

Labour Mobility in Europe: An untapped resource?

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Key points

Despite the public perception in many member states that labour mobility has spiralled out of control, we find that labour mobility is low, particularly within the euro area. We make four main points in this paper. First, that the economic and financial crisis has affected mobility patterns by redirecting flows away from the periphery, thus showing the limits to the potential of labour mobility within the current eurozone – largely due to the negligible mobility of nationals from large countries hit by the crisis. Second, east-west mobility has not been fundamentally affected by the crisis, and ten years after the eastern enlargement the number of East Europeans living in EU15 should be of no overall concern. Third, the long-term economic effects of mobility are uncertain, but potential negative effects are more likely to show up in sending countries than in receiving ones. Finally, we argue that, in view of the lessons learned from the economic crisis, the Commission and member states should adopt a longer-term view on labour mobility.

Recommendations

The Commission would do well to further modernise the tools related to job matching, namely the EURES system; it should initiate public employment service reforms and foster better and speedier recognition of qualifications. Data collection related to mobile citizens should also be improved by involving relevant national ministries, preferably within existing Commission structures. Strengthening the exchange of best practices among mobility networks should also be a priority.

In order to improve mobility in the longer term, the Commission and member states should improve the mobility of third-country nationals – starting with those completing tertiary education at an EU institution and able to find employment. The aim of improving mobility gives new impetus to the ‘mother tongue + two foreign languages’ objective and the European Benchmark of Language Competences Initiative, in particular competence in the first foreign language taught at school.

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Introduction¹

The right of free movement of persons is a cornerstone of the European Union and, according to a Eurobarometer survey, one of the most popular accomplishments of the EU. Since its establishment this right has been steadily built upon and expanded, in particular with respect to mobile EU workers. Barriers to (labour) mobility have been substantially reduced as part of creating the single market and also as a means to achieve the EU2020 goals of smart and inclusive growth. And yet the prevailing view in academic circles and among policy-makers is that intra-EU labour mobility is too low; too low to support the single labour market as anything but a notion and too low to play anything other than a modest role in helping to rebalance the eurozone after the crisis.

Labour mobility with the European Union is low compared with the US. Less than 3% of EU citizens currently reside in another EU country; only one-tenth of its transatlantic reference point. The same is true for annual mobility flows between states, which in the EU do not even amount to 0.3% of its population – once more a tenth of the corresponding US statistic.

Yet comparison with the US will most likely always leave Europe short because of language barriers, cultural differences, dissimilarities in education systems and a lack of cross-border personal ties. Still, a more mobile European workforce would bring significant benefits and more could be done to support those willing to work abroad.

Even though intra-EU labour mobility seems low, in recent years it has been a controversial issue. The public debate in some countries depicts a situation where too many people are moving in search of jobs and welfare, particularly since enlargement and the end of

restrictions on free movement for East Europeans. At the same time, there is a fear that the brightest and best *are* moving abroad for work, thereby damaging the long-term growth and development prospects of sending countries.

Labour mobility and the economic crisis

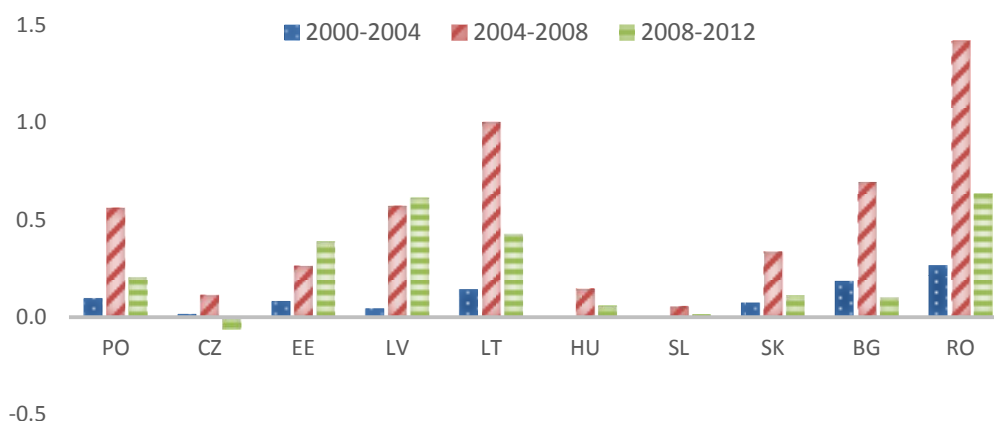
The main engine of intra-EU mobility during the past decade has been the large income gap between the old member states (EU15) and the new member states in the east (EU10) that joined the EU from 2004 onwards. Most EU15 countries introduced temporary restrictions that partially diverted mobility flows away from traditional destinations, such as Germany, towards Ireland and the UK, which did not impose restrictions. For Bulgaria and Romania restrictions were in place until 2014 for all but a few EU15 countries.

Outflows from EU10 countries were indeed considerable. Poland and Latvia saw more than 0.5% of their domestic populations move to the EU15 each year in the period 2004-08. Annual outflows from Lithuania reached 1% and almost 1.5% of the population in Bulgaria (see Figure 1). EU10 citizens had different preferences as destination countries; the most popular destinations were Spain and Italy (mainly for Romanians) while Poles largely sought opportunities in the UK and Germany.

By comparison, mobility flows between EU15 member states were negligent. Only around 0.1% of EU15 citizens per year moved to another EU country in 2009. Income differences between the EU15 – a key driver of labour mobility – were not large enough to entice large numbers of workers to move. At the same time, unemployment rates across EU15 countries were low and converged in the pre-crisis period, thus further reducing incentives to seek employment abroad.

¹ The conclusions and recommendations of this Policy Brief build on two recent reports: Barslund, M. and Matthias Busse (2014), *Making the Most of Labour Mobility*, CEPS; Brussels and Bertelsmann Stiftung (2014) (eds), *Harnessing European Labour Mobility*. Gütersloh.

Figure 1. Annual change in stock of reporting countries' citizens in the EU15, as a % of reporting countries' population



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

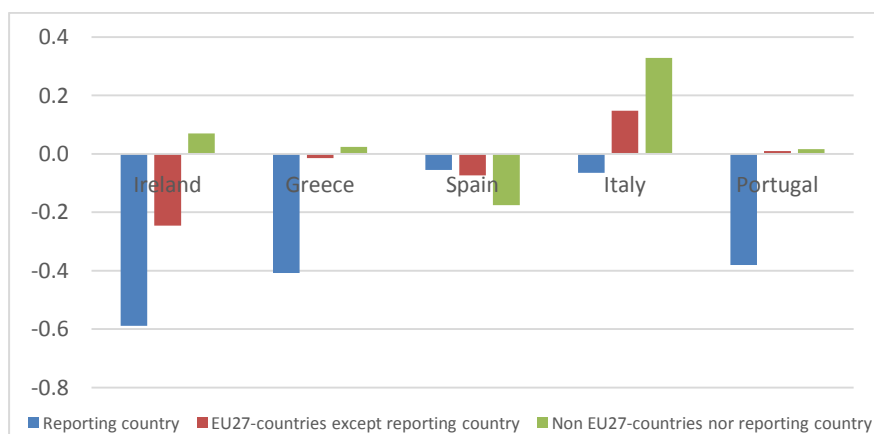
The financial and subsequent debt crisis slowed down mobility flows from EU10 countries, as unemployment rose in EU15 countries. Since 2011, statistics indicate that east-west mobility flows have rebounded somewhat but rates have remained lower than before the crisis.

Significantly, the crisis triggered a redirection of mobility flows away from the periphery (Spain in particular) towards Germany, the UK and other northern European countries. While net immigration rates fell in the peripheral countries they were slow to turn into net emigration. The expiry of transitory restrictions on free movement may have played a role in this change of destination.

High unemployment rates in the periphery have only caused limited mobility

Within the EU15, the crisis caused a major reversal in the apparent economic convergence. The deteriorating labour market situation in southern Europe, in particular for young people, resulted in higher outflows of nationals of these countries. Absolute figures remained low, however. Five years into the crisis, the net emigration rates for Spanish and Italian nationals had only increased slightly, to less than 0.1%. Nationals of Greece and Portugal are somewhat more mobile, with a net emigration of around 4 individuals for every 1,000 nationals. Ireland has seen somewhat more mobility, probably due to ties to the UK and the language advantage (Figure 2).

Figure 2. Net migration as a % of population by broad citizenship, 2012



Source: Eurostat (2014).

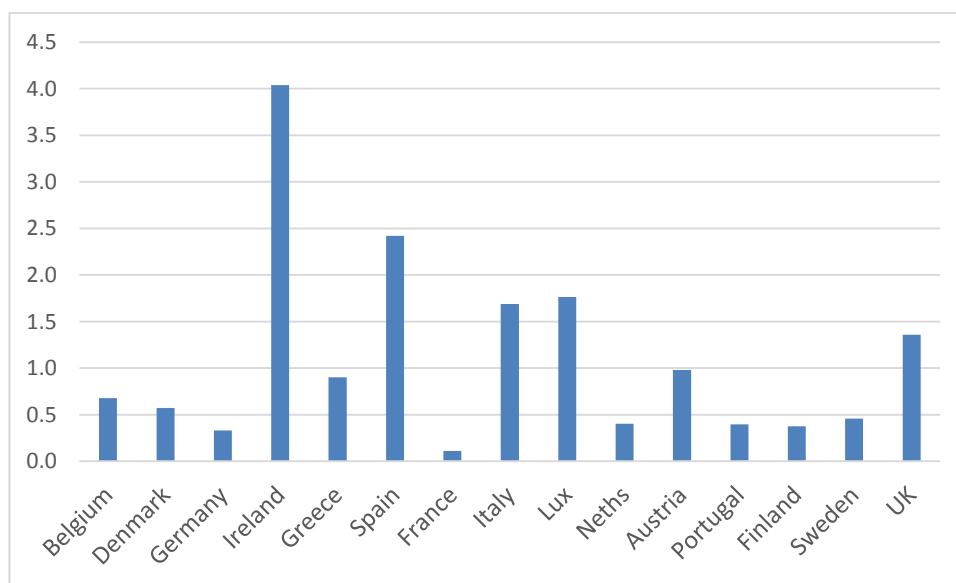
Overall, wage differences seem to be a much more powerful driver of mobility than unemployment rates in the EU. This fact, and the evidence from young cohorts, suggests that we can expect only limited mobility within the EU15 *even* in the current economic climate. Moreover, the lag in response observed during this deep crisis makes labour mobility ineffective as a means of burden-sharing within the monetary union.

The long-term economic impact of mobility is uncertain

The mid- to long-term costs and benefits of labour mobility at member state level will depend on a range of factors, not least whether a

country is at the sending or receiving end of mobility. In receiving countries, discussions have focused on concerns about the financial burden that mobile workers place on welfare states, in particular because access to social benefits by newcomers is sometimes considered to be too easy. Overall, the total stock of EU10 citizens residing in EU15 countries should not cause much concern (Figure 3). For most countries the share of EU10 citizens is below or around just 2%. Moreover, available research does not find welfare provision in the host country to be an important incentive to migrate. On the contrary, most EU-migrants move for work reasons, are more likely to be in employment, and do not make more extensive use of welfare provisions than nationals.

Figure 3. Stocks of EU10 citizens in EU15

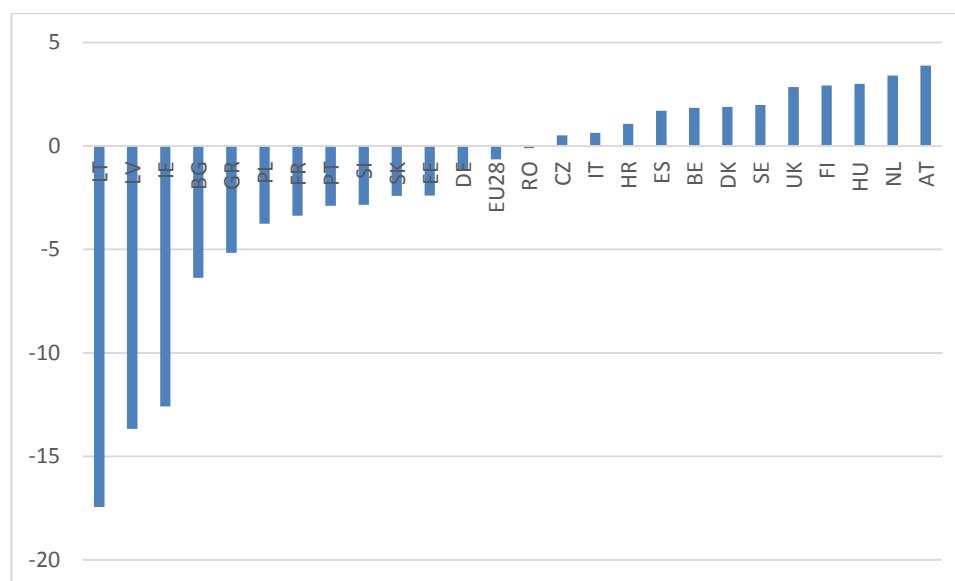


Source: Eurostat and own calculations.

At the same time, sending countries fear that it is mainly the brightest and best who are leaving, eroding the human capital base and thus long-term growth and development prospects. In the case of EU15-periphery countries, the limited mobility flows and high unemployment rates, also for highly educated workers in these countries, mean that fears of a brain drain are

currently not justified. However, for some EU10 countries a continuation of past trends, if combined with limited return mobility, may impair economic development in the longer run (Figure 4). This is but one area of mobility where better data would allow for an improved assessment of the impact of longer-run trends.

Figure 4. Change in size of young cohort (15-24 year olds) of nationals from 2008 to 2013



Note: Cohort aged 15-24 in 2008. Source: Own calculations based on LFS (2014).

While it is difficult to predict mobility patterns, the overall potential for mobility is likely to decrease in the future, given the further convergence of income levels between east and west and the ageing of Europe's workforce. This points to the need to consider measures to increase the attractiveness of the EU for foreign talent and to facilitate the mobility of third-country nationals in order to foster growth and employment.

No game changers: improve existing tools...

Overall, the recent recession has not induced previously immobile workers to become more mobile, at least not in the larger member states. This leads us to conclude that successfully fostering mobility within EU15 countries requires tremendous effort.

In general, those willing to move should not be discouraged from doing so by unnecessary barriers to mobility. The European Commission would do well to continue the modernisation of existing tools, in particular:

Upgrade of the EURES system

Until recently, the EURES online portal has received little attention and only covered between 30% and 40% of all vacancies in the EU. The recently proposed re-design of the EURES system is a step in the right direction, as are the proposals to facilitate better cooperation among public employment services and learning from best practices regarding mobility and cross-border recruitment.

Recognition and portability of qualifications

With the recent update of the Directive on the recognition of professional qualifications, the EU has facilitated the recognition procedures and introduced the European Professional Card. When transposing the directive, member states should aim to speed up and simplify administrative procedures. Moving forward with the European qualification framework, which is still not fully implemented, will further help increase transparency.

Learning from local and regional mobility projects

Much is to be learned from the efforts put into many regional projects in Germany and

elsewhere aiming at recruitment from abroad, primarily from Spain and other southern European countries. These projects connect domestic SMEs that are unable to fill vacancies with jobseekers from abroad. While the strength of these projects lies in a bottom-up approach, the EU should evaluate their success closely, facilitate learning from best practices and also consider institutional support via the ESF.

None of these measures will be game changers, however. That the Commission is aware of this is probably reflected in the meagre target for the number of young people matched to jobs via 'My first EURES Job', which is 5,000 placements of young people. The initiative helps young people under 30 to find a job in another country by providing, among other things, financial support for the interview process

... and think about the long term

Breaking down mobility barriers and supporting mobile citizens will continue to be a dynamic process with no silver-bullet solutions. Three issues merit further attention with regard to the longer term deeper integration of European labour markets and, equally important, to better understand the impact of mobility.

Improving foreign language competences

Most EU member states have English as their first foreign language on the primary school curriculum. Yet, in terms of proficiency there are huge differences between the best and the worst performers. While important in its own right, the renewed focus on mobility should give fresh impetus to push ahead with the 'mother tongue + two foreign languages' objective and the European Benchmark of Language Competences Initiative.

Servicing mobile third-country nationals

Obstacles to the mobility of third-country nationals abound, putting the EU at a disadvantage vis-à-vis international competition for new skills and talents. Nevertheless, member states show little appetite to fully implement (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.

The need for better data

More and better information is always called for, but in the case of labour mobility it is warranted. There is little evidence at the European level as to the importance of key factors, such as what constitutes the main barriers (particularly in the current economic situation), the role of return migration or skills acquired abroad. Some data sources are probably available in individual member states. Others are hard to collect (e.g. longitudinal data on individuals). While no easy task, the Commission must think about how to improve upon this, not least to demonstrate the added value/mobility of European initiatives such as the 'My first EURES job' cited above.

Do not expect too much

The crisis has shown that there are clear limits to the potential of labour mobility within the current eurozone. This is mainly due to the limited mobility of nationals from the large countries hit by the crisis. At the same time, east-west mobility has not been fundamentally affected by the crisis. Even very adverse employment prospects in some countries have not induced more people to move, which indicates that we should not expect too much from any further elimination of administrative barriers to mobility - at least not in the short term.