

Commissioner Marianne Thyssen - Speech 'Europe's vision for fair labour mobility'

Ladies and gentlemen

It is an honour for me to be here with you today – on my first official visit to Ireland, since taking on my role as European Commissioner. I wish to thank MEP Marian Harkin for this invitation; and indeed, to commend the choice of subject and the timing of our discussions today.

In the coming weeks, the Commission will be presenting its vision on labour mobility in the EU and I am glad to have the opportunity today to share some thoughts with you already.

You, students are among the most mobile citizens in our Union, and you may well wish to continue exercising this freedom into your working lives. Let's see how we can make this possible.

Free movement of people – the possibility for students, workers or pensioners to move to another Member State – is a cornerstone of the European Union. It is one of the rights that European citizens, according to our Eurobarometer surveys, cherish the most.

But free movement is not only important as an *individual* right of each citizen. It is also in our *collective* interest as Europeans that people are mobile and ready to cross borders.

Evidence points strongly to the economic benefits of more people being ready to work in another Member State – what we call "labour mobility". Increasing labour mobility allows for a more efficient allocation of human resources. It provides more job opportunities for citizens and gives employers a broader choice in their search for talent. It helps to address skills and labour shortages in some countries, and high unemployment in others. This is absolutely what Europe needs today – as one in five young European under the age of 25 cannot find a job, yet we still have 2 million unfilled vacancies across our Union.

During the crisis years, that have hit Europe hard recently, labour mobility has helped to absorb asymmetric economic shocks. This has enabled Europe, and in particular the Economic and Monetary Union, to stabilize and get back on a growth path. Ireland has led the way in this regard – I'll come back to this in a minute.

Labour mobility also promotes knowledge transfer, innovation and human capital development, which is essential in a context of quick technological change and global competition. It creates interaction between EU citizens, and – if the conditions are right – it can improve mutual understanding and contribute to making European societies more tolerant and inclusive.

More than enough reasons for the Commission to continue promoting labour mobility and to work with Member States on the removal of remaining obstacles.

But it would be wrong to ignore that there can also be downsides to labour mobility:

- Mobile citizens can be vulnerable to abuse and exploitation when they try to integrate in a labour market that they are less familiar with. They may find it more difficult to enforce their rights abroad than at home.
- Families may be separated as result of labour mobility, or face difficulties integrating in their new home countries.
- And at macro-economic level, Member States may be exposed to brain drain and rapid aging of their population when too many young people leave the country at the same time and for too long.
- In some Member States, including here in Ireland, people are concerned that high numbers of incoming workers and jobseekers risk weighing heavily on their well-developed and precious social security systems.
- In other Member States, such as Sweden, the Netherlands or France, people are concerned that high numbers of posted workers might exercise a downward pressure on wage conditions in some sectors such as construction.

I can assure you that I take these concerns very seriously.

My aim is to promote labour mobility, so that our Union can continue to benefit from its many positive effects, whilst at the

same time minimizing its downsides. This is the objective of the measures that I am preparing. Nothing more and nothing less.

How will we do this? – I hear you ask.

Well – we want to start with an objective, factual analysis of the mobility flows in our Union today. I want to ensure that our policy making is informed by the best data available.

Wherever you discuss free movement - you will notice that there is often quite a lot of emotion involved. That is of course fine in itself – it shows that people care – but too much emotion can prevent us from seeing things in perspective. It is hence good also to look at the facts and figures.

Today, 8.3 million EU citizens live and work or look for work in another Member State. That is 3.4% of the total EU labour force. Close to half of them have been living abroad for 10 years or more. For the most part, mobile workers are young and highly-educated. The proportion of women amongst them is increasing.

In addition to the 8.3 million people living and working abroad, there are across Europe 1.6 million frontier workers. Frontier workers live in one country and work in another country – they go home at least once a week. Think of the many frontier workers in the UK and Ireland, for example.

Finally, there are 1.45 million posted workers in Europe. Posted workers live and are employed in one country, but their employer sends them temporarily to another country to provide a service there. Posting is less common here in Ireland. You have about 5.500 workers posted to Ireland a year, and about 3.500 workers posted from Ireland. The Member States receiving most posted workers in the EU are Germany, France and Belgium. Those sending out most posted workers are Germany, France and Poland.

Looking at total population figures, Luxembourg has the largest proportion of EU citizens amongst its inhabitants: 39%. Ireland is at 8.1%. The UK at 4.1% and Germany at 3.8%.

So all in all, the number of mobile EU citizens and their proportion in our societies are quite low – much lower than people tend to think.

EU mobile citizens moreover have a significantly higher activity rate than nationals (78.3% versus 72.3%). But they also have a slightly higher unemployment rate (11.7% versus 9.9%). This is likely to be linked to the fact that mobile EU workers, and immigrants in general, tend to be more vulnerable to business-cycle fluctuations than natives.

Now let's look at the labour mobility figures for Ireland.

I mentioned in my introduction already that Ireland provides an excellent example of how labour mobility, combined with

structural reforms, can help absorb asymmetric economic shocks.

The banking crisis, and subsequent fiscal and economic crises, hit Ireland hard in 2007 and following years. The crisis has had a profound impact on labour mobility to and from Ireland:

Whereas labour mobility into Ireland had helped fuelling GDP growth in the two decades preceding the crisis [- between 1987 and 2004 mobility into Ireland increased steadily, followed by a steep climb between 2004 and 2007 -], from 2007 until 2014 we see a stark fall in inbound mobility and increase in outbound mobility. Mobile workers from Eastern Europe returned home and Irish citizens left the country to work abroad.

I know it has caused anxiety here in Ireland to see its young people leave in the darkest moments of the crisis, but – and this is where Ireland has really shown itself a Celtic Phoenix – successful reforms have put Ireland back on a path of strong economic growth – the strongest GDP growth in the EU!

And simultaneously we see Irish mobile workers return to Ireland and other EU workers following in their footsteps attracted by Ireland's success. The youth of Ireland comes back

with better skills and more experience, which they are ready to invest in shouldering their country's economic growth.

In my view there are two important lessons that we can draw from that experience here in Ireland:

- the first is for you, students here and elsewhere in Europe: in bad economic times, it is better to gain working experience and develop your skills abroad than to stay unemployed in your own country. And when the tide starts turning, you may want to think of returning home to put your skills to the benefit of your country.
- the second is a lesson for us policy makers at European and national level: labour mobility will only help absorbing economic shocks and will only benefit Europe's economy sustainably, if at the same time structural reform measures are taken to ensure that growth and job creation are present also in the countries from which many workers leave. Otherwise labour mobility will provide growth in the economically stronger Member States only and will deepen the gap between Member States instead of bridging it.

For the Commission both are amongst our 10 highest priorities. You know that President Juncker has promised that his

Commission would be big on big things. Well, on these matters we want to be big:

- we want a deeper and fairer internal market, for goods, capital, services and for workers – so that they can move more freely within the internal market.
- AND we want to see growth and job creation everywhere in the Union, through structural reforms and the implementation of an ambitious investment plan.

This is part of our vision for fair labour mobility in Europe. We want to make sure that labour mobility is a positive choice for people, not a choice that they are forced to make.

Ladies and gentlemen,

We have talked about facts and figures;

We have discussed that for labour mobility to benefit our Union and Member States most, we must not lose sight of structural reform measures that might be needed;

Let's now look at the third and last part of the Commission's strategy for a fair labour mobility that creates jobs and growth. It may well be the most controversial part.

I have heard citizens - not only here in Ireland or in the UK but in many Member States – question the conditions at which people can move to another Member State, in particular the

conditions under which mobile citizens can access welfare benefits in other Member States.

And although I think that such concerns are often based on misunderstandings about the rules and about the facts and figures behind the stories, my conviction is that Europe cannot afford to lose the people's support for free movement. Free movement, with all benefits it brings, cannot last if not a substantial part of the populations across Europe support it.

We must therefore be able to explain to the people what the rules are, why they are fair and how they are enforced.

That is why since my first day in office now a bit more than a year ago, I have requested my services to carry out a thorough analysis of the existing rules on social security coordination and on posting. I have asked them to check that the rules are as clear as possible; that they are fair for everybody involved – for the people concerned, for businesses and for taxpayers; and that they are enforced on the ground.

In a few weeks we will present the detailed results of our analysis. But I can tell you already now that we see margin for improvement. While we have found that the overall architecture and basic principles remain sound, a number of targeted adjustments seem appropriate and we are preparing legislative proposals to that effect. Let me give you some examples:

In our analysis of social security coordination rules, we concluded that there is a need to clarify how the rights of a worker differ from those of a jobseeker, or indeed of a mobile citizen who is not economically active.

Workers' rights are the strongest, legally speaking. The Treaty provides that free movement for workers shall be secured within the Union and that this entails the abolition of any discrimination based on nationality between workers.

The right to movement of **jobseekers** also needs to be upheld in our view - particularly in light of the highly diverging unemployment figures between Member States. It is essential, however, that this is not at the expense of the host country's social security system. With this in mind, we want to make it possible for someone who becomes unemployed to take his unemployment benefits to another country where he may have a better chance of finding a job. This is already possible today for a period of 3 months – we want to prolong it to 6 months.

Non-active persons, this means people who are not working nor actively looking for a job, are in a different category again. Already under the existing rules, they need to meet certain requirements to have a right of residence in another Member State.

The European Court of Justice has recently clarified that who has no right of residence, can be refused access to benefits. I

want to codify that case law so that that principle is clearly established and stable.

Another area in which we want to provide more clarity and legal certainty relates to long term care benefits. More and more Member States provide such benefits with the aim to allow people who are dependent on help from others in their daily lives to get such help. Today, there are no explicit coordination rules for such benefits. We want to address that lacuna, so that it becomes clear whether mobile citizens are entitled to long care benefits when they move abroad.

I said earlier that in addition to clear rules, we want to have fair rules. We will be proposing a number of changes to that effect. One proposal relates to unemployment benefits for frontier workers. Today, when a frontier worker loses his job, he receives unemployment benefits in the country where he lives, even though he has been paying contributions in another country, the one where he worked. I want to table a proposal that after a year the country of work becomes responsible. You receive your benefits where you have contributed – I believe that is fair for everybody.

Rules must not only be clear and fair; they must also be enforced on the ground. The national authorities in the Member States work hard to apply the rules correctly. They exchange information and cooperate with each other, for example in the Administrative Commission at European level.

It has come to our attention though that the tools available to national authorities are not always sufficient to verify that workers have the social protection that they are entitled to. This is in particular the case for posted workers and we therefore want to strengthen the system related to the so-called A1 forms for posted workers.

This brings me on to a final set of rules which the Commission is thoroughly assessing, and that is the rules determining the employment conditions for posted workers. Those rules are laid down in the Posting of Workers Directive that dates back to 1996.

The fundamental **difference with a posted worker is that he – unlike the mobile worker** - remains employed in his home country. Nevertheless, the 1996 Directive foresees that the posted worker is subject to a core set of labour law rules in the country where he temporarily carries out work.

As regards wages, the 1996 Directive stipulates that statutory minimum wages and minimum rates of pay laid down in generally applicable collective agreements in the country of work, are to be applied also to posted workers. The problem, however, is that the Directive caters less well for wage setting systems in which decentralised collective bargaining plays a strong role.

In low skills sectors, such as construction, wage gaps of up to 30% are observed between posted workers and local workers. As in some countries, posted workers can represent up to 10% or more of the labour force in those sectors, posting can exercise a downward pressure on wages here.

While the overall number of posted workers remains limited in the EU – at 1.45 million – and said wage gap is observed only for a limited proportion of those, Commission President Juncker has stated that the principle of equal pay for equal work at the same location should apply to posting and that there is no place for social dumping in the Union.

We all know that the principle of '*equal work for equal pay*' is well established in the EU Treaties. Indeed, thousands of women herein Ireland in the 1980s benefitted from it being upheld in the European court.

The EU has also introduced it for fixed-term and part-time work, for seasonal and temporary agency work. Why, then, should we not also consider extending this right to posted workers?

I intend to come forward with concrete proposals in this regard. My aim is also here to ensure fairness and proper protection of the most vulnerable posted workers. Posted workers should not be treated as second class workers – they too deserve equal pay for equal work on the same site.

Ladies and gentlemen, whether we are talking about retired people who want to spend the winter of their years in a sunnier spot, entrepreneurs who wish to chance their luck across the border, jobseekers whose skills match the demand in another Member State, workers who are temporarily posted abroad or indeed, young people like you - who may wish to study abroad: all of these people have the right of free movement. It may be in their own personal interest - or professional development – but it is also in the interests of all of us in the European Union that this right is upheld. The Commission will continue to promote this.

But whilst seeking to promote free movement, we also want to ensure that free movement is fair for all involved: for citizens, businesses and tax payers.

It is the only way we will maintain the invaluable trust and support of our citizens.

With strong rules in place, we will enhance labour mobility long term and make our Union stronger for the future.

Thank you.