Cross-border labour in the Greater Region
Saar-Lor-Lux: Evolutions and effects on the status of the workers and on regional economic and social development

Introduction

The Greater Region Saar-Lor-Lux (“Greater Region”) is a cross-border area in Western Europe constituted by two German regions (Saarland and Rhineland-Palatinate), one French region (Lorraine), one Belgian region (Wallonia) and a country (Grand Duchy of Luxembourg) (cf. Figure 1). This area located in the centre of the European Union is an interesting field of observation for the construction and harmonisation of labour legislations at the European Union level. The examined cross-border area has many political boundaries and new dynamics of employment are observed, especially with the development of cross-border labour (Belkacem and Pigeron-Piroth 2012a). More and more people live in one country and work in another. From a global population of 11 million inhabitants, around 213,000 workers have their job in a neighbouring country and cross the border every day or at least once a week. These frontier workers constitute 25 per cent of all the population of frontier workers in the European Union (OIE 2012). According to a European regulation, “frontier worker’ means any person pursuing an activity as an employed or self-employed person in a Member State and who resides in another Member State to which he/she returns as a rule daily or at least once a week” (Article 1 (f) of Regulation (EC) No 883/2004 of the European Parliament and of the Council, 29 April 2004). The Grand Duchy of Luxembourg is the main destination of these frontier workers.
workers: 160,000 people coming from France, Germany and Belgium work in Luxembourg (cf. Figure 1). Lorraine (French region) is the main region of residence of these frontier workers. In 2014, they numbered around 100,000, meaning that one in ten employees in Lorraine has a job outside France. In northern Lorraine, near the border, this ratio is higher: one in two employees works on the other side of the border.

This article presents partial results of a current research program led by the Universities of Lorraine and Luxembourg. The first part of the article deals with a definition of the analytical and theoretical frame. The second part of the article gives a conceptual definition of cross-border labour, its socio-economic dimensions and evolutions in this specific European area. The third part addresses some effects that cross-border work has on the development of the most impacted territories (Lorraine and Luxembourg).

Analytical and theoretical framework

To address the topic of cross-border labour, we will first present our research questions and our methodology. Then, the theoretical framework will be exposed.

Questions and methodology

What are the effects of cross-border work on the economic and social development of cross-border territories? Can we consider cross-border work as a factor of territorial development? Actually, cross-border work is a social and historical construction. The legal harmonisation of the status of frontier worker, determining what the applicable law in regard to social security and taxes is, allows the development of this particular form of employment. This development generates different effects (positive and negative) on regional labour markets and more generally, on the economic and social development of the different border territories concerned. What are these effects? To answer this question, we shall use our own empirical studies by exploiting administrative data, inquiries with economic and social actors and we shall rely on diverse studies on the subject (see References). From a methodological point of view, it is difficult to find complete and harmonised information at regional and local level in a cross-border context. Consequently, we have used the following sources:

— results of inquiries with frontier workers (Belkacem and Pigeron-Piroth 2012a);
— different data produced by statistical institutes such as INSEE (National Institute for Statistics and Economic Studies, France), STATEC.
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(National Institute for Statistics and Economic Studies, Luxembourg) and EUROSTAT;
— data resulting from various social security administrations (especially the Centre for Social Security, Luxembourg (CCSS)).

Theoretical framework

What exactly is the territorial development we would like to analyse concerning this issue? And which theoretical instruments can we use for a better understanding of the effects of cross-border work on the economic and social development of these territories? Despite the success and the large use of this notion in various disciplines, especially in geography and regional economy, territorial development is rarely defined.

Territorial development is a voluntaristic process seeking to increase the competitiveness of territories by involving stakeholders in the context of concerted actions, usually transverse and often with a strong spatial dimension. (Baudelle et al. 2011, 246)

Some authors insist on using the collective strategy, which anticipates the problems and finds the appropriate solutions (Greff 2002, 97). According to Pecqueur, the identification with a territory and a culture is important (Pecqueur 2005, 299). Territorial development is a construction from the stakeholders, a strategy to be adapted in the globalisation context, trying to find the specificity of the territory as an economic resource that differentiates it from other territories.

For the purpose of this article, territorial development is a process of economic and social development concerning a given territory, a space where people live and work. We define economic and social development as an increase in the standard of living accompanied with a qualitative positive change of the lifestyle of the inhabitants. All dimensions of the social and economic life can be taken into account: education, training, work, health, etc. However, our present case study is focused on a particular territory: a cross-border territory. How can cross-border work contribute to the territorial development? To answer this question we favour a frame of analysis in terms of regulations implying economic and social internal dynamism in territories, but also territorial agreement through the construction of projects of cooperation and regulations in a perspective building on the one developed by Fabienne Leloup (Leloup 2010). This author indeed shows that territorial development can be divided into four inter-connected dynamics with interdependent effects: the coordination of actors, the implementation of a project, the structuring of a space and the creation of regulations. The actors are individuals and organisations which act individually or collectively. They perceive themselves as members of a community and their interaction can be explained by the geographical closeness. As
for the project, “it includes all the proposals and the decisions being the object of a collective construction appropriate to the territory”. The space concerned has specific social, cultural as well as economic elements. Finally, regulations include “all the rules and standards which coordinate the actors and the activities of the territorial development” (Leloup 2010). These rules are diverse (administrative or legal, formal or informal…) and overlapping. Every system is self-organised and reacts to any disturbance according to its local specificities. This theoretical analysis considers the institutions, the rules and agreements or the conventions, as a mechanism of regulation and coordination of economic and social relationships. In our case, cross-border work is a social construction set up by national and supranational legislation, bilateral agreements between states, and also by actors’ practices (Belkacem et al. 2006). These rules, laws and agreements indeed allow the economic actors to understand and coordinate their actions, to define their scope of intervention. Cross-border work contributes to the regulation of economic and social relationships within the border territory, through allocating the available workforce in territories where there are shortages, and through allowing employers to find cross-border workforce adapted to their needs.

Cross-border mobility is increasing inside the Greater Region. In order to understand this phenomenon, it is necessary to explain the social and historical construction as well as the characteristics of this workforce.

**Definition and evolution of cross-border labour in the Greater Region**

The present tendencies of cross-border labour mobility have historical origins and are strongly anchored in the local economy. Nevertheless, an important increase in cross-border flows during the last twenty years has been observed. How to explain this phenomenon and what are its socio-economic characteristics?

**Cross-border labour: A social and historical construction**

The free movement of persons within the European Union has been a fundamental liberty of the European integration process since the Treaty of Rome (1957). With the European construction, the cross-border mobility is seen as an important incentive for a competitive labour market as well as the economy in general. In Europe, the geographical closeness of countries such as Belgium, France, Germany and Luxembourg promotes naturally the development of cross-border labour (cf. Figure 1).
This map shows the attractiveness of Luxembourg, which is the main destination of the frontier workers in the Greater Region. The vast majority of these workers live in Lorraine. Currently, 100,000 workers living in this French region are employed on the other side of the border: three-quarters work in Luxembourg and approximately 20 per cent in Germany (Saarland or Rhineland-Palatinate). It means that one in ten employees living in Lorraine has a job in a neighbouring country. The increase of frontier workers living in Lorraine has been very important in the last 20 years. In 1968, their number was only 7,000 and most of them were working in Saarland (Germany).

To explain this important development of cross-border work, we need to observe certain explanatory features. The Lorraine region is characterised by a deep crisis of its three historical industries: the textile industry, the mining industry and the steel industry. From the beginning of the 1960s until the beginning of the 1990s, 30,000 industrial jobs were lost in northern Lorraine. For many of these workers, cross-border work became a real opportunity to stay in the region.
The status of frontier workers is also the result of a social construction organised by rules (European regulations), agreements or conventions (i.e. bilateral tax agreements) and practices of actors. A frontier worker is indeed defined as a person who lives in one member state and works in another, returning home on a daily or weekly basis (EC 883/2004)\(^1\). The European regulation setting out this definition gives the foundation for the coordination of social security provisions for workers concerned by free mobility inside the European Union area. The regulations on the coordination of social security issues have also contributed to the development of cross-border labour, in particular in the Greater Region. However, other factors have also played a role in the increase in cross-border labour:

— wage differences between European border states;
— different levels of taxes and social allowances (more attractive on one side of the border...);
— cross-border transport connections;
— knowledge of the language;
— different regional economic dynamics (cf. Table 1);
— the Schengen agreements etc.

However, frontier workers do not constitute a homogeneous group. Differences in the profiles can be drawn according to their country of residence and their country of work.

Table 1. Main characteristics of the territories of Saar-Lor-Lux area (in 2013)

<table>
<thead>
<tr>
<th></th>
<th>Lorraine (F)</th>
<th>Luxembourg</th>
<th>Saarland (G)</th>
<th>Wallonia (B)</th>
<th>Rhineland-Palatinate (G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size (km(^2))</td>
<td>23 547</td>
<td>2 586</td>
<td>2 570</td>
<td>16 844</td>
<td>19 854</td>
</tr>
<tr>
<td>Population</td>
<td>2 350 657</td>
<td>549 680</td>
<td>990 718</td>
<td>3 576 325</td>
<td>3 994 366</td>
</tr>
<tr>
<td>Domestic employment (workplace)</td>
<td>832 399</td>
<td>386 600</td>
<td>510 000(^*)</td>
<td>1 227 163</td>
<td>1 923 836</td>
</tr>
<tr>
<td>agriculture (%)</td>
<td>2.1</td>
<td>1.2</td>
<td>0.5</td>
<td>1.5</td>
<td>2.2</td>
</tr>
<tr>
<td>industry (%)</td>
<td>15.6</td>
<td>9.4</td>
<td>22.5</td>
<td>12.5</td>
<td>19.7</td>
</tr>
<tr>
<td>construction (%)</td>
<td>6.5</td>
<td>10.4</td>
<td>5.5</td>
<td>7.1</td>
<td>6.4</td>
</tr>
<tr>
<td>services (%)</td>
<td>75.8</td>
<td>78.9</td>
<td>71.5</td>
<td>78.9</td>
<td>71.7</td>
</tr>
<tr>
<td>Labour force (place of residence)</td>
<td>956 217</td>
<td>235 353</td>
<td>465 200</td>
<td>1 325 377</td>
<td>1 965 900</td>
</tr>
<tr>
<td>Unemployment rate (Eurostat)</td>
<td>12.2</td>
<td>5.8</td>
<td>6.2</td>
<td>16.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Gross disposable income of private households per inhabitant</td>
<td>18 663</td>
<td>32 107</td>
<td>19 421</td>
<td>17 009</td>
<td>21 608</td>
</tr>
</tbody>
</table>

\(^*\) in 2012. 

Economic and social characteristics of cross-border labour

The socio-economic profiles of frontier workers are very diverse. For example, the levels of education (diploma) vary depending on the country of work and the country of residence. Moreover, the sectors in which the frontier workers are employed differ. German and Belgian workers working in Luxembourg are more often involved in financial activities (15 and 15.5 per cent respectively) in comparison with those coming from France (12 per cent). French frontier workers work mainly in commerce (16 per cent), manufacturing industry (14 per cent) or in interim employment (temporary work). These profiles also evolve according to the economic needs of the various markets. In Luxembourg, in the 1970s and 1980s, workers were most often employed in the industrial sector, whereas today the services sector has become an important employer of cross-border workers. Additionally, frontier workers have become more and more qualified.

The frontier workers from Lorraine who are employed in Germany and those who work in Luxembourg do not have the same profile (cf. Figure 2). In Germany, their employment is most often industrial, in 45 per cent of the cases (sector D) mainly in the automobile industry, while in Luxembourg, frontier workers work mainly in the service sector (K). The contrasts are also evident in the sector of finance (J) and construction (F). According to the economic needs of the respective markets (Germany and Luxembourg), the cross-border work is relatively geographically specialised.

At a macrolevel, cross-border labour has effects on the development of territories on both sides of the border due to its importance and its strong territorial anchoring.
Consequences for the economic and social development of the regions

Due to the importance of cross-border labour in this area, a variety of effects can be observed on the territories of residence as well as on the territories of employment of these workers.

Territories of residence

In northern Lorraine, some territories close to the border are really impacted by cross-border work: half of the employees living in these territories work abroad. In cases of certain villages directly neighbouring the border, 70 to 80 per cent of the salaried population work on the other side of the border. Analysing all the effects of cross-border flows is impossible in this study; therefore only the most visible ones and those linked to the territorial dynamics are discussed here: demography, unemployment and organisation of the economic activity for example. Cross-border mobility provides a new territorial dynamic for the territories of residence of the frontier workers. Finding a job on the other side of the border has stabilised the population even in the times of industrial crisis since the 1980s. Recent studies from the French statistical office (INSEE) even indicate a demographic growth in the territories near the Luxembourgian border (Belkacem and Pigeron-Piroth 2011). Cross-border work also has an effect on the local unemployment: it tends to reduce the rise of this rate. The Grand Duchy of Luxembourg is sometimes a major “employer” concerning the inhabitants of certain French cities. Without the possibility of working abroad, the unemployment rate could be higher. In terms of income, people living in certain French territories near the French-Luxembourgian border have the highest average income\(^2\) in the whole country (France) because of their high wages in Luxembourg as well as family benefits received. This highest level of average income contributes to the dynamics of the local economy (Belkacem and Pigeron-Piroth 2012b) as a result of the money locally spent. In this context, the new economic activities in relation to the services for the population living in the region, trade and more particularly leisure activities (residential economy), constitute a fundamental break with the industrial history of these territories. Cinemas, golf courses and commercial centres are built and attract not only locals, but also people from the other side of the border. Activities from the residential economy concern 56 per cent of local employment in the French territories next to Luxembourg (François and Moreau 2010).

On the other hand, the effects of cross-border labour can also be disadvantageous for the territories of residence, even though it is difficult to quantify

\(^2\) The 5 per cent of the cantons with the highest average income (canton de Thionville et de Cattenom).
them exactly at a local level. High salaries on the other side of the border (i.e. in Luxembourg) generate loss of the most qualified workforce for the French territories offering a lower level of wages. Moreover, the national differences in social costs create competition between the countries: companies may prefer going where the workforce is cheaper (loss of enterprises). Furthermore, there is an impact on real estate prices: for certain municipalities near the border, they are rising.

**Territories of employment**

Cross-border work is an economic growth factor for countries using this workforce (such as Luxembourg). It allows facing the needs not only in terms of workforce but also qualifications (competences) without contributing to the costs of education of these workers. More and more cross-border commuters working in Luxembourg (especially in the last 10 years) are highly qualified. The “labour reservoir” in which Luxembourg can find workers is large and goes even further from the borders of the Greater Region. The opportunities to find an adequate person are higher than when searching for it exclusively in Luxembourg. Until now Luxembourg has been relying on the workforce from the Greater Region but highly qualified workers began to become scarce in the region. Foreseeing this situation, the government introduced the highly qualified worker residence permit in the bill on free movement of persons and immigration approved by the Act of 29 August 2008, almost a year before the enactment of the Blue Card Directive. The objective of this inclusion was to bring salaried workers with a high added value (European Migration Network National Contact Point Luxembourg 2013).

![Figure 3. Structure of employment in Luxembourg (in March, 2013)](image.png)

Source: University of Luxembourg, Social Security of Luxembourg (IGSS/CCSS).
Frontier workers coming from France, Germany and Belgium and working in Luxembourg represent presently 44 per cent of the salaried employees in Luxembourg (cf. Figure 3). Such figures started rising in the 1990s with the development of the financial and services sectors in Luxembourg (cf. Figure 4).

In Luxembourg, most of the economic sectors, like industry, financial sector and trade were only able to develop as a result of the contribution of cross-border workers. Indeed, the Luxembourgian employees are limited in number and most often work in the public sector. Moreover, cross-border labour generates additional financial income for the country (taxes, consumer behaviours). In fact, taxes and national insurance contributions are taken directly from the salary, according to the bilateral agreements (conventions) established between Luxembourg and the neighbouring countries. This constitutes an important financial income supporting the economic dynamics and contributing to the social redistribution in Luxembourg. Frontier workers are also consumers in their country of work. In 2007, the total expenditure of 135,000 cross-border workers having a job in Luxembourg was evaluated at an average annual expenditure of around 9,000 euros per worker (Genevois et al. 2012).

On the other hand, in Luxembourg the importance of cross-border work can affect various domains of economic and social life, creating challenges. For example, the high percentage of French-speaking cross-border commuters produces a notable change in linguistic practices in the shops in Luxembourg. There are also difficulties in accessing the capital city or the south of the country due to traffic jams at peak times. The consequences are also environmental, because of the pollution that such flows and traffic jams generate.
Conclusion

Within the Greater Region, the institutional, social and economic differences on both sides of the borders feed the development of cross-border work. Cross-border labour contributes to the quantitative (workforce) and qualitative (competences) adjustment between the workforce and the needs of production on both sides of the border. The labour market is indeed a “cross-border market”. It appears in three dimensions: firstly a cross-border context in permanent evolution; secondly the definition of rules, laws and conventions providing a legal framework; and finally actors’ practices reflecting reality.

However, frontier workers are confronted with difficulties regarding the definition of accidents, pension schemes, the treatment of invalidity, as well as unemployment benefits and services provided for job-seekers, and working conditions for temporary cross-border workers. This underlines the complexity of the situation due to the cross-border context and the differences between national laws. For example, there are important differences between the countries regarding the legal retirement age: 60/62 years in France, 65/67 years in Germany and 65 years in Luxembourg. A worker who has worked successively in various countries may have to wait until he/she reaches the higher legal retirement age in order to obtain a complete pension. Concerning invalidity and incapacity for work (accidents at work and occupational diseases benefits), there is no common definition accepted by all the relevant countries. In certain sectors of activity, such as construction, the accidents are very frequent, but their treatments are always complex because of the national regulations that differ (Belkacem and Montcharmont 2012).

The diversification of forms of cross-border work can also be made, as a result of which we can state that some of the cross-border workers are temporarily employed. The proportion of temporary workers among the working population is low (below 1 per cent), however, we can observe a recent increase (Belkacem and Kratz 2012). In Lorraine, there are around 4,000 temporary workers who work in Luxembourg (Belkacem and Clément 2011) whereas there were only around 500 of them in the beginning of the 1990s. Temporary work is the main factor of labour flexibility allowing the level of work to fit quickly the needs of production, or to prepare recruitment by testing the worker. In fact, this form of employment has other attributes. In the cross-border context, it also allows the by-pass of the social as well as fiscal legislation of work in the context of new models of work organisation, the development of new technologies, and the increase in economic instabilities. In practice, this form of employment is framed by superimposing legislations: the legislation of the host country of the employment agency for the salary and taxes, and the legislation of the working country for the working conditions. Actually, in case of temporary work, the relationship is triangular between the temporary workers, the agencies that provide them, and the firms that
use them for a given period. These relationships are defined by two contracts: the contract of work between the agencies and the temporary workers, and the contract of services between the agencies and the firm. In this specific case, each actor (the worker, the agency and the employer) can be located in different countries and regulated by different rules.

Due to the differences between national laws, the definition of a frontier worker status still faces some difficulties, as mentioned before. Yet, it is a process. It gives a frame that is in evolution. The EU regulation (883/2004/EC) gives precise rules on the coordination of social security issues. For example, you are not allowed to work more than 25 per cent of the working time in the country other than the one where you are registered, otherwise you are disaffiliated.

The cross-border labour is also a vector of regional development. For the territories of residence, the development is measured through the creation of wealth, the absorption of local unemployment, the demographic impact, and the high level of average incomes in the territories near the border. However, a strong dependence on the cross-border work can have negative effects on the local labour markets (i.e. loss of the most qualified employees and the relocation of companies to the other side of the border as a result of more attractive social and fiscal legislation and better financial conditions). Moreover, there is an impact on real estate prices: for certain municipalities near the border, the real estate prices are rising. On the other hand, for the territories of employment, like Luxembourg, cross-border work is a source of economic growth, through the competences and workforce it provides, through the money locally spent, through the taxes collected and contributions to social security paid. However, in the medium term, when the cross-border workers begin retiring, there will be an inverse (and important) financial flow from the employment territory to the residence territory.

References


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Abstract

The Greater Region Saar-Lor-Lux is a cross-border geographic space constituted by two German regions (Saarland and Rhineland-Palatinate), one French region (Lorraine), one Belgian region (Wallonia) and a country (Grand Duchy of Luxembourg). Inside this area situated in the centre of the European Union, new dynamics of employment are observed, especially with the development of cross-border labour: more and more people live and work in two different countries. Cross-border labour and its different forms have both positive and negative effects on regional labour markets and more generally, on the economic and social development of these border regions.

Praca transgraniczna w Wielkim Regionie Saar-Lor-Lux:
Ewolucje i wpływ na status pracowników oraz na regionalny rozwój gospodarczy i społeczny

Abstrakt

Region Saar-Lor-Lux jest przestrzenią geograficzną utworzoną z dwóch niemieckich regionów przygranicznych (Saary i Nadrenii-Palatynatu), jednego francuskiego regionu (Lotaryngii), jednego
przygranicznego regionu belgijskiego (Walonii) oraz kraju (Wielkiego Księstwa Luksemburga). Wewnątrz tego położonego w centrum Unii Europejskiej obszaru obserwuje się nową dynamikę zatrudnienia związaną głównie z rozwojem pracy transgranicznej: coraz więcej ludzi żyje i pracuje w dwóch różnych krajach. Praca transgraniczna i jej różne formy mają pozytywne i negatywne skutki dla regionalnych rynków pracy oraz, mówiąc bardziej ogólnie, dla rozwoju gospodarczego i społecznego tych przygranicznych regionów.