



Welfare states, demographic transition and immigration policies

Philipp Lutz¹

Abstract: How does demographic change influence immigration policies in Western welfare states? In this chapter, I discuss two perspectives on the relationship between demographic ageing and labour immigration policies. Welfare states are under financial strain and face a trade-off between too little immigration that could undermine their economic foundation and too much immigration that could undermine their social foundation. Do welfare states admit more foreign workers to sustain their welfare state model in the context of demographic ageing? This contribution analyses the effects of population ageing on policy openness to immigration and how welfare state regimes moderate this relationship. I examine these questions by conducting a quantitative-comparative analysis of labour immigration policies in 21 Western democracies between 1980 and 2010. The results reveal that the liberalisation of immigration is a common response to demographic ageing but varies by welfare state regime. Social-democratic welfare states face larger welfare risks from immigration and more difficulties to integrate foreign labour. Instead of liberalising immigration, they opt for the facilitated expansion of female employment. Only in the case of liberal and conservative welfare states is there evidence for a demography-induced liberalisation of immigration. The findings suggest that welfare state arrangements condition how countries respond to the demographic challenge of an ageing population.

1 Introduction

With low birth rates and longer life expectancy, societies in Western democracies are undergoing a significant demographic transition with a population that has falling growth rates and is continuously ageing. This development bears severe implications for the structure of the domestic labour force and the sustainability of welfare states. Demographic ageing contributes to labour shortages and financial strains on these developed countries. A plausible policy response to these challenges is a supply-side strategy of increasing the domestic workforce by bringing in more foreign labour through immigration. Immigrants tend to be younger than the native population and may therefore help to solidify the economic foundation of welfare states. However, citizens across Western democracies tend to oppose the idea of increased immigration (Ceobanu and Koropecjy-Cox 2013; Sides and Citrin 2007). Some scholars fear that immigration may weaken solidarity norms that welfare states rely on (Freeman 1986; van der

¹ Universität Bern & Université de Genève
philipp.lutz@unige.ch

Meer and Tolsma 2014). In other words, the admission of foreign labour offers a remedy to the demographic challenge of welfare states, but threatens to undermine the social stability of its institutions. These competing policy imperatives have been theorized by scholars of migration policy as a trade-off for advanced capitalist democracies that face an inherent tension between the openness to immigration in order to preserve the welfare model and economic competitiveness and the closure to immigration to preserve national identity and social solidarity (Hampshire 2013; Hollifield 2004). These competing pressures have the potential to create challenging trade-offs of democratic legitimacy for governments (Armingeon and Lutz 2019). It remains an open question as to how welfare states adapt their immigration policy in response to demographic challenges.

An extensive literature studies how welfare states adapt to changing economic and political environments, a research topos that is prominently represented in the work of Klaus Armingeon (e.g. Armingeon and Bonoli 2006; Armingeon et al. 2016). Despite a growing interest in the nexus between welfare states and immigration over recent years, there is surprisingly little evidence on how the demographic challenge shapes immigration policies. This is surprising since the restructuring of welfare states has gained extensive scholarly attention while international migration has not only increased over time but also became a highly politicized issue in many Western democracies. Positive net immigration was already the dominant source of European population growth at the end of the last century (Parsons and Smedding 2006, 2-3). The ratio of working-age people to those that have retired has already declined dramatically in recent decades, and its fall is accelerating. Many scholars argue that advanced capitalist economies are dependent on sustained immigration to fill skill shortages and to attract human capital (Favell and Hansen 2002; Hollifield 2004). Recent studies suggest that the pressure for the liberalisation of labour migration results primarily from domestic labour needs (Caviedes 2010; Menz 2009; Ruhs and Anderson 2010). However, the specific role of demographic ageing as a main structural driver of such labour migration policies remains under-theorized and lacks systematic empirical testing. Only few studies look at the relationship of demographic trends and immigration policies. Rayp et al. (2017) find a significant positive effect of old-age spending, but not of the dependency ratio on immigration policy openness. In a previous study, I detected a positive but weak relationship between the dependency ratio of a country and liberal immigration policy changes across Western European countries (Lutz 2018). Due to this scarce evidence, Boucher and Gest (2018, 166) conclude that current research provides only insufficient evidence on whether countries become more open to immigration as their domestic populations grow older.

This contribution elaborates on the relationship between ageing populations and immigration policies in Western welfare states by distinguishing two general perspectives. Immigration can be either an opportunity or a threat to welfare states. Welfare states may perceive labour immigration as an antidote to demographic ageing and therefore liberalise immigrant admission to sustain welfare state institutions. Alternatively, they may perceive it as a threat to the support

for the welfare state by undermining social cohesion and norms of solidarity. In this perspective, countries are unlikely to choose immigration as a remedy for demographic ageing and domestic labour shortages and choose alternative strategies instead. To shed light on this question, this contribution combines the migration policy literature with welfare state literature to theorize how welfare states shape immigration policies in response to their ageing populations. Different institutional settings of welfare state regimes create varying demands for foreign labour and different modes of immigrant accommodation. Based on how compatible welfare state institutions are with a liberal admission of foreign labour, I expect varying propensities to choose immigration liberalisation as a response strategy. Due to a protectionist labour market and universalist welfare systems, social-democratic regimes are expected to be less likely to enact immigration liberalisations than liberal and conservative welfare regimes.

In this article, I conduct an empirical analysis on the relationship between population ageing and countries' openness to labour immigration across 21 Western democracies. The results provide robust evidence that the two phenomena are closely intertwined and that Western welfare states have liberalised their immigration policies in response to demographic ageing. However, these national migration policy responses to demographic ageing crucially depend on the particular welfare state regime and its vulnerability to immigration-induced welfare risks.

2 Population ageing and immigration policies

European societies are growing older as a result of longevity and low birth rates. This demographic development brings consequences for the sustainability of welfare state institutions. An ageing society leads to an increasing share of elderly people that in turn deteriorates the dependency ratio between the dependent part not in the labour force (under 14 and above 65) and those in the active labour force (15 to 64 years). Consequently, this means that an increasing share of workers become recipients of welfare benefits instead of contributors (Steinmo 2003, 44). When European welfare states were created in the first half of the 20th century and expanded in the post-war decades, labour forces were growing across the continent and the share of elderly people was relatively low. With increasingly unfavourable demographic trends, it has now become politically much more difficult to maintain fiscal sustainability in welfare states. Many welfare programs are based on direct generational transfers or so-called 'pay-as-you-go' systems. With a shifting age pyramid, these programs face looming financial shortfalls. With increased welfare costs in pension systems and health care, population ageing primarily affects the most expensive areas of the welfare state (Pierson 1998, 551). As a result, demographic ageing may undermine the economic foundation of current welfare state regimes.

Scholars have discussed and analysed several strategies of policy adaptation to demographic transition, such as welfare retrenchment, which renders welfare states sustainable by reducing the generosity of welfare benefits (see Armingeon et al. 2016; Pierson 1994). However, retrenchment has shown to be unpopular with voters since the welfare state enjoys broad

support as a defining element of the modern state (Green-Pedersen and Haverland 2002; Pierson 1994). Political actors fear an electoral backlash from dissatisfied welfare recipients and are reluctant to retrench existing social programs. An alternative strategy is to increase the labour supply, thereby alleviating the trend of a shrinking workforce relative to the percentage of elderly people. Increasing the recruitment of foreign labour is an obvious remedy to the growing imbalance between recipients of welfare benefits and a shrinking population share in the labour force (Coleman 2008). Due to low birth rates, migration has already become the main source of increases in the European population. As of 2005, international migration has been responsible for 85 per cent of Europe's population growth (Malmberg 2006, 133). Furthermore, immigrants are often young, healthy and fertile and therefore reduce the average age of recipient populations (Coleman 2008). Demography-induced structural labour shortages pressure countries to facilitate replacement immigration.

However, migration scholars tend to disagree as to what degree immigrant admission policies are able to influence actual migration flows (e.g. Hollifield et al. 2014). The constrained state capacity to steer migration refers primarily to attempts to deter undesired immigrants, whereas many countries successfully implemented policies to attract desired immigrants (e.g. Menz 2009). The European Commission considers the free movement of labour within its single market and international migration from third countries outside the Union important factors in offsetting the negative effects of demographic ageing (Fries-Tersch et al. 2016). Overall, there is increasingly a perception that labour immigration will be necessary in order to deal with an ageing population. Since European countries face similar challenges of demographic transition, there is increasing focus on attracting a labour force from non-European countries. With immigration policy, welfare states have a tool to expand labour supply and attenuate the negative effect of demographic ageing on the labour force composition and the sustainability of public finances. Without immigration, welfare states risk undermining the economic foundation they are built on. This results in the following initial hypothesis:

H1: The higher the dependency ratio of a country, the more liberal the immigration policy of that country.

While higher levels of labour immigration have the potential to counter demographic ageing and ease financial pressure on the welfare state, such a policy is likely to face a series of political constraints. Most importantly, the liberalisation of immigration is unpopular with most European citizens. Ceobanu and Koropecj-Cox (2013) analyse public support for increased immigration to offset population ageing in the European Union and find considerable resistance to such an idea of large-scale immigration. Public opinion is therefore a major constraint to a liberal policy of immigrant admission. Furthermore, many scholars argue that welfare states themselves are not compatible with large-scale immigration and multi-ethnic societies (Bommes and Geddes 2000; Freeman 1986). While globalization has promoted economic and social integration, welfare states remain decidedly national and are "powerful institutional forces embodying ideas and practices associated with inclusion, exclusion, membership,

belonging, entitlement and identity” (Geddes 2003, 152). The institution of the welfare state rests on in-group solidarity, and pressure for closure to non-members is therefore endemic in democratic welfare states (Boswell 2007, 75). The choice of replacement immigration as policy response is typically considered unfeasible, given the enormous numbers of immigrants that would be necessary to preserve current labour participation rates. Overall, there is considerable doubt on whether higher levels of immigration are both feasible and desirable to offset demographic ageing. Given these structural limits and the severe political constraints, governments have good reasons to restrain from the liberalisation of immigration despite demographic ageing. Following this consideration, we could also argue for the null hypothesis that a higher dependency ratio does not lead to more liberal immigration policies.

The two competing expectations outlined in the previous section hint at complex policy trade-offs. While immigration promises economic and fiscal benefits, it also contains severe political risks of undermining political support for governing parties and the welfare state. The core dilemma for many Western welfare states is the conflict between the case for expanded labour immigration based on economic and demographic needs and the public resistance to such a policy choice (Boswell and Geddes 2011, 31-32). As a result, governments may face a trade-off between sustaining the economic foundation of the welfare states and maintaining the socio-political foundation of welfare states. How countries solve this trade-off remains an open question.

To complicate matters further, I expect responses to the immigration trade-off of welfare states to be conditioned by the welfare institutions themselves. From empirical observations, we know that countries follow different paths when confronted with labour shortages and large-scale immigration is not always the preferred strategy (Bartram 2005). It is therefore plausible that variations in response strategies to demographic ageing are conditioned by the political economy of different welfare state regimes. Following Hall and Soskice (2001), I expect socio-economic policies to be path-dependent and policy changes to be complementary to the prevailing institutional regime and the logic of economic coordination of a country. Accordingly, I argue that whether welfare states opt for the liberalisation of immigration in response to demographic ageing depends on the complementarity of welfare state institutions with liberal immigration.

For that purpose, I distinguish between social-democratic, conservative and liberal welfare states, following the standard typology of Esping-Andersen (1990). This typology allows for the classification of welfare state regimes across advanced capitalist democracies in terms of the institutional openness of their benefit systems to immigration as well as the structural openness of their labour markets to immigration.

The first set of institutions are the welfare institutions themselves. The openness of benefit systems determines the access of immigrants to social benefits and therefore how exposed welfare states are to fiscal risks of immigration. National welfare regimes are related to different forms of immigrant accommodation and entitlement and therefore differ in the degree to which

they can protect themselves from an immigration-induced welfare burden (Sainsbury 2006). Since some migrants create net costs for receiving countries, extensive post-entry social rights for immigrants lower incentives to admit foreign labour (Ruhs 2013, 173). The openness of welfare state institutions to immigration should reduce the likelihood of immigration liberalisation.

A second set of institutions that influence the compatibility with liberal immigration are labour markets and their political organization. The openness of labour markets determines the ease with which countries are able to accommodate foreign workers. Welfare state regimes differ in how labour market institutions shape the demand for foreign labour, and provide different opportunities for organized interests to influence immigration policies (Boräng 2018, 2). I expect that countries' policy choices are influenced by their dependency on foreign labour and their structural capacity to accommodate liberal immigration. The openness of labour market institutions to immigration should increase the likelihood of liberalising immigration.

When states face structural difficulties in the integration of foreign workers into their labour market institutions and when their welfare institutions are not designed to avert fiscal risks from immigration, they should be less likely to opt for a supply-side policy of immigration liberalisation. The varying openness of labour markets and welfare programs to immigration allows me to derive hypotheses about the moderating role of welfare state regimes on the likelihood of an immigration-strategy to offset population ageing.

Social-democratic regimes share a universal transfer system and are therefore most exposed to potential fiscal burdens caused by immigration (Brochmann and Hagelund 2010). Universalistic welfare systems generally do not allow for the restriction of welfare access to immigrants since they are inclusive by design. The labour market institutions of social-democratic welfare states such as strong unions and protective regulations tend to have an equalizing effect on wages and therefore reduce the incentive to employ immigrants as cheap labour. The relatively strong position of unions in those regimes also creates political pressure against an extensive admission of immigrant workers (Bucken-Knapp 2009). Overall, social-democratic regimes have labour markets that are less open to immigration and welfare programs that are more open to immigration. For these reasons, liberal immigration is likely to be perceived as a threat to the social-democratic welfare model and make governments reluctant to choose immigration liberalisation as a policy response to the demographic challenge.

Liberal welfare regimes are characterized by flexible labour markets and minimal social protections based on means-testing. The low generosity of welfare benefits correlates with slightly more restricted access to welfare benefits for immigrants (see Ruhs 2018). Therefore, liberal regimes should be more 'immigration-proof' than universalist welfare systems. Liberal welfare regimes possess flexible labour market arrangements with significant low-wage and low-skill sectors that make them more likely to hire foreign labour (Afonso and Devitt 2016; Menz 2009; Ruhs 2013). The flexibility of liberal market economies makes them also more successful in integrating immigrants into the labour market since they provide fewer entry

hurdles for outsiders (Geddes and Wunderlich 2009). Liberal welfare states have not only a structurally higher demand for immigrant labour but face also lower welfare risks from immigration.

Conservative welfare states are characterised by social insurance programs that make access to welfare benefits dependent on prior contributions. This feature means that they are rather exclusive to immigrants and have low levels of welfare risks by liberal immigration compared with more universalist welfare regimes (Afonso and Devitt 2016). Conservative welfare regimes are coordinated market economies with less flexible labour markets and collectively agreed-upon wages. This makes them less likely to rely on immigrant labour. Conservative welfare states are the most ‘immigration-proof’ in terms of their welfare institutions, but their labour markets are structurally less open to immigration than liberal regimes.

The three types of welfare regimes vary in their openness to immigration both regarding their labour market structures and their benefit systems. Unlike social-democratic welfare regimes, liberal regimes have labour market institutions compatible with liberal immigration, and conservative regimes have welfare programs compatible with liberal immigration. Both institutional designs make it more likely to choose immigration to offset population ageing in comparison to social-democratic regimes. The latter are characterised by highly regulated labour markets and universal benefit systems that renders them less compatible with the liberal admission of foreign labour. This leads to the following hypothesis of a moderating effect by the welfare regime:

H2: Social-democratic welfare regimes are less likely to liberalise labour immigration than are liberal and conservative welfare regimes.

To complete the picture, we should take into account alternative supply-side strategies of welfare states to prevent financial shortfalls. An alternative to more immigrant workers is often seen in the expansion of female employment and in public support for families to combine employment with childcare. This allows for a higher employment rate of the native population and may dampen the demographic pressure on the welfare state. We can primarily find such a policy design in the case of social-democratic welfare state regimes (Afonso 2018). Universalist welfare systems with generous social protection and childcare policies facilitate the large-scale entry of women into the labour market. Social-democratic welfare regimes are therefore most likely to opt for an increase in female employment over immigration liberalisation. Conservative welfare states, which are less prone to provide generous child-care support and family policies, tend to follow the traditional family model. Liberal welfare regimes have the lowest level of de-commodification and tend to lack generous childcare policies as well. In comparison to the immigration liberalisation discussed above, the strategy of female employment follows the opposite regime pattern with social-democratic welfare states most likely to opt for female employment. As a result, we may assume that this strategy moderates the relationship between demography and immigration policy as follows:

H3: The expansion of female employment and generous childcare policies reduce the demography-induced liberalisation of labour immigration.

3 Data and method

I test the outlined hypotheses with a comparative research design across Western democracies between 1980 and 2010. The 1980's seem a reasonable starting point for this analysis both with regard to migration policy and welfare state development. By the 1980s, most Western countries had converged on a 'zero-immigration' policy orientation (Hollifield et al. 2014) and started to increasingly liberalise labour immigration over the ensuing decades – in particular to attract high-skilled workers (Helbling and Kalkum 2017; Menz 2009). Starting in 1980, the demographic transition accelerated and the dependency ratio showed continuous growth from just under 20% in the 1980s to around 25% in the year 2010 (see Figure 1). During the same time, demographic change started to affect welfare state development where the welfare state expansion of the post-war decades has been replaced by a state of permanent austerity. For these reasons, the chosen time-frame from the 1980s onwards represents not only a period of accelerating demographic change, but also the substantial transition of welfare state institutions and immigration policies.

As the independent variable of demographic ageing, I use the dependency ratio calculated as the number of people age 65 and above divided by the number of people in the working-age population of age 14 to 64.² The dependency ratio has overall continuously increased since the year 1980, but demographic ageing occurred on different levels and to different degrees across countries. The social-democratic welfare regimes have substantially higher dependency ratios than the liberal and conservative welfare states.

To operationalize immigration policy, I rely on the IMPIC dataset (Immigration Policies in Comparison) by Helbling et al. (2017). This dataset provides indices for the restrictiveness of migration policies and covers 21 Western countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom) from 1980 to 2010. The main advantage of the IMPIC dataset is its measurement of the absolute level of policy openness on a yearly basis and its broad coverage, which allows for a comparison across space and time. Furthermore, the dataset distinguishes policies based on different migrant target groups that allow for singling out labour immigration policies from other areas of migration policy.

² To facilitate interpretation, I have normalized the variable to a range from zero to one for the analysis.

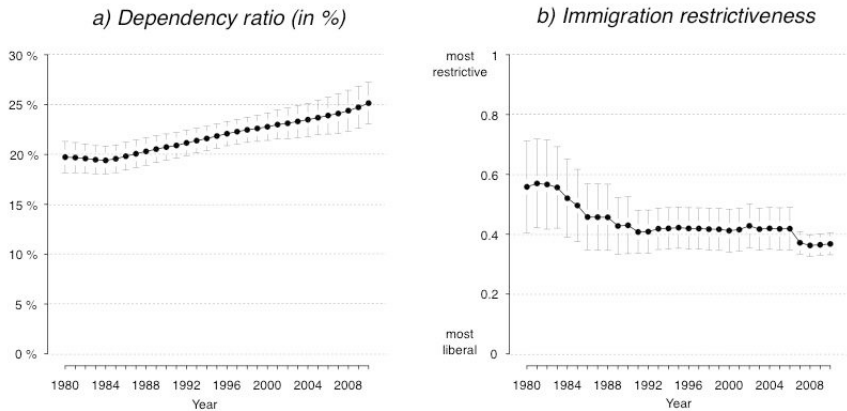


Figure 1: Heterogeneity across time

Note: Dependency ratio calculated as the share of people above 64 divided by the working age population (age 15 to 64). The data covers 21 Western democracies (Comparative Political Data Set, Armingeon et al. 2017). The immigration policy restrictiveness uses the IMPIC-score of entry regulations for labour immigrants (see Helbling et al. 2017).

Furthermore, the dataset distinguishes policies based on different migrant target groups that allow for singling out labour immigration policies from other areas of migration policy. The temporal variation shows that there has been a continuous trend towards less restrictive policies on labour immigration (see Figure 2). The liberalisation has been most pronounced in the 1980s when countries started to divert from their zero-immigration policy, and then continued on a slower path thereafter.

To analyse the conditioning effect of welfare states, I create a dummy for welfare state regimes consisting of social-democratic regimes versus liberal and conservative regimes. As social-democratic regimes are classified Sweden, Norway, Finland, Denmark and Iceland.³ To account for female employment as an alternative supply-side strategy of welfare states to address domestic labour shortages, I include the share of women that are part of the national labour force as well as the generosity of child-care policies. The latter I measure as the total public and mandatory private social expenditure for childcare and early educational services as a percentage of GDP (benefits in kind).⁴ The employment data is from the OECD-statistics (OECD 2019) and the spending data is from the Comparative Political Data Set (CPDS) by Armingeon et al. (2017) that provides a rich collection of political, macro-economic and institutional variables for all Western democracies. How much countries spend on childcare varies substantively with their welfare regime: while social-democratic regimes spend on

³ For a more fine-grained analysis, I also separate liberal regimes as containing the UK, the US, Australia, Ireland and Switzerland.

⁴ The variable is log-transformed to avoid a heavily skewed distribution.

average 1.1% of their GDP for childcare, the liberal and conservative regimes spend only 0.3% on average.

I include a series of control variables to account for potential confounders. By taking into consideration short-term labour demands due to the business cycle, I control for unemployment and GDP growth.⁵ Since immigration became a polarizing issue across Western Europe, I control for partisan dynamics in two different ways. First, a categorical variable measures the government ideology as either ‘left’, ‘centre’ or ‘right’.⁶ Second, the vote share of radical-right populist parties as the main anti-immigration force in Western party systems accounts for the electoral pressure of anti-immigration mobilization. These controls are as well from the Comparative Political Data Set by Armingeon et al. (2017).

The modelling of the relationship of interest is based on time-series cross-section (TSCS) regression models. The observations are not independent from each other, but clustered by country and with serial correlation over time. Based on Hausman tests, I opt for the estimation of random effects (RE) models.⁷ In addition, I estimate Newey-West standard errors that correct for serial correlation and heteroscedasticity. Interaction terms are used to estimate the moderating effects on the relationship between demographic structure and immigration policy. Finally, various robustness tests are conducted to assess the stability of the results.

4 Results

I start the empirical analysis by estimating whether demographic ageing can explain countries’ degree of openness to labour immigration. These model estimates are presented in Table 1. Both the bivariate and the multivariate model suggest a strong and significant effect: the older a society is the more open its policies on labour migration. Although the explanation power of the model is rather low, the estimated effect is of substantial size. The average increase of the dependency ratio over the investigated period results in an estimated 0.06 index-points liberalisation of labour immigration.⁸ This means that around a quarter of the average liberalisation trend can be accounted for by demography. The potential confounders included in the model exert no relevant influence on policy restrictiveness. These results confirm hypothesis H1 that countries opt to liberalise the admission of foreign workers in response to demographic ageing.

⁵ Unemployment and GDP growth are lagged by one year in the country-year dataset.

⁶ The operationalization is based on the Schmidt-Index (see Armingeon et al. 2017) that consists of five categories that are collapsed to three by merging the two left-leaning as well as the two right-leaning categories with each other.

⁷ The main effects remain unaltered when running fixed effects (FE) models instead.

⁸ The coefficient in the model output is an estimation of how much the policy changes when moving from the empirical minimum to the empirical maximum of the dependency ratio. This results in an estimated drop by a quarter of the policy index. However, such a comparison based on the range can be misleading since the dependency ratio of countries changes depending on starting levels. An interpretation based on the average change is therefore more realistic.

Table 1: Panel-regression models of labour migration policies

	Policy restrictiveness	
	(1)	(2)
Dependency ratio	-0.28** (0.10)	-0.24* (0.10)
Trade openness		-0.0005 (0.0005)
Unemployment		0.002 (0.004)
GDP growth		0.0003 (0.004)
Radical-right vote share		-0.002 (0.001)
Centre cabinet		-0.02 (0.03)
Right-wing cabinet		-0.02 (0.02)
Constant	0.54*** (0.07)	0.57*** (0.09)
Observations	651	630
Countries	21	21
Adjusted R ²	0.04	0.04

Note: Panel regression models with random effects and Newey-West standard errors. Level of significance as follows: *p<0.05; **p<0.01; ***p<0.001.

In a second step of the empirical analysis, I test how welfare state regimes moderate the influence of demographic ageing on migration policies. Different regimes have varying liberalisation records. Between 1980 and 2010, social-democratic welfare states hardly liberalised immigration (average of 0.07 index points). Liberal regimes have higher levels of liberalisation (0.43 index points) and also conservative regimes have a substantive liberalisation record (0.34 index points). Over the past decades in which welfare states have become increasingly under pressure, only liberal and conservative welfare states eased the admission of foreign workers to a substantial degree. To estimate whether the explanation power of demographic ageing varies across different welfare regimes, I run the fully specified model and include an interaction term between the dependency ratio and a dummy for social-democratic welfare regimes. The result is a significant interaction effect by the regime type (see Figure 2).⁹

⁹ Alternatively, I separated liberal and conservative regimes. These estimates confirm the finding that demographic

This suggests that demographic ageing cannot account for the evolution of labour migration policies of social-democratic regimes. In comparison, liberal and conservative welfare states tend to be more restrictive towards labour migration in their baseline effects, but significantly liberalise labour immigration along with the demographic ageing of their societies. The visualization shows that with a low level of demographic ageing, liberal and conservative welfare states are more restrictive to labour immigration than social-democratic welfare regimes. As societies progressively age, however, liberal and conservative regimes become more liberal in comparison with social-democratic regimes. These results therefore confirm the argument of hypothesis H2 that a meaningful association between demographic ageing and immigration liberalisation depends on the welfare regime.

I then test for the alternative supply-side strategy of expanding female employment. We would expect female employment and childcare policies to moderate the effect of demographic ageing on immigration policy. I test this idea empirically by adding interaction terms to the models. Figure 2 displays the estimated marginal effects for the moderation influence. Both variables appear as significant moderators. Immigration liberalisation is only positively associated with the dependency ratio when female employment is low and when there are no generous childcare policies in place. In addition, we see that the pattern resembles the regime-effects. With a small dependency ratio, the absence of childcare policy and low female employment goes along with more restrictive labour immigration policy. With growing demographic ageing, however, these conservative features correlate with a more liberal immigration policy. In other words, more traditional societies are more likely to liberalise the admission of foreign workers in response to demographic ageing.

Finally, I conduct a series of robustness tests to validate the results. The crucial variables follow distinct time trends and therefore one could assume that the effects are simply the result of a correlation with time. To address this issue, I integrate a general time trend into the model and find that the effects remain significant with the exception of childcare policy. To assess whether the regime effects are indeed the result of the distinctiveness of social-democratic regimes, I run models where I further distinguish between liberal and conservative welfare state regimes. When their moderation effect is estimated separately, the overall finding is confirmed. In both regimes, the liberalisation of immigration is more likely to be chosen with an increasing dependency ratio.

ageing results in immigration liberalisation in these two regimes, but not in social-democratic regimes.

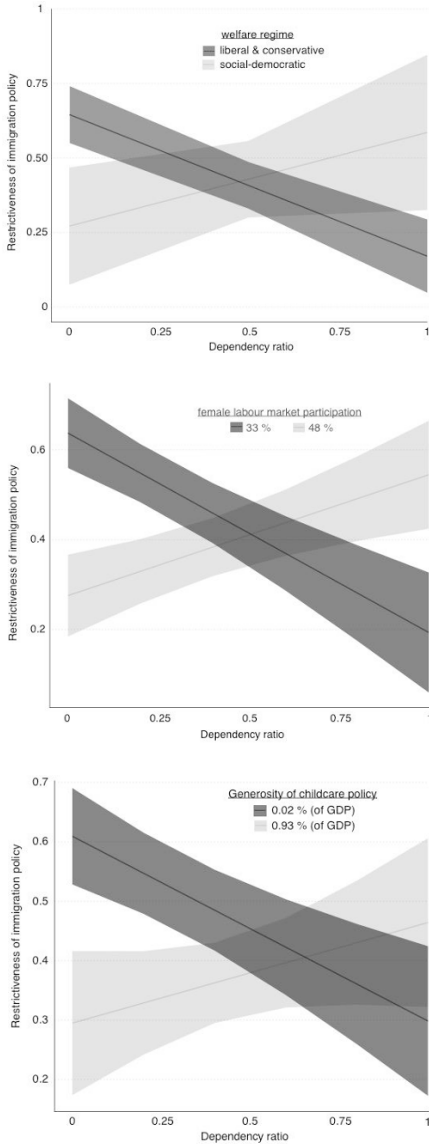


Figure 2: Marginal effects plot of moderating effect by welfare state regimes

Note: The three marginal effect plots show interaction effects of RE-models including all control variables of model (2) in Table 1. The first plot is based on a regime dummy (social-democratic welfare state). Plots 2 and 3 show the predicted probabilities of the relationship between demographic ageing and immigration policy restrictiveness. The estimated effects are plotted based on two different values of the moderator variable: one standard deviation above and below its mean. Additionally, the 95% confidence intervals are displayed.

Resampling additionally confirms the results. When excluding non-European countries from the models, the effect of demographic ageing becomes stronger while the moderation effects are slightly weakened. One might argue that for labour supply it does not matter under which category an immigrant is admitted to the country. Therefore, I replace the dependent variable with the overall immigration policy restrictiveness measure and the main effects become more significant as a result. Hence, the pattern found in the analysis is not only confined to labour migration policy but to immigration regulations more generally. Overall, the pattern regarding the relationship of demographic ageing and labour migration policy appears sufficiently robust to alternative measurements and model specifications.

5 Conclusion

Western welfare states are under growing financial pressure from structural transformations and experience ‘permanent austerity’. This development is first and foremost the result of a rapid demographic change in combination with neoliberal globalization. Welfare states have shown to be resilient and to adapt to new circumstances. Surprisingly, little attention has, however, been devoted to the immigration policies of welfare states. This matters primarily because immigration has become the main cause of population growth in many Western societies where increasingly unfavourable demographic structures threaten to undermine their welfare state institutions. While immigration appears to be an obvious remedy for a shrinking domestic labour force and increasing dependency ratios, the liberalisation of immigration is also fairly unpopular and considered a threat to social solidarity. How welfare states manoeuvre this trade-off between economic needs and socio-political risks is the main focus of this contribution. The findings suggest that the liberalisation of labour immigration since 1980 can be substantially attributed to structural labour needs stemming from accelerating demographic ageing. We may therefore tentatively conclude that most European countries consider demographic ageing a more serious threat to the welfare state than increased immigration of foreign workers.

While all welfare states of advanced capitalist economies are affected by changing demography, they vary in the use of immigration as an antidote. My findings suggest that demographic ageing does help to explain the evolution of labour immigration policies of liberal and conservative welfare states, but not of social-democratic welfare states. This conclusion largely confirms the argument that universal welfare regimes and protectionist labour markets make social-democratic regimes the least compatible with liberal immigration. Consequently, these regimes are reluctant to choose immigration liberalisation to strengthen the economic foundation of welfare institutions.

Additionally, I demonstrate that this policy pattern across different welfare state regimes matches the efforts of countries to mobilize their domestic labour potential. The liberalisation of immigration takes place primarily in countries that have not undertaken efforts to increase female participation in the labour market. This is a further confirmation that the political

response to an ageing society varies by countries' welfare state arrangement and its social model.

This contribution provides empirical evidence of how migration policies evolve in response to an ageing and shrinking population. The demographic transition and resulting policy dynamic is likely to intensify in the near future and therefore deserves our continued interest. In particular, the analysis would benefit from an expansion of scope. In the time span covered in this study, social-democratic regimes started with a relatively old society and liberal immigration policies. The immigration liberalisation of liberal and conservative welfare states could therefore also be a catch-up effect.

Another question remains unaddressed: is the liberal admission of foreign workers politically sustainable? Survey research shows that most citizens are not willing to support replacement migration in response to the demographic challenge (Ceobanu and Koropecjy-Cox 2013). Paradoxically, it is in the social-democratic welfare states that citizens show the highest level of support for liberal immigration. While social-democratic norms of universalism might be favourable to immigration, the related welfare model seems to be more hesitant to further liberalise immigration, but implement policies that allow for a better mobilization of their domestic labour potential. It remains an open question as to what role democratic support plays in this transition process.

Therefore, this contribution provides a first general analysis bringing together two research fields that have been largely separate: welfare state transition and immigration policy. The broader issue addressed here of how established welfare institutions adapt to pressing challenges is a central theme in the work of Klaus Armingeon. In various contributions, he conducted pioneering research on how in the realm of social welfare economic imperatives may clash with democratic support (e.g. Armingeon and Giger 2008; Armingeon et al. 2016). The study of migration politics can not only gain important insights from this research agenda on welfare state policies, but hopefully also contribute to a better understanding of welfare state challenges themselves.

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