

LABOUR MOBILITY IN THE LISBON AGENDA

Conference organised by the Economic Council of Finland (ECF) and the European Economic and Social Committee (EESC)

Helsinki, 4-5 September 2006

SUMMARY OF THE FIRST DAY

Opening session

The Prime Minister of Finland, **Mr Matti Vanhanen**, inaugurated the opening session, addressing various aspects of labour mobility from both the Finnish and the EU-wide viewpoints. He noted that from the historical perspective Finland had both positive and negative experience in managing and adapting to developments involving major mobility of labour resources. The main challenges of today related to globalisation of the economy and a rapidly ageing population. Policies needed to facilitate the adaptation to the inevitable structural change but at the same time to respect the individual's needs and will. Changing jobs and housing often caused problems at the individual level. The rules of the labour market that were mostly in the hands of the social partners also played a key role here and called for a tripartite dialogue of which Finland had successful experience. It was in the interests of the EU to use its well-educated labour force as efficiently as possible. There was a need to create centres of excellence in Europe. To facilitate that, top experts needed to be mobile across Europe as well as globally. At the same time, the problems of the areas that were net exporters of educated labour force within Europe had to be tackled.

In her speech, the President of the European Economic and Social Committee, **Mrs Anne-Marie Sigmund**, stressed the topical nature of the congress agenda. Labour mobility fitted well the main objectives of the Finnish Presidency. In addition, the EU Commission had declared 2006 as the "European Year of Workers' Mobility". There was an urgent need to communicate and facilitate the possibilities of labour mobility within the EU. Enhancing both geographical and occupational mobility played a key role in reaching the goals of the Lisbon strategy and there was still a lot of work to be done in these fields. The most important obstacles to greater European labour mobility might be cultural or even psychological. Also, bureaucracy and the mutual recognition of professional degrees posed particular problems. At the same time, we had examples of well-functioning mobility within the educational sector such as the Erasmus programme for student exchange.

How important is labour mobility for the Lisbon objectives?

The links between labour reallocation and productivity

Professor **Eric Bartelsman** (Vrije Universiteit, Amsterdam) addressed the links between productivity and labour reallocation. The starting point of his presentation was the observation of a fast total factor productivity growth in the United States based largely on

the broad and high ICT uptake there in comparison to the EU. To what extent could this phenomenon be explained by low labour mobility? On the one hand, labour mobility facilitated diffusion of new technology. On the other hand, too much labour mobility might reduce incentives for training and human capital investment by firms. The drivers of productivity growth differed between individual firms depending on the distance from the technology frontier. Diffusion of existing technology and labour reallocation were important for firms that lay further away from the frontier. For high-tech firms, leverage of the tangible assets mattered and reallocation was costly. The United States had been better at creating very high productivity firms and reallocating resources towards those high productivity firms.

How mobile is labour in practice in Europe, and in what ways?

Deputy Director **Jørgen Elmeskov** from the OECD considered the actual differences in the labour market mobility in the light of international empirical evidence. A reliable comparison of labour mobility would necessitate a data set that enabled a comparison of labour mobility response to similar shocks in different countries. In the absence of such data, a comparison between countries was not very soundly based. Nevertheless, the available evidence in terms of, for example, migration flows and regional persistence of unemployment rates pointed to lower labour mobility in the EU and Europe (particularly in the south) in comparison to North America and the Pacific. As for policies, subsidies to owner-occupied housing and employment protection were likely to reduce mobility. Unemployment insurance might provide both positive and negative incentives for mobility. Enhancing product market competition and active labour market policies had the potential to ease both sectoral and geographical mobility, but caveats remained if, for example, policies were regionally targeted. In general, policies had to be tailored since no single European pattern existed but the level of and obstacles to mobility differed from one country to the other.

Discussion

In the resulting discussion, the role of ICT technology in improving productivity and also in reducing regional differences was brought up. The cost of reallocation might be a reason why ICT uptake had been lower in Europe and, in particular, local companies relative to multinationals of U.S. origin.

The assumed negative effects on mobility of social security was brought up and challenged. It was pointed out that unemployment insurance also served to enhance mobility by enhancing risk-taking at the individual level. An agreement was reached that unemployment insurance was less harmful than job protection from the aggregate mobility point of view.

It was also asked whether, given the stationary development of labour mobility in Europe, policies had any true potential to affect mobility at all.

The problems of labour mobility

The causes and consequences of labour immobility

Professor **Klaus Zimmerman** from the Institute for the Study of Labour (IZA, Bonn) discussed the causes and consequences of labour immobility in Europe. He stressed the importance of labour mobility in facilitating the optimal reallocation of resources as well as a quick adjustment to shocks. At the same time, he acknowledged the low mobility of

labour in the EU-15. As possible causes for immobility, he listed, for example, population ageing, increased female participation, home ownership and limited portability of social insurance entitlements. The economic gap between old and new Member States was stimulating immigration within the EU, with more readiness to move in the new Member States. Generally speaking, highly educated individuals were more prone to move within a country while people with lower education were more likely to move internationally. The main concerns of individuals planning to move were related to language and cultural differences and difficulties in finding a decent job. Policies to improve mobility should tackle these problems without encouraging the negative side effects such as the brain drain.

Labour Mobility, a key aspect of EU Employment Policy

Deputy Director-General **Lenia Samuel** (DG EMPL, European Commission) addressed labour mobility in the light of EU employment policy. She noted that, a few exceptions aside, international mobility was still rare in the EU: less than 2 per cent of EU citizens worked in another member country. Even EU enlargement had not led to any dramatic increase in mobility. This was particularly regrettable in the light of the fact that workers from Central and Eastern Europe could help to overcome the bottlenecks in the EU-15 labour markets. According to Commission estimates, lack of mobility caused 2-3 million jobs to remain unfilled in the EU. The Commission would issue next year a Communication on a new EU Job Mobility Action Plan. A key starting point of the plan was that mobility should not be seen solely as an instrument to create employment but also as a means to foster the personal development of individuals in the perspective of lifelong learning. The Commission aimed to continue to promote worker reallocation in Europe through various measures directed to monitoring and analysing, creating awareness and removing the obstacles of mobility.

Discussion

In the resulting discussion, the question was raised whether, owing to language and cultural barriers, Europe should put more emphasis on occupational rather than geographical mobility of labour. Moreover, it was suggested that true occupational mobility might be much higher than revealed by the statistics. The lack of reliable data made it difficult to assess the importance of occupational mobility.

It was also stressed that there was a need for harmonisation of certain basic rules or minimum standards in order to create a single European labour market. The problems of both sending and receiving countries should be addressed when designing policies to promote international mobility.

SUMMARY OF THE SECOND DAY

Introduction / Link with the first day

President of the EESC Section for Employment, Social Affairs and Citizenship, **Mr Henri Malosse**, opened the morning session. He referred to what had been said the previous day about mobility being a phenomenon often triggered by difficult circumstances or hard times. As Europeans were very attached to their home regions and reluctant to move elsewhere, the challenge to the EU was to create a new kind of mobility with a different driving force, namely career prospects and a quest for enriching experiences.

"Mobility – fears and opportunities"

The problems of mobility: the point of view of the employees

Confederal Secretary of the European Trade Union Confederation (ETUC), **Ms Catelene Passchier**, gave a brief historical account of the trade unions' approach to migration. Today, trade unions members often associated migration with job insecurity and the precariousness of work. Trade unions were facing an enormous challenge: they had to offer their traditional members protection and support while at the same time reaching out to migrant workers. The only way to protect workers, however, was to take the outsiders onboard – to defend their human rights, prevent exploitation and improve their living and working conditions. The ETUC supported the underlying principles of free movement of workers within the EU but there were a number of key conditions that had to be met such as equal wages and working conditions in the same territory, full respect of national collective bargaining and industrial relations systems and equal access to social benefits. The domain of free movement of workers showed the case for a truly European social model that combined open borders with basic protection and the ETUC would have to take some important steps to really achieve a European trade union movement.

What type of mobility does a company need? The point of view of a European company

Ms Bolette Wildt (Manager, Global People, Novo Nordisk) presented the mobility strategies and practices of Novo Nordisk, a big international healthcare company with some 22,000 employees in more than 70 countries. Focusing on in-house mobility between countries, she pointed out that occupational mobility, at least in the case of Novo Nordisk, was to be seen as a prerequisite to geographical mobility. In that company, there was a clear commitment to building up an international mindset with mandatory cross-cultural training. She mentioned a number of challenges to mobility within the company, such as language, expectation management and support to the family of expatriates. As external practical barriers she pointed to long drawn-out visa procedures, differences in social security schemes between countries and problems with pension portability.

Cases of successful reconciliation of different needs

Director of the European Foundation for the Improvement of Living and Working Conditions, **Mr Jorma Karppinen**, presented some major trends in geographical mobility within Europe. European citizens showed a clear upward trend in their willingness to move over long distances although mobility remained relatively low in the EU. However, there were major differences between countries. Concerning the motives for moving abroad, work and income were a major driving force to citizens from the new EU Member States, while "old" EU citizens primarily seemed to move to experience a new environment. He pointed out that networks of social relations were important to people moving to new places. There was a need for better integration of immigrants at all levels and local authorities in particular had an important role to play here. The CLIP network (Cities for Local Integration Policy) was an example of European cooperation in the area of integration and he gave a brief account of the experiences from one of the most successful cities in the network, Stuttgart. Finally, he outlined the future activities of the European Foundation that intended to go further into analysing the extent, causes and social and economic effects of mobility.

Discussion

In the ensuing debate, some of the issues raised were the role of linguistic background in relation to mobility, coordination of social security schemes and workers' representation in the case of Novo Nordisk.

Panel discussion on "Mobility policy – how to enhance mobility while respecting the needs of people"

Mr Karl-Johan Lönnroth (Director-General, Translation Directorate-General, European Commission) opened the panel discussion by referring to mobility and free movement of people as an important part of European integration and underlining the importance of multilingualism. He then listed a number of key "lessons" or principles underlying a sustainable mobility policy including the following: structural change was a continuous process that required continuous adaptability of society and individuals; the rigidity of European labour markets was detrimental to growth; workers' mobility appeared to be relatively low in Europe which was due to such things as cultural and linguistic barriers, labour market fragmentation and inconsistency in governance; as enhanced mobility brought benefits primarily in the long term, there was a need for fostering social consensus for change; EU enlargement had not caused any major labour market imbalances, despite continuing popular fears; the right policy mix to address demographic change and ensure the viability of the European Social Model had to be found; the challenges ahead required a set of coherent and mutually supportive policies.

Mr Johan ten Geuzendam (Head of Unit, Employment, Social Affairs and Equal Opportunities DG, European Commission) pointed out that the European Commission certainly did not have any miracle solution to the difficulties related to mobility. Its strategy was to follow a broad approach, covering a number of different areas and with the participation of several services within the Commission. He mentioned that the EURES network was an important step forward in the creation of a single European labour market. Referring to the speech of Erkki Liikanen at the dinner on Monday, he also underlined that mobility was of great importance to the success of the Euro. The Commission would soon launch a new Action Plan that should provide for a more positive framework for labour mobility.

Ms Mari Kiviniemi (Member of the Finnish Parliament) pointed out that labour immigration to Finland was a rather new phenomenon which meant that Finland would have to learn from other countries. Focusing on mobility within Finland, she underlined that all politicians could do was to create the necessary prerequisites and incentives to labour mobility while mobility as such had always to be a choice of the individual worker. She also underlined that education systems and development of foreign language skills was key to enhancing international mobility.

Mr Ernst Erik Ehnmark (Member of the EESC, Employees' Group) mentioned that trade unions increasingly offered their services to members going abroad to work. He called for the social partners to be much more proactive in relation to mobility that, to a larger extent, should become part of the social dialogue. In this context, he called for guidelines governing issues that were not presently covered by legislation or collective agreements. He also underlined the importance of recognition of professional qualifications.

Ms Sylvia Sciberras (Member of the EESC, Employers' Group) argued that mobility was important to European growth and that barriers to mobility had to be broken down, even if

it could entail problems in the short term. She described the situation in her own country, Malta, and underlined that labour laws and minimum requirements certainly always had to be respected.

Mr Tomasz Czajkowski (Member of the EESC, Various Interests' Group) approached the question of mobility from the point of view of young people and especially university students, mentioning lack of language skills as one of the major barriers to mobility. He called for the EU to do more in order to enhance citizens' language skills. As one of a number of proposals that could contribute to enhancing mobility for students, he called for better coordination between universities across Europe. He also called for better financial support and loan schemes to students who wanted to study in other Member States.

In the debate which followed, one of the main subjects was the question of deserted rural areas resulting from enhanced mobility.

Closing session

President of the EESC Section for Employment, Social Affairs and Citizenship, **Mr Henri Malosse**, said that labour mobility was a precondition for the success of the Lisbon strategy and that the EU needed a strong strategy to get people – and not just workers – on the move within its borders. Mobility should be seen first and foremost as an individual right and there should be a strong focus on individuals and the personal benefits of living in another country. The social partners had a pivotal role to play in this respect, while the EU had to create an environment conducive to mobility. The cultural aspect was certainly very important.

Secretary-General of the Economic Council of Finland, **Mr Vesa Vihriälä**, wound up the conference by pointing out that it had been a good example of the kind of dialogue that could lead to change. Finland had a long tradition of dialogue between different interest groups and the social partners had a strong say in the Finnish government's recent decisions on measure to improve labour mobility. The conference had proven that there was a need for more research and more comparable statistics on mobility as globalisation and technological development would keep causing fluctuations in labour force demands for a long time to come. Demographic change and "outdated" skills posed a problem but in some countries good training practices had evolved and on the whole the prerequisites for mobility seemed to be improving. He thanked the speakers and the participants and closed the conference.

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