

Regulations and complexity harm EU labour mobility

Giovanni Caccavello, Research Fellow, EPICENTER

Labour market mobility in the European Union is increasing, but it remains too low to provide sufficient internal socio-economic adjustments. This situation reflects non-policy factors, such as linguistic and cultural differences, but also policy barriers. In particular, difficulties in the recognition of skills and professional qualifications and occupational licensing are still major hurdles.

At EU level, there is still little research on how occupational regulations affect labour movement. However, recent studies demonstrate that EU migrants tend to enter occupations that are less likely to be subject to occupational licensing and that regulated professions are associated with an EU-wide employment loss of around 705,000 workers.

Moreover, despite the 2013 update of the Directive on the recognition of professional qualifications, the European Commission and Member States have done little to modernise existing tools and to facilitate mobility through an easier, more transparent and less complex process.

Introduction

Broadly defined, the free movement of people means that EU citizens can move freely between Member States to live, work, study or retire in any another country of the Union. Fostering these rights has been a chief goal of European integration since the ratification of the 1957 Treaty of Rome. However, it was only after the establishment of the Treaty of Maastricht in 1992, and the implementation of the Schengen agreement in 1995, that the notion of EU citizenship to be enjoyed automatically by every national of Member States was introduced.

The gradual phasing-out of internal borders under the Schengen agreement was followed by the adoption of Directive 2004/38/EC on the right of EU citizens and their family members to move, work and reside freely within the EU. Notwithstanding the importance of these rights, substantial implementation obstacles persist and several direct and indirect policy barriers to these freedoms have yet to be properly tackled by European policymakers.

In light of the forthcoming European Parliament vote on a motion for a resolution on the obstacles to EU citizens' freedom to move and work in the internal market (European Parliament, 2017), we want to shed light on two policies that directly hinder the free movement of people across the Union: occupational licensing and the recognition of skills and professional qualifications.

Occupational licensing is inversely related to labour movements

Occupational licensing is associated with the acquisition of certain-occupation specific skills, often involving investments over and beyond schooling (e.g. exams, periods of apprenticeships, other professional qualifications). For this reason, standard economic theory predicts that regulated professions are likely to add to the cost of mobility and to be inversely related to labour movements (Friedman, 1962; Sjaastad, 1962).

In line with this theory, a recent independent study contracted by the European Commission finds that regulated professions are both associated with a wage premium of 4% and a EU-wide employment loss of around 705,000 workers (Koumenta and Pagliero, 2016). Most importantly, the research underscores that, whilst for the EU28 the proportion of foreign-born unregulated workers equates to 8.8 per cent, the share of licensed workers is just 6.5 per cent. Thus, in relative terms, the proportion of foreign-born workers among the unregulated workforce is higher by more than one third with respect to licensed workers.

As of 2017, in Europe (EU and EFTA) there are 6,301 professions that require a licence to practise. Of these regulated professions, 40.4% relate to health and social services occupations, 14.4% are related to business services and 9.4% to transport services (EC, 2017).

If, on the one hand, this study tries to fill current knowledge gaps in relation to the effects of occupational licensing on intra-EU labour migration, on the other hand it confirms previous findings that come primarily from US labour market-focused research. For example, in their latest US study, Johnson and Kleiner (2016) show that lawyers, teachers, barbers/hairdressers, dentists and

nurses (all licensed occupations) move at a lower rate across states than within states, compared to similar individuals in other occupations.

In 2015, a White House analysis on the effects of regulated professions reported that workers in heavily licensed occupations are nearly 15% less likely to relocate into another state than those in less-licensed occupations. The percentage of labour movements across states decreases even further when only workers aged under 35 are taken into account. In this specific case, even after controlling for a number of other variables, such as citizenship, sex, number of children, and education, people working in regulated professions are 20% less likely to move outside their own state (White House, 2015).

Taken together, all these studies support the standard view that licensing is likely to deter migration, or else that migrants are less likely to be found in licensed occupations. In the EU, there is still little research on how occupational regulation affects labour movements. However, a recent study by Koumenta et al. (2014) demonstrates that EU migrants tend to enter occupations that are less likely to be subject to occupational licensing.

The recognition of skills and qualifications matters

According to a 2016 comparative analysis by the European Parliament DG for Internal Policies of the Union, EU citizens still face several obstacles in getting their professional qualifications and academic diplomas recognised in another Member State. In fact, despite the recent update of the Directive on the recognition of professional qualifications (Directive 2013/55/EU) and the introduction of a European Professional Card (EPC), some regulatory barriers still persist and the asymmetry of information is still high.

Although in the EU as a whole only some 5% of applications for recognition of qualifications eventually get rejected, there are considerable differences in rejection rates across the member states. Finland, France, Greece and Ireland top the list for having the highest rates of rejections (OECD, 2016).

Whilst Member States should aim to speed up and simplify administrative procedures, the European Commission would do well to work along with them to continue the modernisation of existing tools. This implies the expansion of the number of professional qualifications recognised across the EU through the EPC; the strengthening of degree comparability through the ENIC/NARIC initiative; the upgrading of the so-called European Job Mobility Portal (EURES).

As an indicative example of the current limits, on March 12th, 2017, EURES statistics reported only 8601 employers available for jobseekers on the platform. Compared to the total number of active enterprises in the EU28 business economy, which according to Eurostat (2017) amounted to over 26 million in 2014, this is an extremely limited amount of companies.

At the moment, labour mobility within the European Union is low and only around 3.5% (or 18 million) of EU citizens reside in another Member State. The same is true for annual mobility flows between states, which amount to roughly 0.3% of the entire EU population. Therefore, in view of the lessons learned from the economic crisis, it is time for the Commission and Member States to finally adopt a longer-term view on this specific issue (Barslund and Busse, 2015).

Given current intra-EU labour mobility trends, the recognition of skills and professional qualifications across the EU is an essential tool to facilitate mobility across a range of dimensions, by nationals, EU mobile citizens and third country migrants alike. An easier, simpler and better coordinated process of recognition can ensure speedy and quality access to the market for new entrants, raise existing skill levels of job seekers, help combat high unemployment in southern Europe, allocate skills resources more efficiently, strengthen the internal market and boost regional economic and social performance (ECORYS UK, 2016).

Conclusion

On March 15th, 2017, the European Parliament will vote on a motion for a resolution that calls on Member States to remove any discriminatory practices and unnecessary barriers from their rules for EU citizens. Whilst necessary for the strengthening of the internal market, the motion fails to recognise the economic costs of regulated professions and remains relatively vague about the automatic recognition of skills and professional qualifications.

As labour market mobility remains too low to provide sufficient adjustment in the face of both diverging labour market developments and economic/financial asymmetric shocks, it is of vital importance for EU policymakers to reduce administrative and regulatory burdens that directly hinder, discourage and limit the free movement of people and labour across Member States. After years of delay, policy-related issues, such as the automatic recognition of skills and qualifications and the negative effects of regulated professions, need finally to be addressed.

References

- Barslund, M., Busse, M. and Schwarzwälder, J. (2015). “*Labour Mobility in Europe: An untapped resource?*“. CEPS. Available at: <https://www.ceps.eu/system/files/Labour%20Mobility%20PB%20joint%20Bertelsmann%20FINAL%20mb.pdf>
- ECORYS UK (2016). “*Study on Obstacles to Recognition of Skills and Qualifications*”. Available at: <http://www.eurireland.ie/fileupload/2017/Study%20on%20obstacles%20to%20Recognition%20Full%20Report.pdf>
- European Commission (2017). “*Regulated Professions database*”. Available at: http://ec.europa.eu/growth/tools-databases/regprof/index.cfm?action=map&q_selector=3
- European Parliament (2016). “*Obstacles to the right of free movement and residence for EU citizens and their families*”. European Parliament DG for Internal Policies of the Union. Available at: [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571375/IPOL_STU\(2016\)571375_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/571375/IPOL_STU(2016)571375_EN.pdf)
- European Parliament (2017). “*Motion for a resolution on obstacles to EU citizens’ freedom to move and work in the internal market (2016/3042(RSP))*”. Available at: <http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B8-2017-0179&format=XML&language=EN>
- Eurostat (2017). “*Business demography statistics*”. Available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Business_demography_statistics
- Friedman, M. (1962). “*Capitalism and Freedom*”. Chicago, University of Chicago Press.
- Johnson, J.E. and Kleiner, M. (2016) “*Is Occupational Licensing a Barrier to Interstate Migration?*” Paper presented at the ASSA Meetings, Chicago.
- Koumenta, M., Humphris, A., Kleiner, M. and Pagliero, M. (2014). “*Occupational Regulation in the UK and EU: Prevalence and Labour Market Impact, Department for Business, Innovation and Skills, London*”. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343554/bis-14-999-occupational-regulation-in-the-EU-and-UK.pdf
- Koumenta, M. and Pagliero, M. (2016). “*Measuring Prevalence and Labour Market Impacts of Occupational Regulation in the EU*”. Available at: http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=9016&lang=en
- OECD (2016). “*Labour mobility in the European Union: a need for more recognition of foreign qualifications*”. Available at: <https://oecdecoscope.wordpress.com/2016/10/27/labour-mobility-in-the-european-union-a-need-for-more-recognition-of-foreign-qualifications/>
- Sjaastad, L. (1962). “*Costs and Returns of Human Migration*”. The Journal of Political Economy, 60 (5), pp. 80-93.
- The White House (2015). “*Occupational licensing: a framework for policymakers*”. Available at: https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf