most flexible labour markets among the EU15 countries and are also – together with Denmark and Sweden – among the four countries with the lowest shares of social contributions in total social spending. So these data suggest that the UK and Ireland are the only EU15 countries that combine relatively flexible labour markets with a relatively low contributory base of the welfare state. Arguably, the relatively unique position of the UK and Ireland among the EU15 is not particularly surprising given that they are (along with the US) among the only countries considered here that are routinely classified by the comparative capitalisms literature as 'liberal market economies' with 'liberal welfare states'.

### *Citizenship norms: European identities*

To measure and compare the “European-ness” of national identities across EU member states, I use data from the ‘Eurobarometer’ which is a survey of EU citizens conducted every six months. Each survey consists of approximately 1000 face-to-face interviews per country. Since 1992 the Eurobarometer has included the following question that researchers have frequently used to identify and compare “European identities” across EU countries (see, for example, Heath and Spreckelsen 2015; Kohli 2000):

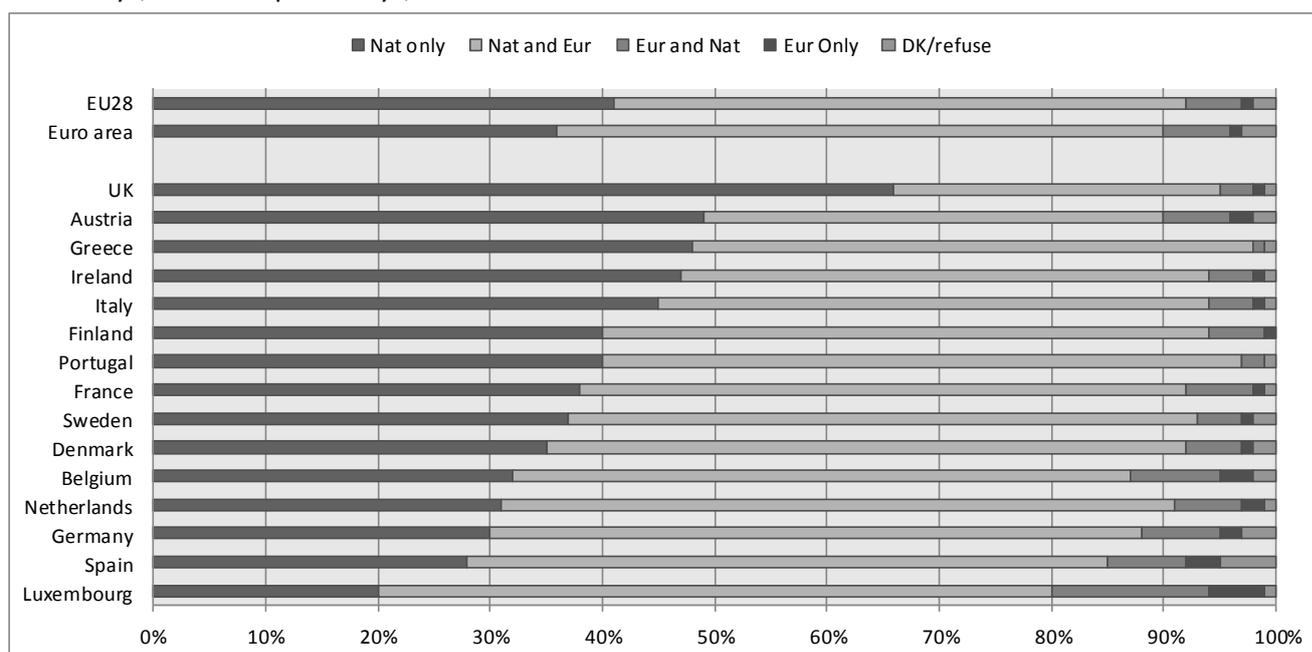
In the near future, *do you see yourself as...?*

- (nationality) only
- (nationality) and European
- European and (nationality)
- European only
- None
- Refusal
- Don’t know

This measure clearly has its limitations and research has shown that the answers are affected by questionnaire design and context, including especially what specific questions are asked immediately before this question about how people see themselves (Johns 2009). Nevertheless, I argue that the question can be used as a reasonably good proxy for the perceived “European-ness” of identities of citizens in different EU member states. The major advantage of this measure is that it allows for “multiple” identities and provides an indication of the relative strength of “national” and “European” dimensions.

As shown in Figure 2 below, as of late 2015 the great majority (about 90 percent) of citizens of EU member states see themselves in terms of their own nationality only or as nationals of their own country *and* European. Very few people describe themselves as ‘European only’ or as European first and nationals of their own country second. This overall picture has remained relatively stable over the past 25 years, i.e. across the EU as a whole there has not been any noticeable trend toward greater European identities over time (see figure A2 in the appendix). There is considerable cross-country variation, however, in the relative shares of citizens who describe themselves in terms of their own nationality only or in terms of their own nationality *and* European. In late 2015, the UK was the only EU15 countries where a majority (two thirds) of the public see themselves as British only. Austria, Greece, Ireland and Italy were other countries above the EU average (41 percent) in this regard. At the other end of the spectrum, only a fifth of people in Luxembourg, just over a quarter in Spain and just under a third in Germany self-identify in terms of their own nationality only.

Figure 2: Share of population who feel “nationality only”, nationality and European”, European and nationality”, and “European only”, October 2015



Source: Eurobarometer 84 (Autumn 2015)

While these shares have seen some volatility in the short run in most countries, long-term change over time has varied across member states (see figure A2 in the appendix). The UK stands out as the country with the least change over time (about 2/3 identifying as British only and just under 1/3 identifying as British and European for most of 1992-2015). In contrast, Sweden appears to be among the countries that have experienced a relatively large change over time. The share of people identifying as Swedish only declined from just under 2/3 in the late 1990s to just over a third in 2015. During the same period, the share describing themselves as ‘Swedish and European’ increased from about 40 to 60 percent. Denmark has experienced a similar although somewhat less pronounced change.

#### *Restricting EU workers’ access to welfare benefits: What can we expect?*

Given the differences in labour markets, welfare states and citizenship norms identified in the exploratory analysis above, which EU member states can we expect to have or develop a national policy preference for restricting EU workers’ access to welfare benefits?

The conceptual framework and hypotheses developed in section 3 of this paper suggest that, among the EU 15 countries, the economic tensions and concerns about fairness arising from free movement are likely to be greatest in the UK and Ireland. This is because of these two countries’ combination of relatively flexible labour markets with relatively non-contributory welfare states. The longstanding “un-Europeaness” of identities in the UK can be expected to contribute to the conversion of these tensions and concerns into a national policy preference for reforming the current rules for free movement. In contrast, the considerably greater share of people in Ireland who see themselves in terms of their own nationality *and* as Europeans makes it less likely (compared to the UK) that the economic tensions caused by EU labour immigration will result in

domestic political pressure for reforming free movement. In other words, because the Irish are more likely than the British to evaluate the consequences of free movement in terms of its impacts on all EU citizens, Ireland is less likely than the UK to consider the employment of relatively large numbers of EU workers in low-waged jobs with immediate access to non-contributory benefits as a reason for calling for policy change.

### **5 Analysing the power and limits of ‘structural explanations’ for the domestic politics of free movement in practice**

As discussed in section 2 of this paper, in practice it was the UK who took the lead in calling for reforms of the current rules for free movement. Despite its relatively similar labour market and welfare state, Ireland does not appear to have developed – at least not so far – a national policy preference for restricting EU workers’ access to the welfare state.

Of course, casual observation does not constitute robust empirical evidence for the role of institutions and norms in explaining domestic policy positions on free movement. This paper has focused on the development of a conceptual framework and hypotheses that emphasise structural differences across EU member states as potentially important determinants of national policy preferences. The next step of this research agenda is to analyse the power and limits of this “structural explanation” in practice. This requires more detailed conceptualization and measurement of the key features and inter-relationships of labour markets, welfare states and citizenship norms across EU member states as well as in-depth analysis of the determinants of national policy-preferences with regard to free movement in practice.

The reality of labour immigration policy in general, and the politics of free movement in particular, is of course much more complex than any single model can capture. Institutions and norms are clearly only a subset of the wide range of potential determinants of the domestic politics of free movement (see, for example, Hampshire 2013; Freeman and Kessler 2008; Boswell 2007). Other important factors that might explain policies include, for example, a range of *actors* including political parties and elites (e.g. Bucken-Knapp et al 2014; Statham and Geddes 2006), interest groups (e.g. Freeman 1995) and coalitions (e.g. Cerna 2009); the political system and governance institutions (e.g. Calavita 1992); framing and “policy narratives” (Boswell, Geddes and Scholten 2011); public opinion (Blinder 2012); the media (Blinder and Allen 2016); and the prevailing socio-economic conditions in a country. This is why any detailed empirical analysis of the actual determinants of different EU countries’ national policy positions on reforming free movement has to approach the analysis with an “open mind” and consider a wide range of factors and different types of policy-making processes.

It is easy to think of a number of factors and mechanisms that may “trouble” the conceptual framework and hypothesised links between institutions/norms and state preferences vis-à-vis reforming free movement proposed in this paper. I briefly discuss five examples. First, it is clearly important to investigate the role of political parties (especially far-right parties) in influencing national policies on immigration in general and free movement in particular. For example, to what extent are the UK’s demands for reforming free movement driven by the rise of the UK Independence Party (UKIP) rather than more ‘structural’ factors such as Britain’s institutions and citizenship norms?

Second, the relative “generosity” of the national welfare state clearly matters. Appendix Table A3 draws 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. These data suggest that total benefits paid to such a family in the UK and Ireland are considerably *higher* than the average for all the EU14 countries shown. The OECD data and cross-country comparisons of taxes and benefits have well known problems. Table A3 clearly gives a selective and incomplete assessment. Nevertheless, at a minimum it casts doubt on the common argument that benefits in liberal market economies are considerably lower than in other types of welfare states in the EU15.

A third and related factor relates to the wider fiscal and other economic impacts of immigration. In theory, it is possible that any “costs” arising from giving migrants access to non-contributory benefits may be offset by other fiscal and economic benefits generated by immigration. In the UK, Dustmann and Frattini (2014) found that during 2001–2011 recent EEA migrants (defined as EEA migrants who arrived in the UK after 2000) made a small positive net-fiscal contribution. In practice, debates about the economic impacts of immigration, especially of low-skilled immigration, on host countries are often highly contested (see, for example, Migration Advisory Committee 2014) which leaves considerable room for national policy-makers to construct their own narratives of “rational policy-making” in this area.

Fourth, there can be important inter-relationships between the politics of free movement and the politics of other types of immigration (e.g. immigration of workers, family member, students and asylum seekers from outside the EU). It is plausible to expect EU countries to coordinate, at least to some extent, their policy approaches to immigration from within and outside the EU. For example, we know that many EU countries responded to EU enlargement in 2004 by introducing greater restrictions on the immigration of low-skilled workers from outside the EU. It is possible that the current refugee crisis in Europe may lead to political pressure in some EU member states to become more restrictive toward EU workers. Arguably, as the scale of ‘external’ migration to the EU increases, the inter-relationships between member states’ policies toward EU and non-EU workers can be expected to become stronger.

Another set of potentially important connections that needs to be considered in the empirical analysis of the determinants of national policy positions on free movement relates to the interplay between free movement and other EU policies relating to, for example, trade and investment. A key question is whether any costs from the current rules for 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 many EU member states, there is considerable debate about this issue.

## **6 Conclusion**

The current rules for free movement in the European Union facilitate unrestricted intra-EU migration and equal access to national welfare states for EU workers. Free movement is thus a case of “exceptionalism” in the view of longstanding theory and research which alleges the incompatibility between open borders and inclusive welfare states. The sustainability of this EU exceptionalism has recently been threatened by intensifying and highly divisive debates between (and within) EU

member states about the need to reform free movement by introducing restrictions on some welfare benefits for EU workers.

What explains why some EU countries now demand reforms of the current rules for free movement while other member states oppose this idea? There seems to be a popular view among many commentators that the perceived problems of countries demanding reform are simply due to “current domestic politics”, “the media” and/or “ill-informed public opinion on immigration”. While all these factors surely play a role, it is important not to dismiss the idea that there may be some important “structural differences” across EU countries that can contribute to variations in both the scale and effects of EU immigration, and to different policy responses. At the same time, it is equally important to critically assess arguments about the role and importance of these alleged structural differences, and to scrutinise the claims about “institutional exceptionalism” that some member states have made in this debate.

This paper has explored the theoretical reasons for why the current free movement rules might present particular challenges for certain EU member states. It has provided a conceptual framework and hypotheses for researching the potential role of national institutions (specifically labour markets and welfare states) and citizenship norms (especially the perceived European-ness of national identities) in determining national policy preferences on reforming the current rules for free movement. I have shown that these three institutions and norms vary considerable across member states, so it is interesting to ask and explore how, if at all, these variations might be linked to national policy preferences.

I have suggested that in countries that have both a relatively flexible labour market and a relatively non-contributory welfare state ‘free movement’ can generate specific fiscal costs, economic tensions and concerns about “fairness” 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. Whether or not these specific costs and tensions lead to the development of a policy preference for restricting the welfare benefits for EU workers can be expected to critically (but not only) depend on how narrowly or broadly national interests are defined. A broader and more “European” perception of national identity will, I suggest, make it less likely that any domestic costs and tensions arising from free movement will lead to pressure for policy change. I argue that these hypotheses and the framework proposed in this paper have the potential to help explain different state interests with regard to movement across EU member states. The next step is to conduct systematic and in-depth empirical research to analyse the determinants of national policy preferences for reforming free movement in practice.

In conclusion, the paper also raises broader question of whether differences between national institutions and social norms might not only cause variation in responses to free movement rules among EU member states but also explain the equally varied national policy responses that we have witnessed in recent times to inflows of migrants, including asylum seekers and refugees, from *outside* of the EU. EU countries have in recent months been engaged in highly divisive political debates about how to respond more effectively to the ‘migration and refugee crisis’ which has led to the arrival of more than one million asylum seekers and migrants in the EU in 2015. While some countries (most notably Germany) insist on a new EU policy approach that distributes refugees across EU Member States, many other EU countries have strongly objected to the idea of accepting

larger numbers of refugees via a new EU-wide allocation process. In her discussion of Poland's reluctance to admit more asylum seekers from Syria, Weiner (2015) suggests that "a real refugee is quite different in the Polish and Western imagination". One can see clear parallels between this argumentation based on "structural difference" when it comes to developing common asylum policies and the claims about "institutional exceptionalism" in the debate about free movement.

Some leading EU officials have suggested that the failure to agree on workable common migration and mobility policies threatens the broader European project itself. For example, Donald Tusk, the President of the European Council, recently suggested that failure to cope with the refugee crisis via an effective collective response threatens the survival of the European Union.<sup>18</sup> Clearly, more analysis of the obstacles to the development of effective common policies, including the tensions between national institutions/norms and common EU regulations, will be important not only for research but also for policy debates about the future of European integration.

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<sup>18</sup> See <http://www.independent.co.uk/news/world/europe/eu-failure-to-cope-with-refugee-crisis-threatens-its-very-survival-a6894741.html>

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**Appendix:**

Table A1 Index of employment protection (individual dismissal, EPR\_V1), 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 A2 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

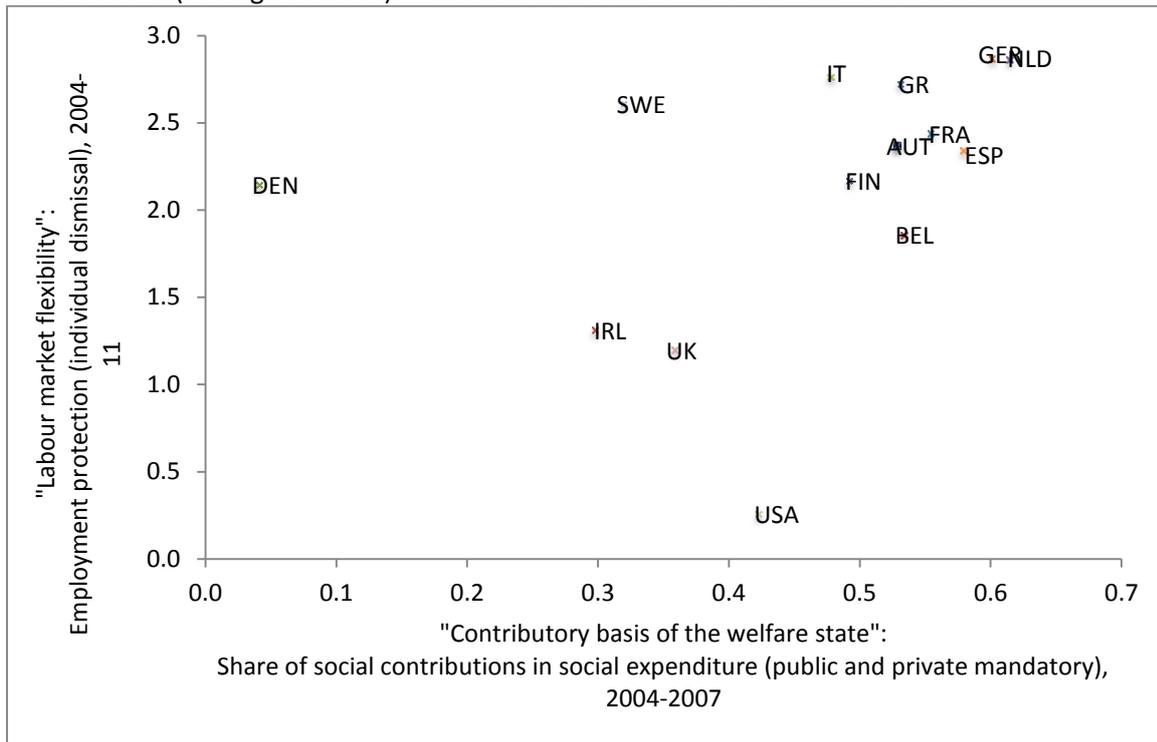
Source: Author's calculations based on data from the OECD

Table A3 Taxes and benefits of married couple with two children, first earner is paid 50% of average wage (AW), second earner not working, 2013 (PPP US\$)

	Average Wage	Gross Income (50% AW)	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 A1 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 1

Figure A2: Share of people in EU15 member states who see themselves as “nationality only” or as “nationality and European”, spring 1992- spring 2015  
 (Source: Eurobarometer; all available survey data are shown; for most but not all years, data are available for both spring and autumn; no data for 2006-10)

