

# SOCIAL SECURITY COORDINATION AT A GLANCE: THE HIDDEN EUROPEAN WELFARE STATE

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## 1. INTRODUCTION

The ‘invisible’ or the ‘hidden’ social security or welfare state is a well-known concept in scientific literature. It covers ‘hidden terrains’ (referring to a broader spectrum of institutions and approaches of social security – ‘invisibility in width’) as well as ‘hidden aspects’ (referring to the functions of social security – ‘invisibility in depth’) (Berghman, 2014).<sup>1</sup> This concept may also apply to the Coordination Regulations. In that respect, one could consider the European Union coordination of social security systems as proof of the ‘hidden European welfare state’ for two main reasons.

Firstly, it would be wrong to assert that the European Union (EU) has no social dimension today. Instruments such as the Open Method of Coordination, common European (minimum) standards and directives but especially the European Semester have a real impact on national social policy (Schoukens, 2016). Moreover, the newly implemented ‘European pillar of social rights’, which sets out a number of key principles and rights to support fair and well-functioning labour markets and welfare systems, even seems to reinforce the social dimension of Europe (Pacolet et al., 2018). The importance of the coordination of social security systems as a European social instrument is less known, perhaps even forgotten. Moreover, it is certainly also a tool for coordinating a well-functioning European labour market. The Regulations should therefore be considered as an important element of the European social acquis, which is the result of a long and gradual development over a period of 60 years. The importance of the coordination rules has been pointed out by Eichenhofer (2009, p. 90) by stating that these provisions are *“an important part of European legislation, because it makes Europe a unique ‘social space’.”* Moreover, he concludes that *“The coordination of social security between Member States has been the most significant development so far in social policy at the European level. Its success has been remarkable, yet its implementation has been scarcely noticeable. For decades, pensions have been ‘exported’, medical treatment has been available for tourists travelling between Member States, and pro-rata pensions have been payable to those who have spent their working lives in more than one Member State. Such benefits of EU social security coordination are today taken for granted”* (Eichenhofer, 2000, p. 231). The slogan ‘unknown, unloved’ seems to apply here.

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(1) The concept of the ‘hidden welfare state’ has frequently been used to refer to tax expenditures with social welfare objectives (see Howard, 1997).

Secondly, for a long time the content and the impact of the coordination rules were an unexplored area in terms of available statistics, even despite concerns about ‘social dumping’<sup>2</sup> and ‘welfare tourism’<sup>3</sup> which have become so heavily politicised. It certainly proves the necessity of more and better statistics as this should allow Member States and the European Commission to be more aware of the real impact of the coordination of social security systems in terms of number of persons involved and the related budgetary impact for Member States. These data may also go against the perception of ‘welfare tourism’ and ‘social dumping’.<sup>4</sup> Something that may not have happened enough in the discussions before the ‘Brexit referendum’.

Although the coordination of social security systems has been in force for 60 years, this is not the case for the data collection. A historical overview of the use of the Regulation is therefore not available. However, it is, of course, possible to look at the statistics that are available on migration. These are available for a long period of time. Moreover, recent figures on the size and impact of the Coordination Regulations are fortunately available. Over the past five years, important steps have been taken to collect statistical data on the application of the coordination rules, mainly based on the application of Article 91 of Implementing Regulation (EC) No 987/2009.<sup>5</sup> For several years now, the Network Statistics FMSSFE,<sup>6</sup> on behalf of the European Commission – DG EMPL, has been collecting administrative data on the application of the Coordination Regulations. Thematic questionnaires are sent to the members of the Administrative Commission.<sup>7</sup> In this body, the reports containing the analysis of the collected data are also presented and approved. The value added of collecting such data has recently been proven when there were several ad hoc needs for more detailed information on the current situation within the context of the announced ‘Labour Mobility Package’. This package included both a proposal of a targeted review of the Posting of Workers

(2) Defined as “one country reducing labour costs and labour conditions because of the pressure created by the competitive advantage that other countries have resulting from differences in national legislation/standards that are not (fully) remedied by European legislation” (De Wispelaere and Pacolet, 2017). This definition cites the reason why welfare states in host Member States come under pressure from intra-EU posting, particularly as a result of the applicable European legislation. What this definition mainly describes is often referred to as ‘regulatory competition’ and therefore does not include fraudulent activities.

(3) Or the so-called ‘welfare magnet’ hypothesis, whereby migrants are attracted to more generous welfare states (Borjas, 1999).

(4) In its Impact Assessment of the Regulation, the Commission states that “A general challenge is the fact that popular concerns are difficult to substantiate with hard facts and data, and often appear to be based on negative perceptions and anecdotal accounts rather than well-founded on evidence.” (EC, 2016).

(5) This article states that “The competent authorities shall compile statistics on the application of the basic Regulation and the Implementing Regulation and forward them to the secretariat of the Administrative Commission. Those data shall be collected and organised according to the plan and method defined by the Administrative Commission. The European Commission shall be responsible for disseminating the information.”

(6) Composed of expert teams from HIVA (KU Leuven), Milieu Ltd, IRIS (UGent), ICON-INSTITUT Public Sector GmbH, Szeged University and Eftheia bvba.

(7) The Administrative Commission for the coordination of social security systems comprises a representative of each EU Member State and representatives of the European Commission – DG Employment. It is responsible for dealing with administrative matters, questions of interpretation arising from the provisions of regulations on social security coordination, and for promoting and developing collaboration between EU countries. The composition, operation and tasks of the Administrative Commission are laid down by Articles 71 and 72 of the Basic Regulation.

Directive<sup>8</sup> and of the Regulation on the coordination of social security systems<sup>9</sup>. In the sections below, we report the most striking data. It should allow the reader to become more aware of the importance and added value of the Coordination Regulations in terms of protecting social rights in case of intra-EU mobility as a worker, unemployed person, pensioner, tourist, etc. We will deal with the main branches of social security, namely healthcare, pensions, unemployment and family benefits. First, one of the most politically sensitive chapters of the Coordination Regulations will be discussed, namely ‘applicable legislation’.

It should be noted that the figures reported below only give an overview of the persons who have actually made use of the EU rules. This number is not necessarily equal to the group of eligible persons. This raises a question about the size of the non-take up of social rights by mobile persons. Research has shown that there can be significant barriers to claiming these rights (Zabransky and Amelina, 2017; Fingarova, 2017; Bruzelius et al., 2017). In addition, we have regularly observed that there is certainly room for improvement when it comes to providing information about the social rights of mobile persons (De Wispelaere and Pacolet, 2018d). In the section on the export of unemployment benefits, we try to make a first tentative estimate of the non-take up.

## **2. APPLICABLE LEGISLATION, WITH A FOCUS ON INTRA-EU POSTING**

The determination of the applicable legislation if persons are or have been mobile in the EU/EFTA (European Free Trade Association) has a far-reaching impact on the amount of social security contributions received as well as on public social spending by Member States. The main rule is that a person is subject to the legislation where he/she works, even if his/her residence is in another Member State. In some very specific situations, criteria other than the actual place of employment are applied. For instance, the law of the workplace does not apply in the event that a worker is sent to another Member State by his employer for a short period of time to work there on the employer’s behalf. This is the so-called ‘posted worker’. It would be a severe burden on workers, employers and social security institutions if the worker was required to be insured under the social security system of every Member State to which he was posted in the course of his employment. Such workers continue to be subject to the legislation of the sending State. In this section, we give a brief overview of some key figures on the profile, size and impact of intra-EU posting.

(8) In March 2016 there was the proposal for amending the Posting of Workers Directive (Directive 96/71/EC) (COM (2016) 128). On 21 June 2018, after a long period of negotiations, the Council of the European Union approved the revised Posting of Workers Directive (see Directive (EU) 2018/957 of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71/EC concerning the posting of workers in the framework of the provision of services). Member States should adopt and publish the laws, regulations and administrative provisions necessary to comply with this Directive by 31 July 2020.

(9) On 13 December 2016, the European Commission launched its proposal to revise the current rules on the coordination of social security systems. The proposal focused on four areas: economically inactive citizens’ access to social benefits, long-term care benefits, unemployment benefits and family benefits. However, no agreement was reached on this proposal.

The main source of information on intra-EU posting is the so-called Portable Document A1 (PD A1). The form is provided by the competent Member State at the request of the employer or the person concerned and establishes the presumption that the holder is properly affiliated to the social security system of the Member State that issued the certificate. Consequently, it confirms that the person concerned has no obligations to pay contributions in another Member State. It should be noted that a PD A1 is not only issued to posted workers covered by Article 12 of Basic Regulation (EC) No 883/2004 but also to several other mobile workers, such as persons who are active in two or more Member States, mariners, and flight or cabin crew members. We will only discuss those issued on the basis of Article 12 of the Basic Regulation. Moreover, it should be acknowledged that the A1 data only provide an indicative picture of the phenomenon. An undertaking which posts a worker to another Member State, or in the case of a self-employed person the person himself/herself, must contact the competent institution in the posting State and wherever possible this should be done in advance of the posting. However, in practice, the competent services are certainly not always informed when people are posted. Consequently, the number of PDs A1 issued and its evolution may depend on the number of inspections performed by the enforcement bodies in the host Member State as well as to what extent host Member States have implemented sanctions for failure to present a PD A1. As a result, the share of tightly controlled sectors, such as the construction sector, in total postings might be overestimated when relying on the PD A1 data while the size and share of postings in qualified occupations might be underestimated (i.e. ‘the forgotten sectors in the posting debate’: the financial sector, the scientific sector, the IT sector, the performing arts sector etc.). Moreover, there is little chance that persons going abroad for a business meeting will apply for a PD A1. Nevertheless, by looking at the A1 data, we obtain an instructive, yet tentative, view on the profile, size and impact of the phenomenon.

In 2017, approximately 1.7 million PDs A1 were issued according to Article 12 of the Basic Regulation (De Wispelaere and Pacolet, 2018a). Some 7% of the forms were issued to self-employed persons. A more detailed analysis shows that some 1 million PDs A1 were granted by the EU-15 Member States and some 700,000 forms by the EU-13 Member States. The main sending Member States pursuant to Article 12 were Germany (332,091 postings), Poland (235,836 postings) and Slovenia (163,876 postings). From the perspective of the receiving Member State, most persons covered by Article 12 provided services in Germany (427,175 postings), France (241,363 postings) and Belgium (167,335 postings). There were two significant flows: from Poland to Germany (114,979 postings) and from Slovenia to Germany (71,219 postings). Compared to 2016, the overall number of postings increased by some 6.5%. This is mainly the result of an increasing number of postings from Germany (+ 100,000 postings). An important finding is that the number of postings from the EU-13 Member States decreased by some 1% compared to 2016, mainly due to a strong decline in postings from Poland (- 24,163 postings). Approximately 6 out of 10 postings take place from an EU-15 Member State. At the same time, 85% of postings take place in the EU-15. Furthermore, some 40% of the postings occur from one high-wage Member State to another. The flow from low-wage to high-wage Member States represents some 30% of total postings.

Based on the reported figures it can be concluded that on average, one posted worker was sent abroad two times in 2017. Under the current rules on social security coordination the period that persons can pursue an activity covered by Article 12 of the Basic Regulation is set at a maximum of 24 months. In practice, however, the average duration amounts to some 98 days. The fact that the average duration is 98 days and that the person is sent almost two times per year means that a posted worker is abroad 191 days on average. However, this is an EU average, as we can see strong differences between countries.

In 2017, an equivalent of 0.4% of EU employment could be related to the employment of posted workers. The most striking figure is obtained for Slovenia, as some 5% of the Slovenian population of working age were posted abroad. Furthermore, almost 47% of the persons who were sent abroad provided temporary activities in the construction sector. The share of posting in the total employment of the construction industry is therefore high in a number of sending and receiving Member States. For instance, some 6 out of 10 employed persons in the Slovenian construction sector were sent abroad to provide services. From the perspective of the receiving Member State, mainly in the construction sector of Luxembourg, Austria and Belgium intra-EU posting is an important type of employment. In all three of these Member States, intra-EU posting accounts for more than 20% of the employment in the construction sector.

### **3. CROSS-BORDER HEALTHCARE**

Cross-border healthcare within the EU can be defined as a situation in which an insured person receives healthcare in a Member State other than the Member State of his/her insurance (i.e. competent Member State). Persons have different routes at their disposal to receive cross-border healthcare. They can be treated under the Coordination Regulations, under Directive 2011/24/EU (the so-called ‘Patient Mobility Directive’), or under their own national legislation. The figures reported below relate only to cross-border healthcare provided under the Coordination Regulations. Three cross-border healthcare situations are identified and regulated in the Coordination Regulations. (1) There is unplanned cross-border healthcare when necessary and unforeseen healthcare is received during a temporary stay outside the competent Member State. (2) Planned cross-border healthcare may be received in a Member State other than the competent Member State. Finally, (3) persons who reside in a Member State other than the competent Member State are also entitled to receive healthcare.

The budgetary impact of cross-border healthcare on total healthcare spending related to benefits in kind is rather limited as it amounts to some 0.4% of total healthcare spending related to benefits in kind (De Wispelaere et al., 2018b). Nonetheless, this amounts to an annual expenditure of more than EUR 4 billion. The budgetary impact also varies greatly among Member States. For 17 competent Member States, the share of cross-border healthcare expenditure is less than 0.5% of total healthcare spending

related to benefits in kind.<sup>10</sup> The budgetary impact is between 0.5% and 1% for nine competent Member States.<sup>11</sup> Finally, Luxembourg, Bulgaria, Cyprus, Romania and Latvia show a cross-border healthcare expenditure of more than 1% of their total healthcare spending related to benefits in kind. Especially EU-13 Member States show a higher relative cross-border expenditure compared to EU-15 Member States. One of the basic principles of the Coordination Regulations is that the costs of healthcare provided by the Member State of treatment are fully reimbursed by the competent Member States in accordance with the tariffs of the Member State of treatment and not of the competent Member State. This reimbursement principle avoids a high financial burden for the patient receiving healthcare abroad but shifts the higher cost to the competent Member State. Member States where the cost of healthcare is (much) lower than in the Member States of treatment, experience the greatest financial impact. This, of course, explains the higher budgetary impact on EU-13 Member States.

The budgetary impact also varies among the different types of cross-border healthcare. Healthcare provided to persons residing in a Member State other than the competent Member State (i.e. cross-border workers or pensioners) amounts to approximately 0.3% of total healthcare spending related to benefits in kind. Unplanned healthcare amounts to 0.1% and finally planned healthcare to some 0.03% of total healthcare spending related to benefits in kind. At the same time, more than 5 million claims for reimbursement of cross-border care were exchanged between Member States in 2017. About 60% of these claims relate to healthcare provided to persons residing in a Member State other than the competent Member State. This form of cross-border healthcare accounts for about 75% of total cross-border healthcare expenditure. Thus, the amount per claim for unplanned care is on average lower than the amount per claim of reimbursement for healthcare provided to persons residing in a Member State other than the competent Member State. This makes sense since the latter group also includes pensioners.

The data collected on the number of claims for unplanned necessary healthcare can also be compared to the annual flow of tourists. This makes it possible to estimate the probability that a tourist will need care under the Coordination Regulations. It is estimated that 0.9% of the tourists had unplanned care in 2017 under the Coordination Regulations.<sup>12</sup> The same exercise can be done for persons living in a country other than their competent Member State. Yearly, some two claims of reimbursement are made per person that resides in a Member State other than the competent Member State. This high figure can be explained by the fact that a high number of persons who reside in a Member State other than the competent Member State are retired. Moreover, the chance that this group of persons will need healthcare is much higher, mainly because a tourist only stays abroad for a short period, while the other group resides abroad permanently.

(10) Spain, Finland, Norway, Sweden, Iceland, the United Kingdom, France, Italy, Malta, Ireland, Germany, Denmark, Switzerland, Greece, the Czech Republic, Portugal and Hungary.

(11) Estonia, the Netherlands, Croatia, Austria, Lithuania, Slovenia, Poland, Belgium and Slovakia.

(12) Please note that under the Coordination Regulations costs of healthcare are reimbursed only if healthcare is provided by a public healthcare provider and that one claim doesn't necessarily stand for one person.

#### 4. OLD-AGE PENSIONS

Persons are entitled to a partial pension from every Member State where they were insured for at least one year, provided that the conditions under national law are fulfilled. These pensions correspond to the insurance periods completed in each of the Member States concerned. Figures on the total number of cross-border entitlements to pensions are reported in this section. Please note that due to missing data of some (large) Member States some caution is required when drawing general conclusions. Nonetheless, these fragmented data give an interesting view of the main flows of pensions. At the same time, the amounts reported by Member States show that this is the most important branch of social security in terms of social expenditure. An amount of more than EUR 11 billion was exported abroad in 2017. This is already a high amount, while a number of countries, such as Germany and Switzerland, have not yet reported figures.

On average 3.2% of the total number of pensioners reside abroad (De Wispelaere and Pacolet, 2018c). The total spending for this group of pensioners amounts, however, to 'only' 0.9% of the total amount of paid pensions. This shows that the amount paid for pensioners residing abroad only represents a partial pension. On average, only 25% of the average amount of a pension is paid to a pensioner residing in another Member State. In relative terms, mainly Luxembourg, Austria, Slovenia and Belgium exported a pension to a relatively high share of persons who reside abroad. Luxembourg is certainly an 'outlier' with regard to the export of pensions, which is mainly the result of the high number of incoming frontier workers. Some 57% of the old-age pensions paid by Luxembourg are exported abroad, although they only represent 29% of total expenditure on old-age pensions. Furthermore, Sweden, the Netherlands, Poland, the United Kingdom, Finland and Norway are above the total average of 3.2%. Denmark, Iceland, France, the Czech Republic, Cyprus, Croatia, Estonia, Ireland, Portugal, Malta and Hungary are below this total average but above 1%. Finally, Spain, Romania, Lithuania, Bulgaria and Slovakia exported a pension to less than 1% of total pensioners.

Furthermore, on average 2.5% of the pensioners residing in one of the reporting Member States are entitled to two or more pensions, one of which from the Member State of residence. The amount paid to this group of pensioners amounts to 1.6% of total pension expenditure. Mainly in Luxembourg there is a high number of pensioners who receive a pension from two or more Member States one of which from the Member State of residence. About 1 out of 10 pensioners residing in Luxembourg find themselves in such a situation. The collected figures also indicate that the average amount per pensioner is higher when paid by Member States of residence than when paid by exporting Member States. It suggests that pensioners entitled to a pension from two or more Member States worked the longest period of time in the Member State that pays a pension as Member State of residence.



## 5. UNEMPLOYMENT

### 5.1. EXPORT OF UNEMPLOYMENT BENEFITS

An unemployed person who wants to look for employment in a different Member State than the one that pays the unemployment benefit may export this benefit for a limited period of three months. This period can be extended by another three months. However, the export rules are not applied uniformly across the EU (De Wispelaere and Pacolet, 2018d). It appears that almost half of the Member States do not provide an extension:

- three months, no extension: Cyprus, Denmark, Finland, France, Croatia, Greece, Sweden, Hungary, Italy, Ireland, the Netherlands, the United Kingdom, Iceland and Norway;
- three months, possibility to extend: Austria, Belgium, Bulgaria, Spain, Germany, Luxembourg, Romania, Estonia, Latvia, Lithuania, Slovenia, Slovakia, Poland and Portugal;
- six months by default: the Czech Republic and Malta.

Figures show that more than 30,000 authorisations to export the unemployment benefit were granted in 2017. Germany (6,482), the Netherlands (4,793), Switzerland (3,108), France (2,700) and Denmark (2,169) issued most authorisations. Furthermore, Poland (8,756), France (2,220) and Spain (2,025) registered the highest number of jobseekers. Almost 8 out of 10 authorisations were issued by EU-15 Member States and almost half of the authorisations were received by EU-13 Member States. The mobility of jobseekers looking for work abroad is rather limited, observing that an authorisation was issued for approximately 2 out of 1,000 unemployed persons. Only Switzerland, Norway, Luxembourg, Denmark and the Netherlands show a relatively higher mobility of jobseekers (more than 1 in 100 insured persons).

Several factors may influence the decision to export the unemployment benefit. Figures show a negative relationship between the share of unemployed persons exporting their benefit and the national unemployment rate, which is in contradiction to what one might assume. Reasons to export the unemployment benefit other than the height of the unemployment rate are thus probably more decisive. For instance, mobile workers who return to their country of origin after they became unemployed. This raises the question whether the unemployed person is really looking for work in the country of origin. Roughly 1 in 10 of the unemployed persons with a PD U2 found work abroad. Moreover, we see that many unemployment benefits are exported from the Netherlands to Poland, but only a fraction of them find work.

Finally, we would also like to estimate the non-take up of the right to export unemployment benefits. The main emigration countries are Germany, the UK, Poland and Romania.<sup>13</sup> Despite the large outflow of people from Poland and Romania, we observe that these countries only granted a limited number of authorisations to export the unemployment benefit (Poland: 128 and Romania: 9). Based on the EU

(13) We do not know exactly whether these persons migrated to a country outside or within the EU/EFTA.



Labour Force Survey, we estimate that more than 90,000 people were unemployed when they moved to another Member State (2013 figures). This while the number of authorisations granted to export the unemployment benefit is always around 30,000 authorisations, which means that there is a formal non-take up of this social right by 2 out of 3 unemployed people who have moved to another Member State. However, in reality, a (large) group of unemployed people may still have exported their unemployment benefit abroad without reporting it (i.e. the informal take-up).

## 5.2. AGGREGATION OF PERIODS FOR UNEMPLOYMENT BENEFITS

In principle, unemployed mobile workers will claim the unemployment benefit in the Member State of last activity. In some cases, a mobile worker's period of insurance, employment or self-employment is insufficient to be entitled to an unemployment benefit. In that case, additional periods completed by the person in a Member State other than the competent Member State (i.e. the Member State of last activity) are required. It should be noted that a migrant worker becomes subject to the legislation of a Member State as soon as he or she starts to work there (leaving aside the special case of posting). Hence, the aggregation rules become fully applicable as from that moment. However, this principle is not uniformly applied by all Member States. Some Member States (for example, Belgium, Finland and Denmark) have specifically defined periods for the application of the aggregation principle in their national law, which, of course, cannot be the purpose of European legislation. Not only the number of new intra-EU movers, their risk of becoming unemployed, and the period of insurance, employment or self-employment completed by these mobile persons in the Member State of last activity will determine the number of aggregations but also the qualifying period, which varies significantly across Member States. Nonetheless, many Member States apply a qualifying period of some 12 months.

In total 43,901 cases reported by 28 Member States for reference year 2017 concerned unemployed mobile workers whose period of insurance, employment or self-employment completed in the Member State of last activity was insufficient to be entitled to an unemployment benefit (De Wispelaere and Pacolet, 2018e). This amounts to an estimated share of 0.3% of the total unemployment figure in those Member States and to 2.7% of the annual flow of intra-EU/EFTA mobile workers of working age to these Member States.

In roughly seven out of ten cases of aggregation, a period of insurance, employment or self-employment of more than three months was already completed by the unemployed mobile worker in the Member State of last activity. This is an indication that only for a minority of cases, new mobile workers who became unemployed worked for a very short period in the last Member State of activity.

The above figures go against the perception that (some) EU-13 citizens are moving to the EU-15 to claim unemployment benefits as soon as possible. However, this is without prejudice to the question of how long a person should contribute to the social security system in order to be able to claim rights there as well. The same applies to the question of whether the country of origin should also bear part of the cost if the recent migrant has only worked for a very short period in the new Member State.

## 6. FAMILY BENEFITS

When family members live in a Member State other than the one where the mobile person works and/or resides, family benefits can in some cases be exported to these family members. As the entitlement to family benefits might arise in more than one Member State (based on employment, receipt of a pension or residence) the Coordination Regulations lay down priority rules in order to define the 'primarily competent Member State'. In this respect, rights available on the basis of (self) employment have priority. When there is employment in two different Member States, it is the Member State of residence of the children that will become primarily competent for the payment of the family benefits. However, a Member State might have to pay a supplement (corresponding to the difference between the two family benefits) as the 'secondarily competent Member State' if the family benefit paid by the primarily competent Member State is lower than the family benefit the person entitled would have received from the secondarily competent Member State.

The export and import of family benefits is strongly concentrated among a limited number of (neighbouring) Member States (De Wispelaere and Pacolet, 2018f).<sup>14</sup> Switzerland, Luxembourg, Germany and Austria are the main exporting Member States of family benefits. This is mainly the result of the high number of cross-border workers in these Member States. Most of the households that received a family benefit from abroad live in France and Poland.

The impact of the export of family benefits in terms of persons involved and expenditure is quite limited for most of the Member States. Luxembourg is certainly an 'outlier' with regard to the export of family benefits, as some 48% of its public spending on family benefits was exported abroad in 2017. Austria paid 6.2% of its family benefits to households living in another Member State, amounting to 5.4% of its public spending on family benefits. Belgium, Slovakia, Poland, Norway and the Netherlands exported between 1% and 2% of their family benefits, while Estonia, Ireland, Latvia, Portugal, Romania, Finland and the Czech Republic exported between 0.1% and 1% of their family benefits. Finally, Croatia, Greece, Lithuania, Malta and Spain paid less than 0.1% of their family benefits to households residing in another Member State.

The total number of family benefits being exported and the amount it represents is the result of the Member State being primarily or secondarily competent. The number of mobile persons working/residing in a Member State other than their family members (i.e. 'reference group'), the priority rules as well as differences in eligibility criteria, and the amount of family benefits will determine the number of exports and the related expenditure as primarily or secondarily competent Member State to a high extent. It follows that the context will vary between Member States. Belgium, the Czech Republic, Spain, Croatia, Latvia, Luxembourg, the Netherlands and Iceland mainly

(14) Mainly from Luxembourg to France, from Germany to Poland, from Luxembourg to Belgium, from Luxembourg to Germany, from Belgium to France, from the Netherlands to Poland, from the UK to Poland, from Germany to France and from Austria to Hungary.

paid family benefits as primarily competent Member State, while Estonia, Austria and Slovakia mainly paid family benefits as secondarily competent Member State.

A number of countries would like to see the provisions changed because they believe that the current regulations lead to welfare tourism. In this respect, the controversial deal that EU leaders offered to the UK before the 2016 Brexit Referendum opened Pandora's box. After all, the possibility of indexing a child benefit based on the cost of living in the country of residence of the children was proposed. It remains remarkable that this was even proposed by the EU as the UK exports only 0.2% of its family allowances to another Member State. Nonetheless, this EU proposal may have inspired Member States. For instance, since 1 January 2019 Austria implements such indexation on the basis of national law.<sup>15</sup> It is estimated that this could lead to public savings of around EUR 100 million. This is mainly due to the fact that Austria exports a large amount of family allowances to Hungary and Slovakia (as secondarily competent Member State). Finally, the discussion about the indexation of the child benefit could possibly lead to a broader debate about the level of benefits when persons are mobile in Europe. After all, the amount of the benefit can be an important barrier to the free movement of persons. People with an unemployment benefit from an EU-13 Member State will find it very difficult to make ends meet if they are looking for work in an EU-15 Member State. The same applies to pensioners who want to move from an EU-13 Member State to an EU-15 Member State.

## 7. CONCLUSIONS

In this contribution we have visualised the well-developed social protection that people enjoy when they are mobile in Europe. As is the case at national level, pensions and healthcare are by far the most important branches of social security in a cross-border context. The export of pensions to persons residing in other EU/EFTA countries therefore accounts for a significant share of the pensions paid by countries in most Member States.

The figures available also provide answers to some key political questions/discussions. The statistics show that, with regard to the presence of risks of 'welfare tourism' and 'social dumping', there is a large difference between public/political perception and facts. For instance, intra-EU posting is increasingly seen as a Trojan horse by several host Member States. Nonetheless, evidence reveals that the number of posted workers and their share in total EU employment is still rather marginal. However, it is striking how strongly this phenomenon manifests itself in the construction sector. The Belgian construction sector is an extreme example of this, since about one in three people employed is a posted worker. In relative terms, a large part of the Slovenian labour force is posted to another Member State. Figures also counter the common perception that intra-EU posting can be narrowed to low-skilled posted workers moving from low-wage to high-wage Member States. After all, most of the posted workers come from an EU-15 country and 4 out of 10 postings take place between high-wage countries.

(15) However, the Commission has opened infringement proceedings against Austria.

In addition, figures on the export of family benefits and the aggregation of periods for unemployment benefits prove that the risk of 'welfare tourism' is (very) low. Moreover, risks of non-take up of social rights are probably much higher. However, this is something that we are still unable to identify sufficiently with the figures currently available.

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