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Immigration and the conditionality of unemployment benefits in OECD countries

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ABSTRACT
Advanced welfare states have placed more conditions on the receipt of social protection. This study examines the link between the strictness of unemployment benefit conditionality and immigration. Immigration might increase this through an anti-solidarity effect because it decreases the perceived deservingness of the unemployed and *via* a fiscal exposure effect where governments attempt to limit the negative financial consequences of immigration. This article examines this relationship by analysing data for 20 OECD countries from 1985–2012. It complements the literature on how immigration challenges welfare states by examining whether immigration affects not only their budgets but also how beneficiaries are treated. The results show that immigration is associated with stricter benefit sanctions. Moreover, unemployment benefits that are greater weaken this conditionality-enhancing effect of immigration. The effects stem largely from how EU countries respond to intra-EU migration, potentially because they are unable to restrict the access to social security of these migrants.

KEYWORDS Welfare state; immigration; benefit conditionality; OECD; public opinion

In recent decades, the steady influx of immigrants has made many advanced welfare states more racially and ethnically diverse. Numerous studies suggest that the increased presence of immigrants in welfare states can produce economic and political pressures for them to restructure their welfare arrangements (Gaston and Rajaguru 2013; Soroka *et al.* 2016; Spies 2018). Politically, immigration can cause an anti-solidarity effect whereby greater ethnic and racial diversity erodes the social solidarity necessary to sustain redistributive efforts (Finseraas 2008; Luttmer 2001). Economically, it is possible that the adverse selection of immigrants into generous welfare states may exert downward pressure on the levels of social provisions in order to minimise the financial effects of immigration (Borjas 1999).

While researchers acknowledge that policymakers might change social programmes in response to immigration, much of the existing literature focuses on benefit and spending levels as social policy (Fenwick 2019; Lipsmeyer and Zhu 2011; Soroka *et al.* 2016). This thereby disregards that the receipt of social transfers in many OECD countries has become more conditional in recent decades. Conditionality in this context refers to *behavioural requirements* to which recipients have to conform in order to continue receiving benefits and the *strictness of sanctions* that incentivise compliance with these requirements (Adler 2018: 63). In practice, conditionality has entailed the insertion of job search requirements for continued access to income-replacing or supplementing schemes (Lødemel 2001), strengthening reporting requirements and mandatory participation in training programmes, as well as (stricter) sanctions when recipients fail to comply with these requirements ranging from reducing or terminating their benefits (Knotz 2012).

The increased reliance on conditionality has largely been overlooked in the welfare-immigration scholarship. The limited research into the relationship between conditionality and demographic heterogeneity originated in the US. These studies show that more racially diverse states have social assistance programmes characterised not only by lower benefits levels but also by a greater reliance on welfare conditionality with much of the effect resulting from stricter sanctions (Fording *et al.* 2011; Soss *et al.* 2001). Outside of the US, Kvist (2004) has argued that the Eastern enlargement of the European Union led policymakers in several of the more affluent EU Member States to implement work-related conditionality as a requirement for accessing benefits. He contends that this was to limit the potential for welfare tourism. Kvist's study illustrates one example where states adopted conditionality in benefits in response to immigration.

Our study complements the immigration-welfare literature by investigating whether immigration is associated with a stricter conditionality of unemployment benefits in OECD countries. We rely on a dataset quantifying the conditionality of unemployment benefits in OECD countries which enables studying the relationship between conditionality and immigration across time and space. We contend that immigration can result in greater reliance on benefit conditionality. This may be caused by an *anti-solidarity effect* whereby immigration changes the perceived deservingness of the unemployed and increases the political legitimacy of stricter benefit conditionality. Alternatively, immigration can be perceived by policymakers as a fiscal risk, and benefit conditionality may be one of the instruments used to limit this *fiscal exposure*. We also assess how benefit generosity moderates the relationship between immigration and benefit conditionality as past studies have overlooked the role that programmatic features play in the choice to rely on conditionality (see Knotz 2019).

Our article contributes to discussions about the consequences of immigration for welfare states. We take on recommendations to approach welfare state change as a multidimensional phenomenon and move beyond the focus on expenditure levels and generosity as proxies for social rights and entitlements (Clasen and Siegel 2007). Understanding why welfare states rely on benefit conditionality is important as, on the one hand, it has been shown to reduce the length of time that beneficiaries continue to receive benefits (Boockmann *et al.* 2014). This makes it a potentially significant lever in the policy arsenal of policymakers concerned with the fiscal costs of unemployment. At the same time, conditionality can also profoundly adversely affect the experiences of beneficiaries (Davis 2019; Dwyer *et al.* 2020).

In addition to being an important dimension of social rights, conditionality is particularly relevant in the analysis of immigration and welfare states. Policy responses to immigration can be expected to be more tied to changes in conditions than changes in benefit levels. The latter can be politically more costly, while the former makes it possible to maintain generous benefit levels for core voters while restricting access for outsiders. With this study, we show that immigration affects the structure of social citizenship and social rights in advanced welfare states in ways currently overlooked by the comparative political economy scholarship studying the impacts of immigration on welfare states. The findings suggest that immigration is associated with greater conditionality in unemployment benefits. This effect manifests through stricter sanctions on recipients who fail to abide by the requirements stipulated in unemployment benefits. The findings suggest that these effects are the result of EU and EEA countries responding to migration from other EU and EEA countries. This may be because EU Member States are unable to readily exclude EU migrants from social protection (Cappelen and Peters 2018) and instead resort to other instruments such conditionality to address this type of migration. Moreover, we find that the generosity of unemployment benefits mitigates the movement towards greater conditionality in response to immigration.

The remainder of the article has the following structure. The next section provides a discussion of conditionality in benefit designs and a brief discussion of the activation turn in social policy. Then we outline how immigration might contribute to the turn towards conditionality in unemployment benefits. Subsequently, we present the data and method. We then proceed to our analysis and conclusion.

The conditionality of benefits and the activation turn

At its essence, conditionality entails the use of incentives to dissuade extended periods of unemployment. This is typically achieved through

behavioural requirements and sanctions that serve as incentives to comply with these requirements. The focus is on those requirements that apply to individuals already receiving benefits. Policymakers employ conditionality for two reasons. First, they can resort to this as a policy aimed at increasing employment, for example, in order to realise cost savings. A second reason why they could opt for it is to target benefits to candidates considered more 'deserving'.

Conditionality builds on insights from labour economics that indicate that the design of unemployment benefits has the potential to diminish job-search intensity. As a result, unemployment insurance can lead recipients to remain on benefits for longer periods – harming both the taxpayer and the individuals in question as their employability reduces due to their longer absence from the labour market (Holmlund 1998). The activation paradigm shift involves a reappraisal of labour market policies as tools for 'activating' the unemployed and a re-examination of the ways that benefits can either promote or prevent dependency on them (Armingeon 2007; van Vliet and Koster 2011; Weishaupt 2011). Implicit in the use of benefits conditionality is that, at least for some beneficiaries, unemployment is partially contingent on job-search intensity. Conditionality can increase this by requiring participation in activities that advance the prospects of (re-)employment or by withholding benefits when individuals violate these requirements. A literature review by Card *et al.* (2018) concludes that conditionality is a relatively cost-effective means of increasing employment.

Stricter conditionality, however, can also be problematic. For example, sanctions may have the effect of pushing out labour market participants with weaker labour market attachment – or lead to them avoiding registering as unemployed. They may also lead some individuals to accept employment of inferior quality characterised by lower salaries and/or weaker protections thereby increasing the risk of frequent employment turnovers or future spells of unemployment (Arni *et al.* 2013). Additionally, conditionality may lead some individuals to neglect informal ways of finding jobs because they are preoccupied with meeting formal requirements (Knotz 2020: 3).

Conditionality also serves as a targeting device that helps to ensure that benefits are allocated to those more in need and potentially deter claimants who could do without them (Immervoll and Knotz 2018). Changes in the perceived deservingness of unemployment benefits recipients are argued to be a major factor contributing to the increased reliance on conditionality (Knotz 2019). Across Europe, the unemployed are viewed as one of the most undeserving categories of recipients (van Oorschot 2006). In a context where the size of the social protection pie is under permanent budgetary pressure, discussions over who gets how

much centre around which target groups 'deserve' it (Gilder 2012). In such a context, conditionality enforces a sense of reciprocity by requiring something in return.

Immigration and welfare state retrenchment

Public discussions about immigration often centre around its cultural and economic impact on the host country (Hainmueller and Hopkins 2014). Cultural concerns, for example, about shared values often underlie calls to outright exclude immigrants from the welfare system (Koning 2019). Welfare state reforms such as conditionality, which will also possibly impact other natives, we believe are more likely to follow from concerns about the financial consequences of immigration and matters about which groups benefit from redistribution. In line with previous research, we distinguish between economic and political pressures stemming from migration on welfare states (Gaston and Rajaguru 2013; Koning 2017; Roemer and Van der Straeten 2006). The former arises due to the potential financial consequences of migration. To reduce the extent of fiscal exposure, policymakers might decrease the generosity of benefits or increase conditionality.

Additional pressure on welfare states arises from the challenge that immigration poses to the social legitimacy of solidaristic redistribution that is often referred to as the liberal dilemma. These scholars contend that, since redistributive social protection depends on altruistic support for beneficiaries, something that can be diminished when recipients belong to ethnic outgroups, generous welfare and open immigration are difficult to reconcile (Kulin *et al.* 2016; Spies 2018). Our argument draws on earlier research exploring the relationship between social diversity and conditionality in social policy. In the US, states with more African Americans have implemented stricter conditionality partially due to the perception that they are less deserving (Fording *et al.* 2011; Soss *et al.* 2001). In the EU context, researchers have found evidence of how EU Member States have used various forms of work-and residence-related conditionality to limit the effects of welfare migration (Bruzelius 2019; Kvist 2004; Shutes 2016). It is important to note that these pressures are not competing accounts as the anti-solidarity and fiscal exposure effect are not mutually exclusive.

Anti-solidarity effect

Research demonstrates that attitudes about racial minorities and immigrants shape social policy preferences (Garand *et al.* 2017; Gilens 1999). The increased presence of foreigners can reduce the perceived deservingness of some target groups such as recipients of social assistance and

unemployment benefits. We expect immigration to change the deserving-ness perceptions of natives and influence conditionality for three related reasons.

First, large numbers of individuals across the OECD believe that immigrants have a poor work ethic and are unemployed and dependent on benefits at higher rates than they actually are (Alesina *et al.* 2023; Dylong and Uebelmesser 2022; Larsen 2011; Negash 2022). There are disagreements as to where these perceptions originate. These views may track immigrants' unemployment rates or immigrants' overrepresentation in social programmes, e.g. unemployment insurance and social assistance (Boeri 2010; Morissens and Sainsbury 2005; Sara *et al.* 2015: 1323). However, the substantial cross-national variation in immigrants' welfare and labour market participation is not reflected in public perceptions that are more uniformly negative (Negash 2022). This could be because these perceptions are instead shaped by the content of media coverage that focuses disproportionately on groups such as asylum seekers and non-western migrants that are more dependent on welfare benefits (Blinder and Allen 2016).

Second, these prejudices may be more prevalent among natives in countries with more immigrants. A larger out-group can cause members of the in-group to feel at risk as they perceive the out-group as a threat to material and immaterial resources. These perceptions have been found to translate into prejudiced beliefs about those out-groups (Quillian 1995; Schlueter and Davidov 2013).

Third, these negative views about immigrants may lead some natives to believe that welfare recipients writ large are content with being dependent on welfare. Gilens (1999) illustrates how, in the US, whites' attitudes about racial minorities' work effort has negatively affected their public support for specific means-tested social programmes. This is because those are seen as primarily benefitting an undeserving and unmotivated group of recipients.

While there is also evidence of a connection between prejudiced views about ethnic minorities and social policy preferences outside the US (Burgoon and Rooduijn 2021; Goldschmidt 2015; Harell *et al.* 2016), evidence of the relationship between population heterogeneity and support for welfare is less iron-clad outside the country. Several studies find limited or no evidence of such a connection (Brady and Finnigan 2014; Finseraas 2008), though it is worth noting that this is typically studying the effects on general welfare support and not conditionality.

Research has shown that *identity, need,* and level of *control* of recipients are important determinants of the perceived deservingness of beneficiaries (van Oorschot 2006). A vignette experiment in the Netherlands illustrates how immigrants are consistently perceived as less deserving of unemployment benefits than natives regardless of their behaviour (Reeskens and van

der Meer 2019). When immigrants (are perceived to) make up a larger share of the unemployed, the deservingness of these individuals may thus be lower. This would be because concerns about migrants' work ethic and welfare dependence may lead to perceptions that recipients are not in need and could find employment if they attempted to do so.

We expect changes in these preferences to matter because policymakers may be responsive to citizens' preferences, as previous studies have shown (Böhmelt 2021; Brooks and Manza 2006). Changes in these preferences might affect voting behaviour, as such, policymakers have an incentive to align their policies with voters' preferences (see Spies 2018, Chapter 5).

Fiscal exposure

In contrast to the anti-solidarity effect, another strand of literature argues that immigration without limits on the number of immigrants and/or post-entry rights can result in an unsustainable fiscal commitment (Gaston and Rajaguru 2013; Sinn and Ochel 2003: 890). A prominent concern here is that generous welfare programmes attract (low-skilled) immigrants (Borjas 1999). Whether generous benefits actually lead to an adverse selection of immigrants is contested (Ponce 2019; Razin and Wahba 2015), however, policymakers behave as if welfare migration poses a significant risk to public finances (Dahlberg and Edmark 2008; Kvist 2004). While the risk of fiscal exposure is most pronounced in tax-financed benefits (Suari-Andreu and Van Vliet 2023), even contributory benefits may spark such concerns since these programmes also entail some redistribution (Boeri 2010: 658).

The existing research does not address the underlying mechanisms. While scholars in this line of argumentation concur that policymakers care about the potential fiscal costs of migration, they do not elaborate on why policymakers might care about them. There could be multiple reasons, for example, because they anticipate that a negative fiscal impact of immigration would be resented by the public and that a sustained negative fiscal effect would result in a backlash against immigration. Alternatively, policymakers may care about these costs because they might prefer to allocate resources to other priorities.

Immigration and conditionality

Given these economic and political pressures from immigration to adjust social policy, policymakers could opt for several responses. We argue that conditionality is a form of welfare state retrenchment that offers some advantages over other common policy responses. Consider reductions in the generosity of benefits achieved by reducing replacement rates or

through across-the-board cutbacks in expenditures, which may be a first option. This can be politically risky as such reforms impose high costs on concentrated groups of beneficiaries in exchange for small benefits for a larger, more diffuse group (Pierson 1996). General retrenchment of unemployment insurance may also be viewed as counterproductive. Unemployment insurance aids individuals and households in consumption smoothing, i.e. avoiding substantial drops in their standards of living in times of unemployment (Holmlund 1998). Surveys show that this function of unemployment insurance has broad public support – albeit at lower levels than other social programmes (Roosma *et al.* 2014). Reducing replacement rates or making non-targeted cutbacks may undermine this function of unemployment benefits.

Limiting immigrants' social rights is another option for reducing the extent of fiscal exposure. However, doing so may clash with norms of equal treatment or international commitments (Martin 2011). As such, some governments may be unwilling to produce a form of dualised social citizenship. This applies especially to welfare states with more universalistic notions of social citizenship (Römer 2017). Restricting immigrants' entitlement to welfare is also not an option for intra-EU migrants. EU and EEA countries are constrained in their ability to restrict the social rights of other EU and EEA nationals due to freedom of movement as enshrined in EU treaties and expanded through jurisprudence (Geddes 2014).

There are then pragmatic and normative reasons why increasing conditionality may be a reasonable midway alternative form of welfare recalibration at the disposal of policymakers. Conditionality enjoys greater public support than retrenchment and may carry smaller political costs (Buss 2019). This makes it less electorally risky than non-targeted cutbacks. It is also plausible that policymakers view stricter benefit conditionality as a means of reducing concerns about recipients' work ethic and needs. The efforts of the unemployed to gain employment are often questioned, and this is particularly true in contexts with more migration because of stereotypes about immigrants' work ethic and benefit dependency. Since benefit conditionality entails obligations and monitoring of recipients' efforts to gain employment, policymakers may attempt to alleviate these concerns by imposing stricter requirements (Soss and Schram 2007).

Conditionality also does not clash with norms of equal treatment prevalent in western democracies and instead reinforces another popular norm, i.e. reciprocity, in the delivery of benefits (van Oorschot 2006). This might make it a preferable alternative to outrightly circumscribing immigrants' social rights. Moreover, it is an option available in the context of intra-EU migration. There is some tentative evidence that policymakers use benefit conditionality in this way. Governments have used

work-related conditionality in welfare arrangements to reduce the accessibility of benefits out of concerns for welfare migration after the 2004 enlargement (Kvist 2004).

Our argument thus posits that policymakers in contexts with more immigration may be more likely to rely on stricter benefit conditionality because the unemployed are perceived as less deserving and/or to reduce the extent of fiscal exposure:

> Hypothesis 1. Growth in the immigrant population leads to unemployment benefits that are more conditional

Benefit generosity as a moderating mechanism

First, research shows that the effects of immigration on welfare and immigration attitudes depend on the design of welfare institutions (Crepaz and Damron 2009; Larsen 2008). In particular, the generosity of social programmes has been argued to play an important role. For example, Röth et al. (2022) demonstrate that programmes that offer broader coverage, higher benefits, and are less stratified weaken the negative effects that immigration has on the support for social programmes. Generous programmes produce this effect for two reasons. First, those with more comprehensive coverage are less likely to invite discussion about deservingness and obscure who is the payer and who is the beneficiary (Röth et al. 2022: 502). Second, the native middle classes may feel they have a stronger vested interest in the more generous benefits. Consistent with this argument, the more generous unemployment benefits in Western Europe and the US have proven to be more difficult to retrench in response to immigration (Röth et al. 2022; Spies 2018: 164).

As such, the relative generosity of social programmes may moderate the anti-solidarity effect. Those that service a more narrow clientele because the eligibility conditions are restrictive may acquire an unfavourable reputation with more immigrants. This could more clearly highlight the existence of a payer-recipient relationship and bring into focus the deservingness of recipients. This is something that could be of relevance especially when immigrants are (perceived as being) overrepresented in those programmes or when these are considered as being vulnerable to abuse (Soroka et al. 2016). Programmes with generous benefit levels and comprehensive coverage, by contrast, could be expected to have a larger constituency because they deemphasise the deservingness of recipients and because the middle classes have a stake in them (Korpi and Palme 1998; Larsen 2008). We expect that the net effect will be that generous benefits reduce the political need and viability of conditionality-enhancing reforms in the face of immigration.

However, an alternative moderating relationship is also conceivable. Generous benefits could imply even greater fiscal exposure in the face of immigration leading to stronger incentives to reform social programmes. As such, it might be expected that policymakers will opt for stricter conditionality as a means of limiting fiscal exposure to migration when benefits are more generous, and the extent of fiscal exposure is greater. Building on these insights, the following hypotheses are formulated.

> Hypothesis 2. The effects of immigration are stronger/weaker when the benefits in question are more generous.

If we find that immigration leads to benefits that are more conditional and that this effect is stronger when benefits are more generous, we may deduce from this that the economic logic of reform best explains the dynamics we observe. This would be in accordance with the argument that policymakers use conditionality in part to protect benefits against welfare tourism. If, by contrast, the results show that the positive association between immigration and conditionality is weaker in settings with more generous benefits, this pattern would be more consistent with the anti-solidarity effect we outlined.

Data and operationalisation

Dependent variable

The focus of this study is on the *conditionality* of unemployment benefits particularly for several reasons. First, conditionality expressly aims to move the unemployed or inactive into paid employment. As such, it is most likely to be applied to programmes like unemployment insurance and social assistance. Other social transfers typically service claimants who are (more) difficult or unlikely to (re-) integrate into the labour market, e.g. the disabled or elderly. Second, the existence of a dataset quantifying the conditionality of unemployment benefits in OECD countries enables studying the relationship between conditionality and immigration across time and space. This dataset encompasses only the contributory unemployment schemes. Means-tested unemployment assistance schemes are not covered.[1] Our study, therefore, does not examine various policy reforms in countries with two-tier systems of which a consequence is that the strictness of requirements and sanctions increased – often the most in the unemployment assistance tier (Clasen and Clegg 2011). We consider unemployment insurance as a programme to provide a good test case of the arguments we outlined for two reasons. First, while unemployment insurance programmes are contributory in nature, where benefit levels and entitlement are largely based on past contributions, there is still some

measure of redistribution (Boeri 2010: 657–58). Since immigrants in many countries are at greater risk of unemployment (Burgoon 2014: 379), even contributory unemployment insurance can create a potential fiscal exposure effect that may incentivise the use of conditionality. Second, despite differences in the funding mechanisms, unemployment insurance and assistance programmes often have similar levels of conditionality (Immervoll and Knotz 2018) meaning that the effects of immigration may be comparable across schemes. Still, due to differences in reform trajectories across programmes, immigration's effect on unemployment insurance may not straightforwardly apply to other income-replacing schemes.

Conditionality has two dimensions, i.e. *behavioural requirements* and *sanctions*. To operationalise them, we rely on a comprehensive dataset that contains data on the conditionality of unemployment benefits for 20 countries[2] from 1980–2012 (Knotz and Nelson 2018). The first dimension stipulates behavioural requirements that benefit recipients are expected to comply with in order to continue receiving benefits. These include rules about when claimants can restrict their availability for work without losing benefits as well as job-search and reporting requirements. The second dimension of conditionality is the strictness of the *sanctions* for not complying with these behavioural requirements which can entail temporary reductions of benefits to complete disqualification. The indices were coded by examining primary texts, e.g. legislation, as well as secondary literature for the presence of rules and sanctions. These were then aggregated and normalised in order to construct the composite indices that range from 0 to 1 with higher values indicating stricter requirements and sanctions. The choice of countries in this study is partly dictated by the availability of data on our dependent variables. This limits the ability to study the relationship between immigration and benefit conditionality in Central and Eastern European countries. Even so, the fact that our sample consists of countries that were democratic, industrialised welfare states during the entire period under study, all of which were experiencing varying levels of immigration, makes these countries useful cases to empirically test our expectations. The dataset covers the period from 1980–2012 in most countries, but the analysis begins from 1985 as this is the point at which employment protection data is available.

Independent variables

Our independent variable of interest is the *foreign-born individuals as a share of the population*. This operationalisation has been used previously in earlier research (Fenwick 2019; Soroka *et al.* 2016). We use the OECD's migration database to construct this variable (OECD 2019a) in which countries' data collection of migration statistics varies. The OECD uses

multiple operationalisations of international migrants. They count the number of foreign-born individuals further distinguished by their nationality or country of birth which potentially introduces some measurement inconsistency. However, we found that the measures are highly correlated ($r = 0.97$ and $r = 0.94$, respectively). To maximise the number of observations, we use all three preferring foreign-born individuals by nationality when it was available and otherwise using the other measures as alternatives. For each country, we ensured that we only used one of the measures used, such that the analyses over time within the same country were not compromised by these measurement discrepancies. The sensitivity checks show that these measurement discrepancies had no impact on the results. In extensions to our main analyses using general immigration, we also assess composition effects by examining the effects of migration from countries with significant Muslim populations and EU countries. Disaggregated migration data are sparser and contain a significantly higher number of missing values which makes this task more challenging.

Finally, as we expected that the generosity of benefits will moderate the effect of immigration, the *generosity of unemployment benefits* was also included as a predictor. This is an index based on the *coverage, replacement rates,* and *contributions periods* of the unemployment insurance benefits that countries provide (Scruggs *et al.* 2017).

Control variables

We control for variables that have been shown to affect benefit conditionality specifically and welfare reforms more generally in earlier research.

First, we control for the strictness of *employment protection legislation (EPL)* (OECD 2013) which is a labour market institution that may plausibly affect both the strictness of benefit conditionality (Knotz 2019: 625) and the demand for immigrant labour (Afonso and Devitt 2016).

The strength of trade unions and left-wing political parties may explain these social policy choices as highlighted by the power resource theory (Huber and Stephens 2001; Korpi 1983). We, therefore control for the share of *cabinet seats* occupied by *left-wing parties* (Armingeon 2019) and for *trade union density* (OECD and AIAS 2020).

In addition to power resources, our models include variables that could provide economic impetuses for intensifying conditionality in unemployment benefits. We control for the effects of the business cycle using the *unemployment rate* as we expect higher levels of unemployment to trigger cost pressures to reform benefits in order to reduce the number of recipients (OECD 2019c). We also factor in the *budget deficit* as higher

operational deficits could increase the perceived urgency to reform benefits (OECD 2019b).

Furthermore, we account for economic globalisation using two measures. For *trade openness,* we rely on the sum of imports and exports (Feenstra *et al.* 2019). To gauge *capital openness*, we use an additive index that measures whether a country has multiple exchange rates, restrictions on current account transactions, restrictions on capital account transactions, and employs requirements of surrendering export proceeds. The variable is scaled to range from 0 to 1 with higher values indicating greater openness (Chinn and Ito 2006).

Methods

Our dataset contains repeated measures for 20 countries for up to 27 years. Time-series cross-section data of this type often suffer from several problems, most notably panel heteroscedasticity, serially correlated errors, and potential heterogeneity of units. To address the first issue, we use panel-corrected standard errors (Beck and Katz, 1995). We estimate an error correction model (ECM) which allows us to assess the impact of long-term relationships between variables and the effects of short-term shocks on outcome variables of interest (De Boef and Keele 2008). We regress the first difference of the dependent variable on one-year-lagged values of the dependent variable in levels. We include our other covariates both in first differences and lagged by one period in levels. The U_i are n-1 unit dummies and ε_{it} the errors (see Equation (1)). β0 and β1 show the short-term and long-term effects, respectively. We used Stata's nlcom command to estimate the long-term multiplier (LRM) obtained by taking $\beta 1 / (1 - a1)$.

$$\Delta Y_{it} = \alpha 0 + a1 Y_{it-1} + \Delta \beta 0 X_{it-1} + \beta 1 X_{it-1} + U_i + \varepsilon_{it} \quad (1)$$

An F-test and the Hausman specification test suggest that there may be unit heterogeneity and show a significant difference between the fixed and random-effects models. Given these diagnostic results and the measurement inconsistencies in the measures of migration, we decided to include unit fixed effects in the models. As such, our results show the effects of changes in immigration on conditionality within-country over time.

The combination of the OLS models with a lagged dependent variable and unit fixed effects may result in the Nickell Bias. This problem arises because the demeaning process used to estimate models with unit fixed effects creates a correlation between the lagged dependent variable and

the error term (Nickell 1981). The size of the bias is smaller in panels measured for longer periods and may be negligible for panels where $T > 20$ (Beck and Katz 2011: 342). The Nickell bias may be less pronounced in this study's data because it comprises countries measured for a period of up to 27 years. Nonetheless, we also show in the robustness checks that the results are not affected by the combination of the lagged dependent variable and unit fixed effects. Finally, we also estimate each model with the inclusion of period fixed effects as initial robustness checks.

Results

Figure 1 displays the developments in the strictness of sanctions and behavioural requirements with the corresponding changes in the foreign-born population in our sample of OECD countries during the period studied. Panel A shows behavioural requirements while Panel B indicates sanctions and immigration. The graph illustrates that sanctions have not uniformly become stricter in OECD countries. In some cases, such as the Netherlands and Australia, they have become weaker. Interestingly, the Nordic welfare states have adopted behavioural rules and sanctions that are more stringent. For example, in the context of increasing unemployment rates, on the one hand, and a stronger focus on activation, on the other, successive Danish governments have introduced stricter conditionality requirements while benefit levels remained largely untouched in order to maintain political support (Andersen, 2011).

In the Mediterranean countries, the economic security provided by EPLs and unemployment benefits can be considered as substitutes as the former is relatively strict and the latter are relatively low. Furthermore, expenditures on active labour market policies are relatively low in the Mediterranean countries, however, Figure 1 shows that conditions and sanctions are relatively strict there. Moreover, they have become more so over time. Among the continental welfare states, Germany is prominent for the increased strictness of requirements in the 2000s. When examining the Anglo-Saxon welfare states, it is evident that, except for New Zeeland, the strictness of these behavioural requirements is quite characteristic of these states.

Table 1's regression results shows that an increase in the foreign-born population share is associated with stricter sanctions with only the long-term effect being positive and statistically significant. The LRM is statistically significant as well (columns 2 and 4). Immigration has no statistically significant effect on the strictness of behavioural requirements. The signs here also differ as the coefficients are negative in levels and first differences (columns 1 and 3). Overall, these results align with previous findings of how racial diversity affects US states' social policy
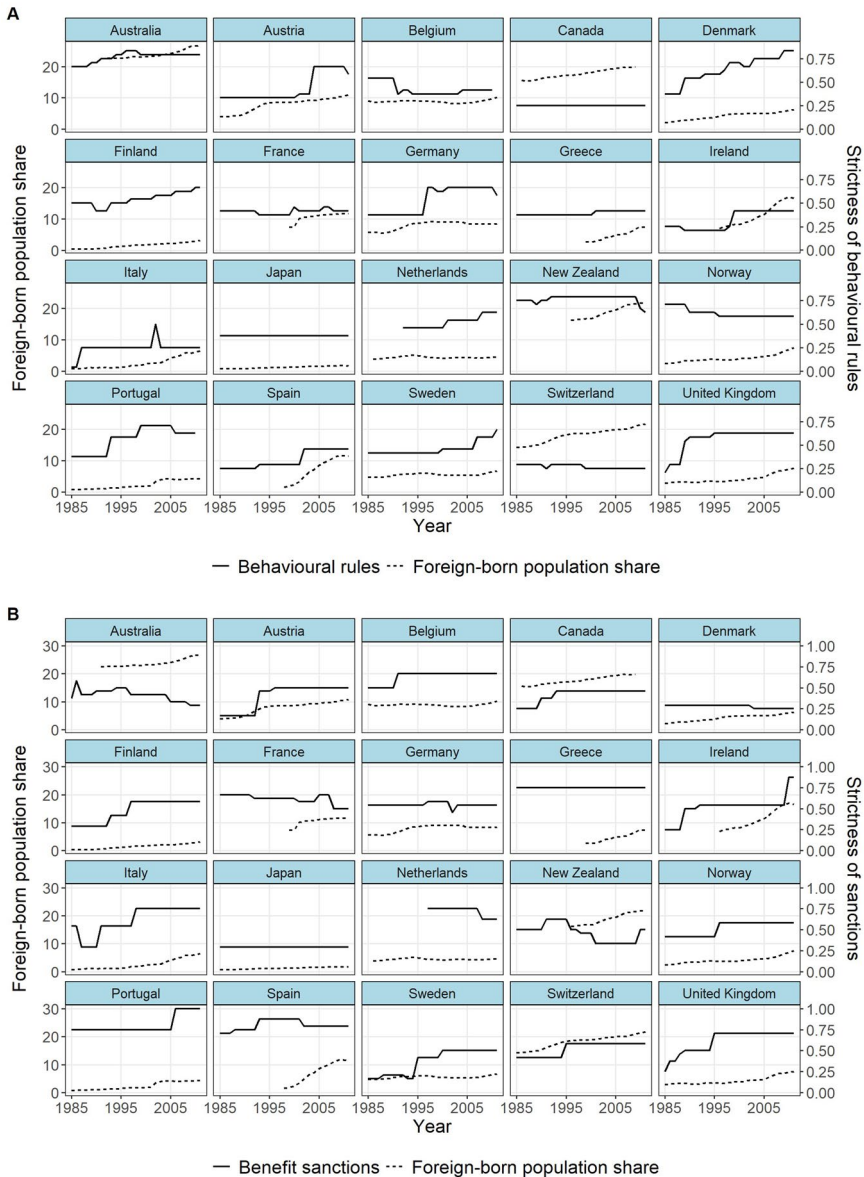
Figure 1. Immigration and conditionality in OECD countries 1985–2012.

decisions (Soss *et al*. 2001) which shows that greater racial diversity leads to stricter sanctions, but communities with greater racial diversity do not implement stricter behavioural requirements. These results also dovetail with evidence provided by Soroka *et al*. (2016) who find that immigration leads to lower spending on ALMPs. One reason for this might be that countries with higher immigration rely more on conditionality, a relatively

Table 1. Unconditional and conditional effects of migration on benefit conditionality in OECD countries.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions
LDV	−0.148*** (0.029)	−0.153*** (0.017)	−0.262*** (0.040)	−0.201*** (0.025)	−0.268*** (0.040)	−0.204*** (0.028)	−0.267*** (0.040)	−0.206*** (0.025)	−0.270*** (0.040)	−0.209*** (0.029)
ΔImmigration	−0.003 (0.007)	−0.003 (0.007)	−0.007 (0.008)	0.003 (0.008)	−0.005 (0.008)	0.007 (0.008)	−0.006 (0.008)	0.002 (0.008)	−0.004 (0.008)	0.006 (0.008)
Immigration$_{t-1}$	0.001 (0.002)	0.006*** (0.001)	−0.003 (0.002)	0.006*** (0.001)	−0.001 (0.002)	0.009*** (0.002)	−0.009 (0.007)	0.010*** (0.002)	−0.007 (0.007)	0.015*** (0.003)
ΔUnemployment generosity			−0.001 (0.002)	−0.002 (0.001)	−0.002 (0.002)	−0.007 (0.002)	−0.002 (0.007)	−0.001 (0.002)	−0.003 (0.007)	−0.003 (0.003)
Unemployment generosity$_{t-1}$			−0.001 (0.008)	−0.002 (0.006)	−0.002 (0.009)	−0.007 (0.006)	−0.002 (0.009)	−0.001 (0.008)	−0.003 (0.009)	−0.003 (0.008)
ΔImmigration x ΔUnemployment generosity							−0.005 (0.005)?	0.002 (0.002)	−0.009 (0.008)	0.002 (0.002)
Immigration$_{t-1}$ x Unemployment generosity$_{t-1}$							0.001 (0.001)	−0.000** (0.000)	0.001 (0.001)	−0.001*** (0.000)
ΔEPL			0.010 (0.032)	−0.024 (0.034)	0.013 (0.032)	−0.035 (0.037)	0.013 (0.031)	−0.026 (0.034)	0.016 (0.032)	−0.039 (0.037)
EPL$_{t-1}$			−0.069*** (0.017)	0.012 (0.018)	−0.072*** (0.017)	0.009 (0.019)	−0.067*** (0.017)	0.010 (0.018)	−0.070*** (0.017)	0.007 (0.019)
ΔTrade openness			0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	−0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	−0.000 (0.000)
Trade openness$_{t-1}$			0.001** (0.000)	0.000 (0.000)	0.001*** (0.000)	0.000 (0.000)	0.001** (0.000)	0.000 (0.000)	0.001*** (0.000)	0.000 (0.000)
ΔCapital openness			0.043 (0.055)	0.077** (0.039)	0.041 (0.053)	0.057 (0.041)	0.045 (0.054)	0.076** (0.039)	0.041 (0.053)	0.056 (0.041)
Capital openness$_{t-1}$			0.006 (0.020)	0.083*** (0.018)	0.006 (0.020)	0.080*** (0.021)	0.007 (0.020)	0.084*** (0.018)	0.003 (0.020)	0.082*** (0.022)
ΔUnemployment rate			0.005** (0.002)	−0.008*** (0.002)	0.005* (0.003)	−0.008*** (0.002)	0.004 (0.002)	−0.007*** (0.002)	0.005 (0.003)	−0.007*** (0.002)

(Continued)

Table 1. Continued.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions	ΔBeh. Req.	ΔSanctions
Unemployment rate$_{t-1}$			0.001	0.003***	0.001	0.003**	0.001	0.003***	0.000	0.003***
			(0.002)	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)	(0.002)	(0.001)
ΔUnion density			−0.000	−0.002	0.001	−0.003	−0.000	−0.002	0.001	−0.003
			(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Union density$_{t-1}$			−0.002***	0.000	−0.002**	0.000	−0.002***	0.000	−0.002**	0.000
			(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ΔDeficit			0.000	−0.004***	−0.001	−0.005***	0.000	−0.004***	−0.001	−0.005***
			(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Deficit$_{t-1}$			0.001	−0.002***	0.000	−0.002**	0.001	−0.002***	0.000	−0.001**
			(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
ΔLeft cabinet			−0.000	0.000	−0.000	0.000	−0.000	0.000	−0.000	0.000
			(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Left cabinet$_{t-1}$			0.000	−0.000	0.000	−0.000	0.000	−0.000	0.000	−0.000
			(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Intercept	0.106***	−0.081***	0.424***	−0.186***	0.372***	−0.228***	0.479***	−0.221***	0.433***	−0.287***
	(0.036)	(0.024)	(0.083)	(0.049)	(0.080)	(0.055)	(0.123)	(0.045)	(0.126)	(0.051)
N	439	436	422	418	422	418	422	418	422	418
Year-FE	N	N	N	N	Y	Y	N	N	Y	Y
Adj. R-squared	0.078	0.087	0.142	0.178	0.173	0.211	0.143	0.176	0.173	0.213
Immigration$_{t-1}$ (LRM)		0.003***		0.006***		0.007***		0.011***		0.013***
		(0.001)		(0.001)		(0.001)		(0.001)		(0.002)
Immigration$_{t-1}$ × Unemployment generosity$_{t-1}$ (LRM)								−0.000***		−0.000***
								(0.000)		(0.000)

Panel-corrected standard errors are in parenthesis.
***$p < 0.01$. **$p < 0.05$. *$p < 0.1$.
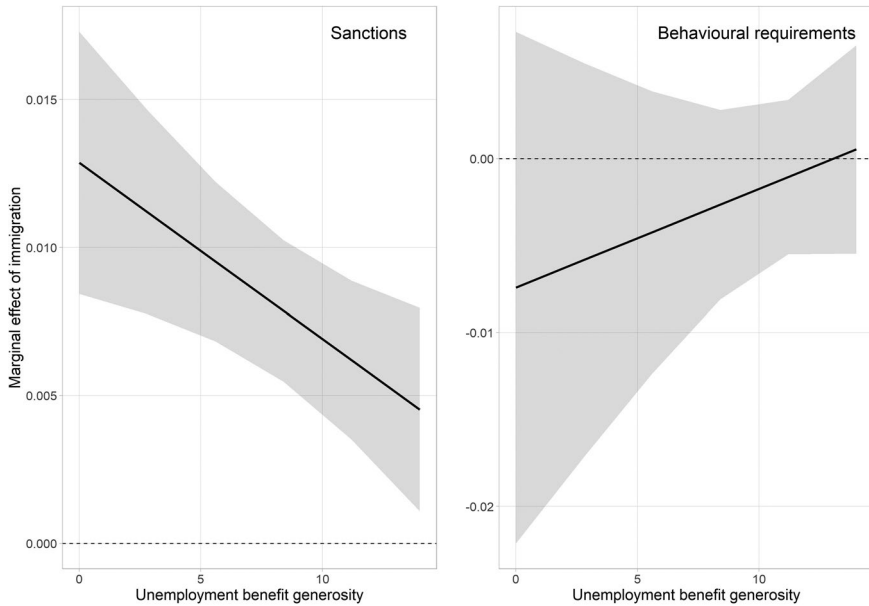All models include country-FE.

Figure 2. The effects of immigration on benefit conditionality for different levels of unemployment generosity.
Note: The grey area indicates 95% confidence intervals. The dashed line at zero is added as a reference to distinguish effects that are statistically significant. Higher values on the outcome variables indicate stricter sanctions and behavioural requirements.

cost-effective means of activation (Card *et al.* 2018). Our results did not substantially change in the models with the two-way fixed effects with the effects of immigration being slightly stronger there (see column 5–6).

Columns 7–10 present the results of the analyses where we test hypothesis 2: The generosity of unemployment benefits moderates the effects of immigration on benefit conditionality. The results show no significant interaction between the strictness of behavioural requirements and benefits generosity (column 7 and 9). The situation differs for sanctions as the interaction term for the long-term effects of immigration and benefit generosity are significant and negative (column 2). Immigration thus results in stricter sanctions especially when benefits are more residual. However, as schemes become more generous, the movement towards stricter sanctions in response to immigration is blunted. This is consistent with other findings that unemployment benefits are less vulnerable to retrenchment when there is more immigration if unemployment benefits are more generous (Spies 2018; Röth *et al.* 2022). To assess this relationship visually, Figure 2 shows the marginal effects indicating that immigration increases the strictness of sanctions significantly for low levels of benefit generosity which declines where benefits are more generous which is consistent with immigration producing an anti-solidarity effect as hypothesised in H2.

Extensions and sensitivity checks

Our baseline models suggest that, as countries absorb more immigrants, they tend to use stricter sanctions in unemployment benefits. In several extensions, we examined whether migration from certain regions may be responsible for this phenomenon. There are two types of migrants we examined, i.e. intra-EU migration and migrants from countries with a large Muslim population.

Insofar as migrants are perceived as less deserving and cause an anti-solidarity effect, this effect may be stronger when the migrants in question are perceived to be culturally more dissimilar. The degree to which migrants are perceived to be deserving, for example, may be influenced by their cultural proximity. This is possibly due to a double standard in the application of the deservingness criteria as evidenced by Kootstra's (2016) survey experiment in the Netherlands and the United Kingdom. In comparison to natives, minority claimants who demonstrate unfavourable characteristics, such as shorter work histories, suffer a significant deservingness penalty. These effects are strongest for non-western migrants. To determine this, we estimated models using migration from countries with a large Muslim presence as our predictor. To obtain this variable, we took migrants whose country of origin is a member to the Organisation of Islamic Cooperation (OIC).[3] The results of the regression suggest no statistically significant relationship between migration from these countries and the strictness of sanctions or behavioural requirements. Stated otherwise, a potential anti-solidarity effect cannot be attributed to the perceived cultural dissimilarity between migrants and the populations of their host countries (Table 2 in Online Appendix).

Alternatively, EU countries may be more likely to employ benefit conditionality in response to intra-EU migration. This is because countries are limited in the extent to which they can bar intra-EU migrants from accessing social benefits. This dynamic is highlighted by Cappelen and Peters (2018) who show that higher intra-EU migration is associated with lower support for social spending among Europeans while migration from non-western countries is not. They attribute this to the fact that EU Member States cannot exclude other EU nationals from their welfare system. We examine here whether policymakers in EU Member States use conditionality as a way of limiting the fiscal impact of intra-EU immigration. Table 3 in the Online Appendix presents the results of these regressions using intra-EU migration[4] as our specification of migration. The results show that migration from other EU countries is associated with increased sanctions in EU countries in all our models. This is only a short-term effect however and the long-term multiplier is statistically insignificant. The observed effects seem to be particularly pronounced

among the EU-12 receiving countries which is consistent with the notion that EU Member States are more inclined to implement conditionality for intra-EU migration as completely disentitling these migrants is not an option (column 6). In these models, we also find no moderating effect of benefit generosity; more generous benefits do not weaken the effects of intra-EU migration (column 7).

Next, perhaps policymakers are more sensitive to the objective fiscal effects of migration in lieu of actual migration numbers. We examined whether policymakers were more likely to employ stricter benefit conditionality when migrants use unemployment benefits disproportionately. As longitudinal data on the actual welfare use of migrants is not available, by taking the migrant-native unemployment gap. A higher number indicates higher unemployment rates among migrants compared to natives. Unfortunately, these data are only available after 2000 (OECD 2019c) which reduces the number of observations in this study to 192–197. Considering the relatively brief time-series (maximum of ten per country), the Nickell bias poses a serious concern here. These results are presented in Table 5 in the Online Appendix. The baseline specification (columns 1 and 4) shows no significant association between the migrant-native unemployment gap and the strictness of sanctions and behavioural rules. The alternative specifications indicate a positive association with sanctions without the combination of a lagged dependent variable with fixed effects (columns 2–3); where the migrant-native unemployment gap is higher, sanctions are also stricter. We find no similar association between the unemployment gap and behavioural rules regardless of specification choice (columns 5–6).

Lastly, a number of robustness checks to assess the sensitivity of main findings to alternative specifications were conducted and are presented in Tables 6–12 of the Online Appendix. We initially imposed additional restrictions on the dynamics implied by the models in Tables 6–7 of the Online Appendix and show that the main result is robust to these changes. However, again the moderating effect is no longer significant in these alternative specifications (Online Appendix Table 5). Next, we examined whether combining different definitions of migration in the measure of migration drove the results. Table 8 in the Online Appendix suggests that this was not the case. We also used other operationalisations of migration focussing on the strictness of migration policy.[5] The assumption is that actual migration numbers reflect, in part, deliberate policy choices of how many migrants to admit. The results using these indices as operationalisation of migration are in accordance with our this study's main models: Countries with stricter migration policies, therefore presumably receiving fewer migrants, have weaker sanctions. We do not find a similar effect on behavioural requirements nor that generous benefits moderate the

relationship between restrictive migration policies and the strictness of sanctions (Online Appendix Tables 9–12).

Conclusion

This study shows that immigration affects the nature of social citizenship in advanced welfare states in ways that previous studies have not explored. The impact of immigration is not limited to the size of the redistributive budget or benefit levels as examined in previous studies (Fenwick 2019; Giulietti *et al.* 2013). Faced with pressures to adjust welfare policy in response to immigration, we expected policymakers to opt for forms of welfare retrenchment that enjoy greater public approval, such as benefit conditionality. By focussing on spending and benefit levels, prior studies investigating immigration and welfare state effort or generosity may thus miss the extent of welfare recalibration in response to immigration. We find consistent evidence of a relationship between the presence of immigrants and the use of conditionality in unemployment benefits. Countries with more immigration, adopting stricter sanctions drives this relationship. We did not discern a significant relationship between behavioural requirements and immigration. In this respect, our results are similar to the earlier research into racial heterogeneity across US states and its effects on the use of conditionality in social assistance (Soss *et al.* 2001).

Furthermore, the propensity of policymakers to adopt tougher sanctions in response to immigration is weaker in countries with more generous unemployment benefits, although this effect is less robust and sensitive to specification choice. Additionally, while immigration affects sanctioning strictness, in substantive terms, these effects are rather modest. The results in this study also indicate that this effect is driven primarily by EU nationals moving to other EU Member States. This is something that could result from how the EU's freedom of movement provisions limit the ability of Member States to disentitle EU nationals. Its implications for EU welfare states are unclear. This may be considered as evidence that EU welfare states are inclusive in a de jure sense but that policymakers seek to exclude immigrants in a de facto sense. In addition, we find that the movement to stricter conditionality is unrelated to individuals migrating from countries with a substantial Muslim presence who could be assumed to suffer a steeper deservingness penalty due to their greater perceived cultural distance from natives in most OECD countries. Finally, migrants' relative labour market participation has an inconsistent effect on the strictness of benefit conditionality. This suggests migrants' objective fiscal impact has little bearing on policymakers' decision to rely on benefit conditionality. However, as these models use fewer observations, they are also noisier.

This study raises some questions as well. This and other studies suggest that different mechanisms play a role. The fact that the effect of immigration is conditional on benefit generosity points to an anti-solidarity effect as the underlying mechanism that is moderated by generous benefits that weaken the zero-sum politics created by competition over scarce resources. Moreover, our findings suggest that the developments in sanction strictness are the result of processes and mechanisms that are different than the developments in behavioural requirements. Alternatively, this might also be related to a weakness of the data we work with as the dataset only covers statutory changes in conditionality. We known that enforcement decisions are often left to street-level bureaucrats (Keiser *et al.* 2004; Schram *et al.* 2009). The level of discretion left to local officials may account for why places with more immigrants only adopt stricter sanctions. When policy-makers perceive immigrants as an undue burden, they may be inclined to sanction even milder violations of requirements. Stricter sanctions may then be combined with less local-level discretion. Conversely, having them may also necessitate greater degrees of discretion in whom to sanction. More research is needed to establish how immigration affects the sanctioning behaviour of street-level bureaucrats outside the US.

As to the wider implications of the study, the argument can be applied to other forms of conditional delivery of social policy such as workfare. While the relationship between local demographic composition and work-related conditionality has been studied in the US (Schram *et al.* 2009), research on this relationship using a larger sample of countries does not exist. Furthermore, we expect stronger effects in social assistance programmes. Unemployment benefits are typically provided as social insurance benefits where benefits levels and entitlement have links to past contributions. Even if unemployment benefit recipients are perceived as undeserving, they may meet the reciprocity requirements (van Oorschot 2006). Social assistance beneficiaries, by contrast, have a steeper deservingness gap than unemployment insurance recipients – due to a greater (perceived) lack of reciprocity (Laenen 2018). The relationship between immigration and benefit conditionality may thus be more pronounced for social assistance. However, earlier research suggests that reforms introduce or enhance conditionality in social assistance and often happen parallel to reforms of unemployment insurance (Konle-Seidl and Eichhorst 2008). Future research is thus needed to elucidate how immigration affects the use of conditionality in social assistance.

Notes

1.   As an exception, the means-tested schemes in Australia and New-Zealand are covered.

2. Australia, Austria, Belgium, Canada, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom.
3. Overall, 57 countries are members of the OIC.
4. We also used EU-15 countries (all Member States before the 2004 enlargement) as an operationalization which yielded comparable results.
5. We use two different indices accessed through the *Immigration Policy in Comparison* project (Helbling et al. 2017): (1) restrictiveness of migration policy and (2) restrictiveness of labour migration policy.

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