

# TOWARDS A MAAS-RHINE EURO-REGIONAL LABOUR MARKET

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The implementation of proposed measures to remove the remaining material, technical and fiscal barriers to trade between the Member States of the EC will help to realise a common internal market. Lifting barriers to free traffic in goods, services, and capital, and the better coordination of the economic and monetary policies of the Member States are important conditions for the realisation of an integrated Europe. But this is not sufficient; the unhindered mobility of labour is also an indispensable link in the process of integration. Labour *ought* to be employed where its productivity is highest, but the integration of the European labour market is not going too well. Less than two percent of European employees come from outside the Member State in which they work. Much remains to be done to bring about a European labour market which functions optimally.

## Introduction

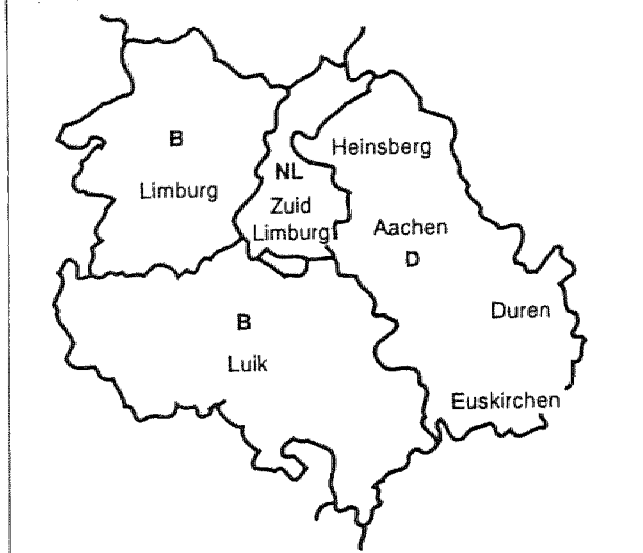
In the Treaty of Rome, concluded in 1957 between the then six Member States, free movement of labour and the freedom of settlement were laid down as fundamental principles. This free movement of workers meant, among other things, the abolition of all discrimination between workers from the Member States on the grounds of their nationality. This implied the abolition of discrimination regarding recruitment, pay and other labour conditions. Workers from states in the EC would have the right to accept work offered in other Member States, to travel freely and to live in another Member State, and to practise an occupation. The freedom of settlement offered the additional possibility of establishing oneself as self-employed in another Member State, or to start a business there.

These provisions appeared to be an important step in the direction of complete and unhindered mobility of labour between the various countries of the European Community. However, reality caught up with theory. In the first place, the agreements that were made were subject to restrictions. They did not apply to positions in government service, for instance. Moreover, in practice there remained all kinds of differences in laws and regulations that made looking for work in another Member State difficult or unattractive.<sup>1</sup>

## Border Areas and Euro-Regions

Because of the limited geographical mobility of the labour force these institutional barriers can be most strongly felt in

Figure 1: The Euro-Region Maas Rhine



the border areas. For these border areas the proportion of workers commuting to work in adjoining areas within the same country is in general much higher than the proportion commuting across the border. Thus the labour market in the border areas has a more limited scale than that in regions further from national borders. As a result the match between the various kinds of potential employers and employees in the border-region labour market is not as good. Moreover, workers are considerably more likely to move their residence to adjoining regions within the national borders than over the borders, even where a cross-border move involves a much smaller geographical distance.

The national borders are thus barriers to the creation of a spatially integrated labour market, and not just because of the differences in laws and regulations already mentioned. The borders partly coincide with social and cultural boundaries between the regions. The institutional and socio-cultural differences between the border areas do not, however, fully explain the limited mobility across national borders. They can be compensated for by strongly attracting or impelling socio-economic forces. For example, strongly increasing employment, where a lot of well-paid jobs become available on one side of the border, can attract surplus labour from the other side of the border. This may produce a substantial flow of commuters and migrants, depending on the strength of the social and economic forces favouring mobility as compared to the existing social and cultural barriers.

However, conditions in the border areas do not, as a rule, favour such an expansive social and economic development. These are often peripheral regions, situated far from their national economic centres. Moreover, the existing

institutional and socio-cultural barriers between these border areas lead to substantial scale disadvantages in the utilisation of the social and economical infrastructure available in these regions. Therefore it will be especially difficult in these border areas to establish a diverse, large-scale and spatially integrated labour market in which an optimal match of demand and supply can be achieved, and this optimal match is an essential condition for higher economic growth.

Across the national borders in the European Community, regional cooperation in a wide variety of fields has grown. This regional cross-border cooperation is often referred to as 'Euro-regions'. These Euro-regions refer to a wide range of different types of cooperative structures among organisations such as regional or local public authorities, educational institutions and private companies. Despite their differences, all these cooperative structures do have a common factor in the lack of a basic international legal structure. Only since 1991 has the development of Dutch-Belgian and German-Dutch cooperative structures with a corporate body been made possible by the ratification of two bi-lateral treaties.

In Soeters (1991) the development of Euro-regions is described as a process of networking, that essentially consists of several stages: first contact and problem-recognition, exchange of information, cooperation, and institutional integration.<sup>2</sup> In general, cooperation is firstly directed at specific issues such as traffic and infrastructure, cultural exchanges, police-work and disaster-control. Secondly, joint cooperation in fields such as education and training, quality control and consumer protection, and environmental investments takes place. A final phase of institutionalisation could be the cultural and political integration between the border areas.

Within the European Community, about 50 Euro-regions work together in the Association of European Border Regions (AEBR). Some well-known Euro-regions are Twente-Westmünsterland, Basiliensis, and Ems-Dollart. The European Commission has developed a couple of projects to support the development of Euro-regions. The LACE-programme serves as an observatory for cross-border organisations. The Interreg-programme is financed by one of the so-called EC-Structure-funds, and has been developed specifically to fund cross-border projects.

### The Maas-Rhine Euro-Region

From the theoretical considerations above it can be seen that the border areas have some strategic importance in the light of European integration. On the one hand, barriers to further integration can be easily detected in these regions, because these problems are especially apparent here. On the other hand, measures aimed at removing such barriers and harmonising various kinds of national regulations can be of particular importance to the border areas. The Euro-regions are thus ideal test-beds for policies and research aimed at furthering the European Common Market's integration process.

	1989	1990
Commuters from The Netherlands to Germany	8290	8620
Commuters from Germany to The Netherlands	590	600
Balance The Netherlands-Germany (outgoing)	7700	8020
Commuters from The Netherlands to Belgium		810
Commuters from Belgium to The Netherlands		6470
Balance The Netherlands-Belgium (incoming)		5660
Commuters from Belgium to Germany	3102	
Commuters from Germany to Belgium	288	
Balance Belgium-Germany (outgoing)	2814	
Total Euro-Region Maas-Rhine	19480	

The Maas-Rhine Euro-region, one of the most complex, offers an attractive combination of border areas. Not only do three nationalities come together in this region, but also three different linguistic and cultural regions, with borders which do not entirely coincide with national borders.

### The Maas-Rhine Euro-Region

The Euro-region comprises the Belgian provinces of Liège and Limburg, part of the Dutch province of Southern Limburg, and the German districts of Aachen, Düren, Euskirchen and Heinsberg. This region of 11,000 square kilometres is home to over 3.5 million people. The Dutch portion is the most densely populated. A relatively large number of Belgians work in The Netherlands (6,500) and Germany (3,000), while a considerable number of the Dutch population works in Germany (8,500). The flow of commuters is therefore rather one-sided: from West to East. It is estimated that there are 15,000-25,000 thousand cross-border commuters, or just 1%-2% of the Euro-regional work force of around 1.5 million. This is considerably less than could be expected on the basis of the geographical distances between the areas comprising the Euro-region: a striking illustration of the labour market problems of the Euro-region.

The West to East movement in cross-border commuting can be explained by factors such as the lower unemployment rates and higher wage rates in Germany, in comparison to Belgium and Holland, and in Holland, as compared to Belgium. Language also plays a major role: in eastern Belgium the people speak German. The dialect of the Dutch Limburg area near Germany is closely related to the German language. On the other hand, hardly any French-speaking Belgians (Walloons) work in Germany, The Netherlands or in Dutch-speaking (Flemish) Belgium.

The various aspects of a properly functioning Euro-regional labour market can be divided into the following four fields:

- a. labour market (employment services and supply and demand information);
- b. education and training;
- c. taxes;
- d. social security and pensions.

In this paper we deal with these four fields in the above order, beginning, in each field, with the main problem areas found there and then suggesting some policy measures that could reduce or solve these problems, using information gathered both by means of desk-research and interviews with key persons. The latter group refers to representatives of the various organisations involved as well as to individual commuters themselves. At the end of this article we will examine further the prerequisites of a coordinated approach towards the creation of a Euro-regional labour market. In this paragraph we also mention three policy instruments that in our view can serve as the first steps in the direction of an integrated Euro-regional labour market.

### Labour Market

Potential employees and employers generally seek each other out on the labour market without any help from intermediaries. This applies equally to the Euro-regional labour market. Thus far, the various government departments and employment organisations have played only a modest role in stimulating the free movement of employees between the border areas. Since finding 'the right job' or 'the right person for the job' is still mainly an individual search process for (potential) commuters and employers, respectively, it is especially important to increase the transparency of the Euro-regional labour market for all parties involved. At present employers and potential commuters have a poor picture of the demand and supply situation on the other side of the border. Small and medium-sized companies in particular have insufficient understanding of the value of qualifications issued in the neighbouring countries. It is not just that there is no uniform and detailed labour market data, but also that accessible, integrated guidance is required.

This lack of information on the value of qualifications applies also, to a certain extent, to the various media which carry advertisements for job vacancies: employers, potential advertisers, and readers have little knowledge about the jobs that are offered or asked for. In addition the distribution area of these media is often limited to the national borders because of payment and distribution problems. Though this is largely a matter for the private market actors, public institutions could play a stimulating role in increasing information on labour markets across the border.

What cross-border intermediation by employment services does occur is often a matter of personal contacts between employment officers and other intermediaries and the exchange of information on vacancies. Although the exchange of information is reasonably successful in some instances, the process cannot easily be automated because, among other things, the various national systems for registering vacancies are not compatible.

Our recommendations for dealing with the above transparency problems are as follows:

- Carrying out an inventory of the need for labour market information among the various target groups in the Euro-region and the possibilities of meeting these needs. It is particularly important to provide a continuous insight into the balance of demand and supply for each branch of industry and each occupation and type of training. Linked to that, the cross-border exchange of information on employment must be facilitated. This will require the employment services recording and handling vacancies and job seekers to apply a uniform classification of companies, occupations and skill categories.
- Support for the 'Euro desk' planned by the employment services. The Euro-desk project is aimed at improving the exchange of information on vacancies, setting up a Social Security databank, making a comparison of Belgian, German and Dutch vocational training courses, and improving the understanding of training opportunities on both sides of the border.
- The employment services in the Euro-region could act as pioneers by exchanging employment officers through cross-border traineeships or assignments. This could considerably increase their knowledge of the functioning of the labour market in the neighbouring regions and give them a better understanding of each other's methods and administrative culture.

### Education and Training

Nowadays there is an increasing awareness that education and training are of strategic importance in stimulating economic growth. Through education, human capital is created which makes a constructive contribution to the production process and forms the basis for innovations in both products and production processes. Training is also increasingly important, because of rapid technological development and the increasing importance of the quality of the products and services produced, in combination with the increasing ageing of the work-force.

If education and training are to fulfil these roles optimally in relation to the region's economic development, training facilities must be present in the region in sufficient size, in rich variety, and at a high quality level. The border areas are clearly at a disadvantage in this regard, however, because institutional barriers and social and cultural differences create unfavourable conditions for attaining the required scale for optimal utilisation of educational and training facilities.

One also has to allow for the fact that, in practice, there is no correlation whatsoever in the Euro-region between training capacities and the needs on the other side of the border and that, on the whole, people have hardly any access to educational systems in the neighbouring countries. A more specific bottle-neck in this regard is the absence of a Euro-regional overview of the demand for and supply of training and educational opportunities and the preparatory qualifications required for particular occupational groups.

Another problem is the inadequate mutual recognition of qualifications. Some improvements have been made in this area. There is already a general guideline for the mutual recognition of certificates of higher education, for courses of at least three years. The European institute, CEDEFOP in Berlin, is now at work on the comparability of diplomas and certificates in secondary education. It is notable that there are also differences in the emphasis placed on diplomas and certificates. In Germany for instance, certificates of experience are more important than in The Netherlands. In addition to the comparison of qualifications, the European Commission has initiated numerous action programmes in education and training in recent years.

The fact that there are already some cross-border training projects in the Maas-Rhine Euro-region is a favourable factor. These projects came about on the whole because of initiatives from training institutions and organisations serving various industries. By far the majority of these projects has been established in the Dutch-German border region, despite the fact that the language differences here are larger than those between The Netherlands and Flemish Belgium. For the moment the projects, usually in general secondary education, appear to focus principally on familiarisation and exchanges, whereas projects in vocational education already have more of the character of joint training projects. These are projects in health care, commercial and administrative education, process technology and computer simulation, metal processing and international transport. To this may be added the recently concluded 'ALMA' cross-border cooperative agreement between three universities in the Euro-region (Aachen, Liège, Maastricht), and the start of the transnational academic course in knowledge technology at the universities of Hasselt/Diepenbeek (Belgium) and Maastricht (The Netherlands).

In the light of the issues mentioned above, the following recommendations can be made:

- An inventory should be made of the formal, organisational and financial barriers to the integration of educational programmes. This could offer some lessons for the development of new Euro-regional programmes.
- Those subsidising training projects in the Maas-Rhine Euro-region, such as authorities and training funds, should develop a joint education and training plan at the policy level, in which common subsidy conditions could be set for cross-border projects, as regards, for instance, participation and examinations.
- Examine whether there is a need in the Maas-Rhine Euro-region for an institution which would initiate and coordinate cross-border vocational education and trade courses, analogous to the Foundation of Cross-border Vocational Training in the Twente-Westmünsterland Euro-region.

### **Taxes**

Perhaps the most inhibiting and obdurate problems for cross-border commuters are in the fields of taxes and social

security. The European Commission has tried several times to lay down guidelines or regulations covering direct, personal taxes. However, the national governments have been able to resist this by referring to the European Treaty which recognises the sovereignty of the Member States in levying direct taxes.

Moreover, cross-border commuters are often incorrectly or insufficiently informed about the legislation and regulation relevant to them. All have to find their way through conflicting systems of legislation and regulation and overlapping or redundant procedures. Border commuters can hardly defend themselves against it because appeal procedures are impenetrable and there is usually no adequate legal aid.

However, the fiscal problems are not the same for the various streams of commuters in the Euro-region. Commuters between Belgium and The Netherlands encounter few income tax problems, because there is a suitable tax treaty between these countries. Belgian and Dutch commuters working in Germany however, do encounter many problems. These concern especially unfavourable tariff divisions and various cost items that are not deductible from income taxes. In particular, single persons, single parents, and part-time workers who commute are disproportionately heavily taxed as a result.

Improvements in this situation, for instance by changes in national legislation and regulations on the basis of a European guideline or bilateral, treaties are unfortunately not to be expected for the time being. Some recommendations can nevertheless be made:

- As long as there are no European guidelines and bilateral treaties, coordination of tax-rules can only be achieved through the development of jurisprudence by the European Court of Justice. To stimulate this Euro-regional authorities could encourage important jurisdiction by granting cross-border legal aid by supporting individual commuters or commuters' organisations with fiscal problems in judicial procedures. This could also involve encouraging test cases, making existing regulations and jurisprudence accessible, etc.
- Cross-border administrative procedures should be tested for 'commuter friendliness' by the (tax) Bureaux for Belgian and German Affairs.

### **Social Security**

The social security position of cross-border commuters is to a significant extent governed by a European Regulation. This Regulation has to some degree coordinated the national systems of social security. Nevertheless in daily practice there are numerous problems for individual commuters, in particular regarding medical expenses, work disability and old age provisions and pensions. These problems are in part the result of the different basic principles of the social security systems, but are also due to the considerable differences between the access and retirement criteria, the levels of premiums and benefits, and so on.

As was the case with taxes, many of the problems in this area result from the very limited information available to commuters. This is due not only to the complexity of the regulations, but also to the fact that advice which is comprehensible and relevant to the specific personal situation is only available in a few places.

Apart from the great need for information, there is the problem that the administrative institutions in the various countries do not cooperate and give insufficient attention to the specific problems of border commuting. Unnecessarily long and complicated procedures are often the result.

In this area the following recommendations can be made:

- Euro-regional politicians and interest groups should be alert, when passing new legislation and making regulations in the field of social security, that the consequences for cross-border commuters are sufficiently taken into account.
- There should be more client-oriented information and advice available on the social security repercussions of working across the border.
- The recommendation made in respect of taxes, relating to granting legal aid to commuters with problems in the field of social security legislation and testing administrative procedures for 'commuter friendliness', applies here also.

### A Coordinated Approach

As we remarked earlier, the proposed initiatives will serve to bring a truly Euro-regional labour market closer, in a very complex region, which is internally divided by stubborn institutional and socio-cultural lines of division. If these initiatives are to be effective, coordination and networking between the institutions involved, in their cross-border activities, are imperative. What must be prevented is the situation in which praiseworthy initiatives of authorities, employment organisations, unions and employers' organisations, educational institutions and interest groups, overlap or are developed and executed without any coordination. Coordination should ensure that the Euro-regional whole becomes more than the sum of the parts and that good initiatives are not stillborn. In considering the organisational form of this coordination, the creation of inconvenient procedures and slow bureaucracies should naturally be avoided.

One prerequisite for a coordinated approach is the formulation of a clear political vision of what is possible and desirable as regards more far-reaching administrative cooperation in the Maas-Rhine Euro-region. With such a vision as underpinning, a policy framework could be developed which would stimulate real policy initiatives and motivate both inhabitants and public and private organisations involved.

Three policy instruments can serve as a catalyst for further developments at the policy level. The first is the creation of a Euro-regional Advisory Board in combination with

thematic work groups, consisting of representatives of local and regional government institutions, unions' and employers' organisations, educational institutions, and other interest groups. Besides an official advisory role with regard to further policy development, this advisory board could also have a role in detecting and solving coordination problems and evaluating the effectiveness of initiatives which have been taken.

The second instrument consists of the development of crucial Euro-regional Statistics, containing data on the population, the economic structure and the labour market. Euro-regional Statistics can be based on existing regional statistics. Using international norms applied in the social sciences these regional statistics could be correlated with each other, and also with the current statistics of Eurostat. In the first place, Euro-regional Statistics can play a useful part in the networking desired within the Euro-region. In the second place, they can serve as a source of information for detecting problems in the labour markets in the various border areas. In the third place, such 'Euroregional Accounts' could supply the information needed for evaluating the effectiveness of policy initiatives in the social and economic field which have been taken in the Euro-region.

The third policy instrument is the exchange of executive personnel between governments and other public sector institutions in neighbouring countries, by means of traineeships and assignments. This is analogous to the proposal above regarding employment officers. Through such a 'Euro job-rotation' plan, familiarity with the individuals, procedures and administrative culture in the neighbouring country can be enhanced.

Obviously future developments at Community and national level will have a great influence on the creation of a single integrated labour market in the Maas-Rhine Euro-region. The increasing relinquishment of national policy-making to the European level and the increasing devolution of specific powers to the regions will probably create a favourable climate. In this situation the cooperation between border areas in a euro-regional context can contribute effectively to the realisation of an integrated European labour market as a common European labour market will be particularly relevant at a (Euro)regional level where the increase of scale is most advantageous.

*This article was prepared at the Research Centre for Education and the Labour Market, University of Limburg, Maastricht. For a detailed report, see J.W. van Dam and A. de Grip, De Euregionale arbeidsmarkt: van fictie naar werkelijkheid (The Euro-Regional Labour Market: From Fiction to Reality), ROA-R-1991/10, Maastricht.*

### References

1. See J.A.M. Heijke, *Europe 1992: Start of a Migration Boom?*, ROA-W-1990/5E, Maastricht.
2. Soeters, J., (1991), 'Managing Euregional Networks', *Organisation Studies*, (Forthcoming).