

**The migration-welfare state paradox revisited:
citizenship, solidarity and the future of social security**

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1. Introduction: the migration-welfare state-paradox¹

Migration and social security make poor bedfellows – or this at least is a widely shared opinion in many policy circles. Migrants are keen to move to countries where they can take advantage of social services and benefits. This not only makes them a drain on a country's economic resources, but it also undermines the solidarity necessary to support the welfare state when strangers appear on the scene. If it really is true that migration and social security are totally incompatible, it means that European countries have a huge problem. After all, they have relatively well-developed social security systems and have also made mutual agreements to open their borders to European citizens.

This was also the reason why former British Prime Minister David Cameron wanted to pull the emergency brake on the European Union. In his opinion, the British social security system was suffering a great deal from mainly Eastern European immigration. He claimed that 40 per cent of immigrants from Eastern Europe were receiving British social security benefits – a figure that cannot be substantiated, though (Portes, 2016). In the UK the debate is primarily about 'in-work benefits' and child benefit. In the Netherlands, too, there has been considerable discussion recently about the way in which migration undermines the welfare state, although here it is particularly the issue of refugees that has ramped up the debate. In the Belgian newspaper *De Tijd*, Dutch Minister of Finance Jeroen Dijsselbloem said: "Europe has a well-developed welfare state. In order to sustain this, you have to guard the external borders. If we are not capable of doing that, a lot of people will come here asking for benefits. And they'll destroy the system. That is what is happening now in the Netherlands."

Politicians such as Cameron and Dijsselbloem can find academic support, particularly from economists such as Milton Friedman and George Borjas (1999a, b). According to Friedman, it is "obvious you can't have free immigration and a welfare state".² Borjas has coined the term 'welfare magnet'. Welfare states have a 'pull', or magnetic, effect, especially on the less well-educated, he says, and this ends up by bankrupting the system. But sociologists, too, are critical. Entzinger and Van der Meer (2004) have written that solidarity has limits, because if people no longer recognise themselves in others, the foundations of social security will collapse. This friction between migration and the welfare state is sometimes dubbed the migration-welfare state paradox: at first sight it would appear that we have to choose between the two (Bommes & Geddes, 2000; Banting & Kymlicka, 2006; Brochman & Hagelund 2012). There seem to be two options available: building a wall around the country or building a wall around social security.

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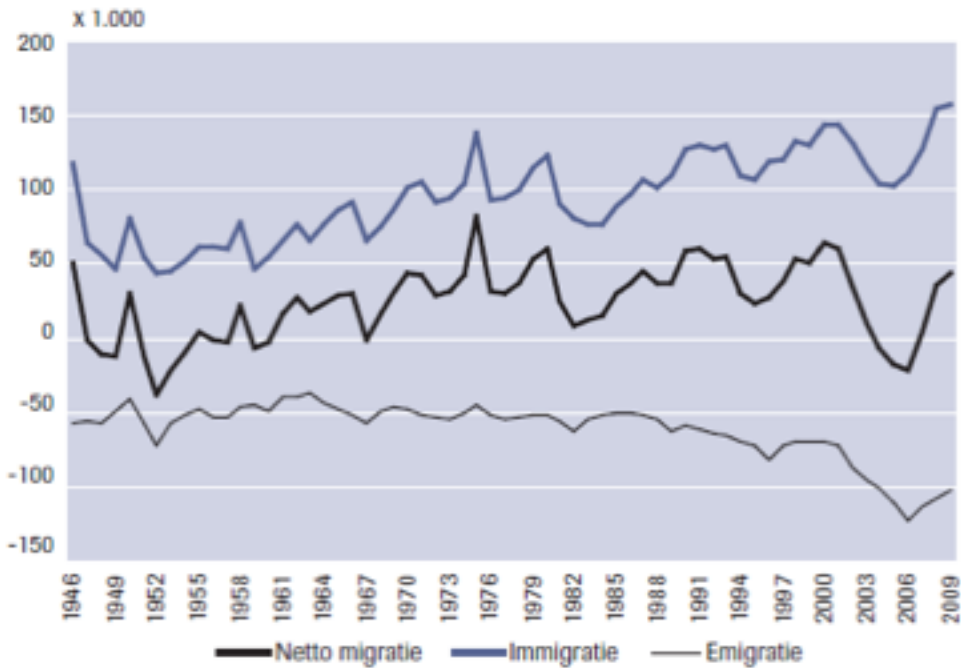
² Friedman said this during his lecture 'What is America' (1978), which can be seen on www.youtube.com

The central question in this paper is to what extent there really are tensions between labour migration and social security, and how such tensions can be eased. What financial and social tensions are there, and what changes are necessary, both in labour migration policy and in social security? It is not necessary to put up a wall around the country or the social security system, but both will have to undergo changes in future – changes meant not only for migrants but for everyone. To be able to make a number of proposals at the end, we need first of all to examine current new patterns of migration. This paper focuses on the Netherlands, but the analyses can be applied more broadly to European welfare states.

2. The many faces of migration

The Netherlands has always been a country of immigration, and this was also true in the period in which the social security system was being expanded (Fig 1). However, in the years of the post-war development of the welfare state there was no mention of ‘friction’ between migration and social security, not even during the debates about social assistance and the old-age pension. If there was any discussion, it concerned Dutch citizens who emigrated (Van der Zwaard, 2004). In the 1950s the word ‘migrant’ apparently mainly conjured up a picture of a Dutch citizen who tried his or her luck (not infrequently without success) in Canada, or at most an Indonesian immigrant to the Netherlands. Although there has always been immigration and emigration, we can see that migration patterns are intensifying. Immigrants and emigrants will continue to form part of the population of the Netherlands.

Figuur 2.4 Immigratie, emigratie en netto migratie, Nederland 1946-2009*

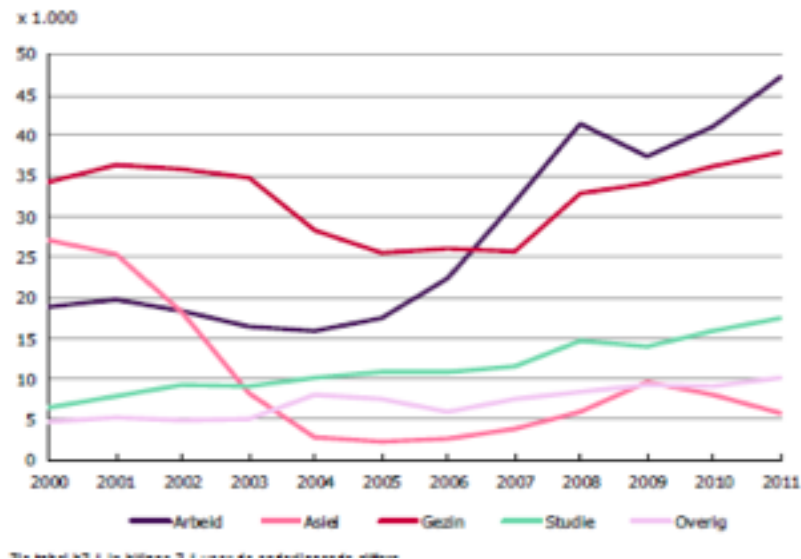


* De emigratie is hier in negatieve getallen uitgedrukt. Dit is gebeurd om de figuur overzichtelijk te houden en vanwege het negatieve effect van de emigratie op de netto migratie. Een dalende lijn duidt dus in deze figuur op toenemende emigratie en een stijgende lijn op dalende emigratie.

Bron: CBS

Currently, more than one person in 10 living in the Netherlands was born in another country (11.6% in 2013). There are also six per cent of Dutch citizens living abroad. This figure for immigration is comparable with countries such as Germany (12.8%) or the United Kingdom (12.3%), and higher than in Denmark (8.5%), but not as high as Sweden (16%) or Australia (26.6%), for example. Labour migration is now the most important reason for coming to the Netherlands. From 1974 to 2007 family migration was the dominant reason and until 2002 migration by asylum seekers was the second most important form of immigration to the Netherlands. However, both these types of migration then declined sharply (Fig 2), although asylum-related immigration has been rising again since 2015. Since 2007 labour migration has been the most important motive for moving to the Netherlands. This is principally because since that time many Central and Eastern Europeans have come to the Netherlands to work.

Figuur 7.1 Immigratie van niet-Nederlanders naar geregistreerd migratiemotief, 2000-2011



Source: Jennissen and Nicolaas

The free movement of people in the EU has also contributed to the fact that Europeans are now the largest group of immigrants in the Netherlands. Although there are no mass migrations of populations between European countries (only 2.5% of people live in a different European country (Eurostat 2012a)), it is above all Eastern Europeans who have made use of the right to ‘free movement’. Of the 1.5 million Poles who have left their country, the majority have in fact gone to the UK, where around half a million Poles were living in 2009 (Black et al., 2010), but many Poles also came to the Netherlands. Estimates made for the Ministry of Social Affairs and Employment indicate that in 2010 some 340,000 ‘new Europeans’ were living in the Netherlands. Approximately 170,000 of them were Poles, 69,000 Romanians and 39,000 Bulgarians (Van der Heijden et al., 2013). The rise in the number of immigrants from Central and Eastern Europe came to an end after 2012 due to the economic crisis, although Poles in particular (and not Romanians and Bulgarians) continue to arrive (Statistics Netherlands, 2013b). The official statistics show that alongside the Poles, who have now become the largest group of immigrants in the Netherlands, there are also a total of around 10,000 British, German, French, Italian and Belgian immigrants. In addition, the economic crisis has prompted around 4000 migrants from Spain to come to the Netherlands, somewhat more than the number of pensioners who leave the Netherlands for Spain (2500) (Statistics Netherlands, 2013a). In the Netherlands today, an immigrant is most likely to be a European.

In addition, there have also been new immigrants from Asia to the Netherlands. The Netherlands has also worked hard to attract skilled migrants from outside the EU. In 2004, largely at the instigation of universities and industry, the Balkenende II cabinet proposed the skilled migrant scheme, which was drawn up by the then Minister for Integration and Immigration, Rita Verdonk (People’s Party for Freedom and Democracy, VVD), and approved by a large parliamentary majority.

The only requirement is that such migrants have to earn more than the market rate of over 50,000 euros per year (for people over 30). The relaxed criteria make the skilled migrant scheme the most liberal one in Europe – perhaps in the world. Nevertheless, the number of skilled migrants remains relatively limited, with something over 5000 arriving each year (Jennissen and Nicolaas, 2014). Skilled migrants are generally fairly young, mostly male and usually employed in ICT, industry and business services. It is striking that the skilled migrant scheme is mainly used by Indians, followed a long way behind by US and Chinese migrants.

Despite this warm welcome for ‘intelligent migration’, as it is referred to in policy documents, more highly qualified migrants are still in the minority in the Netherlands. The proportion of highly qualified migrants in the Netherlands is only one-fifth (19%) of the total, a percentage that is many times lower than in Ireland, Canada and Australia, but also lower than in Sweden and Denmark. Of the entire working population of the Netherlands, only 2.4% are highly qualified migrants (BCG, 2012). It is even the case that migrants in the Netherlands have a lower level of education than people born in the country, whereas in countries such as Canada and Australia they are more highly educated than the native-born population (OECD, 2012). In other words, the traditional countries of immigration attract better qualified people, while we attract people who have lower qualifications than we have ourselves.

Finally, the nature of migration has also changed. Migration is no longer synonymous with long-term or permanent settlement. Although in the past many Spaniards and Italians returned to their countries of origin (approximately half of them, Berkhout et al., 2011), this is also the case for the new groups of Eastern Europeans. Of all labour migrants registered in the Netherlands in 2000, more than half (55%) had left in 2007; this trend was even stronger for ‘western migrants’, of whom three-quarters had left in 2007. A lot of the migrants who returned were Poles (Jennissen and Nicolaas 2014). We can also see new patterns in relation to bonds with the country of immigration and the country of origin. According to Engbersen et al. (2011), four different migration patterns can be distinguished within the new groups of migrants from Eastern Europe, each one of which shows different patterns of bonding with the new country and the country of origin. These are: *‘footloose’ migration*, *temporary*, *circular migration*, *settlement migration*, and *binational or transnational migration*. The Internet, mobile telephones, rapid financial services, and lower transport costs are also bringing changes to migration and to the ties with the country of origin. In short, migration is often no longer a one-way trip, as different patterns of bonding and migration exist side by side and they can change over time. The standard work, *The Age of Migration* by Castles and Miller (2009), should therefore actually be called *The Age of Labour Mobility*.

The standard picture of a migrant is often that of a low-skilled worker – Achmed from the Rif in Morocco or Ali from the mountains of Turkey. They are poorly educated, bring their wife and family or a new bride to the Netherlands and stay for good, even though they originally came as guest workers. The Netherlands has suffered a ‘guest worker trauma’, and a great deal is attributed to this experience. The picture we have of migration is also one-sided. We now also have the highly qualified

Sanjay, a young, single man who comes from India to work for a few years in Amsterdam's Zuidas business district, and Marek and Monica from Poland, who frequently travel back and forth and do not know whether they are going to settle permanently in the Netherlands. It would probably be easier to organise social security if all migrants either returned home or stayed on permanently. These new and varied migration patterns make it an even greater challenge to try and work out the future of the social security system. But what exactly is putting this future under stress?

3. Economic tensions between migration and welfare state: financial burden or opportunity?

Migration is sometimes seen as a tax burden, with migrants putting excessive pressure on a country's financial resources – even moving there to take advantage of benefits. Is that really the case? Any calculations that have been done in the Netherlands all point in the same direction: in the final analysis immigration has a negative effect on the Treasury. The CPB Netherlands Bureau for Economic Policy Analysis calculated in 2003 that when a new immigrant comes to the Netherlands, during his or her life the Treasury will pay around 43,000 euros on care, education, pension and social security (Roodenburg et al., 2003). The Nyfer report (2010) arrived at a figure of 40,000 to 50,000 euros. In other European countries, too, immigrants represent an expense, for example in Denmark and Sweden, though in the latter country this has only been the case since the 1990s, when heavy industry was in decline (Gerdes & Wadensjö, 2012). In the UK there have been statistical studies with positive results, while others have been negative (MAC, 2012). In Australia migration has had a very positive effect on the country's economy (Commonwealth of Australia, 2007). Another factor that emerges is that, in contrast to the public sector, private employers have benefited financially from immigration, particularly in the short term (WRR, 2001; Lucassen & Lucassen, 2011, Borjas 1999ab).

These calculations suffer from short-sightedness, as they only include the costs and benefits that are directly linked to funding the social security system and often miss out the VAT that migrants also pay, for example. Moreover, no account is taken of the contribution that migrants can make toward innovation and economic growth, which is also important for the financial sustainability of social security. There are indications that in particular a diversity of highly educated migrants supports innovation, especially if they have 'strategically important skills' (George et al. 2012), i.e. knowledge and skills that match society's economic needs. Danish research points to a rise in productivity due to the presence of more highly qualified migrants, probably because of their knowledge of foreign markets (Malchow-Moller et al. 2011). Saxenian (2006) brings up another mechanism, through which migration patterns are linked to trade relations and knowledge transfer. For example, Taiwan and Bangalore are developing with the help of Chinese and Indian migrants in Silicon Valley. In brief, there are also indications that specific kinds of migration can make a positive contribution toward

economic growth – a point of view that is hardly ever part of the ‘accountant’s’ approach to social security.

In addition, such purely numbers-based studies mainly explain the costs incurred by the *type* of migrant that came to a country in the *past*. Many continental European studies are based on the guest worker generation, made up of migrants who came from countries such as Morocco and Turkey in the 1960s and 70s. In some ways this was an atypical generation of migrants and the timing of this migration was also less than ideal (Lucassen & Lucassen, 2011). Unlike in Australia, for example, these migrants were mainly uneducated men who only had the chance to work in industry for a short time before it was permanently moved elsewhere. This was not a good recipe for an economically successful migration. The 1980s were characterised mainly by family migration. Women, mostly with little education and no employment experience, came to Europe, not to work but to care for the family.

The domestic and foreign studies mentioned above show that labour migrants, in contrast to refugees or family members of migrants, are actually not a drain on a country’s economic resources. As long as migrants are working, the government does not suffer any loss. The previously mentioned Danish study had negative results because in that country immigrants were often asylum seekers or family members. The change in direction in the Swedish figures, starting in the 1990s, is explained by a large influx of refugees at the time, specifically from Bosnia, who did not find work. All calculations show that highly skilled labour migrants not only have no negative impact but in fact make a positive contribution to the state’s coffers: they give more than they take and often contribute more than the native-born population (Roodenburg et al., 2003; Nyfer, 2010; Gerdes & Wadensjö, 2012; MAC, 2012). This is also the reason why in Australia the sums point to the economic success of migration, because that country mainly allows in highly skilled migrants.

The costs of migration are, after all, determined to a great extent by the degree of success of socio-economic integration and participation in the labour market. This is an issue of major concern for many Western European countries. OECD statistics for two generations of migrants show that European countries, specifically Belgium, Austria, Denmark and the Netherlands, have much poorer results in raising migrants and their children up to the same level as the native-born population than are traditional countries of immigration such as Australia or Canada. In the last two countries there is, for example, no difference between the PISA scores (the indicators for educational performance developed by the OECD) of immigrants’ children and those of the children of ‘indigenous’ parents, but in Europe there are differences. Unemployment among the children of immigrants in Europe is also many times higher than among children of non-immigrant parents (OECD, 2012).

Part of the explanation for this is the low level of education of the immigrant parents. The selection of uneducated guest workers has turned out to be an unfortunate choice when it comes to the socio-economic integration of their children. The (passive) structure of European welfare states has also been an important factor (Boeri, 2009). Moreover, the question is whether European education

systems are properly equipped to improve the social situation of immigrants and their children (Crul et al., 2012). If European welfare states had invested more in migrants, perhaps these migrants would not have found themselves on the debit side of these states' financial accounts, writes Legrain (2008). In other words, the financial durability of social security in times of migration also depends on the way in which the social security system itself functions.

Of particular importance is the pattern of recent labour migration from within the EU and how it is developing. Studies show that there are even four European countries where migrants are currently contributing more than the non-migrant population: Austria, Ireland, Spain and the UK, which are countries where many young migrants have recently arrived (Boeri, 2009; Ruhs 2012). In the Netherlands, too, temporary migrants from the 'new Europe' contribute 1800 euros per person per year to the Treasury (Berkhout & Hof, 2012). It is noteworthy that in particular migrants from Eastern Europe make little use of social security benefits. In the Netherlands at the end of 2014, 2.1 per cent of Poles were in receipt of social welfare benefits, which is a smaller percentage than among the 'indigenous' population (Statistics Netherlands statline). This puts into question one of the key terms used in the debate on migration and the welfare state: benefits tourism and the term 'welfare magnet', in other words the 'magnetic effect of the welfare state', as described by the US economist Borjas (1999a, b). Although a lot of research has been done on his hypothesis, both in the US and Europe, the results vary greatly. (Roodenburg et al., 2003; Fix, 2009; Nyfer, 2010, Nowotny, 2011; Giulietti & Wahba, 2012; 2009; Razin et al., 2011; Barrett & Maître, 2011 ICF GK 2013). After two decades of research, the 'welfare magnet' is therefore still a hypothesis, with little empirical evidence to support it. Furthermore, it is frequently forgotten that there is not a single country in Europe where labour migrants can simply apply for benefits without ever having worked, as they would then no longer be allowed to remain.

For labour migrants it is therefore not so much the existence of a welfare state that is all-important, but the availability of work. Migrants with primary or secondary education mainly move to countries where there is economic growth and most migrants apply not for social benefits but for jobs (Jennissen, 2011; De Haas, 2010). We can also observe this in a recent European 'migration experiment'. When in 2004 only three European countries opened their borders to workers from Central and Easter Europe, the lion's share of Poles went to the UK and Ireland – two countries that had just announced that migrants would have no right to any benefits for the first 12 months. Only one in 10 Poles went to Sweden, where there are no such restrictions and social security is also more generous. If Borjas were right, they would have gone to Sweden. Another point that throws doubt on the 'magnet theory' is the fact that more migrants went to the UK than to Ireland, although compared to Ireland, social security in the UK is considerably more parsimonious (Legrain, 2008; Corrigan, 2010).

However, as mentioned previously, the cost to the state depends on long-term socio-economic integration. Although most Poles are better educated than the unskilled guest workers of the past, their position in the labour market is perhaps even more precarious. Many new migrants, especially the

Poles, are employed in temporary work, often through recruitment agencies, in specific sectors such as agriculture and horticulture, construction and factory work (Berkhout et al). The LURA parliamentary committee on lessons from recent labour migration (Lower House of Parliament 2011-2012) noted that their work is very precarious and they are vulnerable to exploitation. What is more, work at the lower levels of the labour market can in future easily be moved to other countries or automated. Due to the temporary nature of the work, there is also hardly any investment in language skills or in other forms of development, whether by the people themselves, their employers or by government. Working in a greenhouse is not an obvious first step on a career ladder. If there is no more work, many Europeans will return to their country of origin, but not all will. Some people fall in love and settle down, and some see even fewer prospects in their home country. With the new European labour migration as well, we should be cautious about expecting financial benefits.

3. Sociological tensions between migration and the welfare state: solidarity under pressure?

Migration can also have consequences for the feeling of solidarity, of social cohesiveness, which forms the basis of the welfare state. What happens when strangers arrive in our midst? Does it strain the elastic of solidarity to breaking point? It is especially US researchers who have indicated that immigration poses a threat to European welfare states. In a much-cited study, Alesina and Glaeser (2004) show that the US has a more limited welfare state than European countries because the majority of the population believe that redistribution mainly benefits racial and ethnic minorities, who “have become poor through their own fault”. They argue that people only support the welfare state if their own ethnic group benefits from it. If they gain the impression that ‘we’ are mainly paying for ‘their’ benefits, we will be experiencing in the dying days of the welfare state, wrote Freeman (1986).

However, all existing European studies and surveys show that there is little empirical evidence for the argument that an increase in the number of migrants and the resulting ethnic diversity leads directly to declining support for the welfare state (Van Oorschot, 2006; Van Oorschot & Uunk, 2007, van Oorschot, 2008; Burgoon et al., 2012; Mau & Burckhardt, 2009; Crepaz, 2008; De Beer & Koster, 2007; Finseraas, 2012; for the opposite, Larsen, 2011). This is because the welfare state is itself a buffer against its collapse. People who have grown up in the institutional setting of the welfare state are more inclined to support it. Solidarity between people builds the welfare state, but in turn the welfare state also builds solidarity between people. Therefore, the welfare state also enforces solidarity (Crepaz, 2008; Taylor-Gooby, 2005; Mau & Burckhardt, 2009; Koning, 2013; Van der Waal et al., 2013).

How does it do this? Through the individual cost-benefit analyses that people conduct. It is a fact that those who are generally most opposed to migration and ethnic diversity – the less well-educated – also benefit the most from redistribution. Self-interest is the glue that holds the welfare state together, even when strangers appear on the scene (De Beer & Koster, 2007). According to Crepaz (2008), the welfare state also creates ‘universal trust’ that transcends separate groups. Because

risks are reduced and a safety net is provided, it is easier to put trust in others (see also Rothstein 1998, 2011).

The way the welfare state works can be seen clearly in a comparison of European countries. Take Sweden, for example. For this generous welfare state, migrants (in this case mainly refugees) are a significant financial burden. At the same time, support for the social system is the strongest in the whole of Europe. How different things are in Central and Eastern Europe, where welfare states are very limited. When ethnic diversity increases in those countries, support for the welfare state declines. People there think more in terms of ‘us’ versus ‘them’ (Van Oorschot, 2006). The warnings from across the Atlantic therefore appear to be a lot less applicable to Western Europe. Unlike in the US, in Western Europe the institutional setting was in place before there was ethnic diversity. The welfare state itself ensures that the system is not undermined by ethnic diversity.

Is this the end of the story? No, it is not. The arrival of foreigners does not undermine the social security system as a whole, but some citizens think that newcomers should not always be allowed to participate on the same basis. This has been called ‘*welfare chauvinism*’: the welfare state is supported, but only if it looks after the existing citizens (Crepaz, 2008). In the Netherlands, the group that wants to exclude immigrants completely from social security is not very large – only three per cent. But a very big majority (82%) does think that conditions should be attached to access to social security. Migrants should not be entitled to benefits from day one (Reeskens & Van Oorschot, 2012). Working (or at least the obligation to do so) and paying taxes in particular are seen as important conditions. A focus group study showed that labour migrants share this view: an obligation to work is essential and people should first make a contribution before having any entitlement to social security. “*Just living here is not enough, you must have contributed,*” one of them said (Kremer 2013, 2016)

Migration patterns also have a part to play in the emergence and extent of welfare chauvinism. It is not the number of immigrants living in a country that strengthens a desire for exclusion (Koning, 2013; Van der Waal et al., 2013), but the rate of immigration (Hooghe et al., 2009). The nature of the immigrants also plays a role: the extent to which they are qualified and in employment, and share the social attitudes of the ‘indigenous’ population. The connection between immigration and the welfare state is thus only negative because in general, continental Europe is home to migrants who are less qualified and who are more likely to be unemployed. It is apparent that the native-born population has trouble identifying with them. Burgoon (2011, 2014) concludes that if migrants make less use of benefits, are better integrated and more highly skilled, as in Australia or Canada, few people have a problem with the presence of migrants in the welfare state.

Finally, the type of welfare state itself is important. Some schemes and facilities offered by the welfare state are more ‘migration-sensitive’ than others. Paul de Beer (2004) makes a valuable distinction between one-sided and two-sided solidarity. In two-sided solidarity, the principle of *quid pro quo*, or reciprocity – the instrumental approach – is much stronger. Here, self-interest plays an

important role, with the expectation that you yourself also have entitlements. This solidarity is institutionalised in mainly Bismarck-style workers' insurance schemes such as the Unemployment Insurance Act (WW) or company pensions. One-sided solidarity is based more on altruism or selfless behaviour, that is to say moral considerations. Social assistance, for example, is a provision that is mainly to do with one-sided solidarity. De Beer indicates that one-sided solidarity, which is mainly one-way, is a lot more vulnerable than two-sided solidarity, because the latter involves giving and taking. Martin Ruhs (2015) comes to the same conclusion: social security benefits that are based to a greater extent on contributions are more compatible with migration.

4. Towards a modern migration policy

It is clear that given the current financial and social tensions, efforts should be made to achieve a mix of more and less highly qualified migrants, rather than a distribution that is skewed toward the less skilled, as is the case now. How can we achieve this? It is easier said than done. Countries have committed themselves to the European Union and the free movement of workers is one of the central policy aims. For this reason the national admission policy for EU citizens is de facto determined by the situation in the labour market. Salaries, collective labour agreements and the number of flexible contracts influence the migration flows that have occurred mainly at the lower end of the labour market. Thus, in Europe it is salaries and labour market legislation that serve as border posts.

One European comparison is illustrative here. In 2004 Ireland, the UK and Sweden simultaneously opened their borders to labour migrants from Central and Eastern Europe. Although the Swedish welfare state is open and generous, and salaries are higher than in the other two countries, relatively few Poles moved north. They did travel to Ireland and the UK, though, where salaries are lower and the welfare state is initially more closed to them. Why did this happen? One of the main explanations is that in Sweden the trade unions protect and control the quality of work and, in contrast to many other European countries, they are active on the shop floor. There are fewer low-paid jobs and the flexible jobs that exist are better protected. Unlike what happened in the UK, reductions in pay and working conditions were impossible in Sweden (Ruhs, 2012).

The role that a national government can play in organising migration properly thus mainly concerns the labour market. Agreements, laws and institutions relating to the labour market can slow or accelerate immigration and can help to determine the type of labour migrant – whether highly skilled or low-skilled – that will come to a country, either temporarily or permanently. Better control of employers and recruitment agencies, raising the minimum wage or increasing pay generally, and putting a halt to employment contracts being made more flexible can influence the amount and the type of labour migration at the bottom of the market. Without flexible contracts, there will be no flexible migrants.

Lower-skilled immigration within the EU can thus partly be controlled using the tools of the labour market. How can we attract more highly qualified people? It is not advisable to adopt a completely new immigration policy. We already have one of the most liberal systems in the world, and the more ‘offer-driven’, sometimes points-based systems, such as in Canada and Australia, and now also in Denmark, are themselves changing to more hybrid systems, with offer-driven and demand-driven elements, because overqualification and unemployment among migrants also turned out to be a problem there (Lemaître, 2012). If the migration policy is not in itself the problem, how can we nevertheless attract more highly qualified workers who fit in with our economic development? For a long time now we have not been in a position to choose the best and the brightest, so, according to Papademetriou (2012), our policy should be to ensure that they choose us. He outlines three sets of variables by which high-skilled immigration can be stimulated. The first set – the immigration regime – plays only a limited role in his opinion. The second set consists of a good job and good career prospects. Academic reputations are important to researchers. A thriving economic and knowledge infrastructure also helps, as does the presence of other talented employees – talent attracts talent. It is therefore essential to bring the national, and in some cases regional, knowledge infrastructure up to scratch. In addition, this will ensure that skilled migrants can actually bring added value. A third set of variables consists of more general prerequisites, such as a just and generous social model, a pleasant and clean living environment, and a tolerant and safe society.

There is still much to be done on this last point. Firstly, many migrants (including the expats posted here by their employers) often do not experience a warm welcome under current Dutch policies. For example, in the Netherlands legislation on citizenship is strict and this can only be obtained after getting good results in a challenging examination on language and culture. Moreover, the Netherlands is one of few countries in the world where dual nationality is forbidden in principle. Highly skilled migrants – and employers – additionally point out that continuous references to migrants as ‘the other’ and negative attitudes towards Muslims and Poles expressed specifically by prominent politicians also make countries less attractive. In the Netherlands, for example, the politician Geert Wilders set up a ‘Pole hotline’ where people could make complaints about this nationality. “Now there’s a Pole hotline; tomorrow it will be our turn,” commented a skilled migrant from India (Kremer, 2013). Germany also discovered that an intolerant (political) climate has an effect. When a prominent politician, who was opposed to highly skilled ICT workers entering the country, spoke of ‘Kinder statt Inder’ (children instead of Indians), few Indian nationals still felt tempted to move to Germany (Doomernik et al. 2009).

Finally, there is the welfare state itself, which is reputed to be a magnet for the low-skilled and to frighten off more highly skilled people due to high social security contributions and high taxes. But things do not have to be this way. After taking the initial risk by moving, many migrants, especially if they have invested a lot, have a desire for security in their new lives. In particular highly qualified European migrants, familiar with their own welfare states and burdened by frightening visions of globalisation and the financial crisis, say that they are happy to be living in a country that genuinely offers security and peace of mind (Kremer, 2013). For them, a sound and reliable social security

system is an essential precondition, particularly if they can take their pension rights with them if they move to another country (Kremer, 2016, see also Bonin et al.).

Even if labour market policy, knowledge policy and welfare state policy were to form part of migration policy, it would be difficult to attract the migrants who precisely match the needs of a labour market in a state of flux, particularly at a time of rapid and interdependent developments worldwide. And we do not know exactly what kind of migration behaviour will be shown by people. Various patterns of migration and bonding exist side by side – settlement migration at the same time as circular migration. Often, migrants do not know themselves exactly what course their lives will take and what their final destination will be. The author Max Frisch once wrote of the guest workers: *“Wir riefen Arbeitskräfte, und es kamen Menschen.”* (“We called for workers and it was human beings who came”)

Because the ‘ideal immigrant’ is thus also an ‘unreal immigrant’, it is important to focus not only on a better selection of labour migrants but also on the organisation of social security. How can income be insured, particularly in old age or in the event of unemployment, in such a way that it functions with both recent and future forms of labour migration, which makes it impossible to think only along conventional lines?

5. Changes in the welfare state: four proposals for a migration-proof social security system

How can social security be made more ‘migration-proof’, i.e., how can we equip it better to deal with the financial and social tensions that can arise as a result of labour migration? In this last section we propose structuring the insurance function of the welfare state more along the lines of investment, individualisation, detachment, and Europeanisation. Accompanying these would be different definitions of citizenship and the role of government. There is no need to choose between these proposals as they are all needed at the same time, because migration has become more varied. The four proposals are principally based on existing ideas, practices and problems, and are not theoretical constructs. For each proposal it is explained which ‘type of migrant’ it is intended for, which precise tensions it eases, and what a practical implementation of the proposal could look like. A key principle is that the changes apply not only to labour migrants, but to everyone. This is not only to prevent unnecessary competition between labour migrants and low or medium-skilled native-born workers, but also because in theory anyone can be or could become a migrant.

Function of insurance	Type of citizenship	Type of welfare state	Type of migrant: skills level	Type of migrant: bonding pattern
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Investment	Active	Investment state	Low-skilled	Permanent <i>Permanent migration</i>
Personalisation	Earned	Contribution state	Highly skilled	Permanent and temporary <i>Binational migration</i>
Detachment	Detached	Contract state	Highly skilled	Temporary <i>Circular migration</i>
Europeanisation	European	European welfare union	Highly skilled and low-skilled	Temporary and permanent

Investing in employment security: the welfare state as investment state

First of all, it is advisable to organise insurance more as a form of *investment in employment security*. This means that everyone, including migrants, is expected to work. The type of citizenship that matches this situation is that of active citizenship, and the type of welfare state is an investment state. Investing in employment security is particularly appropriate for a specific type of migrant – the permanent migrant with a low or medium level of skills, such as *Marek* and *Monica* from Poland. At the same time, it is important, logically, to invest more in all those who are part of the labour market and who could become unemployed.

Investment achieves no fewer than four objectives at the same time. If migrants work, this eases financial tensions, as, after all, the financial underpinning of the welfare state stands or falls with the long-term social and economic integration of migrants. It also relieves the pressure on solidarity, because if ‘strangers’ work, just as ‘we’ do, ethnic diversity does not undermine solidarity. In addition, both members of the indigenous population and migrants questioned attach great importance to reciprocity in the form of a strong obligation to work. Work is, furthermore, the wish of many labour migrants, particularly those who are less well-educated. In a focus group study (Kremer 2013, 2016), they emphasised that for them a good welfare state is above all one that offers good, steady jobs. “We want work,” they say, “not social security.”

In the Netherlands, active labour market policy has been considerably eroded in recent years (Bannink et al. 2012). Moreover, the Netherlands does not really have a tradition of investing in migrants. The evaluation by the Blok committee (Lower House of Parliament 2003-2004) underlined that integration policy in the Netherlands fails to focus sufficiently on participation in the labour

market. Policy on integration and citizenship has neglected this aspect and focuses mainly on the cultural dimension of citizenship, i.e. adopting 'our' standards and values. What is more, in the Netherlands people have to bear all the costs of integration and citizenship courses themselves. Integration budgets in this country are very meagre. Even in politically liberal countries such as Canada and Australia, English language lessons are publicly funded. The Canadian government devotes considerable financial resources to socio-economic integration. And in Denmark, which in its restrictive approach to migrants was a source of inspiration to the Netherlands (and vice versa), there has always been substantial investment in language teaching and activation to help migrants enter the labour market (Collett, 2012). Of course, in the 'active citizenship' proposed here it can be expected that people will themselves invest in their lives, but the government also has obligations.

How can we invest in employment security? Firstly, it means making sure that citizens have sufficient human capital to be able to participate in the labour market. Education is crucial in this regard. Many of the new European migrants are better educated than the guest workers of the past, but often they do not speak the national language and they have little knowledge of how the job market works. However, it is precisely these skills that are crucial for finding and holding down a job, especially in a service economy. Education in the broad sense of the word is also essential. As mentioned above, together with Belgium, the Netherlands scores worst in Europe as regards the educational performance (and success in the labour market) of the children of immigrants. Two features of our education system cause us problems: segregation within education, which starts in infancy, and early selection, which results in many immigrants' children ending up in lower-level schools which offer little guidance. Children of Turkish immigrants in Sweden are less likely to drop out of school, because the state has invested in them since they were babies through good-quality childcare (Crul et al 2012).

Prevention is better than cure, but an active labour market policy is still appropriate if people become unemployed. An active labour market policy has not always been successful and after two decades of such a policy, there is still disagreement as to whether it works. From Sweden's experience we know, however, that an active labour market policy is often more effective for mainly less qualified migrants and other more vulnerable groups (Heinisen et al. 2011). With few contacts in the job market and insufficient knowledge of its requirements, they benefit from a helping hand. Some kinds of activation are more effective than others. Activation that most closely resembles 'normal work' achieves the most success. Intensive supervision and guidance, with a lot of contact, also works, as do activation programmes in which people work and study at the same time. Simply offering education to the unemployed is much less likely to guarantee they will find work. In Scandinavia wage subsidies also work well, though this instrument is still not used there very much either (Forslund & Krueger 2010). In addition, it is necessary to invest not only in people but also in jobs. Many migrants, including the new young European arrivals, become stuck in flexible-contract jobs at the bottom of the market, often in the employ of a recruitment agency. Investing in job security therefore also means concentrating on the quality and security of work. The fact that a great many

migrants are working on fixed-term contracts in jobs found through recruitment agencies can help create a situation in which no one feels responsible for them. As employers in particular benefit from labour migration, they could certainly invest more in migrants, alongside the migrants themselves and the government.

Personalising social security: from welfare state to contribution state

A second essential adjustment to the welfare state is the personalisation of the social security system. This means that social rights have to be based more strongly on the individual contributions that people make to the welfare state. In short, social security must be ‘earned’. The concept of citizenship that is appropriate here is that of earned citizenship, and the welfare state in this situation is a contribution state. In a contribution state there is a more direct connection between what people put in and what they receive: there is a shift away from one-sided (or vertical) solidarity towards two-sided (or horizontal) solidarity. Only after a period of paying contributions and taxes can people be entitled to any social security benefits. In the words of Engelen (2004), this creates a citizenship ladder that a person can climb.

This has advantages for migrants, as rights that they have accrued themselves are more solid. Unlike privileges or favours, they cannot be withdrawn so easily, and as individual rights belong more to the individual, it is easier to take them to a new destination. These advantages also apply to the emigrants who live elsewhere. Personalisation can also ‘save’ the solidarity that is part of social security. If social security is too much of a one-way street, there is the danger that solidarity will completely cease to exist, including among labour migrants who pay just as much into the social security system. Personalisation is most suited to the more highly qualified, often extremely mobile labour migrants – such as *Sunil and Sanjay* from India – who would like to take their social security-related savings, namely their pension, to their country of origin or to their next destination. It is also very appropriate for migrants who come from countries where systems are already individualised to a great extent, such as Singapore and Latin American countries, but also – in a completely different way – Sweden, so that it is easy to arrange for such savings to be portable.

What would such a contribution state look like? Two possible forms are conceivable: personal savings accounts and individual employee insurance schemes. With respect to unemployment, such a personalisation means the restoration of employee insurance schemes. This means, for example, that insurance becomes more easily accessible and can last longer. However, this is the opposite of the current trend in Europe. The pension system could also be ‘reversed’, with the first pillar being the work-related pension (paid for by the employer and employees), which can always be taken elsewhere. The second pillar would, for example, then consist of a supplement paid by the state, proportionately to the income saved, for example, or only for those who have been unable to accrue sufficient pension themselves. This also means that the system changes from one of *defined benefits* to a *defined contributions* system. This proposal has areas of overlap with the Australian system, but

also with that of Sweden, which has possibly undergone the most far-reaching pension reform in Europe.

More radical systems are also possible, through the introduction of what are called individual accounts (such as *individual unemployment accounts* – IUAs). Employees or employers, or both, pay a specific percentage of a wage into a state-managed account. If someone becomes unemployed, the ‘savings’ can be used for various purposes, such as financial compensation, training or a subsidy for employers to help people get back to work. In this way, insurance is directly linked to investment in people (Snower et al., 2009). When someone reaches the pensionable age, the rest of the money accrued is paid out. Such social security systems are popular in particular in Latin America: Argentina, Brazil, Panama, Ecuador and Chile all have this type of savings system (Ferrer & Riddell, 2009). However, Singapore also has a similar system, which is used mainly for pensions. Closer to home, France is particularly involved in modernising its system through the *Compte personnel d’activité* (CPA). The first step is to build up funds for training and the idea is that later it will be possible to add other social security entitlements.

It is important not to interpret the principles of ‘earned citizenship’ and the ‘contribution state’ in purely arithmetical terms and not to depend too much on the length of a person’s working life. For migrants in a country such as the Netherlands, it takes a very long time – 50 years for the old-age pension (AOW) and 32 years for complete, three-year cover under the Unemployment Insurance Act (WW) – before social rights are granted, which is a particular disadvantage if they come from countries where they have not accrued rights to social security. As a result, even after decades of residence, they remain ‘migrants’. For this reason, many labour migrants who are interviewed say that at some point there should be an end to the citizenship ladder (Kremer 2013, 2016), because no one wants to be an ‘eternal migrant’.

Finally, it is important to consider the flipside of personalisation. Individual savings accounts can also increase the differences between people. If these differences become too pronounced, and if ‘falling behind’ is seen as being a person’s ‘own fault’, such individual savings accounts will be like bringing a Trojan horse into the social security system. If insufficient account is taken of the desirable principles of reciprocity, the welfare state will be digging its own grave. It is therefore important first of all to introduce ‘solidarity features’, i.e. ‘extra’ payments of money, contributions or points (or whatever you want to call it) based on principles of solidarity. Some proposals for IUAs are based on the idea that in the event of someone having a negative balance, the state will make additional payments or lend money (Snower et al., 2009). This is already done in the Chilean system. It is also the case in France, which has what are called ‘solidarity points’. The opinion there is that because it must continually be decided when and to whom solidarity should be shown, the worn-out concept of solidarity needs to be revitalised. In addition, contributions need to be generous and it must also be possible to accrue them through other activities, such as childcare or informal care.

The search is thus on for a new way of balancing solidarity, something that appears to have been very successful in Sweden. Although contributions are the most important element in both the pensions system and unemployment policy, many residents fall within this system, including many labour migrants. This means that the contribution requirements laid down are not too strict. Due to the ‘inclusive character’ of this social security system, people are not so quick to distinguish between ‘us’ and ‘them’.

Detachment of social security

Detachment of social security means that people remain insured in their country of origin, even if they are working in another country. There is thus a division between the right to work and the right to social security. The result is a brand-new concept of citizenship – ‘detached citizenship’ – under which detached workers’ social rights entitle them to benefits in their country of origin. This is compatible with a welfare state that is above all good at concluding, complying with and following up on contracts with countries of origin – the welfare state as contract state. Detachment of social security is meant for the very temporary migrant, or the circular migrant. This adaptation of social security is gaining in importance because ever more migrants also have access to social security in their country of origin, not only in Europe, but also in Latin America and Asia (Haggard & Kaufman, 2008). Not only is detachment suitable for temporary migrants, but in a certain sense it also guarantees their temporary nature. In order actually to monetise their right to social security benefits, should they become unemployed, these migrants will, after all, have to return to their native country.

Detachment of social security is not a theoretical construct, but has already existed for a considerable time in the EU, and in 2009 it was being used by more than 80,000 migrants in the Netherlands and nearly 10,000 Dutch workers in Europe (OECD 2011 b). The posted workers directive allows temporary workers (less than two years) to pay social security contributions in their country of origin. The advance of the detachment construct is evidenced by the more recent social security treaties with countries outside the EU. The latest treaty between the Netherlands and India, for example, explicitly allows for the possibility of ‘detached citizenship’. Workers in the Netherlands can pay contributions into the Central Provident Fund, India’s pension provision. Detachment of social security is still reserved for migrants who are employed by a company from their country of origin. In future the scope will have to be broadened so that it becomes possible for all migrants who come to a country to work temporarily, for less than two years.

The constructions that currently apply have a flipside, however, as the European interpretation of detachment means that the amount of the social security contributions is determined by the country of origin. For a Pole employed in the Netherlands, therefore, ‘Polish contributions’ are paid. The consequence of this is competition based on contributions and taxation, because in Poland or Portugal you have to pay less than in the Netherlands. One way to counter competition on social security contributions is for employers to pay the contribution that is applicable in the country of employment and not in the country of origin. The contributions can be invested in a fund in the Netherlands, out of

which investments for migrants – education, training, help with job-hunting – can be paid. In this way employers contribute indirectly to investment in employment security. There is also a second reason for this fund. In many cases, migrants do not know whether their move will be temporary, because a feature common to many migrants is that their future is open. If detached workers decide after two years that they want to stay and build up social security contributions in the country where they have come to work, the contributions that are lacking can be topped up from this fund.

Europeanisation of social security

The circle of those insured can ultimately be expanded to include all EU nationals. As a result, social security will no longer be a national matter, but a European one. A ‘European welfare state’ offers ‘European citizenship’. Social security that is guaranteed by the EU represents a solution for all European migrants – already the most important form of migration in many European countries, including the Netherlands. Moving to a different European country will then have no consequences at all for their rights to social security.

The European coordination directives, which have existed for half a century, already guarantee a number of social security rights that reach beyond the borders of the nation state. However, there is still no real European system in place. European coordination consists of complicated and costly bilateral agreements, which in practice are difficult to get off the ground. For example, 50,000 national institutes are linked together in the EESSI (Electronic Exchange of Social Security Information). And a number of very important social security schemes are not included at all in the coordination directive, such as the ‘second-pillar pension’, which is built up by employers and employees. For many European migrants this is one of the most significant sources of income upon retirement. In addition, social assistance (*bijstand*), in common with all general provisions such as the Social Support Act (WMO) and the Work and Employment Support (Young Disabled Persons) Act (Wajong Act), is excluded from this coordination. For this reason, European citizens who become unemployed face a lack of social security, because they have not always accrued rights in their country of origin either.

Europeanisation of social security can be more or less interventionist in form. First of all there is a minimalist version that builds further on the existing idea of the coordination of nation states in which solidarity is still shaped in an individual country, but is expanded to other types of risk coverage. One example is the second-pillar pension. However, this kind of coordination is not easy to achieve, because accrued capital is far too valuable for nation states, certainly for the Netherlands. Moreover, there are many differences in the funding, accrual and payment of benefits. Before European coordination of pensions can become a possibility, therefore, the national systems first have to be made more similar to one another (Fenge & Von Weiszäcker, 2008). Coordination of social assistance should also be made part of the ‘Europeanisation of social security’. There is still a great deal to be achieved in this area, for example through better regulation and coordination of the

repatriation of European migrants who no longer have any future in the country they had moved to, by offsetting social assistance between countries, as is already done with unemployment benefit, or by setting up a European social fund aimed specifically at mobile European citizens who become unemployed and are not (or no longer) entitled to unemployment benefit. Such measures offer a suitable way to deal with the problems of unemployment that can arise when European citizens migrate.

These are proposals that contribute towards the creation of European citizenship '*light*'. A supranational European state is the most far-reaching version of the Europeanisation of social security. This would involve citizens paying all or part of their contributions and/or taxes to a supranational European institution in Brussels or elsewhere. This assumes, in addition to the harmonisation of contributions and taxes, that wages should also be harmonised, because otherwise the contributions of the various countries would differ considerably. In that case, citizens of wealthy countries would have to provide too much 'vertical' or 'one-sided' solidarity. This is because a supranational European social security system means a major expansion of the 'circle of the insured', in other words an increase in the number of members on the receiving end of solidarity across the borders of the nation state (Ferrera, 2005).

One can also conceive of a more diluted form, in which transnational 'funds' are set up only for mobile European citizens. As regards pensions, individual nation states can already set up Pan-European pension funds, with Luxembourg and Ireland the most active countries in this area. Such an arrangement could involve mobile citizens being able to choose a '*virtual pension home*', but one that is anchored in one of the nation states and is covered by European regulations. There are plans to establish an Institution for Occupational Retirement Provisions for mobile researchers. When researchers move, they can then participate in a Pan-European fund (Berghman et al., 2011).

However, the question is whether citizens of European countries will be willing to embrace European citizenship. European citizens do not place great trust in European institutions. To put it mildly, in recent years the EU has not been a shining example of mutual solidarity, a shared European identity or effective and reliable institutions. If European citizens had paid a – possibly small – tax to the EU from the start, in return for social security rights, would this have created a European identity and mutual solidarity? After all, in many European countries, such as Germany, Sweden and the Netherlands, nation-building has been strengthened by the emergence of national welfare states.

6. Conclusion: migration requires a varied social security system

In academic and policy-making circles, migration and social security are often considered to be completely incompatible. For this reason, it is often said that a choice has to be made between putting a wall around the country or a wall around the welfare state. This is not necessary, however. Although migration can put pressure on the social security system in many ways, this is not completely

inevitable. Migrants do not destroy the system, in spite of what some politicians say, and it is perfectly possible to deal with the financial and social tensions that arise. But this does require a change of policy in order to organise migration flows better and make adjustments to the social security system.

Beginning with migration policy, there will need to be a greater emphasis on better educated migrants, rather than current immigrants who mainly have only primary or secondary education (OECD, 2016). This does not mean attracting immigrants with higher education per se, but attracting those who can make a contribution to the national economy, for example because they are familiar with other markets or have strategic skills and knowledge. Migration policy for the more highly qualified is already fairly liberal in many cases. The key question is therefore how migration policy can be redesigned by other means, such as making efforts to provide a warmer welcome, better healthcare provisions and better, i.e. portable, social security. Immigration by the less well-educated could be discouraged more. Because within the Schengen area of the EU we have open borders, it is our national labour market legislation and regulation that play the role of border posts.

The social security system also needs to be adapted. Social security needs not only to be expanded, but also more varied, not just for migrants but for everyone. This is why we propose to implement four variations, which can – or even must – overlap to some extent. *Personalising* security, whereby social security is linked to the individual by means of insurance schemes or accounts that are portable, is not possible without an emphasis on *investment* in migrants, especially if they want to settle in their new country. Personalisation of social security does carry the risk that it will be most beneficial for the most promising labour migrants. Investment ensures that people will have greater employment security. If the third variant, *Europeanisation* of social security, is pursued, this can be done through personal European insurance arrangements or accounts, as well as investing in migrants. Finally, *detachment* of social security, which is aimed at temporary migrants, will no longer be needed in the event of a European social security system, at least not for European labour migrants. After all, Europeans who move back and forth between countries are already ‘covered’. The four varieties of social security systems are thus partly reinforcing and partly exclusive.

Migration is here to stay and European countries are countries of immigration and of emigration. In addition, many Western and Northern European countries have relatively well-developed social security systems. Building a wall around the country or around the social security system is an unnecessary and radical choice. But maintaining a state of ‘peaceful co-existence’ does require changes, both to migration policy and to the social security system.

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