

Free movement of labour and the future of the welfare state

Malin Sahlén

The free movement of workers across Member States is one of the main historic achievements of the European integration process. Not only is such freedom important from the individual worker's perspective, dramatically increasing the scope of potential employment opportunities. In a situation of uneven economic development, such mobility has also proven to be an important mechanism as a free-market regulator. The movement of workers from member states whose post-crisis unemployment levels remain higher than in nations with more favourable labour markets has improved the lot of the movers as well as cut unemployment in sending countries and helped to fill skills gaps in recipient countries, thus increasing overall EU productivity.

Fears of workers from poorer Member States flooding richer Member States, "stealing jobs", undermining wages and other working conditions as well as weakening the welfare state have proven to be unfounded. Two recent UK studies, for example, showed that immigrant workers from other Member States contributed far more in taxes than they received in benefits.¹ As the Commission has recently pointed out in a joint report with the OECD, there is a projected decline in the working age population in Europe (particularly acute in some Member States) that needs to be urgently addressed.² Migration, both from outside and within the EU, is one way to do it.

Current EU legislation is therefore for the most part satisfactory as regards mobility for European citizens. Calls for further action at the EU level to "protect workers" are more about hindering than about facilitating cross-border movement. Instead, several Member States with highly regulated and inflexible labour markets should open up their markets to allow for the reception of more labour immigration from other Member States.

The picture is less rosy for extra-EU migration. The Dublin system for refugee reception is not working the way it is supposed to. Instead, a small number of Member States end up as destination countries for a disproportionate share of the migrants reaching the Union. The question is if the Asylum, Migration and Integration fund really will be of practical use, or simply add costs to an already dysfunctional system.

Instead, the EU should be better at embracing the global human development potential of increased migration into the Union of workers from poor countries. Getting migration onto the UN post-2015 process should be a core goal. According to UNDP research, people moving from poor countries to richer OECD countries double their children's education and reduce infant mortality sixteen times.

In order for increased migration from poor countries to take place, the absorption capacity of Member States needs to be improved. In some Member States compressed wage structures, strict labour legislation, high taxes on labour and overly generous welfare benefits can inhibit large immigration from countries with low human capital levels. In Sweden, for example, such immigration has shown to be a burden on public finances due to the worst labour integration scores of all member states. Effective EU policy necessitates reforms at the national level.

Allowing foreign workers to enter, while delaying full access to welfare systems, could be considered as a way of ensuring that poor country migration into the EU will not put a serious strain on public finances.

Malin Sahlén is Project Manager in Economic Policy at Timbro.

Further reading and Swedish case studies³:

Segefeldt, Fredrik. *Migration and development: the journey out of poverty*. Stockholm: Hydra Vörlag, 2014.

Norberg, Johan, and Fredrik Segefeldt. *The power of migration: why we need open borders*. Stockholm: Hydra Vörlag, 2012.

Segefeldt, Fredrik. *A labour market for all: how integration can be improved*. Migro Report, 2013. <http://migro.se/ny-rapport-en-arbetsmarknad-for-alla-sa-kan-integrationen-forbattras/>

¹ University College London <http://www.ucl.ac.uk/news/news-articles/1113/05112013-ucl-migration-research-salt-dustmann/>

² http://www.oecd-ilibrary.org/social-issues-migration-health/matching-economic-migration-with-labour-market-needs_9789264216501-en

³ English summaries available upon request.

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