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Labour Mobility in UK and EU

László Andor
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Policy Issue

Free movement of labour and migration/immigration are hotly debated throughout Europe, especially in election campaigns. Some of these discussions and even political initiatives ignore important facts and arrive at unrealistic, unpractical or unfair conclusions.

What policies would ensure that labour mobility for Britain and within the EU is a beneficial opportunity rather than a threat?

Analysis

Labour mobility should be beneficial for all involved. Workers have more job opportunities than they would have in a restricted geographical space. Companies can recruit from a wider circle than just from within their national boundaries. Receiving countries enjoy higher rates of growth; sending countries benefit from remittances and a more experienced workforce when migrants return.

In practice, however, these advantages materialise in an imbalanced way, associated with various costs, tensions and controversies. Migration has transaction costs, families are disrupted, workers become vulnerable in a less well-known environment, people may end up in jobs for which they are overqualified, and the risk of undeclared employment may increase. For these reasons EU policy in recent years has not only aimed at “removing barriers” but also at creating greater transparency in the labour market and improving its legal framework. A prime goal has been to reduce the room for adverse effects and help the governments of member states, regions and municipalities deal with the aftermath of tensions related to mobility.

The volume of labour mobility has almost doubled following the (Eastward) enlargements in 2004 and 2007. Nonetheless, the EU labour force working in a Member State outside its country of origin is only about 3 per cent of total employment. Disparities in wages appear to be the main factor driving labour mobility, but other shorter-term factors such as unemployment levels, job vacancies, political developments, social cohesion, and overall expectations concerning all of these play a role.

The post-2007 financial crisis temporarily reduced mobility and also altered the patterns of movement in Europe. South to north migration has markedly increased, though has remained far below east to west mobility in absolute numbers. People not only migrate from the Eurozone periphery to the northern EU countries but also to non-EU countries where language connections make it easier to start a business or find a job. With increased migration from south to north, the profile of migrants has also changed. The new migrants tend to have higher levels of education and are less likely to be overqualified for the job they obtain than their eastern European peers.

Meanwhile, together with three other countries (Germany, Netherlands and Sweden), the UK was also behind the successful effort to cut the EU budget and, crucially, funding for a cohesion policy, which is the key instrument for creating economic activity and employment in the less developed EU countries and regions. That's an own goal in the migration debate.

In sum, free movement of labour within Europe is not a problem. The problems typically associated with free movement result from the inadequacy or absence of economic and social policies to support and protect workers be they nationals or immigrants.

Policy Framework

Coordinating social security and ensuring that all mobile workers are fairly protected is key to preserve mobility that benefits all parties. Governments cannot defend the right of workers to free movement without ensuring that mobile workers have social protection and guarantee of employment rights. Equal treatment of workers including ensuring equal social rights creates fairness. However, it is one thing to defend the right to free movement (together with associated social rights) as something that belongs to all citizens, and another one to manage migration better. Working on the second should be possible without calling the first into question.

In the context of the European Union, policies to make free movement of labour a benefit not a burden include the following:

1. Full rights of all workers in each country to unemployment benefits and retirement programmes. EU law could provide greater clarity in the coordination of social security regimes to help both job-seekers and the receiving countries at the same time. For example, since May 2013, the European Commission has been considering creation of a rule that migrant job-seekers are covered by unemployment insurance for a standard period of, say, six months² after losing a job. Currently, member states can choose anything between 3 and 6 months, and most migrant job-seekers turn to their host state for support. (The December 2016 "Labour Mobility Package" officially opened the debate on this and other proposals.) A more uniform rule about "portability", receipt of benefit from the country in which a person lost a job even if that person lives or seeks work in another country - would be better understood by job-seekers as well as by the governments and citizens of Member States. Such a rule need not imply that benefit levels converge.
2. Negotiations about the revision of Posted Workers Directive should be used to reduce the scope for social dumping. Beyond the 2014 Enforcement Directive, some further steps can be made in order to ensure that the freedom to deliver cross-border services is not abused, and the working conditions of employees involved in cross-border services (in construction and other sectors) converge on the conditions of actual mobile workers.
3. There should be a European fund to support migration. This seems all the more relevant since, as preliminary results of recent research by Eurofound on the impact of mobility on public services revealed, integration costs and other problems arise mainly at a sub-national level, within local communities. Such municipalities, under pre-agreed rules, should be able to apply directly to the EU level.
4. Municipalities may need more support to integrate children of migrants or manage various social problems. While, for example, homelessness did not result from EU enlargement, in the richer EU countries' migrants are over-represented among the homeless (e.g. Romanians in London). Additional fiscal and institutional capacity

would certainly improve the prospects for many of these migrants to remain in (or return to) decent employment.

5. There exists an EU programme that can be used to support EU migration, the European Social Fund (ESF, worth about 8 per cent of the EU budget). The European Commission has actively encouraged governments of member states to use the ESF for facilitating integration into the labour market and society. The ESF has been supplemented by the Youth Employment Initiative, a programme created to support the introduction of the EU wide Youth Guarantee. If governments of member states want a migration fund, as some have advocated, negotiations about the post-2020 MFF can be used to create one supporting those communities that take in higher numbers of migrants.

Contrary to widespread belief, treaty changes are not necessary for new measures to ensure that labour mobility functions better in the European Union. There are constructive ways to improve the conditions of migration and the outcome of labour mobility among countries. “Constructive” does not mean purely insisting on the status quo and the inherited body of labour law and social security coordination. It means ensuring fairness for all: those living in old and new member states, home and host countries, job-seekers as well as employers.

László Andor is Senior Fellow at the Hertie School of Governance (Berlin) and Senior Research Fellow at IMK (Hans Böckler Stiftung, Düsseldorf). He served as EU Commissioner for Employment, Social Affairs and Inclusion from 2010-2014. Between 2005 and 2010, he was a member of the board of directors at the EBRD in London.