

Workers Across Borders: Equity-Efficiency Trade-Offs in Mobility Policies*

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Abstract

This paper studies coordinated public policies designed to boost the cross-border mobility of workers. I exploit the unique setting provided by a Europe-wide mobility scheme, exempting workers “posted” abroad by firms from tax and social contributions in their destination country. I assemble novel and exhaustive administrative data from several countries on sending and receiving firms, as well as mobile and domestic workers affected by the policy, to study its effects on labour market and fiscal outcomes. I start by documenting a novel channel of international workers’ mobility through trade in services. I show that a large and increasing share of overall workers’ mobility occurs through firms performing services abroad, and that this new type of mobility dominates other mobility schemes in many countries and sectors. Drawing on rich exogenous variations in mobility incentives and regulations provided by this continent-wide experiment, I examine the potential wage and profits mobility premia, to understand how the efficiency surplus from increased integration has been shared between workers, government and firms, within and across countries. My analysis highlights the efficiency-equity trade-offs faced by policy-makers in the design and implementation of policies increasing the international allocation of labour across borders.

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