

## »» Will the free movement of workers survive a Brexit deal at the EU Summit?

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The UK government has not yet positioned itself in the debate over a possible Brexit. At the 18 and 19 February meeting of the European Council in Brussels, Prime Minister Cameron will negotiate a package of EU reforms designed to make the decision to stay in the Union more appealing to Britons in the approaching referendum.

### **Cameron's demands: political sovereignty and more competitiveness**

His demands fall into four thematic areas. First, he wants legal security that EU countries outside the euro area do not have to go along with Euro countries' moves for deeper integration and that enterprises are not discriminated against on the basis of their home country's currency in accessing the single market. Second, he wants the Union to become more competitive, e.g. by means of a single digital market, a Capital Markets Union and cuts to the bureaucratic burden on enterprises. Third, Cameron demands explicit exemption of the UK from the targets set out in the EU treaties for an ever closer union and wants to strengthen the influence of national parliaments. He wants a mechanism in which groups of national parliaments should be able to stop EU legislation initiatives when they reach a critical threshold.

### **Reductions of welfare benefits for non-EU citizens – a cause of conflict**

A consensus on these three issues can ultimately be expected to emerge despite some countries' reservations. At the same time, the critical point is the one that is receiving the broadest media coverage and could have the strongest impact on British voters in the referendum: restrictions on in-work benefits to workers from non-EU countries. Cameron's plans would make EU citizens who have moved to the UK ineligible for such benefits until they have contributed to

the social security system of the UK for four years. At the same time, Cameron wants to stop child benefit payments to children living outside the UK.

Under President Donald Tusk, the European Council has prepared proposals that serve as a basis for negotiations between the EU and the UK at the upcoming EU summit. The EU proposes linking child benefit payments to the cost of living in the children's country of residence. With regard to Cameron's most prominent demand – suspending in-work benefits for four years – the Union is at least showing the will to compromise. The current draft provides the possibility to suspend benefits in specific exceptional situations. However, payments to non-EU employees must be gradually increased until they match those of UK citizens after four years. An exceptional situation can be an extraordinary strain on the social security systems, for example. The draft negotiation text does not clearly define an exceptional situation and therefore offers high policy leeway. An exceptional situation must be recognised as such by the European Council before member states are allowed to reduce in-work benefits. The draft already confirms that an exceptional situation exists in the UK, which creates planning certainty.

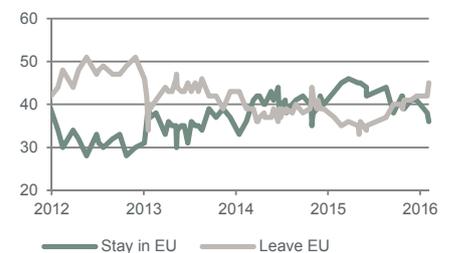
### **Restrictions on the free movement of workers in the European Union**

With this proposal, the European Council is evidently prepared to enter unknown territory. Reducing in-work benefits to non-EU citizens discriminates workers on the basis of their countries of origin – for the period of the described exceptional situation. It limits the freedom of movement of workers, which is one of the four fundamental pillars of the European single market.

The draft negotiation text shows how

important the UK's continuing membership of the EU is to the European Council. This is presumably also timing-related. Particularly at a time when the refugee crisis has exposed rifts across Europe, and amid the strong presence of Eurosceptic parties in many member countries, the heads of government want to emphasise the unity of Europe and prevent the emergence of any doubts over European cohesion. But it remains to be seen what influence the reform package negotiated in Brussels will ultimately have on the UK referendum. Recently, the ratio of EU sceptics to EU supporters was balanced. ■

**Figure: Survey results for the UK's EU referendum**



Source: Yougov