

Bridging EU's Economic and Social Pillars: Lessons from the European Job Posting Policy

Daniel J. Elanga Mendogo (CNRS, University of Strasbourg)

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Posting of workers: A symbol of tensions between EU economic and social pillars

- In 2022, about 1.9 million posted workers and 4.7 million postings were reported in the prior declaration tools of EU Member States (De Wispelaere et al,2024).
- Highly visible cases of workers exploitation:
 - Terra fecundis and PW in the agricultural sector in France (2012-2015)
 - Valens-Duchêne and PW in the construction sector in Belgium (2016)
 - Tönnies and PW in the meat sector in agriculture in Germany (2020)



Economic arguments in favour of free trade (posting of workers):

- A single and large market can stimulate economic growth
- Competition between firms could foster efficiency, and better prices for consumers
- Distribution of wealth between EU countries



Social considerations issues raised by the posting of workers:

- Low and underpaid wages / social dumping
- Unsafe and unsecure working environments
- Work-life imbalance

Research questions

- How have the posting of workers policy and its liberalization to NMS affected:
 - The level of trade in customer-facing services?
 - The wages of posted workers?
 - Employment and wages of local workers?

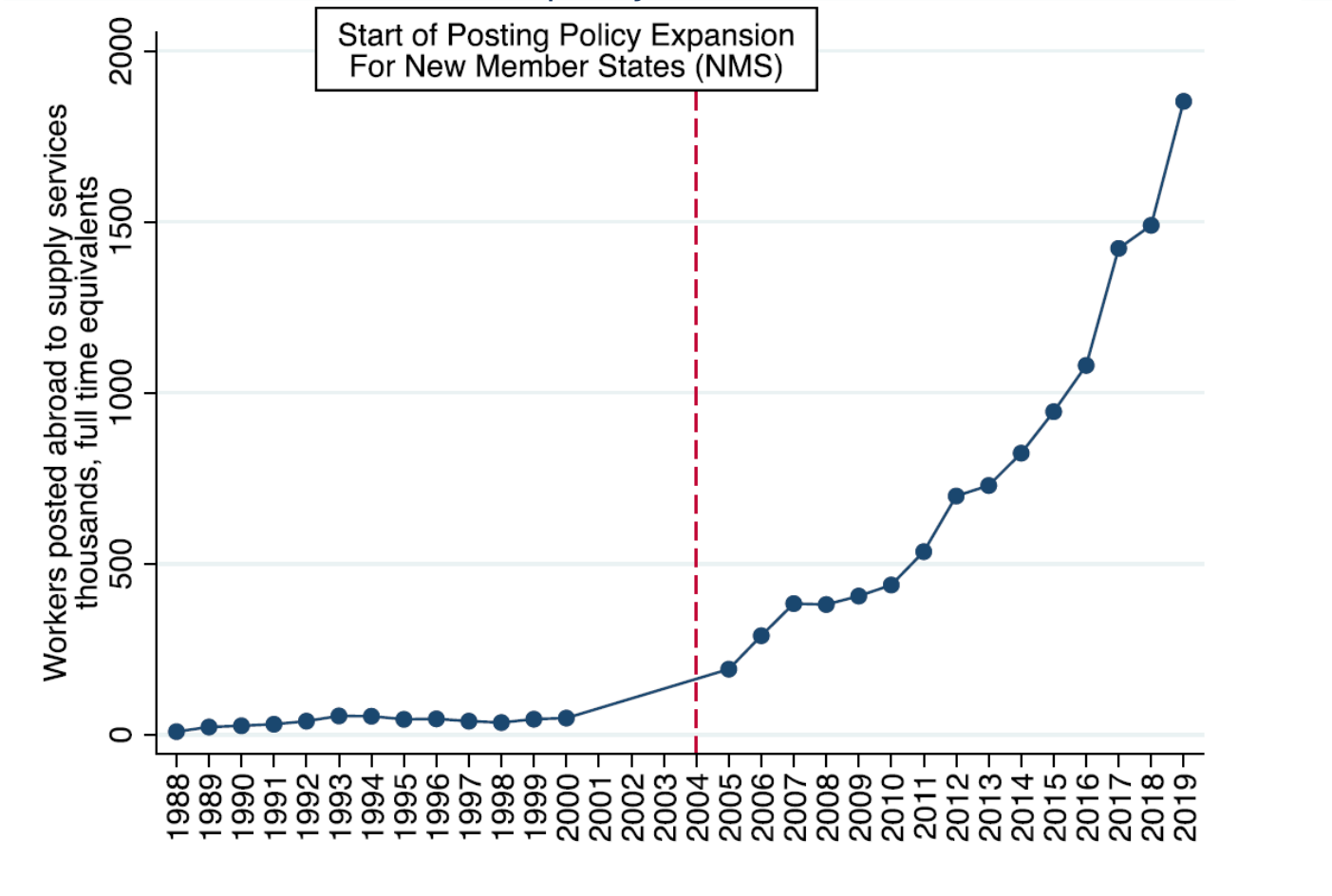


The 1996 Posted workers Directive: The minimum right paradigm from 1997 to 2020

Muñoz.M (2022, 2023, 2024)

Extension of posting policy to NMS and posting flows

Fig. 1: Increase in number of posted workers after extension of posting policy to NMS



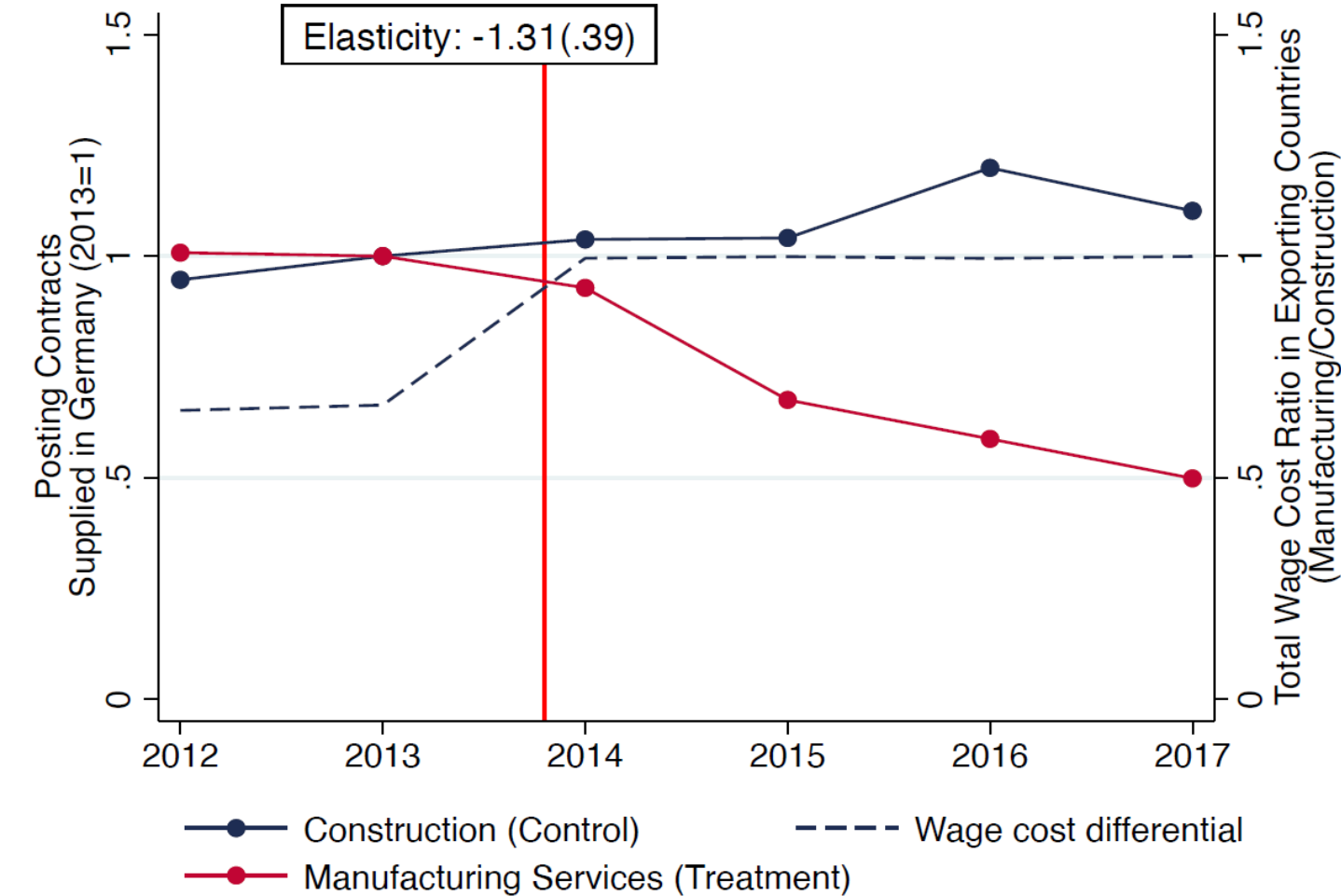
- In 2004, EU enlargement lifted barriers to trade for NMS countries.
- The number of posted workers in the EU increased by 500% in 2004.

Source: Muñoz, M. (2024), Trading Non-tradables: The Implications of Europe’s Job-Posting Policy, Figure 1, Panel A.

Note: data set constructed by the author based on EU administrative social security forms E101/A1 (Portable document A1).

Labour regulation and posting levels: destination minimum wage

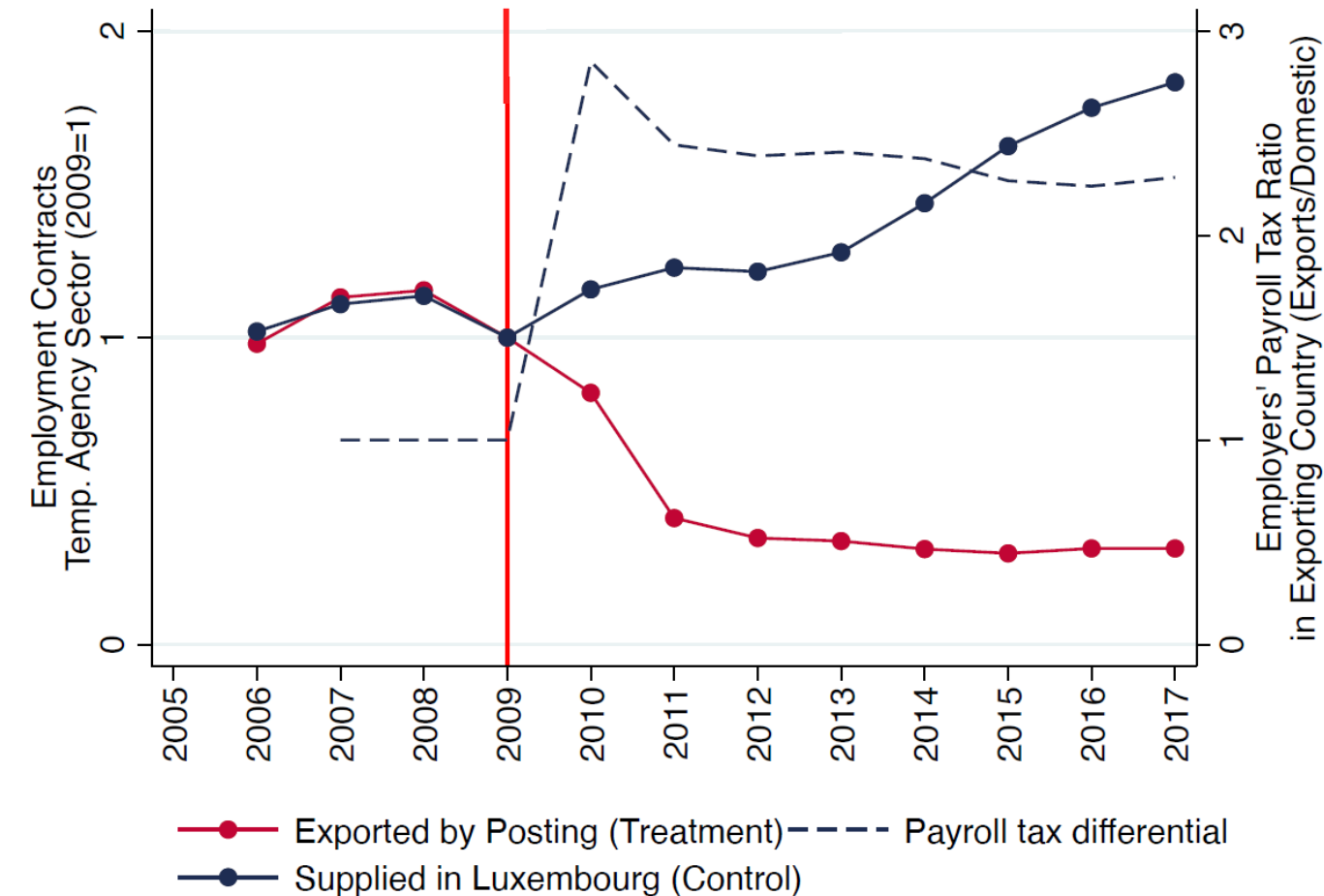
Fig.2: Decrease in posting of workers in the German manufacturing sector following minimum wage



- The 1996 Posted Workers Directive established that posted workers should not be paid less than the minimum wage applicable in the destination country.
- If the receiving country does not have a minimum wage, the wage in the origin country prevails.
- Prior to 2015, Germany did not have a national minimum wage.
- Before 2015, the construction sector had minimum wages for posted workers, but other sectors, such as the manufacturing sector (ex: meat industry), did not.
- The meat sector introduced a binding minimum wage one year prior to the introduction of the national minimum wage.

Labour regulation and posting levels: destination-based payroll taxes (incl. social security contributions)

Fig.3: Decrease of posting from Luxembourg to France following the destination-based taxation reform



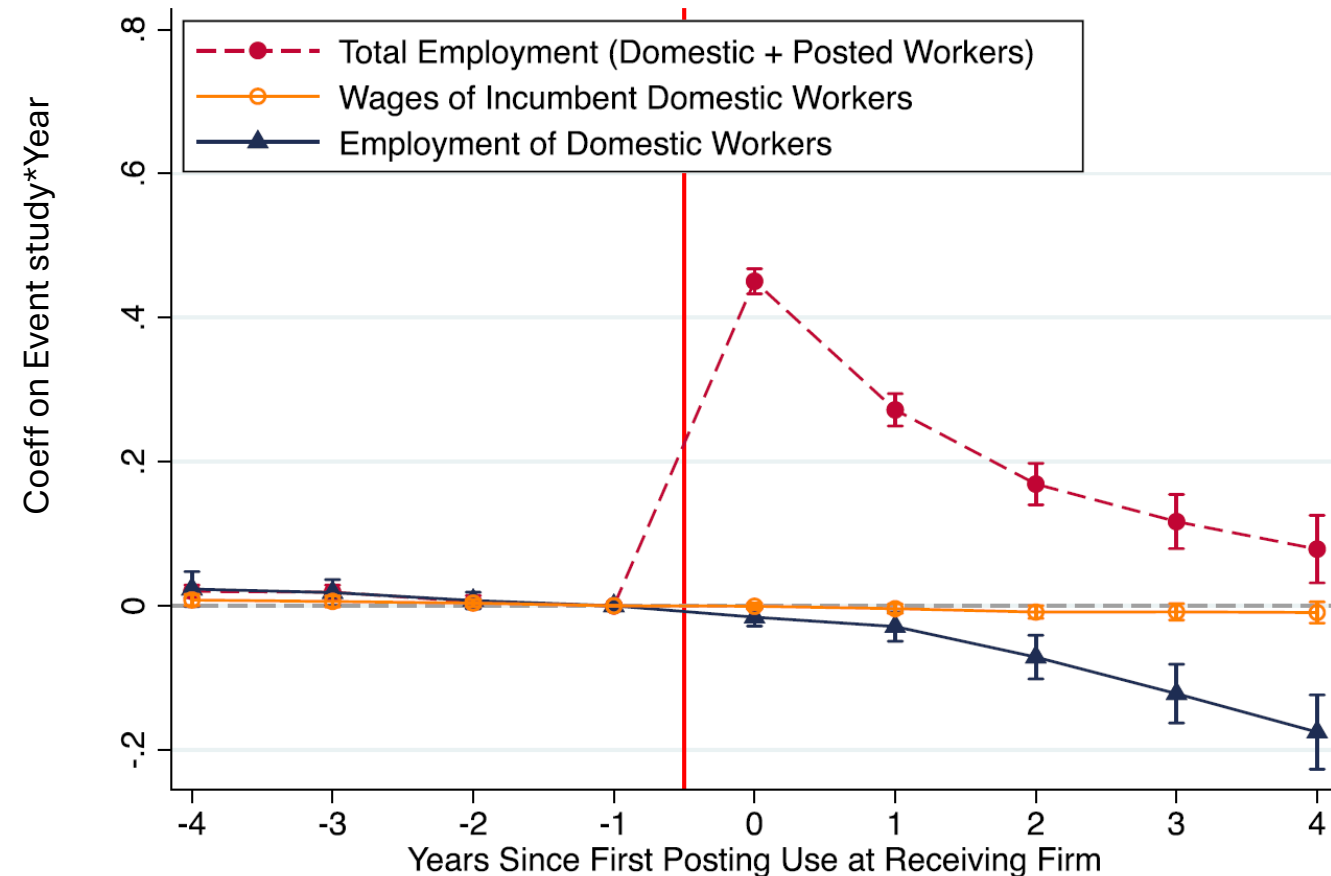
- In line with pre-existing social security coordination rules (Regulation (EEC) No 1408/71), the 1996 Posted Workers Directive provided that sending firms should pay payroll taxes in their home countries.
- EU Regulation 883/2004, which came into effect in May 2010, set out new conditions for paying employers' payroll taxes in receiving countries:
 - If a worker is posted to its country of residence.
 - If a worker has been registered in the social security system of the sending country for less than a month (Decision A2/2009 on Article 12 of Regulation 883/2004).

Source: Muñoz, M. (2023), International Trade Responses to Labor Market Regulations, Figure 7, Panel A.

Note: the author used the IGSS dataset (Luxembourg).

Posting, employment and wages of local workers at the firm level

Fig.4: Employment and Wages at Belgian Receiving Firms after Using Posted Workers



Posting of workers:

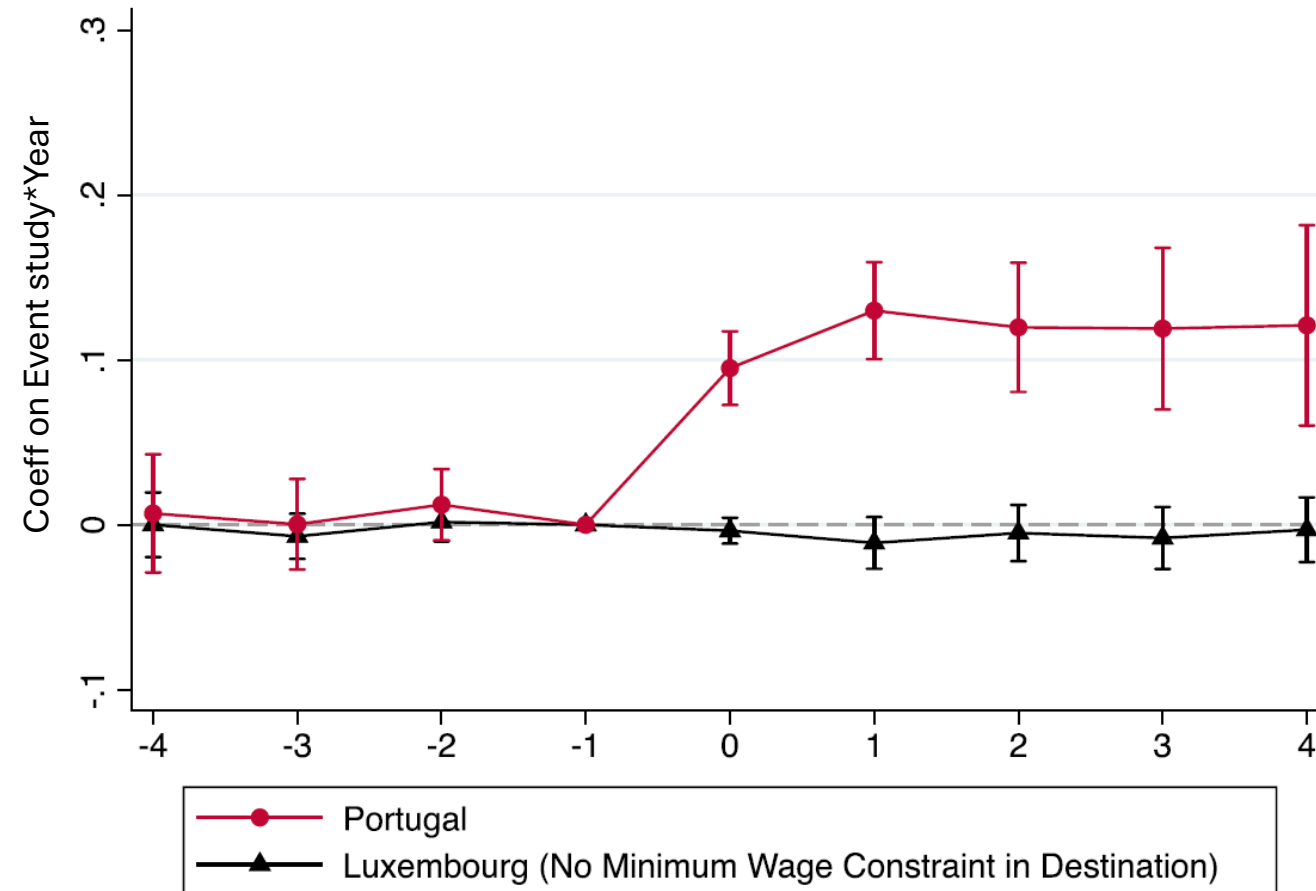
- Decreases employment of local (domestic) workers at receiving firms.
- Does not affect the wages of local workers.

Source: Muñoz, M. (2024), Trading Non-tradables: The Implications of Europe's Job-Posting Policy, Figure 6.

Note: the author used the LIMOSA and Belgian matched employer-employee dataset

Wages of posted workers: Low versus High-wages sending countries

Fig.5: Posting and wage rate at sending firms



- Portuguese workers (low-wage country) experience an increase in their wage rate after their employer starts posting, but Luxembourg workers (high-wage country) do not.

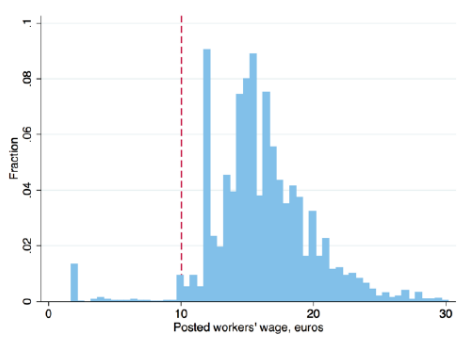
Muñoz, M. (2024), Trading Non-tradables: The Implications of Europe's Job-Posting Policy, Figure 11, Panel C.

Note: the author used the CBHP data set (for Portugal) and the IGSS data set (for Luxembourg).

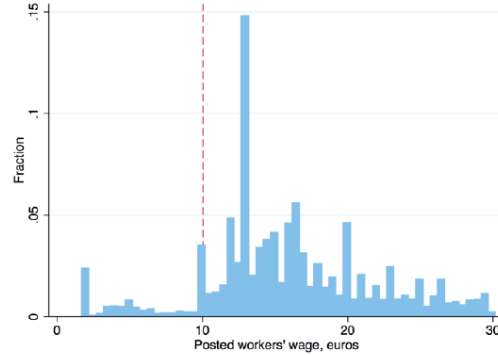
Minimum wage policy and wages of posted workers

Fig.6: Distribution of posted workers hourly wages in France

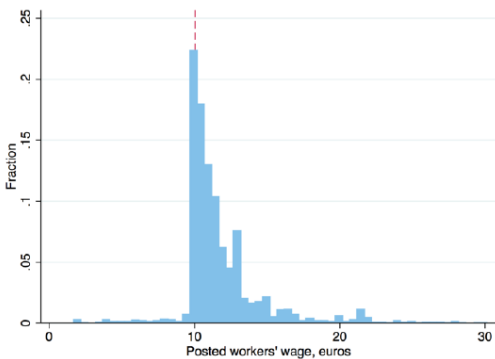
(A): Luxembourg



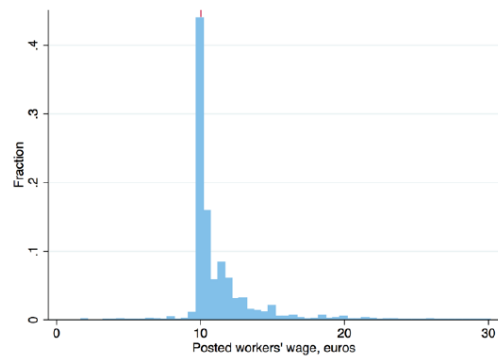
(B): Germany



(C): Portugal



(D): Romania



- Posted workers from low-wage countries such as Portugal and Romania have their wages tied to the French minimum wage while they are posted to France.

Source: Muñoz, M. (2022), Posted workers from and to France. Facts and Figures, Leuven: POSTING.STAT project VS/2020/0499, Figure 22.

Note: the author used the SIPSI data set (France)

Comparing posted and local workers wages

Table 1: Wage setting for posted and domestic workers at french receiving firms

Outcome variable: log hourly wage

Posting contract dummy	−0.30*** (0.004)	−0.34*** (0.003)	−0.33*** (0.004)
Temp worker dummy		−0.12*** (0.001)	
Immigrant dummy			−0.07*** (0.005)
Controls	Firm, year FEs age, hours	Firm, year FEs age, hours	Firm, year FEs age, hours
Country	France	France	France
Period	2017–2018	2017–2018	2017–2018

- On average posted workers are paid 30% less than local workers in the same firm.

Source: Muñoz, M. (2024), Trading Non-tradables: The Implications of Europe’s Job-Posting Policy, Figure B.6 (Panels A and B), Online Appendix.

Note: the author used the SIPSI and DADS data sets (France)

The background of the slide features a dark blue silhouette of a construction site. Several workers wearing hard hats are visible, some standing and others working. A complex network of scaffolding or rebar is superimposed over the scene, creating a grid-like pattern. The overall tone is professional and industrial.

The 2018 Posted workers Directive: The equal treatment paradigm since 2020

Research objectives

- Measure the trade (posting of workers) and labour market (wages) consequences of the reform of the posting of policy.

I. Uncertain impact of the reform on the level of postings

- **No impact:**

- Posted workers remain competitive
- Substitution between sending countries
- Labour shortages in receiving countries
- No impact on posted workers wages

- **Decrease of postings:** higher wages disincentivise receiving firms from subcontracting PW services.

- **Increase of postings:** higher wages incentivise firms to increase the substitution of domestic workers with posted workers.

II. Uncertain impact of the reform on the wage of posted workers

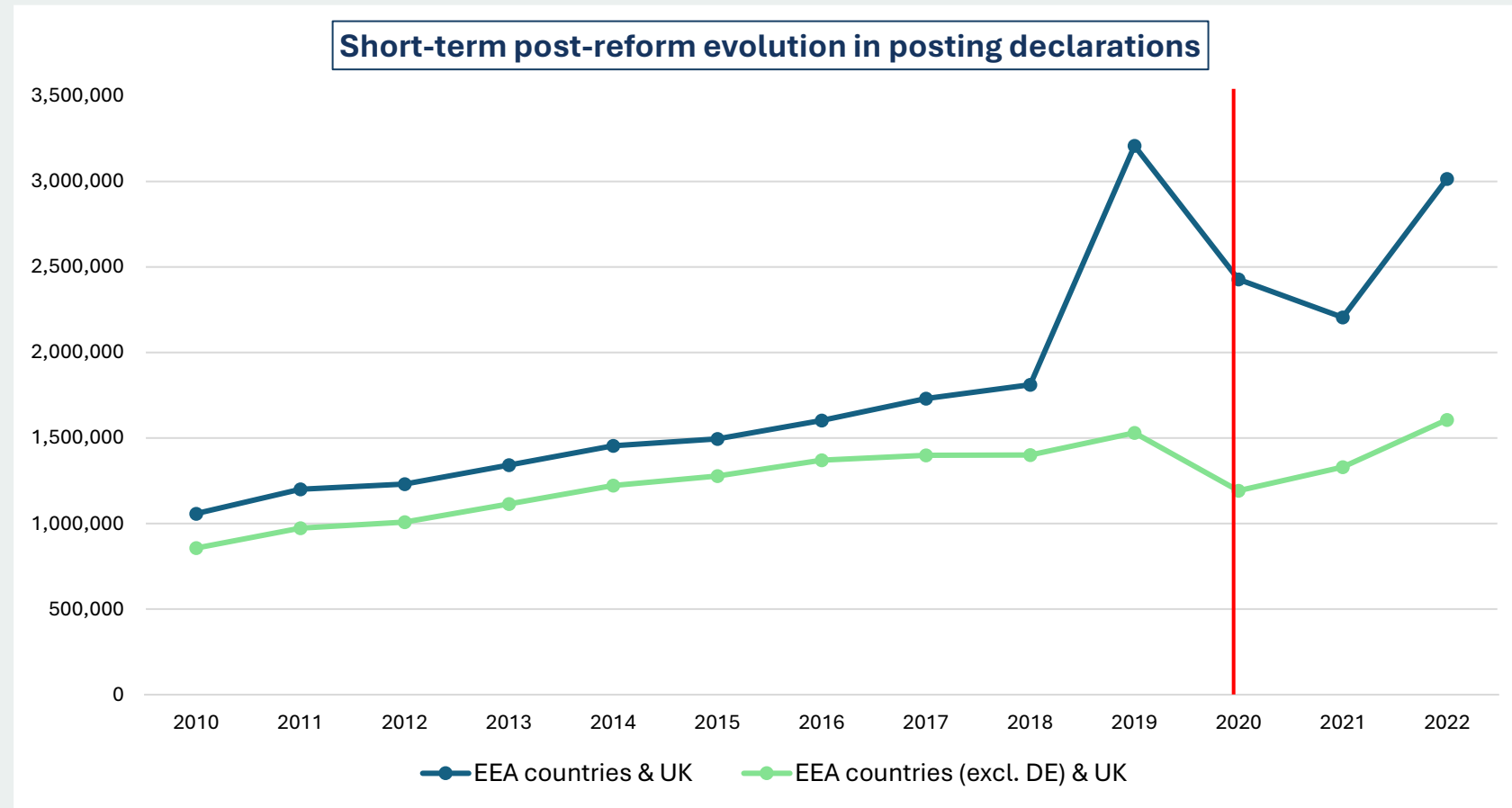
- **No impact:**

- What does equal treatment mean?

- **Increase of PW wages:**

- Sending firms increase the wages of posted workers.
- However, to what extent?

Preliminary descriptive evidence on post-reform posting flows



Source: Author's elaboration based on PD A1 by sending countries

Data limitations

- **Data availability, access and accuracy:**

- **Lack of data for many countries**
- **Indirect high cost of accessing data**
- **Reported data not observed data**

- **Lack of qualitative data:**

- **Work satisfaction**
- **Occupational health**
- **Risk exposure**



Thank you for your attention !

Contact: elangamendogo@unistra.fr