



# **Making progress towards the completion of the Single European Labour Market**

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EUROPE'S POLITICAL ECONOMY  
EUROPEAN MIGRATION AND DIVERSITY  
PROGRAMMES

## EPC Programmes

### Europe's Political Economy

*The Europe's Political Economy (EPE) programme monitors and analyses current economic, social and environmental issues which are topical in the EU policy debate. The current focus is on five long-running themes:*

- *The euro crisis and its implications for economic governance and the European integration process, which will continue to dominate the European debate. The focus is on two critical issues: what does banking, fiscal and political Union mean – and how can it be achieved in practice while also ensuring European action has sufficient legitimacy – and how can the economic and social crisis be overcome which is still hitting Europe hard and leading to a downward spiral in the crisis countries.*
- *Europe's economic future and the development of the Single Market. Europe is facing a long term growth crisis, not only as a result of the current economic crisis but also because of long term challenges, including globalisation, demographic trends, inequalities, resource competition and the need to tackle climate change. Finding sustainable ways out of this growth crisis, including the further development of the Single Market, is one of the most pressing issues for the EU. There is also a focus on the Single European Labour Market, which analyses why, despite freedom of movement being one of the key principles of the EU, very few workers move from one country to another in Europe and what can be done to incentivise people's mobility.*
- *The EU budget and the debate on the next EU Multi-Annual Financial Framework. At a time when the interinstitutional negotiations on the future MFF are going to enter their final phase, the EPC continues to provide analysis on the state of play of the negotiations, the future structure of the EU budget, the interplay between the crisis and the budget and its impact on the EU principle of solidarity.*
- *Health and well-being, with the EPC being the only Brussels-based think tank with a major focus on this topic. We will continue our long-running analysis of 'Social Europe' and the sustainability of Europe's public services in the face of Europe's long term socio-economic challenges. CHES, the Coalition for Health, Ethics and Society, will continue to involve a wide-range of European stakeholders in topical debates on European health issues.*
- *Climate change, resource efficiency and energy, including a focus on climate change mitigation and adaptation, as well as resource efficiency. Energy policy and its importance not only for climate change but also for competitiveness and security continues to play a major role.*

### European Migration and Diversity

The entry into force of the Amsterdam Treaty in 1999 saw the EU acquire legislative competence to act in the fields of migration and asylum. Conclusions adopted by member states at the October 1999 European Council in Tampere called for the development of common policies on asylum and immigration.

However, the EU is currently a long way away from adopting so-called common policies. While the European Commission asserts that results achieved so far are "impressive", they remain rather imbalanced. The management of external borders and the fight against irregular migration have been prioritised so far, to the detriment of asylum and legal migration.

The entry into force of the Lisbon Treaty in 2009 gave a new impetus to further develop EU policies and action in the fields of immigration, integration and asylum. Border management and irregular migration will remain high on the agenda and the main focus of attention. However, Brussels should now address legal migration, asylum and integration issues in a more structured and in-depth manner in order to achieve the goal of developing common EU policies.

Despite the economic crisis and growing evidence of anti-immigrant rhetoric, the challenge of developing EU-wide immigration, integration and asylum policy will remain a hot political topic in the years to come. Ongoing developments and the debate on the issues will be closely followed and scrutinised by the EPC team in the framework of our European Migration and Diversity Programme.

The European Migration and Diversity Programme also takes part in the migration and integration components of the EU-Asia Dialogue. The European Migration and Diversity Programme is run in collaboration with the King Baudouin Foundation and the Compagnia di San Paolo.

# Table of Contents

<i>Acknowledgements</i>	<i>iv</i>
<i>Foreword</i>	<i>v</i>
<i>Executive Summary</i>	<i>vi</i>
Introduction	1
1. Labour mobility: where does Europe stand?	5
A. An overview of mobility trends	5
B. Motivation behind mobility trends	16
2. Costs and benefits of labour mobility	27
A. The macro-economic impact on the EU	27
B. The impact on member states/regions	29
C. The impact on individuals	36
3. Optimising labour mobility – What steps towards the completion of a Single European Labour Market?	39
A. A better implementation of already-existing tools	39
B. Investment in empowering individuals to move	43
C. A stronger role for the European Union	45
D. A better monitoring of the process	49
Conclusions	51
<i>Bibliography</i>	<i>52</i>

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This study is the result of a year-long project carried out by the EPC aimed at assessing the state of play of labour mobility in the EU. It also proposes a set of innovative policy recommendations for completing the Single European Labour Market and exploiting its true potential. Six Task Force meetings took place between March 2012 and March 2013, providing important input into the research developed in this report. The EPC is sincerely grateful to all the participants for their valuable contributions to the project and for their active participation in the meetings. Göran Hultin, Labour Market Advisor to ManpowerGroup, deserves special thanks for his commitment to, and fantastic chairing of, the Task Force.

Furthermore, between December 2012 and March 2013, EPC researchers conducted a round of semi-structured interviews with leading experts on labour mobility issues. The interviews provided us with essential knowledge on ongoing research projects, current legislative and policy proposals, and the main trends and challenges related to intra-EU mobility. The interviewees specifically targeted represented a wide range of stakeholders – academics, researchers, policymakers, social partners and corporate representatives – in order to give a balanced, accurate and unbiased perspective on the issue. This is in line with the EPC’s multi-stakeholder approach to its activities. We would like to thank each of the experts listed below for the time spent with us and for the interesting insights provided:

<b>Pervenche Berès</b>	MEP, European Parliament	<b>Katerina Kyieri</b>	EIPA
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## Foreword

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Building a genuine European labour market is a necessary part of building a job-rich recovery in Europe.

The right to free movement of workers belongs to the essence of the European project, and the economic rationale is also clear: the Single Market cannot reach its full potential in terms of generating prosperity if capital, goods and services are mobile and labour is not.

While Europe is suffering from record-high unemployment, there are still many vacancies that could be filled faster if workers could move within and beyond their national borders more easily. We need to work for better functioning labour markets not only at national but also at European level.

The European Commission has taken a number of initiatives during the last few years to boost transnational labour mobility, most of them summarised in the 2012 Employment Package. Together with the member states, we are in the process of upgrading the EURES network into a genuine pan-European recruitment, matching and placement service, based on smooth cooperation between public and private employment services across Europe. We have also launched, on a pilot basis, a targeted mobility scheme for young people – “Your First Eures Job” – which holds great potential both for individuals and for companies. Negotiations have re-started in the Council on rules for portability of occupational pensions, and the Electronic Exchange of Social Security Information is nearing its deployment phase. In April 2013 the Commission proposed a set of measures aiming to improve the practical application of existing rules on the free movement of workers, such as better information for jobseekers outside their home countries and clearer possibilities of redress in cases of discrimination. We are also looking into possibilities to extend the right of jobseekers to receive unemployment benefits from their home country while looking for a job in another EU member state beyond the current minimum of three months.

Labour mobility is a win-win, good for the workers and good for the economy. However, it is not a panacea that could solve, on its own, Europe’s unemployment crisis and reduce the growing disparities between prosperous and depressed parts of the EU. The most beneficial type of mobility is circular mobility, which maximises transfer of skills and development of common identity; but it does not always happen. Labour mobility therefore needs to be accompanied by investment in balanced economic development across the Single Market, which has traditionally been the purpose of EU cohesion policy, so that we avoid economic desertification of certain regions and big increases in their economic dependency ratios.

Labour mobility and fiscal transfers have therefore always been complementary – within nation states, and within the Single Market. In the context of the reconstruction of the Economic and Monetary Union, we should appreciate the opportunities that labour mobility offers to citizens of countries where the employment and social crisis is deepest, as well as to economies that face labour shortages. But we should not fix our minds only on the concept of individual countries' capacity to adjust to booms and busts: a sustainable monetary union needs also investment in rebuilding the competitiveness and growth potential of its weaker areas and a risk-sharing system helping to minimise the negative effects of asymmetric shocks. Labour mobility and fiscal transfers both belong to the defining features of optimum currency areas. To achieve prosperity within a currency union, we should not work on just one while forgetting the other.

*László Andor, EU Commissioner for Employment, Social Affairs and Inclusion*

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## *Executive Summary*

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While the free movement of people is one of the four basic freedoms of the EU, the Single European Labour Market is still far from completion. Today, around 3 percent of EU citizens and an even smaller number of EU residents from third countries take advantage of the opportunities that the freedom of movement offer. In an effort to contribute to the advancement of the Single European Labour Market, and countering current popular political argumentation, this report aims to explore the strategic potential of intra-EU labour mobility for the benefit of the European (Monetary) Union, individual member state economies and mobile workers themselves.

To this end, the authors proceed in three main stages. First, they analyse mobility trends in Europe before and during the crisis, in an attempt to ascertain how the motivations of mobile workers have evolved. Second, they shed light on the costs and benefits of labour mobility from a multi-dimensional perspective, i.e. from an EU-wide, national/regional and individual one. Third, they propose a series of policy recommendations for developing an ambitious and comprehensive strategy towards labour mobility, including both EU citizens and third country nationals.

In the first chapter, the authors explain to what extent mobility trends of EU citizens and third country nationals differ from each other. While they are both limited in terms of size, most third country nationals face significant legal limitations, which is not the case for EU citizens. This legal distinction underpins the different forms mobility patterns take for these two categories. Therefore, while EU citizens' flows very much react to EU internal changes, such as enlargements or asymmetric shocks, flows of third country nationals are more constrained due to legal rigidity with regard to their right to move. However, both flows seem to have been affected by the economic crisis in the sense that destinations outside Europe, where the economy is growing, have gained in importance. This indicates that intra-EU mobility is mainly driven by economic and job related reasons, an element confirmed by data on motivations and which discredits the current political discourse.

The second chapter focuses on the cost-benefit analysis of labour mobility and shows that the macro-economic advantage for the EU as a whole as well as the necessity for the resilience of the euro area are theoretically incontestable. Also, the authors demonstrate that short-term and long-term impacts on sending and receiving countries are overwhelmingly positive, even though some transitory costs might emerge in localised areas. Furthermore, the second chapter looks into the impact on individuals and indicates that labour mobility remains a significant opportunity for individuals despite issues such as overqualification, which is likely to be temporary.

In the third chapter, the authors propose an ambitious and comprehensive strategy towards labour mobility. This strategy aims to address obstacles to mobility, as well as create incentives to encourage people to move. It also aims to reinforce the role of public policies, both at the EU and national level, in order to address potential costs and optimise a better allocation of human resources. Hence, the strategy is based on four main pillars, under which a series of measures are proposed:

### **(A) A better implementation of already-existing tools**

Under this pillar, key areas where further integration and progress of already existing tools need to be achieved are identified:

- ✓ A better and wider use of the EURES tool.
- ✓ Simplification of the recognition of professional qualifications.
- ✓ Further and deeper coordination of social security systems, especially of pensions and unemployment schemes.

### **(B) Investment in empowering individuals to move**

Here, the authors focus on three priorities which should be addressed as a matter of urgency. They would increase propensity of individuals to move, minimise their vulnerability in the hosting country, and facilitate their life once they have made the first mobility step. These priorities include:

- ✓ Personalised career guidance for migrants to realise the full potential of mobile workers.
- ✓ Creation of a one stop shop to facilitate registration procedures.
- ✓ Investment in the mobility propensity of target groups at an early stage.

### **(C) A stronger role for the European Union**

Under this pillar, several measures where the EU should become more ambitious and have a stronger role are identified. These measures are:

- ✓ Fighting for equal treatment, not least by setting European standards for minimum wages and working conditions;
- ✓ making Europe more attractive for foreign talents by creating optimal conditions to retain the foreign labour force within the European labour market;
- ✓ creating a Mobility Fund, in view of helping receiving countries to deal with transitory costs in localised areas in case of empirical evidence;
- ✓ increasing coordination in the healthcare sector in order to prevent labour shortages in sending countries;
- ✓ making the benefits of mobility more visible so as to counter the double discourse taking place at the national level.

### **(D) A better monitoring of the process**

In this section, two key proposals are put forward to achieve a better monitoring of flows and increase our knowledge of mobility trends. These two proposals are:

- ✓ strengthening the role of the New Economic Governance tools to ensure better coherence between the overarching goal of mobility and the implementation of policies to achieve it;
- ✓ improving our knowledge of migration patterns through better and increased collection of data.

To conclude, the authors have demonstrated that increased and optimised labour mobility can generate substantial economic benefits for all relevant actors, although it must be acknowledged

that labour mobility can only be one of the solutions to address Europe's current challenges. Beyond economic benefits, there is the political dimension too, where policy-makers can demonstrate to citizens that there are tangible benefits from being in the EU, namely the ability to seek jobs in other countries when faced with unemployment at home. Some concrete measures to complete the Single European Labour Market are within easy reach but they require, above all, political will. It is now up to both the EU and its member states to put the right policies in place for making best use of a significant asset Europe has at its disposal.



# INTRODUCTION

Do Europeans need a complete and well-functioning Single European Labour Market? Some may argue that they do not, basing their arguments on the assumption that everybody dreams of having the perfect job in their home country. The opportunity to have a well-paid and personally enriching job in one's own country – or even one's own city – is indeed a fortunate scenario.

However, others would emphasise that the reality looks different and clearly highlights the need for increased and optimised labour mobility. Indeed, while our globalised and rapidly-changing economies require mobility across both occupations and regions, the European Union (EU) is also facing significant short and long-term challenges that can no longer be ignored. Increased and optimised intra-EU labour mobility – underexploited thus far due to the persistence of significant barriers, the lack of incentives and the emergence of an ever-growing 'populist' political climate – would be a powerful instrument in addressing them.

One of the short-term challenges is the growing divergence in the areas of economic growth, competitiveness, and innovation, which have recently intensified among EU member states and have reinforced polarisation trends. Such trends have also become evident in terms of labour market performance. While some EU countries, including Germany, Austria, Denmark, Luxembourg, the Netherlands, Finland and Sweden, have managed to keep unemployment below 8%, others, such as Greece and Spain, face dramatic situations whereby the unemployment rate is well above 20%<sup>1</sup>. Moreover, economic forecasts in those countries do not indicate better prospects for the near future.

In addition to short-term problems such as unemployment, most EU member states also have to deal with medium to long-term challenges, including high public debt and ageing societies. In most EU countries, the recent contraction of GDP level has worsened national public finances, although debt was already above sustainable levels before the crisis. Hence, it has required profound reforms, not least to the labour market. With regard to demographic ageing, forecasts have shown that male life expectancy is projected to grow from 76.7 years in 2010 to 84.6 in 2060, with an increase from 82.5 to 89.1 for women. While such developments are positive and signal progress in medicine and quality of life, they will also increase demand for pensions and healthcare-related services and put the sustainability of Europe's welfare systems under tremendous pressure. Indeed, population ageing will result in a smaller percentage of workers supporting a greater number of inactive people. Therefore, the already fragile equilibrium between contributors and receivers of welfare benefits will weaken further and the demographic old-age dependency ratio, i.e. people aged 65 or above relative to those aged 15-64, is projected to increase from 26% to 52.5% in the EU by 2060<sup>2</sup>.

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<sup>1</sup> Eurostat, Labour Market Statistics on unemployed persons aged between 15 and 74 for a period of, at most, three months.

<sup>2</sup> L. Pench, P. Gudin De Vallerin, P. Part and G. Carone (2012), 'The 2012 Ageing Report Economic and budgetary projections for the 27 EU Member States (2010-2060)', *European Economy* N. 2, European Commission. Other studies such as E. Türck, J. Wöss and F. Zuleeg (2012), '1000 billion Euros at stake: How boosting employment can address demographic change and public deficits', *EPC Issue Paper* N. 72, European Policy Centre, rightly point out that the real issue is not the numerical relationship between age groups but the economic dependency ratio, defined as the ratio of unemployed and pensioners to those actually in work. Thus, after taking labour-market participation into account, the economic ratio looks even worse than the demographic old-age dependency ratio.

Beyond the implications that demographic ageing has for our welfare systems, it also challenges the future performance of our labour markets. As Europe's population ages, its pool of human capital will be reduced at a time when Europe is facing growing competition from other regions of the world. These regions will have increased quality of education, demographic expansion, and therefore access to very large, well-educated young populations. Thus, it will further raise global competition and the need to have a well-performing European labour market.

Making the best use of the human capital residing in Europe by increasing the mobility of both EU citizens and third-country nationals is therefore an absolute priority, which could contribute to addressing both short and long-term challenges. Indeed, boosting the mobility of the EU workforce:

- would reduce the financial and social pressure on some EU regions or even countries facing huge unemployment rates;
- would offer better prospects to unemployed people trapped in a situation where local public and private actors are failing to produce the optimal conditions for their personal development;
- would help Europe to make more effective use of (foreign and domestic) talent and attract new talent, and;
- could optimise the allocation of human resources across Europe and respond to specific labour shortages, therefore making its labour market more dynamic and competitive.

The available figures on labour mobility show that Europe is underexploiting this huge asset. Thus, although free movement is one of the key principles of the EU internal market and one of the four principles of EU integration<sup>3</sup>, mobility is still a limited phenomenon in Europe compared to other regions of the world: annually, only 0.3% of the EU27 population moves to another EU country, compared, for example, with 2.4% in the US or 1.5% in Australia<sup>4</sup>. Overall, only 3.1% of the working-age European population (15-64) was living in an EU member state other than their own in 2012<sup>5</sup>. Furthermore, this principle does not apply to the same extent to every person residing on EU territory, the rules governing its application vary over time and depend on the category of worker. For instance, nationals of Bulgaria and Romania<sup>6</sup>, as well as third-country nationals, do not enjoy the same mobility rights as other EU citizens.

In addition, providing the right to move is not sufficient to encourage people to work where they are most needed. The objective of this report is to provide solutions on how to turn freedom of movement into a real asset for Europe by identifying which policies are required to complete the Single European Labour Market, not only by dismantling barriers to mobility but also by encouraging people to move to where the jobs are. Also, this report aims to respond to strong attacks recently made against labour mobility in general, and freedom of movement in particular, by demonstrating the significant benefits that they generate.

To this end, this report will be based on three key principles:

- It will adopt a comprehensive approach towards labour mobility instead of reproducing the fragmentation of policies currently in place. It will look at how to increase and optimise the mobility of workers already residing on EU territory, including EU citizens and third-country nationals, as both these groups contribute to the performance and competitiveness of the European labour market.

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<sup>3</sup> According to Art. 3 paragraph 2 of the Treaty on the European Union (TEU), freedom of movement enables EU citizens to move to another EU member state and to reside and work there.

<sup>4</sup> OECD (2012), *European Union 2012*, OECD Economic Surveys, OECD Publishing, p. 64.

<sup>5</sup> Eurostat, LFS Series: ratio of EU citizens aged 15-64 living in a different EU country, as percentage of total EU citizens aged 15-64.

<sup>6</sup> Bulgarian and Romanian citizens do not enjoy full freedom of movement yet but restrictions will be removed as of 1 January 2014.

- It will take a political stance, while recognising current legal provisions and using economic arguments. Indeed, the authors believe that efforts to complete the Single European Labour Market require strong political will.
- It will adopt a forward-looking perspective by recommending realistic but ambitious measures necessary to complete the Single European Labour Market in the near future.

This report is an EPC product and the result of EPC in-house research, a series of semi-structured interviews carried out with different experts and stakeholders working in the field of labour mobility, and discussions held in our Task Force 'Completing the Single European Labour Market'. In the context of the Task Force, launched in spring 2012 and supported by ManpowerGroup and the European Commission (DG Employment and Social Affairs), several thematic meetings were organised during which specific aspects of mobility were debated among experts. Those meetings represented a useful source of information and ideas for this final report.

The report will be structured around three chapters. In the first chapter, the authors will analyse mobility trends in Europe before and during the crisis, in an attempt to ascertain how the motivations of mobile workers have evolved. The second chapter will compare the costs and benefits of labour mobility from different perspectives, i.e. from an EU-wide/national/regional point of view, and from an individual one. Finally, the third chapter, based on information provided in the two first parts, will make a series of policy recommendations for developing an ambitious strategy towards labour mobility.



# LABOUR MOBILITY: WHERE DOES EUROPE STAND?

The first chapter of this report aims to shed light on the state and development of mobility trends in Europe (A) and on the motivations of mobile workers (B). The analysis is based on available datasets and tries to make best use of current data, although it must be acknowledged that significant data gaps exist, which therefore make it difficult to get a complete and accurate picture of all mobility trends.

## A. An overview of mobility trends

While the right for EU citizens to move and work in another member state than their country of origin is at the core of the European project, a number of barriers, limitations and difficulties have always existed. In response, the EU has made a continuous effort to facilitate workers' mobility and to dismantle the remaining barriers. These efforts have resulted in an incremental process whereby a series of measures have been taken to deal with specific issues in specific areas. Putting together a comprehensive overview of all those measures is a highly challenging process, not only for researchers but also for mobile workers themselves, due to the high complexity and wide diversity of applicable rules. Hence, policy developments in the field of labour mobility have followed a rights-based strategy, in which the right of free movement is not equally granted to everyone and in which employment and the effective functioning of our single market are unfortunately not placed at the centre.

The most important distinction among people eligible to move is between EU citizens and third-country nationals. While freedom of movement should apply equally to all EU citizens in the long run, this is not the case for third-country nationals. The second crucial distinction is to be found within each of these two different categories. Regarding EU citizens, transitional arrangements applying to EU8<sup>7</sup> and EU2 workers have been applied in some member states. While all EU countries had to open up their labour markets to EU8 citizens by 2011 (which started with Sweden, the UK and Ireland in 2004 and ended with Germany and Austria in 2011), seven countries still maintain restrictions for Bulgarian nationals and eight countries do so for Romanian nationals (following Spain's re-imposition of restrictions in 2011 and recent legislative measures dated May 2013)<sup>8</sup>. All restrictions will have to be lifted on 1 January 2014.

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<sup>7</sup> Ten countries, including eight from Central and Eastern Europe (CEE) as well as Cyprus and Malta, joined the EU in May 2004. The subsequent accession of Bulgaria and Romania took place in 2007. Restrictions on free movement applied to the eight CEE countries as well as Bulgaria and Romania, but not Cyprus and Malta. Therefore, EU8 refers to the eight CEE countries, EU2 to Romania and Bulgaria, and EU10 to all of them collectively.

<sup>8</sup> D. Holland, T. Fic, A. Rincon-Aznar, L. Stokes and P. Paluchowski (2011), *Labour mobility within the EU - The impact of enlargement and the functioning of the transitional arrangements*, Final Report, National Institute for Economic Research, London.

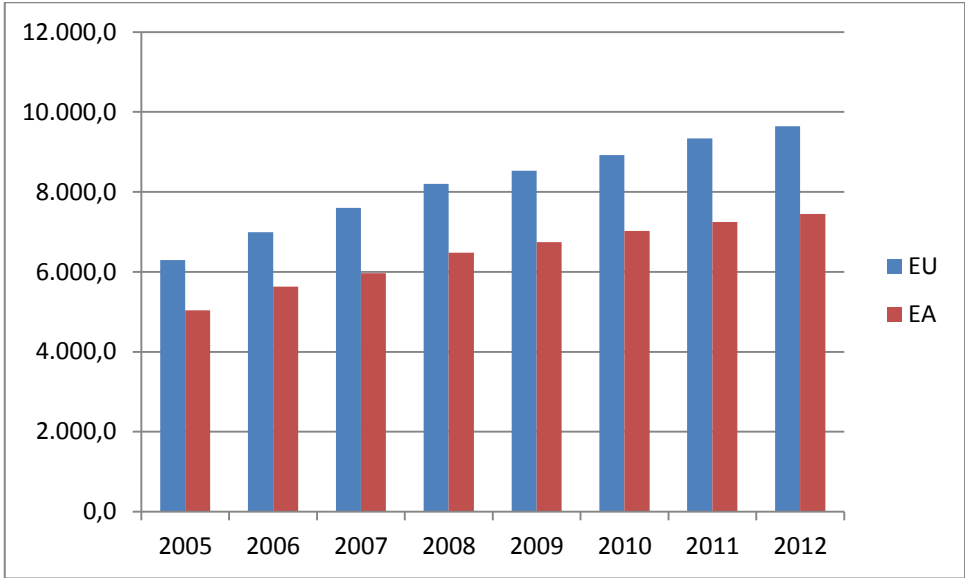
As for third-country nationals, they are considered under another (legal) framework: the area of freedom, security and justice. The approach regarding the mobility of third-country nationals is therefore completely different to that regarding EU citizens. At the moment, intra-EU mobility is only allowed for certain categories of third-country nationals and only under specific conditions. These categories are long-term residents, highly-skilled workers, researchers and students.

Due to the important distinction between EU citizens and third-country nationals in the current legal framework, the structure of this chapter will be based on this distinction, starting first with mobility trends of EU citizens and then moving to those of third-country nationals.

**1. Intra-EU mobility of EU citizens**

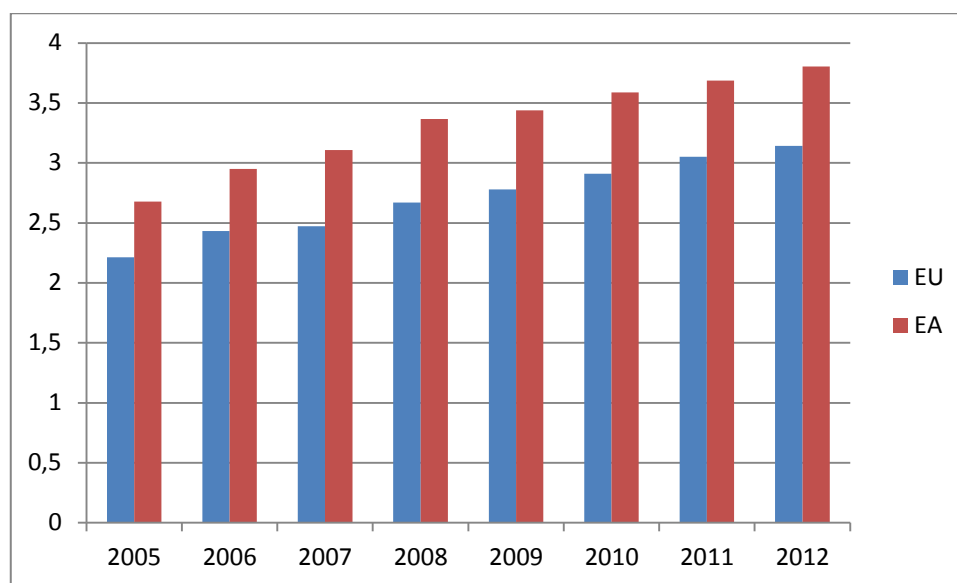
Although it is difficult to monitor intra-EU mobility due to data limitations, estimates show that the mobility of EU citizens has slightly increased over time, but still remains a phenomenon which concerns only a minority of the population. Working-age EU citizens living in a different EU country numbered nearly 10 million in 2012 (Figure 1), an increase of more than 50% (or 3.8 million people) with respect to 2005. This corresponds to 3.1% of EU nationals in 2012, an increase of 0.9 percentage points with respect to 2005 (Figure 2). The share of EU mobile workers is higher in the euro area: 7.4 million EU citizens in 2012, corresponding to 3.8% of its population.

**Figure 1 – The evolution of stocks of EU citizens aged 15-64 living in another country, in millions**



Source: Eurostat, LFS series  
 Note: Stock data 2010 and 2011 for Romania is missing; data 2012 for Malta is missing too and has been approximated.

Figure 2 – The evolution of stocks of EU citizens aged 15-64 living in another country, % of the total EU citizens aged 15-64



Source: Eurostat, LFS series

Note: Stock data 2010 and 2011 for Romania is missing; data 2012 for Malta is missing too and has been approximated.

Two major events explain this evolution and have radically changed the landscape of labour mobility in the EU: the 2004 and 2007 enlargements, and the financial and economic crises which began in 2008. The next sections will shed light on the impact of these two events on mobility patterns.

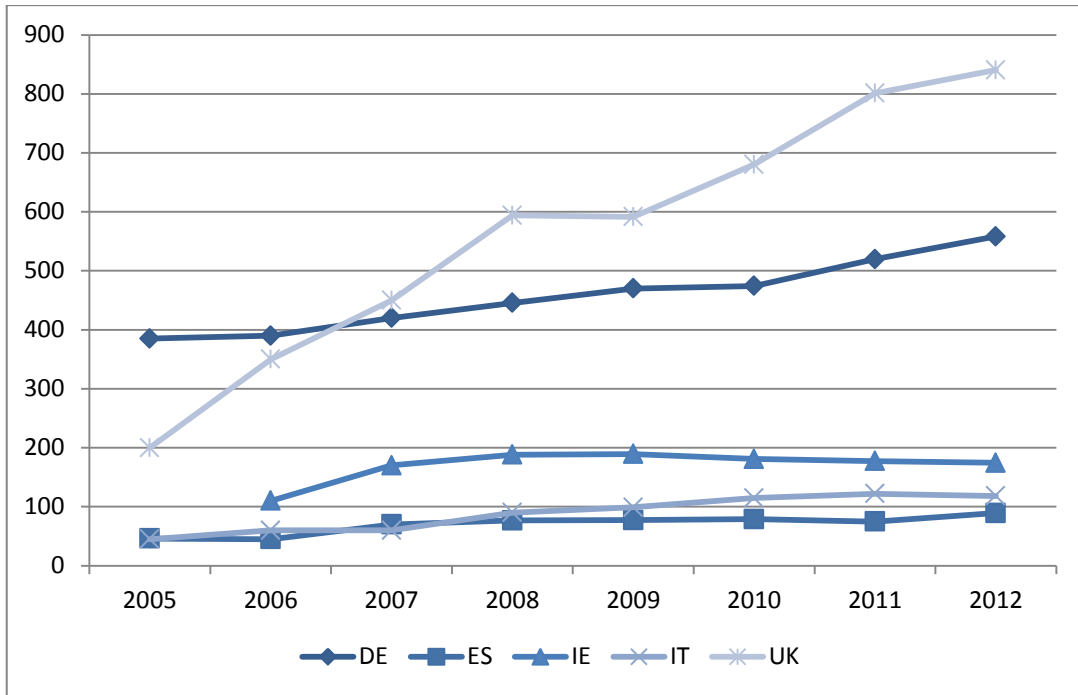
#### a) The impact of the 2004 and 2007 enlargements: Northern East-West and Southern East-West corridors

The impact of the 2004 and 2007 enlargements on intra-EU flows is a much-studied and relatively well-known process. The accession of new member states has led to significant increases in geographical mobility within the EU and gave rise to significant flows from CEE countries to Western Europe. However, this huge flow of people was not equally distributed between countries. Data supports the idea of the progressive creation of two distinct migration corridors<sup>9</sup>: from the EU8 to Germany, Ireland and the UK; and from the EU2 to Italy and Spain.

The emergence of two migration corridors becomes evident when one looks at Figures 3 and 4, which respectively show the evolution of the stock of EU8 and EU2 nationals living in the main receiving countries. Figure 3 shows that more than 550,000 workers from EU8 countries lived in Germany in 2012, while around 850,000 lived in the UK. Other destinations play a secondary role in absolute terms.

<sup>9</sup> M. Benton, and M. Petrovic (2013), *How Free is Free Movement? Dynamics and drivers of mobility within the European Union*, Migration Policy Institute.

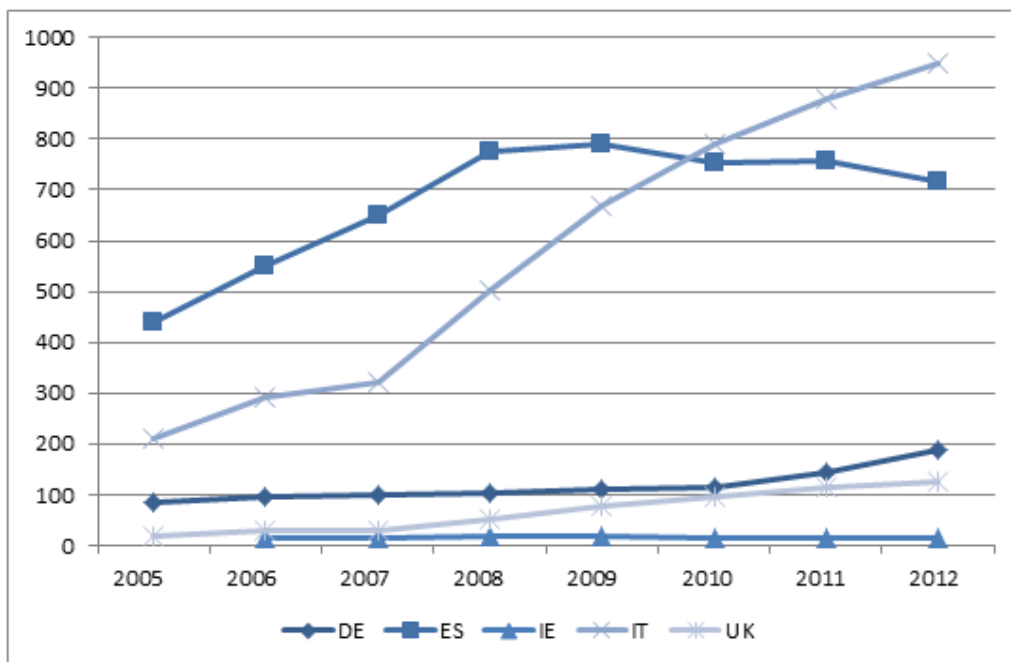
Figure 3 – EU8 population in the main receiving countries, net stocks, '000



Source: Eurostat Labour Force Survey.

While the migration flows from EU8 citizens concerned mostly Germany and the UK, EU2 nationals move primarily to Italy and Spain. As shown in Figure 4, almost one million people from Bulgaria and Romania lived in Italy, while around 700.000 in Spain.

Figure 4 – EU2 population in major receiving countries, net stocks, '000



Source: Eurostat Labour Force Survey.



Interestingly, the two Figures suggest that the migrant community in Ireland and Spain was deeply affected by the crisis, given that the stock of migrants started to decrease in 2008 and 2009 respectively. This was not the case in other countries, where the overall stock of the EU10 continued to grow.

## **b) The impact of the crisis**

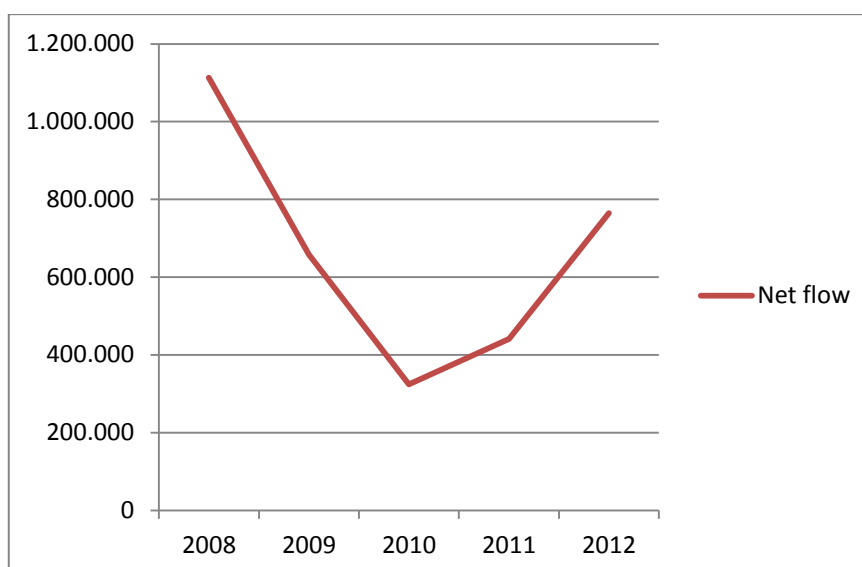
In addition to the two most recent enlargement waves, the crisis has had a deep impact on mobility trends and gave rise to new patterns, which are taking the form of a dual effect on mobility, the creation of a south-north corridor, and the emergence of new destinations outside Europe.

### **A two-phase crisis with a dual effect on mobility**

The crisis has had a dual effect on mobility trends as illustrated by Figure 5. On the one hand, one observes a substantial decline of migration flows during the global (or symmetric) phase of the crisis, i.e. from 2008 to 2010, when all European countries were simultaneously hit by the economic storm. During this period, net flows of EU citizens decreased from nearly 1.2 million people in 2008 to around 300.000 people in 2010. There are two reasons for the severe decrease in migration during the symmetric crisis. First, Europe as a whole suffered from the crisis, including traditional receiving countries, which saw their comparative advantage decrease. Second, the crisis significantly affected the income of potential mobile workers, who were more reluctant to take risks and therefore postponed plans to move.

On the other hand, a general increase in mobility took place from 2010 onwards, when the European (or asymmetric) phase of the crisis began. In this period, economic divergences intensified among member states and new mobility patterns started to emerge. Hence, some countries, including Germany, found a way out of recession and returned to growth, while several others fell back into recession, with a tremendous impact on unemployment rates. These divergences in labour-market performance illustrated by a significant difference in the unemployment rate explained the return to increased mobility during the asymmetric phase of the crisis. In this context, some previous East-West trends, such as from the EU2 towards Italy, persisted, but more importantly, the asymmetric economic recovery drove mobility from 'southern affected economies' to 'northern recovering economies'. Thus, the asymmetric phase of the crisis led to the emergence of a third corridor of migration called the 'south-north' corridor.

Figure 5 – Intra-EU27 net flows



Source: Eurostat. Net flows are calculated as the difference between net stocks in 2 subsequent years.  
Note: Stock data 2010 and 2011 for Romania are missing; data 2012 for Malta are missing and have been estimated.

### The south-north corridor

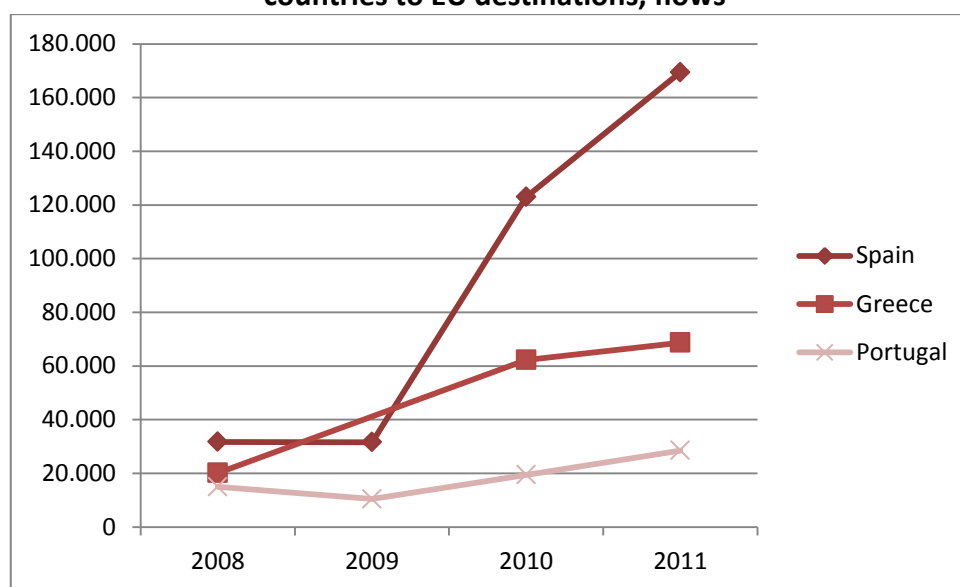
This new 'south-north' corridor is particularly evident in Figure 6, which paints emigration flows from three Southern Europe countries severely hit by the crisis to other EU member states<sup>10</sup>. In absolute terms, the phenomenon is particularly strong in Spain, where around 170,000 people left the country in 2011. In relative terms, 0.7% of the residents of Spain left the country for a different EU destination between 2008 and 2011, 1.7% did so from Greece, and 0.6% from Portugal. The phenomenon is deemed to have strengthened in 2012, although there is little data available for that year.

While these numbers are still limited in absolute terms, especially if compared with previous East-West flows, they clearly show the progressive emergence of a new corridor, with Germany as a core destination. This argument is backed by the significant inflows of EU citizens that Germany, the major country whose unemployment rate has decreased in recent years, has recently experienced. Indeed, 2012 data<sup>11</sup> shows an increase in immigration from Spain of 45% with respect to 2011, of 43% from Greece and Portugal, and of 40% from Italy.

<sup>10</sup> As Ireland is not a Southern European country, it has not been included in the analysis of the emerging south-north corridor. However, emigration data from Ireland is also impressive: around 156,000 people have emigrated since 2008, equal to 3.6% of the country's population.

<sup>11</sup> Statistisches Bundesamt (2013), *Bevölkerung und Erwerbstätigkeit*, Statistisches Bundesamt, Wiesbaden.

Figure 6 – The effect of the crisis on flows: emigration from crisis countries to EU destinations, flows



Source: Eurostat. Data 2009 for Greece is missing.

### The growing attractiveness of destinations outside Europe

The crisis has not only affected the nature of flows within the EU, but also the role that destinations outside Europe play in migration.

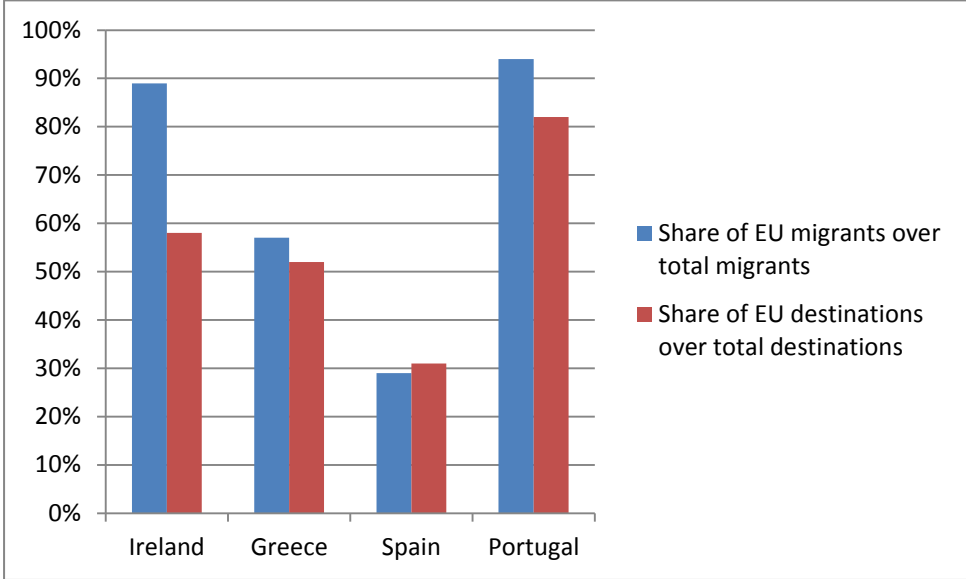
Recent data has shown that European residents have started moving to countries outside Europe whose economies are booming and where linguistic and historical ties exist. The trend is particularly evident in Portugal, where the national institute for statistics reports a significant increase in emigration from Portugal towards non-EU destinations. Thus, the institute indicates an increase of over 3.5 times between 2010 and 2011, i.e. from 4,342 to 15,507 Portuguese residents leaving the country for a destination outside Europe<sup>12</sup>. Although no breakdown by country is available, the press has indicated that former colonies such as Angola and Brazil represent the main receiving countries of this new trend.

The growing attractiveness of destinations outside Europe seems to play an even more important role in countries such as Spain, Ireland or Greece, as suggested by Figure 7. Indeed, in these countries a large proportion of migrants choose a destination outside Europe. But a look at the composition of the migrant population also shows that the higher the share of non-EU nationals, the more likely it is that the destination country will be outside Europe. This is particularly true for Spain and Greece, where the share of third-country nationals among total migrants is above 40% (see Figure 7). Therefore, non-EU destinations seem to be more likely when EU citizens represent only a minority of the total outflow. Ireland represents an exception, where almost 40% of EU citizens preferred a destination outside the EU. Such figures indicate that for economic, linguistic and/or legal reasons, Europe is losing its ability to retain its human capital and that destinations outside Europe are gaining

<sup>12</sup> Instituto Nacional de Estatística, Emigration Statistics (available at [http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine\\_indicadores&indOcorrCod=0006053&contexto=bd&selTab=tab2](http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0006053&contexto=bd&selTab=tab2)). See also Reuters (2012), 'Biting crisis drives Portuguese to Brazil, Angola', *Reuters*, 14 March 2012 (available at: <http://www.reuters.com/article/2012/03/14/portugal-emigration-idUSL5E8E8BV120120314>).

in importance, both for EU citizens and third-country nationals. All this may have serious consequences for the future competitiveness of Europe.

**Figure 7 – Emigration from crisis countries by nationality and destination, % of the total, 2010**



Source: European Commission (2012), 'European Employment and Social Situation', *Social Europe Quarterly Review*, June 2012

**2. Mobility of third-country nationals**

**a) Different status**

As already mentioned above, EU law makes a distinction between EU citizens and third-country nationals with regard to the right to move. In addition, it also differentiates between third-country nationals, as the approach to freedom of movement varies greatly from category to category. While the freedom of movement (under certain conditions) provided to long-term residents is part of the general scheme, the specific categories of highly-skilled workers, students and researchers are governed by different directives and different procedures. Other categories of third-country nationals do not fall under the application of these directives<sup>13</sup>.

Directive 2003/109/EC specifies the rules governing long-term resident status for third-country nationals. Under this directive, third-country nationals will acquire long-term resident status after five years of residence and after a variety of conditions have been met, such as having stable, regular and sufficient resources, having sickness insurance, complying with integration conditions, and not constituting a threat to public policy and security. The number of long-term residents per member state is set out in Table 1.

Under this status, the directive grants the right to move to long-term residents of another member state for the purposes of employment, study or vocational training. Article 14 of the directive sets out the mobility rights: “a long-term resident shall acquire the right to reside in the territory of

<sup>13</sup> Y. Pascouau (2013), 'Intra-EU mobility of third-country nationals – State of play and prospects', *EPC Discussion Paper*, European Policy Centre.

member states other than the one which granted him/her the long-term residence status, for a period exceeding three months, (...)”.

However, the directive offers member states some flexibility in its transposition, which may have the effect of limiting the exercise of this right. Member states enjoy leeway with respect to an extensive number of “may” clauses where they are able to request the fulfillment of certain criteria. This applies regarding *inter alia* calculation of the stay, income requirements or even requests to fulfill integration conditions.

The right to move to another member state can also be conditional to a labour-market test whereby member states can decide to give preferential treatment to EU citizens or long-term residents already residing in their territory, thus limiting the desire of other long-term residents to switch country. Therefore, such a right may be subject to the exhaustion of quotas of people having the right to reside.

Full implementation of the directive in all member states is yet to be achieved. The European Commission underlined<sup>14</sup> that fewer than 50 long-term residents per member state had moved from one state to another. In 2011 the scope of the directive was extended (2011/51/EU) to include beneficiaries of international protection, such as refugees, and beneficiaries of subsidiary protection.

**Table 1 – Long-term residents by citizenship on 31 December of each year – annual data**

GEO/TIME	2008	2009	2010	2011
Belgium	859	1,774	2,406	2,386
Bulgaria	184	124	149	138
Czech Republic	48,062	49,207	:	55,295
Denmark	3,157	2,790	:	0
Germany (until 1990 former territory of the FRG)	998	2,103	3,402	4,803
Estonia	191,435	187,411	184,172	181,109
Ireland	5,155	3,946	:	0
Greece	51	134	287	554
Spain	8,315	19,986	31,170	44,272
France	191	1,905	:	0
Italy	716,217	1,006,541	806,078	1,283,365
Cyprus	20	100	167	287
Latvia	111	207	264	305
Lithuania	18,143	19,648	17,821	17,619
Luxembourg	:	:	1,850	2,607
Hungary	3,297	3,537	5,074	571
Malta	105	165	119	152
Netherlands	13,178	19,351	21,512	17,597
Austria	164,838	166,607	185,329	195,606
Poland	2,892	4,524	5,728	:

<sup>14</sup> COM(2011) 585 final, Report from the Commission to the European Parliament and the Council on the application of Directive 2003/109/EC concerning the status of third-country nationals who are long-term residents, p. 10.

<b>Portugal</b>	1,497	2,331	17	25
<b>Romania</b>	8,554	9,679	10,102	10,403
<b>Slovenia</b>	23,094	25,860	29,426	33,598
<b>Slovakia</b>	1,059	1,401	1,351	2,330
<b>Finland</b>	12	16	19	117
<b>Sweden</b>	290	381	728	660

Source: Eurostat, migration flows statistics

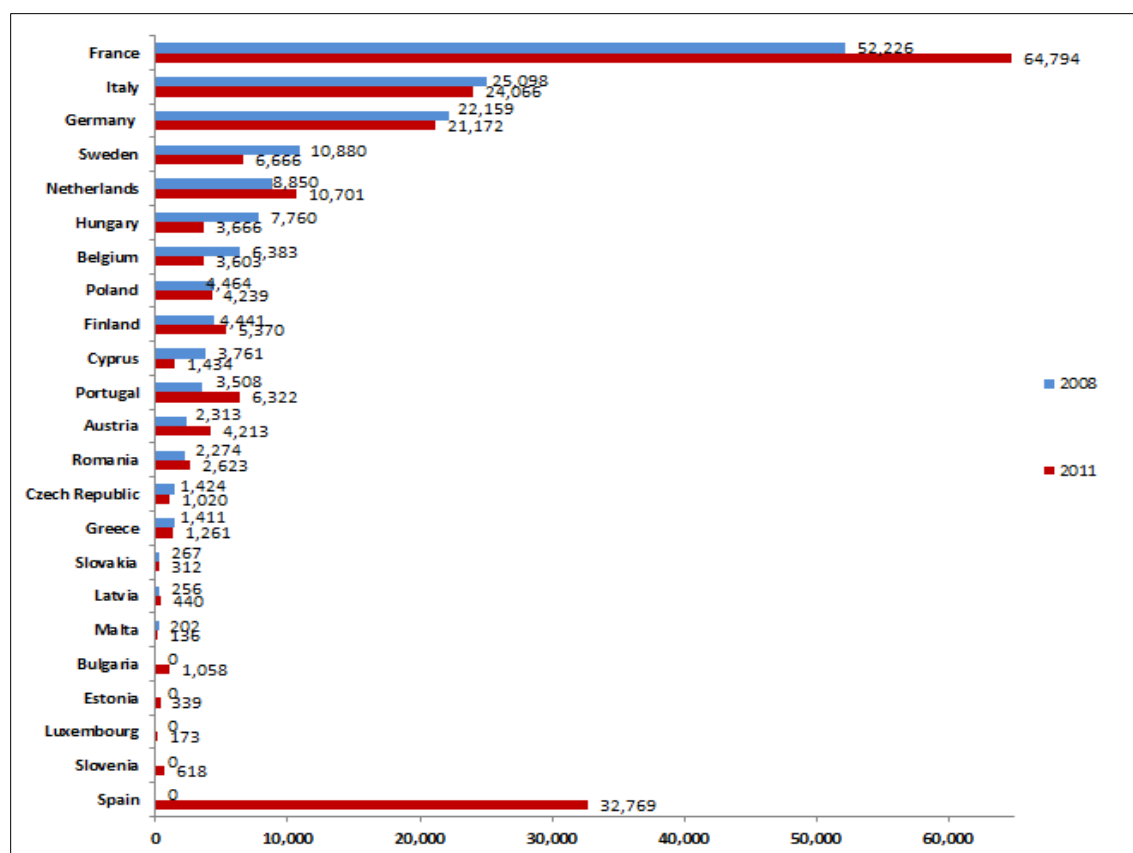
With regard to highly-qualified workers, they are covered by the ‘Blue Card Directive’ (2009/50/EC). This directive regulates the entry and stay of third-country nationals and family members for the purposes of highly-qualified employment. Moreover, it explains the procedures that highly-skilled third-country nationals have to undertake when they wish to move to an EU country other than the one of first admission. From the directive though, it turns out that in order to move to another member state, a legally residing high-skilled worker has to fulfill the same conditions required for the first admission, and only after an 18-month period. This leads to two comments. Firstly, the conditions requested in the second member state may be difficult to fulfill and therefore limit the possibility to move. Second, and despite efforts to reduce the ‘waiting period’ to 18 months, some may question whether this period is still an obstacle to making the EU attractive. Since the directive was issued in 2009, a statistical overview is meant to come out in 2014 and data is not yet available.

Concerning non-EU students, they are covered by the Students Directive (2004/114/EC), which contains a specific provision on the “mobility of students”. It grants international students the possibility to carry out part of their studies or research in a member state different from the one of admission under specific conditions. Although there is no data on mobility, Figure 8 shows the number of first permits issued for study reasons.

As far as researchers are concerned, under Directive 2005/71/EC they are allowed to pursue part of the research in another member state. For a period of three months, a researcher can move under the basis of the hosting agreement of the first member state. However, if the researcher plans to stay for a longer period, a new agreement might be required. A new proposal tabled by the Commission in March 2013 aims to recast the two aforementioned directives and seeks to simplify the procedures for intra-EU mobility of students and researchers.<sup>15</sup> It proposes that after graduation or after their research contract has come to an end, both students and researchers “shall be entitled to stay on the territory of the member state for a period of 12 months in order to look for work or set up a business” (Art. 24). The final outcome of the legislative process is unclear as the negotiations have just started.

<sup>15</sup> COM (2013) 151 final, Proposal for a Directive of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals for the purposes of research, studies, pupil exchange, remunerated and unremunerated training, voluntary service and au pairing.

Figure 8 – First permits issued for study reasons as per Directive 2004/114/EC by Member State 2008 and 2011



Source: EMN (2012), *Immigration of International Students to the EU*, European Migration Network Study 2012p. 11. Based on Eurostat.  
 Note: Denmark, Ireland and the United Kingdom are not bound by the Students' Directive

The residual categories of third-country nationals, such as frontier workers and cross-border workers, are not covered by EU directives. Those who do not fall under the scope of sectoral directives are regulated by national law, meaning that unless they fulfill the conditions to apply for a long-term residence permit, they cannot benefit from intra-EU mobility.

This brief summary of the status of several categories of non-EU citizens shows that there is considerable room for improvement in the regulation of newcomers and their right to move freely within the EU. It also highlights the patchwork<sup>16</sup> that exists at EU level regarding the admission of third-country nationals.<sup>17</sup>

### **b) Overview of third country nationals' mobility trends**

Considering the importance of making use of all the labour legally residing in the EU when creating a Single European Labour Market, it is worth analysing current trends of the intra-EU mobility of third-country nationals, beyond the aforementioned limited amount of mobile long-term residents.

<sup>16</sup> For more detailed analysis see: Y. Pascouau [2013-cf note 14].

<sup>17</sup> Y. Pascouau and S. McLoughlin (2011), 'Legal migration and integration policies: what solutions?' in Issue 21 of European Policy Centre Publication, *Challenge Europe, Growth, well-being and social policy in Europe: trade-off or synergy*.

Currently, according to the EU Labour Force Survey, as a proportion of the overall pool of working-age foreigners having arrived from another EU member state within the previous year, third-country nationals constitute 7% on average in 2004-2010 and 10% for the last year available (2011). Although this is largely in line with their proportion of the EU population, their propensity to move (as proven by leaving their homeland for the EU) ought to result in greater mobility than is currently the case.

Another striking recent trend is that third-country nationals are increasingly moving to the EU for study purposes. OECD research<sup>18</sup> has shown that from 2000 to 2010, the number of international students in Europe increased by roughly 114%, which is considerably more than in North America, where the growth was only around 55%. Worldwide, the number of students enrolled outside their country of citizenship increased by 99% in the period 2000-2010. Although Europe is their preferred destination (41%), followed by North America (21%), the fastest growing regions of destination are Latin America and the Caribbean, Oceania and Asia. In the EU, international students now represent a significant proportion of the third-country national population in many member states<sup>19</sup>. For example, Eurostat<sup>20</sup> data for 2011 has shown that over two million first residence permits were issued to third-country nationals and, although the highest number of new permits were granted for family reasons (30%, 716,100), some 21% (495,500) of all new permits were issued for education reasons (see table 4 on page 23 for 2012).

It also appears that third country nationals are the first to be affected by economic crises. In fact, some Latin American emigrants living in Spain and Portugal have returned to their home countries – including 20,000 Colombians and 40,000 Ecuadoreans in 2011 - as the crisis has hit both countries hard (resulting in many Spanish and Portuguese people leaving as well)<sup>21</sup>. However, in these specific cases language and level of skills play a big a role in such return migration, even had intra-EU mobility been available to them.

## B. Motivation behind mobility trends

The first section of this chapter has explained that the two last waves of enlargement, together with the crisis, have profoundly marked mobility patterns within the EU. It has also shown that mobility still remains limited for EU citizens, despite the increase in the last decade. Furthermore, mobility remains highly complicated from a legal perspective for third country nationals. In addition to the limited extent of mobility in Europe, understanding the motivations and reasons behind individual decisions to move to a different country is critical in order to rebalance the current political debate.

Indeed, labour mobility is often negatively perceived and described as a factor threatening domestic quiescence. Hence, the discourse taking place in some member states has radically changed since the outbreak of the crisis<sup>22</sup>. From a discourse vaunting the merits of labour mobility and acknowledging the great contribution of migrants' work to the domestic economy, the narrative has progressively

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<sup>18</sup> OECD (2012), *Education at a Glance 2012: OECD Indicators*, OECD Publishing, p. 360.  
Available at: [http://www.oecd.org/edu/EAG%202012\\_e-book\\_EN\\_200912.pdf](http://www.oecd.org/edu/EAG%202012_e-book_EN_200912.pdf)

<sup>19</sup> EMN (2012), *Immigration of International Students to the EU*, European Migration Network Study 2012, p. 9.

<sup>20</sup> Eurostat (June 2012) Residence Permit Statistics.

<sup>21</sup> See J. Grosjean and A. E. Duran Salvatierra (2012), 'Study Shows Changing Migration Flows between Latin America, Caribbean and EU', *Press Briefing Note*, 05 October 2012, International Organization for Migration, available at <http://www.iom.int/cms/en/sites/iom/home/news-and-views/press-briefing-notes/pbn-2012/pbn-listing/study-shows-changing-migration-f.html>.

See also The Economist (2012), '¡Ya me voy! Latinos and locals alike are leaving for the new continent' in 'The Americas, Spain and the Americas', *The Economist*, 6 October 2012, available at <http://www.economist.com/node/21564255>

<sup>22</sup> A. Lazarowicz (2013), 'A dangerous UK consensus on free movement of workers in the EU', *EPC Commentary*, European Policy Centre.



changed (at least in some EU countries), giving way to a restrictive strategy on the principle of freedom of movement and immigration in general<sup>23</sup>. While the economic situation of each country and the political colour of the ruling government play a role in the emergence of such a discourse, it is worth noting that attacks against freedom of movement are no longer confined to extremist political parties but have also become increasingly visible among the mainstream<sup>24</sup>.

In this context, it is critical to shed light on the factors driving migration. An individual's motivation to move is always a combination of 'push factors' in the home country and 'pull factors' in the host country, resulting in a situation where living conditions and prospects for the future seem to be more promising abroad. Therefore, individual decisions stem from a rationale whereby knowledge of the potential costs associated with migration – whether in economic, social or emotional terms – is carefully weighed against knowledge of the potential benefits. Hence, most of the time people decide to move in order to respond to certain aspirations and their decision is based on the assumption that it will result in a better quality of life.

This section will explain intra-EU flows by the predominance of pull or push factors as it helps to understand the motivations of mobile people. However, it is important to note that a pull factor in receiving countries is often interlinked with a push factor in sending countries. Thus, a pull factor can only be of comparative advantage if the situation elsewhere is worse. For instance, aspects such as better labour market opportunities or living standards can only become a driver for mobility and a pull factor if people's situation is worse in their home country, which can also be described as a push factor. In this case, there is a clear interrelation between pull and push factors. Once again, motivations will be dealt with separately for EU citizens and third-country nationals.

## 1. EU citizens' motivations

### **Pre-crisis phase: predominance of pull factors**

The pre-crisis phase analysed here, i.e. 2004-2007, was mainly characterised by inflows of workers from CEE to Western Europe, as revealed by the two 'latitudinal' corridors described earlier.

During this period, there was a clear predominance of pull factors as drivers for mobility as revealed by information on the economic gap between Western Europe and the main sending countries. Indeed, Romania and Bulgaria had a GDP per capita just above 30% of the EU27 average in 2005, while Poland, Lithuania and Latvia were just above 50%. These significant differences in economic output translated into significant income differentials, which were clearly an important pull factor for EU10 nationals.

By contrast, unemployment seemed to be a relatively less important driver for mobility in these countries, as unemployment rates were more or less in line with the EU average of 9.2%: 10.1% in Bulgaria, 9.6% in Latvia, 8% in Lithuania and 7.2% in Romania. In this regard, Poland is an exception, recording an unemployment rate of 17.9% in 2005, which can of course be considered as a strong push factor. However, Poland also demonstrated a great capacity to improve its labour market, and reduced its unemployment rate from 19.1% to 7.1% between 2004 and 2008. In addition, the impact of this progress had only a limited effect on Polish outflows, indicating that unemployment was not the only reason behind decisions to emigrate. Indeed, outflows from Poland decreased substantially

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<sup>23</sup> Y. Pascouau, (2013), 'Strong attack against the freedom of movement of EU citizens: turning back the clock', *EPC Commentary*, European Policy Centre.

<sup>24</sup> For more information, see the '[Support and Opposition to Migration](#)' project, funded by the Commission is worth looking into. Data are available at <http://www.som-project.eu/>

only after 2008, when better domestic employment rates were recorded at the same time as the deterioration of the economic situation in receiving countries such as Ireland.

### **The global (or symmetric) crisis phase: a transition period**

As explained earlier in this report, the financial and economic crises comprised two different phases, with very different characteristics and dynamics. The previous section showed that the 'global' phase led to a fall in intra-EU mobility flows. This implies that the effect of pull factors (which characterised the pre-crisis phase) on mobility flows weakened. In other words, Western countries lost part of their power of attraction due to the deterioration of the economic situation and soaring unemployment.

Information about mobile workers' motivations during this period suggests that the global phase of the crisis was a transition period from the predominance of pull factors, taking mainly the form of income differentials (as explained earlier), to the predominance of push factors (explained later), taking mainly the form of unemployment. Indeed, interviews conducted with Europeans in 2009 indicated that, on the one hand, expectations of earning more money represent the most important reason to move among all social and age groups (see table 3). On the other hand, table 2 supports the idea that the increasing divergence in unemployment rates started to play a role as well. Indeed, unemployed people represented the second most mobile group in 2009<sup>25</sup>, with a 20% propensity to move<sup>26</sup>.






To conclude, none of pull or push factors is predominant during the transition period. Eventually, the asymmetric developments in labour markets in 2010 will lead push factors to prevail, as explained in the next section.

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<sup>25</sup> Interviews for the 2010 Eurobarometer on Geographical and Labour Market Mobility were conducted in 2009.

<sup>26</sup> It would have been first with the exclusion of students, who show an extremely high propensity to work in a different country to that of their origin (42%) in the future.

Table 2 – Propensity to mobility by age, sex, education and occupation scale

<b>QC10 Do you envisage to work in a country outside (OUR COUNTRY) at some time in the future?</b> (asked to all respondents except retired people, base = 19793 respondents)			
	<b>Yes</b>	<b>No</b>	<b>DK</b>
EU27	17%	73%	10%
<b>Sex</b>			
 Male	22%	67%	11%
 Female	14%	78%	8%
<b>Age</b>			
 15-24	36%	45%	19%
25-39	19%	70%	11%
40-54	11%	83%	6%
55 +	4%	93%	3%
<b>Education (End of)</b>			
 15-	7%	88%	5%
16-19	12%	80%	8%
20+	21%	70%	9%
Still studying	42%	37%	21%
<b>Respondent occupation scale</b>			
 Self- employed	14%	78%	8%
Managers	19%	72%	9%
Other white collars	13%	78%	9%
Manual workers	14%	78%	8%
House persons	5%	90%	5%
Unemployed	20%	70%	10%
Retired	N/A	N/A	N/A
Students	42%	37%	21%

Source: European Commission (2010), 'Geographical and labour market mobility', *Special Eurobarometer N. 337*, European Commission, June 2010, p.17

### The European (or asymmetric) crisis period: predominance of 'push factors'?

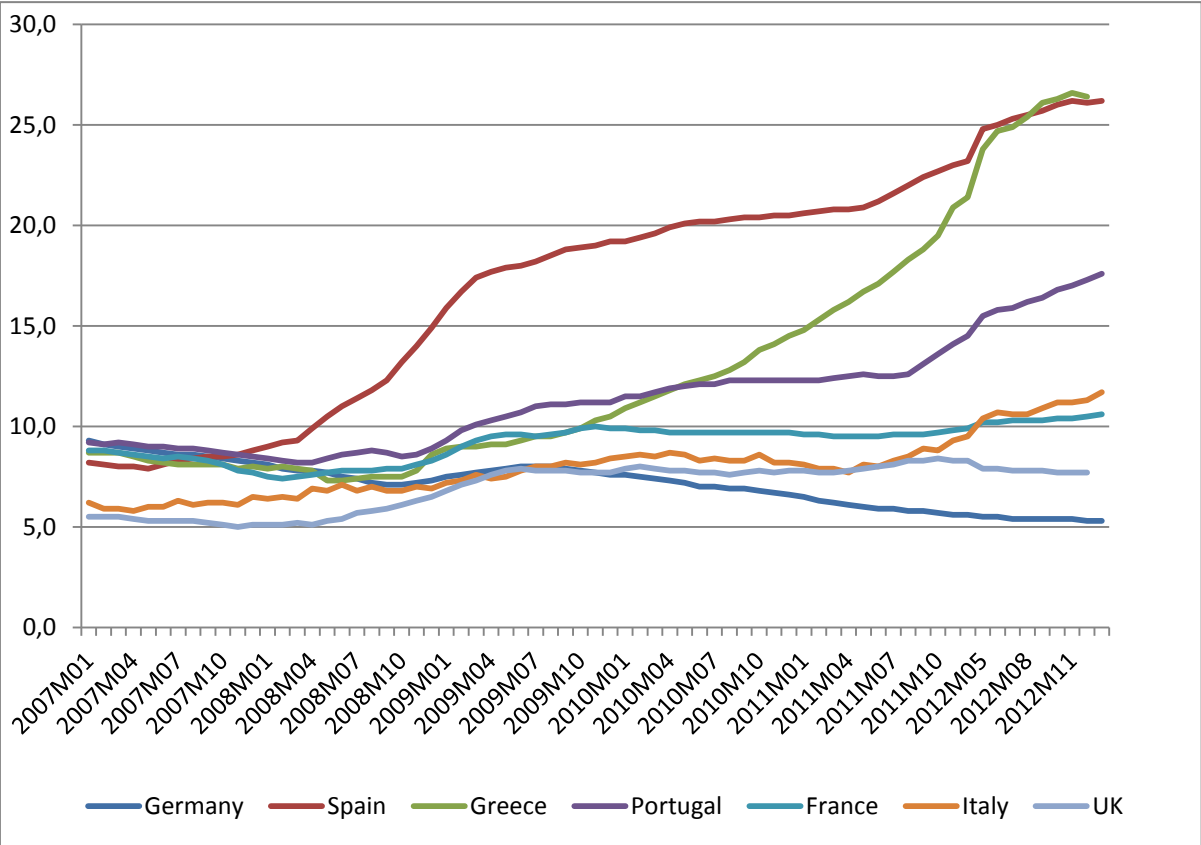
Unlike the global phase of the crisis, for which the 2010 Eurobarometer on Geographical and Labour Market Mobility provides valuable information on people's motivations to move, little survey-based information is available for the period since 2010, i.e. the start of the European crisis period.

However, net flows and macroeconomic data give some indications as to how flows are interlinked with the macroeconomic situation of sending and receiving countries.

With regard to migration flows, one can observe that an impressive recovery has taken place since late 2010. Even more interestingly and as already mentioned earlier, one sees that mobility in Europe no longer boils down to an 'East-West' phenomenon from 2010 onwards. Indeed, significant South-North flows also become apparent, especially from peripheral countries to the core. This new trend can be explained by the simultaneous process of the emergence of 'push' factors in Southern Europe (mainly characterised by soaring unemployment) and the economic recovery in other countries, such as Germany. Figure 9 clearly illustrates this two-fold process, where unemployment continued to grow at a rapid pace in countries like Spain, Greece and Portugal, while other countries, such as the UK and Germany, experienced either stagnation or a decrease in unemployment. Moreover, the analysis carried out by the Institute for the Study of Labour (IZA) shows that in the case of Spain and

Greece, there is a strict correlation between emigration flows and rise in unemployment rate<sup>27</sup>. Also, the authors underline that this marks a difference with previous intra-EU migration flows, where local unemployment was not the main driver of emigration<sup>28</sup>.

Figure 9 – Unemployment rates, monthly averages, seasonally-adjusted data



Source: Eurostat

Finally, it is interesting to look at what are the reasons indicated by European citizens for moving abroad. Table 3 clearly shows that economic and work-related reasons play the most important role, in particular among manual workers and unemployed people. Of this latter group, 24% declared that they wish to move to a particular country due to the employment opportunities there, while 43% said that they would move in order to earn more money.

The previous paragraphs have shown that mobility across Europe is largely related to income differentials and labour-market opportunities, either in the form of pull or push factors. Additional factors also explain why people move to certain countries and not to others. One of the most important is the so-called ‘network effect’. Network effects are defined by the European Central Bank as “the connections between individuals in a host country and friends and relatives left at home”<sup>29</sup>. They explain why mobile people clearly prefer to move to a country where they are likely to

<sup>27</sup> S. Bertoli, H. Brücker and J. Fernández-Huertas Moraga (2013), The European Crisis and Migration to Germany: Expectations and Diversion of Migration Flows. *IZA discussion paper*, N. 7170/Jan.2013, IZA, Bonn.

<sup>28</sup> Ibid.






<sup>29</sup> F. F. Heinz and M. Ward-Warmedinger (2006), ‘Cross-border labour mobility within an enlarged EU’, *Occasional Paper Series N. 52*, October 2006, European Central Bank (ECB), p.15.

meet their compatriots. Therefore, network effects are particularly important in explaining the existence of the two distinct East-West corridors dealt with earlier. Indeed, the 2010 Eurobarometer<sup>30</sup> shows that this is an important criterion for citizens from the new member states, as 68% of them reported that they have friends or relatives in the country they would like to work in, while 51% of respondents from the EU15 did likewise. Furthermore, networks are likely to reduce the duration of the adaptation period, as a social structure is already in place in the receiving country and other provisions can ease the adaptation phase for newcomers.

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<sup>30</sup> European Commission (2010), 'Geographical and labour market mobility', *Special Eurobarometer N. 337*, European Commission, p.38.

Table 3 – Motivations behind moving abroad by sex, age, level of education and occupation scale

QC14 Why would you prefer to work in this(these) particular country(ies)? (MAX. 3 ANSWERS) (to those who indicated they envisage to work abroad in a specific country, base= 3204 respondents)														
	To earn more money	You like the culture\ mentality	This country has an enjoyable lifestyle	You know the language of that country	There are good employment opportunities in that country	You have family members or friends who already live and\ or work there	You want to improve your skills in the language of that country	Going there would offer you to improve your professional skills	It is geographically close	It is a quiet, secure and politically stable country	Your employer has operations there	It is easy to get a residence and work permit in that country	Other (SPONTANEOUS)	DK
EU27 respondents' base	35%	32%	27%	27%	21%	18%	18%	15%	11%	10%	5%	3%	5%	1%
	<b>1133</b>	<b>1040</b>	<b>875</b>	<b>860</b>	<b>686</b>	<b>576</b>	<b>575</b>	<b>485</b>	<b>356</b>	<b>333</b>	<b>156</b>	<b>100</b>	<b>163</b>	<b>30</b>
<b>Sex</b>														
 Male	39%	33%	28%	27%	22%	15%	15%	16%	10%	9%	6%	3%	5%	1%
 Female	30%	32%	25%	27%	20%	23%	23%	14%	13%	12%	4%	4%	5%	0%
<b>Age</b>														
 15-24	36%	32%	25%	32%	23%	17%	27%	19%	9%	7%	3%	3%	5%	1%
25-39	36%	32%	28%	24%	22%	18%	14%	13%	13%	13%	5%	3%	5%	1%
40-54	33%	34%	30%	22%	17%	20%	7%	13%	12%	12%	9%	3%	6%	0%
55 +	38%	33%	34%	24%	15%	21%	12%	8%	12%	11%	8%	4%	6%	5%
<b>Education (End of)</b>														
 15-	58%	30%	19%	17%	25%	24%	6%	10%	9%	4%	3%	3%	1%	0%
16-19	42%	27%	26%	18%	20%	18%	11%	11%	14%	13%	5%	3%	5%	1%
20+	27%	38%	33%	28%	20%	16%	15%	15%	10%	13%	7%	3%	7%	1%
Still studying	34%	33%	23%	36%	24%	18%	31%	20%	10%	7%	3%	3%	4%	1%
<b>Respondent occupation scale</b>														
 Self- employed	31%	43%	40%	29%	24%	18%	11%	14%	11%	10%	2%	2%	4%	1%
Managers	22%	34%	28%	25%	23%	13%	13%	19%	8%	12%	11%	3%	4%	3%
Other white collars	34%	36%	31%	26%	21%	18%	15%	8%	10%	20%	8%	2%	6%	0%
Manual workers	44%	29%	28%	21%	15%	19%	13%	13%	13%	10%	5%	4%	4%	1%
House persons	32%	21%	28%	12%	17%	33%	9%	7%	13%	16%	1%	3%	10%	1%
Unemployed	43%	26%	20%	21%	24%	16%	12%	12%	16%	7%	3%	4%	10%	1%
Retired	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Students	34%	33%	23%	36%	24%	18%	31%	20%	10%	7%	3%	3%	4%	1%

Source: European Commission (2010), 'Geographical and labour market mobility', *Special Eurobarometer N. 337*, European Commission, June 2010, p.36

## 2. Motivations of third-country nationals

Having dealt with the motivations of EU citizens, it is also important to consider the motivations of the part of the workforce that does not have EU citizenship. This will include looking at categories such as long-term residents and students, among others.

The table below shows the different types of first residence permits issued for different reasons in 2012. As we can see, reasons of employment and education represent around 50% of the pull factors.

Table 4 – First-residents permits per reasons, July 2012

	Total		Family		Education		Employment		Other	
	First Permit*	First Permit*	(%)	First Permit*	(%)	First Permit*	(%)	First Permit*	(%)	
<b>EU-27'</b>	2.475.876	750.995	30,3	510.338	20,9	800.648	32,2	413.895	16,7	
<b>Belgium</b>	67.653	28.667	42,4	5.695	8,4	4.134	6,1	29.157	43,1	
<b>Bulgaria</b>	4.051	1.779	43,9	1.492	36,8	299	7,4	481	11,9	
<b>Czech Republic</b>	34.653	14.851	42,9	5.153	14,9	11.606	33,5	3.043	8,8	
<b>Denmark</b>	28.576	5.005	17,5	6.068	21,2	12.153	42,5	5.350	18,7	
<b>Germany</b>	117.202	52.172	44,5	30.035	25,6	16.540	14,1	18.455	15,7	
<b>Estonia</b>	2.647	972	36,7	399	15,1	769	29,1	507	19,2	
<b>Ireland</b>	22.235	2.030	9,1	13.653	61,4	3.208	14,4	3.344	15,0	
<b>Greece</b>	33.623	16.547	49,2	1.323	3,9	9.692	28,8	6.061	18,0	
<b>Spain</b>	258.104	132.082	51,2	24.864	9,6	85.187	33,0	15.971	6,2	
<b>France</b>	204.321	85.593	41,9	65.538	32,1	18.799	9,2	34.391	16,8	
<b>Italy</b>	589.988	180.391	30,6	25.676	4,4	359.051	60,9	24.870	4,2	
<b>Cyprus</b>	19.139	1.850	9,7	2.698	14,1	11.917	62,3	2.674	14,0	
<b>Latvia</b>	2.329	776	33,3	296	12,7	397	17,0	860	36,9	
<b>Lithuania</b>	1.861	717	39,5	422	22,7	589	31,6	133	7,1	
<b>Luxembourg</b>	:	:	:	:	:	:	:	:	:	
<b>Hungary</b>	14.601	3.376	23,1	3.995	27,4	4.229	29,0	3.001	20,6	
<b>Malta</b>	2.763	389	14,1	157	5,7	463	16,8	1.754	63,5	
<b>Netherlands</b>	54.473	21.560	39,6	10.510	19,3	10.448	19,2	11.955	21,9	
<b>Austria</b>	30.596	14.559	47,6	3.735	12,2	2.923	9,6	9.379	30,7	
<b>Poland</b>	101.574	2.567	2,5	9.098	9,0	86.839	85,5	3.070	3,0	
<b>Portugal</b>	37.010	17.478	47,2	5.414	14,6	10.869	29,4	3.249	8,8	
<b>Romania</b>	10.218	4.642	45,4	3.265	32,0	1.700	16,6	611	6,0	
<b>Slovenia</b>	7.537	3.169	42,0	628	8,3	3.659	48,5	81	1,1	
<b>Slovakia</b>	4.373	1.162	26,6	353	8,1	1.776	40,6	1.082	24,7	
<b>Finland</b>	19.210	6.706	34,9	4.433	23,1	2.936	15,3	5.135	26,7	
<b>Sweden</b>	74.931	26.595	35,5	14.165	18,9	19.079	25,5	15.092	20,1	
<b>UK</b>	732.208	125.360	17,1	271.273	37,0	121.386	16,6	214.189	29,3	
<b>Iceland</b>	:	:	:	:	:	:	:	:	:	

Source: Eurostat

\* Estimates

: data not available

A recent survey<sup>31</sup> conducted throughout Europe showed that around 90% of migrants want to become long-term residents. Their general motivation for this is that long-term residence grants more rights and offers more opportunities, especially in the labour market. With long-term residence, third-country nationals, regardless of their level of education, have a better shot at finding a job primarily because their conditions of access to the labour market are simpler. The survey therefore demonstrated that a high number<sup>32</sup> of third-country nationals want to settle in the EU.

Although there is no survey of long-term residents in the EU that addresses the attractiveness of mobility, the 'Migrants' Mobility' project<sup>33</sup> funded by the European Commission highlights the lack of knowledge of mobility rights, the barriers faced, and most importantly – as it is a migrant-led project – the motivation of long-term residents to have access to intra-EU mobility rights.

Looking at the motivations of third country-national graduates is also important. After having completed their studies in the EU, many graduates wish to stay in order to look for a job and put their skills into practice. Member states have different policies on the ground: some allow recent graduates to stay only if they have a job, while others permit them to stay in order to look for a job but only for a limited period of time<sup>34</sup>.

A recent study<sup>35</sup>, although geographically limited, provides us with a good picture of international students' general motivations for staying in the EU after completing their studies. The analysis was carried out in Germany, France, the Netherlands, the UK and Sweden in 2011 and 2012. The study concerned PhD and Master's students and it showed that, in those five countries, although between 50% and 80% of international students were willing to stay on in the country in order to find a job, three-quarters leave after graduation<sup>36</sup>. From the interviews carried out, the main motivations for wishing to stay after graduation appeared to be employment opportunities and the desire to gain international working experience. This demonstrates that career-related factors were more relevant in the decision to stay than reasons related to friends, family or personal relationships, or factors such as connection to the place.

Leavers indicate that family and personal relationships strongly influenced their decision to go back to their home country. After this main reason, others include: finding jobs and study opportunities elsewhere, financial considerations, language barriers and not feeling welcome. We can then assume that in some member states, the requirements and conditions they have to fulfil in order to stay can be a barrier that is difficult to overcome.

Therefore, the EU is more attractive to them because it provides better employment opportunities and also gives them valuable experience that is potentially exploitable once they leave the EU. It is therefore very important to enhance the opportunity for international students to be able to stay in, and move within, the EU.<sup>37</sup>

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<sup>31</sup> T. Huddleston and J. Dag Tjaden (2012), 'How immigrants experience integration in 15 European Cities', *Immigrant Citizens Survey*, King Baudouin Foundation and Migration Policy Group, Brussels.

<sup>32</sup> The Immigrant Citizens Survey shows that overall 80-95% of those immigrants surveyed are or want to become long-term residents, and 3 out of 4 want to become EU citizens.

<sup>33</sup> See <http://www.migrantsmobility.de/8.5-Letter-of-Project-team.pdf> focusing on the UK, Sweden, Germany and the Netherlands.

<sup>34</sup> This is now being addressed under the recast proposal, COM (2013) 151 final, through a time limit for member-state authorities to decide on an application for a visa or residence permit.

<sup>35</sup> B. Sykes and E. Ni Chaoimh (2012), *Mobile Talent? The Staying Intentions of International Students in Five EU Countries*, Migration Policy Group and Sachverständigenrat deutscher Stiftungen für Integration und Migration (SVR), Berlin.

<sup>36</sup> There is no breakdown by country for which the graduate departed, so it is difficult to know if these graduates stay in the EU or leave to a third country.

<sup>37</sup> This is being addressed through the Commission's recast proposals on students and researchers, COM (2013) 151 final.



As far as highly-skilled workers are concerned, we can consider their motivations to be similar to those of students and researchers: the EU is attractive because it offers good salaries and employment opportunities. However, there are still some problems as far as recognition of qualifications is concerned.

Thus, although the number of people coming to the EU for study or work purposes is increasing because the EU offers valuable experience opportunities, in practice we see that the EU has a hard time retaining talent.

To conclude this chapter, one can say that, while the mobility of the EU's workforce is limited in terms of size, most third country nationals face significant legal limitations, which is not the case of EU citizens. This legal distinction underpins the different forms mobility patterns take for these two categories. Therefore, while EU citizens' flows very much react to EU internal changes, such as enlargements or asymmetric shocks, flows of third country nationals are more constrained due to legal rigidity with regard to their right to move. However, both flows seem to have been affected by the economic crisis in the sense that destinations outside Europe, where the economy is growing, have gained in importance. This indicates that intra-EU mobility is mainly driven by economic and job related reasons.



# COSTS AND BENEFITS OF LABOUR MOBILITY

The costs and benefits of labour mobility have recently been the subject of a great deal of research and have become a hot topic for policymakers. However, and despite the significant amount of discussion, it still remains difficult to get a clear and objective idea of the costs and benefits that labour mobility is likely to trigger. This is not only because current research assesses the impact of labour mobility from different perspectives, but also because the high political sensitivity of the topic produces all sorts of scaremongering.

This chapter aims to bring some objectivity to the debate by adopting a multi-dimensional approach, and by clarifying which effects stem directly from labour mobility and where other policies come into play. First, it will take a general perspective and look into the macro-economic impact of labour mobility on the EU as a whole (A). Second, it will analyse the diverse effects it can have on different EU member states and regions (B). Third, it will assess the impact on individuals (C).

## A. The macro-economic impact on the EU

Current research leaves no doubt as to the benefits that the EU could theoretically gain from labour mobility. Indeed, these benefits include the efficient allocation of human resources and therefore produce a better functioning labour market, potentially leading to an increase in productivity and growth. Not only can boosting mobility potentially trigger some economic benefits, but it is also a necessity to make the European Monetary Union (EMU) more resilient.<sup>38</sup>

### *Efficient allocation of resources*

One of the key economic functions of markets is the efficient allocation of resources, i.e. to ensure that resources are deployed where they can be most productive. An economy's production capability is determined by a combination of its available factors of production, labour, capital, land/natural resources, knowledge and entrepreneurship. The effectiveness of this specific combination of factors of production is known as Total Factor Productivity, which in turn is one of the key determinants of growth.

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<sup>38</sup> Economic theory considers Factors' mobility as a fundamental feature of sustainable currency areas. See, for example: J. E. Meade (1957), 'The Balance-of-Payments problems of a European Free-Trade Area', *The Economic Journal*, Vol. 67, N. 267 (Sept. 1957), pp. 379-396; R. Mundell (1961), 'A Theory of Optimal Currency Areas', *American Economic Review*, Vol. 51 N. 4, September 1961, pp.657-665. P. De Grauwe (2007), *Economics of Monetary Union*, Oxford University Press.

Being able to allocate resources across borders ensures more optimal use of these factors of production, thus boosting Total Factor Productivity (TFP) and growth. For example, countries with high levels of capital investment in machinery and equipment can require a greater supply of highly-skilled workers than is provided within their own borders. At a time when the productivity of most EU countries is stagnating, having the right knowledge where it is most needed could significantly boost Europe's overall productivity and optimise the potential of its human capital.

### *Better functioning labour market*

Labour markets are subject to market forces and delineating labour markets according to national borders prevents the market from functioning efficiently, resulting in unnecessarily high unemployment and economic inactivity.<sup>39</sup> In essence, having mobile workers allows the EU labour market to balance supply and demand across borders, including by filling skills needs which cannot be satisfied at national level.

Having a better balance between supply and demand should result in lower unemployment. This is especially important if countries have different economic cycles or are hit by asymmetric shocks i.e. when one economy is suffering recession while another is growing. Labour can then move from areas where labour demand is low to areas where it is high. Furthermore, a genuine Single European Labour Market would help to prevent localised pockets of skill shortages, and could radically reduce the duration and likelihood of skill mismatches between European regions.

In addition, a functioning Single European Labour Market would be a powerful tool for attracting a talented and qualified workforce from outside Europe. While demographic ageing is still only a minor public concern, its impact will progressively increase over time and significantly challenge the sustainability of our welfare states. One way to prevent our welfare systems from collapsing without questioning core principles (such as equal access to public services) is to re-establish the equilibrium between payers and receivers of welfare benefits by attracting a labour force from outside Europe and by maintaining – or even increasing – the attractiveness of the European labour market<sup>40</sup>.

### *Better functioning EMU*

Securing the macro-economic stabilisation effect described above is particularly important in a genuine monetary union. Here, some mechanisms to deal with asymmetric shocks and differing business cycles, such as monetary policy and exchange rates, are no longer available. This implies that economic adjustments must be made through other instruments.

Capital mobility is one such instrument. However, it is still limited in Europe and also highly volatile, and is therefore not the best option to cope with long and deep economic shocks.

Labour-market adjustments are another such mechanism, and these can take place in different ways: either through a significant reduction in labour costs (leading to painful falls in real wages), through mass unemployment, or through workers' mobility.<sup>41</sup> The latter is the least costly in terms of public

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<sup>39</sup> D. G. Mayes and M. Virens (2002), 'Asymmetry and the problem of aggregation in the Euro Area', *Empirica*, Vol. 29, N. 1. The authors also state that, as Labour mobility in the euro area is lower than in United States, in case of asymmetric shocks the monetary union would experience longer adjustment process and more persistent unemployment. See *ibid.*, pp. 65-66.

More recent studies, however emphasise that labour mobility differentials between US and the euro area have decreased over the last ten years, marginally increasing the euro area capacity to deal with asymmetric shocks via labour mobility. See C. L'Angevin (2007), 'Labour Market Adjustment Dynamics and Labour Mobility Within the Euro Area', *Documents de travail de la Direction Générale du Trésor et de la Politique économique*, N. 06/ September 2007.

<sup>40</sup> H. Martens (2013), 'Migration: a neglected challenge for saving the welfare state', *Think Global – Act European IV*, Notre Europe - Jacques Delors Institute publishing.

<sup>41</sup> De Grauwe, P. (2007) "*Economics of Monetary Union*", Oxford University Press.

money and it is also the most efficient with regard to getting the best return on human capital investment. It can also help reduce the need for fiscal transfers between countries in the event of shocks (an instrument not yet implemented among euro-area countries).

In a nutshell, an effective and complete Single European Labour Market is essential and cannot be delayed, especially for the euro area, which urgently needs to put every instrument in place to recover from its structural crisis.

Beyond economic benefits, there is also a political dimension to this: apart from the safety valve consideration, labour mobility also demonstrates to people affected by the economic crisis that there are still tangible benefits of EU membership, namely the ability to seek jobs in other countries when faced with unemployment at home.

Nevertheless, Europe is still a long way from turning theory into practice here. As already highlighted, intra EU-mobility is limited and is not used to its full extent. Indeed, although mobility has played an equilibrating role during the crisis, preliminary studies have shown that its impact has been small and unemployment in the EU27/EFTA area has been only reduced by 6% at most<sup>42</sup>.

Thus, despite a slight increase over the last decade, intra-EU mobility remains significantly lower than in the United States. Although this is obviously due to well-known factors such as history, language issues, and administrative and cultural differences, it is important to recall that mobility within individual countries in Europe is also low. Indeed, scholars<sup>43</sup> have demonstrated that even within countries such as France, Italy, Germany and Spain, inter-regional migration is not sufficient to act as an adjustment mechanism to unemployment in the short term. All this indicates that other factors are relevant, such as labour market policies or even Europeans' propensity to move, for which public policy comes into play.

## **B. The impact on member states/regions**

Looking at the macro-economic impact of labour mobility from a theoretical point of view leads to a clear conclusion: labour mobility is a necessity for a monetary union and a huge economic opportunity for Europe which in practice is still underexploited. However, this positive picture can, at first glance, easily become blurred if one takes a narrower perspective and looks at the impact of freedom of movement on particular countries or regions.

Adopting such a perspective is risky for several reasons. First of all, from a methodological viewpoint, it implies considering the individual interest of a single member state or region to be more important than the general interest of the EU, and also more important than an individual's willingness and right to move. In other words, favouring an individual member state or region's interest over the EU general interest or citizens' willingness to enjoy freedom of movement is an arbitrary choice. Therefore, it can be argued that an individual approach, or a global approach, is equally important.

Secondly, there is a substantial risk of attributing the negative impact on receiving or sending countries to labour mobility, even though they result from other dysfunctions. For instance, labour-market failures are often responsible for most problems attributed to labour mobility. Also, some argue that mobility can trigger social integration issues. Although such arguments are mainly based on perception and are not backed by any solid evidence, it should be underlined that a lack of social

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<sup>42</sup> J. Chaloff *et al.* (2012), 'Free labour mobility and economic shocks: the experience of the crisis', in *Free Movement of Workers and Labour Market Adjustment: Recent Experiences from OECD Countries and the European Union*, OECD Publishing.

<sup>43</sup> *Ibid.*, p.85.

integration is a societal failure which calls for specific policies. Hence, it reveals that some public policies aimed at preventing societal issues from emerging are lacking or are simply not effective. Therefore, the risk of attributing the negative effects of labour-market failures and/or dysfunctional societal institutions to mobility is high. As highlighted by the current political context, this risk becomes even higher in times of recession.

Thirdly, there is a risk of temporal mismatches in the evaluation of costs: negative effects in the short term might be off-set, or even disappear, if one adopts a longer-term perspective.

Despite all this, such an exercise should be considered interesting as it allows for a better understanding of the distributional effects of mobility and raises the question of how member states could reciprocally gain from it.

In order to bring more objectivity to the current political debate, this section will proceed as follows: first we will analyse the costs and benefits of labour mobility for sending and receiving countries in the short term, and then in the long run. The objective is to find out whether potential costs should be attributed to market and societal failures instead of labour mobility itself. Finally, we will comprehensively consider the so-called 'brain drain' issue, which demands particular attention.

## **1. Short-term costs and benefits**

### **Costs and benefits for sending countries**

In the short term, there is little doubt that full labour mobility generates substantial benefits for both sending and receiving countries. Positive effects are particularly evident when sending countries experience temporary phases of high unemployment, even if all workers are not necessarily unemployed when they decide to move.

The correlation between unemployment and labour mobility was widely discussed in the first chapter, and there should be little doubt that in times of economic crisis, labour mobility represents one of the strongest sources of relief for crisis-stricken countries or regions. This is true not only because it prevents higher unemployment and waste of human talent, but the impact on public finances is also significant. Unemployed workers receive social benefits and are not able to pay any taxes or fees for public services, thus having a double negative impact on public finances.

For example, one can estimate that the Spanish government would have spent nearly 1.3 billion euros on additional unemployed benefits in 2011 for workers who emigrated to another EU country: an amount that would have risen to nearly four billion if one were also to take into account migrants emigrating to other regions of the world, i.e. nearly 4% of the 2011 total deficit<sup>44</sup>. These calculations, naturally, neither take into account extra savings related to reducing public service expenditure, nor taxation over remittances.

In addition, remittances<sup>45</sup> constitute a significant advantage for sending countries, as shown in table 5. On average, they represented 4.4% of Bulgaria's annual GDP between 2004 and 2010, around 2%

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<sup>44</sup> Estimates based on the estimated outflows of the active population of working age (approximately 70% of the migrant population aged 14-65) from Spain provided by Eurostat and the Spanish National Institute of Statistics. Unemployment benefits have been calculated for each worker using *median net income* per capita applying the unemployment benefit system (70% of the income first six months, 50% of the income the remaining 18 months). These estimates, rather than provide the exact value of monetary gains for the Spanish government, aim to suggest the order of magnitude of those gains.

<sup>45</sup> The term 'remittances' covers both workers' remittances, i.e. transfers made by mobile workers to their relatives in their country of origin and compensation of employees, i.e. gross wages, salaries and other benefits earned by individuals in economies other than those in which they reside, for work performed and paid for by residents of those economies. This definition follows the IMF and World Bank methodology.

of Polish GDP, and around 4% of Romania's. Even if emigration flows from Southern Europe are currently less pronounced than flows resulting from Eastern enlargement, and reference GDP considerably higher, one can still assume that remittances may represent an important source of income for sending countries deeply affected by the crisis.

**Table 5 – Workers' remittances and compensation received by selected EU countries, % of GDP**

Country	2004	2005	2006	2007	2008	2009	2010	Average
Bulgaria	6.8	5.6	5.2	3.9	3.7	3.3	2.9	4.4
Poland	1.9	2.1	2.5	2.4	1.9	1.9	1.6	2
Romania	2.3	4.8	6.4	5	4.5	3.0	2.3	4

Source: adapted from European Commission (2012) Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe. *European Commission Policy Brief*, p.45.

While sending countries enjoy considerable positive effects of labour mobility in the short term, they might also experience counter-productive or even negative effects. We have to be careful, however, in identifying the true cause of such negative impacts.

In the short term, the loss of human capital is likely to be negligible, especially when mobility is temporary and driven by unemployment. But other labour-market factors, such as low wages, ineffective labour-market institutions, workforce oversupply, or poor working conditions may also play a role in an individual's decision to move. In such cases, participation in a single market implies that national private sectors must compete for capital endowments – and this includes human capital. Labour mobility is a manifestation of such a fundamental principle, and is not negative *per se* for sending countries as long as access to essential public services is granted. However, an outflow of workers might lead in certain situations to a scarcity of the professionals required to provide essential public services – for example, health workers. In this particular case, labour mobility might have a short-term negative impact<sup>46</sup>. Overall, however, it seems that the short-term negative impact of labour mobility on sending countries is negligible.

### Costs and benefits for receiving countries

Receiving countries also benefit significantly in the short term. Firstly, they enjoy an inflow of human capital, which boosts short-term growth and increases productivity. This is particularly important in periods of rapid growth. Indeed, when a country experiences growth rates above the average trend, growing more than its potential output, inflows of workers become extremely helpful in containing increases in labour costs, thus preventing sharp rises in inflation rates. Growing countries are usually not able to supply in full from the national labour pool the quantity of human capital required to maintain the country's growth rate above its potential. Indeed, education policies deliver their outcomes with some temporal lags. As a result, localised pockets of skill shortages may emerge, which can be addressed through labour mobility<sup>47</sup>.

<sup>46</sup> This will be analysed later in this section, in a paragraph devoted to the 'brain drain' phenomenon.

<sup>47</sup> Data provided by the European Institute for Public Administration shows that in most receiving countries, foreign workers (either EU or third-country nationals) tend to concentrate on particular sectors. According to Katerina Kyriari, author of the report, the primary source of this effect is actually localised skill shortages; other phenomena (like the better price competitiveness of foreign workers, or willingness to take jobs that nationals would not consider) also play a role, although of minor significance. See K. Kyriari, and E. Roidou (2013), 'Comparative analysis of the labour market integration of semi- and low-skilled third-country workers', *EIPA working paper*, pp. 24-25.

While labour mobility produces substantial advantages for receiving countries in the short term, it might also produce some costs. However, some of these costs might not be a direct consequence of mobility, but rather of imperfect or dysfunctional labour markets and societal institutions.

A typical idea, often fuelled by nationalist political groups but also present among mainstream parties, is that freedom of movement paves the way for so-called 'social benefit tourism', corresponding to flows of mobile people deciding to reside in a particular country in order to exploit a given country's social security. The Irish Presidency of the Council of the EU recently received a joint letter<sup>48</sup> from the interior ministers of the UK, Germany, Austria and the Netherlands pointing out that some municipalities, towns and cities in their countries were being put "under a considerable strain by certain immigrants from other member states (...), burdening the host countries' social welfare systems". However, and although the phenomenon might exist in some localised areas, those member states have not provided the European Commission with any clear data revealing the extent of the problem.

In addition, empirical research regarding the possible impact of welfare benefits on people's decision to move is highly divided. For example, a 2010 study carried out by the Institute of Fiscal Studies demonstrates, on the one hand, that immigrants from the EU8 in the UK not only experienced a higher fiscal burden than the native population in the period 2005-2009<sup>49</sup>, but they also made lower claims for tax benefits or credits, and received lower social housing benefits than natives<sup>50</sup>. On the other hand, Monseny<sup>51</sup> suggests that benefit tourism is a statistically important driver of intra-national migration within Spain, at least among border regions with major differences between levels of social protection. However, internal migration is a structurally different phenomenon to international flows (especially between border regions). It concerns groups of people who are culturally and linguistically homogeneous. Therefore, claims of 'social benefit tourism' and the measures called for to combat it seem disproportionate, not least given the lack of data to support the political arguments.

Nevertheless, it should not be ignored that the integration of migrants may trigger, especially in the short term, some transition costs. Hosting people unfamiliar with the system or language of the country concerned requires measures/programmes to provide assistance during administrative procedures. All this requires a substantial public effort involving certain costs.

Finally, another aspect of mobility that is high on the political agenda is the perception that migrants 'take' jobs from the native population, leading to either higher levels of unemployment or lower salaries for the natives. This argument is not justified by empirical evidence<sup>52</sup>. Moreover, if any competition for low-skilled jobs exists, this is between low-skilled EU mobile workers and migrants from outside the EU, rather than with natives<sup>53</sup>. In addition, other studies<sup>54</sup> report that the impact on welfare states is negligible.

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<sup>48</sup> The letter is available at the following link: [http://docs.dpaq.de/3604-130415\\_letter\\_to\\_presidency\\_final\\_1\\_2.pdf](http://docs.dpaq.de/3604-130415_letter_to_presidency_final_1_2.pdf)

<sup>49</sup> C. Dustmann, T. Frattini and C. Halls (2010), 'Assessing the fiscal costs and benefits of A8 Migration in UK', *Fiscal Studies*, Vol. 31, N. 1, Institute for Fiscal Studies, p.27.

<sup>50</sup> See, for example, J. Landale (2013), 'David Cameron talks tough over European migrants' benefits', *BBC News*, 25 March 2013, available at <http://www.bbc.co.uk/news/uk-politics-21921089>

<sup>51</sup> J. J. Monseny (2012), *Do welfare benefits deter migration?*, Universitat de Barcelona.

<sup>52</sup> See, for example, M. Kahanec (2012), 'Labour Mobility in an enlarged European Union', IZA discussion paper N. 6485, April 2012 IZA, Bonn.

<sup>53</sup> *Ibid.*, p.21.

<sup>54</sup> See, for example, C. Giulietti, M. Guzi, M. Kahanec, and K. F. Zimmermann. (2011), 'Unemployment Benefits and Immigration: Evidence from the EU', *IZA Discussion Paper N. 6075*, Bonn.



All in all, it seems that the existence of potential short-term costs for receiving countries lacks significant evidence. If they exist, they are mainly localised in specific areas and are therefore largely compensated for by the macro-economic benefits that labour mobility produces on a national scale. Therefore, it might be argued that the responsibility to evenly distribute the benefits of mobility across the national territory must remain with the central state.

**2. Long-term costs and benefits**

**Costs and benefits for sending countries**

Labour mobility also provides some long-term benefits for sending countries and regions. Several data sources indicate that the recession has motivated people to return to their home country and reduced the number of people moving to EU15 countries<sup>55</sup>. Moreover, return migration is an important phenomenon even in countries where unemployment is a secondary push factor (like some EU10 countries). Indeed, return migration can be driven by worsening labour-market conditions in receiving countries, rather than improving labour-market conditions in the home country.

However, it is important to acknowledge that return migration is a phenomenon which varies greatly from country to country and is difficult to capture. Eurofound estimates<sup>56</sup> that total return migration has amounted to nearly 350,000 people in Poland since 2004, between 280-360,000 for Romania, between 280-360,000 for Latvia, and around 60,000 for Hungary. But some of these people may well have emigrated again afterwards: Eurofound estimates that between 40% and 50% of EU returnees in the period 2004-2010 moved again before the end of 2010. Table 6 shows the results of Eurofound’s estimations, including the flow of returnees between 2004 and 2010, the stock of returnees in 2010 and the ratio of the stock of returnees in 2010 to the stock of the population abroad in 2009. The ratio varies depending on the country: while the ratio is higher in Poland (12-14%) and Latvia (9-14%), it is relatively low in Hungary (7-10%) and Romania (3%). However, this data does not take the more recent phases of the crisis into account, which have considerably worsened the labour market situation in most receiving countries (including Spain, Italy and the UK). As a result, return ratios are probably higher today than three years ago.

**Table 6 – Return Migration in selected countries, ‘000**

	Poland	Romania	Latvia	Hungary
<b>Flow of Returnees, 2004-2010</b>	350	280-360	280-360	60
<b>Stock of Returnees, 2010</b>	175-210	168-180	17-26	24-36
<b>Ratio of the stock of returnees in 2010 to the stock of population abroad in 2009</b>	12-14%	3%	9-14%	7-10%

Source: E. Barcevičius, K. Iglicka, D. Repečaitė and D. Žvaliontė (2012), *Labour mobility within the EU: the impact of return migration*, Eurofound, p.78-80.

The differences in return migration flows between member states are explained by the fact that they are the result of a combination of factors. These include the economic situation in the receiving

<sup>55</sup> European Commission (2012), *Employment and Social Developments in Europe 2012*, European Commission, p.256.

<sup>56</sup> E. Barcevičius, K. Iglicka, D. Repečaitė and D. Žvaliontė (2012), *Labour mobility within the EU: the impact of return migration*, Eurofound, 2012, p.78.

country, living conditions in the home country, personal factors and the effectiveness of national programmes for encouraging return mobility.

However, the positive effects of return migration should not be underestimated. As shown in Table 6, even after a few years of emigration, return migration to CEE countries is a phenomenon experienced by countries where local unemployment was not the only cause of migration. Hence, it is likely that return migration will increase once the economy picks up again in countries where local unemployment was a primary reason for emigration.

In addition, most of the time returnees have enhanced human capital (a point developed in the section on the impact on individuals), investment capital, and networks abroad. Indeed, migration flows reinforce economic and social ties between countries, thanks to the creation of network effects and increased knowledge of other countries' culture. According to the existing literature<sup>57</sup>, economic relations are facilitated by migration via two main channels: firstly, through immigrants' preference for home-country products; and secondly, through a reduction in the transaction costs of bilateral trade with immigrants' home countries. While it is too early to evaluate East-West migration trends in these terms, research of different migration flows has led to this conclusion. For instance, Girma and Yu<sup>58</sup> argue that there is a very strong correlation between UK imports from third countries and increases in the stock of immigrants from those countries. According to their analysis, an increase of 10% in the stock of non-Commonwealth citizens generates an increase of 1.6% in imports from those countries. Similar effects may emerge between European countries once immigration stocks have increased.

Finally, remittances also play a role in the long term. According to an Unctad Report<sup>59</sup>, remittances tend to be more stable than international financial flows over time, representing a reliable source of investment and consumption. They can also stimulate endogenous growth in productivity via multiple channels, strengthening countries' potential output<sup>60</sup>, even if most of this income source supports current expenditure, such as on food and clothing, housing construction and repairs<sup>61</sup>.

With regard to potential long-term costs for sending countries, the literature and the political debate highlight the risk of a permanent slowdown in the economy: the loss of human capital might imply a permanent reduction of the potential growth rate.

However, it is worth highlighting that such effects have not been empirically proven. Furthermore, if labour mobility creates such transition costs, then these are likely to be off-set by other positive effects. For instance, return migration of skilled workers may have a greater positive effect on productivity growth than the negative effect of emigration. Furthermore, according to the aforementioned Unctad report,<sup>62</sup> the negative effects related to the loss of human capital may also be off-set in the long run by remittances, which are more stable than other financial flows in the long term.

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<sup>57</sup> See, for instance, S. Girma and Z. Yu (2000), 'The Link between Immigration and Trade: Evidence from the UK', *Research Paper 2000/23*, Centre for Research on Globalisation and Labour Markets.

<sup>58</sup> Ibid.

<sup>59</sup> M. Mashayekhi and B. Onuglo (eds) (2011), 'Impact of remittances on poverty in developing countries', *UNCTAD Report*, United Nations, p.4-6.

<sup>60</sup> M. León-Ledesma and M. Piracha (2004), 'International Migration and the Role of Remittances in Eastern Europe', *International Migration*, Vol.42, Issue 2.

<sup>61</sup> M. León-Ledesma and M. Piracha [2004 cf note 53].

<sup>62</sup> M. Mashayekhi and B. Onuglo (eds) [2011-cf note 52].

## Costs and benefits for receiving countries

The enhancement of a bilateral business environment does not just concern sending countries, which experience increases in exports thanks to immigration. It is equally valid for receiving countries, which benefit from reduced transaction costs, as explained above.

In addition, receiving countries experience huge advantages in the long run thanks to migration. The inflow of human capital produces two main positive effects for domestic economies in the long term: firstly, they substantially increase the growth potential in the country in the same way that financial capital inflows do. Human capital (particularly, but not only, skilled workers) represents a core factor of production and a real asset for companies. As a consequence, the long-term growth potential of receiving countries is substantially increased by labour force inflows.

Moreover, inflows of citizens help to boost the sustainability of public finances in the long run. This effect has two main causes: on the one hand, public revenues benefit from the labour force's production and the increase in the potential growth rate; on the other hand, inflows of workers guarantee a more sustainable demographic equilibrium and establish a balance between net payers and net receivers of welfare benefits. According to the 2012 Ageing Report by the European Commission, the long-term (2060) worsening of the demographic dependency ratio of receiving countries, like the UK, is substantially mitigated by high (even if decreasing) migration inflows and higher fertility rates among migrants.<sup>63</sup>

Despite these evident benefits, immigration has recently become subject to strong attacks, in particular as a result of failed integration processes or social policies. Indeed some countries may experience the emergence of isolated communities excluded from the rest of society and facing high unemployment rates and poverty.

However, it is highly uncertain whether segregation is a consequence of labour mobility as such. In addition, it is worth recalling that integration policies are member state competences and that public actions are crucial to maintain or reinforce social cohesion. Therefore, if public actions are limited or ineffective in the short run, they are likely to lead to significant social failures with tremendous effects on the effective functioning of our societies in the long run. Public institutions have a more important role to play in integrating mobile workers into the political process, in increasing their participation in local public life. They are also crucial for improving their access to public services, and for ensuring that non-discriminatory legislation is enforced.

It is thus wrong to blame freedom of movement for failures resulting directly from inappropriate or insufficient policies at national level. Moreover, if our societies are not socially cohesive, then national policymakers should address the issue as a specific one that requires particular measures, instead of attacking freedom of movement as a whole.

### **3. Understanding 'brain drain'**

#### **The nature of the brain-drain phenomenon**

Clarifying the effects of the brain-drain phenomenon, i.e. the outflow of high-skilled workers from a given country, is highly complex. It requires a clarification of its nature and a sound analysis of its potential costs for sending countries.

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<sup>63</sup> L. Pench, P. Gudin De Vallerin, P. Part and G. Carone (2012), 'The 2012 Ageing Report Economic and budgetary projections for the 27 EU Member States (2010-2060)', *European Economy* N. 2, European Commission, pp. 84-86.

'Brain drain' is a general term that describes the supposed negative impact on the sending country of the outflow of talented people from their home countries. Generally speaking, countries which claim that labour mobility leads to a brain drain base their arguments on two aspects. First of all, they see the outflow of their nationals as a factor threatening the potential growth of their country. Secondly, they estimate that the brain-drain phenomenon heralds significant losses for public finances and low returns on investment, as it was the country of origin which invested in educating its nationals.

### **Brain drain and the private sector**

Being part of an internal single market is a significant asset for companies, although it also leads to increased competition in general terms and with regard to human capital. The brain-drain phenomenon in the private sector is therefore nothing more than a normal effect of the Single Market (although it also occurs on a global scale) in that companies compete to attract the most talented people. If individuals decide to accept a job offer from a company based in a different country, this simply means either that local companies and/or the national business environment are not sufficiently attractive, or that there are not enough job offers. In both cases, the possible outflow of nationals is 'part of the game' and a normal consequence of participating in a large and competitive economy.

Of course, this would come at a cost for the home country and its economy should the government fail to implement the right reforms to improve competitiveness. However, one could also argue that freedom of movement gives governments a good incentive to achieve this objective.

### **Brain drain and the public sector**

Providing essential services and public goods is one of the main functions of a state, and cannot be equally considered alongside private business operations. Moreover, some essential services provided by the state, such as health care, require huge investment in education and training, both in financial terms and in terms of time invested. While labour mobility is a key instrument to improve the functioning of the Single Market and one of the priorities of the European Union, this cannot be pursued at the cost of dismantling essential services in member states. Thus, in this particular field the EU should acknowledge that the brain drain may produce negative effects. Again, potential solutions to the problem (developed in chapter 3) should not prevent EU citizens from enjoying their right to move. Rather, member states should put in place the right instruments required to guarantee that essential services are delivered by the public sector even in cases of huge outflows of professionals.

## **C. The impact on individuals**

From an individual perspective, freedom of movement represents a cherished principle, as 60% of Europeans think that people moving within the EU is a good thing for European integration<sup>64</sup>. However, moving country is also a huge undertaking for the individual. Recent research clearly indicated that CEE mobile workers experience overqualification in the EU15, leading to the phenomenon of 'down-skilling' and possible brain waste. Some countries report significant gaps between the educational attainment levels of EU migrant workers and the occupations they work in. This is confirmed by Holland et al.<sup>65</sup>, who analysed the skill structure of EU10 nationals working in the EU15 and compared this to the occupations in which they work. The study shows that while they are generally better educated than the average level of the host population, they are overrepresented in low-skilled and low-pay occupations and sectors such as construction, manufacturing, hotels and

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<sup>64</sup> European Commission (2010), 'Geographical and labour market mobility', Special Eurobarometer N. 337, European Commission.

<sup>65</sup> Holland and al. [2011, cf. note 8], p.121.

restaurants, and agriculture. For instance, while the share of highly-skilled Bulgarians and Romanians working in the EU15 is 21% and 12% respectively, the share of Bulgarian and Romanian migrants working in occupations requiring high skill levels amounts to only 11% and 2%<sup>66</sup>.

Such evidence suggests two things. First, it reveals that destination countries are failing to tap into the full potential of migrants' skills, leading to a waste of human capital in Europe. Second, it shows that CEE mobile workers tend to accept lower-skilled jobs than they would have accepted in their home country and are likely to be more vulnerable than nationals of their host country. Although there is no evidence showing that they constitute an exploited labour force on Western European labour markets, some studies have shown that CEE mobile workers work longer hours and face discrimination over salaries. Furthermore, their enrollment in trade unions is limited, showing that they might be unaware of their rights and less protected than the native population.<sup>67</sup>

Despite such examples, it must be underlined that there is very little knowledge of mobile EU workers' adjustments to labour markets. The available data is very poor in this respect. Yet EU mobile workers might need some time to understand how the labour market of the host country works and to find a job which really matches their level of qualification.

Moreover, experiencing an overqualified period does not reveal anything about the potential benefits a mobile worker can gain from mobility. Indeed, post-enlargement migrants are considered to be among the largest winners of labour mobility in the EU. Even if down-skilling might be a real issue in the short term, post-enlargement migrants have also benefited from higher salaries and higher living standards in the EU15 due to significant wage and unemployment gaps between sending and receiving countries<sup>68</sup>.

In the longer term, EU mobile workers also enjoy better career prospects, even if they are overqualified for a short period of time. The kind of skills and knowledge acquired abroad, such as language skills, increase an individual's human capital. Also, mobility experience gives a key signal to employers that an individual is flexible and has the capacity to adapt to another system. In the end, it increases his/her employability in the future.

Thus, even when the job taken is below the level of skills previously acquired, a number of the employability and human capital benefits still apply. This is especially true if the mobile person comes from a country where the labour market is underperforming. Protracted periods of unemployment or economic inactivity erode human capital, making reintegration into the labour market much more difficult at a later stage. Therefore, having a job in another country can play a crucial role in protecting human capital and maintaining a foothold in the labour market.

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<sup>66</sup> Ibid. p. 122 and following.

<sup>67</sup> B. Galgoczi, J. Leschke and A. Watt (2012), 'Intra'EU labour migration: flows, effects and policy responses', *ETUI Working Paper* 03/2009, updated 2011 version.

<sup>68</sup> M. Kahanec (2012), 'Skilled Labor Flows: Lessons from the European Union', *IZA Research Report* N. 49, IZA, Bonn.



# OPTIMISING LABOUR MOBILITY – WHAT STEPS TOWARDS THE COMPLETION OF A SINGLE EUROPEAN LABOUR MARKET?

The two previous chapters have shed light on the evolution and dynamics of mobility patterns across Europe, and on the motivations of mobile workers. They also highlighted the costs and benefits of labour mobility. In a nutshell, the authors not only argued that the potential benefits of labour mobility are significant, but they also underlined that using this mechanism is an absolute necessity in terms of Europe's future competitiveness. In addition, they highlighted that certain fears about the negative impact of mobility are unjustified and that current claims are largely disproportionate, although transition costs may exist. While public policies must play a role in addressing these costs, the authors also strongly believe that well-designed policies would be able to make optimal use of freedom of movement.

This chapter aims to suggest what such well-designed policies should look like with a view to developing a comprehensive and robust labour mobility strategy that includes both EU citizens and third-country nationals. According to the authors, such a strategy should be based on four pillars under which a series of measures should be developed. These pillars – described below – are: a better implementation of already existing tools (A); investment in empowering people to move (B); a stronger role for the European Union (C), and a better monitoring of the process (D).

Although the list of actions is not exhaustive, it concentrates on the measures that the authors consider to be most important. The approach taken by the authors differs according to each measure, respecting the current political context, feasibility and legal provisions. Also, while some measures are directed at both EU citizens and third-country nationals, others only apply to one of the two categories.

## A. A better implementation of already-existing tools

### 1. A better and wider use of EURES (European Employment Services)

*“The EURES system shall be strengthened, and it should be better coordinated with the actions of national public and private employment agencies”.*

Interview with Béla Galgóczi, Senior Researcher, ETUI.

EURES, the pan-EU job search network, was created to help EU workers to find jobs within the European Economic Area and Switzerland, and represents a crucial tool for creating the Single European Labour Market. The purpose of EURES is to exchange vacancies and applications for employment ("clearance"). It also provides information, advice and recruitment/placement (job-matching) services for workers and employers, as well as any citizen wishing to benefit from the principle of free movement for workers in the European Union and the European Economic Area (EEA). The main target population of EURES is – in accordance with the right to freedom of movement – EU citizens and their families, EEA citizens and their families and Swiss citizens and their families. EURES has two pillars: a Job Mobility Portal (one million vacancies, "online services") and a network of more than 850 EURES Advisers in 31 countries ("personalised or mediated services").

Nowadays it covers between 30 and 40% of available vacancies across Europe, helping annually around 50,000 jobseekers. Although this figure is positive with regard to the tool's potential, it could still be increased given the total number of jobseekers across the EU. With this in mind, the European Commission recently adopted a decision (Implementing Decision of 26 November 2012<sup>69</sup>) to modernise and broaden the coverage of EURES. This reform, due to be implemented by the Commission and EU member states by 1 January 2014, aims to help jobseekers to contact employers looking for particular skills, to support the mobility of young people through targeted schemes, to include private employment services instead of being restricted to public agencies, to open the network to apprenticeship and training possibilities, and to extend the scope of the EURES Network to new actors, i.e. "associated EURES Partners".

All these measures are absolute priorities in order to maximise the impact of EURES, and the Commission's decision goes in the right direction. However, two fundamental changes remain necessary to turn EURES into a powerful instrument.

First, it is absolutely necessary to have the full commitment of national employment agencies, not only at the decision-making level but most importantly on the ground. National agencies rarely inform jobseekers about the existence of EURES or vacancies abroad. However, offering the right information to jobseekers also requires national agents to be familiar with how this instrument functions. This is unfortunately not yet the case, and more effort must be made to train national agents on how to use the network. Furthermore, the role of national employment agencies should not be boiled down to providing information about vacancies abroad. They should also support and assist jobseekers in their decision to move by providing appropriate information about the procedures that the jobseeker will have to follow. Although this is already an objective specified at EU level, the reality on the ground looks very different.

Second, the possibility of ensuring better access to services from the EURES Network for third-country migrant workers legally residing in an EU member state should be improved. Despite the legal possibility of opening it up to third-country nationals, practical use of the EURES system is low. Indeed, according to some officials, the number of third-country users is small and the focus of the system is geared towards EU and EEA citizens. In this context, one step forward would be to broaden EURES' priorities. The Network could be more active in raising awareness that this category of migrant workers has the right to move and also has access to the EURES Network. At the same time, this could help fulfil the Commission's objective of better informing third-country nationals about their rights. In addition, this could create the basis of a sound system whereby the available workforce residing in EU member states could be invited to fill labour and skill shortages without

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<sup>69</sup> COMMISSION IMPLEMENTING DECISION of 26 November 2012 implementing Regulation (EU) No 492/2011, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:328:0021:0026:EN:PDF>



having recourse to ‘external’ labour migration. Such an option would also bring the Single European Labour market to a new dimension that it is yet to reach.

## **2. Simplification of the recognition of professional qualifications**

*“The lack of legal certainty and recognition of qualifications remains a key barrier for EU workers willing to move. We need to go beyond Erasmus programmes in order to create a European added value.”*

Interview with Bernadette Vergnaud, MEP and Rapporteur on the Directive on the recognition of professional qualifications.

Currently, only seven out of 800 professions have their qualifications recognised automatically and a large number of professionals still face significant barriers to work elsewhere. In order to address this issue, the European Parliament is currently working on a proposal revising Directive 2005/36/EC<sup>70</sup>, aiming to ease the process of recognition of professional qualifications. The most important elements of the proposal include the introduction of a European professional card, better access to information and access to e-government services, modernisation of harmonised minimum training requirements, an alert mechanism for health professionals, a mutual evaluation exercise on regulated professions, and clarification of the rules on language skills. The proposal is overwhelmingly positive, as it harmonises certain rules and creates, through the introduction of the European professional card, a system in which information about workers’ past professional history is collected. If an individual has had a previous professional problem – most importantly in the health sector – a warning mechanism will therefore be able to detect it. The success of the directive will now depend on the final outcome of negotiations between the European Parliament and the Council, on how the directive functions in a concrete manner and the extent to which employers and EU citizens have an incentive to use the instruments such as the professional card.

With regard to the recognition of the qualifications and skills of third-country nationals, it remains a complicated process. The Immigrant Citizens Survey<sup>71</sup> shows how 25-33% of working immigrants feel overqualified for their job. Moreover, it shows that 70% of applications for recognition of qualifications are successful, while very few applications are handed in. This means that there is not enough information on recognition of qualifications, which in turn could negatively influence a third-country national’s choice when it comes to deciding whether or not to move to the EU. Therefore, there is an urgent need to make the existing system more flexible. For instance, the European Commission could be entrusted with a mandate to negotiate with third countries a list of qualifications acquired in third states and recognised in all EU member states. Another possibility would be to use ‘Mobility Partnerships’ to foster detailed discussions on the recognition of qualifications acquired in the country subject to the partnership.

## **3. Further and deeper coordination of social security systems**

*“The coordination of social security systems must become more accessible to European citizens”.*

Interview with Jackie Morin, Head of Unit, DG Employment and Social Affairs.

Ensuring that migrants moving within the EU do not suffer disadvantages in terms of their social security rights is an essential pre-condition of encouraging people to move. Primary EU law (Article 48 TFEU) and secondary legal acts, set out in Regulation (EC) No 883/2004 and the Implementing Regulation (EC) No 987/2009, coordinate member states’ social security schemes. EU legislation is

<sup>70</sup> See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:255:0022:0142:en:PDF>

<sup>71</sup> T. Huddleston and J. Dag Tjaden (2012), ‘How immigrants experience integration in 15 European Cities’, *Immigrant Citizens Survey*, King Baudouin Foundation and Migration Policy Group, Brussels.

not a substitute for the different national social security systems, but it coordinates them should EU citizens decide to move. Significant efforts have been made to modernise coordination of social security systems. The EU is in the process of negotiating further legislative acts with a view to improving the legal framework and enforcement of this coordination. Despite these efforts, the complexity and lack of information about social security system coordination still represents a significant barrier to mobility.

Instead of going through the long list of measures undertaken by the EU in order to coordinate social security systems, this section will concentrate on two innovative measures, which could play a considerable role in dismantling barriers to mobility and encouraging people to work in a different country.

### **A European unemployment scheme**

Nowadays, an unemployed person has the possibility to retain entitlements to benefits for three months in case he/she wants to seek work in another member state. The competent services or institutions may extend this period up to a maximum of six months. However, EU countries are often reluctant to apply these rules, as social security system coordination remains a cause of tension between member states. For instance, as far as unemployment benefits are concerned, some member states are particularly reluctant to make full use of coordination mechanisms, as they do not trust other EU countries' administrative capacity to check that their nationals are effectively looking for a job.

Minimum surveillance principles could be created at EU level to overcome such tensions. But beyond that, EU Commissioner for Employment, Social Affairs and Exclusion László Andor's recent suggestion<sup>72</sup> to introduce a European-level unemployment benefit system merits greater attention. As well as preventing the deterioration of social protection across Europe as indicated by Commissioner Andor, such an instrument could become a useful means of supporting mobile people. Indeed, while people have worked in certain member states and contributed to their welfare systems, they are not always entitled to unemployment benefits if they become unemployed. Such situations often arise due to specific conditions which must be fulfilled in each member state in order to receive unemployment benefits. If these conditions are not fulfilled and if they are more favourable in the country of origin, the jobseeker might be either encouraged to return to his/her country, even if their chances of getting a job are not necessarily higher there, or to move to a third country where he/she will not be entitled to unemployment benefits either. Creating European unemployment insurance for mobile workers under such circumstances would be a great step forward as it would reduce the potential risks faced by mobile workers by granting a degree of social protection should they lose their job. However, the Commission would have to carefully devise precise rules defining who would be eligible for such a scheme and for how long. Otherwise, such a system could encourage some member states to restrict mobile workers' access to national unemployment benefits, even though doing so would contradict the anti-discrimination principle.

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<sup>72</sup> Commissioner Andor mentioned in a speech at a conference in September 2012 that 'an EU level unemployment insurance structure can be a logical element in this new EMU 2.0 as an automatic stabiliser mechanism effective in the short-term.' He added that 'we should work to set up urgently such a European unemployment benefit scheme as we develop the next phase of Economic and Monetary Union.' The press release of the conference is available at the following link: [http://europa.eu/rapid/press-release\\_SPEECH-12-588\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-12-588_en.htm)

## A pan-European platform on pension rights

While the EU has already made a significant effort to improve the portability of pension rights, the portability of supplementary pension rights is not currently covered by coordination of social security systems. It has now become the subject of a proposed directive (2005/0214) at EU level, which is currently still under negotiation, as the required unanimity could not be attained within the Council. Considering the increasing importance of supplementary pension schemes to cover the risks of old age, it is important to reach a political agreement on this directive in order to reduce obstacles to mobility.

Beyond the remaining problem of the portability of supplementary pension rights is the issue of information provided to EU citizens. In a public consultation by DG Justice on EU citizens' rights when living, studying, working, shopping or travelling within the EU, 74% of respondents<sup>73</sup> said that they are not well-informed about their rights. Given that it is difficult for citizens to get an idea of how much they will get from their pension schemes once they retire – and that this complexity increases still further if they have lived in different countries – there is an urgent need for EU action in this field. For instance, providing EU citizens with a pan-European platform offering centralised information about pension schemes would prevent citizens from having to contact each of their pension funds to get information. Such a system could be supplemented by an e-card to collect information on an individual's pension rights.

## B. Investment in empowering individuals to move

### 1. Personalised career guidance for migrants

*“Creating the right environment is essential for mobile workers, in particular young people”.*

Interview with Wolfgang Müller, Brussels Director of the Bundesagentur für Arbeit (the German public employment agency).

Research has shown that migrants, whether EU citizens or third-country nationals, are generally more vulnerable in the labour market than nationals of the host country. Therefore, migrants are more inclined to take up jobs which do not really match their level of qualifications or competences. In addition, studies<sup>74</sup> have shown that *“immigrant men with citizenship of the host country suffer from a penalty of 5.3% (...) vis-à-vis their native counterparts in the EU15”*, whereas immigrant men without citizenship are penalised by 7.4% in the EU15 and 8% in the EU8.

More personalised guidance is therefore necessary in order to realise the potential of mobile workers. To this end, both private and public employment agencies working with either EU mobile workers or third-country nationals have to play their role. Therefore, their efficiency should not just be measured by their number of placements. They should also pay attention to the quality of their placements. In the same vein, they could contribute to raising awareness among mobile workers about their skills and capabilities so that they can increase their expectations regarding the kind of jobs they are able to occupy. For instance, providing them with some negotiation skills for job interviews would be of great help. Last but not least, employment agencies in some member states have been thinking of putting in

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<sup>73</sup> Information provided during the semi-structured interview carried out by EPC with the European Commission.

<sup>74</sup> M. Kahanec (2012), 'Skilled Labor Flows: Lessons from the European Union', *IZA Research Report* N. 49, IZA, Bonn, p. 23. See also M. Kahanec and A. Zaiceva (2009), 'Labor Market Outcomes of Immigrants and Non-Citizens in the EU: An East-West Comparison', *International Journal of Manpower*, N. 30 (vol. 1-2), 97-115.

place innovative solutions in order to create a social environment favourable to the integration of mobile workers. For instance, having families with the same cultural background hosting young people willing to work is an emerging idea in Germany. Those initiatives are crucial to create the right environment for increased mobility. Evaluating the success of such measures across Europe is also essential and more effort should be made to disseminate good practices.

## **2. A 'one stop shop' for registration procedures**

*"We need a 'one stop shop approach' for people moving around Europe, where migrants can access all the information and bureaucratic procedures required by the host country. (...) This one stop shop shall be specialised in this work: they review your files and support you during your stay".*

Interview with Martin Kahanec, Associate Professor, Central European University (CEU); Research Fellow, IZA; and Scientific Director of CELSI.

Today, existing registration procedures and requirements represent a genuine obstacle to effective mobility. Each member state, and often each region and/or municipality, has different check-in and check-out procedures (and requirements). This results in a system of hundreds of different procedures, multiplied by double registration (check-in and check-out) requirements. Linguistic barriers in the receiving public administrations can also represent a huge problem in certain cases. Public consultations carried out during preparatory work for the proposed Directive 0124/2013 on migrants' working rights<sup>75</sup> showed that the majority of respondents highlighted the importance of "setting up contact points or structures in the member states"<sup>76</sup>. Indeed, supporting migrants in the process would greatly improve their ability to move across Europe.

To this end, the creation of a 'one stop shop' where check-in and check-out procedures for EU citizens would be simultaneously handled by their national representations in the receiving countries (eventually by attachés of the receiving public administration) would be a way to ease the registration procedure and avoid language issues. Such an approach would also prevent people from being registered in two different places and would therefore bring in more transparency and reliability with regard to mobility data.

## **3. Strengthening the mobility propensity of target groups at an early stage**

*"We should think about how to consolidate employment-support spending and related costs from national and EU funds, and scale-up initiatives that have proven successful for people to find jobs across Europe rather than keep them as subsidised unemployed in their home countries".*

Interview with Martin Ratz, Managing Director and co-founder of Paragona.

Data shows that when people have moved once, they are more likely to move again in the future. This implies that over the long term a high number of people in Europe acquire experience of living abroad, and are thus potentially more likely to move again. However, public policies can also play a role in accelerating this process by investing in people's capability to move at an early stage.

In this regard, some initiatives merit to be taken into account. First, existing mobility programmes should be extended and duly financed: this is the case, for example, with the different Erasmus programmes, which have proven effective in increasing the propensity to

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<sup>75</sup> COM (2013) 236 final, Proposal for a Directive of the European Parliament and the Council on measures facilitating the exercise of rights conferred on workers in the context of freedom of movement for workers.

<sup>76</sup> Ibid. p. 7.

move of young and highly-educated people. Secondly, more investment in language classes during early childhood should be priority and their efficiency should also be better monitored. Thirdly, one should consider how to make mobility programmes more accessible to certain groups of people for whom increased mobility could represent a real gain: for example, young and unemployed people. In this regard, the Union and its member states could envisage the creation of short-term language and skill learning programmes abroad, increasing the propensity of young people to move for employment purposes.

## C. A stronger role for the European Union

### 1. Fighting for equal treatment

*“There is a need to pay attention to working conditions of mobile workers (equal treatment principle) to ensure good training, protection and quality of life”.*

Interview with Marco Cilento, Adviser, ETUC.

In addition to the significant earnings gap between migrants and their native counterparts mentioned earlier, evidence has also demonstrated that migrants face different recruitment and working conditions and have different access to social advantages than those applied to host-country nationals. For instance, the Commission has observed that some national legislation, such as the introduction of nationality conditions for access to certain posts or nationality quotas, is not in compliance with EU law. Also, recent studies have shown that migrants tend to work longer than natives. In the UK, EU10 migrants work longer hours but earn about 13% less per hour than natives, and 9% less than their pre-enlargement co-ethnics<sup>77</sup>. Although this indicates that adjustment might occur over time, and despite the existence of EU legal provisions against discrimination (Regulation 492/2011)<sup>78</sup>, it is clear that migrants suffer from different treatment. Thus, there is a significant gap between the rights that EU citizens have in theory and what is applied in practice. Furthermore, EU migrant workers are perceived under the national law of most EU countries to hold a status closer to that of third-country national workers than to that of nationals<sup>79</sup>.

Against this background, it has become a priority to make sure that existing rules on free movement of workers are effectively applied. Such a change would require multiple actions, including those mentioned earlier such as personalised career guidance for migrants and the creation of one stop shops allowing migrants to be better informed about their capacity and rights. Although these actions are necessary, they are not sufficient and need to be complemented by some binding mechanisms.

In this respect, the European Commission recently proposed a directive (COM (2013) 236 final) on measures facilitating the exercise of rights conferred on workers in the context of freedom of movement for workers. These measures aim to provide better information and better support to migrant workers and their employers and to create better redress procedures in order to enforce the principle of equal treatment. In more concrete terms, the proposed directive calls on member states

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<sup>77</sup> M. Kahanec (2012), ‘Skilled Labor Flows: Lessons from the European Union’, *IZA Research Report* N. 49, IZA, Bonn.

<sup>78</sup> Article 45 of the TFEU on freedom of movement includes the right not to be discriminated against on grounds of nationality with regard to access to employment, pay and other working conditions. In addition, Regulation N° 492/2011 gives more details on the rights derived from free movement of workers and stipulates that discrimination on grounds of nationality is prohibited in the following areas: access to employment, working conditions, social and tax advantages, access to training, membership of trade unions, housing, and access to education for children.  
See: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:141:0001:0012:EN:PDF>

<sup>79</sup> A. Weiss (2011), ‘Network of experts on free movement of workers’, *Thematic Report – Application of Regulation 1612/68*, European network on free movement of workers.

to create or reinforce the role of national bodies supporting EU migrant workers and to monitor the rights conferred on them. It also asks member states to increase the dissemination of information about the rights of workers and their family members, and to ensure that associations, organisations or legal entities may engage in any administrative or judicial procedure on behalf or in support of EU migrant workers in the event of violations of their rights.

The measures suggested by the Commission in the proposed directive are more than welcome, although it is worth noting that the public service is still excluded from the provisions of the proposed draft. While the public sector gives access to a significant number of jobs in most EU countries, it would be a welcome step forward to open up jobs in the public sector which are not subject to national confidentiality to all EU citizens.

Also, it is important to note that directives give some flexibility to member states when it comes to concrete implementation of the required measures. Therefore, while it is critically important for the Commission to monitor the enforcement and efficiency of national measures once the directive has been approved, stronger involvement of the EU in setting European standards for minimum wages and working conditions should also take place. As clear standards do not exist in all member states, EU actions would prevent mobile workers from accepting working conditions that national workers do not.

*“A creation of European-wide minimum wage can help in preventing social dumping. A minimum wage at European level of course needs to be related to the local living costs”.*

Interview with Paul Minderhoud, Associate Professor at Radboud Universiteit Nijmegen

## **2. Making Europe more attractive to foreign talent**

*“In times of asymmetrical economic shocks and growing economic polarisation, the mobility of third-country nationals - from the member state where they are legally residing to another where they might have greater employment opportunities - should not be viewed as part of EU’s problem but rather of the solution”.*

Interview with Ferruccio Pastore, Director of FIERI.

For third-country nationals, the main way to make Europe more attractive is by providing genuine intra-EU mobility and labour-market transition to students. Let us consider three main ways to enhance the intra-EU mobility of third-country nationals:

- enhancing the implementation of existing rules;
- adapting existing intra-EU mobility tools to third-country nationals;
- developing new legislation to improve the intra-EU mobility of third-country nationals.

The first and essential step is to guarantee that existing rules are effectively implemented. Therefore, we demand a stronger role for the European Commission in monitoring member states’ implementation of EU rules and in introducing infringement procedures when national rules do not fully comply with the directives’ requirements and procedures.

Furthermore, negotiating parties on the admission of certain categories of third-country nationals, such as on the Intra-Corporate Transferees (ICTs) Directive, should be reminded of the importance of intra-EU mobility. The current ICTs Directive as proposed by the Council would make mobility more difficult, because it proposes re-examination by the second member state. In essence, this would consist of extra checks in the receiving member state when the transferee applies for admission to that member state. If this were to be enforced, real intra-EU mobility rights may not be granted in



many cases, and the attractiveness of Europe to foreign talent would be further diminished. This indicates a lack of willingness on the part of member states not only to admit foreign talent, but also to provide for mobility.

The second measure is to adapt existing mechanisms to foster the intra-EU mobility of third-country nationals. This measure includes some proposals, for example with regard to EURES and the recognition of professional qualifications, which were already set out under the first pillar.

Finally, the EU should develop new legislation that clearly aims to improve the intra-EU mobility of third-country nationals. This is due to the fact that the right to move to another member state is basically only open after five years of legal residence in one member state, unless you are a highly-skilled worker, student or researcher. Therefore, it might be worth adopting new rules on the basis of Article 79, Paragraph 2, b) of the TFEU in order to grant mobility rights to legally-residing migrants before five years of legal residence. The new EU rule should determine the conditions under which third-country nationals legally residing in one member state should have the right to move to another member state. In this format, conditions for exercising the right to move should be linked to employment.

More specifically, regarding students, the recent proposal presented by the European Commission dealing, inter alia, with researchers and students should be welcomed. However, more could be done for graduates, such as considering the possibility of offering graduates intra-EU mobility rights after a short period of time, i.e. 18 months to two years. It is in the interest of the Single European Labour Market to organise mobility schemes for graduates who had access to the labour market of one member state.

Both are strictly linked: if migrants are allowed to enter for study purposes, they may be interested in staying to work in the EU. From an economic perspective, third country-national graduates may bring added value to the EU, since their young age and high education level may translate into low exposure to unemployment, welfare dependency and a high likelihood of becoming net contributors to national economies. Therefore, the attraction and retention of international students is likely to help cope with labour shortages and to temper the impact of an ageing workforce, all the while strengthening the European economy.

### **3. The creation of a Mobility Fund**

Creating a Mobility Fund would represent a practical solution to claims recently made by some member states about the disproportionate burden which labour mobility may impose on the public finances of some of their cities. If such claims are backed up by clear figures, there would be a role for the EU to act by providing targeted cities with financial assistance. This would allow cities in trouble to deal with transition costs such as increased demand for housing, the saturation of certain public services, or an increased need for schools. Such effects are likely to be temporary in nature and turn into comparative advantages once the economic and social adjustment of mobile EU citizens has occurred, so the assistance should also be temporary. In other words, such a fund would aim to offer a rapid solution to specific issues for a limited period of time.

### **4. Increased coordination in the healthcare sector**

The mobility of healthcare professionals may pose some challenges for sending countries and requires particular attention. As a starting point, however, it is important to note that high outflows are explained by a series of push factors which reflect either imperfections in national healthcare systems or are the direct result of other policies. These imperfections might lead to poor working conditions, low wages, a lack of social recognition for certain categories of profession, overloaded

staff or even uneven distribution of the workforce across the national territory, making the health sector unattractive for nationals. Therefore, in most cases high outflows due to labour mobility are just a factor that exacerbates pre-existing trends. Research<sup>80</sup> has shown that regions in CEE experiencing significant labour shortages were already facing this issue prior to enlargement. All this clearly underlines the role of national public policies in making the healthcare sector more attractive.

Nevertheless, due to the pan-European nature of labour shortages in the health sector, European actions in this field are more than legitimate. The EU could be of significant help in two ways.

First, it should be acknowledged that labour shortages are not just an issue in Central and Eastern Europe. Western Europe is also experiencing high demand for new staff. This is due to two phenomena: the ageing of the health workforce and the impact of population ageing on the size and growth of the sector. Therefore, Europe is in urgent need of better anticipating skill shortages in the health sector. In this respect, the new European economic governance package could serve as a powerful instrument to coordinate and monitor investment in the education of future health professionals across Europe. Although several initiatives have already been taken in that direction, the EU should not limit its actions to voluntary cooperation but should use the European semester as a way of giving a European dimension to the issue and as a means of assessing and coordinating national investment.

Second, the EU should seek inspiration from specific models applied in other parts of the world. For instance, member states relying on the health workforce of other EU countries should also participate in investing in the education of health professionals in those countries. Financial contributions from receiving countries to the education system of sending countries could indeed enable the latter to increase their investment capacity in the health workforce and reduce labour shortages in this sector. Of course, this is not something which would prevent people from moving – and it is not the objective either – but it would be a way to help sending countries to respond to national demand for health professionals. Such a model could be developed in the framework of bilateral agreements between member states experiencing such migration patterns. As for the role of the EU, it should play a big part in identifying when such bilateral agreements should apply and should be a key stakeholder in making this happen.

## **5. Making the benefits of mobility more visible**

Given that freedom of movement is an EU principle, when it is attacked (see the interior ministers' letter to the Irish Presidency of the Council) it should be defended vigorously. In the UK the debate has encompassed ideas such as the launch of a public relations campaign to discourage Romanian and Bulgarian citizens from coming to the UK in 2014 after the end of transitional measures. It also saw the Home Secretary mention a 'cash bond' for EU migrants coming to Britain, which would then be paid back if they do not claim benefits. Finally the Labour Party Home Secretary proposed the addition of a 'presence' test to the existing 'habitual residence' test for access to benefits for EU citizens<sup>81</sup>. Detailed proposals were not made by the UK coalition government, but the issue managed to make it into the Queen's Speech, meaning that something more concrete will be tabled in the near future.

Against this background, the notion of 'benefit shopping' that has taken hold in some interior ministries should be challenged, as thus far no member state has provided data revealing the extent of this 'problem'. If this is established as a problem, the EU should then propose solutions to optimise labour mobility, but not by dismantling the principle of free movement. The overall economic benefit

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<sup>80</sup> Eurofound (2013), *Mobility and migration of healthcare workers in central and eastern Europe*, Dublin, in Press.

<sup>81</sup> A. Lazarowicz (2013), 'A dangerous UK consensus on the free movement of workers in the EU', *EPC Commentary*.



(despite some transition costs) and the overwhelmingly positive impact it has on individuals need to be highlighted, as does the fundamental challenge to this principle and what it will mean for a generation of people brought up in the borderless EU they have taken for granted.

There is also a sort of double discourse taking place across member states. With German Chancellor Angela Merkel's recent statements in favour of needing to foster mobility in the labour market<sup>82</sup>, the push by Interior Minister Hans-Peter Friedrich to deal with 'benefit tourism' sends entirely the opposite message, and would make mobility more restricted. This double discourse can also be observed in the UK, where mobility was not seen to be a mainstream problem during the good economic times of the 'big bang' enlargement and the entry of citizens of those countries into its labour market, whereas now it is being perceived as a problem. Free movement of workers cannot be a principle only for the good times. Therefore, to tackle this in an honest and objective way, the EU needs to step in and make the benefits of mobility more visible in order to address this double discourse.

## **D. A better monitoring of the process**

### **1. The importance of the new European economic governance**

*"Policies aiming to enhance mobility could be monitored and coordinated within the European Semester. It would be a way to make the importance of labour mobility more visible".*

Interview with Béla Galgóczi, Senior Researcher, ETUI.

In all strategic frameworks of the EU, labour mobility is presented as an essential tool to mitigate the impact of the crisis on the most-affected countries and to reinforce the resilience of the euro zone. Furthermore, it is perceived as a phenomenon which should go hand-in-hand with strengthening European economic governance. Nevertheless, if one takes a close look at the European semester, which now represents the central element of the new economic governance, and more specifically at the country-specific recommendations published each year by the European Commission, one sees a discrepancy between the overarching objective (labour mobility) and the monitoring process. In other words, there is no clear translation of the need for increased labour mobility into concrete measures that must be put in place at national level. All this highlights the need to reinforce the position of labour mobility in the European semester and to identify national policies which need to be monitored to achieve this objective. Monitoring language learning and coordinating national investment in the education of future health professionals (as explained above) are examples of crucial importance.

### **2. Improving our knowledge of migration patterns**

Availability of data is crucial for an unbiased and fact-based analysis of the trends, impacts and characteristics of labour mobility. However, the availability of up-to-date information at EU level is currently poor. The last Eurobarometer on labour mobility was carried out in late 2009, well before the Europeanisation of the economic crisis. Furthermore, information is sometimes incomplete or split between national statistical offices, and often there are inconsistencies due to different accounting, calculation or estimation methodologies, making comparisons very difficult.

With regard to the lack of information on migration flows, there is a particular scarcity on short-term flows, as migrants often do not register in the host country if they stay for less than one year.

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<sup>82</sup> K. Schwenn (2013), 'Merkel wirbt um Arbeitskräfte aus Euro-Krisenländern', *Frankfurter Allgemeine Zeitung für Deutschland*, 15 May 2013, available at <http://www.faz.net/aktuell/politik/europaeische-union/demographieipfel-merkel-wirbt-um-arbeitskraefte-aus-euro-krisenlaendern-12182814.html>

Education programmes are taken into account in estimations, but other phenomena are not. A better understanding of short-term flows, however, could help to broaden our comprehension of the European labour market. This same scarcity applies to cross-border flows (commuting flows and micro-term mobility), a phenomenon, which should be taken into account when assessing the effectiveness of the labour market.

There is also the issue of double registration as mentioned earlier. Under the current regime, EU mobile workers have to pass through a double administrative procedure: checking out from their sending country and checking-in with their host country. This system has several flaws: first, it discourages mobility and compliance with rules requiring double administrative paperwork for migrants; secondly, and principally, migrants often tend to minimise the administrative work required, either by delaying registration in the host country as long as they can, or without checking out from their original countries. This implies that migration data based on residents' nationalities, like current Eurostat datasets, may underestimate migrant populations and overestimate national populations.

Furthermore, there is also a lack of labour market-related migration statistics. In particular, there is little data publicly available regarding the sectors and positions occupied by labour migrants. This kind of information is vital to generate a clear idea of genuine skill-shortages in European countries and regions. If this information is sensitive and cannot be disclosed in detail to the public, Eurostat could build, for example, a migration intensity index for key sectors in EU countries.

In order to address the above challenges, two key policy recommendations can be made. The first of these is to develop a one stop shop for registration issues, as explained earlier. Another idea worth exploring is the development of a European Migration Directory, which would go hand in hand with the one stop shop. Such a directory would also allow for a much more efficient real-time collection of important data. Both these instruments would allow the EU to put in place an automatic system to collect essential migration data: national protocols would need to be automatically transmitted to such a 'European Migration Directory', general identification information (such as age, sex and nationality), details of the check-in and check-out country, and information on the employment sector. This would also greatly improve understanding of labour mobility.

## CONCLUSIONS

As outlined above, the benefits of intra-EU mobility outweigh the costs. This does not imply that mobility is a panacea to the EU's economic problems or that there are no costs involved. Furthermore, problems that arise regarding the mobility of EU citizens need to be addressed directly, and not by undermining the cherished right to freedom of movement. Some of the recommendations mentioned above hope to do exactly that.

Intra-EU mobility, even taking into account the latest increase due to the economic crisis, remains an under-utilised source of prosperity for EU citizens and for the EU economy as a whole. To fully maximise the potential of the EU workforce in a context of fierce global competition, one needs to take advantage of already legally residing third-country nationals. These workers have limited possibilities to move from one EU country to another. This can lead to brain waste or can be a drain on a given member state if they are unemployed. Worse still, these people may decide to leave the EU for destinations where their chances of finding work are more promising.

The EU now faces a double policy challenge: It needs to dismantle barriers to mobility but it also has to incentivise people to move where jobs are located. Once this is achieved then the Single European Labour Market has been completed and the European principle of the freedom of movement of people will be fully realised.

Above all, the EU needs to be more visible and stronger in showing that freedom of movement is not just a principle for the good times. Although recent political discussions on benefits for mobile EU citizens show that reforming member states' welfare systems and dealing with any effects that immigration might have on them are challenges that EU member states should confront, any coming together to undermine the free movement of workers should be avoided.

Mobility needs to be encouraged, and not just the mobility of people from crisis-hit countries who are 'forced' to move, or those who have always been keenly disposed to the idea of working in another EU country. This report has highlighted how some intra-EU mobility can help fill skill shortages and gaps, especially mobility from member states with high unemployment to those with lower unemployment yet with specific skill shortages. However, it is worth reiterating that intra-EU mobility is not *the* crisis solution. This highlights a key fact that policymakers must remember: the intra-EU mobility of EU citizens is neither a culprit contributing to public deficits, nor a silver bullet to solve the economic crisis. Intra-EU mobility is one way to make the best use of human capital for our common European future.

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