

## COUNT DOWN TO THE EU ENLARGEMENT:

# TOP 10 CRITICAL HR ISSUES



### 1. **Free movement of labour:** **FLOOD OR TRICKLE**

Free movement of labour to work within EU will extend to accession countries. There will be no need for visas or work permits to work in those countries. By the same token, individuals from those countries will be able to work in current member states, although some limitations on this can be imposed and certain countries such as Germany or Austria have taken advantage of this. Nevertheless, this freedom has led to concerns about flooding of the labour markets in Western Europe and the loss of key talent in the accession countries as people move west in search of higher pay.

### 2. **Social Security:** **COST OR OPPORTUNITY**

EU Social Security Regulations will apply to all accession countries. For employees assigned to these countries, employment costs will rise as there will be a requirement to pay contributions to either the home or host country for the whole assignment period, which is often not the case now. How many companies have budgeted for this? If conditions are met, it will be possible to obtain E101s to avoid the high contribution rates applicable in many accession countries. However, in some cases, to meet these conditions, it may be necessary to review or amend the existing employment structure before 1 May.

### 3. **International Mobility Policy:** **SIMPLIFICATION OR COMPLICATION**

Organisations will need to review current policies, to consider whether they should now introduce, amend or extend Global/Regional policies to accommodate the accession countries.

### 4. **Consultation and Works Councils:** **NEW ARRANGEMENTS OR MODIFICATIONS**

Workers in existing operations are likely to seek to benefit from EU consultation provisions. This, and the possible increase in numbers of people employed across different EU countries, could mean establishing new arrangements, including Works Councils. There could be pressure to relocate existing Works Councils to reflect the workplace of the majority of employees.

**5. Benefits:  
ENHANCEMENTS OR INEQUALITIES**

Benefits such as Child Benefit and healthcare will be available as in other EU countries but not all accession countries will have as comprehensive coverage within their social security schemes.

**6. Talent pools:  
EXPLOITATION OR CAREER ADVANCEMENT**

Organizations may view the new EU members as a potential source of skilled, but less expensive, labour. There may be pressure not to 'talent strip' qualified candidates (for example doctors and teachers) to make up for shortages in existing EU countries.

**7. Environmental protection and Health & Safety at work:  
RISK OR REPUTATIONAL DAMAGE**

How quickly will employers already operating in accession countries be able to bring Health & Safety and environmental performance up to accepted European standards?

**8. Pensions:  
INTEGRATION OR INCREASED COSTS**

Workers posted to and from the accession countries will have the right to remain in home country pension plans. The accession countries, along with the existing member states, will need to implement the provisions of the new pensions directive which sets standards for plan administration, investments, funding, reporting and cross-border provision.

**9. Compensation Philosophy:  
REGIONAL OR COUNTRY SPECIFIC**

Review may be needed of corporate philosophy on compensation structure versus local cultural customs, practices, expectations and laws (e.g. share ownership v cash). In particular pension and incentive reward structuring will need to be carefully reviewed from a cross-border planning perspective to ensure cost effective management.

**10. Employment structures:  
EXISTING VEHICLES OR NEW ARRANGEMENTS**

Many organisations have within their group structure, Global/Regional expatriate employment companies, to more effectively administer mobility programmes or to achieve cost saving (e.g. social security) or to minimise corporate risk. Businesses will need to consider whether the new rules impact on the validity of these models for existing or new EU entrants or whether alternative structures are required.

