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**REPORT FROM THE COMMISSION TO THE COUNCIL**

**on the Functioning of the Transitional Arrangements on Free Movement of Workers  
from Bulgaria and Romania**

{SEC(2011) 1343 final}

## **1. INTRODUCTION**

### **1.1. Purpose of the report**

The Commission presents this report in accordance with paragraph 4 of Annexes VI and VII to the 2005 Act of Accession of Bulgaria and Romania. Following the request of Bulgaria and Romania of 20 June 2011 for a further review<sup>1</sup> by the Council of the functioning of the transitional arrangements on free movement of workers, it is to serve as the basis on which the Council will conduct the review, which must be completed within six months of receipt of the request.

### **1.2. Free movement of workers as a fundamental freedom**

The free movement of persons is one of the fundamental freedoms guaranteed by EU law. It includes the right of EU nationals to move freely to another EU Member State to take up employment and reside there with their family members. Under EU law on the free movement of workers, Member States cannot directly or indirectly discriminate against EU migrant workers and their families on the basis of nationality in employment-related matters. It also entitles EU migrant workers to equal treatment as regards tax and social advantages, membership of trade unions, public housing, and the access of their children to general education, apprenticeship and vocational training.

### **1.3. Transitional arrangements on the free movement of workers**

The 2005 Act of Accession allows EU-25<sup>2</sup> Member States to temporarily restrict the free access of workers from Bulgaria and Romania to their labour markets by making it subject to their national law. Despite this restriction granted by the transitional arrangements, a Member State must always give preference to Bulgarian and Romanian workers over workers who are nationals of non-EU countries as regards first access to the labour market. No restrictions apply for EU-2 workers in the EU-2 Member States.

The overall transitional period of seven years is divided into three distinct phases ('2-plus-3-plus-2'). Different conditions apply during each phase:

- The national law of the other Member States regulates the access of workers from Bulgaria and Romania to their labour markets in the first two years.
- Member States can extend their national measures for a second phase of another 3 years upon notification to the Commission before the end of the first phase, otherwise EU law granting free movement of workers applies.

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<sup>1</sup> First review of EPSCO Council on 17 December 2008, on the basis of Commission report COM(2008) 765 of 18.11.2008.

<sup>2</sup> 'EU-25' refers to all Member States forming part of the EU before 1 January 2007; 'EU-2' refers to Bulgaria and Romania; 'EU-10' to all countries that joined the EU on 1 May 2004 and 'EU-15' to the Member States that formed part of the EU before 1 May 2004.

- A Member State maintaining national measures at the end of the second phase may, in the event of serious disturbances of its labour market, or threat thereof and after notifying the Commission, continue to apply these measures until the end of the seven-year period following the date of accession.

In addition, a safeguard clause allows a Member State that has stopped using national measures and applies EU law on the free movement of workers before the end of the overall transitional period to re-introduce restrictions if there are serious disturbances on the labour market, or threat thereof.

The transitional arrangements, which will irrevocably end on 31 December 2013, only apply to obtaining access to the labour market under EU law on the free movement of workers. Once admitted to the labour market of a Member State, an EU-2 worker benefits fully from all other rights under EU law on the free movement of workers.

The transitional arrangements do not affect the fundamental right of EU citizens to move and reside freely within the EU, under Article 21 of the Treaty of the Functioning of the EU (TFEU). There are no transitional arrangements for the application of EU law on coordination of social security schemes.

The transitional arrangements do not apply to self-employed workers who establish or provide their services within the EU although Germany and Austria are allowed to apply restrictions on the cross-border provision of services involving the temporary posting of workers as defined by the Directive on Posting of Workers in certain sensitive sectors<sup>3</sup>.

#### **1.4. Overview of national policies on access to the labour market**

Workers from Bulgaria currently have free access to the labour markets of 15 of the EU-25 Member States.

After Spain invoked the safeguard clause and the Commission, on 11 August 2011, accepted its request to re-introduce restrictions for Romanian workers until 31 December 2012<sup>4</sup>, Romanian workers currently have free access to the labour market of 14 of the EU-25 Member States.

The Member States that maintain restrictions on labour market access apply a variety of national measures that result in legally different regimes for access to their labour markets. Some apply full work permit schemes while others have simplified procedures or eased conditions e.g. by not requiring work permits for occupations in certain sectors or by exemptions from labour market tests<sup>5</sup>.

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<sup>3</sup> On 10 February 2011 the Court of Justice held in case C-307/09 (Vicoplus) that Member States may also restrict the posting of temporary agency workers.

<sup>4</sup> Commission Decision 2011/503/EU of 11 August 2011, OJ L 207, 12.8.2011, p. 22.

<sup>5</sup> More information on individual national measures available at <http://ec.europa.eu/eures>.

**Table 1: Member States' policies on access to the labour market**

Member States	Workers from Bulgaria and Romania	
EU-25	Belgium	Restrictions with simplifications
	Czech Republic	Free access - national law (1.1.2007)
	Denmark	Free access (1.5.2009)
	Germany	Restrictions with simplifications*
	Estonia	Free access (1.1.2007)
	Ireland	Restrictions
	Greece	Free access (1.1.2009)
	Spain	Free access (1.1.2009) Restrictions for workers from Romania (22.07.2011)
	France	Restrictions with simplifications
	Italy	Restrictions with simplifications
	Cyprus	Free access (1.1.2007)
	Latvia	Free access (1.1.2007)
	Lithuania	Free access (1.1.2007)
	Luxembourg	Restrictions with simplifications
	Hungary	Free access (1.1.2009)
	Malta	Restrictions
	Netherlands	Restrictions with simplifications
	Austria	Restrictions with simplifications*
	Poland	Free access (1.1.2007)
	Portugal	Free access (1.1.2009)
	Slovenia	Free access (1.1.2007)
	Slovakia	Free access (1.1.2007)
	Finland	Free access (1.1.2007)
	Sweden	Free access (1.1.2007)
United Kingdom	Restrictions	

Source: DG EMPL Note: \* Restrictions also on the posting of workers in certain sectors

### 1.5. Third phase of transitional arrangements

Restrictions on the free movement of Bulgarian and Romanian workers should, in principle, end on 31 December 2011. Member States that still apply restrictions may maintain them after 31 December 2011 in the event of a serious disturbance of the labour market or a threat thereof and after notifying the Commission before 1 January 2012.

Notification by a Member State within the deadline will extend the restrictions after 31 December 2011 without need for the Commission's assent. However, by temporarily allowing restrictions on the free movement of workers, the transitional arrangements derogate from a fundamental freedom of EU law. The Court of Justice has consistently held that derogations from fundamental freedoms must be interpreted strictly. A strict interpretation also applies to the conditions under which Member States may continue to restrict labour market access in the third phase. Therefore, while recognising that labour markets within the EU vary widely and that it is for each Member State to identify a disturbance of its labour market, or threat thereof, the Commission expects Member States to provide a full justification with data and convincing arguments on the existence of a labour market disturbance or threat thereof that goes beyond simply citing the unemployment rate.

## **2. EXTENT OF INTRA-EU LABOUR MOBILITY BY EU-2 CITIZENS**

### **2.1. Bulgarian and Romanian citizens resident in other Member States**

The exact scale of post-enlargement mobility flows is difficult to ascertain due to shortcomings in existing data. However, population statistics and data from the EU Labour Force Survey (LFS) suggest that at the end of 2010, around 2.9 million Bulgarian and Romanian nationals of all ages — irrespective of labour market participation — reside in the EU-25<sup>6</sup> (Tables A1 and A2<sup>7</sup>), more than twice as many as shortly before accession (1.4 million at the end of 2006). This represents an average net growth of 360 000 persons per year. This process had, however, already started before 1 January 2007 with an average net growth around 220 000 per year between 2003 and 2006.

The two main destination countries have been Italy and Spain, which together house more than 70 % of all Bulgarian and Romanian nationals resident in another Member State (end of 2010). Romanian nationals represent more than 80 % of all EU-2 nationals resident in another Member State and are found mainly in Italy (41 %) and Spain (38 %), followed by Germany (5 %) while Bulgarian nationals live mainly in Spain (38 %), Germany (15 %), Greece (12 %), Italy (10 %) and UK (7 %).

While the recent inflows seem substantial in absolute terms, in relative terms, EU-2 nationals resident in an EU-25 Member State represent only 0.6 % of the total population of the EU-25 at the end of 2010, compared to 0.3 % four years before. This share is the highest in Cyprus (4.1%), followed by Spain (2.2%) and Italy (1.8%).

Focusing on recently arrived<sup>8</sup> mobile citizens of working age (Chart A1), EU-2 nationals represent a fairly significant share of the working age population only in Cyprus (4.3 %), Spain (1.4 %) and Italy (1.1 %) — though even in these countries, the share of recently arrived workers from non-EU countries has been significantly higher.

LFS data also indicate (Table A3) that recent working-age movers from Romania mainly went to Italy and Spain (close to 40 % each), with a smaller share going to the UK, Germany and France (around 12 % combined). Around one third of recent movers from Bulgaria went to Spain, followed by the UK, Germany, Italy and Greece (all between 10 and 15 %).

### **2.2. Mobility flows from the perspective of Bulgaria and Romania**

Out of all recent intra-EU movers, Romanians constitute the largest group of working age citizens living in another Member State (Chart A2) in 2010 (27 %), followed by

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<sup>6</sup> As more than 95 % of EU-2 nationals living in another Member State are in EU-15 countries, it does not make a significant difference to use EU-15 instead of EU-25 as reference for the receiving countries. This is done several times for sake of simplification or data availability.

<sup>7</sup> All tables and charts referred to with 'A' are given in the Commission Staff Working Paper accompanying this report.

<sup>8</sup> Recently arrived mobile citizens are defined as persons resident 7 years or less in another EU Member State.

Polish citizens (21 %). Bulgarians constitute the fourth group, with a much smaller share (5 %).

Over the period 2003-2010, the number of EU-2 nationals living in other Member States increased by 2.1 million persons which was around 7% of the domestic population of EU-2 countries (measured in 2003) and much higher than the corresponding figure for the EU-10<sup>9</sup> countries over the same period (around 2 %).

Focusing on the working age population, the outflow of Romanian citizens to other EU Member States since accession amounts to about 3.1 % of the Romanian working age population (Chart A3). In Bulgaria, the corresponding rate has been 2.1 %. These mobility rates are significantly higher over the period since 2004 (6.6% for Romania, 3.7% for Bulgaria) showing that labour mobility from these countries was already significant before 2007. LFS data also suggest that the majority of EU-2 citizens living in other Member States were already there before accession (Chart A4). Finally, there are indications (Holland *et al*, 2011<sup>10</sup>) that the substantial wave in 2007 did not correspond entirely to real new inflows but reflected, at least partly, the regularisation of existing migrants already living in the country.

### 2.3. Trends in mobility flows

Intra-EU mobility seems to follow the trends of the economy. The 2004-2007 period of strong economic growth saw the highest inflows from EU-10 and EU-2 countries to EU-15 countries, but this trend changed radically from 2008 with the start of the economic and financial crisis. Overall, the recession and the resulting fall in labour demand caused a slowdown in the inflow of EU-10 and EU-2 citizens in EU-15 countries, especially in 2009. It also triggered some higher return outflows to the countries of origin but there is no evidence of large-scale returns<sup>11</sup> as a significant portion of the workers from the EU-10 and EU-2 decided to stay in the destination country (Koehler *et al*, 2010).

Mobility outflows from Bulgaria and Romania peaked in 2007 before decreasing substantially in 2008 and especially in 2009, and increasing again in 2010 in line with the improvement in economic conditions. While the flows towards IT, UK, FR and DE have risen again, inflows have decreased in ES, largely explained by the adverse situation on its labour market. Between 2007 and 2010, there has been a shift in the geographical distribution of EU-2 nationals living abroad with a rise in the share in Italy (from 32 % to 37 %) and a decrease in Spain (from 44 % to 35 %).

The decline in intra-EU mobility during the crisis has been less pronounced for EU-2 than for EU-10 nationals (Table A4), because EU-2 enlargement took place more recently and is therefore still impacting on workers mobility. Another reason is that Bulgaria and Romania have been severely affected by the economic recession and the large wage difference with the EU-15 countries still constitutes a strong pull-factor (Holland *et al*, 2011). Nevertheless, mobility flows from EU-2 appear to have

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<sup>9</sup> As a basis for comparison, some tables and graphs in this report and its annex also include figures related to the situation of EU-10 nationals.

<sup>10</sup> The complete references of the external studies quoted in the text are listed in the Commission Staff Working Paper accompanying this report.

<sup>11</sup> According to Eurostat population statistics and the LFS.

peaked in 2007 and, despite a recovery, were in 2010 far below the levels recorded in the period 2006-2008.

## **2.4. Transitional arrangements and factors impacting on mobility**

Table A5 shows that the impact of opening the labour market early (in FI, SE and most EU-10) on inflows from EU-2 has been very limited. As for the countries that opened their labour markets in 2009 after the end of the first phase, the net inflows have also been very limited following the opening (DK, HU) or decreased significantly compared to the previous years (ES, EL, PT), which can partly be explained by the economic recession. Meanwhile, the countries that continued to use transitional measures have received significant inflows since 2007. In Italy, no work permits have been required in major sectors since 2007, which explains the strong rise in mobility from EU-2 countries.

These examples suggest that transitional measures have only had a limited influence on the distribution of intra-EU mobility and that mobility flows are driven by other factors, such as general labour demand, network effects through existing foreign population and language.

As stated in the 2008 report<sup>12</sup>, if anything, restrictions on the labour market access can have side effects such as the increased incidence of undeclared work. The relatively high share of self-employed among recent intra-EU movers from EU-10 and EU-2 countries in countries keeping restrictions is another side effect of the restrictions<sup>13</sup>. Finally, during the recession, fears of losing access to the labour market may have pushed EU-2 workers to stay in the destination country even when they lost their jobs instead of leaving and coming back when the labour market recovers.

## **3. MAIN CHARACTERISTICS OF INTRA-EU MOVERS**

### **3.1. Age, gender and education**

Out of all EU-2 nationals living in other Member States, 85 % are of working age (15-64) compared to an average of 67 % in the total resident population of the EU-25. Mobile citizens from EU-2 countries are therefore much more likely to be in the economically productive period of their life than the native population. Moreover, recent mobile EU-2 workers are younger than the overall population in both sending and receiving countries. Persons aged less than 35 represent 62 % of the EU-2 economically active working-age movers compared to only 34 % in the EU-15 labour force (Chart 1). As for the gender breakdown, there is a higher share of women among recent active intra-EU movers from EU-2 (50 %) than the average in the labour force of the receiving countries (45 %).

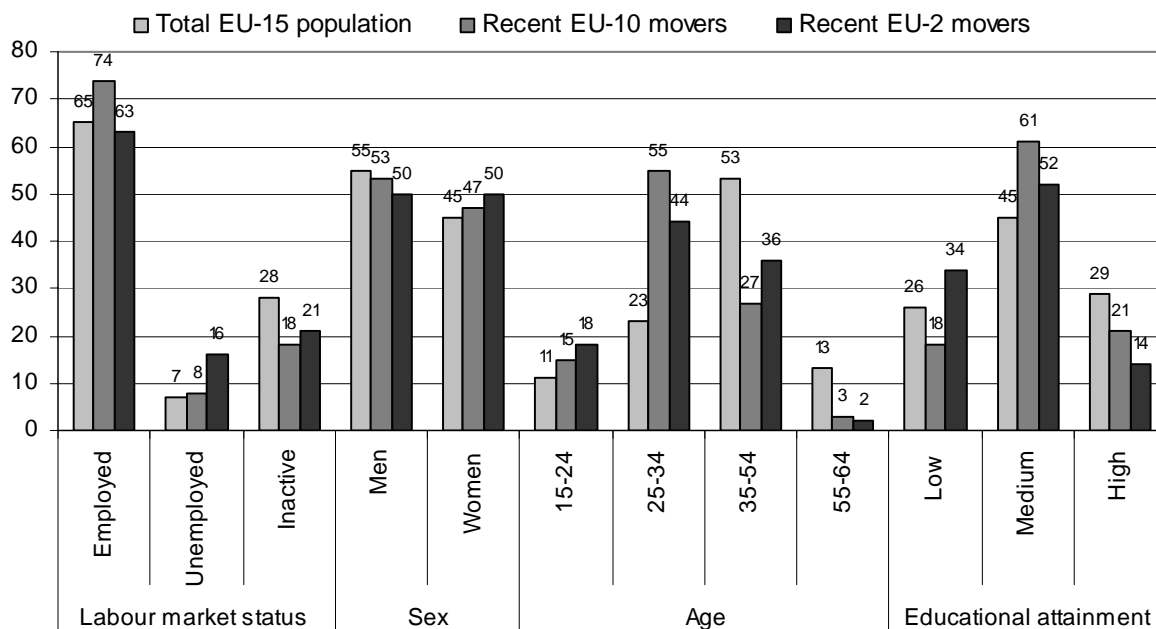
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<sup>12</sup> COM(2008) 765 of 18.11.2008.

<sup>13</sup> In 2010, the share of self-employed among EU-2 nationals is much higher where salaried employment was subject to restrictions on the free movement of workers (UK, DE) than where it was not (ES) or in Italy (where no work permits are required in major sectors). This was also underlined by Kausar (2011) and Fellmer and Kolb (2009).

Chart 1 also indicates that around one third of recent intra-EU movers from EU-2 countries are low skilled (compared to only 18% among EU-10 recent movers) and more than half of them are medium-skilled (see Chart 1). The share of high-skilled (14%) is much lower than in the EU-15 labour force (29%).

**Chart 1: Socio-economic breakdown of recent movers from the EU-2/10 to the EU-15 (age group 15-64), 2010 (% of total per variable and group)**



Source: Eurostat, EU LFS, annual data.

Note: Recent movers are defined as persons resident 7 years or less in their EU-15 host country. Data on gender, age and educational attainment refer to the active population aged 15-64 and data on labour market status refer to the total population aged 15-64.

### 3.2. Labour market status

In 2010, recent movers from EU-2 have an employment rate slightly lower (63%) than the average in the EU-25 (65%)<sup>14</sup>. However, the breakdown by main destination country shows that employment rates are much higher than the average working age population in IT and the UK, close to the average in ES and significantly lower only in DE (Chart A6). Moreover, the inactivity rate of EU-2 movers is much lower than the average (Charts 1 and A6).

In these main destination countries, their employment rate is also comparable to the average among EU-10 movers (Chart A6), showing that it is mainly the concentration of the EU-2 in countries with a lower overall employment rate (Italy, Spain) — see Chart A13 — that explains their overall less favourable performance (compared to EU-10 movers).

<sup>14</sup> In 2007, before the crisis, these two rates were identical (see Chart A7).



EU-2 movers have been the group hardest hit by the economic recession (Chart A7) and their unemployment level is very high. This is mainly due to the general labour market situation in ES<sup>15</sup>, one of the two main destination countries, to their on-average low educational attainment (Chart A9) and their predominance in sectors strongly impacted by the crisis, in particular the construction sector.

The employment rate of EU-2 movers is higher (63%) than the average in the sending countries (59%), see Chart A5.

### **3.3. Occupations and sectors**

Recent movers from Bulgaria and Romania tend to work predominantly (Table A6) in construction (21.2%)<sup>16</sup>, private households (17.5%) and accommodation and food service activities (14.2%). Their share in public administration, education, 'health and social work' and 'professional, scientific and technical activities' is much lower than the average.

EU-2 mobile workers are concentrated in occupations requiring low (40%) or intermediate (53%) qualifications and highly-skilled occupations employ only 7% of the workers (Table A7 and Chart A10). The most frequent occupations are elementary occupations and 'craft and related trades workers'.

The sectoral and occupational distributions of EU-2 workers broadly reflect their skill pattern, with an overrepresentation of the low- and medium-skill segments. During the period of economic growth, inflows of EU-2 workers were positive for the labour markets of the receiving economies as they entered occupations or sectors with labour shortages and accounted for a limited share in local employment<sup>17</sup>. However, the high share of young and/or low-skilled among EU-2 movers has had a negative impact on their employment performance during the recession (in particular in Spain, see Chart A11) since they are more vulnerable to job losses, have limited adaptability and find it difficult to re-integrate into the labour market.

## **4. ECONOMIC AND LABOUR MARKET IMPACTS**

### **4.1. Impact on growth and GDP per capita**

A recent model-based study<sup>18</sup> estimates that mobility from the EU-2 during 2004-2009 may have boosted the aggregate GDP of the EU by about 0.2% in the short term and 0.3% in the long term (based on the increased labour force and allowing for adjustment of production capacity). For the receiving EU-15 countries, the long-term impact is even stronger (0.4%). However, countries that received significant inflows from EU-2 countries have the highest long-term impact on GDP: +1.7% in Spain and +1.3% in Italy. There seems to be no significant long-term impact on GDP per capita for receiving countries. Other studies (such as D'Auria, Mc Morrow and Pichelmann,

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<sup>15</sup> More than 60% of unemployed EU-2 nationals living in another Member State are in ES (23% in IT).

<sup>16</sup> The concentration of EU-2 workers in the construction sector was even more pronounced before the crisis with a share around 27% in 2007.

<sup>17</sup> While the three main sectors quoted above constitute around 53% of EU-2 recent movers in employment, they play a minor role on average in EU-15 employment (less than 14%).

<sup>18</sup> Holland et al, 2011.

2008; Brücker *et al.*, 2009; and Baas, Brücker and Hauptmann, 2009) tend to confirm the overall positive impact on overall GDP and moderate effects on GDP per capita.

For the EU-2 sending countries, the long-term impact on GDP is largely negative (-9.2%) due to significant outflows in 2004-2009, but the impact on output per capita is much lower (-2.5%). Moreover, remittances can partially offset the negative growth impact in the short and medium term (see section 4.4).

#### **4.2. Impact on public finances, welfare systems and public services**

According to various studies (e.g.: Barrett and Maître, 2011), there is no evidence of a disproportionate use of benefits by recent intra-EU mobile citizens. Mobility flows have in some cases created pressure on education, housing and health care services at local level. However, most studies (e.g.: D'Auria, Mc Morrow and Pichelmann, 2008) estimated that the impact of recent mobility flows on public finances is negligible or positive at national level and there is no recent counter evidence.

In the longer term, intra-EU mobility may put the age structure, and, as a likely result, public finances of the sending countries under pressure since the EU-2 Member States have seen large outflows of young citizens.

#### **4.3. Impact on wages and employment**

Most studies of the impact of EU-2 labour mobility on wages and employment of local workers conclude that the effects are very small. For example, a recent study<sup>19</sup> finds that wages in the EU-15 are on average 0.24% lower in the short term than they would have been without additional mobility from the EU-2, with a similar impact in the long term (-0.28%). The impact is stronger for countries that received significant inflows from the EU-2 (about -0.7% for both ES and IT).

The short-term impact of the inflow of EU-2 workers on unemployment is also found to be marginal, with an estimated increase of the average EU-15 unemployment rate only 0.02 percentage points in the short term and no effect in the longer term, even in countries that received significant inflows from EU-2.

Disaggregated results for specific skill groups, sectors or occupations may differ from aggregated results. Brücker *et al* (2009) showed that the employment effect for low-skilled workers would be larger than the aggregate. However, even when taking into account differences in worker's qualifications, the impacts tend to be moderate.

#### **4.4. Impact of the economic recession**

The macro-economic and employment effects described above are the isolated effects of mobility, not taking into account other factors that have an impact on wages and employment. It should be noted that the period in which these effects were estimated (2004-09) was mostly characterised by economic growth. During the growth period (2004-07) EU-2 nationals filled labour shortages in the receiving

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<sup>19</sup> Holland et al, 2011.

countries, but since the recession, their labour market integration has become much more difficult, especially in Spain<sup>20</sup>.

However, it is clear that recent EU-2 movers played a very minor role in the labour market crisis of individual countries. For instance, in 2010 they represented only 1 % of all unemployed persons (aged 15-64) in EU-15 countries<sup>21</sup>, compared to 4.1 % for recently arrived third-country nationals.

#### **4.5. Remittances**

Remittances sent by workers living abroad to Bulgaria and Romania represent around 3 % of GDP in both countries (average 2004-2010<sup>22</sup>). They are a substantial source of income in the sending country and can help to drive economic growth by supporting aggregate demand and financing investment in education or the start-up of capital-intensive businesses. Therefore, remittances can be a partial compensation for losses in sending countries that result from the loss of potential labour input. They can also have a positive impact on the balance of payments of sending countries.

#### **4.6. Brain drain and labour shortages in the sending countries**

The significant emigration from Bulgaria and Romania of mostly younger workers to other Member States has sparked concerns over a brain drain. However, as the share of highly skilled workers among recent movers from EU-2 countries is lower (14 %) than in the active population in origin countries (19 %), there does not seem to be a strong brain-drain effect in these countries (Chart A8). Moreover, enrolment rates for tertiary education in the EU-2 have substantially accelerated over the past years, which may begin to compensate the outflow of skilled labour.

Although there does not seem to be a brain drain overall, such effects may be felt in specific sectors or occupations, such as the health sector.

### **5. CONCLUSIONS**

The main destination for movers from Bulgaria and Romania has been Italy and Spain, with very limited inflows into most other Member States. The rate of inflows fell sharply during the recession, especially in the countries most affected (such as Spain), and since accession have, in total, been substantially lower than the inflow of third country nationals. There is no evidence of a direct link between the magnitude of labour flows from EU-2 Member States and the transitional arrangements in place. Most EU-2 nationals were already in the destination countries before accession, and the countries that applied EU law on free movement upon accession did not attract the largest inflows. While the future trend in EU-2 mobility will depend on a host of factors, most of them uncertain (such as growth, job creation and wages in both receiving and sending countries), there are indications that many of the EU-2

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<sup>20</sup> The limited return mobility despite the adverse labour market situation also implies that there has been a significant stock of recently arrived EU-2 movers to be integrated in the labour market, in a period of weak labour demand.

<sup>21</sup> The highest shares are found in ES (2.4 %) and IT (2 %).

<sup>22</sup> Source: Eurostat and World Bank.

nationals who wanted to move have already done so, suggesting a lower potential for migration.

The vast majority of recent movers from Bulgaria and Romania participate in the labour market to the same extent as the average population, or even at a higher rate. They have played overall a positive role for the economies of receiving countries, contributing to the skill mix, and working in sectors and occupations where labour shortages needed to be filled. This was especially true during the growth period 2004-2007. Since the recession, the integration into the labour market of EU-2 nationals, including many young and low-skilled people, has been more difficult.

Econometric estimates show a positive impact on GDP (especially in the countries that received significant inflows of EU-2 workers) and a neutral impact on GDP per capita of the receiving countries. Studies have not found a significant impact on unemployment or wages of local workers, even when disaggregating by skill level. However, these estimates indicate a mostly negative effect on sending countries, especially over the long term. They have seen substantial outflows since 2003, affecting the productive capacity and contributing to an older workforce. However, remittances can partially offset this negative impact and the brain-drain effect is considered to be limited.

In conclusion, the effects of mobility from the EU-2 seem limited for most countries, less so for Italy and Spain, and existing evidence shows that intra-EU mobility has generally not led to serious labour market disturbances. The current labour market disturbances faced by a number of Member States are due to a variety of factors, notably the financial and economic crisis and structural labour market problems.

Nevertheless, post-enlargement mobility may have had some economic and social costs for the receiving countries as well as for the sending countries. The Commission believes that these costs will not be reduced by restricting labour mobility but by addressing them through specific policies. As the experience of the 2004 enlargement has shown, restricting the free movement of workers may have negative side effects, such as an increase in undeclared work. In essence, restricting the free movement of workers is not the answer to high unemployment in Europe.

The freedom of movement of workers is one of the fundamental freedoms of EU law. It makes a positive contribution to labour markets throughout Europe and therefore is a key element of the Europe 2020 Strategy to which all Member States have subscribed. It is a powerful and positive symbol of what Europe means for the individual EU citizen.

The Commission trusts that this report and its supporting material will provide the Council with the information it needs to review for a second time the functioning of the transitional arrangements of Bulgaria and Romania.