

CEPS COMMENTARY



Thinking ahead for Europe

The proposed mobility package may not have much effect on mobility, but what about politics?

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On Tuesday of this week, December 13th, the European Commission unveiled its long-awaited second part of the mobility package on the coordination of social security benefits (Regulation 883/2004).¹ While this regulation concerns only a small part of the population in the EU – with the proposed changes affecting an even tinier proportion – the 2014 elections to the European Parliament showed the political importance of the main elements of the mobility package. This is also reflected in the fact that the mobility package has been on the Commission’s work programme since 2014.

The most important parts of the package relate to two principles governing mobile workers: one governing exportability and the other aggregation. Exportability refers to the right to export certain social security benefits, e.g. child benefits when your child(ren) lives(live) in a country different from where you work, and unemployment benefits if you want to look for a job in a different country than the one in which you worked previously. The aggregation principle says that a worker’s rights to social security benefits must be based on all periods during which the worker was eligible, in both the country of a previous workplace and the country of present work.

Both principles are important in order to facilitate labour mobility within the Union. Exportability fosters mobility directly, whereas aggregation ensures that no one falls in-between the different systems. While these are very reasonable principles, they do leave open a number of opportunities for abuse due to large differences in the level of social security provided in the member states.² In particular, it was claimed that labour mobility was driven less by the motivation to work than by the potential pay-out of various social security benefits.

¹ The first part on posted workers was presented in the spring 2016 (see Barslund & Busse, 2016).

² Examples: 1) monthly child benefits for two children in Germany exceeds the median monthly wage in Romania and 2) aggregation means that after one day of work in a high-wage country, the worker could in principle claim unemployment benefit in said country. By comparison, the minimum unemployment benefit in Denmark exceeds the median monthly earnings in Portugal.

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The proposed mobility package

The proposed mobility package does not overturn the free movement of workers but merely fine-tunes and clarifies the existing framework. From a mobile worker's perspective, the most important change **is** the extension of the minimum exportability of unemployment benefits across EU borders. Previously an unemployed worker would be entitled to (physically) look for a job in another country for up to 3 months while retaining his/her rights to unemployment benefits; the proposal would extend this right to 6 months. Financial constraints to look for a job abroad has been identified as one barrier to mobility and the extension of exportability will thus have a positive effect on the number of mobile jobseekers. The longer the period of exportability, the more likely jobseekers are to go through the administrative process of obtaining the extension. However, since only 0.1% of unemployed persons (or 30,000) per year make use of this right, it is unlikely to generate additional mobility flows that would register at the aggregate level.³

The principle of exportability also applies to child (and other) benefits, in case the working parent does not live in the same country as his or her children live. Despite the controversy over whether these benefits should be indexed to the cost of living where the children actually reside (as opposed to where the parent works), the Commission has not taken this up. Reasonable arguments do exist for and against indexation. However, here the Commission has made the right call for two reasons: first, the economic case is small (indexation will increase administrative costs). Second, indexation would open a Pandora's Box of ways to tinker with the system (e.g. should child benefits be linked to the relative costs of childcare?).

To balance these changes member states have been given the right to curtail the access of mobile citizens to unemployment benefits in case they have worked less than 3 months in the respective country.

The mobility package also suggests less-debated changes to the governance of social security coordination – affecting the provisions for long-term care and cross-border workers. On social assistance to economically inactive persons, it incorporates recent case law. Further, the proposal calls on member states to strengthen cooperation to counter fraud/abuse with regard to posted workers as well as some clarification on who is responsible for paying for the unemployment benefits of frontier workers.

Overall, the incentives for the average mobile worker to move across borders have probably been (slightly) strengthened while safeguards against abuse have alleviated some of the tensions.

Where does this leave the politics of labour mobility?

Overall, this is indeed a balanced proposal. There is no introduction of indexation. In addition, exportability has been enhanced via the extension of the covered period of job search in another EU country to 6 months. On the other hand, the weakening of the aggregation principle by the introduction of a three-month employment period before being eligible for social security benefits will be welcomed in some destination countries.

³ See Alcidi et al. (2016).

In our view, these proposals are well measured and do address some of the fears voiced in the run-up to the EP elections. They will also leave labour mobility in the EU mostly unaffected. In the end, it is encouraging that the Commission is still striving to advance labour mobility and uphold the fundamental right of free movement of workers. Even more important, however, is the question of whether these changes will affect the politics of labour mobility, which tend to flare up with some regularity around the time of with important European election dates? The upcoming Dutch, French and German elections in 2017 might enlighten us on this point.

References

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