# Making the Most of EU Labour Mobility

## Report of a CEPS Task Force

**Rapporteurs:** Mikkel Barslund and Matthias Busse

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## REPORT OF A CEPS TASK FORCE IN COOPERATION WITH THE BERTELSMANN FOUNDATION

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The Task Force Report is based on original research and draws upon the existing literature. The contents of the report reflect the general tone and direction of the discussions, but for example the recommendations do not necessarily represent a full common position agreed by all members of the Task Force, nor do they necessarily represent the views of CEPS or the institutions to which the members belong.

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# Preface

Six years on from the beginning of the financial crisis, economic conditions could hardly be more different around the eurozone. Germany, the EU's largest labour market, struggles to meet demand for workers in a variety of professions and has launched several campaigns to attract foreign jobseekers from inside and outside the EU.

At the same time, more than 25% of Spain's active population is unemployed and this has been the case for over four years. Economic forecasts predict only minimal improvement in the years to come, even if the worst of the crisis seems behind us. The situation is no better in Greece, and only somewhat less gloomy in Portugal and Italy.

The history of this malaise is well known; what started out as a financial crisis for most EU member states in 2008 turned into a debt crisis that hit southern EU countries harder than others. With monetary policy tied to the eurozone and no fiscal room for manoeuvre, they could not avert mass unemployment.

Why have more southern Europeans not escaped unemployment by using one of the best-known and popular rights of EU membership: the right to free movement for EU citizens? Why are not many more Spaniards working in Germany? Is it simply the language barrier or are other obstacles blocking the way?

The Task Force's discussions reflected the general conviction that labour mobility, together with the free movement of goods, services and capital, remains an essential tool for achieving the EU's ambitions, internally and globally. A dynamic labour market less impaired by national boundaries, where labour and skills are allocated more efficiently, is important for companies' ability to grow and invest, not least in light of the increasing competition from other world regions. It is also important for maintaining sound public finances in times of fiscal restraint and increasing demographic pressure.

Less than 3% of EU citizens reside in a country other than their own. Annual mobility flows do not exceed 0.3% – one-tenth of the USA figure. More needs to be done to develop the full potential of mobility.

The public debate shows the limits of what is possible, however, especially during crises and recessions. Opposition has grown in several member states, targeting mobility from low-income eastern Europe, with accusations and suspicions about unfair wage competition, bogus self-employment and illegal work. This probably has more to do with the posting of workers (which we do not cover in this report) rather than independently mobile workers.

Labour market illegality and fraudulent claims are not specific to any particular country, or group of countries, and must be tackled by national authorities, in close cooperation with their counterparts abroad. But this response does not address objections to provisions in EU legislation that are seen as favouring improper practices. It would be unwise to dismiss such objections. Even when they come without evidence, as is the case for 'benefit tourism', they should be examined with the utmost care. Widespread anxiety should indeed not be ignored, lest it undermine the very idea of free movement.

Jean-Claude Juncker, President-elect of the European Commission, was therefore right when, in addressing the European Parliament in Strasbourg in July ("Political Guidelines for the next European Commission"), he said that labour mobility should be promoted. At the same time, however, he stressed the need to fight abuse and fraudulent claims.

This report undertakes a broader analysis of labour mobility: the facts, the economics, the barriers and the German labour mobility experiment.

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## Executive Summary: Findings and Recommendations

Mobile workers in the EU face greater obstacles than citizens moving between states in the US and this situation is unlikely to change. This Task Force report aims to determine mobility patterns, to identify barriers and to propose policy measures and instruments for the EU to facilitate labour mobility. The EU needs to develop appropriate policies to make the most of its mobility potential.

This report combines the most recent data from Eurostat with national sources to highlight the most significant labour mobility trends within the EU. Comparisons between regions, western Europe (EU15) and eastern Europe (EU10) and over time, pre- and post-crisis, can be used to assess the impact of the economic and financial crisis on mobility flows.

Overall, the recent recession has not induced previously immobile workers to become more mobile, at least not in the larger member states. Mobility flows have moved away from crisis countries in response to the economic downturn but the desired increase in south-north mobility has not been observed so far. This leads us to conclude that successfully fostering mobility within EU15 countries requires tremendous effort. It is thus all the more important that those workers who are willing and able to move are not discouraged from doing so by unnecessary barriers to mobility. Improving the workings of the EURES system and its online job-matching platform, better cooperation of national employment agencies, streamlining the recognition of qualifications and supporting language training within the EU are important contributions to labour mobility.

Workers from EU10 countries are comparatively mobile. And they have moved to EU15 countries in greater numbers than expected. Studies show that their direct economic contribution is positive, although small. The fact remains that both with respect to numbers of people moving and economic impact, east-west mobility ought to be of little overall concern. Nevertheless, media coverage and fears of a massive influx of ‘foreign’ EU workers add up to a potential threat to the free movement of workers.

The EU is right to take a strong stance in defending the free movement of workers. National governments should keep in mind that their ability to tap into an attractive foreign labour supply also hinges upon the perception of how mobile workers are treated in destination countries. If the political imperative requires regulations to be changed, such as the one guiding the coordination of social security, it is essential that no new mobility barriers are erected.

Although the main findings of our analysis are clear, there is a need for timelier and better data on mobility within the Union. This is not only true for headline-grabbing statistics, but also to glean more detailed information about mobile workers; how they fare in destination countries and their short- and long-run impact on both destination and sending countries. For this purpose a Mobility Working Group should be set up, with the participation of relevant national ministries, most preferably within the existing institutional structures.

*

In recent years Germany has adopted a more direct approach to fostering labour mobility, focusing on the south of Europe. The locally and regionally anchored projects connect domestic employers, who are unable to fill vacancies with local labour input, and jobseekers abroad. The attractiveness for the jobseeker lies in the considerable guidance and financial support provided to move, while the employer is able to minimise related risks. German public funding has been made available for such projects, because recruitment costs are considerable. Projects have been popular with both employers and foreign employees, with the result that available funds have been exhausted quickly. It is too early to say whether this investment will pay off and whether the approach could be scaled up.

Important lessons can nevertheless be learned from efforts and policies aimed at fostering intra-EU mobility, both at national level and EU level. The EU's demographic outlook is bleak so a better allocation of the labour force within the EU, even if it were to be greatly improved, could only counter this phenomenon to a limited extent. In the near future policies are needed to increase the attractiveness of the EU to foreign talent. Failure to do so will impact on economic growth, jobs and prosperity for all EU member states. Experiments with new policy tools, detailed analysis of mobility motivations and effective responses to dealing with the negative public perception of foreign workers are essential for the EU to remain globally competitive in the future.

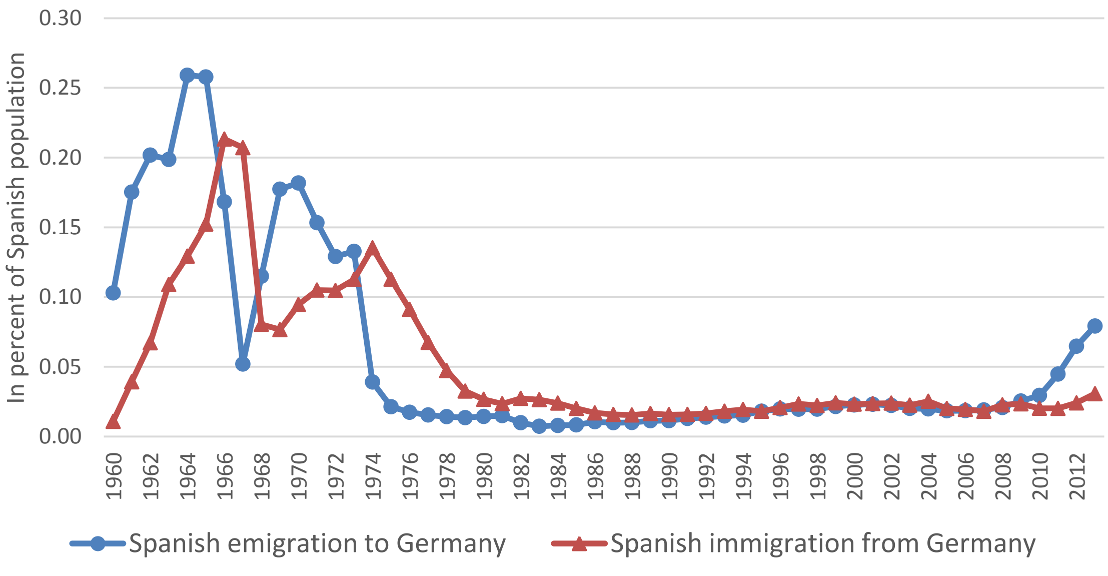
# I. Labour Mobility and the Effect of the Crisis

## 1. Introduction

EU mobility is low. Less than 3% of EU citizens reside in an EU country other than their own. Compared to other nationalities, Europeans apparently need strong incentives to seek employment abroad.

At times, even before the creation of the EU, there were such incentives: escape from economic hardship and dictatorships in Greece, Portugal and Spain. Tens of thousands of Italians fled unemployment to work in Belgian mines during the first half of the last century. An estimated 10% of Greeks left their country between 1955 and 1973 (Karakatsanis and Swarts, 2003). Portuguese emigration almost reached 1.4 million (equal to 12% of the population) from 1950 to 1988. From the 1960s until the early 1970s, around 100,000 foreign workers sought employment in Germany, Switzerland and France each year. North-western European economies were booming in the 1960s, so absorption of these migrants created few problems, especially when the movements were temporary, as was the case for Spanish migrants to Germany (Figure 1).

*Figure 1. Spanish emigration to Germany and Spanish immigration from Germany, as a % of the Spanish population, 1960-2012*




*Source*: Instituto Federal de Estadística, (2013).

Once Spain became politically and economically stable, mobility abated sharply and no resurgence was recorded, even when transitional restrictions were lifted in 1993, some years after Spain's accession to the EU in 1986. Portugal, which joined the EU at the same time, followed a similar trajectory.

Overall, mobility remained low. Between 2001 and 2010, US annual mobility flows stood at around 3% and were even higher for the 18-24 age group (Molloy et al., 2011). More than half of the mobile persons there moved not merely into a neighbouring state but over longer distances. The EU has an annual flow of no more than 0.3% of its population – one-tenth of the corresponding US figure (European Commission, 2013a). The large difference is presumably due to lower linguistic and cultural barriers within the US, which is unlikely to change, despite the recent proliferation of English within the EU.

The increasing importance of labour mobility has been highlighted in the context of the eurozone. As indicated in the Delors report of 1989 (Delors, 1989), a monetary union requires a shock-absorption capacity, including increased labour mobility to even out divergences (Mundell, 1961 and De Grauwe, 2000). But it was fear of excessive mobility that pushed mobility to the top of the agenda after the EU's enlargement in 2004 and 2007, perhaps best illustrated by the 'Polish plumber' debate in France. Fears were exacerbated by the financial crisis from 2008 on, leading to the portrayal of mobility as a threat and causing a surge of anti-immigration sentiment in several EU member states, especially when mobility restrictions for Romania and Bulgaria were lifted in 2014. Mobility became a hot political issue, including in the election campaigns to the European Parliament in May 2014.

Enlargement did indeed increase mobility. Overall, the number of EU citizens residing in another EU country rose from 1.6% in 2004 to 2.8% by the end of 2012, largely driven by the eastern enlargement (European Commission, 2013a). Today, two labour mobility flows can be observed: one from the south to the north, primarily driven by employment divergences, and another from the east to the west, driven more by income differences. The former is by far smaller than the latter. Both flows contribute, albeit in small magnitude, to rebalancing and convergence in the EU. However, they provoke differing reactions and it is therefore necessary to look beyond the overall EU mobility figure to examine flows in more detail.

## 2. Intra-EU mobility before the crisis

For the purpose of this report, we divide the EU into two major regions that exhibit common characteristics: the old member states (EU15) and the new member states (EU10)[1,2]

### *2.1 Intra-EU15*

In 2009 the stock of EU15 migrants in other EU15 countries than their own made up merely 1.8% of the EU15 population. Among the sending countries, Portugal and Ireland stand out with around 10% of their population living in other EU15 countries (Figure 2).

At the receiving end, none of the bigger countries has a stock above 2%; their average is even below 1.5%. Belgium, which hosts the NATO headquarters and the European institutions, and Ireland have most foreign EU15 nationals as a percentage of their domestic populations. Italy and Portugal are at the lower end of the range with less than 1% of their populations being citizens of another EU15 country.

[1] EU10 is defined as Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, the Slovak Republic.

[2] See: Commission 2013, Holland et al., 2011 and Bonin, H. et al. (2008).

*Figures 2a and b. Emigrants from EU15 within and outside other EU15 countries as % of population*

*Figure 2a. Stock of expatriates by country of birth within the EU15 and outside of the EU15, in % of the country of birth's population, 2006*

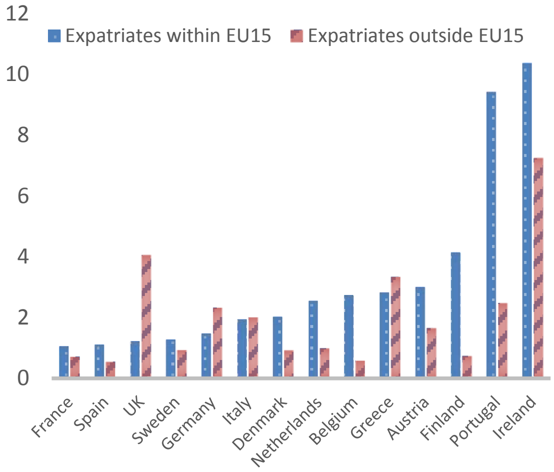
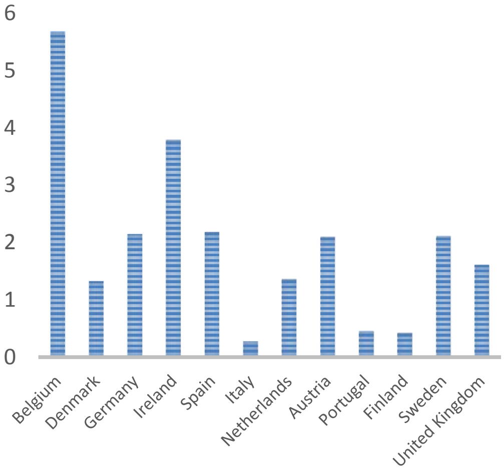



*Figure 2b. EU15 stock within the reporting country as % of reporting country's population, 2009*

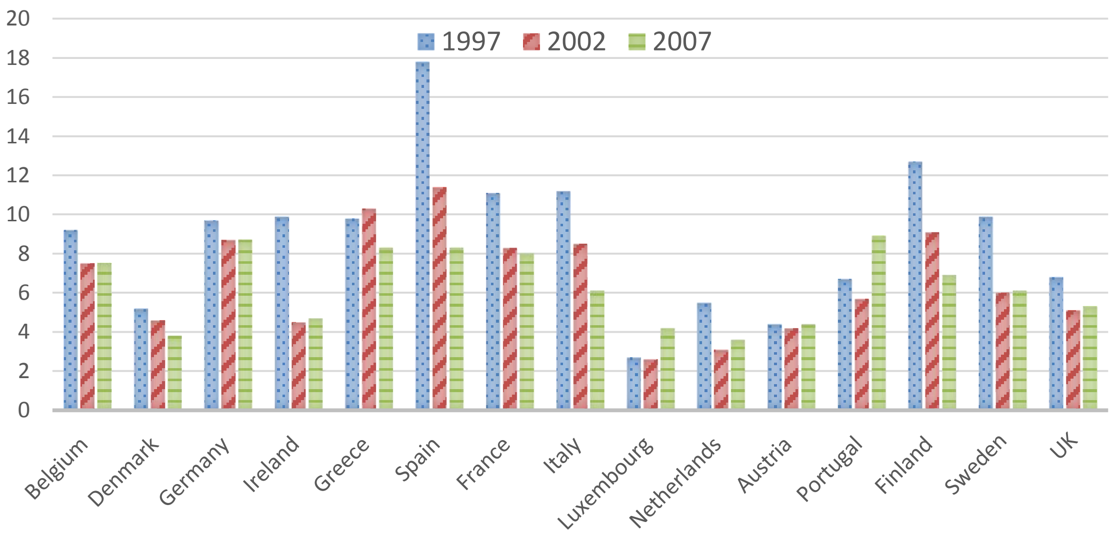



*Note:* Figure 2b does not include France, due to lack of data. Stocks exclude reporting country nationals. Data from 2009 was chosen since no country data is available on Eurostat before 2009.

*Sources*: Eurostat data and DIOC database (OECD).

The annual flow, as distinct from stocks, of EU15 citizens moving to another EU15 state, was estimated at 400,000 in 2009, which represents only 0.1% of its population. This figure was roughly constant in the period 2002 to 2012. Income differences within EU15 (Figure 4) – a key driver of labour mobility (Mansoor and Quillin, 2007), was not sufficient to trigger higher flows among the EU15. The differences between the highest and the lowest income levels: the Irish average income was 2.6 times higher than the Portuguese, is historically and comparatively low. In addition, the pre-crisis decade witnessed a degree of convergence in unemployment (Figure 3). Spain, Ireland and Italy managed to halve their high unemployment rates within ten years.

*Figure 3. Unemployment convergence in the EU15, in %*



*Source*: Ameco (2014).

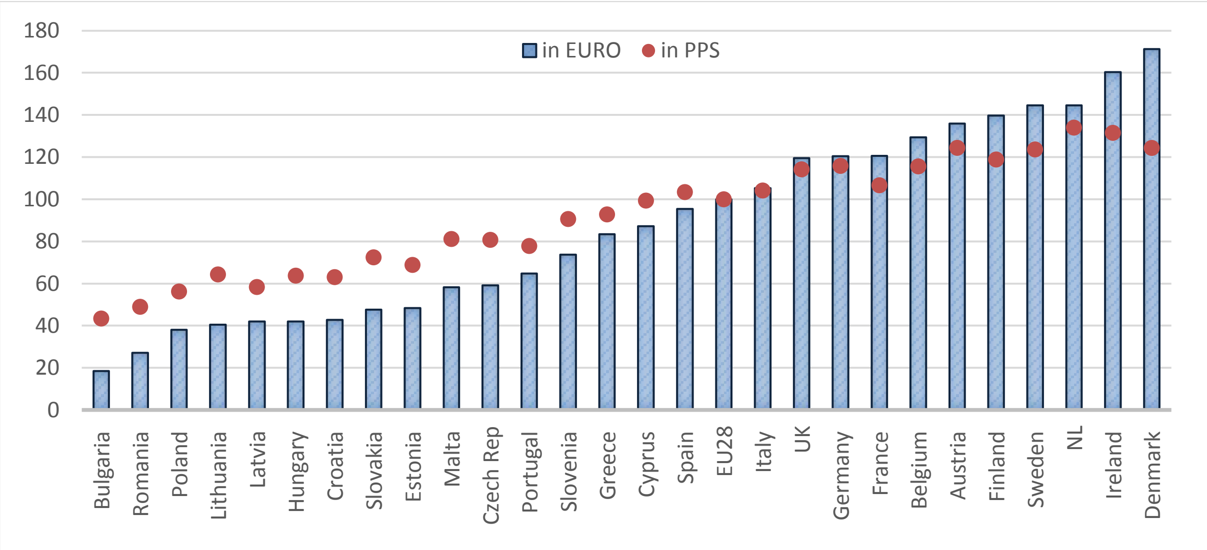
Both main incentives to move: higher income abroad and better employment opportunities, were therefore subdued, to some extent explaining the persistently low intra-EU15 mobility prior to the crisis.

### *2.2 East-west mobility*[3]

The EU10 joined in 2004 and 2007, increasing the EU population by some 120 million with new mobility potential. Fearing a massive inflow of EU10 nationals, triggered by the large income gap between the two regions (see Figure 4), most EU15 introduced transition periods that postponed the freedom of movement; these mostly expired in 2008 but were maintained until 2014 for Romania and Bulgaria.

Income differences were indeed considerable. The gap in 2008 between Poland (the lowest within the EU8)[4] and the wealthiest EU15[5] stood at 4.5 and at 2.4 in PPS. If we include Romania and Bulgaria, the differences in PPS reach 9.2 and 3.1.

*Figure 4. GDP per capita in EURO and PPS, 2008, EU=100*




*Source*: Eurostat (2014).

Disparities in employment rates around the time of accession may also have acted as a driver for mobility. Unemployment increased between 1997 and 2002 but then dropped below the 1997 levels (Figure 5). In 2007 the unemployment rate in most EU10 countries was lower than in the EU15.

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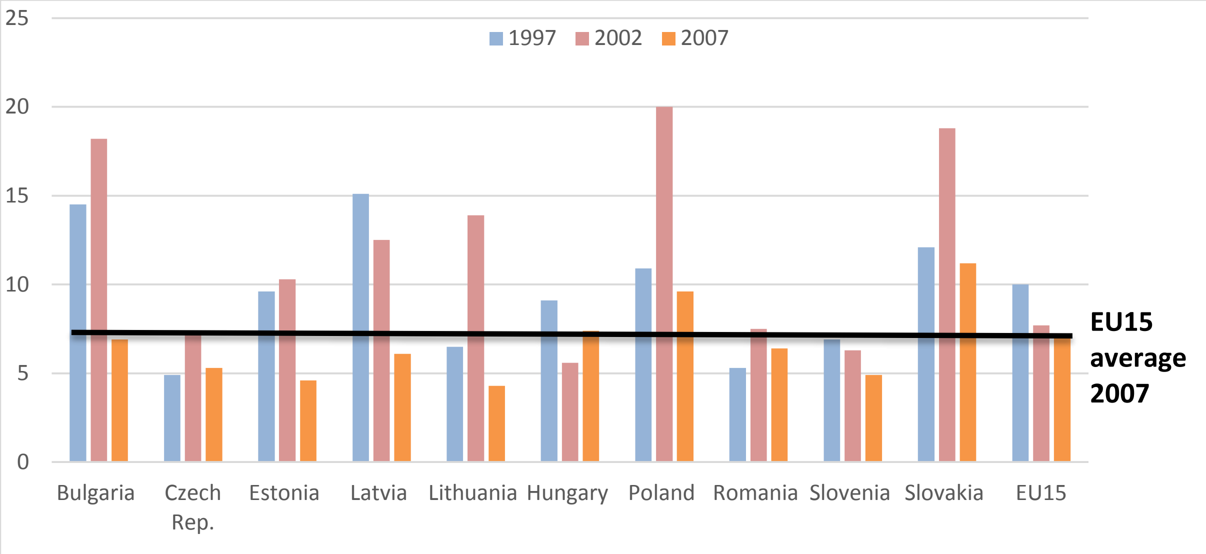
[3] This section does not address mobility from the EU15 to the EU10. With slightly more than 100,000 EU15 citizens residing in the EU10 (in 2009), this is not a phenomenon that raises particular questions. This is not surprising given the large income gap and few other pull factors.

[4] EU8: The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia and the Slovak Republic.

[5] Luxembourg excluded.

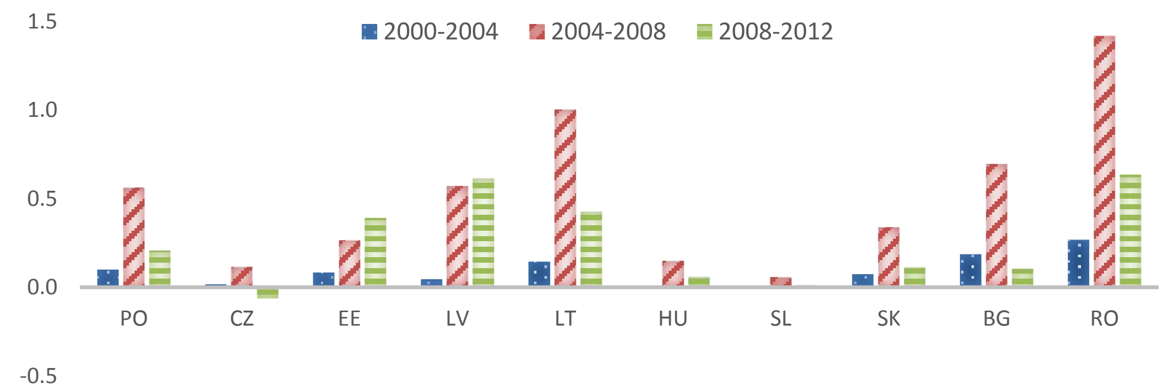
*Figure 5. Unemployment convergence in the EU*




*Source*: Ameco (2014).

Figure 6, below, shows the impact of the eastern enlargement. Poland and Latvia saw more than 0.5% of their domestic population move to the EU15 annually, Lithuania 1%; Bulgaria reached 0.7% and Romania almost 1.5% – both massive figures given that restrictions were not lifted until 2014. Over the period 2000 to 2008 as many as 7.5% and 5% left Romania and Latvia, respectively. The country with the smallest outflow for which data is available for the full period was Slovenia, with 0.3%.

*Figure 6. Annual change in stock of reporting countries' citizens in the EU15, in % of reporting countries' population*

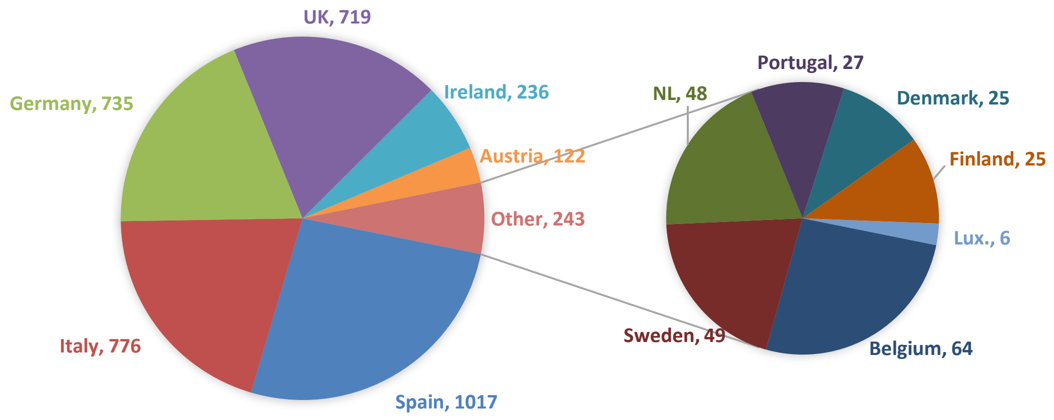



*Source:* Own calculations based on Eurostat, national statistical offices and Holland et al. (2011).

The most popular destination was Spain, with over 1 million in EU10 stocks (Figure 7). This can partly be explained by Spain's historically low unemployment rates and overall booming economy with a flourishing construction sector that offered ample opportunities for all skill levels. Other top destinations were Italy, the UK and Germany, each with more than 750,000 immigrant workers. Data are not available for France and Greece but it can be assumed that France was also one of the major destinations.

EU10 citizens had different preferences for EU15 destinations. Poles mainly sought opportunities in the UK and Germany (accounting for roughly two-thirds of all emigration to the EU15) while Romanians almost exclusively targeted Italy and Spain before the crisis hit these two countries.

*Figure 7. Population of EU10 nationals in reporting country 2008 (in thousands)*




*Note:* Charts do not include France and Greece due to lack of data.
*Source*: Own calculations based on Eurostat, national statistical offices and Holland et al. (2011).

In conclusion, prior to the economic crisis, a net average of 1% of the EU10 population left their home countries each year. South-north mobility was relatively low, but so were incentives to move. This changed with the emergence of the financial crisis and the resulting debt crisis.

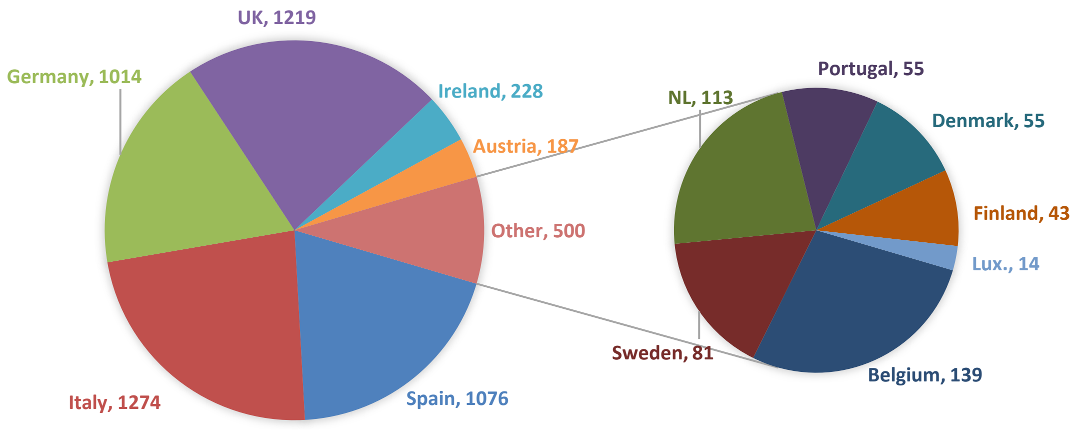
## 3. The impact of the crisis

### 3.1 East-west mobility

With the onset of recession in most western European countries, opportunities for foreign workers declined, particularly in the collapsing construction sector. Just as the boom attracted many EU10 citizens to the EU15 in the four years before the crisis, the bust triggered a reversal in the size of net outflow from EU10 countries (Figure 6). The exceptions are Estonia and Latvia, which themselves experienced severe recessions with powerful push factors. The flow of Romanians, Bulgarians, Lithuanians and Polish citizens to EU15 diminished sharply.

In terms of economic rebalancing, this was a normal, even desirable response to the crisis. It limited the growth of unemployment in the periphery relative to a situation of unaltered flows. One option for mobile workers is to return to their home country, another is to target a country with more opportunities. As Figure 8 shows, EU10 citizens remained highly mobile and their stock in the EU15 remained high. More than a million citizens from EU10 countries lived in the UK, Italy, Germany, and even Spain, in 2012.

*Figure 8. Population of EU10 nationals in reporting country 2012 (in thousands)*




*Note:* Charts do not include France and Greece due to lack of data.
*Source:* Own calculations based on Eurostat, national statistical offices and Holland et al. (2011).

### *3.2 South-north mobility*

In 2012, GDP per capita in Greece had dropped by 21% since 2007 and in Spain by almost 7%. The unemployment rate in both countries crossed the threshold of 25% (Figures 9, a & b) with over half of its active young (15-24 years) population being unemployed. Rising unemployment rates may not be a sufficient push factor if they are perceived to be temporary. But the IMF expects a gradual reduction of Greek unemployment to last up to 2018, and virtually no change for Spain. Similarly, IMF forecasts show real positive economic growth only from 2014 for the GIPS (Greece, Italy, Portugal and Spain), but these have been over-optimistic in previous years. (Mody, 2014).

*Figures 9a and b. New incentives (unemployment rate and economic growth)*

*Figure 9a. Unemployment rate*

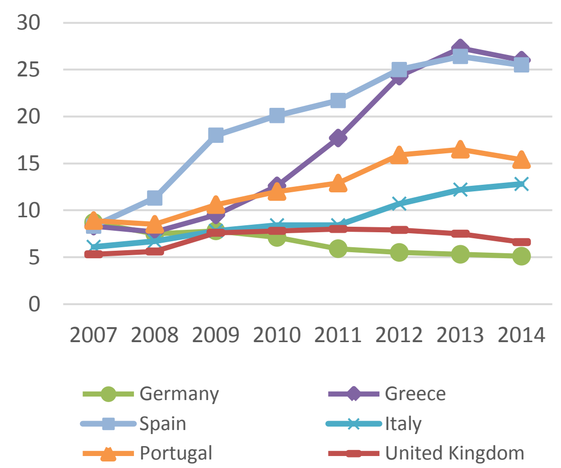
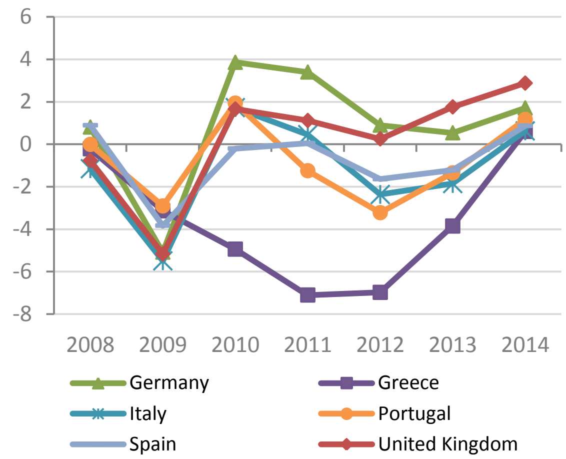


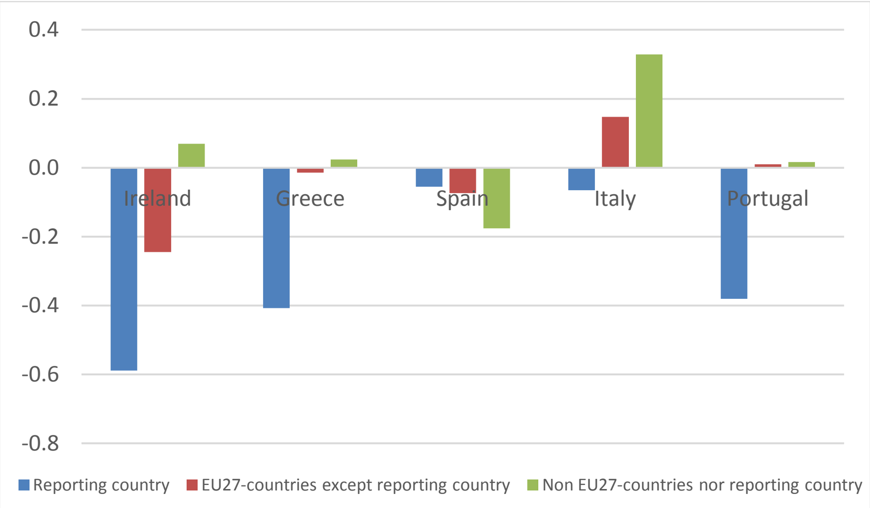

*Figure 9b. GDP growth*




*Source:* Ameco, 2014 and IMF (2014).

These new incentives did impact net migration from the GIPS where net immigration before the crisis turned to net emigration. In 2012 all GIPS and Ireland witnessed a net outflow of its citizens. In the small economies of Ireland, Greece and Portugal around 0.5% of the population left the country (Figure 10). However, in the heavy-weights Italy and Spain little net emigration of citizens could be observed. Combined, only 0.1% of GIPS and Irish citizens left their countries in 2012. In Spain net emigration has largely been driven by its foreign population. Between 2008 and 2012 only 0.1% of Spain's nationals left the country, and in Italy and Greece the figure is 0.2%.[6] For Portugal and Ireland the numbers are higher, at 0.7% and 1.2%, respectively.

*Figure 10. Net migration as % of population by broad citizenship, 2012*




*Source:* Eurostat.

In the last two years emigration from the GIPS and Ireland has increased. Unfortunately, harmonised Eurostat data for 2012 is not yet available, but national sources provide data for 2013.

### 3.3 German destination

Work opportunities in Germany greatly increased after 2010. Its unemployment rate had fallen to the lowest figure in decades; at around 6% it was similar to that of the Netherlands and Austria. The economy grew, new jobs were created and domestic labour was less available. Germany's negative demographic outlook was another reason for a greater willingness among employers to hire abroad. Overall, German net migration flows show a substantial increase, varying according to the countries of origin (Figure 11). Greece is a clear outlier here. Relative to its population it has overtaken all other GIPS. During the period 2007-09, GIPS net migration to Germany was negative, moving strongly into positive figures and reaching 82,000 GIPS residents in 2013.[7]

[6] For Greece, the period covered is only 2010-12.
[7] Excluding German citizens, but taking into account those who obtained citizenship and thus drop out of the statistics.

*Figures 11a and b. Migration to Germany*

*Figure 11a. Net migration to Germany, excluding Germans, as % of reporting country's population*

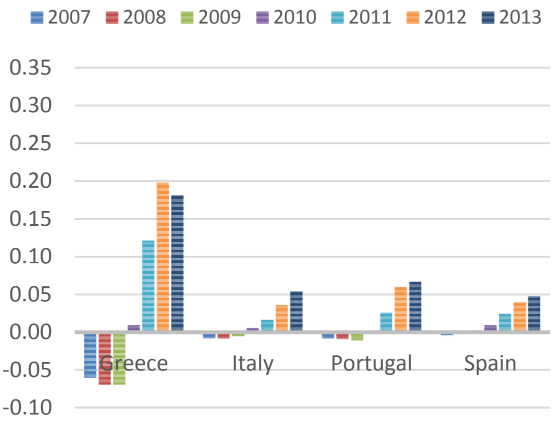
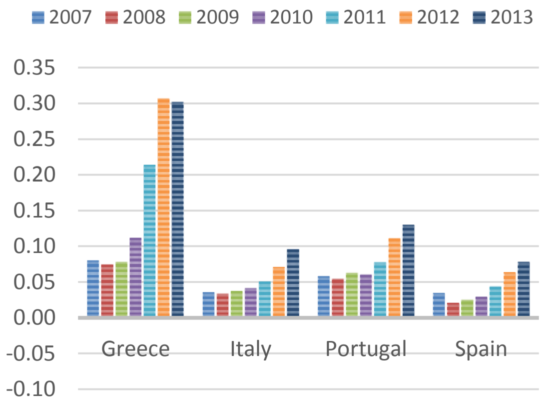



*Figure 11b. Immigration to Germany, excluding Germans, as % of reporting country's population*




*Note*: 2007 and 2008 data also includes Germans.

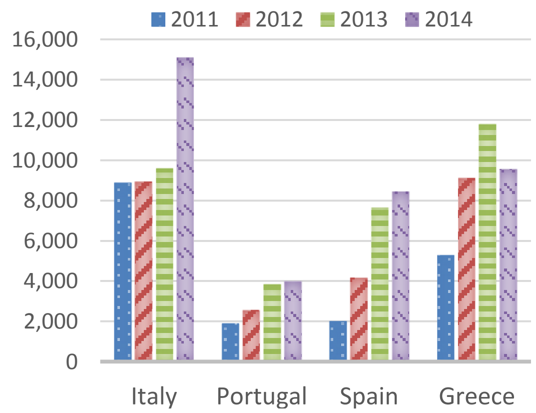
*Source*: German Statistical office 2014.

## 3.4 The UK

The UK[8] is one of the most popular destinations for mobility and has increased its popularity in recent years (Figure 12).

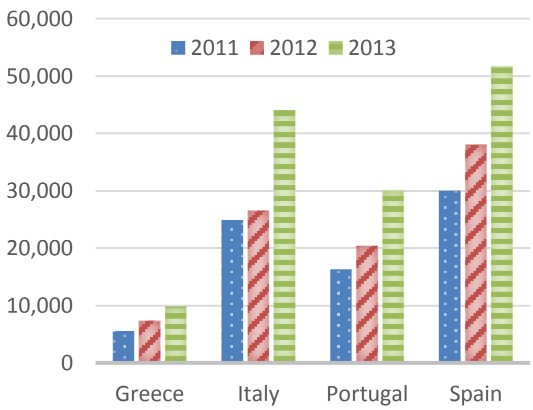
*Figures 12a and b. GIPS mobile worker emigration to Germany and the UK*

*Figure 12a: Change in stock of social insured employees by nationality in Germany, March YoY*




*Source*: Bundesagentur für Arbeit (2014).

*Figure 12a: Issuance of NINos in the UK by nationality*




*Source*: Department for Work and Pensions (2014).

[8] For the UK there is no data readily available on immigration flows by previous country of residence but the national insurance numbers (NINos) indicate by nationality the number of people who register for work permits in a given period.

### 3.5 Other northern destinations

The remaining northern member states[9] combined have also registered a steady increase in immigration from GIPS since 2010 (Figure 13).

*Figures 13a and b. GIPS emigration to smaller northern EU countries*

*Figure 13a. Net migration to the small northern countries, as % of reporting country' population*

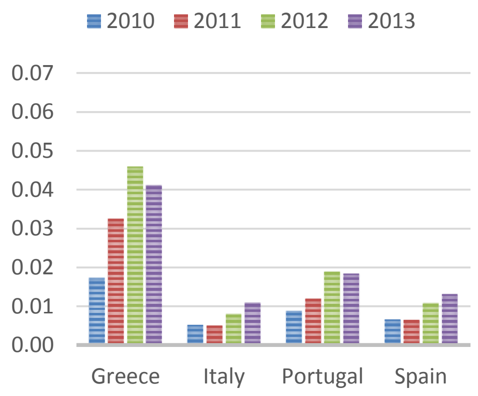
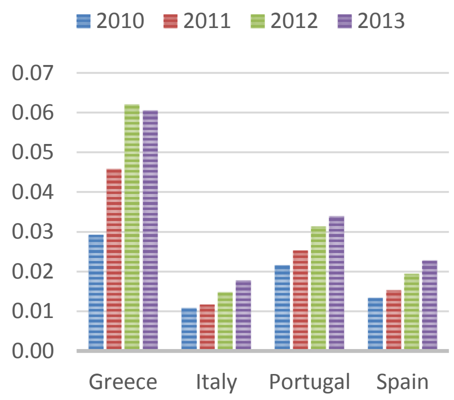



*Figure 13b. Immigration to the small northern countries, as % of reporting country' population*




*Source*: National statistical offices.

The data collected from statistical offices in member states covering 2013 shows a small increase in movements of GIPS' nationals towards the northern EU15. However, as previously stated, it is from a low base. Given the time passed since the onset of the crisis and the fact that the German labour market has had favourable conditions for two years, there is little reason to expect that mobility within EU15 will change substantially as a consequence of the crisis.

## 4. Emigration to third countries

Emigration to third countries was driven, on the one hand, by nationals seeking employment opportunities abroad and by return migration on the other. Spanish emigration, for instance, was dominated by Romanian, Bulgarian and Latin American nationals. From Portugal, 35% of emigrants (nationals and non-nationals) left the EU, from Spain 61% and from Italy 47%. English-speaking countries such as the US, Canada or Australia were popular destinations, especially for Irish migrants. Spaniards and Portuguese targeted former colonies with a common language and networks that could facilitate social and labour integration. Fifty-two percent of Spanish emigrants went to South America.

[9] Austria, Denmark, Finland, the Netherlands and Sweden.

## 5. Limited stabilisation effect

Mobility has provided a stabilisation effect for the worst-affected GIPS countries, but mainly because inflows have dried up – although not significantly reversed. The mobility of nationals, in particularly Spaniards and Italians, has so far had a very limited effect on overall economic stability. The most recent data collected would suggest that this is not set to change substantially.

Based on the previous figures, a rough estimate of the number of Spanish nationals who left for the northern EU15 in the period 2008 to 2012 would not exceed 1% of the average number of people unemployed in Spain, thereby having only a negligible potential impact on the unemployment rate in Spain. For Italy the number is less than 4% while it is somewhat higher for Portugal (9%). While indicative of the stabilisation effect of mobility, these numbers are only approximations. Clearly, a detailed analysis of all the factors that influence the unemployment rates goes beyond the scope of this report.

## 6. Conclusions

Enlargement increased the number of citizens residing in countries other than their own, but this number remained low overall: 1.6% (EU15-2004) to 2.8% (EU27-2012). For the EU10 alone, outflow figures to the EU15 – with a strong preference for Italy, Spain, the UK and Germany, and pushed by income differences – reached 1% annually, compared to a very low 0.1% among the EU15 before enlargement.

The crisis strongly reduced eastern EU10 annual outflow figures, sometimes by more than one-half. Mobile EU10 workers reoriented towards the UK, Germany and Italy. This phenomenon, and that of third-country nationals returning home, were the main migration responses to the crisis. In recent years high stocks of EU10 workers have emerged in the EU15; for some EU10 countries this may be a reason for concern in the long run.

At the same time, southern EU15 (GIPS) inflow figures into other EU15 countries increased, with the UK and Germany figuring as main destinations. However, despite increasing south-north mobility, levels remained low, in particular for the large countries Italy and Spain. Greek, Portuguese and Irish citizens proved themselves to be more responsive to the crisis.

Spikes in annual mobility flows, as the crisis unfolded, always started from a low level and were never anywhere near the 3% flow observed in the USA. Their effect as stabilisers was limited.

## 7. Recommendation: The need for better data

In spite of the excellent statistical work done by Eurostat, the research for this report showed that there are still many blanks on the statistical map. Approximations must often fill in for missing, recent and comparable statistics. Without these, European and national institutions dealing with the many questions related to the labour market (social benefits, insurance, health and safety, etc.) cannot function efficiently. The general lack of information hampers the political debate and fuels unfounded fears; undermining the very idea of European integration. Quality, rapidity and comparability of national data and their consolidation and publication at EU level are essential to a better understanding of labour mobility within the EU. These are priorities that should be dealt with, ideally by a specific body that could be created: a European Mobility Working Group, or by existing formations within and between national and European institutions.

# II. The Case for Free Movement

## 1. The scope

Free movement is one of the four cornerstones of the EU's internal market. It was part of the original Rome Treaty in 1957, alongside the free movement of goods, services and capital. In addition, the Council Regulation of 1968 secured the right to equal treatment and non-discrimination on the basis of citizenship. It also gave the right of access to workers' family members.

The European Court of Justice extended these rights throughout the 1970s and 1980s to cover other economic actors such as the self-employed, paid apprentices and seasonal workers. A number of directives in 1990 further extended free movement to non-economic actors (students, pensioners) subject to the requirement that they have sufficient resources so as not to become a burden for the host country.

The 1992 Maastricht Treaty took this a step further with the explicit introduction of 'European Union citizenship' giving all EU citizens the right to move to and reside in the territory of any of the member states, subject to the condition of sufficient resources mentioned above (Carrera, 2005; Favell and Recchi, 2009). This concept was further clarified in the 2004 Citizens Directive (European Council, 2004a), which codified the evolved jurisprudence of the European Court of Justice. Importantly, the directive also provided for the equal right of treatment without conditions for EU citizens having resided for more than five years in another member state. The Citizens Directive is the main legislative instrument covering free movement today.

Currently, free movement is about much more than the internal market. It is central to the notion of European citizenship and social cohesion among member states. In no way does this diminish the central economic importance of the free movement of labour, which remains essential for the fulfilment of the EU's ambitions in a globalised economy, as laid down in the EU 2020 strategy.

## 2. The economics

### *2.1 Uncertainties*

The decision to move is a difficult one for an individual or a family to take. It is best seen as an investment with associated costs (e.g. loss of job, contacts with family, friends and networks) in exchange for uncertainty. The end result depends on a range of factors, including how well one integrates professionally, socially and culturally, learns the language, and, importantly but not exclusively, how much one earns. Uncertainties also prevail at the country level and further depend on whether a country is at the sending or receiving end of mobility. Member states still finance an important part of intergenerational redistribution via pay-as-you-go schemes (pensions, old age care), raising the question of how long and how much mobile citizens will contribute to, or draw from benefits. Attempts to ascertain the cost and benefits of mobility must take all these dimensions into account, distinguishing between the individual, the host and sending countries, and the overall EU level. The EU as a whole is a net beneficiary in the short and long term. The impact of mobility on individual member states, however, may show considerable heterogeneity.

## 2.2 Benefits at EU level

At the aggregate EU28 level, the economics of labour mobility are clear. An increase in labour mobility improves the allocation of resources, increases economic output and welfare (ECB, 2006; Kahanec, 2013; Bertelsmann Stiftung, 2014). Individuals who move across borders from unemployment into employment raise the level of economic output – increasingly so if they move from low- to high-productivity sectors.

More labour mobility helps to reduce structural unemployment when labour markets diverge, and contributes towards the EU2020 target of a 75% employment rate. Higher overall employment levels are crucial to attaining sound public finances at a time of fiscal consolidation and longer-term challenges like demographic ageing.

Higher labour mobility can boost skills and entrepreneurship, spread ideas and knowledge and consequently foster innovation (Alesina et al, 2013). A genuinely integrated labour market is also attractive for highly skilled third-country nationals, even without the full benefit of free movement within the EU (Eisele, 2013; EMN, 2013). Their contribution will gain in importance as baby boomers retire and the EU population shrinks.

### 2.2.1 Eurozone shock absorption

For eurozone countries labour mobility helps to absorb asymmetric economic shocks (Mundell, 1961; De Grauwe, 2000), and is indispensable under fiscal policy constraints and/or eurozone discipline; a rise in unemployment during an economic downturn can be contained if workers look for jobs outside their home country or region. This helps to improve employment prospects for those not moving, and relieves the immediate strain on public expenditure (for unemployment benefits, health and social care, retraining and education). Remittances from mobile workers abroad also have a positive effect on both public finances and welfare (Kahanec et al., 2010; ECB, 2006).

## 2.3 Effects at member state level

An assessment of the costs and benefits for individual member states and citizens is more difficult as it depends on a number of factors, short and long term, and the interaction between them. More information and factual, longitudinal experience will be necessary for an in-depth and conclusive analysis. What follows may nevertheless be useful to inform policymaking and the public debate.

### 2.3.1 Short term

Sending countries with high unemployment can benefit directly, as illustrated above. The impact is less clear if unemployment is low and mobility is driven more by wage differences. A person employed prior to mobility creates an opening for someone unemployed. But if job matching is difficult, for example because of low internal mobility, very specific skill demands or labour market institutions, the net benefit of sending countries may be reduced. The high unemployment figures linked to the other burdens created by the crisis make it plausible that southern member states, in particular Spain, Greece and Portugal, should benefit from outward mobility.

Most studies (Dustmann et al. 2010; Vargas-Silva, 2013; Baas and Brücker, 2011, Ruist, 2014) find a positive effect for destination countries, both in terms of added economic growth and higher public income. The size of the benefit depends on factors such as the qualification and wage profiles of the workers, family composition and the cost of welfare entitlements. Immigrants can take on jobs no longer sought by nationals or increase competition in certain sectors, like construction, and their presence can affect wage formation (Kahanec, 2013, Blanchflower and Shadforth, 2009). Locally and regionally, they may add to the pressure on public services, schools and housing, however. So much has been said about 'welfare tourism' that it deserves a special section in this report (see below).

Overall, and contrary to perceptions in some countries, there is no evidence that mobility comes at a cost for a receiving member state. The overall picture shows a net benefit.

### *2.3.2 Medium- to long-term effects*

In the long term, out-going workers deprive their home countries of taxes and social contributions. In addition, there is the brain-drain argument: the more skilled the mobile population, the greater the effect. At first sight, this appears to be detrimental to the sending country. How all this works out in practice depends, again, on a number of factors and the interaction between them – about which little is known. With persistent high unemployment, the issue is not only about contributing at home versus contributing abroad. The overall outcome also depends on how far public expenditure can be cut; on the quality of education and training systems preparing new worker cohorts; on the degree of cohesion between social partners; the state's capacity to introduce structural reform; and the benefits of returning mobile workers trained abroad, even after a longer period, etc.

What matters for receiving countries is the difference between how the costs and benefits evolve over the longer term. Here, the worker's age on arrival and the ultimate duration of his/her stay gain in importance. The call on benefits is likely to increase for older workers and can be disproportionate to their contributions if they arrived late in their career. Although it may be too early to draw longer-term conclusions, the evidence so far shows no excessive public benefits or services uptake by mobile EU workers relative to nationals (GHK, 2013), even if in the UK their claims may be rising faster (Vargas-Silva, 2014).

## 3. Moving for welfare benefits?

A distinction should be made between social assistance and social security benefits. In general, social assistance is available for persons and dependants without the means or income to meet basic needs. Social security benefits cover a broader group of claims: for example unemployment insurance, family allowance, child benefits, old-age pension, and sickness benefits.

## *3.1 Social security coordination*

Social security benefits are coordinated among member states under Regulation 883/2004 (European Council, 2004b) and subsequent amendments. The regulation gives clear guidelines as to which country's social security system is responsible for mobile workers and their families. It ensures that mobile workers are covered by social security in at least one member state. By removing the risk of 'falling between the stools', coordination supports mobility. The regulation provides for the exportability of social security benefits and the aggregation of contribution periods and the resulting benefit entitlements.

### *3.1.1 Exportability*

Exportability is a sound principle: one is entitled to benefits available where taxes and social contributions are paid. A case in point is child allowance, which is granted in the country of work and partly reflects the costs of raising children there. It is on this point that public debate has concentrated in some member states, fuelled by the suspicion that mobility is not primarily related to the search for employment but rather more to obtain higher allowances than those granted in the country of origin where family and children still reside. In reality, the benefits actually exported are limited. Germany exports less than 10% of child benefits to Romania and some 30% to Poland (Van Borstel, 2014). These statistics, and the absence of evidence of blatant abuse (Gerdes and Wadensjö, 2013; BMI and BMAS, 2014), indicate that there is no need to change the basic principle of exportability within Regulation 883/2004.

Nevertheless, exportability has become a hot political issue and makes headlines that undermine the support for mobility in some member states. Monitoring the development of exportability, in close cooperation between the Commission and member states and informing the debate with reliable and recent information, is therefore essential. It must also ensure that the paying authority can be confident that all relevant conditions for receiving the benefit are met.

Proposals for changes to Regulation 883/2004 that have emerged in the public debate must be given careful attention.[10] Among these are calls for the indexation of exported benefits according to the cost of living in the worker's country of origin if his/her family still resides there. But it is not clear if this principle can be applied in all member states, in particular those where benefits are part of the tax system. However, it is important that any re-opening of the Regulation – the result of many years of complex work and political compromise – do not produce new mobility barriers. Moreover, any indexation should apply in a non-discriminatory way, i.e. also when benefits are exported to countries with higher costs of living.

[10] Tænketanken Europa (2014), BMI and BMAS (2014).

### 3.1.2 Aggregation

The other main principle in Regulation 883/2004 is the principle of aggregation. This stipulates that the mobile worker's rights to social security benefits must be based on all periods during which the worker was eligible, both in the country of origin and the country of present work.

The aggregation principle ensures that rights are not 'lost' when moving to another country, and thereby removes a possible obstacle to mobility. However, its implementation has sparked new controversy. According to Regulation 883/2004, only earnings from the first day of employment in the new country of work should count towards calculating the benefits for the whole relevant period. The resulting amounts could be significantly higher than if actual earnings during the relevant period, including in the country of origin, had been taken into account. The criticism against this provision makes the point that these higher benefits are disproportionate to the lower contributions made in the country of origin and thus discriminate in favour of mobile workers relative to nationals.

Again, proposed solutions (in this case the inclusion of actual earnings during the relevant period) must be examined very carefully – not only by weighing the risks of re-opening the regulation and introducing new barriers and discrimination. Any solution should indeed also apply to workers moving from higher to lower salary countries.

## 3.2 Social assistance to economically inactive EU citizens

Economically inactive persons moving to another member state must demonstrate that they are in possession of sufficient financial means to support themselves. In principle, as pointed out by the Commission, it is therefore unlikely that such persons apply for social assistance. Nevertheless, personal situations can change and the Citizens Directive makes clear that mobile individuals cannot automatically have their right to residence withdrawn as a consequence of applying for social assistance. Each case has to be evaluated on its own merits.

In practice, it is not clear how far the concept of 'unreasonable burden' stretches and under what circumstances economically inactive EU citizens can gain access to social assistance (Minderhoud, 2009). These are questions on which the much anticipated ruling of the European Court of Justice in the so-called Dano-case should provide further clarity.[11]

## 3.3 Conclusions and recommendations

Mobility is good for the EU as a whole and indispensable for the proper functioning of the Internal Market. In the short term member states should gain as well. The long-term advantages and disadvantages for individual member states are not easy to assess and require

[11] Mrs. Dano, a Romanian woman living in Leipzig (Germany), had applied for social benefits to cover subsistence needs but had been rejected on the ground that she had not been actively looking for a job in Germany, and had never worked in Germany or Romania before. She had lived in Germany for two years, provided for by her sibling. The case was transferred to the European Court of Justice where Advocate General Melchior Wathelet in his Opinion upheld Germany's ruling (Court of Justice of the European Union, 2014).

much more knowledge and research (see “need for better data”, chapter I), in particular as to how mobility interacts with the design of the welfare state.

Although small, the stabilisation effect on the labour market for countries with high unemployment should be positive.

EU legislation that has caused controversy should be reviewed and changed if necessary. Serious attention should also be given to objections, even if not based on concrete evidence, for example in the case for ‘benefit tourism’, the exportability of social benefits, the aggregation of working periods and social assistance. The European Commission must be seen to address widespread anxiety, if only to be ‘ahead of the curve’ or to prove it unjustified should real problems arise. In all matters relating to mobility, the political debate has confirmed the justification of the caveat: economic insignificance does not rule out public controversy.

# III. How to Promote Labour Mobility

This chapter discusses actual and possible measures to overcome barriers and to promote mobility. It is supplemented by chapter 4 “The German Experiment” on local and regional recruitment projects.

## 1. EURES: Better matching and information

The system to coordinate the exchange of vacancies among public employment services in member states, EURES, dates back to 1993. EURES is coordinated by the Commission with a range of partners, including social partners and universities. The aim of the network is to provide information, advice and cross-border matching services to employers and potentially mobile workers The EURES network is based on two pillars. The first, and arguably the most important, is the network of more than 850 EURES advisors. They are placed within public employment services or partner organisations and have a good knowledge of the challenges of applying for, and taking up job opportunities in another member state.

The second pillar is the online portal collecting vacancies forwarded by public employment services or EURES partner organisations. Vacancies are mostly available in national languages, although companies can publish jobs in other languages, for instance if they wish to target jobseekers in a particular country. Not all member states’ public employment services are linked to the EURES portal, and not all vacancies from those that are linked are forwarded. The online portal covered between 30% and 40% of all vacancies in the EU in 2012 (European Commission, 2012b).

Until recently the EURES portal received little attention, and its initial regulatory framework remained largely unchanged. How much added value the portal has brought is open to question. A total of 80% of all vacancies came from just two countries: Germany and the UK (EJMB, 2014). Only 12% of Europeans had heard about EURES in 2010 and 2% had actively used it, even though one-in-five Europeans could see themselves working outside their own country (Eurobarometer, 2010).

The Commission has recently issued a new proposal for regulation of the EURES system (European Commission, 2014b). The proposal follows up on the conclusions of the 2012 June Council and initiatives launched as part of the 2013 EU Citizenship report and the Commission’s Communication “Free movement of EU citizens and their families: five actions to make a difference”. The new proposal lays the groundwork for full information for all jobseekers about job opportunities anywhere in the European Union, and assistance in understanding the consequences of taking up employment outside one’s home country. The proposal has the following elements:

- **Completeness**: the EURES portal shall have a ‘nearly’ complete set of vacancies, accessible to every jobseeker, supplemented with a large pool of CVs from member states for registered employers to consult.

- **Matching**: CVs and vacancies shall be matched automatically across countries. This requires a complete translation system of all skills, competences and qualifications across member states and languages. Further development of the European system for the classification of skills, competences, qualifications and occupations (ESCO) will make this possible.
- **Information**: public employment services and partners must make basic information about the EURES system available to any jobseeker or employer 'seeking client services'.
- **Assistance:** any client must be assisted with matching, placement and recruitment through the EURES system.
- **Labour market intelligence**: public employment services and partners must exchange information on labour shortages and surpluses.

A further novelty is that the EURES network will open up to many more potential partners, such as private employment services, employers' organisations and trade unions. The Commission is breaking new ground in trying to achieve what is beyond the capacity of individual partners. Best practices and examples on how to structure the portal and automated matching are difficult to reproduce across borders, languages and methodical differences among participating partners. There are no easy fixes and the Commission has to fine-tune the system over time. SMEs become a focus point; they are ill equipped (especially those located outside large urban centres) for international recruitment.

The many EURES users, employers and jobseekers give ample opportunity for experimentation

- with the internet user interface
- with a more task-based description of vacancies for low- and medium-skilled workers
- with the sharing of vacancies on social media
- by creating the possibility to 'follow' selected firms and receive notification of new vacancies
- by improving the advanced search functions (clustering of firms, cross-search of professions and sectors)
- by translating selected vacancies into languages with a known supply of workers
- by facilitating contacts between current and former users who now have a job
- by contributing to labour market intelligence based on online behaviour and preferences of firms and jobseekers
- by increasing the visibility of EURES via national media

## 2. Recognition of professional qualifications

Employers are generally free to set job requirements. However, in the so-called regulated professions, certain qualifications are legally imposed. These professions differ across member states but they usually include medical professions (40% of all regulated professions) along with architects, educators and the transport sector, for "overriding reasons of general interest". Malpractice in these professions can cause direct harm to the customer that is not able to evaluate the service provided himself. The European Commission has set up a platform listing all regulated professions so that mobile workers can be aware of such requirements.[12] Furthermore, Directive 2013/55/EU (European Council, 2013) amending the 2005/36/EC (European Council, 2005b) Directive on the recognition of professional qualifications has facilitated the recognition procedures and future introduction of a European Professional Card.

Overall, the recognition of qualifications is running smoothly across EU countries. On average, only 5% of applications were rejected between 2010 and 2013.

*Table 1. Recognition performance between 2010-2013 by country where qualification was obtained (only application within the EU)*

| Country of origin (qualification obtained in) | Decisions taken by host EU country | Total positive | Total negative | Total neutral |
|---|---|---|---|---|
| **Austria** | 2,669 | 75% | 1% | 24% |
| **Belgium** | 3,633 | 85% | 3% | 12% |
| **Bulgaria** | 3,304 | 78% | 5% | 17% |
| **Croatia** | 44 | 98% | 2% | 0% |
| **Cyprus** | 281 | 67% | 11% | 22% |
| **Czech Republic** | 1,867 | 83% | 2% | 15% |
| **Denmark** | 1,916 | 89% | 3% | 8% |
| **Estonia** | 2,523 | 90% | 1% | 9% |
| **Finland** | 932 | 72% | 3% | 25% |
| **France** | 3,338 | 73% | 8% | 20% |
| **Germany** | 7,751 | 83% | 5% | 11% |
| **Greece** | 13,121 | 86% | 9% | 5% |
| **Hungary** | 4,653 | 83% | 3% | 14% |
| **Ireland** | 4,159 | 86% | 8% | 6% |
| **Italy** | 5,068 | 69% | 5% | 26% |
| **Latvia** | 745 | 77% | 2% | 21% |
| **Lithuania** | 1,240 | 71% | 5% | 23% |
| **Luxembourg** | 157 | 78% | 6% | 16% |
| **Malta** | 268 | 93% | 1% | 6% |
| **Netherlands** | 3,549 | 78% | 4% | 18% |
| **Poland** | 10,671 | 71% | 7% | 23% |
| **Portugal** | 3,548 | 90% | 2% | 9% |
| **Romania** | 13,877 | 83% | 4% | 12% |

[12] Available at: http://ec.europa.eu/internal_market/qualifications/regprof/

| | | | | |
|---|---|---|---|---|
| **Slovakia** | 3,142 | 87% | 2% | 12% |
| **Slovenia** | 645 | 77% | 7% | 16% |
| **Spain** | 8,944 | 77% | 3% | 20% |
| **Sweden** | 2,005 | 86% | 4% | 10% |
| **United Kingdom** | 7,357 | 73% | 11% | 16% |
| **Total EU** | 111,407 | 80% | 5% | 15% |

*Source*: Own calculations based on Regulated professions database (2014).

Even if success rates are high, slow procedures can still constitute a barrier to mobility. The European Commission should monitor the average time needed, set up benchmarks and keep track of improvements/best practice. Some member states, such as Germany, have already simplified and shortened the application process, including for third-country nationals (Deutscher Bundestag, 2011). Partial recognition, to be complemented by a shortened additional education, should also be developed as much as possible.

A Eurobarometer survey in 2014 found that 23% of European citizens expect recognition problems abroad (Eurobarometer, 2014). However, only 4% of people who actually moved experienced problems. This suggests that more work needs to be done to get the facts across.

## 3. Portability of supplementary pension entitlements

Supplementary pension entitlements are rarely, if at all, portable across country borders. In practice, this means that mobile workers risk losing part of acquired pension rights and may face long vesting periods to build up new rights. This is a strong disincentive to taking up work abroad.

Progress was achieved with the European Parliament's adoption of Directive 2014/50/EU (European Council, 2014) on "the minimum requirements for enhancing worker mobility between Member States, improving the acquisition and preservation of supplementary pension rights". The Directive concerns only labour-market pension schemes and thus not voluntary contributions made to individual pension schemes. Key measures include a maximum vesting period of three years and a minimum age of 21 from which contributions can be vested.

In addition, an employee leaving a job to move abroad is entitled to get the value of pension entitlements paid out. The value of dormant pension rights (pension rights vested but without further accrual) should be safeguarded in a fair manner, similar to active pension contributions into the scheme.

The directive is a helpful measure on an issue that is likely to gain in importance as member states place more emphasis on labour-market pensions in an attempt to secure adequate pension levels in the future.

## 4. Language

Differences in language and culture among member states are arguably the biggest barriers to mobility (Nerb et al., 2009). They are also difficult to overcome, at least in the short term.

Foreign language skills are important for mobility, even if they are not intrinsically part of the job. They facilitate contacts between employer and worker, and make integration and dealing with administrative issues easier (Chaloff and Lemaitre, 2009). Once the person is hired and has moved, he/she can learn to master the national language.

Education policy in general, including foreign languages to feature on school curricula, lies entirely with member states. Recent years have seen a move to expose pupils to foreign languages at an increasingly early age. Many member states have opted for English as the first foreign language, with French, Spanish or German as the second foreign language. The EU's emphasis must be on cultural diversity and multi-lingualism with the objective 'mother tongue + two foreign languages'. But *de facto*, in line with global developments, English has become the leading foreign language in the EU.

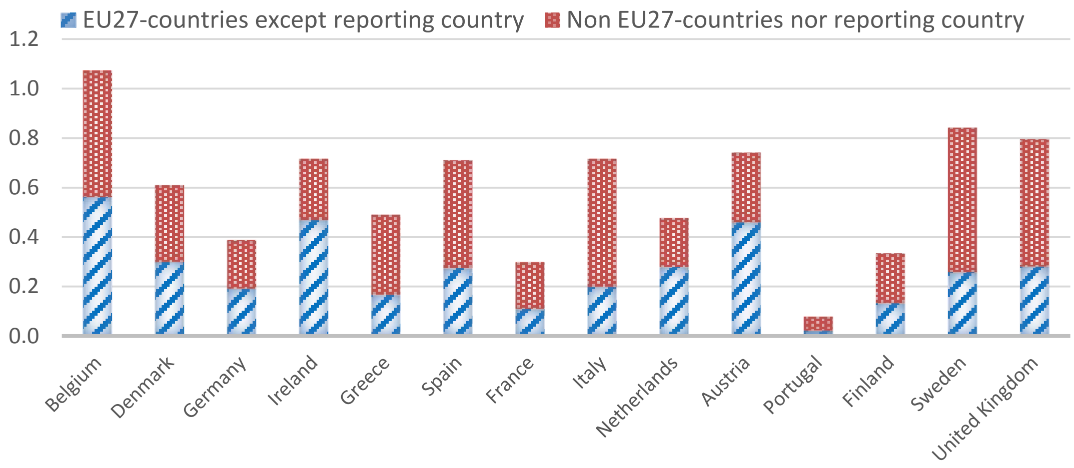
In terms of actual language proficiency, there are large differences among EU countries. The First European Survey on Language Competences did not cover all 28 member states but the results gave a good indication of the general spread of language skills (European Commission, 2011b). While Sweden and Estonia had, respectively, 75% and 60% of secondary pupils classed as independent users of the first foreign language (level B in the classification of EU language skills), only 27% in Spain and Portugal achieved this level. The findings are corroborated by the self-assessment of language skills carried out in the Adult Education Survey (Meyer et al., 2010). Improved language teaching and learning would bring EU citizens closer together and facilitate their mobility; it would also make the EU more attractive to third-country nationals, and increase international competitiveness, as acknowledged by the European Commission (European Commission, 2012). It would also foster integration within the EU.

The Commission should push ahead with the 'mother tongue + two foreign languages' objective and the European Benchmark of Language Competences Initiative. All 28 member states should be included in the next European Survey on Language competences planned for 2016, and funding should be made available for regular repeats of this survey. Given the increasingly important role of immigration and labour mobility, setting targets for foreign language proficiency – maybe as a sub-indicator to a new set of 'Europe 2030 targets' – is one way to ensure progress.

## 5. Third-country nationals

Much of the political debate in the EU focuses on migration from member states, and in particular from EU10. This should be put into perspective as considerable numbers of migrants come from outside the EU. Although less attractive than English-speaking destinations such as the US or Canada, the EU has been a magnet for many non-EU foreigners, in many cases exceeding the number of EU immigrants (Figure 14).

*Figure 14. Immigration to EU15 by country of citizenship, 2010*




*Source*: Eurostat (2014).

Third-country nationals residing in EU member states do not automatically have the mobility rights granted to EU citizens. Although small as a percentage in the overall EU population (4% in 2013), this group is likely to be more mobile than EU nationals. And their number is not insignificant: third-country nationals make up 60% of the group when combined with mobile EU nationals (Table 2).

*Table 2. EU and third country nationals living in the EU outside their country of birth*

| | **2013** |
|---|---|
| EU citizens living in an EU country other than their country of birth | 13.6 Mio |
| Third-country nationals living in the EU | 20.3 Mio |

*Source*: Eurostat.

The number of third-country nationals is likely to grow in years to come and some member states are starting to recruit them more actively. Net migration into the EU over the next ten years is projected to reach more than 6 million people (Eurostat, 2014). A re-examination of the current rules and their possible relaxation is therefore justified, at least prospectively. It is clear from the following text that member states, even those that recognise the potential of third-country immigrants, are hesitant to introduce clear and more flexible rules for the EU as a whole. This puts the EU at a disadvantage in the global race for talent and may exact a price in terms of the Union's competitiveness. The World Economic Forum competitiveness indicator clearly reflects the EU's weakness in this domain. Under the heading "capacity to attract talent" the UK (4) and Luxembourg (8) are the only member states among the global top ten (WEF, 2014).

## 5.1 Rules guiding the intra-EU mobility of third-country nationals

There are three categories of third-country nationals for whom rules regarding intra-EU mobility apply: long-term residents, students and researchers, and Blue Card holders. For third-country nationals residing in one member state and not falling into any of these categories, no specific rules apply when they wish to become residents in another member state. They must go through the same procedures as any third-country national.

### 5.1.1 Long-term residents

Third-country residents are entitled to move to another (‘second’) member state once they obtain a long-term resident status under Directive 2003/109/EC (European Council, 2003). To be eligible for long-term residence third-country nationals must have resided lawfully and continuously in a member state for at least five years immediately prior to applying, and be in possession of stable and sufficient resources. Long-term resident status brings with it several rights, including intra-EU mobility for the purpose of work or training.

However, they still encounter a number of obstacles. The directive is not well implemented in many member states, according to a Commission assessment in 2011 (European Commission, 2011c). Differences in, or lack of, implementation are perhaps most tellingly borne out by the fact that long-term residents in Germany made up little more than 6,000 individuals by the end of 2012. By comparison, Austria had granted around 200,000 long-term resident permits. According to official statistics, France is not issuing any long-term residence permits at all.[13] Furthermore, the scope of Directive 2003/109/EC does not extend to students, potentially limiting the mobility of third-country nationals with a tertiary education obtained in a member state.

Many countries create an additional obstacle by applying a so-called labour market test, requiring evidence that a given position cannot be filled by nationals or EU/EFTA citizens. Responsibility for providing this evidence falls onto public employment services and companies (EMN, 2013). Further restrictions apply to self-employed workers.

### 5.1.2 Blue Card holders

The 2009 Blue Card Directive was meant to be a cornerstone in the strategy to make the EU more attractive to high-skilled workers from third countries. Its fragmented application stands in the way of achieving this objective. The directive allows member states to apply national rules, which do not necessarily confer any rights of movement within the EU (Eisele, 2013; Wiesbrock, 2010). Member states have significant discretion in defining delivery criteria for the Blue Card (e.g. earnings threshold, education, quotas etc.) or in recognising the right of residence in a second EU country on the basis of a Blue Card delivered earlier in another member state.

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[13] Eurostat, table named *migr_reslong*.

In a possible future opening of the directive, a Blue Card issued to certain professions, say engineers, should be made valid for the EU as a whole and not for a particular member state. If necessary, this could be combined with transparent rules for minimum salary levels.

### *5.1.3 Students and researchers*

Intra-EU mobility rights of third-country students and researchers are currently laid out in the Students and Researchers Directives (European Council, 2004, respectively European Council, 2005). They give some preference to short-term mobility (less than three months to pursue research and study) and in the application for visa or resident permits for long-term stays in a second member state relative to a third-country national applying from outside EU territory.

Issues of transposition into national law (European Commission, 2011d, 2011e) prompted the Commission to propose a Recast Directive in March 2013 with the aim of combining the two directives into one and harmonising their provisions (European Commission, 2013c). The proposal is now with the European Parliament.

The Recast proposal offers the possibility for students and researchers to stay in the member state of arrival and seek work for a period of up to 12 months after finishing their studies or research, provided they have sufficient resources to support themselves. This innovation could provide a significant incentive to pursue higher education within the EU. Unfortunately, the clause may be weakened by the European Parliament. Its Committee on Civil Liberties, Justice and Home Affairs, wishes to change a "*Member States shall*' to "*Member States may"*, opening the door to the same fragmented implementation experienced with the Blue Card (Eisele, 2013).

The Commission should hold on to the main elements of its proposal. A compromise with the European Parliament and member states could limit this right to graduates of certain subjects in high demand. Graduates and researchers should also be allowed to seek employment *throughout* the EU, for instance by introducing a mobility card allowing them a certain period of residence within the Union subsequent to graduation from a European university (Busse and Moorehouse, 2014).

## 6. Findings and recommendations

EURES is a valuable tool but not up to date and relatively unknown. The planned upgrade is welcome, but keeping the system relevant for jobseekers and SMEs requires continuous effort and a lot of experimentation with the online platform and with how best to match jobs and skills across borders.

There is little evidence that recognition of foreign qualifications is a major obstacle to mobility. The acceptance rate is high, which contradicts public perceptions. More work is required to communicate the facts to the public, also on where to find help should problems arise, such as Solvit and national contact points. As slow procedures can discourage mobility, the European Commission should set up duration benchmarks and monitor improvements and best practice.

Second language proficiency is still low in many member states. The Commission must push ahead with the strategy ‘mother tongue + two foreign languages’, include all member states’ periodical surveys and consider the introduction of targets. Obstacles to the mobility of third-country nationals abound, putting the EU at a disadvantage in the international competition for new skills and talents. Nevertheless, member states show little appetite to give full implementation of (optional) EU facilities for long-term residents, Blue Card holders, students and researchers. The Commission should strive to improve existing directives and avoid watering down its proposal for students and researchers.

# IV. The German Experiment

This chapter analyses a new recruitment strategy to help German SMEs fill vacancies with foreign workers and apprentices. Why focus on Germany? The country has an unemployment rate of a mere 5.3%; a historical low since German unification. In Baden-Württemberg and Bavaria unemployment rates have even sunk below 4% (Bundesagentur für Arbeit, 2014b). Germany also has the highest number of vacancies within the EU (almost one million in 2012) and a negative demographic outlook, necessitating new ways of finding talents and skills abroad. A variety of pilot projects set up to this end can serve as best practice examples for other member states and provide links with EU efforts to promote mobility.

German ministries have responded with a *Fachkräfte-Offensive/Strategie* (a novel dictum roughly translating as "qualified worker offensive/strategy") to countervail labour shortages now and in years to come (German ministry for economic affairs and energy, 2014). The initiative emphasises the importance of Germany's high quality education (e.g. dual education), the need for better matching and the activation of female workers and older workers, but also the need to attract highly skilled foreign workers.

In their search for foreign labour, large employers do not limit themselves to platforms offered by employment agencies, linked through EURES. They use their networks and foreign subsidiaries, place advertisements on their own websites and in local media, participate in job fairs and benefit from their reputation and attractiveness as well as their links to universities and alumni networks. With their economies of size they can also take the risk of recruitment failure.

These options are rarely available for SMEs. To support them, chambers of commerce, business associations and, in some cases, local governments decided to pool forces and set up a project-based foreign recruitment programme for local SMEs. Most of these projects focused on Spain. Spanish is often taught in German schools, facilitating communication with recruits, at least at a basic level. Spanish workers are also thought to have a positive work ethic and Spanish school and vocational training systems are quite similar to those in Germany. In addition, ties between local governments and 'partner cities' in Spain facilitated contacts.

## 1. Local and regional projects

Launched from 2009 (Figure 15) without specific official funding, projects collected vacancies and advertised them on their websites and networks; the Suhl-project[14] was one such example, with a large pool of applicants. Others integrated Spanish counterparts or the

[14] Recruitment initiatives led by the chamber of commerce in Suhl that targeted the Spanish labour market.

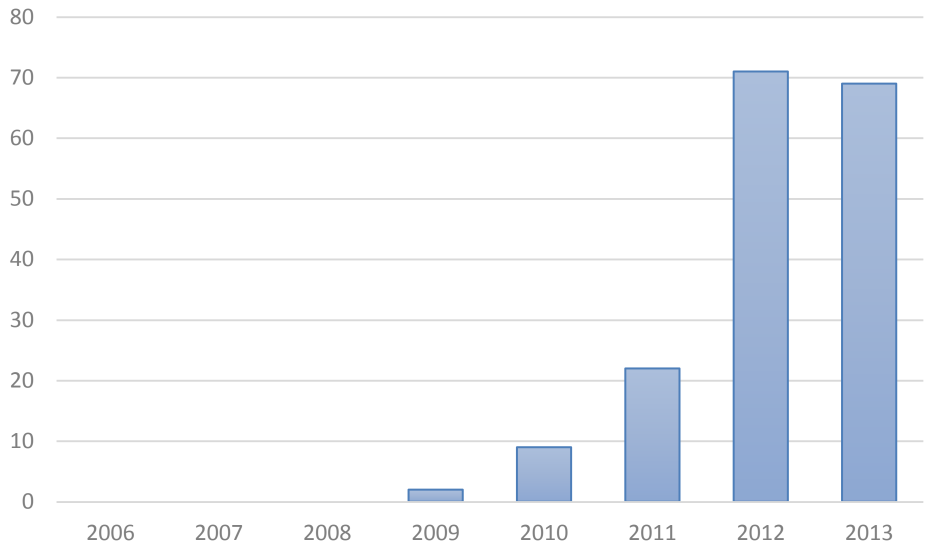
*Auslandshandelskammer*[15] to ensure that the vacancies were properly advertised in Spain and that guidance could be provided in Spain.

The projects generally had three objectives:

- Spread information in Spain about the vacancies, the regions and Germany;
- Build trust, for example in the quality of jobs/apprenticeships offered;
- Offer a one-stop-shop 'carefree' package

Following considerable media attention and exchanges of experience, other German regions launched their own projects in 2012. *Minor* conducted a survey of 306 projects by 2013, having contacted 400 project managers (Pfeffer-Hoffmann, 2014).

*Figure 16. German recruitment projects by start-year*




*Source*: Minor (2014).

Gradually, the conditions for project success became visible: **Partnerships:** involving a partner in Spain to recruit and advertise was found to be essential to reach a maximum number of candidates, including by tapping directly into the talent pool of universities and schools. The Spanish partner also served to reassure participants that the projects are sound and serious and to dispel doubts and manage expectations.

**Selection process:** Employers assessed the candidates themselves or the pre-selection was done on their behalf by project staff or a private recruitment agency. Face-to-face job interviews in Spain or even job fairs were effective, but costly. Interviews via Skype were cheap but received mixed reviews.

**Language requirements:** Projects mostly targeted young jobseekers, especially for apprenticeships and traineeships in sectors with the greatest labour shortage: medical, health

[15] German Chamber of Commerce abroad.

and technical professions, tourism and construction. Language requirements varied. Most employers were seeking a minimum of A2 to B2 (intermediate levels) while others put greater value on work experience or motivation and even accepted applicants without German language skills. As few Spaniards have German lessons at school, projects sponsored German courses in Spain before departure, usually lasting three months.

**Additional German courses:** During internship candidates attended additional German courses, sometimes geared towards the specific vocabulary of their workplace. Some courses offered online cut out the need to travel. Those well prepared by preparatory classes attended in Spain ensured a smoother transition.

**Relocation support:** Although expensive, a one-stop-shop offering assistance with planning, travel, accommodation and official administration was found to be most helpful for recruitment success with young, mostly inexperienced candidates. The package gave them a sense of security and allowed them to focus on professional and language skills.

**Trial period:** Half the projects surveyed by *Minor* opted for a three-month internship trial period to test the candidates' capacity to adapt and integrate into new cultural, linguistic and workplace surroundings. Internships during the summer break have the advantage, if successful, to tie in with the start of the normal vocational school year. According to *Minor*, nearly 80% of internships were paid, usually at around €500 per month.

**Integration:** The following considerations were seen as helpful to further integration of the interns: diminish the risk of culture shock by recruiting from towns of a similar size as the workplace; decrease the likelihood of homesickness by recruiting couples, or a group of Spaniards for the same region; assist with everyday problems by appointing a "Kümmerer", a carer or guide, ideally with sufficient knowledge of Spanish; organise 'buddy' programmes: leisure activities and excursions with fellow Spaniards – particularly important in more remote areas.

Depending on the size of the project, their location and existing networks, operational differences are still considerable. Some elements have now become standard and are the backbone of most projects. Their long-term success rate remains hard to assess but they did succeed in attracting workers into shortage professions, albeit at a considerable cost in terms of money (see below under MobiPro), time and effort.

## 2. National support schemes

The word "*Willkommenskultur*" – literally translated as "welcome culture" – sums up German efforts to attract foreign labour from third countries and other EU member states. Welcome Centres were established in major cities and under the *'jobofmylife'* initiative, launched by the German government with the German employment agency (*Bundesagentur für Arbeit*), the portal "Make-it-in-Germany" offered information on, and easy access to, vacancies for interested foreign workers.

This initiative is connected to the MobiPro-EU support programme launched in 2013 by the German government, in cooperation with several German stakeholders and the EURES system (Bundesagentur für Arbeit, 2014c). MobiPro tackles financial barriers to mobility by providing funding to apprentices and, in some cases, mobile workers. It also supports the local German recruitment programmes mentioned above.

The stated aim of the MobiPro programme is to foster mobility in the EU with specific reference to the problems affecting the Spanish labour market. It targets Spanish apprentices[16] between 18-35 years old. Specifically excluding older workers may not be optimal, particularly with regard to skilled labour, where work experience is valued highly. The programme has been so successful that access is now limited to candidates who have completed an apprenticeship or master programme; young skilled workers, previously also supported, are now excluded (Bundesministerium für Arbeit und Soziales, 2014).

MobiPro funding covers language courses in the sending country and during internship as well as remedial vocational school training. Travel and relocation allowances vary from €300 to €500, including for the return flight if apprenticeship is not completed. The largest item is the financial subsistence support granted to apprentices during their entire training, which usually lasts three years.

MobiPro's duration, initially set from 2013 to 2016, was extended to 2018 due to its success and positive media response. Total funding was raised from 139 million to 560 million – averaging 93 million per year (Bundesministerium für Arbeit und Soziales, 2014). Demand by far outpaced expectations. As early as in April 2014 the German government had to stop applications after funding had been exhausted. Nearly 5,000 applications were approved for 2014. Initial earmarking of 48 million is expected to be overtaken by expenses closer to 100 million. Consequently, the number of apprentices for 2015 has been limited to 2,000 (Bundesministerium für Arbeit und Soziales, 2014).

Total investment per apprentice will most likely exceed €20,000.[17] This would constitute a substantial burden for any company considering setting up a similar recruitment framework on their own.

In 2013, 63% of approved applications came from Spain and a similar distribution is expected for 2014. Mobi-Pro had a sizeable impact on immigration from Spain. According to social insurance statistics, Spanish participants under MobiPro-EU (near 2,600) constitute almost 30% of all new Spanish 'workers' in Germany.

Overall, the programme has been a success, at least in its uptake; statistics on Spaniards staying for the entire three-year apprenticeship are not yet available. The programme will give

[16] Labour Ministers Fátima Bánez Garcia and Ursula von der Leyen brokered the deal in spring 2013, aiming to fill 5,000 positions with Spanish workers (*Deutsche Welle,* 2013).

[17] If the uptake of applicants does not exceed 2,000 in the years 2016-18, then the available funds per apprentice would even reach €29,000.

Germany and its companies valuable experience in recruitment abroad and, if successful, has a good chance of keeping trained labour longer term or even permanently in the country. The cost per apprentice is high but will be outweighed by the overall benefit in terms of growth, employment and competitiveness. The decisive question is this: will they stay?

## 3. What role for the EU?

The MobiPro programme received European visibility through EURES, which can serve as a forum for showcasing projects and transmitting valuable lessons and advice. Practical experience, positive and negative, can help other member states and stakeholders considering similar plans to find the most cost-effective route.

The strength of the German experience lies in a bottom-up approach at local and regional level, supported by a national programme tailored to the specific labour-market needs of the country. There is no reason to believe that the EU could do a better job. However, the possibilities to benefit from contributions from the EU's regional and social funds, which both promote employment and inclusion, merit careful examination.

## 4. Findings and recommendations

The German local and regional bottom-up approach, supported by national financial support, has been successful in supporting SME for recruitment abroad. It can serve as a best practice meriting wide publicity among member states, for example with the help of EURES. Specific EU financing does not seem justified but the possibility to call on the European regional and social funds in support of employment and inclusion should be further examined and utilised.

Local recruitment projects should remain locally managed, which has proven to be the most efficient method. National public financial support should be encouraged. However, the EU should not aim to raise financial resources in the form of a mobility fund, but instead focus on its efforts within the European Social Fund.

The European institutions should closely evaluate the experiences in Germany and draw conclusions for third-country national recruitment, in future, build on these experiences and EU efforts to attract talent from abroad could be financed by EU funds.

# V. Overview: Findings and Recommendations

Labour mobility is important for the European Union and free movement is widely seen as one of the great benefits of the EU. Evidence suggests that there is currently too little mobility within the Union – in particular within the eurozone. High unemployment in the south of Europe coexists with a high unmet demand for labour in the north. This disparity is not being resolved by limited labour mobility and there is no indication that this situation is about to change substantially.

Arguments in favour of increased mobility are, however, often drowned out by a general fear, often amplified by the media in some western European countries, that too many workers from eastern Europe are moving in search of generous welfare benefits. There is no indication that this is the case, however. There may be local problems and rare individual cases, but these should not overshadow the overall benefits to the EU of greater mobility. But public opinion cannot and should not be ignored; either by members states or by the European Commission. The Commission must be ready to defend current legislation and to play a constructive role should evidence of systematic abuse, fraud or unintended consequences emerge. Importantly, the Commission is the best bulwark against new barriers to mobility being set up in this process.

There are also concerns related to the long-term sustainability of emigration for sending countries.

In order to address these issues and concerns there is a need for:

- A European Mobility Working Group, preferably one situated within existing formations involving national and European institutions.

As regards current barriers to mobility, the Commission still has much work to do with its EURES system. The online portal showing vacancies and CVs should be substantively upgraded, with a focus on accommodating SMEs. This will require continuous experimentation and evaluation. Recognition of foreign qualifications can perhaps be more streamlined and efficient, but few individuals have their applications for recognition rejected.

- Creating more awareness of instruments to handle problems in this area should be a priority, such as Solvit and national contact points.

Member states experiencing persistent labour shortages can learn from the numerous local projects that are primarily aimed at recruitment from Spain and currently run in Germany. The main lesson, perhaps, is that it is a difficult and expensive process. It is too early to say if this approach is cost effective and can be scaled. Prospectively, foreign recruitment is likely to play a greater role for many EU countries.

- Mutual learning of best practices in foreign recruitment is beneficial. A framework in the spirit of the open method of coordination, perhaps within EURES, should facilitate this valuable exchange.

Taking a longer-term view, language proficiency is central to a common European labour market and to international competitiveness. English is now the *de facto* second language in the EU. However, levels of proficiency vary enormously across member states.

- The Commission must push ahead with the strategy of ‘mother tongue + two foreign languages’, include all member states in periodical surveys of language competences and consider the introduction of targets.

Rules governing the mobility of third-country nationals should be relaxed to make the EU more attractive to talented individuals.

- The Commission should strive to make improvements in existing directives; a prime candidate being the Recast Directive combining the students and researchers directives. A good start would be to avoiding watering down, in the negotiating process, the provision allowing students and researchers to seek employment in the EU for an extended period.

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## Appendix. List of Participants in the CEPS Task Force and Invited Speakers

Doede Ackers, DG Employment, European Commission

Cinzia Alcidi, CEPS

Dorthe Andersen, Confederation of Danish Employers

Laurent Aujean, DG Employment, European Commission

Ilaria Babolin, Committee of the Regions

Mikkel Barslund, CEPS

Anton Bauch, Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA)

Sophia Bengtsson, Confederation of Swedish Enterprise

Bram Borgman, VNO-NCW (Confederation of Netherlands Industry & Employers)

Kerstin Born-Sirkel, CEPS

Matthias Busse, CEPS

Olivier Debande, European Investment Bank

Karin Ekenger, Confederation of Swedish Enterprise

Georg Fischer, DG Employment, European Commission

Roubini Gropas, European University Institute

Thomas Hueck, Robert Bosch GmbH

Ricardo Ibarra Roca, Spanish Youth Council

Kimberley Lansford, European Round Table of Industrialists

Kersten Mey, Chamber of Industry and Commerce Südthüringen

Christal Morehouse, Bertelsmann Foundation

Wolfgang Müller, Bundesagentur für Arbeit

Gunnar Muent, European Investment Bank

Frederique Naulette, Nestlé

Paola Parascandolo, Assonime

Ursula Polzer, Volkswagen AG

Joscha Schwarzwälder, Bertelsmann Stiftung

Tobias Stapf, Minor

Eric Thode, Bertelsmann Stiftung

Joke van den Bandt-Stel, VNO-NCW and MKB-Nederland

Nikolaus van der Pas, Formerly DG Employment, European Commission

Loes van Embden Andres, VNO-NCW (Confederation of Netherlands Industry & Employers)

Mario van Mierlo, VNO-NCW (Confederation of Netherlands Industry & Employers)