



Welfare benefits and intra-EU mobility

SUMMARY *“Welfare tourism” expresses the concern that individuals use the right of free movement of persons with a view to benefiting from a more favourable welfare system.*

The principle of free movement of persons entitles EU citizens to reside in another Member State, under certain conditions. Only limited restrictions can curtail this right, namely temporary restrictions based on the Accession Treaties, agreed for the recent enlargements. Even if there are very few barriers to free movement, intra-EU mobility is limited and most of it is directed to EU 15.

National social security systems are coordinated to ensure that free movement of persons is not hindered. Expenditure on social protection is spread across a range of welfare benefits, in broadly similar shares throughout the EU.

Assessing the impact of immigration is not straightforward. Some elements can help to assess its impact on social security, but those studies which do exist stress the lack of data relevant to the issue, and the limited impact on welfare systems.

Current concerns about “welfare tourism” mobility relate in particular to the imminent ending of transitional arrangements.

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Issue definition

“[Welfare tourism](#)”, or benefits tourism, refers to the concern that EU free movement of persons could be used by individuals (seen as “benefit tourists”) to take advantage of more generous welfare systems. A few pre-2004 Member States – the EU 15 – are the (supposed) targets of benefit tourists.

Welfare tourism has appeared in the headlines in relation to the [economic crisis](#), and the fact that transitional arrangements for citizens of Romania and Bulgaria are close to their end.

[Geographical labour mobility](#) is based on economic disparities, workers moving where there are more job opportunities. With a broader meaning, “[opportunity differentials](#)” refer to the possible gain, in terms of job, earning and career perspective for the whole household (partner and family), compared to the situation at home.

To provide facts and information regarding so-called “welfare tourism”, it is necessary to clarify under what circumstances (intra-EU mobility and welfare benefits) it may occur in the European Union, before identifying elements which can be used to assess the impact of this phenomenon.

Intra-EU mobility

“Intra-EU mobility” refers to free movement of EU citizens within the EU, in contrast to mobility from and to third countries.



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Free movement of persons

In the EU, [free movement of persons](#) provides a legal framework with, in principle, no legal restrictions on mobility.

Free movement of **workers**¹ encompasses several entitlements aimed at making it possible to work in another Member State (MS). The right of residence (including for a worker's **family members**), and equal treatment with national workers, are key principles, with only limited exceptions. **Job seekers** are also entitled to seek a job and to reside in another MS to do so.

For **persons**, economically **non-active** and not a worker's family member, the right to free movement derives from EU [citizenship](#). EU citizens are entitled to reside in another MS. For up to three months, citizens are only required to have a valid identity document; beyond three months they are required to have sufficient resources and comprehensive sickness insurance². After five years of residence, permanent residence is granted.

[Using entitlements](#) deriving from free movement cannot be seen as an abuse, the Commission has stated.

Limited exceptions to free movement

MS retain the possibility to take expulsion or exclusion measures, provided they are necessary and based on public policy³.

Neither economic reasons nor failure to comply with formalities can be grounds for expulsion and exclusion. As regards the right of residence, the Citizens' Rights Directive ([2004/38/EC](#)) provides explicitly that recourse to the social assistance system cannot be grounds for automatic expulsion.

Temporary restrictions on free movement of new MS nationals

So-called [transitional arrangements](#), included in Accession Treaties, set a seven-year period during which [certain limitations](#) in the free movement of persons are possible. Such measures remain until the end of 2013 for Bulgaria and Romania. Regarding

Croatia⁴, limitations can be used for up to seven years from accession (to 30 June 2020).

EU citizens living in another MS

Reasons to migrate for EU citizens

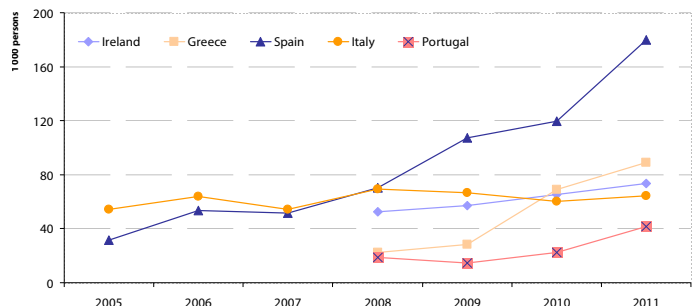
The first reason for EU citizens to settle in another MS is [work](#). Other reasons include family, study and retirement.

Intra-EU mobility waves

Cross-border and seasonal [flows](#) existed before the 2004 enlargement, both among the EU 15 and among central European countries. After 2004, east-to-west mobility followed EU enlargement, but was shaped by restrictions resulting from transitional arrangements.

[Recent flows](#) show a decrease in east-to-west mobility. Emigration from MS most affected by the crisis (which is not limited to intra-EU migration) is increasing.

Figure 1 – Impact of the crisis on emigration from worst hit countries (emigrants per 1000 population)



Data source: [Eurostat](#)

There are fewer [EU nationals](#) than third-country nationals **living in another MS** at both EU 27 and EU 15 levels. Figure 2 shows that most EU citizens living in another MS live in one of the EU 15 MS (13 million out of 13.6 million).

Figure 2 - Population by EU/ non-EU origin in EU 15 and EU 27 in 2012, in thousands

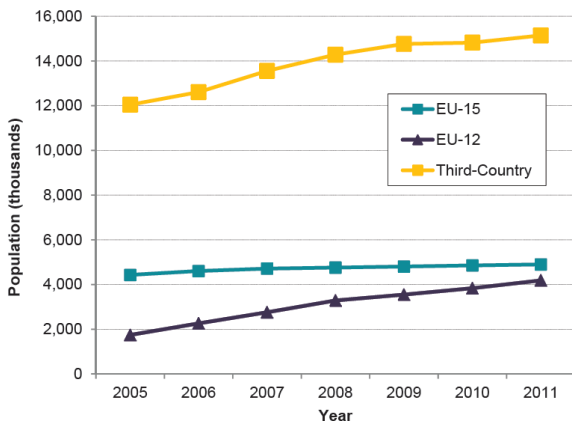
		EU15	EU27
Foreign nationals	Population	32.647	34.323
	% of total	8,1%	6,8%
Mobile EU nationals	Population	13.095	13.615
	% of total	3,3%	2,7%
Third-country nationals	Population	19.553	20.708
	% of total	4,9%	4,1%
Total population		400.842	503.664

Data source: [Eurostat](#), 2013

EU citizens working in another MS

While EU nationals living in another MS amount to 2.7% of the EU 27 population, in [2012](#) EU nationals working in another MS represented 3.1% of workers in the EU 27. This share amounts to 6.6 million EU citizens working in another MS in 2012.

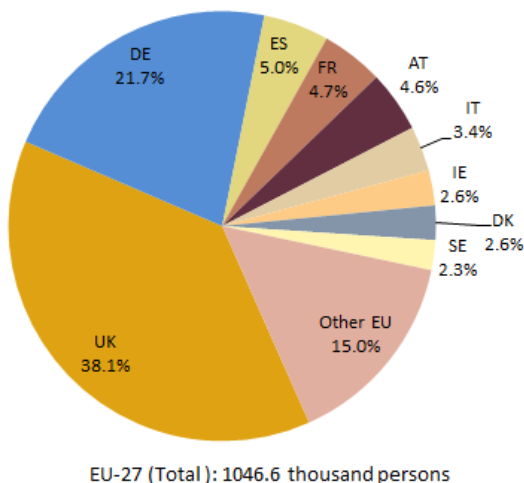
Figure 3 - Working-age foreign population in the EU 15, 2005-11



Data Source: [Eurostat](#)

As regards migration flows, in the two-year period up to 2012⁵, around [630 000](#) active EU nationals took a job in another MS. They emigrated to a limited number of MS.

Figure 4 - MS where migrants (EU and third-country nationals) took a job (2012)



Data source: [Eurostat](#)

The [2013 Eurostat Labour force survey](#) provides data, at EU 27 and MS levels, on employment rates and unemployment rates. The **employment rate** at EU level is slightly higher for EU citizens working in

another MS (67.7%) than for nationals (64.6%), and is notably higher than for third-country citizens (53.7%). At MS level, the figures vary, reflecting the economic situation, with employment rates lower in MS worst hit by the crisis.

At EU 27 level, the unemployment rate for nationals is 9.8%, 12.5% for EU citizens working in another MS, and 21.3% for third-country nationals⁶.

Taking a life-long perspective, 10% of EU citizens indicated that they had worked in another MS, in a [2011 Eurobarometer](#).

However, the [June 2013 Employment Survey](#) found that "intra-EU mobility of workers is playing a minor role in offsetting imbalances, as mobility from the hard hit southern countries remains limited"⁷.

Welfare benefits

Coordination of social security systems

MS remain free to determine their own social security systems, as they are only coordinated and not harmonised in the EU. Coordination of social security among MS was a tool to remove obstacles to mobility, since differences in national social benefits were at the time a deterrent to mobility.

[Current provisions](#) are set out in Regulation 883/2004/EC of 29 April 2004, on the coordination of social security systems. Coordination provides for equal treatment between EU citizens and nationals, meaning that they are entitled to the same benefits under the same conditions.

Welfare benefits consist of transfers (in cash or in kind) to households, related to sickness, maternity (and equivalent paternity benefits), pension, unemployment, invalidity, accidents at work and occupational diseases and family benefits as well as death grants. Benefits can be distributed universally, without checking household income (i.e. with no reference to a revenue threshold) or only to those qualifying.

In relation to freedom of movement (and more specifically with the Citizens' Rights Directive 2004/38/EC), controversy arose in relation to social assistance⁸, namely the use of a right-to-reside test, for non-active persons and those not workers' family members.

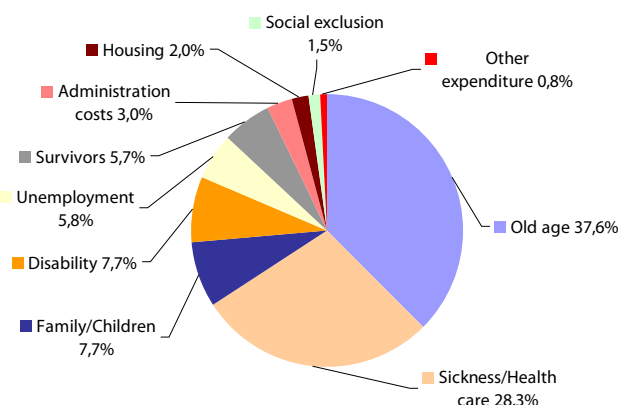
Some figures

From a statistical point of view benefits are classified under eight headings in the European "System of Integrated Social Protection Statistics" ([ESSPROS](#)) used by Eurostat.

[Expenditures on social protection](#) as a **ratio of GDP** accounted in 2009 for 29.5 % of EU 27 **GDP**, varying from a 16.9% to a 33.4% share at national level.

Expenditure on social protection **per capita** also show variations among EU MS. Assessed through "purchasing power standard" (which limits distortions resulting from price levels), expenditure per person varies by a factor of more than 6⁹. The relative shares of benefit spending are presented in figure 5.

Figure 5 - Expenditures on social benefits at EU level in 2011



Data source: [Eurostat](#)

In nearly all MS the **order of importance** is the same as that for the overall EU 27¹⁰.

This allocation of social expenditures reflects demographic and economic factors.

With a person's economic and family situation varying over their life-time, so does their use and entitlement to welfare

benefits: i.e. use of welfare benefits is linked to age and level of employment.

Impact of mobility at national level

Financial impact

Assessing the financial impact of immigration is neither a straightforward nor a clear-cut accounting exercise, as shown in the 2013 OECD report, "[The fiscal impact of immigration in OECD countries](#)". The review of studies on the issue is summarised as follows: *"There are many different ways to measure the fiscal impact of immigration and all methods and approaches rely heavily on debatable assumptions and modelling choices that can significantly change the result. Nevertheless, some general tendencies seem to hold across most OECD countries. (...) The fiscal effect is generally rather small."*¹¹

Assumptions and availability of data

Assessment of the financial impact depends on **assumptions** and on the **availability of relevant data** and statistics¹².

Choices regarding the **period considered** produce different assessments. Using annual or budgetary terms leads to an accounting approach, whereas the choice of a longer period is the basis for a dynamic and macro-economic approach.

The levels of public bodies (central government or also local levels) considered also produces different results.

In connection with benefit consumption, it should be noted that a low fiscal contribution is not necessarily an indicator of intense recourse to welfare benefits. It can instead be related to a low level of earnings, implying limited tax and contributions paid.

Impact of characteristics of migrants

[Studies](#) show that the fiscal position of immigration is the outcome of several factors, in particular, the age of immigrants, their level of education and employment¹³.

When assessing the impact in an accounting perspective, the age of migrants is important since migrants are not recipients

of old-age benefits, and [instead contribute](#) to them.

As for the level of education of migrants, this can result in a net contribution if it is translated into corresponding earnings.

Elements regarding intra-EU mobility

[Studies](#) indicate that the level of education of intra-EU migrants does not necessarily result in a corresponding level of employment¹⁴.

Citizens taking advantage of free movement are generally young, at an early stage of their working life. This was, in particular, evident in the case of intra-EU migration from central and eastern European MS as, for instance, evidenced in the case of the [UK](#). Young migrants generally had limited recourse to healthcare and made no use of old-age benefits.

A [recent study](#)¹⁵ on the welfare-magnet hypothesis, with a focus on intra-EU mobility towards the EU 15 concludes that no statistical findings substantiate the existence of such an attraction driven by welfare benefits.

Some examples

Some studies focus specifically on the impact of intra-EU mobility in a particular MS.

For example, in the case of the UK, "[Assessing the fiscal costs and benefits of A8 migration](#)" shows that EU citizens from the 2004 entrants (except Cyprus and Malta) are on average younger, have a high level of education, are comparatively less-well paid and claim few benefits (and fewer than nationals). With regard to welfare benefits, the assessment does not conclude that they have greater reliance on them, but rather the contrary.

In assessing the [impact of immigration from the EU on the UK](#), studies do not bring conclusive answers. In fact, the conclusions depend on the field assessed (living standards, employment and wages, public

finances or housing market) and on the scope of the assessment (overall or local).

A study regarding the [Netherlands](#) indicates that the vast majority of EU citizens do not rely on welfare benefits.

European Union

A growing debate

Concern that intra-EU mobility could be used to profit from host welfare systems has been pushed onto the EU agenda.

A [joint Austrian, German, Dutch and UK letter](#) to the Council Presidency and competent Commissioners called for action to combat "welfare tourism"¹⁶. The Commission answered by calling on these MS to provide [supporting evidence](#). The Commission also made it clear that it did not have any intention to amend free movement rules. Free movement of persons was subsequently discussed at the 6-7 June 2013 [Justice and Home Affairs Council](#).

In parallel to the discussion launched by the joint-ministerial letter, national provisions imposing additional conditions upon EU citizens not requested from national citizens are under [legal scrutiny](#) before the Court of Justice. In one case relating to social assistance, the Court rendered its judgement on 19 September 2013 in the [Brey case](#) (C-140/12).

European Parliament

At EP level, free movement of EU citizens was debated in relation to transitional arrangements in plenary in December 2011 further to oral [questions](#) to the Commission.

On the more recent discussion triggered by the joint-ministerial letter, [written questions](#) were answered by the Commission, which noted that it would report by the end of 2013 on any problems identified. Moreover, it is ready to examine the compatibility with EU law of any measures taken by MS.

Main reading

"[Benefits tourism: a real danger for the EU or is it just hype?](#)" dpa.Insight EU, 03.07.2013.

"[Social benefits and migration: A contested relationship and policy challenge in the EU](#)", Guild e.a., CEPS, 19.09.2013

[OECD \(2013\), International Migration Outlook 2013](#), OECD Publishing.

[European social statistics, 2013 edition](#), Eurostat pocketbook.

[How free is free movement? Dynamics and drivers of mobility within the European Union/](#) M. Benton and M. Petrovic, Migration Policy Institute, 2013.

[Free movement of persons in the EU: how free, under what conditions and for whom?](#)/ Ghimis A. et al., EP Library Key Source, 24 June 2013.

[Facilitating intra-EU labour mobility/](#) A. Theodosiou et al., EP Library Key Source, 1 July 2013.

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Endnotes

- ¹ In TFEU, Article 45. Self-employed workers also enjoyed free movement on the basis of the freedom of establishment (Article 49 TFEU).
- ² This should cover general health risks, in conjunction with the emergency treatment provisions of [Regulation \(EC\) n°883/2004](#) on coordination of social security systems.
- ³ For a detailed presentation see [Free movement of persons in the enlarged European Union](#), N. Rogers et al., Sweet & Maxwell 2012, Chapter 13 "Exclusion and expulsion" (pp. 249-274).
- ⁴ The [Accession Treaty for Croatia](#) includes special arrangements; see Annex V, "Free movement of persons".
- ⁵ Source [EU Employment and Social Situation Quarterly Review](#), p. 43.
- ⁶ Data by MS can be found in [European social statistics, 2013 edition](#), in the "Labour Market" chapter.
- ⁷ Quotation from p. 6. Also refer to "Special focus: geographical mobility of workers in the EU", p. 38.
- ⁸ For a detailed presentation of the relevant case-law, see "EU regulations on the coordination of social security systems and special non-contributory benefits: a source of never-ending controversy," by R. Cornelissen in "[Social Benefits and Migration: A Contested Relationship and Policy Challenge in the EU](#)", and the judgment in the [Brey case](#) (C-140/12), rendered on 19/09/2013.
- ⁹ Table 2 of the [Eurostat focus](#). An extreme figure in the table increases the variation to eight times but a footnote indicates that the highest value, for Luxembourg, also includes benefits paid to people living outside the country. Values not including those reduces the variation to six times.
- ¹⁰ With the exception of Ireland. Data by MS can be found in [European social statistics, 2013 edition](#), in the "Social protection". chapter.
- ¹¹ [OECD \(2013\), Study](#), p. 145.
- ¹² As an example, data can relate to foreigners or foreign-born, see box 3.5 "[Comparing the fiscal impact of foreign-born and foreign nationals](#)" in Chapter 3 of the [OECD \(2013\), Study](#).
- ¹³ Statistical data can be found for the EU 27 and by MS in [European social statistics, 2013 edition](#), in particular in the "Migration flows" and "Migration stocks" chapters.
- ¹⁴ For an explanation see [Geographical labour mobility in the context of crisis](#), p. 19: "*Across much of the EU, there is a tendency for the high-skilled non-native population to work in lower-skilled jobs. To some extent this may be related to language barriers, and also to a lack of recognition of foreign qualifications*".
- ¹⁵ Chapter 7, "Does generous welfare attract immigrants? Towards evidence-based policy-making", C. Giulietti and M. Kahanec, p. 128 of the [pdf version](#).
- ¹⁶ A [European Policy Centre](#) comment strongly criticises the letter.