An assessment of the impact of intra-EU posting

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There tends to be a tendency to confuse absence of evidence for a proposition as evidence of its absence

The Economist (2010)

Outline of the presentation

European Commission

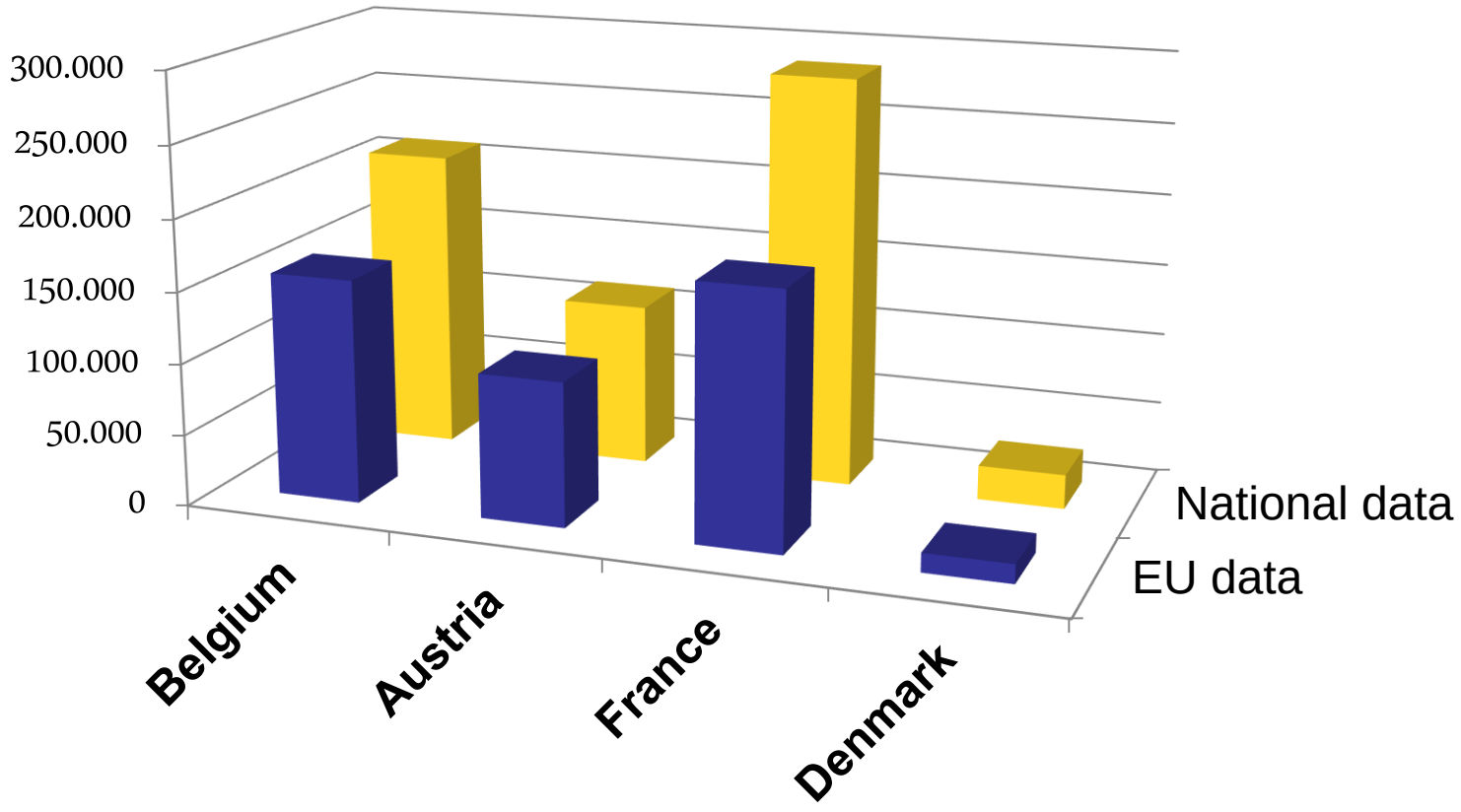
- The Revision of the PWD
- Impact Assessment
- Open Research Questions
- The Enforcement Directive

The drivers of the Revision

- A *political* commitment to a deeper and fairer Internal Market
- Repercussions of wide wage differentials across the EU on competition in the Internal Market
- Institutional imbalance within the PWD

Problem analysis: selection of issues

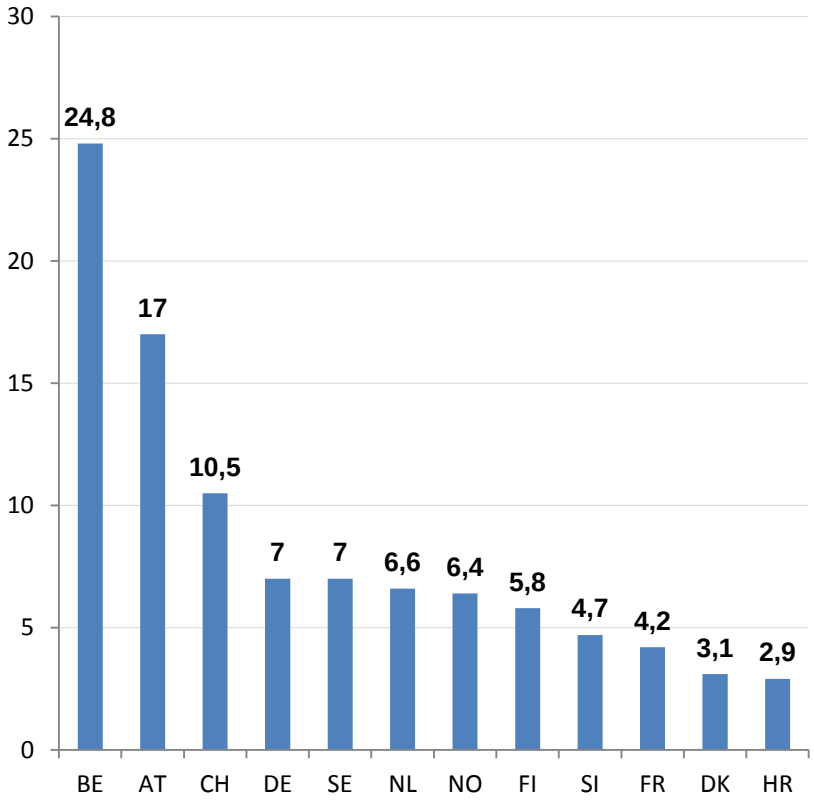
The size of posting



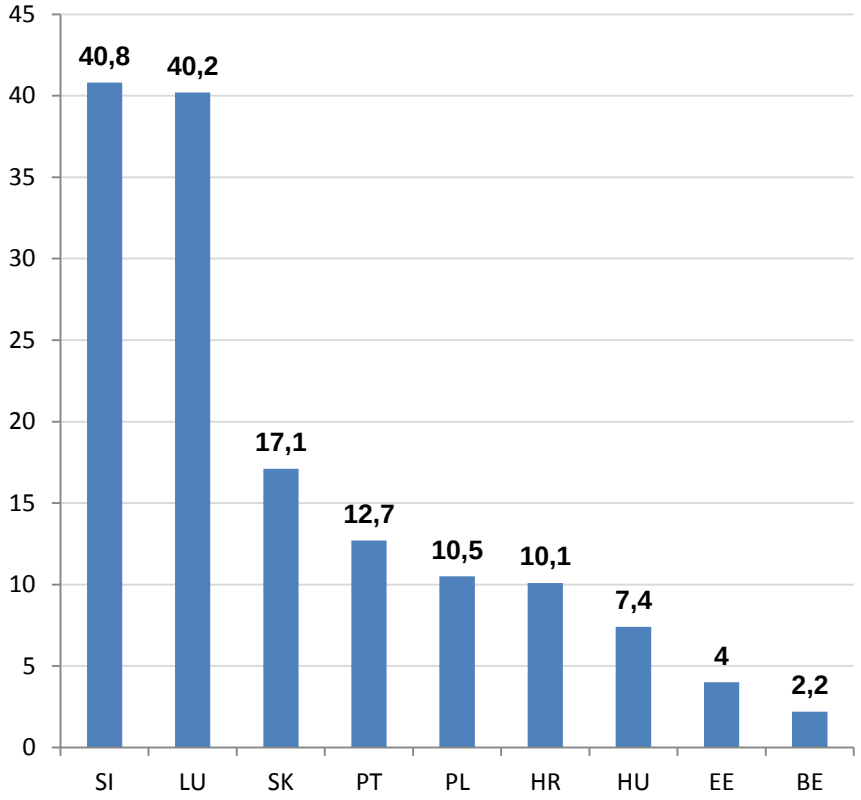
The incidence of posting

Construction sector
(% posted workers on domestic employment)

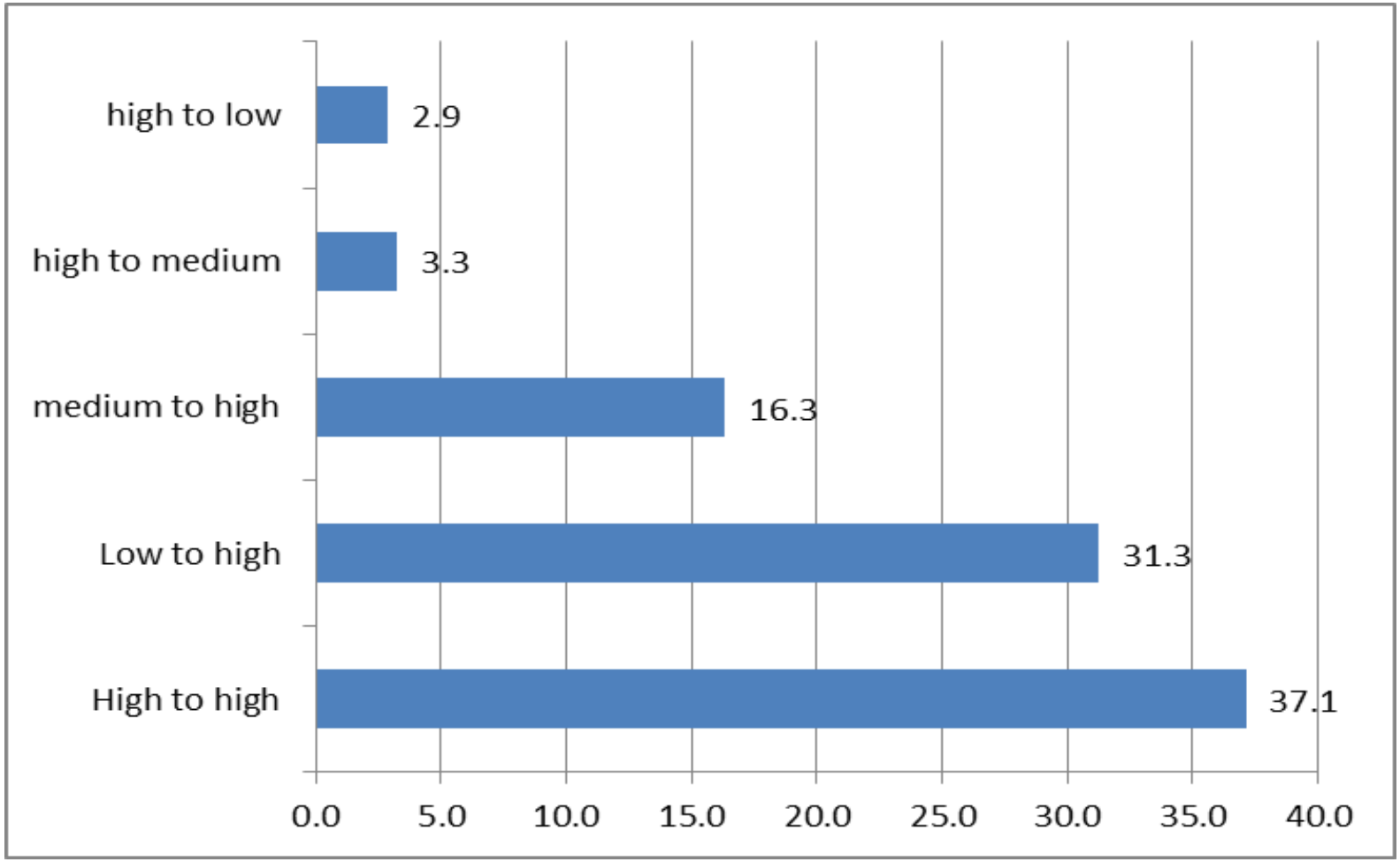
Receiving



Sending



Posting flows (2015)



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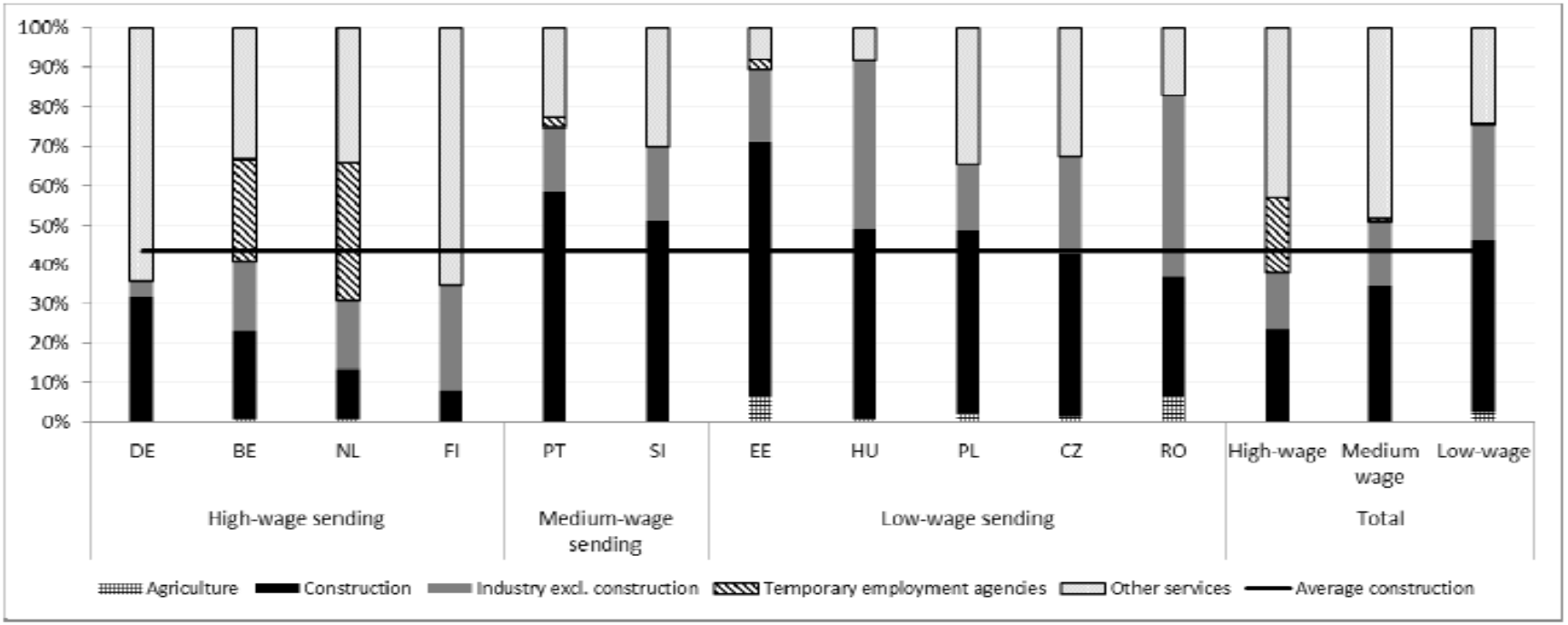
Economic sector of *sent* posted workers

Figure 6. Posted workers *sent* in 2014, breakdown by economic sector and group of countries



Source: EMPL calculations on Pacolet and De Wispelaere (2015); High-wage (above EU average wage, year 2012): DK, LU, SE, FI, BE, NL, DE, FR, AT, IT, IE; Medium-wage (around EU average, 2012): CY, ES, EL, MT, SI, PT; Low-wage (less than half of the EU average wage): HR, CZ, EE, PL, SK, HU, LV, LT, RO, BG; no data on the destination of postings from CY, DK, and the UK.

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Analysis of impact

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The wage factor: assessing the wage gap

- Mostly survey data on the earnings of posted workers.

- Impact of different wage-bargaining systems:
  - Statutory minimum wage: UK, PL, HU
  - Sectoral minimum wage: DE, LU, IE
  - Universally applicable agreements: BE, FR, IT, NL, AT
  - Voluntaristic models: SE, DK

- Wage gap posted vs locals:
  - "minimum rates of pay" and missing elements of pay
  - Application of lowest pay in the wage grid
  - Non-application of local agreements (e.g. DE)

The wage factor

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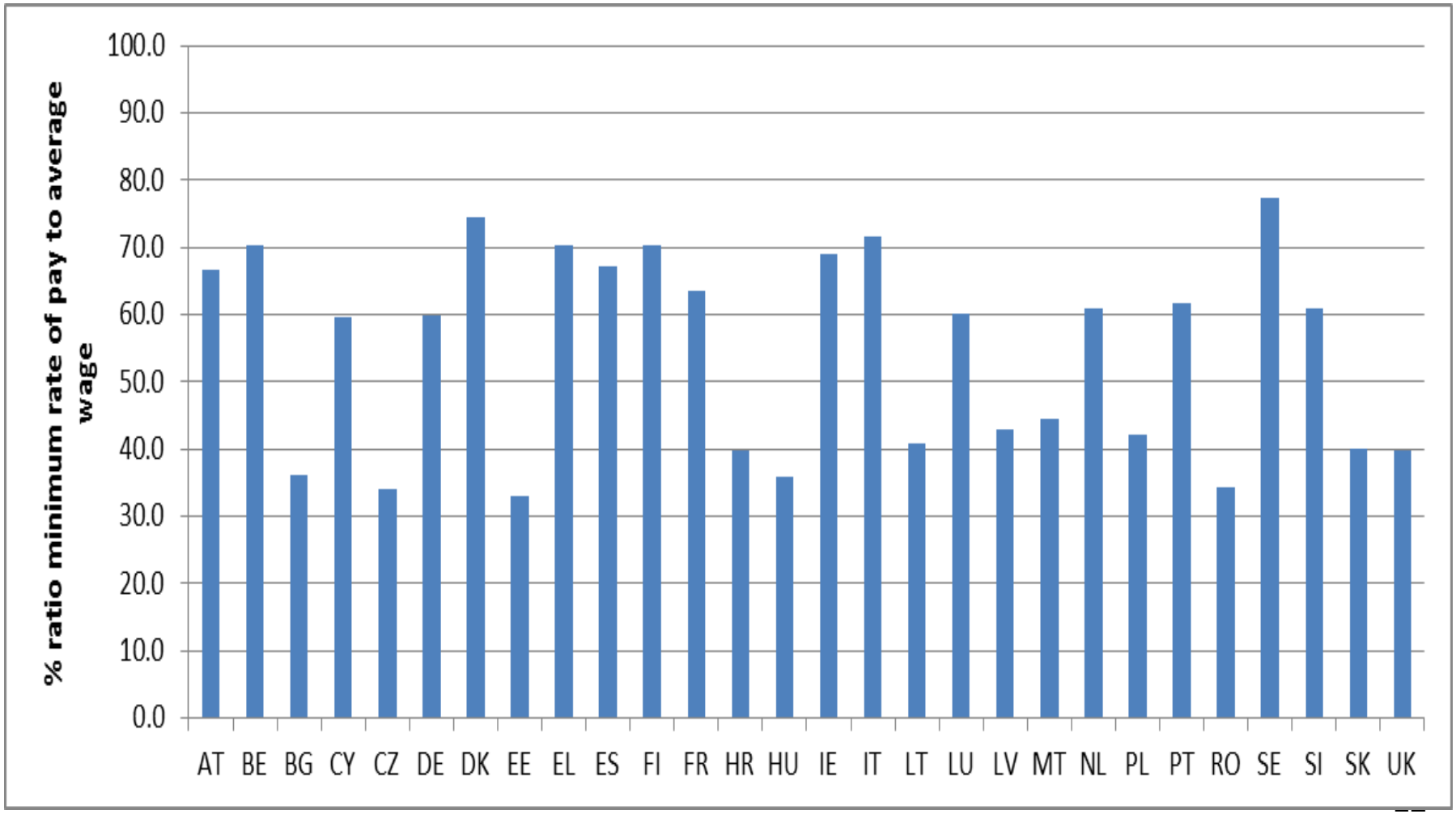
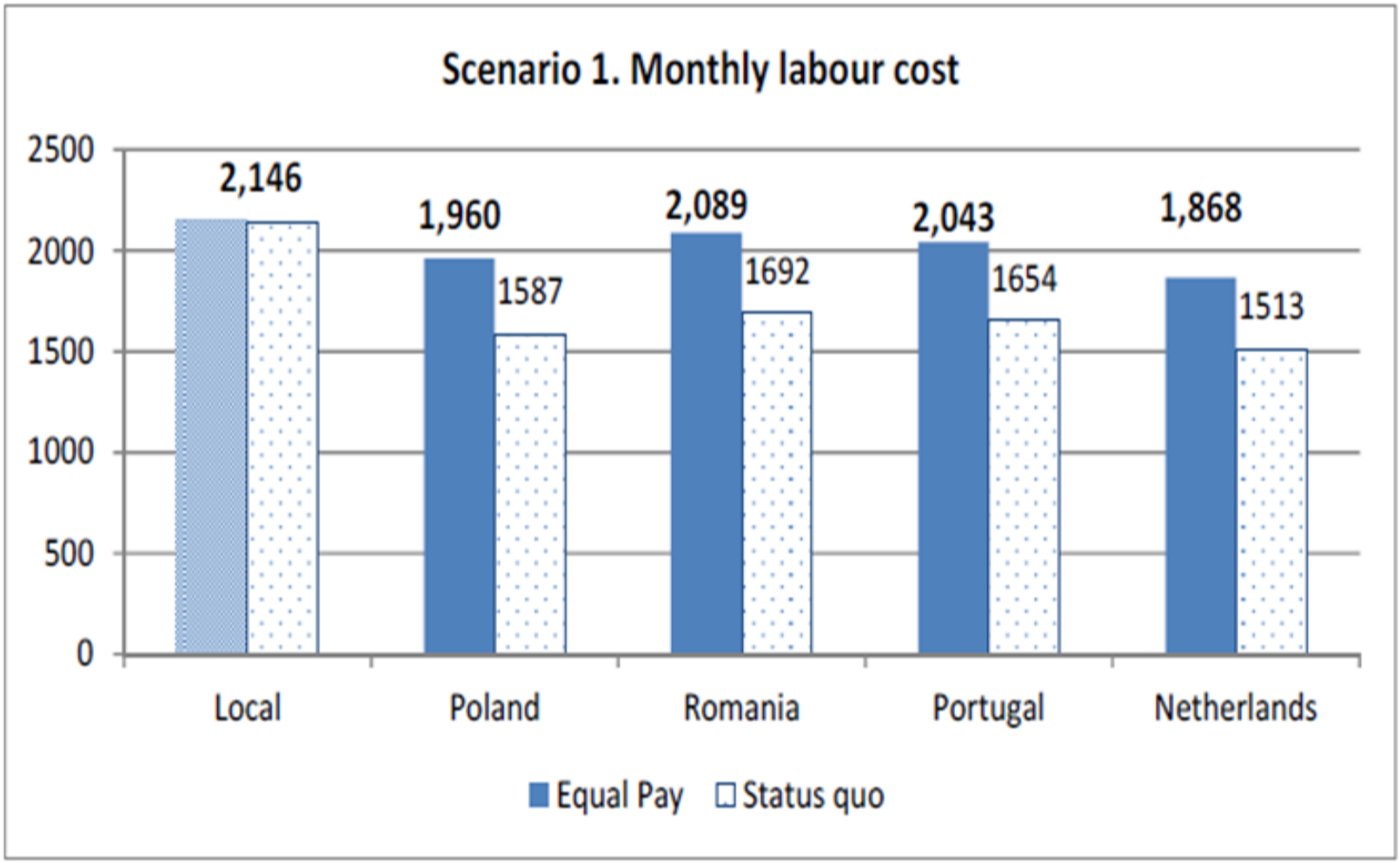
Rate of pay guaranteed by the Directive (2010), whole economy



The *labour cost* factor [example: France]



The *corporate taxation* factor

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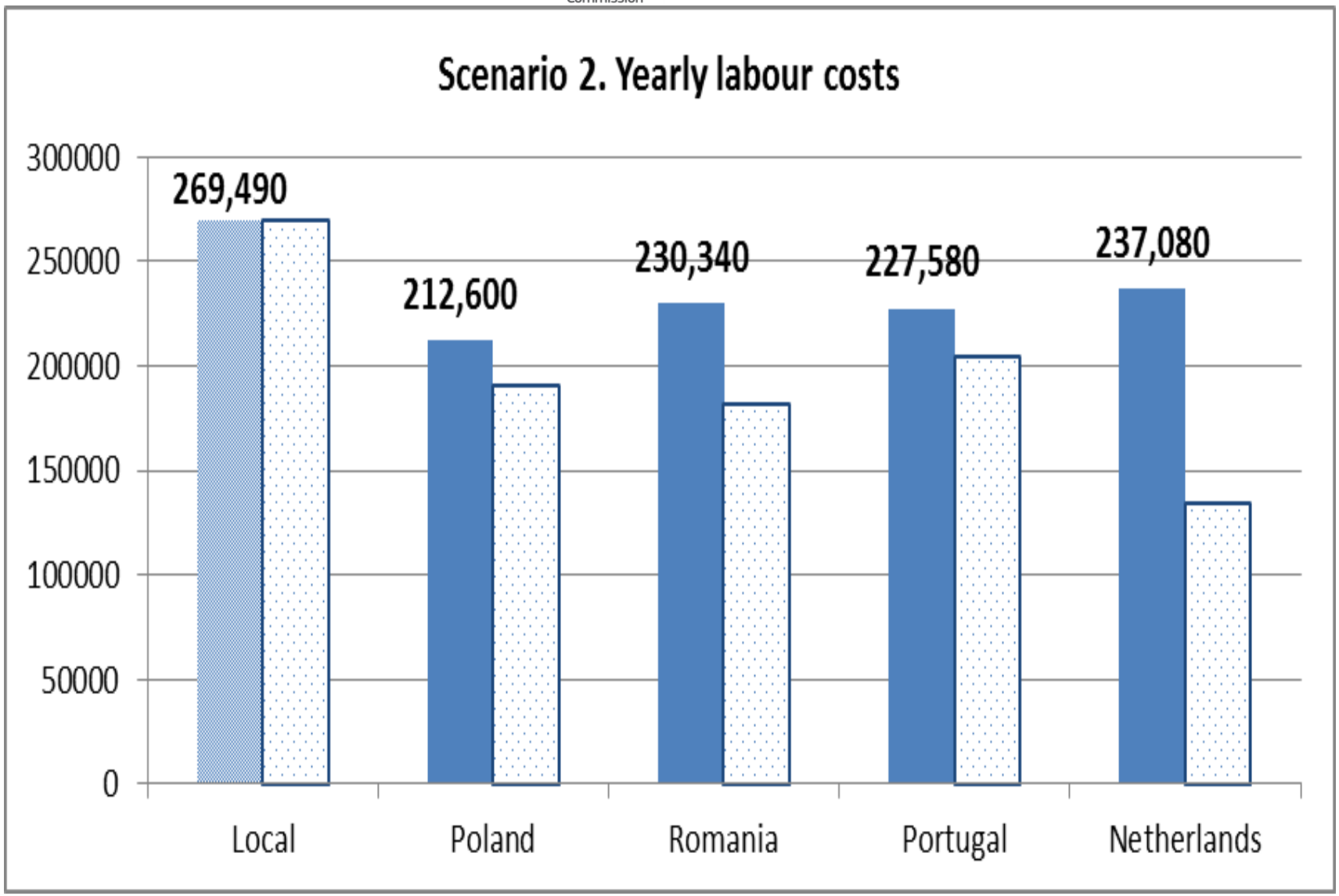

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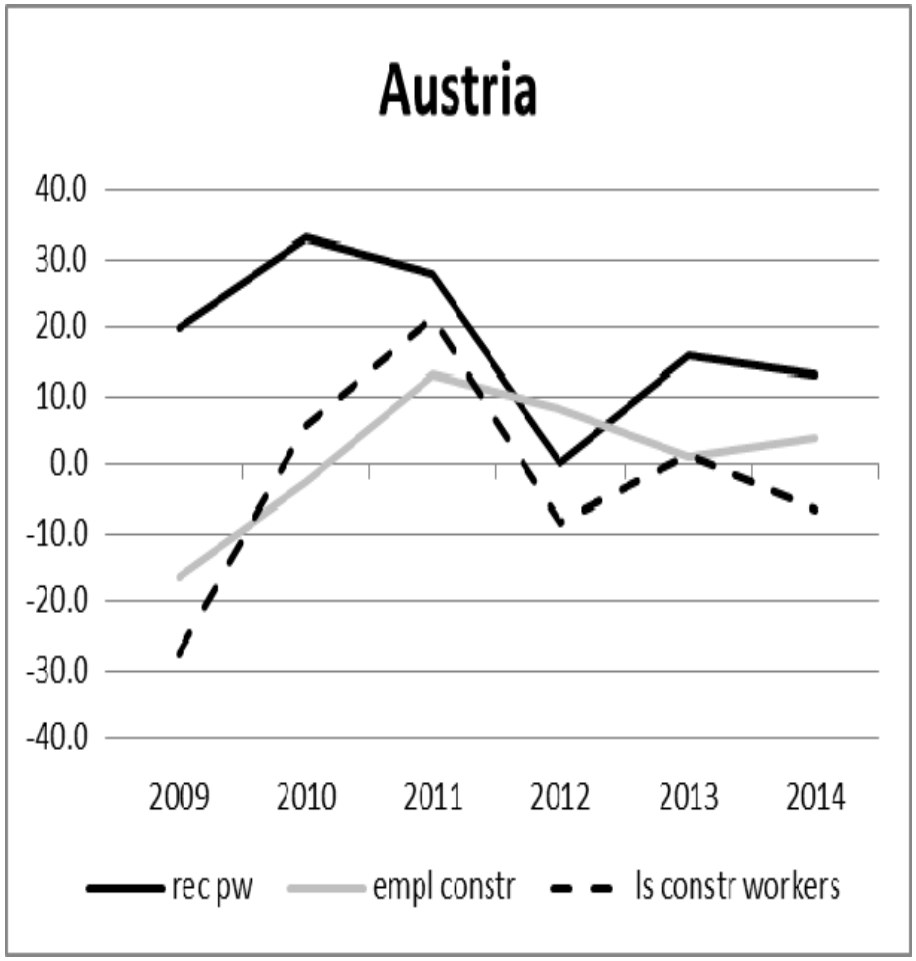
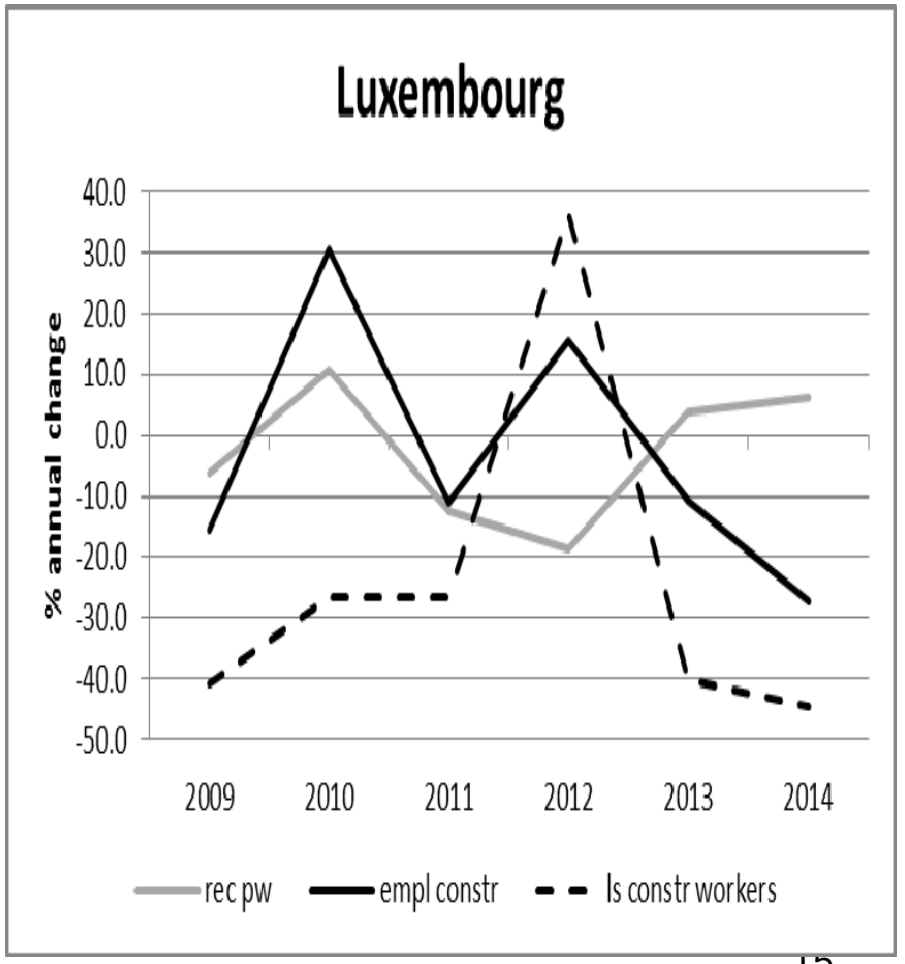
Construction sector (annual changes)





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Fields of gold (for research)

Social Europe

Social impacts (the worker perspective)

- The real earnings of posted workers (elements of wage, *net* pay, allowances) and working conditions
  - See analyses at micro- and sectoral-level (Arnholtz, Lillie, Wagner)

- Job substitution vs complementarity
  - Pacolet – De Wispelaere 2017

- The sending perspective: relationship between sending of PW and employment/unemployment, skills formation

Economic impacts (the business perspective)

- Impact of raise in wage costs: elasticity of demand for cross-border services facing changes in prices
  - Persyn et al 2017
- Length of posting, recurrence of posting, turnover strategies

- The sending perspective: total production costs, profits, market relations (subcontracting, cross-border value chains)
  - Benio 2016 (2.0)
- Large vs small firms: differing impacts?

Enforcement Directive

Expected improvements

- Now in force in 24 MS (missing CY, HR, PT; partial SE, ES, RO)
- Compulsory registration systems: more and better national databases
- Use of IMI: overview on inspections, frequent violations, sectors;
- Results of better inspections: better data on genuine postings and letterbox companies

Conclusions

- EU evidence: limited but indicative
- The national monopoly on data sources: engaging the national authorities
- EU Commission: data aggregator and promoter of innovative analysis
- The quest for more evidence: an incremental, inter-disciplinary research agenda

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Thank you