

**TO THE
COMMISSIONER
IN CHARGE
OF MOBILITY,
MIGRATION,
ASYLUM AND
BORDER
MANAGEMENT**

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European labour markets are mismatched in terms of supply and demand for labour and skills. You must work to address this through migration policies in a period of negative public attitudes towards migration and mobility. Europe also has an obligation to care for people in need of protection

STATE OF AFFAIRS

You take office at a time when Europe is confronted with several challenges related to mobility, migration and demographic change¹.

Intra-EU mobility

Labour mobility

Wherever the limits of your competences fall, you will be confronted with high levels of unemployment, especially in southern and south-eastern Europe. In many regions of Spain and Greece and in one Italian region, the unemployment rate today is above 20 percent. And at the same time you will hear serious complaints about a shortage of labour and skills in a growing number of regions and industries – not least in countries such as Germany, Austria and Sweden. This clearly hints at mismatches between supply and demand of labour and skills, caused by fragmentation of European labour markets along national boundaries.

Obviously there is no single European Union labour market, but 28 national ones. And in contrast to public perception, mobility of labour within the EU is not a large-scale phenomenon. It grew from 2004-08 because of east-west flows resulting from two rounds of EU enlargement. Then, as a result of the recent crisis, it receded.

Since 2011, intra-EU mobility has picked up again. Now citizens of crisis-hit southern EU countries (plus Ireland) leave for better

economically-performing places. Nevertheless, only 8.1 million EU citizens work and live in another EU country. Many occupy positions for which they are overqualified. In addition, there are some 1.1 million cross-border commuters in the EU. Together, these two groups represent 3.8 percent of the total EU labour force. On top of this, about 1.2 million posted workers perform short-term assignments annually related to the free movement of services.

The main obstacle to intra-EU mobility is the way European labour markets and welfare systems function. Educational systems, vocational training, labour market regulation and related social security systems are strictly organised at member-state level. The second most important obstacle is transfer of language and skills: a considerable number of Europeans who might find work abroad simply lack the linguistic competence that would give them access to adequate jobs in economically-thriving regions and industries. Others fear job offers below their skill levels, leading to de-qualification and lower pay.

There are also structural barriers to mobility. In most EU countries, various professional groups, trades and services successfully maintain entry barriers that favour insiders. The outcome is obvious. Even if skilled EU citizens would show more interest in moving, and readiness to move, to another country, or if EU member states would try to become more attractive for skilled third-country nationals, mobile people with skills could not easily become lawyers, teachers, civil servants, or establish themselves in protected trades in chosen European countries of destination.

Such barriers also prevent intra-EU mobility from playing an equalising role when dealing with macro-economic imbalances between EU and euro-area countries. While exchange rate fluctuations can no longer serve as a 'safety valve', mobility in Europe is far too small to have a similar effect. For comparison: in a normal year, some 2.7 percent of US workers move from one of the 50 states to another. In Europe, on average, 0.2 percent of EU workers are mobile across internal EU borders annually.

In this context, there is room for expansion of the European Network of Employment Services (EURES). Today it has over

Obstacles to mobility

EURES

1.7 million job vacancies and over 1 million CVs available online, representing only a small fraction of Europe's jobseekers and vacancies.

Third-country immigration

Labour migration of third-country nationals

Within the EU, some 10.5 million workers are non-EU citizens, representing 4.3 percent of the total EU labour force. The shortage of skills in certain regions and industries, however, seems to indicate that Europe, in the absence of significant intra-EU mobility, also has difficulty attracting enough third-country nationals with high and medium qualifications. In many EU member states with a positive migration balance, third-country nationals from non-EU countries on average have lower qualifications than the native work force. As a result they have been hit harder by the recent crisis than native workers. The unemployment rates of third-country nationals on average are twice as high as overall unemployment rates in the EU. And third-country nationals are employed at significantly lower rates (53 percent) than nationals of the host countries (65 percent). In countries that experienced considerable GDP contraction during 2009-13, notably Greece, Ireland, Portugal and Spain, the problem is particularly acute.

The average profile of third-country nationals living in the EU unfavourably contrasts with the foreign-born population in traditional immigration countries. Australia, Canada and New Zealand select immigrants through points systems, in which education, skills and language abilities play an important role, while the US attracts talent and skills through a combination of world-class universities and the promise of the American dream that everybody has the chance to be upwardly mobile. There is no matching European dream offering similar prospects. Many well-informed people with the ambition to migrate globally instead see Europe as a continent characterised by highly developed welfare states, but also by high taxes, less innovation and greying populations.

Border management

Asylum, irregular migration, border management

Europe's geography and neighbourhood do not make migration and border management an easy task. The boundaries of the Schengen area consist of 7,700 kilometres of external land borders, but 42,600 kilometres of external sea borders – those of southern Italy, Greece and Malta being most exposed to irregular inflows. Additional border

crossings exist at international airports and sea ports, but they are much easier to control. During a single year, some 700 million regular crossings of the external Schengen borders take place. Only a tiny fraction – maybe 0.5 percent of these border crossings – is related to international migration.

At the same time, Europe's humanitarian tradition and international conventions (including the 1951 Convention and various European legal provisions) require EU member states to admit asylum seekers and to grant them refugee status if they qualify. Upholding this tradition and legal obligation, however, becomes more difficult when an increasing number of people manage to cross Europe's land and sea borders– with many of them asking for protection. In 2013, more than 430,000 people claimed asylum in one of the 28 EU member states – a 29 percent increase compared to 2012, but still below the peak of 670,000 recorded in 1992.

Still, many asylum seekers enter the EU legally via land borders and airports. Many other citizens of third countries do not look for protection. They enter as tourists or travellers with the aim of becoming economically active on informal labour markets within the EU. Their existence serves as a key pull-factor attracting irregular migrants and inducing people to overstay their work or residency permits.

In the past your predecessors supported efforts to control migration not only at external EU borders, but also at likely points of departure for Europe. The EU concluded readmission agreements and engaged in capacity-building activities in neighbouring countries with the clear aim of reducing irregular flows. The EU also created Frontex and implemented joint instruments such as the Schengen Information System, the Visa Information System, Eurodac and, more recently, the European Border Surveillance System (EUROSUR), and the European Asylum Support Office (EASO), to assist member states.

Irregular entrants mainly enter Europe via the southern/south-eastern sea borders and eastern land borders. Countries such as Italy, Greece, Malta and Bulgaria have to shoulder the main burden of dealing with these inflows – including increasingly costly rescue operations in the Mediterranean. In 2014 alone, more than 120,000 irregular migrants and asylum seekers will arrive via Europe's southern sea borders.

Irregular migrants

For some countries, there is little political will or incentive to process asylum applications

Many of them would not have made it without assistance from Italy's and Greece's coast guard and navy patrolling the Mediterranean. At the same time, only seven EU countries, all of them located in north-western Europe, handle three quarters of all asylum applications.

Under current EU rules there is no truly functioning mechanism for burden-sharing, which the southern EU countries with large irregular inflows are asking for. At the same time, countries with large numbers of asylum applications (namely Austria, Belgium, France, Germany, the UK and Sweden) call on member states in southern and south-eastern Europe to live up to their obligations to process asylum applications. Under the Dublin Regulation, the member state in which an asylum seeker first sets foot is responsible for handling the request. Obviously, for some countries, there is little political will or incentive to process asylum applications. The European Court of Human Rights even concluded that one country, Greece, does not offer reception conditions meeting minimal standards. This legally prevents other member states from returning asylum seekers, even if Greece was the first EU country they entered.

Public opinion

Public resistance

An Ipsos survey carried out in 2011 in the main European migrant-receiving countries indicated that a majority of citizens think that migration has more negative than positive effects. A German Marshall Fund survey also showed that a majority of Europeans tend to believe that governments have lost control over migration flows. For many Europeans, this loss of control has come to be symbolised by asylum seekers and people desperately looking for economic opportunities, crammed into small boats trying to cross the Mediterranean.

The number of industries confronted with shortages of labour and skills is likely to increase

Furthermore, in several destination countries, a considerable share of citizens also opposes intra-EU mobility. According to Ifop, a pollster, more than 80 percent of Dutch and some 60 percent of French citizens believe that freedom of movement should be restricted for Bulgarians and Romanians. According to the Bertelsmann Foundation, two-thirds of Germans see mobile EU citizens as a potential ‘extra burden’ on their country’s social welfare system.

Reflecting and reinforcing these trends, political parties with a restrictive agenda are becoming more popular in western Europe. In the most recent elections to the European parliament, in Denmark, France and in the UK, parties that campaigned in favour of restricting the mobility of EU citizens and drastically reducing immigration by third-country nationals came first in the polls.

CHALLENGES

With the Stockholm Programme – the EU’s justice and internal security strategy – approaching the end of its five-year cycle, the Commission has published a communication on *‘An open and secure Europe: making it happen’*, while the European Council in its 26-27 June 2014 meeting adopted Strategic Guidelines for legislative and operational planning in the area of freedom, security and justice. You will need to work with member states on how to translate this into policy goals that will guide EU institutions and member states in the fields of mobility, migration and asylum.

Intra-EU mobility and labour migration of third-country nationals

During your time in office, European populations and work forces will continue to age. And while unemployment and underemployment will probably continue to be a burning issue for many years to come in some EU countries, the number of regions and industries

Stockholm
Programme

confronted with shortages of labour and skills is also likely to further increase.

The resulting gaps can be closed: (A) through an increase in retirement age; (B) by increased productivity and/or outsourcing of labour-intensive activities to non-European locations; (C) through a better allocation of labour based on more mobility between EU member states; and (D) by recruiting skilled third-country nationals from outside the EU. These options are by no means mutually exclusive.

Option C requires action both at Commission and at member state levels to address existing and well-known obstacles to labour mobility. When it comes to option D, the Commission has no direct competence. You can only remind member states about the following: if they decide to recruit or admit migrant labour from third countries, they will need to focus more on skills. This will not become easier over time. The Gulf States and Singapore are already competitors. In a not too distant future many more economies – including China and South Korea – will also be in need of migrant labour. As a consequence, more countries will enter the global race for talent and skills.

Asylum, irregular migration, border management

Given Europe's geography and place in the world, managing external borders will remain a challenge. Facilitating border crossings and liberalising or even abolishing visa requirements for people who travel for legitimate business, leisure or family purposes can give Europe comparative advantages in the areas of trade, academic exchange and tourism. However, border management and visa regimes serve the purpose of protecting Europe from irregular migration flows and denying certain people – namely those posing a threat to our security or seeking irregular employment – access to EU territory.

Refugees

You and EU ministers responsible for justice and home affairs will need to address Europe's dilemma: we face a lot more people in need of protection than European countries are willing and able to accommodate. This dilemma will not go away. On the contrary, this disproportionate relationship will only grow. Entrenched political conflicts and civil war are unfolding in Europe's neighbourhood – namely in Iraq and Syria, to a smaller extent in Libya, but also in parts of sub-Saharan Africa. The pull-out of NATO forces from Afghanistan

is likely to increase refugee flows from this country as many more people now speak western languages and have some connections to Europe. Furthermore, the number of political refugees and destitute people, including climate refugees – who have no claim under existing asylum law – will undoubtedly increase during the years to come.

Controlling irregular flows will not become easier because it partly depends on the willingness and ability of neighbouring countries to cooperate. Countries like Libya and Tunisia, however, definitely have other priorities, while Jordan, Lebanon and Turkey are already overburdened with 5-6 million Syrian and Iraqi refugees. You and EU ministers responsible for justice and home affairs should expect reduced cooperation when dealing with transit migrants and refugees using these countries as hubs for their journeys to Europe, as long as the EU has nothing to offer in return.

Public opinion

In many countries eurosceptic narratives are dangerously mixing with negative attitudes towards migration and mobility. While intra-EU mobility remains a popular option in member states where flows originate – for example in Poland or Romania – it is evident that at the receiving end in north-western Europe tabloid media and extreme right-wing parties, and also mainstream politicians and governments, are assigning free movement within the EU with responsibility for ‘stealing’ jobs from native workers or encouraging ‘welfare tourism’. Addressing the latter in a populist move, in 2013, the governments of Austria, Germany, the Netherlands and the UK wrote a letter to the Commission asking for the free movement of (some) EU citizens to be restricted.

The twin challenge will be to make European citizens understand the following: on the one hand – beyond the free movement of people governed by European law – it is the responsibility of member states and not of EU institutions to control borders, manage the immigration of third-country nationals and process asylum applications; on the other hand closing labour market gaps through more intra-EU mobility and the selective admission of skilled third-country nationals leads to higher economic output, not to higher unemployment.

Freedom of movement for labour must not be dissociated from the other single-market freedoms

RECOMMENDATIONS

Intra-EU mobility and labour migration of third-country nationals

Mobility of labour within the EU is an area in which the European Commission can and should act. In this situation you should make clear a few things:

Principle of freedom of movement

- As a founding principle of European integration, the freedom of movement for labour is non-negotiable. It has existed since 1 January 1968, and must not be dissociated from the other freedoms that make up the single market.
- High unemployment in some regions of the EU and an unmet need for labour and skills in other regions is not just a misallocation of resources, but creates a permanent loss of GDP.
- Improved mobility of labour within the EU requires sound procedures for the mutual recognition of educational attainments and acquired skills based on comparable standards. EU-wide standards of recognition would be helpful. A reference base similar to the European university credit and accumulation system (ECTS) could make qualifications acquired in one country more easily understood by employers and institutions in another.
- The former point is not only a matter of fairness, but an important measure to counteract brain waste and to maximise economic gains from intra-EU mobility. In line with a directive adopted in April 2014, member states must ensure that bodies at national level advise and support mobile EU workers and jobseekers (including the enforcement of their rights). You should monitor progress in this field and from 2016 evaluate the effects of such support.

- The same should apply in dealing with the Posting of Workers Enforcement Directive, which was adopted in May 2014. You should monitor to what extent member states actually engage in detecting and preventing abuse of posting and exploitation of mobile EU workers and social dumping across borders.
- You should make it very clear that existing EU treaties and legislation are not the source of wage undercutting and social dumping. The European commission cannot be a substitute for national administrations that are insufficiently enforcing labour laws, minimum wages (wherever they apply) and social security regulations.
- The same is true when dealing with complaints about cases of so-called welfare tourism. EU member states are responsible for the handling of welfare benefits. You should remind them that European law does not extend the freedom of movement and settlement to EU citizens who cannot support themselves. In any given EU member state, social benefits only have to be granted on a non-discriminatory basis to citizens of the member state and to long-term residents. Mobile EU citizens have to ‘earn’ social protection in the receiving country through prior contributions and/or residency.
- The EURES database is an important tool, but could include many more jobseekers and vacancies. To achieve this, you should invite the 28 national labour market administrations to expand EURES with the clear aim of placing more EU job-seeking citizens throughout Europe.
- Domestic regulations restricting entry into professional occupations tend to protect insiders against competition while discriminating against practitioners not trained in the country in which they want to become active. As a consequence, mobile EU citizens and third-country nationals must often undergo time-consuming and expensive assessments or training to demonstrate their skills. Such procedures need to be simplified without sacrificing their quality checking role. The aim should be to eliminate the need for case-by-case assessments when qualified migrants have been trained in systems conferring essentially comparable skills. You should encourage

Welfare
benefits

Portable rights

the regular updating of the common rules that facilitate the process of recognition.

- You should continue to promote social security coordination to make acquired rights and benefits fully portable. In a next step, this has to be fully extended to employer benefits such as occupational pensions, as stipulated in a recent directive on improving the acquisition and preservation of supplementary pension rights for mobile workers.

Labour migration of third-country nationals

The admission of labour migrants from third countries is not part of your portfolio, but should remain a matter of concern.

- You should remind member states that are managing migration at their discretion that global competition for talent is becoming tougher. EU economies in need of labour and skills will have to develop smarter selection and admission policies.
- EU countries have to improve their image as attractive destinations for skilled migrants.
- Member states should also try to avoid brain waste. Adequate jobs for skilled migrants will directly translate into higher wages and eventually into higher remittances. The latter directly reduces poverty in migrant-sending regions and increases their local GDP. Both have a stabilising effect, which is in our particular interest when these regions of origin are part of the EU's neighbourhood.

Skilled migrants

Asylum, irregular migration, border management

The dilemmas Europe faces in the field of asylum and irregular migration urgently need to be addressed:

- You should make improving the credibility of Europe's border control and asylum systems a priority, while acknowledging that perfect solutions are not available. This requires a discussion about what solidarity between EU member states could mean in practice.
- You should therefore explore enhanced mechanisms of burden sharing between the EU member states that have

Burden sharing

The EU's borders can never be fully controlled without close cooperation with neighbouring countries

to manage considerable irregular inflows or large numbers of asylum seekers, and the member states not affected by asylum seekers and mixed irregular flows. The new mechanism could combine financial compensation and a new division of tasks between member states, including territorial redistribution of asylum seekers. The latter will require capacity building in countries not affected by these flows.

- Although there are in principle EU-wide asylum standards, the likelihood that an asylum seeker gets protection still depends on which EU member state handles the request. You should encourage member states to harmonise further.
- The EU's external land and sea borders can never be fully controlled without close cooperation with neighbouring countries. You will have to find ways to assist countries that face violent conflicts and civil wars on their own borders, or that have to deal with large numbers of people in transit heading for Europe. If financial and logistical means are readily available, it is usually more efficient to deal with large-scale refugee flows in the vicinity of countries in crisis.
- At the same time you should propose alternative ways of protection, in particular resettlement programmes that bring some of the refugees to Europe in an orderly manner. In this context, you should take the lead in supporting EU member states in negotiating EU-wide quotas.
- Neighbouring countries willing to co-operate with the EU and its member states in managing borders and irregular flows should be granted preferential treatment in other

Cooperation with
neighbouring
countries

areas: for example trade, development cooperation, visa regimes and work permits.

- EU member states should be encouraged to reduce incentives for irregular migrants by reducing the size of informal labour markets and related informal economic activities. You should pursue a recent Commission proposal: the creation of a European Platform to prevent and deter undeclared work through enhanced cooperation between national labour inspectorates, fiscal authorities and other relevant enforcement bodies.

Regardless of the route you and European governments choose, many policies that address demographic change and the labour and skills demand and supply mismatches require a time horizon well beyond an electoral cycle. The only quick-fix one can think of is greater intra-EU mobility and pro-active recruitment of third-country nationals. This requires a better understanding of, and consequently more popular support for, mobility between EU member states, leading to better allocation, and for selective admission policies that target skilled migrants from non-EU countries. Europe as a rich and safe place also has an obligation to care for people in need of protection. But this should not be placed on the shoulders of just a few member states.

NOTES

01 EU PRESIDENTS

1. 'Strategic agenda for the Union in times of change', European Council conclusions, 26-27 June 2014.
2. Also, the President of the European Parliament should accept that national parliaments use the subsidiarity review more often.

04 COMPETITION

1. The antitrust definition of a market is conventionally based on tests that identify the boundaries of a market by measuring the degree of competition that different products exert on each other. If two products are very good substitutes – such that a significant proportion of demand and/or of supply would shift to one product if the price of the other is changed – then the products are considered to belong to the same market.

2. All figures quotes are up to April 2014.

3. See Mario Monti (2010) *A new strategy for the single market*, report to the president of the European Commission José Manuel Barroso, available at http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf.

05 SINGLE MARKET

1. The European House – *Ambrosetti, 2014 European Business Leaders Survey*, June.

2. Eyal Dvir and Georg Strasser (2014) 'Does Marketing Widen Borders? Cross-Country Price Dispersion in the European Car Market', mimeo, available at <http://fmwww.bc.edu/EC-P/wp831.pdf>.

3. Trade integration of goods (or services) as a share of GDP is defined as the average of imports and exports of goods (or services) divided by GDP.

4. See for instance the series of reports accompanying the 2007 Single Market Review exercise http://ec.europa.eu/citizens_agenda/single_market_review/index_en.htm

5. Some initial steps towards a framework for implementing a market monitoring exercise in the Commission were already developed in 2008, laid down in Commission Staff Working Document SEC(2008) 3074.

06 DIGITAL AGENDA

1. Sources: Domo.com: www.domo.com; onesecond.designly.com; and Intel: <http://www.intel.com/content/www/us/en/communications/internet-minute-infographic.html>.

2. Scott Marcus, J., I. Godlovitch, P. Nooren, D. Elixmann, B. van der Ende, and J. Cave (2013) *Entertainment x.0 to boost broadband deployment*, ISBN: 978-92-823-4760-7.

08 MIGRATION

1. This memo is written to a European Commissioner responsible for EU mobility, international migration, border management and asylum. In the past, these competences were divided between DG Home, DG Justice and DG Employment. A few points raised in this memo cut across other portfolios (European External Action Service, DG Development and Cooperation). The author would like to thank Elizabeth Collett, Robert Holzmann, Khalid Koser and André Sapir for their helpful comments.

09 TRADE

1. Global trade in goods fell by 12.2 percent in 2009, by far the largest decline since 1950.

2. The direction of trade and ordering of trade partners varies for exports and imports. In 2013, the EU28's top three import sources were (in descending order) China, Russia and the US, while the top three export destinations were the US, Switzerland and China. All the data in this Memo excludes intra-EU trade.

3. As of 31 January 2014, 435 physical RTAs (counting goods, services and accessions together) were notified to the GATT/WTO, of which 248 are currently in force. The overall number of RTAs in force has increased steadily since the 1990s, a trend likely to be buttressed by the many RTAs currently under negotiation.

4. US domestic law permits targeted energy exports only to countries with which the US has free-trade agreements.

10 ENERGY

1. That is, it should discuss the schemes to remunerate electricity, the roll-out of renewables, networks, demand response, capacity, system services, etc, and assign the responsibility for the development and operation of networks, renewables, etc.

2. There is some legal issue with delegating powers from the Council and the Commission to community agencies ('Meroni Doctrine') that has been widely discussed in the context of the institutions of the 'banking union'.