

The impact of the free movement of economically active citizens within the EU

SUMMARY

The fundamental right of EU citizens to free movement within the European Union is enshrined in the Treaties, which give EU citizens the right to seek a job in another EU Member State, to live in that Member State and to access its labour market. While EU citizens have to pay taxes and contribute to social security in the Member State in which they are resident, they enjoy the same rights as nationals of that country. Following the most recent EU enlargements, it has been possible to temporarily restrict the right to work for workers from EU countries for up to seven years after they join the EU.

Among EU citizens of working age (20-64), 4.1 % resided in a Member State other than their own in 2017. This level of mobility is relatively low, compared, for example, to the United States, another integrated continental economy, where around 2 % of citizens move between states in an average year. While the US and the EU-28 both have free movement in their labour markets, there are at least three main differences: the US has a common language, it has one public employment service, and the recognition of training qualifications and university degrees is much easier. The EU has 24 different official languages, more than 28 different public employment services, and Member States each have their own qualifications regimes.

In recent years, employment rates have increased for 'nationals' and 'mobile' EU citizens in the main destination countries, especially when minimum wages and/or collective agreements are in place. The free movement of economically active citizens generally leads to higher employment, higher productivity and income (remittances), and has a positive impact on the flow of taxes and social contributions. However, as vocational qualifications are not fully recognised, the economic potential of such free movement cannot yet be fully realised.

Background

The degree to which European citizens take advantage of the right to free movement of persons in the EU is influenced by a range of factors: differing national wages and GDP, physical distance, unemployment rates and education levels, and the existence or absence of a common/similar language. The presence of networks abroad from the home country that create established community links,¹ and the [remaining obstacles](#) in the destination countries,² are also important factors. Conversely, the free movement of workers may have an impact on, among other things, employment and unemployment, education level, remittances, wages and productivity, population structure and public finances in either, or both, host and home countries. The following analysis considers the many economic dimensions impacted by the free movement of workers.

1. Employment

Among EU citizens of working age (20-64), 4.1 % resided in an EU Member State in 2017. The percentage of 'mobile' EU citizens varies greatly between countries, ranging between one per cent

for Germans and 19.7 % for Romanians in 2017. According to Eurostat, the employment rate of mobile EU citizens has increased over time and is, at the time of writing, higher than that of the active EU population as a whole: [77.1 %](#) for mobile workers in 2018, compared to 73.1 % for the EU as a whole. The number of people employed in the EU-28 increased by 12.5 million between 2010 and 2018. The share of mobile EU-28 citizens in this increase was 3 million, or around 25 %.

Intra-EU labour mobility comprises long-term labour mobility (workers residing in another Member State), cross-border mobility (workers living in one Member State and working in another), and the posting of workers (workers with an employment contract in one Member State, posted to another).

Table 1 – Composition of intra-EU-28 mobility, EU-28 citizens, 2017 by type of mobility

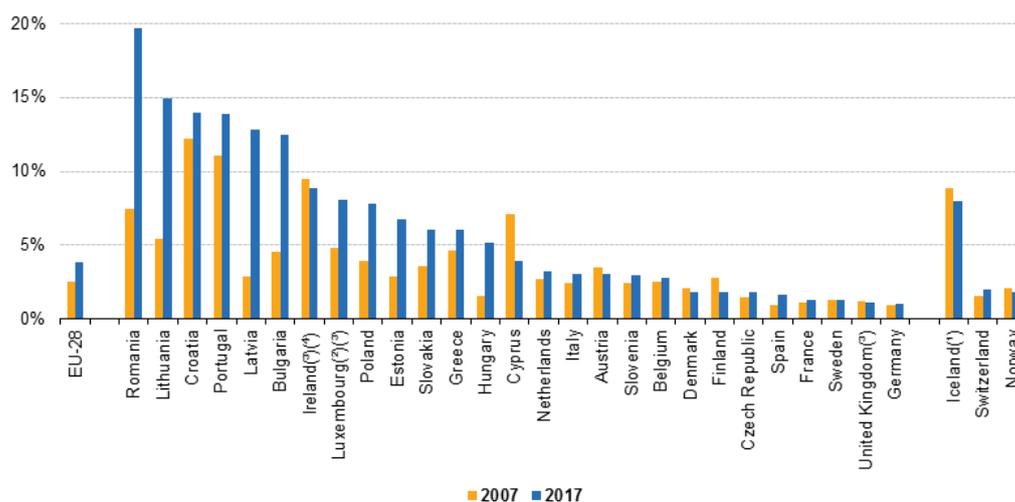
'Long-term' mobile EU-28 citizens of working age (20-64 years) living in EU-28 <i>(as share of the total EU-28 working-age population)</i>	12.4 million 4.1 %
Active mobile EU-28 citizens (employed or looking for work) <i>(as share of the total EU-28 labour force)</i>	9.5 million 4 %
Cross-border workers in the EU-28 (20-64 years) <i>(as share of the total employed in the EU-28)</i>	1.4 million 0.7 %
Number of postings (of employed and self-employed workers)	2.8 million

Data source: Eurostat and [European Commission](#).

As far as long-term labour mobility is concerned, around half of all mobile EU-28 citizens are Romanian, Polish, Italian, Portuguese or Bulgarian citizens. Emigration rates in most of the EU-13 Member States³ remain above the EU average – with the highest found in Romania and Lithuania, where emigration is up to three times higher than the EU-28 average (Figure 1).

Germany (3 million) and the United Kingdom (2.6 million) remain by far the most popular countries of destination, hosting 44 % of all 'long-term' mobile EU-28 citizens. In 2017, the number of mobile EU-28 citizens residing in the main destination countries had [increased by 5 % compared to 2016](#).

Figure 1 – EU mobile citizens of working age (20-64) by country of citizenship, % of their home-country resident population



Note: Missing data for Malta.
 In ascending order of % in 2017.
 (*) Figure of low reliability for 2007
 (*) Figure of low reliability for 2017
 (*) Break in series for 2007
 (*) Break in series for 2017

Source: Eurostat.

Between 2010 and 2018, total employment in the EU-28 rose by 6 % (see Table 2). During the same period, the percentage of intra-EU mobile citizens, rose by 50 %. The increase in employment of mobile EU citizens contributed to the overall increase in employment by 25 %, a remarkable share, given that the percentage of mobile citizens in total employment in 2010 was only 3 %. The impact on the total employment rate is also positive and amounts to more than 1 percentage point on top of the overall employment rate in EU-28.

If we look at the [absolute](#) levels of employment as a whole and among mobile EU citizens, we see that both increased in most EU countries, although differences can be seen in the main destination countries. The increase (in absolute figures) was higher for nationals in relation to mobile EU-28 citizens in Germany (+1.4 million/+1.2 million) and the UK (+1.7 million/+1 million), while in Italy (+70 000/+140 000) and Austria (+30 000/+180 000), employment increased more markedly among mobile EU citizens. Against this background, the role of minimum wages and/or the influence of specific economic sectors (such as agriculture and tourism) may need to be examined by further analysis.

Table 2 – Change in employment between 2010 (Q3) and 2018 (Q3)

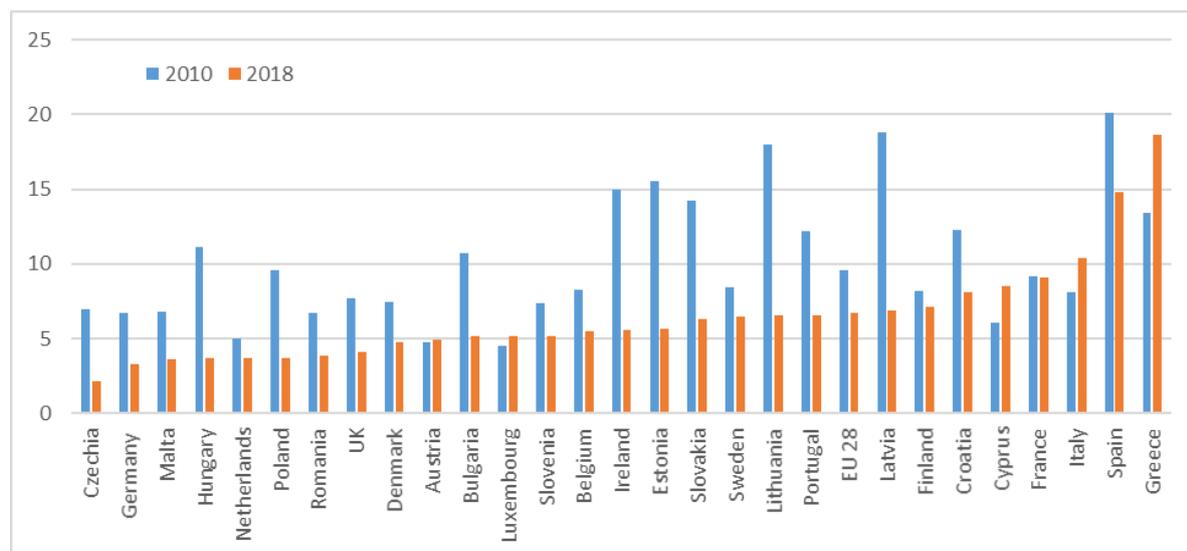
15-64 years	2010 Q3	2018 Q3	2010 Q3-2018 Q3	Increase	Share of total increase	Share of total employment in 2010	Share of total employment in 2018
Mobile EU-28 citizens	6.08	9.13	3.05	50 %	25 %	3 %	4 %
Non-EU citizens	8.10	9.55	1.45	18 %	12 %	4 %	4 %
Total non-nationals	14.18	18.68	4.50	32 %	37 %	7 %	8 %
Reporting country	199.29	207.11	7.82	4 %	63 %	93 %	92 %
Total	213.49	225.92	12.33	6 %	100 %	100 %	100 %

Data source: Eurostat and author's own calculations.

2. Unemployment

Between September 2010 and September 2018, the unemployment rate in the EU-28 decreased from 9.6 % to 6.7 %. Eurostat estimates that 6.3 million fewer people were unemployed in 2018, compared to 2010. The biggest falls were reported in Czechia (-69 %), Estonia, Latvia and Lithuania (-63 %), Hungary (-67 %), Ireland (-63 %), Poland (-61 %), Slovakia (-56 %), Bulgaria (-51 %), Germany (-51 %), and the UK (-47 %). The fall in unemployment was above the European average of -30 % in both the main sending Member States and in the main destination Member States.

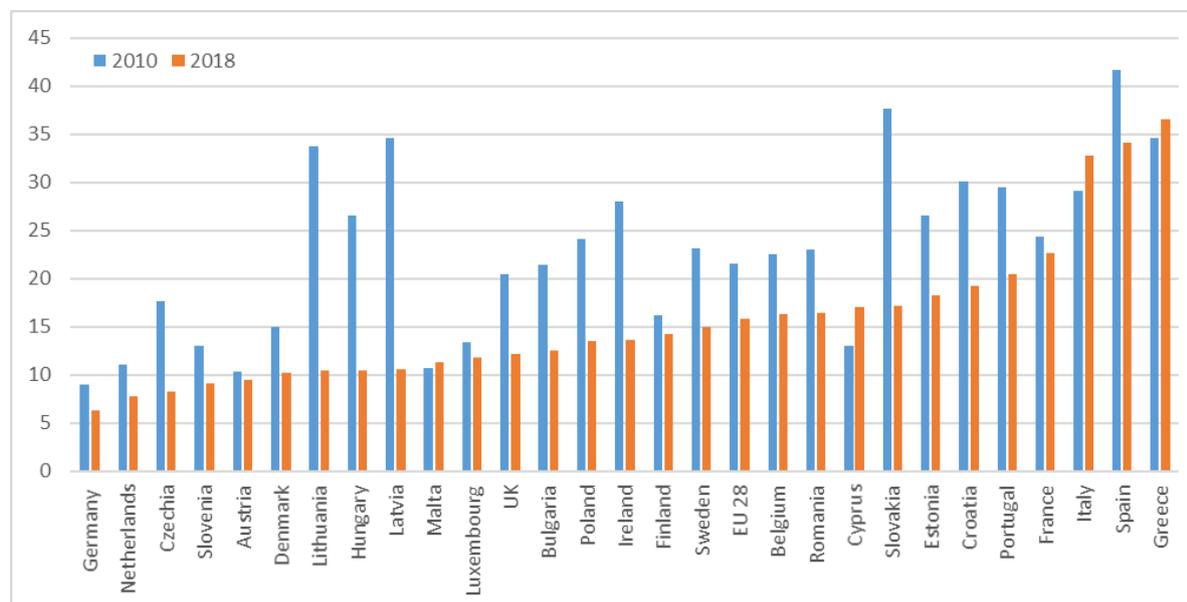
Figure 2 – Change in unemployment rates in EU-28 countries, 2010-18 (% of active population)



Data source: Eurostat and author's own calculations. (Data are for September of the two years.)

Youth unemployment rates (under 25s) have changed in a similar pattern. At -29 %, the average fall in youth unemployment is similar to that for total unemployment, but is significantly higher in Latvia and Lithuania (between -73 % and -70 %), Czechia (-68 %), Hungary (-62 %), Bulgaria (-45 %), Ireland (-53 %), Slovakia (-57 %), Poland (-50 %), the United Kingdom (-41 %) and Germany (-34 %).

Figure 3 – Change in EU-28 youth unemployment rates, 2010-18 (% of active population)



Data source: Eurostat and author's own calculations. (Data are for September of the two years.)

This downward trend correlates with the increase in the number of EU citizens residing in another EU country and in their employment between 2010 and 2018. No displacement of nationals from employment, nor any increase of unemployment in the destination countries is observed. On the contrary, unemployment decreased in the main destination countries and, even more strikingly, the unemployment of 'nationals' fell further, compared with the unemployment of mobile EU-28 citizens in the destination countries.

3. Qualification and recognition rates

People with tertiary-level education are more mobile than the rest of the population. In fact, 32.4 % of all mobile EU citizens have tertiary education qualifications, while for the entire EU population this share is 30.1 %. In 2017, [most recent](#) active mobile EU-28 citizens were even better qualified, with 40 % having tertiary education qualifications. The lowest proportion of mobile EU citizens therefore comprises those with a low level of education, at [19 %](#).

Over-qualification

Over the same period, it can be seen that female mobile citizens were in general better educated, but also had higher levels of 'over-qualification' than their male counterparts. Female and male mobile citizens were equally likely to be employed in highly skilled occupations, but female mobile citizens were [significantly over-represented](#) in low-skilled occupations; 43 % were highly qualified, but only 32 % of these worked in occupations related to their qualifications. According to the European Commission's 2017 annual report on intra-EU labour mobility, the health sector is a particular example: here, the recognition of qualifications obtained in another Member State for doctors, nurses and midwives was between 70 % and 100 % in 2015-2016. On average, nurses' qualifications were more often recognised by authorities in destination Member States than doctors'. However, despite this high recognition of qualifications, over-qualification is a widespread phenomenon among personal care workers. Among mobile personal care workers, 20 % have received a higher education than is necessary for their job, and 42 % feel over-qualified for their job. Furthermore, mobile personal care workers feel more over-qualified than the average for all mobile workers.

4. Remittances

Almost [€2 in every €3 remitted](#) across borders remain within the EU-28. As in previous years, some 60 % of total flows in personal remittances in 2017 (€65 billion) came from EU Member States. Therefore, inflows in personal remittances predominantly come from and go to another Member State. It can reasonably be assumed that this is the consequence of the fact that EU citizens move freely within the EU labour market.

The dependency of a national economy on international remittances is measured by the share of inflows in personal remittances as a percentage of the country's GDP. The highest dependency rates on remittances in the EU-28 are observed in Latvia (4.1 % of GDP) and Croatia (4.5 % of GDP) in 2017. By comparison, non-EU south-eastern European economies appeared to be much more reliant on this source of income: Kosovo (15.3 % of GDP), Montenegro (10.7 % of GDP), Albania (10.0 % of GDP), and Serbia (8.6 % of GDP), according to Eurostat.

5. Wages and labour productivity (minimum efficiency gain to date)

With its open labour market, the incentives to citizens for greater labour mobility in Europe are high, in particular when looking at the spread of gross hourly earning ratios.⁴ For instance, citizens working in Germany and the UK, with [average gross hourly salaries](#) of €15.7 and €14.8 respectively, enjoy salaries well above those in countries such as Slovenia (€7.3), Czechia (€4.6), Slovakia (€4.4), Poland (€4.3), Hungary (€3.6), and especially Romania (€2.0) and Bulgaria (€1.7) (2014 figures).

Labour productivity also varies across the EU. In 2017, the annual [compensation per employee](#)⁵ in the UK and Germany was around €42 000, and even higher in Austria, at €45 500. At the other end of the spectrum were Bulgaria (€8 600) and Romania (€10 600). The productivity gain can be measured by the difference in productivity between the sending and the destination country.

With an open labour market, changing the allocation of labour resources in Europe is possible. A 'mobile' economically active citizen is no longer limited by national borders, when they look for a job. If one compares the productivity of the main sending countries with the main destination countries, the difference – measured in GDP – is very considerable. The resulting higher productivity levels make it possible to pay higher salaries. One consequence is that the employment rates of mobile EU-28 citizens are significantly higher, because they are younger, more flexible and often over-qualified for their jobs. If one takes working conditions and wages into account, they often do jobs that could be considered unattractive. Even if the wages of mobile EU-28 citizens are lower than the wages of 'nationals', comparing these wages with the compensation per employee in the main sending countries, the incentives to move remain high. Based on this reflection, it can be estimated that the EU added value – in terms of boosting the collective GDP – achieved in 2017 through free movement of economically active citizens to the main destination countries was in the order of some €106 billion. This calculation represents the lower range because only 50 % of all mobile citizens are taken into account. The amount would be significantly higher if one included consideration of cross-border workers, posted workers, remittances and the impact on public revenues.⁶

Table 3 – GDP gain achieved from free movement to date (2017)

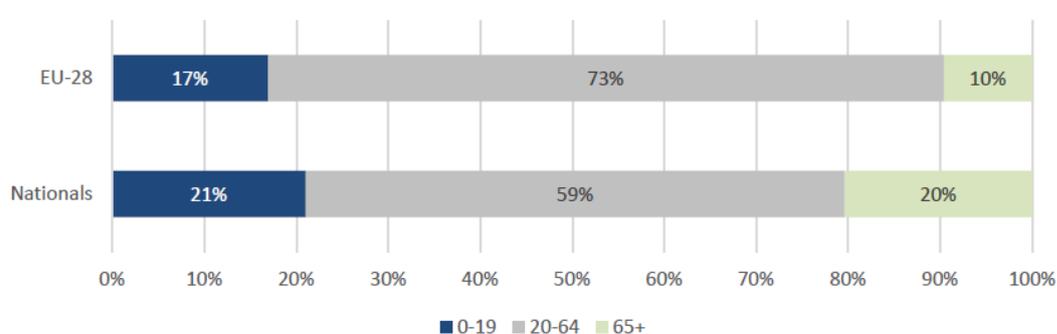
Compensation per employee in main destination countries	€42 700
EU-28 movers' wage level, at 85 % of 'nationals'	€36 295
Compensation per employee in main sending countries	€12 700
Difference in compensation	€23 595
EU-28 movers (excluding cross-border and posted workers)	9 000 000
EU-13 movers to main destination countries (around 50 % of all EU-28 movers)	4 500 000
Difference in compensation multiplied by EU movers in main destination countries	€106 177 500 000

Data source: Eurostat, European Commission, author's own calculations, and EPRS, [Europe's two trillion dividend: Mapping the Cost of Non-Europe 2019-24](#).

6. Population structure and fiscal impact

Mobile EU-28 citizens pay taxes and social contributions in the host countries. The share of mobile citizens in the working age population (20-65 years old) is [significantly higher](#) than in the national population as a whole. As a result, the 'young and old-age dependency rates' are lower. It is estimated that mobile EU-28 citizens use childcare and school facilities to a lesser extent (17 %) than nationals (21 %). They also avail of health and care facilities to a lesser extent, because their proportion of people aged 65+ is half the size (10 %) to that of nationals (20 %) of the same age group.

Figure 4 – Age structure of mobile EU-28 citizens vs nationals, EU-28 aggregate, 2017



Source: Eurostat data on population by citizenship and age group 'MIGR_POP1CTZ' (extracted on 23 March 2018), calculations by Milieu.

A 2013 study in the UK by Dustmann and Frattini comes to the conclusion that the net contribution of mobile EU-28 citizens to the local economy is positive: 'Recent immigrants, i.e. those who arrived since 2000, are less likely to both be receiving benefits and living in social housing' than the national population. The study also notes that 'recent immigrants, both those from European Economic Area (EEA) and non-EEA countries, have made a positive net contribution to the UK fiscal system despite the UK's running a budget deficit over most of the 2000s'. Dustmann/Frattini conclude that, 'if the marginal cost of providing fixed public goods to immigrants is (close to) zero, then immigration, by sharing their provision costs among a larger pool of people, allows substantial implicit savings' for the existing population. Their analysis is particularly positive regarding the 'fiscal effects immigration has had on the UK. In particular those immigrants who arrived since 2000, and here especially those from the EEA countries, have – through their positive net fiscal contribution – helped to reduce the fiscal burden for native workers'.⁷

European Court of Auditors' special report

Notwithstanding this generally positive picture, a 2018 [special report](#) from the European Court of Auditors (ECA)⁸ on the 'free movement of workers' argued that better targeting of EU funds would aid worker mobility. It argued that the Commission should provide EU workers with useful information on their social rights through general information on working in another Member State, such as on basic rights and social security issues, through networks of legal experts or links to relevant national bodies. It also stressed that the mutual recognition of professional qualifications was still incomplete and remains a significant obstacle to mobility. The European Professional Card (EPC) is a new tool for the facilitation of recognition, and when properly implemented, the recognition of regulated diplomas can work well, with a positive reception rate of applications.

The report also analysed EURES, the network designed to facilitate the free movement of workers within the EU-28 countries, plus Switzerland, Iceland, Liechtenstein and Norway. Partners in the network include Public Employment Services (PES), private employment services (PRES), trade unions, employers and other relevant actors in the labour market. Survey data provided to the ECA by national coordination offices indicate that in a number of Member States, over 90 % of 'national' PES vacancies were placed on the [EURES job mobility portal](#) in 2016, although, some countries placed less than 20 % on it. The ECA concluded: 'Overall, a significant proportion of national PES are not being posted on the EURES job mobility portal'.

7. Proposals for further action

A number of legislative proposals from the European Commission have recently been adopted by the Council and the European Parliament in the context of the [labour mobility package](#), which seeks to support free movement of workers:

- I. In January 2014, the European Commission submitted a proposal (COM(2014) 06 final) for a regulation on improving the European Network of Employment Services (EURES), to better reflect new mobility patterns, technological changes and recruitment channels, by aiming to develop EURES into a true European placement and recruitment tool. For this purpose, the EURES portal should make available an almost complete supply of job vacancies and an extensive pool of CVs across Member States. The Parliament adopted its position on the proposal in February 2016 (2014/0002(COD)) and the regulation entered into force in April 2016.
- II. The [Posting of Workers Directive](#) has been reviewed in three main areas: long-term posting, the remuneration of posted workers (making it equal to that of local workers, even when subcontracting); and more coherent rules on temporary agency workers, with the changes [adopted in June 2018](#). Member States will now need to adopt and publish, by 30 July 2020, the national laws, regulations and administrative provisions necessary to comply with this directive.
- III. [Professional qualifications](#): Rules on qualifications [vary between EU Member States](#). Someone who is fully qualified in one country may find it difficult to exercise their profession in another

country. This affects the free movement of services and people, which in turn has an impact on the number of skilled workers available to work for businesses across the EU. The Professional Qualifications Directive (Directive 2005/36/EC as amended by 2013/55/EU, [latest consolidated version April 2019](#)) is designed to overcome such problems. It provides for rules on the recognition of professional qualifications of professionals who are fully qualified in one EU country and wish to practise the same profession in another. Performance is assessed in [terms of recognition rates across EU countries](#). According to the latest available figures (2015-2017), two indicators are particularly important: first, positive recognition decisions as a proportion of all decisions made in the host country; second, the incidence of quick positive recognition decisions.

Certain proposals have been put forward by the European Commission, but are not yet adopted:

- I. [Social security coordination](#) law has been a fundamental pillar of the free movement of persons since the start of the European integration process. The coordination of social security systems within the EU aims at ensuring that each EU citizen and third-country national residing in the EU has fair access to social security regardless of the country of stay. In December 2016, a Commission proposal, COM(2016) 815 amending Regulation (EC) No 883/2004 on the coordination of social security systems, focused in particular on the areas where improvements are required, namely economically inactive citizens' access to social benefits, long-term care benefits, unemployment benefits and family benefits. An [agreement](#) on modernised rules to coordinate national social security systems was reached between negotiators for the EP Employment Committee and the Council in March 2019, but was rejected at a Coreper meeting later the same month. The Parliament thereafter postponed discussion of the file during its April II 2019 plenary session, leaving it to the new parliamentary term.
- II. [Mutual recognition of higher qualifications](#): In May 2018, the European Commission published a proposal for a Council Recommendation on promoting automatic mutual recognition of higher education qualifications and upper secondary education diplomas and the outcomes of learning periods abroad. The objective is to ensure that every student, apprentice or pupil who has completed a learning experience abroad, whether for a qualification or learning mobility, can have that experience automatically recognised for the purposes of further study or work. With the Council recommendation adopted, EU Member States made a political commitment in November 2018, to take steps to introduce automatic recognition by 2025.

8. Outlook for the future

During recent years, employment rates have increased for nationals and mobile EU citizens in the main destination countries, especially when minimum wages and/or collective agreements have been in place. The free movement of economically active citizens leads to higher employment and lower unemployment rates, as well as to higher productivity and income (remittances), and has a positive impact on taxes and social contributions. However, vocational qualifications are not yet fully mutually recognised, so the potential economic benefit of free movement cannot be realised to its full extent. Efficiency gains could yet be achieved in ways that further increase employment/employment rates and increase the wages of young and qualified mobile EU-28 citizens, which result in higher remittances, and increased productivity.

EURES could become a true European placement and recruitment tool. Providing better information for mobile EU-28 citizens on their (social) rights would facilitate mobility and their ability to find decent work. As far as the quality of work is concerned, more timely recognition of professional skills and diplomas could reduce the phenomenon of over-qualification, on the one hand, and skills shortages on the other.

Starting from a GDP gain of €106 billion in 2017, achieved through free movement to the main destination countries alone, should trends continue at their current rate, one may reasonably assume that an increase in free movement in the next 10 years would result in there being around

12 million long-term mobile citizens, or 5.4 % of the employed working age population. On the same basis, the potential GDP gain would be some €53 billion per year.

MAIN REFERENCES

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- Dustmann, C., Frattini, T., [The Fiscal Effects of Immigration to the UK](#), Centre for Research and Analysis of Migration, London, November 2013.
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- European Parliament, [Labour mobility package](#), Legislative Train Schedule, October 2018.
- [Your Europe, working abroad](#), November 2018.

ENDNOTES

- ¹ European Commission, [Labour mobility and labour market adjustment in the EU](#), December 2014, p. 14.
- ² European Parliament, [Obstacles to the right of free movement and residence for EU citizens and their families](#), 2016.
- ³ Romania, Lithuania, Croatia, Portugal, Latvia, Bulgaria, Ireland, Luxembourg, Poland, Estonia, Slovakia, Greece and Hungary.
- ⁴ Wages can be expressed in euro (used in this context), purchasing power standards or national currency. On average, costs of living are higher in the destination countries but one single euro sent back to the home country is worth two in PPS. The money earned by mobile EU-28 citizens will be spent in the destination country and the home country – sending money home can double PPS.
- ⁵ Compensation of employees consists of wages and salaries, and employers' social contributions.
- ⁶ EPRS, [Europe's two trillion dividend: Mapping the Cost of Non-Europe 2019-24](#), April 2019.
- ⁷ C. Dustmann and T. Frattini, [The Fiscal Effects of Immigration to the UK](#), Centre for Research and Analysis of Migration, London, November 2013, p 4. Similarly, CEPS, [Social Benefits and Migration: A Contested Relationship and Policy Challenge in the EU](#), September 2013.
- ⁸ European Court of Auditors, Special Report No 6/2018, [Free Movement of Workers – the fundamental freedom ensured but better targeting of EU funds would aid worker mobility](#), 2018.

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