

***Luxembourg's corporatist Scandinavian- welfare system and
incorporation of migrants***

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1. Introduction

Human migration and economic globalisation seem to be parallel phenomena: globalisation of economic capital develops in parallel with globalisation of human capital. However migration is a phenomenon as old as humanity and can thus not simply be seen in correlation with globalisation. Migration of highly qualified individuals is generally considered as a recent phenomenon and is explained by the needs of a globalised economy. But even this form of migration existed before the ongoing globalisation: Switzerland experienced this type of an immigration which positioned itself on top of the national elite during the 19th century (“Überschichtung”, Hoffmann-Nowotny, 2001) and the same is valid for Luxembourg, where Prussian engineers ran the steel-industry at the end of the 19th century. Developed countries have been putting into place selective immigration policies for some years (OECD, 2008). One¹ of the more or less explicit objectives of this recent trend is reducing the probability of immigrants ‘excessively’ taking-up welfare benefits².

On the European continent, welfare systems have been developed *by the nation states* since the late 19th century. Bismarck introduced the first insurance schemes for workers, the so called “Bismarck model” after the unification of Germany in the 1870ies. This model was ‘naturally’ aimed at the nationals – since, at that time, societies were not “challenged” to the same extent by immigration as they are today (Bommers and Halfmann, 1998). The Bismarckian model is a contributory system of insurances with four main pillars linked to the work contract: health insurance, pension schemes, accident insurance and, since recently, care insurance. They entitle the insured persons with his/her family (partner and children) to make use of these insurances whenever s/he and the co-insured persons are in need.

For the insurances linked to work contracts, the entitlement is guaranteed. Thus immigrants have the same access as nationals: no exclusion is taking place. However, for all the other benefits, and mainly for means tested benefits, the question is: who should be eligible and the conditions nation-states imposed today as well as in the past with regard to immigrants? Thanks to the principle of free movement, European citizens should be and should have been entitled to the same benefits as nationals – at least concerning all those benefits which are object of European legislation (regulations 1612/1968 and 1408/1971). This is not the case for non-EU-citizens - here, nation-states are free to give or to hinder access – with exception of the long term non-EU immigrants (residents since more than five years, cf. directive 109/2003).

Globalisation and an increase in the number of immigrants produced the effect that “national citizenship is losing ground to a more universal model of membership, deterritorialised personal rights”. Consequently, “citizenry becomes more and more uninteresting due to the fact that even foreigners have access to a lot of goods: benefits [...] election participation, collective bargaining” (Soysal, 1994 p. 3 and 31).

In other terms, *national* welfare states are obliged by *supranational* conventions to integrate all residents, to avoid exclusion of certain groups and provide all residents with equal opportunities

¹ The main argument was/is the specific need of the qualified worker, and this even more so in certain transnationalised areas such as IT technologies, engineering, natural sciences, etc.

² Other arguments are those of a cheap import of highly qualified workers trained within other nation-states.

(Bommes, 2007). National welfare systems are challenged by increasing numbers of arriving immigrants as well as by the more or less compulsory transnationalisation of social rights imposed by supranational organisations (such as the EU?). How do nation-states cope with their national mission as opposed to their international obligations? What about opening up of welfare schemes to those incoming immigrants? Integration in the area of social security - being different than integration in the area of school – is done via attributing social rights and the equivalent amount of public spending. Immigrants are entitled to certain/to all benefits according to the type of welfare protection the different EU member states (MS) developed over the last decades.

Due to a higher dependency on welfare benefits – by both nationals and immigrants -, many MS had to modified their original systems, mostly in the sense of a liberalisation, which means ‘cut back’ in comparison to the former more generous provisions, and shifting responsibility from the state to the individual citizen. Adelanto and Calderon (2006) demonstrated that there was a slight retrenchment for Scandinavian welfare models, a slow down or a stabilisation for the corporatist and liberal ones, and an expansion for the Mediterranean systems, those with the ‘poorest’ provisions, in some way a convergence to a middle position.

What happened in Luxembourg? And how far migration has had an impact on the conception and development of the social system including changes to the national legislation? The type of welfare policy seems to have an impact on the rights of immigrants. But immigration policies with their effects on the predominant type of immigration also have an impact on the incorporation of newcomers (Sainsbury, 2006). And what about a retrenchment or an expansion of Luxembourg’s welfare protection?

In the following sections we will present some key factors in order to give an idea about Luxembourg’s diversified society, its welfare system and give a concrete example of the transnationalisation of a specific welfare benefit and the underlying philosophy, showing the difficulties of a small nation-state to open up some of its welfare schemes to immigrants. Furthermore we will show, to which extent immigrants and nationals consume and contribute, and present some conclusions.

2. Key elements

Luxembourg is both the OECD-country and EU-MS with the highest share of immigrants within the resident population (42 %), within the internal³ labour market (66 %) and even more so within the competitive sector (73 %; 2006, www.statec.lu); the last two figures include cross border commuters; cf. graph 1). On top of this, Luxembourg enjoys an important share of highly qualified immigrants (OECD, 2008).

Luxembourg is thus a country with a strong double immigration . Furthermore, this is not a recent phenomenon. As opposed to other countries, where the inflow of highly qualified immigrants is a recent one, Luxembourg’s economy has developed on the basis of this double immigration for more than a century (cf. above). Lastly, since Luxembourg has attracted an economic immigration, certain elements of the European and consequently national legislation may have had an impact on the fact that family

³ As opposed to the national labour market, the internal labour market includes all those who work in Luxembourg whether they are residents (foreign and national residents) or not (cross border commuters): 320.000 in 2006, whilst the national labour market includes all those who are residents in Luxembourg whether they work in Luxembourg or in the border regions: 190.000 (cross border commuters not working in Luxembourg: ca. 1.000).

reunion did not develop to the same extent as in the neighbouring countries (Hartmann-Hirsch, 2007, p. 11ss).

For several years, the **OECD** (2008, p. 59ss; also preceding years) has observed in the majority of its member states an increase of a highly qualified immigration (HQI), demanded by the economy and supported by governments, either by adopting new laws, by changing existing laws or by changing the administrative practice – Luxembourg opted for this last path, changing its legislation only very recently¹. The OECD highlights different factors, which might influence the impact that HQI have on the resident population: young immigrants as well as native born (aged 25 – 34) are more educated than elderly workers (aged 55 – 64). Mass immigration tends always to be less educated. If there is an important mix of countries of origin, there is a higher probability of an important share of HQI⁴.

Luxembourg is a country of an old standing immigration with the highest share of immigrants of OECD countries (2008, p. 59) and with a mass immigration by Portuguese over decades. Due to previous mass immigration, Luxembourg is on a middle range in terms of the share of HQI amongst all immigrants, even if the share of HQI is very important; the resident population splits up in the following way (panel data):

Table 1: resident population

Groups in panel	Valid percent
Highly qualified Luxembourgers	10,3%
Highly qualified immigrants	11,1%
Less qualified Luxembourgers	46,5%
Less qualified EU ⁵ immigrants	28.4%
Less qualified non-EU immigrants	3.7

EU-SILC/PSELL, wave 2005, authors' calculations, weighted; the threshold is: BA/ BSc (baccalaureate + 3 finished successfully).

Why these five groups?

Due to a selective immigration policy over the last years (OECD, 2003 and 2005), *highly qualified non-EU immigrants* enjoy an easier access to the labour market and with this to the main pillars of social security as well as to other benefits than less qualified non-EU immigrants; thus, we do not differentiate highly qualified immigrants in terms of EU or non-EU citizenship; furthermore, this would produce too small figures for statistical analysis with panel data.

For the *less qualified immigrants*, non-EU citizens have to fulfill stronger conditions than Europeans, which is why we separate them. EU-citizens are awarded free access to the labour market and if they have a full residence permit⁶ they are also entitled to minimal benefits like social assistance, etc. (via EU

⁴ Thus, countries with a recent immigration only have a higher share of highly qualified immigrants (e.g. Ireland). And US apply easier selection criteria for those coming from countries with small proportions within the States.

⁵ We include Iceland, Norway and Switzerland due to their advantaged labour market access (EEA).

⁶ To explain briefly: Free movement (regulation 1612/1968) concerns those, who have/will have a work contract. Those who are not active have to prove their financial resources. These have been evaluated, up till recently, whether they are higher than the equivalent amount of social assistance of the destination country. Thus, Luxembourg, being on top of the EU scale for this purpose (table 2), was "entitled" to refuse those with lower

regulation 1612/1968); this is not the case for non-EU citizens. A different treatment of EU and non-EU citizens is in line with European legislation (cf. anti-discrimination directives 2000/43 and 2000/78). Such a differentiation is practiced in many MS and Luxembourg followed this path – we will come back to this, when analysing Luxembourg’s minimum income scheme.

If we differentiate immigrants in terms of qualification, we have to do the same for *nationals*.

To an extent of 85 %, immigrants are EU-citizens. An important share of the resident population are highly qualified immigrants. However there is no correlation between EU citizenship and high qualification such as Hoffmann-Nowotny (2001) designed the central, peripheral and semi peripheral regions of the world: the most numerous group of immigrants are the little or unqualified Portuguese with EU-citizenship, whilst the highly qualified immigrants are mostly those from Northern countries of the world including EU and non-EU countries: Japan, Canada, US, Norway, Great Britain, Scandinavian countries etc. (Hartmann-Hirsch, 2008).

Although Luxembourg has an old standing immigration, the share of highly qualified is important and over the last decades, authorities clearly looked for a selective immigration. Due to EU legislation, two groups only can be hindered to *settle* in Luxembourg: the non-EU citizens, as well as the non active EU-citizens due to European legislation (directives 1990/364 or 2004/38) with the objective to protect the destination countries in terms of “benefit shopping” from those citizens who have no work contract and come from other MS.

De facto, an important family reunion influx has never taken place due to Luxembourg being a high wage country providing thus with generous amounts for social assistance (Hartmann-Hirsch, 2007, p. 11 ss; footnote 6 and table 2).

Over the last decades, Luxembourg’s economic performance was on top of the EU scale in terms of GDP growth and of job increase (JER). Furthermore, Luxembourg is one of the rare MS with an important increase of the population. The increase is due to immigrants and their higher fertility rate. For some years now, children born by foreign women have been more numerous than those born by Luxembourgish women - even in absolute figures (STATEC, annuaire statistique).

Over the last years, authorities have been easing the access for non-EU citizens with wages being higher than four times the minimum social wage (OECD, 2003, p. 110). The increasing educational level of immigrants has been demonstrated (Langers, 2007).

3. Luxembourg’s welfare system

Luxembourg was able to develop one of the most generous welfare systems in the EU. On this background and having in mind the important share of immigrants and also of highly qualified immigrants, it is interesting to see which type of welfare model this small nation-state has developed and which changes have been realised during the last 2 decades.

On the basis of Esping-Andersen’s (1990) three welfare models, of Soysal’s incorporation theory (1994) and finally of Sapir’s (2005) evaluation in terms of equality and efficiency, we will classify Luxembourg’s welfare protection.

means. With this European legislation (directives 1990/364 and 2004/38), elderly persons with a minimal pension from Portugal e.g. could be refused the residence permit and thus the access to health and care provisions (Hartmann-Hirsch, 2007).

(i) Using *Esping-Andersen's three models* (conservative-corporatist, Scandinavian and liberal), Luxembourg's social protection should be considered as a *corporatist-conservative model*: Luxembourg had adopted Bismarck's insurance system with *egalitarian contributions by employers and employees* (with exception of the care insurance, which is only financed by the employees and the State) plus important cofinancing by the State, the legislative procedures rely on a broad process of consultation between the social partners, sometimes including civil society. However, considering this as a consultative model in the sense of the "third way" (Giddens/Blair, 2002) underestimates the impact of the corporatist professional chambers.

For non-contributory and means tested benefits, two elements are taken into account – beside other preliminary conditions: the *income* and the *composition of the household* – as opposed to the income of the *individual person*, the Scandinavian parameter.

A last aspect will be presented in detail later on: the fear of opening up the national schemes to immigrants (cf. section 4.).

Luxembourg has developed more and more in the direction of *Scandinavian standards* going even beyond these high Northern European levels. In corporatist-conservative as well as in liberal models, there is "equity amongst the poor" (Esping-Andersen, 1990): persons using e.g. social assistance benefits are stigmatised and live on extremely low means. This is not the case for Luxembourg.

As Luxembourg, with the highest share of immigrants amongst OECD countries, is geographically situated in the middle of other MS with corporatist-conservative models *without* Scandinavian standards, Luxembourg has always tried and still tries to avoid "social tourism", which might be attracted by the generous welfare benefits in Luxembourg (section 4). Thus, in the following parts we present data demonstrating the Scandinavian standards. We compare Luxembourg's benefits with, at each stage, the – more or less – equivalent figures concerning the neighbouring and Scandinavian country (MISSOC):

A first example might be the **social assistance scheme**. Luxembourg and Denmark are on top of the EU-27. Considering this, one should however take into account the fact that Luxembourg is a 'high wage country'.

Table 2: Social assistance in some MS

Country	Amount for 1 adult/month
Luxembourg	1.184,54
France	440,86
Germany	345,00
Belgium	644,48
Netherlands	588,13
Denmark	1.201,00
Sweden	293,00
Finland	389,37

MISSOC, 2007 (situation on 1st January 2006)

This is a rudimentary way of comparison, as legal disposals vary largely from one country to the next; different philosophies (Bismarck or Beveridge) open different types of disposals, whether they are explicit in terms of finances or in terms of understanding situations of poverty and exclusion (Guibentif and Bouget, 1997).

The **policies for the elderly** are extremely generous: As opposed to approximately € 1.500/month/person in France (“allocation pour personnes âgées”), Austria (“Pflegegeld”) and Germany (“Pflegeversicherung”), very dependent persons in Luxembourg can award services delivered at home by professional organizations (“prestations en nature”) with a monetary value of approximately € 9.000,-/month/person. No personal contribution is asked, if one accepts the care planning by the care insurance. On top of this, persons in homes for the elderly can receive co-financing to the full board price by the state, if they do not have the means on their own, if their pension is lower than the monthly price (“complement d’accueil gérontologique”). With exception of very few luxurious institutions, elderly can choose amongst the existing institutions without consideration of their income (HARTMANN-HIRSCH, 2007).

Pension insurance provides retired persons with one of the most generous replacement rates within OECD countries (4th position in the ranking, OECD, 2007).

Family allowances are also much higher than those of other MS:

Table 3: family allowances for 1 child and for 3 children / month

Country	For 1 child	For 3 children (all together)
Luxembourg: < 12 years	234,12	948,30
France: < 16 ans	---	450,46
Germany	154,00	462,00
Belgium: < 7 ans	78,59	217,13
Netherlands: > 12 ans	-	312,21
Denmark	110,00	330,00
Sweden	116,00	398,00
Finland	100,00	341,50

MISSOC 2007 (situation on 1st January 2006. If age modulation exists, we used the highest category)

On top of the monthly benefit, a supplementary one-off allowance is provided for the beginning of the school year: “allocation de rentrée scolaire”. Some other countries provide this too, but on a more modest level.

Elements in favour of a **liberal** model are not that clear:

The relatively low indirect labour costs (within EU-15 MS) might be seen as such. No doubt, these low costs can be considered as an incentive to companies to settle in Luxembourg. Luxembourg can afford these low indirect labour costs due to high tax incomes - the effect of an excellent performance of the competitive sector – without neglecting the principles of a corporatist-conservative welfare system with high standards with a generous and broad welfare system. Whilst typical liberal countries provide companies with incentives such as low indirect labour cost, without however providing citizens with

comfortable welfare protection, in Luxembourg, the state compensates the low contribution of both partners by co-financing these systems in a generous way.

The recent **care insurance** (law of 1998) is financed by the *employees/independent or self employed only* (plus the state), whilst employers have not been asked to contribute, as this is the case of the two traditional contributory systems, health and pension/disability insurances. This is in line with liberal models, where the competitiveness of the market should not be hindered by social policy obligations. Again, as opposed to liberal models, the state compensates with its own contribution the missing part of the employers’.

Concluding this part, we observe a corporatist-conservative model with Scandinavian standards avoiding the “equity amongst the poor”.

(ii) In a second stage, we consider **Soysal’s classification of incorporation** models of nationals and immigrants with regard to the centralised (corporatist and statist) and decentralised (liberal and fragmental⁷) models:

Locus of action and authority	Organizational configuration	
	Centralized	Decentralized
Society	I. Corporatist: Sweden, Netherlands	II. Liberal: Switzerland, Britain
State	III. Statist: France	IV. Fragmental: Gulf oil countries

Soysal, 1994, p. 37

With exception of the fragmental model, the three others are similar to those of Esping-Andersen. However, instead of having a look into social protection models, Soysal analyses political decision processes and the way/level (national or local) immigrants are incorporated into nation states.

Within decentralised liberal models (CH, US), incorporation mechanisms take place at the local level; no structural provisions are given by the state. A liberal approach rejects formal, codified policies on collective groups, mainly on the national level. The state controls the inflow; integration is run via labour market and immigrants’ self organisation. Concept of membership refers to the *local* level: immigrants integrate “*where they live*” (p.54 Hoffmann-Nowotny for Switzerland, 1986). This is clearly not Luxembourg’s case. This small nation-state has to be classified as a **centralized model with a corporatist approach**: immigrants as well as nationals become member of one of the nine corporatist health insurances (at least up till January 2009). Decision making processes are run via centralising organizations: if a specific group introduces a demand to authorities, a clear delegation has to be nominated and has to represent the different branches of these groups.

For a small nation state like Luxembourg, mainly the national level is responsible for editing policies. The local level has, in a certain way⁸, no say. The **state** is responsible for issuing legal texts (Parliament) and

⁷ We do not tackle the fragmental models attributed to the Gulf states, even if some similarities do exist: e.g. the high shares of immigrants on the labour market, especially in the competitive sector.

⁸ A discretionary social protection legislation exists since 1897: local authorities provide people in need with no regard to nationality with the necessary resources within parameters defined by each municipality (“domicile de

for executing (government and administration). Meanwhile social security items are, to a high extent, conceived at European level – due to the principle of free movement of the labour force.

Authorities co-finance the insurance schemes to an important extent and many benefits are financed on the basis of the state's budget alone, while in other countries they are financed on the basis of both : contributions *and* the state's budget.

Concluding, it is clearly a statist model with a corporatist approach.

Soysal (1994) as well as Bommers/Halfmann (1997) highlight “national” approach of welfare states; benefits were mainly aimed at the nationals but nation-states were more and more subject to supra-national organisations (e.g. EU-institutions) with an increasing need to incorporate immigrants, at least those from other MS. These benefits have become/had to become more and more accessible to immigrants. Thus, “migration” and “welfare systems in nation-states” constitute, in a certain way, a ‘*contradictio in se*’: “to an increasing extent, rights and privileges once reserved for citizens of a nation are codified and expanded as personal rights, undermining the national order of citizenship. The case of guest-workers, whose membership in European host polities contradicts predominant conceptions of citizenship and the nation-state, manifests these changes” (Soysal, 1994, p. 1). Nation states are more and more challenged⁹ from the top by the prevalent international, mainly EU legislation as well as by higher qualified “transnationals”, who position themselves on top of the national elites within these nation-states (Hoffmann-Nowotny, 2001; Hartmann-Hirsch, 2008). These same states are also challenged from the bottom by less qualified immigrants; and out of them, an important majority is entitled to access to social security benefits via national legislation, which is highly dictated by EU-legislation.

(iii) Regarding efficiency and equity, general observations by Sapir (2005) are the following:

Scandinavian countries produce efficiency (with low inactivity rates) and equity (with middle class standards) – best practice in terms of benchmarking.

Continental countries produce equity (amongst the poor!) but no efficiency (due to high inactivity rates).

Liberal models produce efficiency (low inactivity rates) but no equity (extremely low benefits).

With regard to Luxembourg's model, one can observe the guarantee of equity (with middle class standards, higher standards than those of continental models), but what about efficiency?

Luxembourg as opposed to Scandinavian countries has a high inactivity rate; OECD criticises this problem since the 1990ies (OECD, 1997, etc.). For the following two groups, Luxembourg should reach the objectives of the European Employment Strategy in 2010 with an employment rate of 60% for women and 50% for the 55 – 64 old persons; in 2007, women's and the elderly workers' employment rates reached 55% and 36% in 2007. Generally speaking, the employment rate of immigrants is higher than that of nationals. On a EU scale concerning the elderly workers' employment rate, Luxembourg is less well positioned and can be identified as an *early* exit country (Blossfeld et al. 2006): Luxembourg's

securus”, law of end of 19th century). A draft bill (n. 5830) should modernise this legislation, leaving the competence with local authorities, considering it however as a very last resort for those, who are not entitled to the social assistance scheme, “Revenu minimum garanti”, launched in 1986.

⁹ “challenged can be considered in two ways; certain authors consider this as a loss of sovereignty of the nation state (Bommers/Halfmann, 1997), others consider this as a challenge to nation states, which, if nation states open up and face this new reality can produce a win-win situation for them (Ong,)

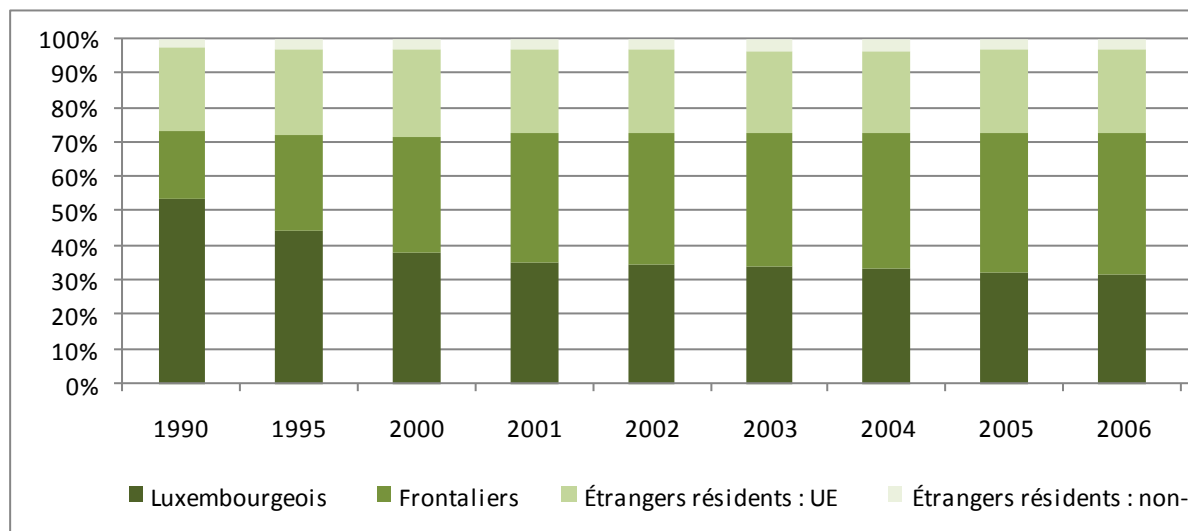
policy in this area provides with incentives for early exit: a quite recent law (“incapacité de travail” of 2002) provides those leaving their last employment “aged 55 to 64” with a benefit called “indemnité d’attente” replacing to 100% the last wage for an unlimited period. The existing broad unemployment of persons aged 55 to 64 is very high with 26.3% (Hartmann-Hirsch, 2006).

Furthermore, Luxembourg’s **labour market is highly regulated** (JER) protecting those, who are in employment, but hindering - with its protective measures for dismissing employees - the access of those, who are looking for employment. Liberal countries ease the dismissing procedures and consequently access to the labour market (Sapir, 2005). Graph 1 presents the participation of immigrants and more so of cross border commuters in the internal labour market:

At a last stage, we will have a look into participation in the labour market by nationals, resident immigrants and cross border commuters. For labour market purposes, cross border commuters are the most numerous group und thus we cannot neglect them, even if, within our following statistical analysis, we will concentrate on residents only.

The decrease of the share of nationals is in line with the increase of the share of cross border commuters, thus an important increase of a foreign labour force.

Graph 1: Share of nationals/immigrants/cross border commuters on the internal labour market :



Source : STATEC, *Note de conjoncture*, No.1, 2008, p. 93.

According to these figures, the growth of employment of cross border commuters is higher than that of resident immigrants and a fortiori higher than that of nationals.

Tableau 4: Croissance de l’emploi salarié (en %)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Croissance totale de l'emploi:	5.6	5.6	3.1	2.2	2.5	2.9	3.9	4.1
<i>Seuls residents</i>	3.3	2.9	1.6	1.1	1.2	1.2	2.3	1.7
<i>Résidents luxembourgeois</i>	1.5	1.5	1.1	0.2	0.4	0.5	0.9	0.2
<i>Résidents étrangers</i>	4.7	4.7	4.2	2.1	2.2	2.2		3.5
<i>EU 15</i>								3.1
<i>NEM (10)</i>								-0.2
<i>NEM (2)</i>								19.3 ¹⁰
<i>Non-UE</i>								7.3
<i>Frontaliers</i>	11.2	12.3	7.2	4.0	4.5	5.4	6.2	7.4

Source : IGSS, *Rapport général sur la sécurité sociale 2006*, tableau 17, p. 45

Concluding, we can say that Luxembourg's model has a conservative-corporatist welfare system organised in a centralized way by national authorities providing its users with high Scandinavian middle class standards, going beyond those Northern European standards with a highly regulated labour market to which foreigners contribute more than nationals.

In terms of Sapir's benchmarking, Luxembourg would be another best practice with equity with a broad offer, but the sustainability seems to be a problem if one looks at inactivity rates. According to Esping-Andersen (1990, p. 28), the Scandinavian model "crowds out the market, and consequently constructs an essentially universal solidarity in favor of the welfare state. All benefit, all are dependent, and will presumably feel obliged to pay". Obviously, conservative-corporatist models do not favour a universal solidarity attitude; thus, potential users opt for take-up and for labour-market exit -measures.

Up to now Luxembourg was able to maintain the high standards and even to enlarge its offer. The state co-finances substantially the main pillars and finances entirely other benefits, thus indirect labour cost is low as compared to neighbouring MS, and nonetheless the country is able to respect conditions of the EU stability pact. How to explain this paradox?

Before coming back to this question, we will demonstrate how the opening up of benefits with regard to immigrants has been handled by authorities and social partners.

¹⁰ De facto, this concerns an increase of 49 persons : 254 in 2006 and 303 in 2007

4. Opening up of a means tested benefit

(i) If we have a look into the precise way Luxembourg's authorities have incorporated immigrants in terms of social security, we have to distinguish two types of insurances/benefits:

The incorporation of immigrants into the 4 main **contributory insurance pillars** is automatic for those who have a work contract or an activity as self-employed and their family members. However, the **non-contributory benefits, mainly the stigmatising means tested**, contain other conditions (residence and age in the case of Luxembourg) which might concern nationals and immigrants or just immigrants.

Luxembourg's social assistance scheme, the Revenu Minimum Garanti (RMG) as well as other benefits ("allocation pour personnes gravement handicapées", law of 1979 and "allocation de soins", law of 1989) contained and still contains a preliminary residence condition, which allowed authorities to ease access to long term EU residents and to hinder newcomers in terms of "benefit shopping" or "social tourism" (the concept Luxembourg used) and which allows still to control non-EU newcomers.

We will focus on this condition in order to demonstrate the way authorities have handled the opening up of these national benefits with regard to immigrants. The transnationalisation of these social rights was not an easy going process and shows the fear of abuse and the implicit consideration of immigrants as being "external" to the destination country (Soysal, 1994).

According to research findings, users of social benefits and mainly immigrants are often considered as a "burden" to the state (Borjas and Hilton, 1996). Even the EU legislation, which, in general, challenges the MS to open up their schemes to EU citizens, protects its MS in front of potential EU citizens, who might become a burden, if they want to settle in another MS and do not have the sufficient financial resources (directives 364/1990 and 38/2004). However, there are more and more "global norms with the idea of personhood and human rights asking for inclusion of external groups" (Soysal, 1994, p. 41; "external groups" are immigrants: Hartmann-Hirsch, 2008). In the case of Luxembourg, we will compare the global, e.g. European norms to the national legal texts. We will see how Luxembourg has transposed the European legislation into national law and has handled these conditions in – a changing - administrative practice.

We will refer to the debate around modifications of the RMG law, knowing that the legal texts of the other laws which contained the same stipulation have been modified in parallel.

(ii) With regard to EU legislation, the regulation on free movement 1612/68 article 7 says:

"1. A worker who is a national of a Member State may not, in the territory of another Member State, be treated differently from national workers by reason of his nationality in respect of any conditions of employment and work, in particular as regards remuneration, dismissal, and should he become unemployed, reinstatement or re-employment;

2. He shall enjoy the same social and tax advantages as national workers."

(iii) 20 years later in **1986** Luxembourg's government stipulates that those who claim the RMG have to prove residence for at least 10 years:

No nationality condition has been introduced. The idea was to treat *all* residents in the same way, whether they are nationals, EU or non-EU citizens¹¹, but to hinder a too easy access to these benefits for newcomers:

¹¹ « Pareille condition est tout à fait compatible avec le droit communautaire du moment qu'elle est exigée également des ressortissants nationaux. » (cf. draft bill 2981/00, p.16).

« Pour pouvoir prétendre au revenu minimum garanti, il faut
a) être domicilié sur le territoire luxembourgeois et y avoir résidé *depuis dix ans au moins*; (art.2 (1))».

According to authorities, such a condition was in line with EU legislation as long as **all** residents were concerned, nationals and immigrants.

Guibentif and Bouget (1997) positively stressed that Luxembourg in contrast to some other MS *did not ask for nationality*. On the other hand, they characterised Luxembourg as the MS with *the most rigorous residence condition*. The main argument brought forward in the “exposé des motifs” was the objective to avoid “social tourism” – this was also the idea of the European directive 1990/364 aiming at non active EU citizens¹². Luxembourg seemed to be in line with the EU’s legal framework: immigrants should not “be a burden on the State”. The fear of abuse is explicit. De iure, it concerns all newcomers, de facto, the focus was on immigrants – the following modification demonstrates this:

(iv)In **1989**, the same condition was eased to “10 years at least during the last 20 years”¹³ (law of 16 June 1989); this applied to all nationalities, whether Luxembourgish, EU or non-EU. The government proposed this in order to allow easier access mainly for 2 groups who formally were rejected and had to be rejected by the administration due to the rigorous residence condition:

- the homeless, who had no official document to prove their uninterrupted residence, and
- those nationals, who had left the country for a certain time and, on their return to Luxembourg, had to wait another 10 years in order to become eligible.

During the whole period of modification, there was no concern about immigrants (draft bill 3249).

(v) 10 years later, the residence condition (plus other articles) has been revised again. Meanwhile, the Cour de Cassation (national level, decision du 14 April 1994) had declared that refugees should award the same rights as nationals. Thus, the draft bill mentioned them as being eligible without any residence condition.

This time, there was a strong debate concerning the residence condition mainly for EU immigrants: The government had initially introduced a draft bill *without any residence condition for EU citizens and 5 years within the last 20 years for non-EU citizens*; the opinions of the social partners highlighted on the one hand a danger of discrimination of non-EU citizens in the case of the aforementioned favourable treatment of EU-citizens – this indirect discrimination could be sentenced by other international institutions, such as the European Court of Human Rights. They also pinpointed the ambiguity of the residence condition with, grosso modo two types of proposals: firstly, a proposal to abolish the residence condition in order not to discriminate EU-citizens as compared to nationals according to EU legislation with the ultimate objective to avoid a possible intervention by the European Court of Justice against Luxembourg; the residence condition could be considered as an indirect discrimination of EU-foreigners. And secondly, they propose not to abandon too quickly the residence condition for EU-citizens, but to wait for a clear sentence by European institutions (e.g. the European Court of Justice).

¹⁴ They have to dispose of “(...) sufficient resources to avoid becoming a burden on the social assistance system of the host Member State during their period of residence.” (art. 1)

¹³ « y avoir résidé pendant dix ans au moins au cours des vingt dernières années; » (art.2 (1)).

Different modifications of the draft bill have been introduced during the 3 years of debate. In fine, the last draft (n. 4229) as well as the law of 29 April 1999 stipulated “5 years during the last 20 years” for EU- and non-EU citizens in order to avoid “social tourism”.

(vi) However, during the processing of the law of 29 April 1999, due to a demand introduced to the Commission by an individual person, the Commission issued an opinion to the government asking for the withdrawal of this condition for EU citizens within the next 2 months arguing with art. 7 of the regulation 1612/68, and the necessity to provide EU citizens with the same provisions as nationals (26 January 2000). The government introduced a new draft bill (n. 4829) in March 2000, which was adopted on 21 December 2001 withdrawing the residence condition for EU citizens, maintaining the “5 years during the last 20 years” for non-EU citizens.

Despite the processing of the future law of 21 December 2001, the Commission went to Court against Luxembourg¹⁴ and the final decision by the Court (22 June 2002) took up the arguments of the opinion issued in January 2000: the residence condition has been considered as an indirect discrimination of EU-citizens. For the rest, the MS are free to handle non-EU citizens in the way they decide to.

(vii) The discussion between 1986 and 2001 are concrete examples of the difficulties nation-states face, especially those with a conservative-corporatist model¹⁵ (Bommes and Halfmann, 1998). They are more and more *obliged* by transnational frameworks to open up their non-compulsory welfare schemes to Europeans – and to a lesser extent to non-Europeans. Obviously up till 2001, EU immigrants, and a fortiori non-EU immigrants were considered to be “foreign” elements in the Luxembourgish nation-state. EU-migration was and non-EU migration is still an antagonistic element to the nation-state’s welfare system. This type of exclusion policies was feasible only for the non-contributory benefits not for the insurances which are linked to work contracts and are thus open to all those who have access to the labour market.

The different steps of opening up produced a proportional decrease of nationals and an increase of less qualified immigrants in taking-up social assistance; however, only 50% of potential users (eligibility) of the most precarious group, the non-EU less qualified immigrants, opt for take-up (Ametepe and Hartmann-Hirsch, 2008). The corporatist welfare system with its prudent attitude has an impact on the exclusion policies of those immigrants, which are still in line with supranational legislation (Sainsbury, 2006, Hartmann-Hirsch, 2007).

5. Immigrants’/nationals’ contributions and consumptions

There is an abundant literature on the consumption, less on the contribution of immigrants to the welfare protection system and the destination country’s budget. As we said already before, contributions and consumption to the insurances are automatic – at least as long as immigrants are

¹⁴ Perhaps in order to statute an example (Denmark introduced such a condition in 1997!) and to allow rejected claimants to be regulated for the period of January 2000 to December 2001.

¹⁵ Scandinavian MS – though having middle class standards for their welfare system – had no condition of nationality and none for residence; only Denmark introduced one in 1997 (7 years during the last 8 years).

documented residents in the destination country. What about contributions and consumptions to the non-contributory benefits?

There is also a debate on the evolution of welfare models: is there survival, retrenchment or expansion (Adelanto and Calderon, 2006)?

Concerning immigrants' consumption of social assistance or welfare benefits in general, a quite broad academic debate exists, which one can summarise in the following way:

Different authors study the impact of immigrants on the economy (wages, unemployment, etc.). Either they consider them as those who would abuse the most of welfare benefits (Borjas, 2000), or they show positive effects for instance on ageing societies, or on the wages of low skilled (Brücker et al. 2006): Anyway, there is an implicit statement on homogeneity of immigrants as well as of nationals and *the* immigrants are predominantly those with a working class background; also nationals are considered to be a homogenous group.

Others demonstrate little dependency on welfare for certain groups of immigrants (inner Scandinavian migration) as opposed to a higher dependency of other groups (migration from the South) (Pedersen, 2006). Implicitly, immigrants are already considered being heterogeneous; nationals are taken as a homogenous group.

Still others explain different types of dependency on welfare schemes such as the minimum income with different legal frameworks thereby contrasting a liberal nation state and welfare system (UK) and a conservative nation state and welfare system (DE) showing that the latter does "attract" more immigrants than the former. Moreover, the immigrants in the UK are found to be a more homogenous group than those in Germany (Büchel and Frick, 2004).

One could also ask whether the burden of cut back – observed in different countries, mainly Germany - has been shifted to migrants?

Or one still asks, whether generous welfare systems are an incentive for immigration; but no clear trend could be observed (Büchel and Frick, op. cit.). Finally, Pedersen (2006) observes that the very diverse results can be explained by the fact that research had been done in different historical periods based on different legal frameworks in different nation states, and on different benefit schemes with different types of immigrants.

Our question in this chapter will focus on the economic performance of the five aforementioned groups. In this part, we will tackle contributions to the main insurances and the State's budget on the basis of professional income versus consumptions of benefits, including subsidiary incomes such as social assistance and others by the aforementioned five groups of nationals and immigrants.

We will follow the approach of Büchel/Frick (2005) comparing the pre-government income (market) to the post-government income (market income plus public benefits and minus contributions such as taxes and insurance contributions). Their approach can be handled in the most appropriate way by using the household panel with detailed information (approximately 30 items), describing contributions and consumptions within *one* data base. Even if administrative data are more precise concerning the different contributions and consumption, these elements match best within the household panel.

What is new in our approach is that we will differentiate the group of immigrants as well as the group of nationals (cf. p. 2 above) and that we can hence distinguish effects due to migration from those due to education with a high probability of an equivalent effect on income and poverty risk.

We use the different items on income¹⁶ as well as the contributions¹⁷ received by households headed by persons aged 25 to 64.

Table 6: contributions and consumption by nationals and foreigners/educational level

	Luxembourgeois HQ	Immigres HQ UE/non-UE	Luxembourgeois LQ	Immigres UE LPQ	Immigres non-UE LPQ
Wages and salaries	64.8	84.2	52.6	72.2	73.1
Mean wage					
Income from self employment	27,2	18,6	11.6	7,7	5,0
Private income	28.4	30.9	16.5	14.4	7.9
Public pension	4.7	1.9	7.2	5	6.7
Unemployment benefit	0.9	3.1	2.4	7.3	6
Child benefits	33.3	48.8	29	46.9	49.4
Public tranfers (Health+dependence+ accomodation help)	5.1	6.3	13	15.3	20.8
Income from RMG and social exclusion	0.5	2	3	6.1	20.4
other source	3.7	3.7	3.9	3.3	3.6
Contributions : taxes					
Contributions : insurances					
<i>Number of households</i>	<i>1111</i>	<i>1472</i>	<i>9243</i>	<i>3931</i>	<i>417</i>

(???)

¹⁶ wages, income from self-employment and from capital (private income), pension schemes (they are generated by private and public, the State's contributions), different types of subsidiary incomes like unemployment benefit, social assistance, etc. (public income). Amongst public benefits, there are universal benefits, which can be cumulated with wages, and means tested benefits, which can only be matched in case of a private income which remains below a certain threshold.

¹⁷ Taxes; we leave out the contributions to the three main insurances.

Table 6: Mean income levels of various types of income for households headed by 25-64 years

Groupes de nationalité		pre_income	Pension			child benefit	Unemployment	other pub benefit(rmg+allo c)	taxes	post_income
			Total	Old age pension	Disability					
Luxembourgeois	25-34 ans	6205.773	0	0	0	47.11217	237.2543	9.982189	1800.662	4699.775
	35-49 ans	9330.547	220.9771	154.7328	66.24429	10.58346	367.8527	6.676755	3031.009	6905.627
	50-64 ans	8926.406	1230.675	1111.582	119.0935	223.5224	195.9776	17.31823	3328.107	7265.792
Immigres HQ	25-34 ans	5950.536	11.36139	1.767163	9.594224	10.55247	185.0148	5.256263	1544.846	4617.875
	35-49 ans	8504.827	23.24743	16.15013	7.0973	19.37394	381.2589	14.4885	2390.77	6552.426
	50-64 ans	9285.235	481.3099	400.0717	81.23814	102.7613	461.2462	78.64529	2731.157	7678.043
Luxembourgeois	25-34 ans	4492.611	41.22401	32.4125	8.811508	33.98011	217.3499	49.17548	997.7714	3836.869
	35-49 ans	5175.625	197.8657	147.8861	49.9796	27.44089	363.018	43.13972	1180.336	4626.753
	50-64 ans	4135.696	1350.407	1000.588	349.819	165.122	133.2635	52.68204	1328.817	4508.354
Immigres UE	25-34 ans	3574.099	22.23172	13.54072	8.690996	34.7556	356.8143	43.29236	691.7104	3339.483
	35-49 ans	4208.142	87.42323	30.11161	57.31162	64.44504	419.7761	75.18768	888.0292	3966.944
	50-64 ans	4346.498	617.0001	345.7157	271.2845	195.9714	164.2182	77.39172	1322.639	4078.44
Immigres non-	25-34 ans	1754.371	12.33215	2.798671	9.533477	100.3512	318.1511	136.2282	348.8292	1972.605
	35-49 ans	2493.259	81.59846	49.3229	32.27555	52.53382	515.3638	124.6297	379.4915	2887.893
	50-64 ans	1429.924	902.8354	553.7173	249.1181	2.607764	60.23863	280.7124	470.9437	2205.375
Households headed by 25-64 years		5056.708	463.1524	334.7289	128.4234	84.96211	286.0202	52.49971	1358.601	4584.741
All households		3948.285	1099.298	990.8069	108.4915	68.15894	216.9733	45.87813	1160.318	4218.276

The following observations concern essentially table 5 and, if mentioned, table 6:

Nationals are to a smaller extent active (share of those who live on **wages** than immigrants. This is not surprising because nationals are, on average, older than immigrants and therefore less active. We already mentioned the high broad unemployment of elderly workers, which is in line with this observation. In any case, the employment rate of immigrants is higher than that of nationals - however, the results concerning pensions are then contradictory. According to a comparative analysis (different periods and different MS) Büchel and Frick (2005) observe a better performing immigration in Luxembourg as compared to Germany – due to an important share of highly qualified, thus an important heterogeneity of immigration.

Before having a look into the mean **wages** (table 6) OECD observations show higher levels of **education** for highly qualified immigrants as compared to highly qualified nationals. This is confirmed for Luxembourg by Hartmann-Hirsch (2008) – they compared the educational level with the mean wages, finding that certain groups of immigrants loose out concerning their wages given their high educational level – an advantage for nationals which is commonly assumed. The higher wages obtained by foreign decision makers do not show up here (Hartmann-Hirsch, 2008), as we have one group of highly qualified immigrants including some of the decision makers. Lower mean wages for immigrants produce lower contributions to the three insurances; however their participation in the labour market is much higher than that of nationals and their consumptions of the three insurances is low for now, might however rise and pose a challenge to the sustainability of the systems.

Self-employment is higher for highly qualified nationals as compared to highly qualified immigrants. We have no clear explanation for this observation.

Private income is also – logically – linked to the level of education and concerns thus more the highly qualified than the less qualified, whether they are nationals or immigrants.

The share of **public pensions** is very low, due to the fact that we have restricted our analysis to households headed by persons aged 25 to 64 years. It is not astonishing that the share of immigrant pensioners is lower than that of nationals – age being the main factor (cf. point a.)¹⁸. Within a life cycle, consumption of pension, health and care insurance is high for pension schemes over the last decades of life and extremely high over the last years of life for health and care insurance. Less qualified non-EU immigrants depend to an important share on replacement incomes (e.g. disability schemes which are part of the pension scheme; the same is valid for social assistance) – this confirms their generally observed precarious position on the labour market, but their take-up is low (Ametepé and Hartmann-Hirsch, 2008).

For **unemployment benefits**, it is astonishing to see a higher consumption by highly qualified immigrants as compared to the equivalent nationals – given the overall higher educational level by immigrants: again the higher share of civil servants within the nationals might explain the low figures for nationals. For the three less qualified groups, results confirm hypothesis according to findings by Büchel and Frick (2005). However, Büchel and Frick (2005) do not differentiate immigrants and nationals. Their

¹⁸ If we would have taken all age groups, the proportion of immigrants would have been lower as compared to a, then, higher share of nationals.

observation on the years 1994-96 in Luxembourg presents lower shares for immigrants than for nationals; things have changed, since with our data, the opposite is the case.

For **child benefits**, the results reflect well known trends: the highly and the less qualified use these benefits more, having, on average, more children than the others. Given the higher educational level of the highly qualified immigrants as compared to the same group of nationals this is perfectly in line with the general observation. For Luxembourg, immigrants take more advantage of the child benefits than nationals. Children born by foreign women are more numerous (absolute figures) than those born by nationals (STATEC: annuaire statistique). This might also be in line with the fact that natives are older than immigrants.

Concerning **public benefits** (health, care) and social assistance, the two most disadvantaged groups are the less qualified EU and non-EU immigrants; this is in line with their educational level, which is, within the 5 groups, the weakest for the non-EU citizens. No doubt, this group is the most dependent on benefits - according to Borjas and to our analysis on Luxembourg (Ametepé and Hartmann-Hirsch, 2008). If one acknowledges that nationals are to an extent of 27% civil servants (administrative data), that preliminary conditions (work permits over the first five years of residence in Luxembourg, law of 28 March 1972) hinder an easy access to employment, this might explain their precarious situation. The share of this group is low with 3.7% of the resident population.

Concluding, one can observe that immigrants live on a higher extent on their wages – Luxembourg has obviously a predominantly economic immigration -, whilst their mean wage is on average lower than that of the equivalent group of nationals. The first 4 lines (table 6) concern the use of market incomes: the very performant results for immigrants can be explained by two trends: a selective immigration policy over the last decade as well as the fact that Luxembourg is a high wage country and hence is not faced with the massive arrival of people falling under the family reunion framework. Hence it is to a lesser extent faced with all those, who are not active and who face a higher risk of poverty (because of not being active!, cf. footnote 7). A second observation concerns the less qualified EU and more so non-EU immigrants, awarding much more subsidiary incomes than nationals (whether more or less qualified). Is this due to their, generally speaking, lower economic performance? Or might it be due to the different obstacles they have to face? In any case, the consumption of public benefits of this group is low given their very low share within the resident population (3.7%).

6. Conclusions

Some preliminary conclusions will allow us to summarise our observations concerning the impact of migration on social security issues, dealing on the one hand with the conception and type of *welfare systems* and on the other hand with the actual *contributions and consumptions of nationals and immigrants*.

The increase of migration, and more so the increase of the share of highly qualified immigrants has been observed for many years now: on an international level by the OECD (OECD, 2008) as well as for the specific case of Luxembourg (Langers, 2007).

Luxembourg's welfare system has been conceived as a typical conservative-corporatist system with Scandinavian standards, handled by the state in a centralised way. This model might be a case of "best practice" – just as the Scandinavian model (Sapir, 2005) – providing those in need with middle class standards. However as opposed to the Scandinavian model, efficiency seems to be a problem, due to the high inactivity rate and the 'broad unemployment'. Authorities were prudent with regard to potentially "abusing" newcomers, whether they be nationals or immigrants – de facto, the excluding conditions concerned to a higher extent immigrants (Ametepé and Hartmann-Hirsch, 2008).

And finally in different continental EU countries, a clear cut back of social security protection pursuing the overall objective of maintaining the sustainability of the existing conservative-corporatist systems has been put into place – an example would be the HARTZ IV reform in Germany. Luxembourg however had never opted for a liberalisation with exception of the care insurance which is financed by employees and the state only of its welfare protection. Just the opposite is the case: Luxembourg actually enlarged its offer of benefits over the last two decades introducing for example the following new benefits: parental leave (law of 12 February 1998), care insurance (law of 19 June 1998), "complément d'accueil gérontologique" (law of 23 December 1998), etc.

Within this type of enlarged and strengthened social protection, what is the role of immigrants?

In terms of the **design and the philosophy of Luxembourg's welfare system**, the prudent attitude for opening up benefits to immigrants might be taken as a typical element of a corporatist system with high awareness to "abuse" in general and a specific awareness/skepticism with regard to newcomers – and they are mainly immigrants. A supplementary reason for the fear of "social tourism" might have been the specific geographical situation of this small nation-state located in between MS with conservative-corporatist countries **without** Scandinavian standards, which have been obliged to opt for a liberalisation of their systems in recent years. Thus Luxembourg has opted for a control concerning the access to non contributory benefits via a residence condition. Juridical decisions (national and EU-level) obliged Luxembourg to give up the residence condition for refugees and for EU-citizens. Over the years of the implementation of social assistance, the share of non-nationals has increased; on top of this, one might observe a supplementary increase of less qualified EU-citizens being awarded social assistance following the different steps in opening up the scheme. However take-up of benefits was proportionally low for the most needy group of immigrants – in other terms, there was no "abuse", but a much higher eligibility and thus also a quite high rate of take-up - this concerned however only an extremely small group of residents (Ametepé and Hartmann-Hirsch, 2008).

If, in a second step, we consider the **contributions and the consumptions** of nationals and immigrants, we observe a higher participation of immigrants and more so of cross border commuters in the competitive sector and the internal labour market as well as a higher consumption of pensions by

nationals; this is in line with a high broad unemployment (c.f. supra) of the elderly workers, which concerns the relatively older nationals more than immigrants. Furthermore, immigrants lower tax contribution to the state budget due to their, on average, lower wages (despite(?) better educational levels), are compensated by their higher degree of participation in the labour market. To sum up, the contributions of, on average, younger immigrants and cross border commuters¹⁹ to health, care and pension insurances and their currently modest consumption²⁰ of these benefits are positive elements for the current efficiency of these insurances - a situation which will however change in the future (OECD, 2008). The higher consumption of child benefits by immigrants is not only due the different age structure of nationals and immigrants but mainly by the higher fertility rate of foreign women; it constitutes also a response by immigrants to the generation-contract for pension schemes in future years. Even if means tested benefits are proportionally more used mainly by non-EU immigrants this concerns however the smallest group of the resident population with 3.7% (table 1) and take-up was low as compared to eligibility (Ametepe and Hartmann-Hirsch, 2008).

The aforementioned observations show that immigrants contribute more to the efficiency of the systems by a higher “solidarity for the welfare state” (Esping-Andersen) as compared to nationals. Thus, immigrants help to sustain the current generous welfare protection system and helped to make possible its enlargement.

The aforementioned paradox of a corporatist model **with** high standards and an enlarged generous offer of benefits could be implemented and maintained with the input of the younger contributing but less consuming immigrants.

The current sustainability of its welfare systems (contributory and others) can be said to be satisfying, even with the high take-up of replacement benefits. Thus, the broad unemployment is (absolutely?) high and (relatively?) higher than in Scandinavian countries with the same type of generous and numerous benefits – the philosophy of the solidarity with the welfare system is not yet present in Luxembourg.

The OECD as well as the European Commission have often criticised Luxembourg’s highly regulated and protective labour market disposals as well as the numerous incentives for inactivity – which are synonymous of a high take-up of replacement income schemes (such as a generous social assistance, measures like “inapacité de travail”, high replacement rates for pensions, etc.). Both organisations highlight the danger for the sustainability of Luxembourg’s welfare protection system, mainly for pension and health insurances for future years: Luxembourg will face expensive years for health and

¹⁹ We were unable to include data on the cross border commuters (more than 40% of the internal labour market), because they are not included in the household panel.

²⁰ In general, health insurance is used and becomes expensive for the insurance only during the last years of life; hence, relatively young immigrants, younger than nationals, contribute more and but do not really consume their health benefits for the time being. There will be a much higher consumption in a few years, when the first important cohort of cross border commuters retires.

care insurances of the currently younger but inevitably ageing immigrants²¹. Thus, even with a permanently increasing immigration, Luxembourg will never again experience the current constellation with an important contributing immigration *without* an equivalent consuming elderly immigration.

In other terms, due to a well performing economy - run to an extent of 73% by immigrants and by cross border commuters - and a hence high tax income for the state, plus exceeding contributions as compared to consumptions by immigrants for the health and pension insurances, liberalisation of the social protection systems could be avoided and the conservative-corporatist system *with* generous Scandinavian standards run and co-financed by the State in a centralised way and a prudent attitude concerning immigrants can be maintained and was even enlarged within a globalised context, which, elsewhere, tends to produce liberalising effects. Until this date Luxembourg was not obliged to proceed to cut backs – thus no burden has been shifted to immigrants (Sainsbury, 2006). Immigrants have permitted in a considerable manner through their contributions the recent enlargements and the maintaining of high standards of an already generous welfare protection system.

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²¹ If immigrants return to their country of origin at retirement, EU legislation provides the countries where they spent their working life, e.g. Luxembourg, with positive effects for the sustainability of health and care insurances: with a career in both countries, the definitive country of residence has to shoulder the cost of health and care insurance. Luxembourg's health system being one of the most expensive within OECD countries (OECD, 2008), a massive return of immigrants would ease future sustainability problems.

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