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The political economy of immigration and welfare state reform: a collection of comparative political and economic essays on human mobility and social protection
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This dissertation aims to answer the overarching research question: “to what extent does immigration structurally and conceptually challenge the boundaries of welfare states in Europe?” through a collection of four comparative political economy essays. I address long-standing debates on whether increasing migration leads to welfare state retrenchment or expansion and provide an in-depth, empirical analysis of the complex and nuanced relationship between immigration and welfare states in European countries. The findings from these four chapters offer important conclusions about the resilience of European welfare states in the face of increasing immigration. This chapter is structured as follows: first, by providing a summary of the four previous chapters, their main conclusions and how they are interlinked, followed by some policy considerations, and then by identifying some areas for further research.

6.1 CHAPTER CONCLUSIONS

Chapter 2 sets out to present the broad trends and associations between immigration and welfare state generosity in Europe. It tests the relationship between stocks of immigrants, as measured by the proportion of the population that is foreign-born, and welfare state effort, as measured by social welfare spending as percentage of GDP and a welfare generosity index, a composite indicator developed by Scruggs et al. (2014). It contributes to the comparative political economy literature on welfare states and migration by expanding the definition of welfare state effort through including an index of generosity as a direct comparison to welfare state spending. The contrast between these two measures highlights a key challenge in welfare state research: expenditure alone does not always capture policy generosity (Scruggs, 2006) and fulfils the need to consider alternative dimensions of welfare policy by incorporating both social spending as a percentage of GDP and a welfare generosity index and thus providing a more nuanced view of welfare state effort.

Through using pooled cross-sectional time-series analyses, the results indicate that immigration has a neutral to positive association with welfare state effort in Europe. Social welfare spending is positively and significantly associated with foreign-born and when social welfare spending is exchanged for a welfare generosity index then no statistically significant relationship

is found. Moreover, after a number of robustness tests, including the use of an instrumental variable to account for reverse causality, the findings remain consistent. Accordingly, I find no evidence to suggest that increasing immigration leads to the retrenchment of the welfare state, despite earlier claims that increasing heterogeneity in Europe would lead to cut-backs in generosity (Alesina et al., 2001; Alesina & Glaeser, 2004; Alesina et al., 2019; Borjas, 1999; Collier, 2013; Freeman, 1986).

The results support the ideas of the embedded liberalism thesis (Ruggie, 1982) and the compensation hypothesis (Rodrik, 1998; Walter, 2010), which in the case of the former posits that immigration can create a need to deliver compensatory welfare policies in order to garner support for more open economic policies or, in the case of the latter, increase the demand for them rather than diminish welfare state support or generosity to mitigate the risks of more open policies. This provides comparable results to more recent research that finds evidence of a neutral or compensatory effect of immigration on welfare state effort and contributes to a growing body of literature that challenges the notion that immigration necessarily leads to welfare state retrenchment (e.g., Gaston and Rajaguru, 2013; Lipsmeyer and Zhu, 2011; Römer, 2023; Taschwer, 2021), thus providing an important contribution to existing knowledge on the political economy of immigration and welfare, as well as the wider political debate.

Chapter 3 aims to explore in greater depth the currently available data on immigration and identifies some key gaps in its coverage. First, the chapter draws attention to the lack of harmonised definitions across countries, even within the EU. Different countries define migrant stocks (total immigrant population at a given time) and flows (new entries and exits) differently. For example, most countries use country of birth to identify migrants but some, such as Germany, use nationality instead meaning that the stock of migrants identified is slightly lower as immigrants that have nationalised will not be counted in the statistics. Second, irregular migration remains difficult to track and measure because of clandestine crossings, visa overstays, and lack of registration. Moreover, asylum seekers whose claims have been rejected may become irregular migrants as removing these individuals once they have already arrived can be expensive or their country of origin may refuse to receive them. Data on the number of irregular migrants in the EU can range widely as the statistics are often based on extrapolations from enforcement data or surveys rather than systematic counts. Third, while inflows of immigration are reasonably well recorded, outflows of emigration are typically not well recorded. EU free movement makes tracking emigration outflows especially difficult, as many migrants leave without de-registering from population registries. Fourth, there is very little data on circular or seasonal migration as these short-term forms of mobility are difficult to track, especially across the Schengen zone as there is little incentive to register and deregister from population registries. Fifth, most migration

statistics focus on national-level trends, but there is a lack of regional-level data, so areas that receive disproportionate numbers of migrants find that this more granulated information is obscured by the aggregate statistics.

Similarly, there is a lack of disaggregated immigration data based on the type of movement, such as labour migration, family reunification, students, etc. For the EU, and despite the high economic importance and increasing political salience of intra-EU labour mobility, high quality and detailed data on stocks and flows of this particular movement is lacking, hindering research on this subject. I highlight that, despite the EU's principle of free movement, inconsistencies in data collection and reporting across member states hinder accurate measurement of intra-EU labour migration. As such, Chapter 3 aims to fill this specific gap and details the creation of indicators for intra-EU labour mobility for 16 European countries, from 2004 to 2016, using the EU-LFS.

Moreover, through untangling pre-2004 member states from post-2004 member states, this chapter maps the different trends between the two groups of labour migrants, showing that labour mobility from the pre-2004 expansion member states remains stable (no major increases or decreases in stocks of migrants), while the stock of labour migrants from post-2004 expansion member states has been steadily increasing over the time period. This data is essential for contributing to improving the availability of more specific migration statistics, as well as understanding labour market dynamics within the EU for the evaluation and development of EU and national labour migration policy. However, this chapter still emphasises the need for harmonised definitions and methodologies across EU countries to improve the reliability of EU migration statistics.

Chapter 4 utilises the data developed in the previous chapter and looks at the implications that more specific indicators of immigration have on welfare state effort. The theoretical section of the Chapter outlines two theories from the globalisation literature and applies them in the context of migration. First, the embedded liberalism theory argued initially by Ruggie (1982) that for elites to maintain an open international economic order, governments need to provide a certain level of social protection to safeguard citizens from the risks brought about by globalisation. Whereas the efficacy hypothesis argues that due to fiscal pressures arising from globalisation, governments seek to reduce welfare state effort in order to reduce the fiscal burden and stay competitive globally. We argue that both these theories are applicable to increasingly open borders as governments must make choices whether to support citizens from increased competition on the labour market, which could lead to either reduced wages, a higher likelihood of unemployment, and more difficulty becoming employed, or if immigrants are a (perceived) burden on the welfare state, then the decision might be to retrench the welfare state to ease budgetary pressure.

This chapter builds on Chapter 2 by narrowing the scope to focus on intra-EU labour mobility and by disaggregating welfare state effort further. Specifically, it distinguishes between Western European (WE) labour mobility and Central and Eastern European (CEE) labour mobility, two previously unmeasured categories of movement, in order to ask do these two groups of labour migrants have differing effects on welfare state effort? Furthermore, welfare state spending is disaggregated into five component parts (old age, incapacity, family, active labour market policies, and unemployment spending) and complemented with two replacement rates (unemployment and social assistance). The study is a cross-comparative analysis of 16 European countries, and results show that CEE labour mobility is positively and significantly associated with the social benefit subdomains of incapacity, family, and unemployment spending. For WE labour migrants, we do not find any significant results except for family spending, but this is only at the 10 percent level of significance. For other immigrants, measured as the foreign-born population, we find positive and significant results across almost all spending categories. Furthermore, labour migrants from CEE member states are positively and significantly associated with the unemployment replacement rate and the social assistance replacement rate. In contrast, there is no statistically significant effect of WE labour migrants on either the unemployment replacement rate or the social assistance replacement rate, and foreign-born is only positively and significantly associated with social assistance replacement rates. When we consider programme design, such as whether a benefit is contributory or non-contributory/targeted or universal, we do not find any patterns that would provide clear evidence that that is an important contributory factor. However, it may be that other dimensions of generosity are more likely to be affected (such as access) in light of increasing immigration and were these aspects to be under study, then the conclusions drawn may differ. Moreover, there may be multiple mechanisms at work. For example, a universal programme may be more at risk of retrenchment because of the fiscal pressure that more beneficiaries cause, but equally it may have a larger support base in order to protect it from cuts because ultimately anyone can be a beneficiary.

Several studies show that public attitudes toward immigration depend on criteria such as perceptions of economic and cultural compatibility (Hainmueller & Hopkins, 2014), which may explain why CEE migrants (often lower wage) drive compensatory welfare increases, whereas Western European migrants (potentially seen as more economically similar) do not. In addition, as we find increases in replacement rates and not just social spending, migration flows may not just increase total spending but reshape welfare priorities. Finally, our findings of a compensatory effect considering increasing mobility across the EU, complement the evidence presented in Chapter 2. This Chapter shows that the type of movement and the type of social protection programme is important for better understanding how immigration reshapes the boundaries of the welfare state.

Chapter 5 seeks to test the micro-level foundations of the macro-level trends the previous chapters have uncovered through exploring how immigration is related to attitudes towards redistribution. I use multilevel ordered logit models to include both micro- and macro-level factors and two different measures for immigration (foreign-born as percentage of the population to test the effect of general level of immigration and Central and Eastern European labour mobility) and find somewhat varied results between these two different types of migration. I find a positive and significant relationship between general levels of immigration and support for redistribution, suggesting some evidence in favour of welfare state expansion over retrenchment. Previous research has found that a larger share of immigrants in a population can decrease perceived group threat, which is the feeling that an outgroup (such as immigrants) might threaten the ingroup's own interests and thus reduce the likelihood that the ingroup would express a preference for social policies that either seek to exclude (i.e. welfare chauvinism) or retrench the welfare state as whole (Cappelen & Peters 2017). Indeed, when I test welfare chauvinism in the analysis, I find a negative association between foreign-born and the likelihood of expressing exclusionary social policy preferences.

When the CEE labour mobility is tested in the analysis, there is no significant, direct effect on preferences for redistribution. However, when interacting CEE labour mobility with the unemployment rate, this reveals that CEE labour mobility is more complexly linked to preferences for redistribution. The initial effect of CEE labour mobility is positive, suggesting some evidence in favour of the compensation hypothesis, but at higher levels of unemployment and CEE labour mobility the average probability of agreeing with the concept that government should take steps to reduce inequality, all else remaining equal, is significantly reduced. This finding highlights how context conditions welfare attitudes. It may be that individuals in a more unstable economic environment with high immigration and high unemployment are more concerned about the financial burden on the welfare state. Some previous research suggests that when economic conditions worsen (e.g., rising unemployment), concerns about welfare sustainability or government spending more generally can increase, particularly if immigration is perceived as an additional strain on public spending (Burgoon & Rooduijn, 2021). Although, when I test the link between CEE labour mobility on perceptions of social benefits as a strain on the economy, I find no effect.

Nevertheless, these findings continue to support the idea that broader economic conditions play a crucial role in shaping attitudes towards income redistribution (Alesina & Giuliano, 2011; Hacker et al., 2013; Hays et al., 2005; Jaime-Castillo & Sáez-Lozano, 2016; Pontusson & Rueda, 2010) and that immigration may only somewhat modify some of these already well-established relationships. Subsequently, after breaking down the

compensation hypothesis into its two component parts: (1) that increased mobility increases individual job insecurity and (2) increased job insecurity in turn increases preferences for redistribution, I find that increased mobility increases individual job insecurity and job insecurity increases the likelihood of supporting redistribution, reinforcing the idea that personal economic vulnerability drives greater support for redistributive policies (Hacker et al., 2013; Häusermann et al., 2015; Margalit, 2013; Meltzer & Richard, 1981; Rehm, 2009; Walter, 2010, 2017).

Taking all the chapters together, this dissertation contributes to the theoretical debate around how immigration can be expected to alter the welfare state through showing empirically that immigrant origins matter for welfare state responses and by challenging assumptions that migration weakens the welfare state or undermines welfare support. This dissertation interprets associations with increased spending or replacement rates not as evidence of strain, but potentially as policy responses to compensation mechanisms especially as there is no association found between increased immigration and the generosity index. Furthermore, this dissertation demonstrates the importance of not only disaggregating the dependent variable – welfare state effort – into its component programmes, as done in the previous literature (e.g., Gaston & Rajaguru, 2013; Lipsmeyer & Zhu, 2011; Römer, 2023; Soroka et al., 2016; Taschwer, 2021) but also disaggregating the independent variable – immigration – into the various subcategories that make up the whole. Moreover, this dissertation supports a more conditional perspective, such as that economic conditions or inclusive institutions may help sustain welfare generosity despite rising diversity.

However, as with all observational research, this dissertation has certain limitations. First, there are inherent challenges in establishing any kind of causal inference. While the analyses identify robust associations between immigration and welfare generosity, these are associations and not causality. In addition, the potential for endogeneity through reverse causality or omitted variable bias – remains a key limitation. I attempt to account for these factors by using econometric methods such as an instrumental variable approach, lagged independent variables, or by including a wide-range of controls, but there is always the possibility that it is not enough to be considered fully exogenous.

6.2 POLICY IMPLICATIONS

For policymakers, these results should help shed light on a polarised debate frequently influenced by implicit biases and prejudices related to race and difference. A key takeaway is that immigration does not necessarily pose a threat to welfare states in Europe. Instead, it is possible for welfare states to maintain or even enhance their levels of social protection despite, or

because of, increasing immigration. This finding challenges the concern that immigration leads to a 'race-to-the-bottom' in welfare provision and increasing immigration should not mean that policymakers need to reduce benefit levels below that of their neighbouring countries when drawing up their own welfare policies. Instead, policymakers can focus on collaboration and cooperation with their neighbours for goals such as understanding best practice, setting minimum social standards and converging social policies such as in the case of European integration.

Following the finding that immigration does not lead to welfare retrenchment but may instead foster support for redistribution, then policymakers should ensure that welfare policies remain robust and adaptable to demographic changes and that social welfare spending should be maintained or adjusted based on evidence-driven assessments rather than assumptions that increased immigration will necessarily strain public resources. In order to deliver better evidence-based policy, then data collection on migration should be improved. This means enhancing the quality, coverage and detail of data on stocks and flows of migrants, as well as distinguishing between different types of migrants, including migrant origins should be greatly improved. Quality individual-level surveys and access to administrative data for researchers, as well as improved migration tracking, can be used to close existing data gaps and better inform national and EU policies.

Given that higher levels of immigration may reduce exclusionary social policy preferences through psychological mechanisms such as intergroup contact, steps should be taken to improve public communication on immigration in areas with fewer migrants, so attitudes align more closely with those who are more exposed to immigration. For example, governments could look to improve public awareness of the economic and social contributions of migrants and foster community integration programs that encourage interaction between native and foreign-born populations with the aim of further reducing perceived group threats and social tensions, and to prevent negative attitudes toward redistribution in high-unemployment contexts.

Finally, the findings presented in this dissertation also indicate that while immigration might influence redistribution through changes in spending, generosity, and policy preferences, this relationship is mediated by broader economic conditions, particularly unemployment. Since CEE labour mobility is positively associated with feelings of job insecurity, consider policies that enhance job security and mitigate economic vulnerability while balancing economic competitiveness, such as active labour market policies that have been shown to support economic growth (Bação et al., 2024). For example, policies that increase and improve access to retraining programs and skill-building initiatives in high-demand sectors to improve employability.

By advancing understanding of these dynamics, this dissertation contributes valuable evidence to inform policymakers and contribute to a more nuanced public debate on immigration and social policy, highlighting the importance of considering specific immigration patterns and contextual factors when addressing migration-related policy challenges. Policymakers should take note of the evidence presented here to guide their decisions on immigration and welfare, ensuring that they continue to provide welfare policies while fostering solidarity and inclusion in the face of ongoing migration challenges.

6.3 FUTURE RESEARCH

The findings of this dissertation contribute to existing knowledge on the comparative political economy of immigration and welfare, however there is still space for future research to consider further nuance and contribute to fine-tuning our understanding around these complex interactions.

First, as this dissertation shows, the effects of immigration on the welfare state likely depend on the type of migration. Consequently, the independent variable (immigration) should be further disaggregated into different types of migration, e.g., different forms of labour migration, family migration, refugees, or asylum seekers, in order to yield a more precise understanding of how various forms of immigration impact welfare state effort. For instance, I find that labour migration from CEE countries has a more pronounced positive association with welfare spending compared to migration from WE countries. Indeed, the literature seems to be headed in this direction with studies such as Cappelen et al. (2025) focusing on filling this gap, in this case specifically, they study Polish labour migrants and their link with rising welfare chauvinism. Moreover, the composition of migration flows may also have an effect. For example, if immigration is made up predominantly of labour migration, does this have a different effect if migration flows are mostly made up of individuals relocating for family reunification or retirement reasons?

Second, there is more room for understanding how welfare regimes and institutional contexts may mediate the relationship between immigration and social policy. I find a compensatory effect throughout this dissertation, but does this vary across welfare state models? Comparative research could further explore the potentially mediating role of different welfare regimes (e.g., Social-Democratic, Liberal, Conservative, Southern European, and post-Communist models) as countries with different welfare state designs may experience different policy outcomes in response to immigration. Some previous research suggests that more universalist welfare systems are more resilient to pressures from immigration versus more liberal systems, while others argue that the more progressive the system, the more vulnerable it

is to conflicts over *who gets what* (Beramendi & Rehm, 2016), but this needs further investigation.

In line with this, there is a need for better understanding on whether certain types of programme design (e.g., means-tested versus contributory welfare programs) are more, or less, resilient to the pressures of immigration or changes in public opinion. Means-tested programmes (e.g., social assistance, housing benefits) are more directly redistributive and often more politically contested. Research suggests that increased immigration can lead to concerns about “free-riding” and discussions around “deservingness”, especially if immigrants are perceived as net beneficiaries rather than contributors. Future research could explore whether and how immigration affects the generosity of means-tested benefits across different welfare regimes or if public support for welfare declines more in countries with highly means-tested systems in response to immigration. Moreover, in response to increasing immigration it could be that welfare states shift toward more means-testing to control access and limit expenditures, or they may introduce more contributory elements to restrict immigrant access to welfare while maintaining support for natives. Contributory programmes (e.g., pensions, unemployment insurance) are based on prior contributions, which may make them vulnerable to welfare chauvinism as individuals are easier to exclude. Conservative welfare regimes that rely on contributory systems may limit immigrant access to social support, which could be of particular interest as it provides the space for welfare chauvinism mechanisms to play a role. This could be an interesting avenue for future research, although the data on the extent to which intra-EU migrants have access to welfare state programmes is limited. Even though this dissertation examines replacement rates in addition to social spending data, one limitation is that it does not focus on other institutional dimensions such as access to welfare state programmes. These questions need more empirical testing and would be interesting avenues for future research.

Furthermore, several political economy and rational-choice theories suggest the importance of the skill-level of migrants for having divergent influences on welfare state effort (e.g., Magni-Berton, 2014; Razin et al., 2002; Ruhs and Martin, 2006), and steps should be taken to test this empirically in a macro-level study. However, there are practical limitations concerning the availability of data to take into consideration in order to make such an analysis possible. In line with this, this dissertation underscores the need for better data on intra-European Union (EU) migration, in particular temporary and circular migration. While the European Union Labour Force Survey (EU-LFS) provides a useful dataset, it has limitations, especially in capturing short-term migration and seasonal labour flows. Addressing these data gaps would enhance future research, enable researchers to understand the effects of short-term and circular migration flows on the sustainability of

the welfare state and allow for more precise policy interventions related to labour mobility and social policy within the EU.

Future research could expand upon our understanding of how political and economic contexts mediate the relationship between immigration and the welfare state. For example, explore how political party competition, populism, and the framing of immigration in media discourse affect welfare state policies. Do right-wing populist parties drive retrenchment, and under what conditions (e.g., high- and low-immigration contexts), or does their rise paradoxically lead to more generous welfare policies to mitigate public discontent? Some scholars (e.g., Koopmans, 2009; Larsen and Dejgaard, 2013; Reeskens and van Oorschot, 2012; van Oorschot, 2006) argue that political rhetoric, the depiction of welfare recipients or the perception of migrants influence whether welfare states retrench or expand. Future work could explore whether countries with populist or anti-immigrant governments experience different policy responses compared to those with more pro-migration coalitions. Moreover, comparative work could examine how changing labour market structures (e.g., dual labour markets, informal employment, gig economy) shape the impact of immigration on social welfare spending and whether different migrant integration policies (e.g., Koopmans, 2009) affect the relationship between immigration and welfare state. Studying these questions through cross-national comparisons and historical analyses could provide valuable insights into the long-term impact of immigration on welfare state design.

These areas for further research highlight certain limitations to this dissertation and its scope. As always, important to note is that the results may not be generalisable to other parts of the world, other selections of countries or other time periods. Nevertheless, this dissertation contributes significantly to the scholarly and policy debate surrounding immigration and welfare in Europe. By demonstrating the resilience of European welfare states and the nuanced ways in which different forms of immigration influence public policy and opinion, this research offers both a robust empirical foundation and a call for more refined future studies. Ultimately, origins matter for welfare state responses. This contributes to the broader debate by challenging simplistic assumptions that migration necessarily weakens the welfare state. Instead, this dissertation supports a more conditional, institutional, and politically mediated perspective – which is crucial for both academic theory and policy debates on welfare state sustainability in the EU.