

SPEECH

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MEETING OF THE HIGH-LEVEL GROUP ON TRANSITIONAL ARRANGEMENTS

ADDRESS BY STEVEN D'HAESELEER DIRECTOR, SOCIAL AFFAIRS

Introduction

- As a preliminary remark, I would like to clarify that I will only speak about free movement of workers. I will not address the issue of posting of workers. These are two fundamentally different phenomena and we should not mix them up.
- European business strongly supported the enlargement of the European Union. It is a historic opportunity to spread peace and prosperity to a wider part of the European continent.
- Free movement of persons is an integral part of the “acquis communautaire” and therefore has to be implemented. The right to work in another country is a fundamental freedom for EU citizens. At the aggregate level, workers’ mobility is a key element to better match labour demand and supply across the EU. It allows companies to fill vacancies more easily and more effectively. In sum, free movement of workers makes the allocation of labour more efficient which will become increasingly important in the face of a declining working-age population.
- BUSINESSEUROPE member federations are therefore overwhelmingly in favour of lifting transitional arrangements. Such arrangements should be the exception and not the rule.

On the report

- The Commission report illustrates that mobility flows from Central and Eastern European Member States were limited. The large inflows of people from these countries into the EU-15 which were feared, never materialised. Their average population share in the EU 15 rose from 0.2% in 2003 to 0.5% in 2007. Even in Sweden and other MS that opened their labour markets already in 2006 the increase relative to the population size was insignificant.

- Moreover, it seems that mobility flows from the EU-10 appear to have peaked already and are starting to decline (in some cases like the UK and Ireland, they have already significantly done so). Reasons for that development are, among others, the rapid rise in incomes and the decline in unemployment in the sending countries.
- The Commission report also shows that mobility was beneficial for economic growth and job creation. The influx of workers from the countries that joined in 2004 has had a positive effect on economic growth in the EU of 0.28%. Mobility from Bulgaria and Romania will boost GDP in the EU in the long run by 0.27.
- Companies have been able to fill vacancies more easily and affectively by hiring workers from Central and Eastern Europe. This is extremely important to remain competitive in an environment where goods, services and capital circulate freely. The availability of sufficient manpower with the rights skills mix will become ever more important in the face of globalisation and demographic ageing.
- With respect to the impact on the labour market, here also, the report shows that the fears which existed before accession never materialised. There were no labour market distortions in those Member States that have actually opened their labour markets. Workers from the new MS have not displaced local workers or driven down their wages.
- This is an important finding. It should be used to clear up misconceptions and unfounded fears. This is even more important in times of financial crisis, when people are – understandably - concerned about losing their job. There is a need for strong leadership from all of us to explain that labour migration from new Member States has not lead to unfair competition on wages and working conditions and thus lower standards for EU15 workers.
- In fact, the worry about wage competition does not take into account the highly regulated nature of EU15 labour markets. Moreover, differences in wages and living standards are a function of economic development and of productivity. They must not be considered distortions of competition.
- Unfair competition can however result from transitional arrangements when workers are legally not allowed to enter the labour market but are determined to do so. He or she will then take up a job in the black economy. The effect can be abuse of the precarious situation of the worker and a risk that no taxes and social security contributions are being paid. Employers in the formal economy become subject to unfair competition. The competition is unfair not only in terms of costs but also due to the fact that these companies do not have the possibility to recruit the worker.

Conclusion

- Member States will have to decide on whether or not to prolong the transitional arrangement in the next few weeks and months. It is important that communication is stepped up by all relevant actors (including business and trade unions, etc) to demonstrate that the realities do not confirm the fears people might have with respect to mobility. Informed debates at national level and European level are needed to improve knowledge and change attitudes in this respect.
- The Commission report provides useful findings and arguments to make the case for free movement of workers. We hope that on the basis of the evidence collected over the past few years, Member States will decide to open their labour markets. Companies need flexible labour markets where workers are free to move in order to seize new employment opportunities. Free movement allows tackling bottlenecks and labour shortages and thereby improve overall labour market functioning.
- Where Member States - on the basis of a thorough analysis - come to the conclusion that mobility flows might be disruptive to labour markets in some sectors of the economy and in some regions, transition periods can be necessary. In those cases, the scope and duration of transitional arrangements should be as limited as possible.
