

Economic and Social Effects of Labour Mobility in The European Union

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Abstract

The European Union (EU) legislation gives to the European workers the right to move and reside freely inside the EU. Thus, every year many workers move from one country to another in order to reach better life standards. This mobility affects economic and social structure of not only the country of destination, but also the rest of the EU. This article aims to reveal economic and social effects of labour mobility in the EU by building on the existing evidence in the literature, especially by the European Commission.

Keywords: Labour Mobility, European Union, Economic and Social Effects

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1. Introduction

Labour mobility is considered as one of the important factors affecting the equilibrium in the labour market which includes employers (like firms), workers and other labour market actors (like governments or unions). Labour market, basically, aims to reach more productive match among workers and employers. A flexible market and the promotion of mobility can be seen as a safeguard for sustained growth, prosperity, employment and social security because many parameters are altering globally (Zimmermann, 2009, p. 10). Allowing workers to move more extended area may bring better and productive matching opportunity. Labour mobility means “mobility of persons who move to seek or take up employment” (Fries-Tersch, Tugran, & Bradley, 2017, p. 20).

The EU (European Union) is suffering from unemployment problem. Unemployment rate was 9.3% in April, 2017. Although there was a decrease in youth unemployment rate from 8.4% in 2015 to 7.7% in 2016, it can be considered that youth unemployment rate in the EU is still high. In some states like Greece and Spain unemployment rate was higher than 15% in 2016. In addition to unemployment problem, in the EU there is an underemployment problem. Underemployed people are part-time workers, jobless persons seeking a job but not immediately available for work, and finally jobless persons available for work but not seeking it. According to data of 2016, 20.6 million people are underemployed: 9.5 million part-time workers, 2.3 million jobless persons seeking a job but not immediately available for work and 8.8 million people jobless persons available for work but not seeking. (Eurostat, 2017).

Boeri and Garibaldi (2009, p.416) highlight that 21 million new jobs were created since 1995 and employment increased independently of population growth. However, there is still unemployment and underemployment problems. These problems sign that there is no good match between employers and workers. Further, skill mismatch rate between European countries is so different. According to International Labour Organization (ILO, 2014, p. 8), “between 10 per cent and one-third of the employed are found to be overeducated and around 20 per cent are undereducated, which results in a total mismatch of between 30 per cent and 50 per cent of the employed in European countries”. Labour mobility might be a solution to solve this mismatch problem. In the other words, if workers move more, they can find jobs that match them skills better.

Unemployment and underemployment problems in the EU might be solved by supporting more labour mobility and making more labour market regulations. Boeri and Garibaldi (2009, p. 412) state that labour mobility and unemployment rate have an inverse relationship. Therefore, labour mobility might be an important concept to reduce unemployment rate. Also, labour mobility is accepted as a useful element to increase Europe’s competitiveness and growth (Oğuz, 2011, p. 90). This study asks whether labour mobility affect economic and social conditions in the EU positively or not.

Labour mobility has economic and social perspectives. “From an economic perspective, the free movement of labour is seen as a way of promoting labour market efficiency by improving the matching of the available labour supply to the demand from employers” (European Commission, 2006, p. 207). When people find a proper job pursuant to their skills, they can earn better salaries and can be more productive. Also, good match between

employers and workers might affect a country's economic indicators: GDP (gross domestic products) growth rate, unemployment, poverty, income distribution... etc.

In social perspectives, labour mobility may affect the relations in both the receiving society and the sending country. The relationship between social groups can change because of the social consequences of labour mobility. Migrated workers are included minority groups in the receiving country, and this might cause some confrontations between natives and minority groups. In the sending country, migration flow causes the changes of human capital. In addition, labour mobility is a significant factor which has influences on European citizenship and European identity (Favell & Recchi, 2009, p. 24).

The aim of this study is to examine labour mobility inside the EU and from the rest of the world to the EU with its economic and social effects. In the first part, history of labour mobility in Europe is summarized. In the second part, the differences between labour mobility intra-EU and labour mobility from outside of the EU are analysed. In the third part, the economic and social effects of labour mobility are evaluated. In the last part, the policies aimed at increasing labour mobility are discussed. The last chapter concludes the study and gives information for further studies. We take advantage of the description of data analysis based on European Commission's reports and other resources (like ILO, Eurostat) related to labour mobility in the EU as the methodology of this study.

2. Brief History of Labour Mobility in Europe

Labour mobility is not a new concept for Europe. Labour mobility is getting to be more important in order to supply the labour demand in Europe. After World War II, European economies began to recover and there had been a huge demand of labour. Germany could not satisfy this demand domestically, and under the guest-worker schemes German government signed some agreements with other governments: with Italy (1955), Greece and Spain (1960), Turkey (1961), Morocco (1963), Portugal (1964), Tunisia (1965) and Yugoslavia (1968). These workers who were named as guest-workers would work as long as there were jobs for them and would return to their countries when demand dropped (Hansen, 2003, p. 26). After German economy slowed down, although the large number of guest-workers returned their home countries, most of them stayed in Germany. These workers and their families constitute a part of Germany's foreign population today.

The experience of the countries which have colonial history was different than German experience on labour migration. The United Kingdom (UK) and France were some of important colonial powers in Europe. The UK allowed migrations from ex-colonial countries like India and Pakistan in order to close labour deficit from early to mid-1950s. In the UK, within a decade the number of labour migrants from these countries reached a million people. France, in 1950s and 1960s, accepted labour migrants from her ex-colonies: Algeria, Tunisia and Morocco. (Hansen, 2003, pp. 25-27).

The labour demand of the European states in the 1950s and 1960s may have caused the free mobility of labour in Europe before free movement of capital, goods and services. In 1957, the first step of free movement of workers was Treaty of Rome which aims integration and economic growth through trade. However, for the first time, in 1968, the free movement

of workers in Europe became possible with the directives which were “Directive 68/360 on free movement for workers within the then European Community (EC); and Regulation 1612/68 on the abolition of restrictions on movement and residence within the EC for workers of Member States and their families” (UK Government, 2014, p. 14). The other passages were completed by European Single Act in 1987 and The Treaty of Maastricht in 1993 which let free the movement of capital, goods and services. (European Commission, 2006, p. 207).

Labour mobility continues to be a dominant concept after World War II, and today it is still promoted inside the EU and from non-EU countries through the EU enlargement and market integration policies which have effects on economic and social structure (Zaiceva & Zimmermann, 2008, p. 1).

3. Structure of Labour Mobility in The European Union

Labour mobility in the EU is very low (Boeri and Garibaldi, 2009; Zimmermann, 2009; Bonin, et al., 2008; Ester & Krieger, 2008). According to European Commission (2006), between 2000 and 2005, while in the EU about 1 % of working age population moved to another EU state, in the US 2.8%-3.4% of working age population moved to another US' state (Ester & Krieger, 2008, p. 95). In 2006, less than 2% of the EU working age citizens were living in another EU state (European Commission, 2006, p. 241). Although there was a slightly increase, in 2013 only 3.3% of working-age population were living in other EU states (European Commission, 2014, pp. 22-23).

“Lower mobility is also seen as resulting in higher equilibrium unemployment.” (Layard, Nickell, & Jackman, 1991) (in (European Commission, 2010a, p. 120)). In the other words, in order to cope with higher unemployment rate, increasing the labour mobility rate is important. For example, Boeri and Garibaldi (2009) claim that an increase in labour mobility was gone along with the decrease of approximately 5 million unemployed between 1995 and 2007 (European Commission, 2010b, p. 88).

Labour mobility might help labour market to cope with the difference between the demand for and the supply of workers in different regions of Europe (Ester & Krieger, 2008, p. 94), so labour mobility in the EU has been promoted by Lisbon Strategy since 2000. However, balanced labour mobility is a preferable situation, because some authors think that too much mobility or too less mobility might have negative effects. For example, Bonin, et. al (2008, p. 12) express that “while it is clear that too little mobility may mean reduced adaptability, untapped employment opportunities and competitiveness, too much mobility may distort national labour markets and generate considerable social costs”. Therefore, it is better that the labour market finds an optimum level of labour mobility which has both economic and social perspectives.

The optimum level of labour mobility might be understood in the case of natural rate of unemployment which was developed by Friedman (1968) and Phelps (1968). According to Friedman (1968),

“the natural rate of unemployment is the level which would be ground out by the Walrasian system of general equilibrium equations, provided that there is

imbedded in them the actual structural characteristics of the labour and commodity markets, including market imperfections, stochastic variability in demands and supplies, the cost of gathering information about job vacancies and labour availabilities, the costs of mobility, and so on.”

This is a hypothetical unemployment level which includes frictional unemployment and unemployment due to competitive wage settings (Blanchard & Katz, 1997, p. 51). However, getting close to natural rate of unemployment might be reached through optimum level of labour mobility, because in the case of the optimum level of labour mobility in the labour market there are better matches between firms and workers, and workers are well-informed about job opportunities.

There are some general characteristics of immigrant workers related to family ties, age, education and gender. Family ties can be a determinant factor to move to another country because the network in the receiving country can be useful to find a better job. Younger people are more willing to move so age is also important to take a decision to move. Persons who have higher education level have more chance to get a better job. In addition, although gender is also a key determinant to move, there is no huge gap between the employment rates of women and men in EU states. (European Commission, 2006, pp. 222-229).

The level of skills of workers might affect the migration destination. According to Holland et al. (2011), high-skilled foreign workers prefer to move to Luxembourg, Denmark, Sweden and Ireland and low-skilled workers prefer to go to Greece, Portugal, Spain, Belgium, the Netherlands and Finland (Kahanec, 2013, p. 141).

4. Labour Mobility According to Geographic Flows

Geographic flows is a key determinant to understand the current situation of labour mobility in the EU. In the geographic perspective, the structure of labour mobility in the EU Labour mobility in the EU may be discussed under two topics: Intra-EU labour mobility (mobility of EU citizens inside the EU) and labour migration from outside of the EU.

4.1. Intra-EU labour mobility

In this part, we give data and some definitions on labour mobility inside the EU. Intra-EU labour mobility, in general term, refers the mobility of workers inside the EU. Labour mobility inside the EU is promoted by the regulations on free movement of EU citizens.

Fries-Tersch, Tugran, & Bradley (2017, p.20) describes intra-EU labour mobility in three forms: long-term labour mobility symbolizes that workers moves to another country more than one country with the aim of working; cross-border mobility refers that workers lives in a country, but they work in another by passing borders regularly; and posting workers are workers who are sent by their employers to a country for a limited period of time, but they work regularly in another country.

Long-term labour mobility increased in Europe around 1950s. After the first oil price shock in 1973, due to economic impacts of oil crisis, labour migration rate in European population gradually slowed down (European Commission, 2006, p. 210). This fall continued in the middle of 1980s. From 1990s to the first half of 2000s, a significant change had not

been observed. European Labour Force Survey (LFS) indicates that the number of mobile workers in EU-15² increased approximately 470.000 persons from 2000 to 2005; the UK was the most preferred destination (European Commission, 2006, p. 211). It was observed that between 2008 and 2012 Luxembourg, Austria, Belgium, Finland, Germany and Sweden were destination countries while Greece, Ireland, Portugal and Spain were seen as the source countries which were migrated from (European Commission, 2013, pp. 31-32).

According to European Commission (2013, pp.31), from 2005 to 2012 the number of EU citizens who were working abroad increased 2.3 million from 4.2 million to 6.5 million. The direction of this migration flow is from low-wage new Member States towards higher wage old Member States; namely from the East to the West in the continent (European Commission, 2013, p. 34). It is apparent that earning higher wage is an important aspect to move to another country. Between 2009 and 2014 the largest increase of mobility in the EU was seen in Germany (+219%), Austria (+86%), the UK (+57%), Denmark (+54%) and Finland (+60%) (Fries-Tersch, Tugran, & Bradley, 2017, pp. 10-11), so we can say that these countries are five of the most favourite countries in order to move inside the EU. After 2008, the Global Economic Crisis hit Europe continent and this might cause the increase of labour mobility in the EU.

New eight-member states (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) enrolled in the EU in 2004. This enlargement is named as Eastern Enlargement of the EU. This data shows that Eastern enlargement of the EU in 2004 has an impact on increasing labour mobility. Whilst immigrant population from these eight countries in the EU was 0.9 million people at the end of 2003, this number increased by 1 million people at the end of 2007 (Baas, Brücker, & Hauptmann, 2010, p. 48). Bulgaria and Romania became member states in 2007. Immigrant population in the EU from these two countries increased from 0.7 million people to 1.9 million people after 2007 (Baas, Brücker, & Hauptmann, 2010, p.48; Brücker, H. et al., 2009).

Cross-border workers are defined as workers who live (as a meaning of resident) in an EU country and work in another EU country. For example, a resident in the Netherlands works in Belgium or a resident in Belgium works in Luxembourg. In 2014, 1.6 million workers were cross-border workers. France (with 364.000 workers), Germany (with 229.000 workers), Poland (with 138.000 workers), Slovakia (with 132.000 workers) and Belgium (with 100.000 workers) have the biggest populations of cross-border workers residents in the EU (Fries-Tersch & Mabilia, 2015, pp. 56-58). Although the amounts of cross-border workers are relatively higher in France and Germany, cross-border mobility rates of Germany and France are lower than 2% per country (Bonin, et al., 2008; Zimmermann, 2009, p.13).

The studies show that “cross-border mobility in the EU-15 with regards to the population of the receiving country is 0.1% annually; whereas regional mobility is 1%” (Zimmermann, 2009, p. 12). This percentage can be assessed as low. Cross-border mobility might be increased by “improving the transferability and tracking of supplementary pension rights, addressing concerns for taxation of cross-border pensions, improving the cross-border

² 15 EU Member States prior to enlargement in 2004 (Austria, Belgium, Denmark, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, the United Kingdom)

recognition of professional qualifications, tackling administrative obstacles for cross-border workers and their families and, finally, giving more support for language learning” (European Commission, 2014, pp. 23-24).

Posting of workers works according to Article 12 of Regulation (EC) No 883/2004. Posted workers are contingent upon Portable Documents A1 (PD A1) which is a statement about social security legislation. In addition, persons who are active two or more member-states also get into the act according to Article 13 of Regulation (EC) No 883/2004 as being contingent upon PD A1. In 2015, it was recorded that 2.05 million persons worked with PD A1. Poland (with about 463.000 workers), Germany (with about 240.000 workers) and France (with about 140.000 workers) were three countries which issued PD A1 most. Posting of workers is a temporary situation. The duration of workers with PD A1 is lower than one year. (Pacolet & De Wispelaere, 2016, pp. 9-10).

In addition, *return mobility* may be counted as another form of labour mobility. “This can be seen as a type of long-term labour mobility, where EU movers actually return to their country of origin.” (Fries-Tersch, Tugran, & Bradley, 2017, p. 21). The difference between posting of workers and return mobility is the duration of working at abroad. According to European Commission (2015), in 2013 return migration reached to 25% at the EU level, especially in Eastern European countries like Poland, Lithuania, Estonia and Latvia, return migration drew near over 50% of immigration (Fries-Tersch & Mabilia, 2015, p. 13).

The data on intra-EU labour mobility shows that labour mobility inside the EU increased gradually. However, it is thought that labour mobility inside the EU is still low. It is possible to say that Eastern enlargement of the EU causes an increase of the labour mobility. Cross-border mobility and posting labour mobility still need some more facilitative regulations.

4.2. Labour Migration from Outside of the European Union

In the EU, immigrant populations from outside the EU show diversity, so it can be examined in three sections for ease of review: foreign-born population, foreign population and second-generation migrants.

Foreign-born population means persons who have “foreign citizenship and persons with the citizenship of their country of residence, either from birth or acquired later in life.” (Eurostat, 2011, p. 6). In 2006 in Spain, France, Belgium, The Netherlands and UK the share of foreign-born population is above 10%; and in Greece, Italy and Portugal this share is about 8%; in addition, in Spain the largest increase was recorded (Bonin, et al., 2008, p. 17). Luxembourg (with %32 of total population), Estonia, Latvia and Austria (with approximately 15% of total populations) were European countries which had the highest proportion of foreign-born population in 2009 (Eurostat, 2011, p. 23).

Europe is a continent which has a high foreign population. In Europe, although many countries are final destination countries to which immigrants from mostly Africa and Asia would like to reach, “between 1990 and 2004, in most Member States the percentage of foreign nationals either did not change significantly or it increased” (European Commission, 2006, p. 211). The fact remains that in 2004, it was estimated that the total number of non-nationals in the EU was around 25 million people and France, Germany, Italy, Spain and the

UK are the countries which have the largest numbers of foreign residents (European Commission, 2006, p. 210). Whereas EU-born foreign population signifies %3 of total unemployed, non-EU born foreign population represents 8% of total unemployed (European Commission, 2008, p. 134).

Second generation migrants refer to people who have foreign-born parents (Eurostat, 2011, p. 6). “In relative terms, second-generation migrants (both with one parent and two parents born abroad) make up a substantial proportion of the population in Estonia, Latvia, Luxembourg and France, as well as in Switzerland” (Eurostat, 2011, p. 121).

Foreign-born population, foreign population and second-generation migrants are three different groups which are shown different characteristics. In some countries like Luxembourg, the UK, Spain, France, Belgium and Austria, the proportion of immigrant populations from outside the EU is higher than other countries.

5. Effects of Labour Mobility in The European Union

Labour mobility affects a region or a society in economic and social ways. In this part, we assess the changes in the societies of the EU due to labour migration.

5.1. Economic Effects of Labour Mobility in the European Union

Labour mobility might affect GDPs, rate of unemployment, level of poverty, import/export rate or income distribution in the receiving and sending countries. All these concepts are related to economy. In this part, we evaluate the economic aspects of labour mobility.

European Commission (2008, p.143) states that migration had on average 21% positive contribution to the GDP growth in the EU-15 between 2000 and 2005. In addition to this contribution, the analysis of Baas, Brücker and Hauptmann (2010, p.66) on the impact of labour migration after the Eastern enlargement of EU in 2004 shows that in the integrated areas GDP increased approximately 2.0% (or 24 billion euros).

The consequences of labour mobility on wages can be investigated by dividing into two periods: in the short-term and in the long-term. In the short-term, wages of foreign workers affect negatively by 0.4% whilst unemployment rate increases by 0.2%. However, in long-term, according to of Baas, Brücker and Hauptmann (2010)'s simulation, wages remain stable. It is thought that labour mobility has a moderate impact on the distribution of wages. (Baas, Brücker, & Hauptmann, 2010, pp. 66-67). For example, the average pay level of Turkish workers in Germany is lower than the average pay level of German workers by 17% (Goldberg, Mourinho, & Kulke, 1995, p. 6).

It is observed that in 1995 a 10% increase of migration rate increases the imports of EU-15 by 1.6% and the export rate by 1.5% (European Commission, 2008, p. 161). This data might be interpreted that labour mobility has a positive impact on international trade.

Labour mobility has an effect on income distribution. When there is a 10% increase of migration rate, European Commission (2008, p.144) finds that about 1.7% of GDP redistributes from native workers to capital owners. Transaction from workers to capital owners might be seen as a negative impact by some political considerations.

5.2. Social Effects of Labour Mobility in the European Union

The reasons of labour mobility are not only economical or job related. The personal reasons of labour mobility may vary: “to live in a better climate, to discover new cultures and environments, to learn a new language, to live in better social condition, to earn higher income, to work in better working conditions” (European Commission, 2006, p. 234). Whatever the reasons of labour mobility, there are some social effects other than personal expectations.

Economic effects of labour market reverberate social effects. Although some writers claim that native workers would lose their jobs due to worker surplus, and minimum wages would decrease because immigrant workers may have willingness to get lower wages than native workers in order to find a job (Zimmermann, 2009, p. 8), the others express there is no negative economic effects in the long term (Baas, Brücker, & Hauptmann, 2010). Wage decrease of native workers in the short term might be caused social exclusion of foreigner workers.

The thought of losing jobs of native workers due to immigrant workers might be seen as native workers might think labour immigrants as a threat. This thought might cause social exclusion of immigrant workers in the receiving countries. However, finding hard a job or losing easily a job is not only related to workers’ surplus in the labour market, but also it is related to the match between skill and jobs. Baas, Brücker and Hauptmann (2010, p.67) express that “migrants from the new member states are characterized by a similar skill structure compared to the population of the receiving countries and are only moderately better qualified than the population in the sending countries”. According to Baas, Brücker and Hauptmann (2010), due to labour mobility, high-skilled or medium-skilled workers are not affected whilst only less-skilled workers affect slightly negatively in the short-term (Baas, Brücker, & Hauptmann, 2010, p. 67). This might mean that in the receiving countries labour mobility has no negative impacts due to skill-mismatches.

Migration of high-skilled labour might be seen as a ‘brain drain’ in the sending countries. Brain drain refers to losing high-skilled or educated human resources of a country as a result of migration. However, brain drain can be thought as ‘brain waste’ if there is no proper job for high-skilled workers in the sending countries. Therefore, labour mobility is vital in order to prevent skill-mismatches. Free movement of workers inside the EU might be seen as a ‘brain circulation’. Labour mobility might provide more productive way to use human resources in the EU. (Kahanec, 2013).

The trends of low skilled-foreign workers consist of working mostly in construction and service sectors and creating their own ghettos in the suburb. Among both native workers and foreign workers tendencies such as xenophobia are more likely to occur in lower classes. Increase in crime rates or social revolts can be observed. (Rojo, 2002, pp. 41-42).

Labour mobility might affect the EU integration positively. Living and working in another EU state is a symbol of EU integration and identity (Ester & Krieger, 2008, p. 94). In general, increased mobility helps people to meet different cultures and to engage in different societies. Therefore, labour mobility is not only a tool which provides European economic

integration, but it also helps to link different geographical parts, societies and cultures. Intercultural dialogue through labour mobility might eliminate discrimination, ethnic violation and xenophobia.

6. Other Consideration on Labour Mobility in The European Union

Labour mobility, as we mentioned before, is low in the EU. The barriers in front of labour mobility might be lack of language skills, lack of information for finding a job abroad, homologation of the education, differences among national labour standards, tax and health regulations and social insurance system from a country to another, and regulations for non-European workers. The coordination of the tax and social insurance systems and the definition of a common language might be improved in order to improve labour mobility (Puhani, 1999). This means that these barriers can be swept away by making more labour market regulations (Ester & Krieger, 2008, p. 95). In addition, the concept of 'flexicurity' is one of the employment strategies in the EU in order to be able to increase labour mobility.

Language barrier seems as one of the most important obstacles in front of labour mobility (Fries-Tersch, Tugran, & Bradley, 2017, p. 76; Eurofound, 2014, p.36). The survey of Eurobarometer (European Commission, 2010c) gives information that 52% of the survey participants think that lack of language skills is the most preeminent obstacle in relation to working abroad. Policies in the level of EU might encourage local administration to open more free language courses for immigrant workers (Eurofound, 2014, p. 36).

The lack of information for finding a job at abroad is the second most preeminent obstacle in relation to working abroad with 24% (Eurofound, 2014, p. 37; European Commission, 2010c). EURES is a job portal which aims to fill the deficiency of information on finding a job and to facilitate job placement in the EU. As of 4th of January 2018, EURES contacted with 10688 companies and included 357074 curriculum vitae (CVs) and 1,314,380 vacancies (EURES, 2018).

Homologation of the education level is provided by national authorities in the receiving countries. People who want to get the homologation of education level need to follow national procedures. "There is no automatic EU-wide recognition of academic diplomas" (Your Europe, 2017a). This is another difficulty in front of labour mobility. An EU-wide recognition system of the homologation of the education level might ease to find a job at abroad.

European Health Insurance Card (EHIC) is one of the important steps to increase labour mobility. EHIC is a card which provides access to medical treatment in any EU countries in the EU, Iceland, Liechtenstein, Norway and Switzerland. EHIC does not work as a travel insurance or does not cover medical expenses freely. It provides to reach the treatment under the same conditions and at the same cost as nationals in the host country. It simplifies the payment and reimbursement procedures. (European Commission, 2017a).

Providing better coordination of Social Security Scheme is another step which has been worked on to cope with legal barriers to mobility (European Commission, 2006, p. 244). Social Security Coordination protects social security rights inside the EU, Iceland, Liechtenstein, Norway and Switzerland, but it does not replace the national security systems

(European Commission, 2017b). However, there are big differences between national social security systems of the EU member states, and the EU rules “only determine which country's social security covers you when 2 or more countries are involved” (Your Europe, 2017b). Because there is no common social security institution in the EU, this situation might cause to lose social benefits (like sickness, invalidity, retirement...etc.) of people in the case of working in their life time in different EU member states. Having a common social security system in the EU might lead to promote labour mobility.

Blue card is a work permit which allows free movement of non-European workers. It is a regulation of the EU in order to stimulate economic development by making the EU as a desirable destination for non-European workers. The policies of taxation, health insurance and social security benefits depend on the member state in which workers work (Blue Card, 2015). Blue card is a regulation which encourages non-European people to work and reside in the EU. Labour mobility from outside of the EU might increase by spreading of blue card.

Flexicurity aims to combine flexibility and security in labour market, and was designed in Lisbon Strategy in 2000. Madsen (2006, p. 61) mentions four forms of flexibility and four forms of security: numerical flexibility, working time flexibility, functional flexibility, wage flexibility, job security, employment security, income security and combination security. According to Madsen (2006, p.61), there are sixteen potential combinations to create a way of flexicurity. The principles of flexicurity are “employment prospect, social protection system, social inclusion, social partners, job transitions, social partners and allocation of resources” (Oğuz, 2011, p. 102). One of the best examples of flexicurity is Danish Model which combines “flexible hiring and firing rules for employers with income security for employees” (Andersen & Svarer, 2007, p. 1).

In Denmark, according to OECD (The Organisation for Economic Co-operation and Development), unemployment rate of Denmark has been lower than Europe’s unemployment rate since 1990s due to a series of reforms in the labour market. Danish Model gives income support and lowers tax payment when people is unemployed but the labour force participation rate is still high, because welfare model of Denmark is employment focused. (Andersen & Svarer, 2007, p. 4).

Madsen (2006, p. 64) states that in Danish Model labour mobility is relatively high when comparing international labour mobility level. Flexicurity seems as an important step of labour policies of the EU, and also labour mobility might increase by developing specific flexicurity models according to its own understanding of welfare.

7. Conclusion

Labour mobility differs from the mobility of other economic resources because movers are workers and they aim to find a better job and work in the consequence of this mobility. It is thought that the EU is still suffering from unemployment and underemployment problems. Labour mobility might be seen as a solution to struggle with unemployment and underemployment problems which may come to light due to skills mismatch.

Labour mobility is not a new concept for Europe. In 1950s, some countries like Germany, France, the UK made a call to workers in order to meet the deficit of labour demand. Whereas

Germany made a call to workers from other states of Europe and periphery countries, France and the UK satisfied labour needs from their ex-colonial countries. This labour demand might be a reason to take the first step for free movement of workers in Europe before free movement of capital, goods and services. Therefore, the first regulations and directives on free movement of workers were signed at the end of 1960s. After the Treaty of Maastricht in 1993 the Treaty of Maastricht in 1993 mobility of people, capital, goods and services, in general, is promoted more as a step to create a European identity.

More regulations on free movement of workers inside in Europe played a key role when constructing the EU. Labour mobility is always crucial for the EU. However, labour mobility is still low in the EU. According to European Commission (2014)'s data, in 2013 only 3.3% of working-age population lives in other EU states. The amounts of EU citizens who were working abroad was only 6.5 million in 2012. Eastern Enlargement of the EU increased labour mobility one million people more after 2004. This might be interpreted as that labour migration flows from the South and East countries of Europe to the North and West countries of Europe increased after the Global Economic Crisis in 2008.

Labour mobility has economic and social aspects. As economic aspects of labour mobility, labour mobility affects GDPs, rate of unemployment, level of poverty, international trade, income distribution in the receiving and sending countries. The economic impacts of labour mobility might be understood slightly negative in the short-term, but in the long-term labour mobility might decrease unemployment rate and increase GDP level and international trade capacity.

Labour mobility, as social aspects, might cause some contradictions between native workers and immigrants workers in the receiving country due to the perception of native workers they might lose their jobs because of immigrant workers. However, for the long-term, the impact is insignificant. On the contrary, labour mobility might reregulate skills mismatch in the receiving country. Another social effect might be seen as 'brain drain' in the sending country, but this concept may be replaced with 'brain circulation' when providing optimum labour migration in the EU. It is possible that labour mobility has a positive impact on the integration of the EU by supporting more intercultural dialogue. Therefore, free movement of workers, thereby their families, might play an important role for the integration of the EU.

The EU has some policies on labour mobility: free (or very little paid) language courses for foreigners, EURES, EHIC, blue card, flexicurity models (which is applied by some member states). However, it is recommended that the EU might develop common homologation system of educational level and common social security scheme in order to increase labour mobility.

Flexicurity might be considered as a model to increase labour mobility and to decrease unemployment rate in the EU, because flexicurity provide a flexible and secure social system in the labour market.

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