

**Institutional contexts of political conflicts around free movement in the European Union: A theoretical analysis**

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**Abstract**

The Member States of the European Union (EU) have been engaged in highly divisive debates about whether and how to reform the rules for the ‘free movement’ of EU workers and their access to national welfare states. While some countries have argued for new restrictions on EU workers’ access to welfare benefits, many others have opposed policy change. What explains EU Member States’ different policy positions on this issue? Existing accounts have focused on populist political parties and the media. In contrast, this article provides a theoretical institutional analysis of how cross-country differences in the regulation of national labour markets and welfare states can contribute to divergent national policy responses to free movement. We argue and explain how labour market and welfare state institutions can affect national policy actors’ positions on free movement directly, and/or indirectly via inter-actions with normative attitudes and the characteristics of EU labour immigration.

## **Introduction**

‘Free movement’ for workers is one of the fundamental freedoms of the European Union (EU). In recent years it has been subject to highly divisive political debates. At the centre of the debate are the current rules for this freedom, according to which EU citizens can move and take up employment in any other EU country *and* – as long as they are ‘workers’ – enjoy full and equal access to the host country’s welfare state. The debate about introducing restrictions on the cross-border mobility of EU workers itself appears to have been limited to the UK. In an op-ed for the *Financial Times* in late 2013, entitled ‘Free movement within Europe needs to be less free’, David Cameron, the British Prime Minister at the time, suggested a cap on EU immigration.<sup>1</sup> However, the political leadership in a number of Member States, most notably in the UK<sup>2</sup> but also in Denmark, Netherlands and Austria, has called for more restricted access for EU workers to welfare benefits. Denmark’s Prime Minister Lars Lokke Rasmussen indicated in early February 2016 that he would support UK efforts to reduce EU migrants’ access to welfare benefits.<sup>3</sup> The Dutch Deputy Prime Minister, Lodewijk Asscher, recently argued for reform of free movement.<sup>4</sup> In 2016, Austria’s Foreign Minister, Sebastian Kurz, suggested that EU migrants’ access to (non-contributory) low income support should be restricted for a period of five years.<sup>5</sup> The Austrian centre-right government elected in late 2017 recently announced that it would reduce child benefits for EU workers whose children live abroad in lower-income countries of the EU.<sup>6</sup> Most other EU countries have been 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.

What explains EU Member States’ different policy positions on reforming the current rules for the free movement of workers and their access to welfare benefits? There are some obvious material explanations of the policy preferences among the relatively recent Member

States in Eastern Europe (i.e. the countries that have joined the EU since 2004) which are primarily sending countries, defined here as countries of net-emigration. While there might be some concerns about free movement as such due to fears of ‘brain drain’, the political leaders of these countries also have good reasons for trying to maintain their citizens’ unrestricted access to the labour markets of richer EU countries in order to boost remittances, and for defending the social rights of their ‘mobile workers’ and family members, who are all potential voters. Among the older Member States (i.e. the ‘EU-15’ countries that were members of the EU before 2004), calls for reforming free movement have often been attributed, at least in part, to a range of *actors* including populist political parties (e.g. Policy Network 2017; Mortera-Martinez and Odendahl 2017) and the media which, it is commonly argued, have been playing on populist emotions and influencing the public’s perceptions about the scale and effects of free movement (e.g. Moore and Ramsay 2017; Blauburger et. al., 2018)

Notwithstanding the relevance and influence of these factors, this article addresses a much more complicated but potentially important question, namely, the role and effects of differences between the national institutions of EU Member States. We provide a theoretical analysis of the potential tensions between cross-country variations in national welfare state institutions and the regulation of national labour markets, on the one hand, and common EU regulations for the free movement of EU workers and their access to welfare rights, on the other hand. We explore how the characteristics of national labour market and welfare state institutions can affect the development of national policy positions on free movement directly, and/or indirectly via inter-relationships with normative attitudes and the characteristics (including the scale, composition and effects) of the inflows of EU workers. Our analytical focus is on the group of EU-15 countries, most of which have experienced net-

inflows of mobile workers in recent years and where disagreements about the need to reform free movement have been voiced.

The paper proceeds in three steps. We begin with a brief discussion of the theoretical motivations and starting points of our analysis. The core of the paper then provides a discussion of why and how variations in national welfare states, labour markets and related normative attitudes may contribute to divergent national policy positions on free movement among EU member states. We conclude our theoretical analysis with a set of hypotheses about the potential links between national institutions and national policy positions on the current rules for free movement. Overall, the article aims to provide a theoretical basis for what we consider to be an important new agenda for empirical research on the role of national institutions in political conflicts around free movement in the EU.

### **Explaining political conflicts around free movement: A new research agenda**

Free movement is a fundamental aspect of European integration. It was first set out as a major goal of the European Community in the Treaty of Rome (1957) and fully implemented in 1968 when EU Council Regulation 1612/68 and Directive 68/30 removed restrictions on the movement of Community workers and their families. The right to free movement has also been a cornerstone of 'EU citizenship' which was established by the Maastricht Treaty in 1992. Free movement means that any EU citizen is entitled to move and freely take up employment in any other EU country. 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 will not 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.

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, 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. EU *workers* are entitled to equal access to all social rights granted to nationals of the host country.

Existing research has covered a wide range of aspects of free movement in the European Union, including, for example: its origins and functions in the larger project of European integration and EU citizenship (Maas 2014); its role in the domestic politics of immigration of particular member states (e.g. Bucken-Knapp 2009); legal challenges to the rules of free movement (e.g. Peers 2015); the lived experiences of mobile workers (Recchi 2015) including the effects of national administrative processes on the exercise of free movement rights in practice (Bruzelius 2018; Kramer et. al. 2018) and the impacts of mobility on identities (e.g. Favell 2009); the determinants of the scale of intra-EU mobility (e.g. Kahanec and Zimmermann 2016); and its effects on labour markets (e.g. Migration Advisory Committee 2012) and welfare states (e.g. Martinsen and Rotger 2017; Nyman and Ahlskog 2018).

In contrast, there has been little to no academic research, to the best of our knowledge, on the sources of the current political conflicts around free movement between EU member states, and especially on the potential role of national institutional factors. While there were considerable political debates and tensions between European countries over the introduction

and full implementation of free movement for workers during the 1950s and 1960s (see Maas 2005), once fully established the principle of free movement was remarkably stable and largely unchallenged by individual EU member states until the early 2000s. Political conflicts between EU member states around the fundamental rules for free movement only emerged after the EU enlargements of 2004 and 2007, which led to considerable increases of intra-EU labour mobility, and the economic crisis that began in 2008, which caused wide-spread concerns about alleged adverse impacts of immigration on the labour markets and welfare states of the EU-15 countries. These conflicts became most visible during and after Britain's failed attempt in 2016 (around the time of the UK's referendum on continued EU membership) to convince the rest of the EU to reform free movement, or to recognize the UK as a 'special case' that requires different mobility policies (see Ruhs 2017). By analyzing the potential role of national institutions as sources of these conflicts, our article contributes to an important new research agenda that fills what has recently emerged as an important gap in the large existing research literature on free movement in the European Union.

### ***Theoretical motivations and starting points***

Our analysis is informed by three different strands of research. First, there is a long-standing research literature that investigates the relationship between immigration and welfare states. Freeman argued that large-scale immigration challenges the fiscal and political stability of the welfare state, concluding 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). 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 suggests that the nature of social and other rights for migrants can affect public support for more open admission policies (Hanson et al. 2007).

As free movement combines unrestricted intra-EU migration *and* equal access to national welfare states it clearly challenges theories and claims about the alleged incompatibility of open borders and inclusive welfare states. Geddes and Hadj-Abdou (2015) argue that the current rules for free movement might constitute an unstable equilibrium. As the scale of intra-EU mobility has increased considerably since the early 2000s, it is important to ask and explore whether and why the recent political conflicts around free movement have been influenced by the emergence of tensions between in-ward mobility and the national welfare state in some member states but not in others.

A second theoretical motivation and starting point for this article is the more recent research literature in comparative political economy on how national institutions can be related to and influence immigration and immigration policies (for theoretical discussions see, e.g., Afonso and Devitt 2016; Cerna 2009). For example, Ruhs (2018) finds that liberal market economies (LMEs) with liberal welfare states are less likely to require self-sufficiency as a criterion of admission but more likely to restrict migrants' social rights after admission than coordinated market economies with other types of welfare states. The same study finds that LMEs are also more likely to be characterised by trade-offs between the openness of admission policies and the social rights migrants are granted after admission. In a different empirical study of openness to labour immigration and forced migrants in OECD countries, Boräng (2018) finds that the nature of the national labour market is related to the scale of labour immigration and the nature of the welfare states influences the inflows of asylum seekers. Although this literature is still in its infancy and characterized by mixed

results, it clearly suggests that that the character of the welfare state may have consequences for national policy positions on free movement in some kind of interplay with the labour market regime.

A third analytical starting point for our article is the tension between European integration, especially via a common legal framework, and certain types of socio-economic regimes and institutions at the national level. Scharpf (2010: 233) suggests that ‘...EU member states differ greatly in the institutional structures and normative premises of their existing economic and social systems, and that the specific national configurations have high political salience and may, indeed, be considered as part of the constitutional identity of EU member states’. He argues that what he calls European ‘integration through law’ has a liberalizing and deregulatory impact on the socio-economic regimes (including the welfare regimes) of EU member states which makes it more compatible with liberal market economies than with coordinated market economies. Scharpf (2010) makes a convincing case for studying whether and how specific national institutions can come into conflict with common EU policies and legal frameworks, such as free movement.

### **National institutions and political conflicts around free movement**

Our starting point is that the processes for developing national policy positions and responses to free movement can be expected to include a degree of rationality, in the sense that they are likely to be shaped by the actual interests of different actors and effects of institutions, but we also allow for normative attitudes and ideas to shape interests and institutions in particular ways.

We are trying to explain the national policy response to free movement. More specifically our focus is on whether or not a particular EU member state has an explicit position and preference for or against reforming the current rules for free movement. Policy



preferences for reform could, in principle, include calls to restrict EU workers' access to the national labour market (i.e. restrict labour mobility itself), the national welfare state, or both. As mentioned in the introduction, in practice the UK has been the only country – so far – that suggested restrictions on free labour mobility itself.<sup>7</sup>

We concentrate on two key national institutions, namely, labour markets and welfare states. These two institutions constitute core aspects of free movement and have been at the centre of recent debates about policy reform. We hypothesise that national labour markets and welfare states can affect policy responses to free movement directly as well as indirectly via interactions with 'normative attitudes' (see below) and with the actual scale, characteristics and effects of 'mobility' (labour migration within the EU).

Institutions, normative attitudes, and mobility impact on policy by providing the context for national policy actors when they respond to issues related to free movement. While the national policy position of a particular country on reforming free movement is critically dependent on how political parties, interest groups and civil society think and interact, the focus in this article is on the institutional context within which these actors are embedded.

Our analysis considers both formal and informal institutions (Streeck and Thelen 2005). Formal institutions here refer to rules and regulations that have been decided at either the national or EU level. Informal institutions are not anchored in legislation but in people's values and norms. Formal institutions (e.g. welfare states) can be expected to affect informal institutions (e.g. views about the deservingness of welfare recipients or the appropriateness of a particular welfare institution) but they are not the same. We focus on normative attitudes as informal institutions. By putting 'normative' in front of 'attitude' we indicate that the attitude is anchored in values and ideas about how things ought to be. In our approach, normative attitudes are different from (more deeply embedded) 'social norms' which may pre-date the

formal institutions. We expect normative attitudes to vary across countries and to be influenced by the existing national institutions.

The key normative attitudes of interest to our analysis are attitudes about how the welfare state, labour market institutions and EU Regulations should be organised. The assumption is that populations in the different member states will be influenced by their national welfare state and labour market institutions, so that they will develop specific norms of what constitutes an 'appropriate' institutional design and hence be inclined to support supra-national institutions that follow the same logic as their national institutions (cf. Thornton et al. 2012). This is anchored in the observation that welfare state and labour market institutions exhibit strong path dependency, which suggests that the logic of formal institutions has become embedded also in informal institutions (normative attitudes). This starting point of our analytical approach is informed by Lepsius' (2017) work on democratization, which can be fruitfully applied to the analysis of welfare state institutions. Institutions may embody both (rational) interests and value based elements, and different interests and ideas may have made imprints on the same set of institutions. People may not immediately share the norms that are embedded in a new institution but over time formal institutions foster what in our conceptual framework are called normative attitudes that are in accordance with the formal institutions. This dynamic process, which Lepsius called institutionalization, helps us understand how formal institutions may influence normative attitudes, which in turn become important mechanisms for sustaining these institutions but at the same time may come into conflict with other kinds of formal institutions (such as EU regulations).

With this conceptual framework, the remainder of the article discusses why and how cross-country variations in national labour markets, welfare states, and related normative attitudes may contribute to divergent national policy positions on free movement among EU

member states. In addition to considering the material effects of different types of labour market and welfare systems, we emphasise and explain why the normative attitudes associated with particular national institutions are likely to become an important part of the overall institutional context that shapes national policy debates and positions on free movement.

### ***Labour markets***

Labour markets, labour market regulations and other institutions surrounding human capital formation, such as education systems, vary considerably across countries. The multi-dimensionality and complexity of these institutions make it hard to draw clear analytical lines between different institutional models. The ‘Varieties of Capitalism’ (VoC) literature makes a broad distinction between liberal and coordinated market economies (LMEs and CMEs, respectively) based on whether key spheres of production, especially the relations between firms and other actors in the economy, are coordinated primarily by market or non-market mechanisms (see, for example, Hall and Soskice 2001). CMEs are characterized by relatively cooperative industrial relations, regulated labour markets with a high degree of coordinated wage bargaining, and education and skills formation policies that aim to provide industry-specific rather than general skills, partly via a strong emphasis on vocational training systems. In contrast, LMEs are more likely to have weakly regulated and thus more flexible labour markets (with fewer employment rights and protections for workers), less wage bargaining (especially at industry level), and education and training systems that are aimed at providing general rather than industry-specific skills. Liberal market economies tend to have larger low-wage labour markets than coordinated market economies, with few exceptions.. It is important to add that there can be important variations within these broad categories. For example, there are important variations in the modes of coordination across different

coordinated market economies. Coordination among countries in Northern Europe relies less on legislation and more on trade-union and employer activism than is the case in many other coordinated economies in continental Europe.

We can expect important inter-relationships between the national labour market and associated socio-economic institutions on the one hand, and the scale, composition and effects of in-ward mobility of EU workers on the other hand. In the absence of restrictive labour immigration policies that regulate the number and types of migrants admitted, one of the key drivers of the scale and composition of inward-mobility of EU workers is employer demand for mobile (migrant) labour. 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, welfare policies, housing policies, etc. (Anderson and Ruhs 2010). Compared to coordinated market economies with relatively regulated labour markets, liberal market economies with flexible labour markets and relatively large low-wage labour markets can be expected to generate greater employer demand for migrants, especially but not only for employment in low-waged jobs (see e.g. Devitt 2011; Wright 2012).

By influencing the scale and skill composition of inward mobility, national labour market institutions also shape the real and perceived *effects* of the employment of EU workers on the domestic economy and society. For example, compared to coordinated economies with regulated labour markets, the relatively larger inflows of lower-skilled mobile (migrant) workers into liberal market economies with flexible labour markets mean that the short-term wage and employment effects of immigration in these economies will be more concentrated toward the low-wage end of the national labour market. The existing research literature on the impacts of immigration on the labour market suggests relatively

small effects on average but potentially bigger negative effects for the lowest-paid workers in the economy (see, for example, the review in Migration Advisory Committee 2012).

National labour market institutions can also affect how a given magnitude and type of inward-mobility impacts on the national labour market, economy and society. For example, flexible labour markets are more likely to adjust to immigration via changes in wages rather than through job losses of competing domestic workers, at least in the short run (e.g. Angrist and Kugler 2003). More generally, in liberal market economies, immigration policy can become a tool of promoting the flexibility of the labour market by providing employers with highly mobile migrant workers who, among other things, can help maintain relatively-low cost productions systems. In contrast, in coordinated market economies there are likely to be strong pressures, partly through the stronger role of unions in shaping employment relations and conditions, to employ migrants at the prevailing (e.g. collectively agreed on) wage. As a result, in coordinated market economies inward mobility of EU workers can be expected to play a smaller role in lowering or moderating wage growth, at all skill levels.

By shaping the characteristics and labour market effects of inward mobility, national labour market institutions also impact on the fiscal effects of EU workers. For example, institutions that encourage a relatively large inflow of migrants for low-waged employment will naturally also lead to larger numbers of migrants in receipt of means-tested welfare benefits. More generally, the 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 three sets of factors: (i) the characteristics of migrants, especially their skills and age; (ii) migrants' labour market participation, performance and impacts; and (iii) the nature and design of the welfare state (e.g. OECD 2013). As discussed above, national labour market institutions can affect the first two sets of these factors.

### *Welfare states*

The notion of 'welfare state chauvinism', where citizens in a country want to exclude migrants and other non-citizens from getting access to 'their' rights (Andersen and Bjorklund 1990), is a fruitful starting point for identifying different sources of the tensions between migration and the welfare state. Welfare chauvinism can be related to values, i.e. to ideas and norms about fairness or deservingness of welfare recipients. It can also stem from self-interest, i.e. from concerns about migrants being a burden on the tax payers. Moreover, since welfare state institutions constitute a nation state project *per se*, any EU regulations in this area can generate conflicts about the perceived 'appropriateness' of the level of the decision making (national or EU level).

Theorising about the sources of political conflicts between EU member states about free movement and equal access for EU workers to welfare benefits requires consideration of the cross national differences in welfare states. Due to longstanding historical legacies as well as more recent reforms and retrenchments, contemporary European welfare states differ in a number of important respects (e.g. Palme and Ruhs 2018). The gradual expansion of the number of member states since the Treaty of Rome has increased the diversity of welfare states organisation in the EU (Palme et al. 2009). Considering the various sources of welfare state chauvinism, there are a number of different reasons for why this large welfare state variation is potentially a very important factor for explaining the divergent national policy positions on reforming free movement among EU member states.

First, there is a popular and widespread view across EU member states that 'reciprocity' should be a guiding principle in the provision of welfare benefits for immigrants (Martensson and Uba 2018), which suggests that contributory or 'merit' based entitlements appear to be more legitimate than benefits given on the basis of 'need' or 'universal rights'

based on citizenship/residence (Reeskens and Oorschot 2012). That different welfare systems are associated with different underlying principles of benefit provision (e.g. contribution-based, universal and needs based) with variable degrees of (in)consistency with the idea of reciprocity may be an important source for political salience of the access to welfare state entitlements of mobile EU workers.

Second, it should also be recognised that the current EU regulations of social rights for mobile workers are modelled on the Continental European welfare state regime that, by and large, was applied among the original member states of the European Economic Community. Countries that have welfare states that differ from the Continental European welfare state model may be more likely to want to change the rules on free movement, when it comes to giving mobile workers access to benefits.

Third, the design of the welfare state is one of the determinants of the fiscal effects of immigration on the host country and national policy positions may be guided by a rationalist calculus of the costs and benefits of inward mobility. While variations in welfare states across countries may play a role in explaining differences in the fiscal effects, such effects are complicated to estimate (see Nyman and Ahlskog 2018). We can also expect that variations in fiscal effects across different welfare state institutions may broadly be in line with variations along the deservingness dimension, insofar as contributory programmes are likely to spill over fewer costs to the taxpayers than universal or needs-based programmes. For this reason, the primary focus of this article is on the ideational and normative sources of the tensions, rather than on cost-benefit analysis for particular interest groups.

There are, therefore, good reasons to identify key variations of welfare states across EU countries and investigate the implications of these differences for EU Member States' variable policy responses to free movement. We suggest that the key differences between welfare state institutions among EU Member States that have a bearing on free movement

relate to the characteristics of social insurance programs, family policies, and health care as well as how these systems are financed. While the taxonomies that we use have certain ideal-type features, we use them for analytical purposes as systems of classification of countries.

### *Social insurance policies*

When it comes to identifying variations in social insurance systems it is helpful (cf. Korpi and Palme 1998) to clarify if benefits are (1) means tested or not, (2) flat rate or earnings-related, and (3) segmented or universal in administration. This gives insights about the relative importance of the underlying principles of benefit provision and also captures organisational features. In Europe, no country follows the means-tested or *targeted model* that has been so important in Australasia. This does not mean that we cannot find means- or income-tested benefits in Europe but rather that such programs fulfil a complementary or supplementary role. The relative size of expenditures on means-tested programs varies across models/countries but it is generally smaller than spending on social insurance programs.

Flat-rate benefits were a key feature of Beveridge's *basic security model* that was established in the UK after World War II. Both the British and the Irish social protection systems follow that model. In the absence of proper earnings-related social insurance benefits, means- or income-tested benefits play an important supplementary role in countries with only basic flat-rate benefits (Palme et al. 2009).

Segmented administration prevails in the *state corporatist model*, where benefits are administered separately for different segments/corporations in the labour market, e.g. pension systems and sickness insurance in countries such as France and Germany. The fact that benefits provided by these segmented systems tend to be earnings-related implies that they provide adequate income replacement and less need for supplementary benefits for those who are insured, although there can be needs for means- and income-tested programs for those



who are outside the labour market or working in 'secondary' labour markets not covered by compulsory insurance typically required by segmented systems.

In contrast, in universal administrative frameworks that provide earnings-related benefits known as the *encompassing model* (applied among the Nordic countries), the needs for supplementary means- or income-tested benefits are expected to be lower than in all the other models (targeted, basic security and state corporatist), also because the model typically include universal basic components such as universal basic pensions and universal child benefits.

In order to understand the effects of cross-national welfare state differences for free movement issues, it is of critical importance to recognise the funding and qualifying conditions of the different benefit systems. They are important, not only from a financial point of view but also in terms of 'legitimacy': qualifying conditions in the form of social security contributions represent an effective way of establishing the 'deservingness' of benefit claimants (Palme et al. 2009).

How can this broad characterisation of variations of social insurance systems help us to understand why EU Member States would differ in their views on free movement ? Following the principle of reciprocity, countries with social protection systems where there is a clear link between contributions and benefits, i.e. a high degree of earnings-relatedness, are less likely to oppose access to rights of mobile workers. The fact that EU-regulations follow the same institutional logic as the contributory earnings-related systems can be expected to reinforce this reciprocity effect (cf. Thornton et al. 2012). It follows that countries with low social insurance benefits and hence strong reliance on means-tested benefits are less likely to support equal rights for mobile workers: benefit claimants are expected to be seen as less deserving than in contributory programs and the institutional logic is different.

### *Family policies*

Variations in the organisation of family related benefits across EU member states can also contribute to variable degrees of tension between EU-level regulations of benefits for migrant workers and national welfare states. To understand that, we need to consider the underlying differences and goals behind the major family policy models (Korpi 2000). Where countries have very modest family-related benefits, families with children have to rely on market income for their subsistence and can hence be said to apply a *market based model* (common in Anglo-American countries). Other countries have much more ambitious family policies – but with different goals and using different policy instruments.

Traditional family policy tends to be based on programs that provide support to families with children in ways that facilitate a gendered division of market and care work between the spouses. This approach is commonly labelled the *male-breadwinner model* of family policy (common in continental Europe). There is an important link in this model between the funding strategy of paying social security contributions and the right for the family members to derive rights from the fact that the worker/breadwinner pays such contributions.

This is a very different logic from the *dual-earner* model (common in the Nordic countries), where family benefits and services are designed to provide resources and create incentives for both parents to work and take caring responsibilities. While there are earnings-related contributory benefits also in this model, rights are individual and child benefits have historically been paid directly to mothers irrespective of their labour force attachment, which stands in contrast to the male-breadwinner model where the person paying the contributions also receives the benefit.

The distinction between the derived rights of the male-breadwinner model and the individual rights of the dual earner model can have important implications for the national

politics of free movement, especially with regard to the issue of exporting benefits to family members (of mobile workers) residing abroad (Palme 1997). We can expect countries with a male-breadwinner family policy to be more in favour of the current EU-regulations because they follow the same institutional logic (of derived rights) and are based on a stronger link between contributions and benefits and thus also a stronger degree of reciprocity. Countries with family policies based on an institutional logic of individual rights deviate from the EU-regulations but nevertheless have to follow them, including exporting benefits to family members (of mobile workers) residing in other countries. Countries with dual earner family policies that are based on a logic of individual rights are hence more likely to oppose equal rights for EU workers because some of the rights are not seen as rights for workers but for residents. This distinction between rights for residents and rights for workers has a long tradition dating back to the first laws on child benefits being paid to mothers (residents) in some countries and to contributors (workers) in other countries (Wennemo 1994).

Moreover, there tends to be a strong resemblance between the social insurance and family support models that individual countries have implemented (Korpi 2000): the market oriented family policy model is prevalent in basic security countries. The dual earner model is generally found among the encompassing countries. The male breadwinner model is common among the state corporatist countries. This suggests that effects that are expected from the policy design in one policy area (social insurance) will be reinforced by the same kind of models in other policy areas (family policies).

### *Health care*

The organisation of the provision of health care is a third dimension of social policy that can be expected to affect national policy responses to free movement. Comprehensive health care is an important component of all European welfare states but, in the context of the present

article, it is important to point out that they differ in both the underlying model of financing and how benefits are delivered. A basic distinction is commonly made between the *health insurance model* (typically found in Continental Europe) and the *national health services model* (in Britain and the Nordic countries) (cf. Wendt et al. 2009). The insurance model for health care follows the same logic as the social insurance model for cash benefits discussed above, i.e. insured persons pay contributions and then are insured in separate corporations. In contrast, universal health care systems are typically tax funded without the specific link between the financing mechanism and how and where you are insured found in health insurance systems (where contributions more clearly establish such a link). In universal health care systems, residents are not contributors by default, which might be a source for concerns about legitimacy given the wide-spread value and expectation of reciprocity.

In relation to EU regulations around free movement, we expect countries with insurance based health care models to be less likely to oppose access to equal rights of mobile workers (and their families). This follows from the deservingness argument as well as the institutional logic argument. Again, since countries tend to apply the same kind of models in different policy areas, we can expect health care models to reinforce the logics and normative attitudes associated with other parts of the social protection system.

It is also important to recognise that there are likely to be interactions between social insurance, family policies and health insurance on the one hand, and labour market institutions on the other hand. For example, liberal market economies that generate more mobility could also generate greater costs for the public finances due to the fact that wages are so low that the typical low-wage worker will have entitlements to supplementary means- or income-tested benefits. The market-oriented family policies prevalent in these economies may have relatively strong effects on the politics of free movement, because equal rights for workers will generate substantial payments to family members living in the host country as

well as in the countries of origin. In tax funded health care systems, the spill over costs from a large number mobile workers and their family members may also be perceived to be a burden to a larger extent than in 'self-financed' contributory health care systems.

### **Conclusion: National institutions vs. free movement?**

To understand the on-going disagreements between EU member states about the rules for free movement in the European Union, it is necessary to go beyond an analysis of actors, such as populist political parties and the media in different countries, and consider the role of national institutions in setting the stage for the domestic politics of, and policy responses to the cross-border mobility of EU workers. We argue that it is important to ask whether and how cross-country differences in national welfare state institutions and labour market regulations contribute to political conflicts between EU member states about the need to reform the current rules for free movement.

The theoretical analysis of welfare state and labour market institutions has helped us to establish the links between key national institutions and the domestic politics of free movement. A core feature of our framework is that national labour markets and welfare state institutions can affect the development of policy positions on free movement directly, and/or indirectly via inter-relationships with normative attitudes and the characteristics of the inflows of EU workers.

Whether and how institutions affect national policy responses to free movement is likely to critically depend on a range of actors. We expect institutions to impact on the national politics of free movement in addition to, and most likely *in interaction with*, various actors. We are not suggesting or assuming that institutions are more important than actors in explanations of the divergent national policy positions on free movement among EU member

states – but simply that institutions, especially labour market regulations and welfare state institutions, should be seen as an important part of the contexts that actors are conditioned by.

The interplay between institutions and actors in the national politics of free movement complicates the articulation of strong expectations and hypotheses about how different labour markets and welfare states affect national policy positions on free movement. Nevertheless, it is possible to formulate some general expectations about how specific institutional variations, *ceteris paribus*, may impact on national policy preferences. As argued above, countries with the following types of welfare state institutions are more likely to demand restrictions on the social rights of mobile EU workers: social protection systems without a clear link between contributions and benefits, i.e. a low degree of earnings-relatedness; family policies that are based on individual rights; and a health care system that is based on a health care model funded by general taxes. These institutional variations can be expected to affect the national politics of free movement via a range of different factors. Our analysis places particular emphasis on the relative compatibility of the normative principles underlying specific welfare state institutions with prevailing ideas among the host country's population about fairness and deservingness of welfare recipients, which are commonly characterised by welfare chauvinism and a preference for reciprocity as a guiding principle for providing benefits to new migrants. A related but broader ideational factor we emphasise is the more general consistency of the national welfare model with EU regulations of free movement and EU workers' access to social rights (i.e. the perceived appropriateness of EU regulations given specific national institutions).

We can moreover expect important interactions between the effects of welfare state institutions and labour market regulations on the politics of free movement. Our analysis suggests that countries with coordinated market economies (CMEs) where labour markets are coordinated via legislation are least prone to oppose EU workers' access to equal rights since

there is a better control over cross-border mobility and migration flows. Nordic CMEs that depend on trade union activism rather than legislation – a weaker system of coordinating labour markets – may be more likely to demand restrictions of EU workers’ social rights. In liberal market economies (LMEs), where inward-mobility and immigration, especially for employment in low-waged jobs, are likely to be higher than in CMEs, we can expect particularly important interaction effects because the relatively larger number of low-waged mobile workers is likely to exacerbate any concerns about free movement based on particular welfare state institutions (e.g. those with heavy reliance on means-testing). This illustrates the complexities generated by multi-level governance structures.

Our article follows Scharpf (2010) who has emphasised the importance of recognising and studying the potential tensions between certain types of socio-economic institutions at the national level and common EU legal frameworks. Scharpf’s (2010) institutional analysis of the EU’s overarching economic policy paradigm suggests that EU integration through common legal frameworks is most compatible with national level liberal market economies (LMEs). Our theoretical analysis concludes that, *in the more specific case of free movement policies* this expectation is likely to be reversed, at least with regard to the regulation of certain specific welfare policies. The reason is that the EU legal framework for free movement and EU workers’ access to social rights is modelled on the kinds of social protection systems that could be found in the six founding member states in 1957. These systems were typically characterised by contributory and earnings related social insurance including derived family benefits and health care based on an insurance model. These features are mirrored in the EU regulations of social protection of EU (migrant) workers. Tensions can be expected to arise between the EU legal framework and particular national welfare institutions that do not follow these principles, which is often the case in countries with LMEs and also (albeit in a different way) in the Nordic countries.

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## **Notes**

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<sup>2</sup> David Cameron, 'EU speech', November 28, 2014 <http://www.bbc.co.uk/news/uk-politics-30250299> (accessed 30 April 2018).

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<sup>5</sup> Die Presse, 'Keine Sozialleistung für EU-Bürger', March 19, 2017, <http://diepresse.com/home/innenpolitik/5186223/Keine-Sozialleistung-fuer-EUBuerger> (accessed 30 April 2018).

<sup>6</sup> Der Standard, 'Regierungsklausur: ÖVP und FPÖ wollen Familienbeihilfe ins Ausland kürzen', January 4, 2018, <https://derstandard.at/2000071450581/OeVP-und-FPOe-kuerzen-Familienbeihilfe-fuer-Kinder-im-Ausland> (accessed 6 February 2018).

<sup>7</sup>In theory, if certain national institutions are contributing to political tensions at the domestic level, rather than calling for a reform for the common rules governing free movement, the national policy response could instead involve changes to these national institutions but our focus is on cases where national policy makers want to change EU regulations.

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