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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2019/1149 establishing a European Labour Authority, Regulation (EU) 2016/589 on a European network of employment services (EURES), workers' access to mobility services and the further integration of labour markets and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System, and repealing Commission Implementing Decision (EU) 2017/1256, (EU) 2018/170, (EU) 2018/1020 and (EU) 2018/1021

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1. CONTEXT

The European Labour Authority (ELA) was established in 2019 to support the EU Member States and the European Commission in enforcing EU labour mobility and social security coordination rules. Its core tasks are facilitating cooperation and information exchange, mediating cross-border disputes, coordinating concerted and joint labour inspections (CJIs), and managing the European Coordination Office of EURES.

Intra-EU mobility plays a critical role in the functioning of the Single Market. Currently, there are approximately 14 million EU citizens living or working in another Member State long term, alongside 1.9 million cross-border workers and 3.64 million posted workers. Furthermore, EU labour markets are increasingly complex due to a growing reliance on third-country nationals (TCNs) to alleviate widespread labour and skills shortages. In 2024, there were around 20.7 million TCNs of working age in the EU, representing approximately 8% of the total working-age population.

The 2025 Commission evaluation of ELA highlighted that the Authority fills a gap and addresses an otherwise unmet need for operational support in implementing EU policies related to EU labour mobility.

The elements raised in the evaluation which do not require legislative changes are tackled in the ELA Action Plan, annexed to the Impact Assessment; the Commission has been closely involved in the development of the Action Plan. However, the evaluation also identified a number of weaknesses, finding that specific structural constraints in the current legal framework limit ELA’s capacity to respond to the evolving scale and complexity of cross-border labour mobility. This initiative proposes a targeted revision of the legal framework governing ELA to ensure that it is adequately equipped to support the effective enforcement of EU labour mobility rules and to address emerging challenges in cross-border labour mobility.

2. NEED FOR EU ACTION

2.1. What is the problem being addressed?

The current ELA Regulation does not fully achieve its objective due to several structural shortcomings that require mandate adjustments. First, there is a mismatch between the demand for personalised guidance and ELA’s mandate to only provide general information. This information deficit particularly affects vulnerable groups, such as TCNs, who are overrepresented in high-risk sectors and face a heightened risk of labour exploitation and substandard working conditions. Second, the EURES network is underperforming, witnessing a decline in placements from over 83,000 in 2019 to just over 48,000 in 2023. One of the main issues impairing the effectiveness of the work on EURES is a fragmented governance structure for the EURES Portal where ELA defines business needs while the Commission acts as the technical solution provider. In the area of cooperation and enforcement, ELA lacks the explicit legal competence to process personal data or handle information about company structures. This restricts ELA to a reactive role, relying on ad-hoc requests rather than proactive, data-driven intelligence to initiate concerted and joint inspections (CJIs). Furthermore, the founding Regulation lacks clarity on ELA's scope regarding the employment and social rights of TCNs. Mediation remains highly underutilised – despite high volumes of unresolved cross-border disputes reported by SOLVIT – because the procedure is overly complex and parties can withdraw at any time without justification.

2.2. What is this initiative expected to achieve?

The general objective of this initiative is to enhance ELA's strategic and operational capacity to assist Member States and the Commission in the effective application and enforcement of Union law. Specifically, the initiative aims to (1) improve access to information and support to workers (including TCNs) and employers; (2) increase the number of individuals benefiting from cross-border mobility support and improve job-matching outcomes; (3) improve the targeting and effectiveness of enforcement actions in cross-border situations, including cases involving third-country nationals; (4) reduce the number of cross-border disputes by improving the effectiveness of the mediation function.

2.3. What is the added value of action at EU level?

The inherent cross-border nature of labour mobility and social security coordination means that Member States acting individually cannot sufficiently address transnational enforcement gaps. A shared, consolidated understanding of enforcement needs is vital. The drivers of the identified problems are rooted in the limitations of the ELA Regulation; therefore, equipping ELA with the necessary legal means to perform its tasks – such as processing personal data – can only be achieved through legislative intervention at the EU level.

3. POLICY OPTIONS

3.1. What legislative and non-legislative policy options have been considered?

The Commission assessed various policy options across four key policy areas.

Information: Options included ELA managing grants to support external networks for personalised information provision and counselling (Option 1.1), or ELA providing this support directly through its own staff and automated solutions (Option 1.2).

EURES: Policy alternatives ranged from reassigning the European Coordination Group chair and EURES portal system ownership to the Commission (Option 2.1), transferring all EURES-related tasks entirely to the Commission (Option 2.2), or moving all tasks fully to ELA (Option 2.3).

Cooperation and enforcement: The options considered grant ELA the ability to process personal data, explicitly expanding its mandate to support protection of employment and social rights of TCNs, and either maintaining the voluntary nature of inspections with a stronger duty to cooperate (Option 3.1) or empowering ELA to autonomously initiate and impose mandatory inspections (Option 3.2). Under Option 3.1, staffing sub-options included using local contact points (3.1.1), creating a seconded pool of National Liaison Officers (3.1.2), or hiring permanent ELA inspectors (3.1.3). Sub-option 3.1.3 is also included in option 3.2.

Mediation: To reform mediation, options include simplifying the complex multi-stage procedure to incentivise voluntary use (Option 4.1) and introducing stricter conditions that would require Member States to provide formal, substantiated justifications to opt out (Option 4.2).

3.2. Who supports which option?

National authorities predominantly support a targeted "light" revision. They acknowledge the need for structural improvements in data handling competence, TCN oversight, and EURES governance, but emphasize that enforcement and mandatory inspection powers must remain firmly within national competencies. The European Parliament advocates for reinforcing the ELA's mandate and operational capacity. Specifically, the Parliament calls for extending ELA's scope to include TCNs, granting it the requisite legal provisions to process operational data and access databases like IMI, and empowering it to initiate cross-border inspections on its own initiative. The Parliament also supports converting seconded expert positions into temporary agent posts to ensure institutional continuity. Employers' organisations generally advocate for the baseline scenario when it comes to inspections, cautioning against expanding ELA's enforcement powers or transforming it into a supranational inspectorate, though they remain open to a targeted revision that improves the information provision and reduces administrative burden. European trade unions strongly support legislative amendments, calling for ELA to get access to the relevant data, proactive inspection capabilities, and a broadened mandate covering migration-related directives to protect vulnerable workers.

3.3. What is the preferred choice and why?

The preferred choice is a package of targeted measures consisting of Options 1.1, 3.1 (including sub-option 3.1.2), and 4.1.

For the information provision, managing grants to support external networks (Option 1.1) is the most efficient and proportional choice. It leverages existing local and sectoral expertise to reach vulnerable groups including TCNs while avoiding the large, fixed costs that would arise if ELA built direct advisory capacities.

As regards EURES, although all proposed options are technically sound, no single option is preferred. This is because complex political sensitivities, budgetary uncertainties, and unpredictable external factors – such as geopolitical conflicts and demographic shifts – make it difficult to make a definitive choice.

For cooperation and enforcement, Option 3.1 balances effectiveness with national sovereignty. Granting ELA access to process relevant personal data will enable proactive, intelligence-led inspections, and explicitly addressing TCN rights closes enforcement gaps. Sub-option 3.1.2 is favoured as it establishes a dedicated pool of seconded inspectors who possess essential local knowledge and networks, providing an operational bridge at a reasonable cost.

Simplifying mediation (Option 4.1) reduces administrative friction without damaging the mutual trust required for voluntary dispute resolution, which stricter opt-out conditions might threaten.

4. IMPACTS OF THE PREFERRED OPTION

4.1. What are the benefits of the preferred option?

Workers, particularly vulnerable TCNs, will experience enhanced protection against substandard working conditions. By utilising data-driven intelligence, CJIs will become more targeted and effective, helping Member States enforce compliance with the relevant labour standards. Furthermore, workers and jobseekers will benefit from smoother cross-border mobility due to clearer information networks and improved job matching via a better-functioning EURES system.

Employers will benefit from reduced economic distortions arising from undeclared work and social dumping. Compliant businesses, especially those in highly internationalised sectors like construction and transport, will face reduced unfair competition from operators exploiting enforcement gaps. Improved access to clear, personalised and tailored information and counselling will lower the compliance and recruitment costs associated with cross-border operations. National authorities will benefit from enhanced analytical support, superior operational coordination during joint inspections, and streamlined mediation procedures that reduce the burden of unresolved administrative disputes.

4.2. What are the costs of the preferred option?

The preferred option involves targeted, justifiable budgetary increases. Managing the external information and counselling networks (Option 1.1) will require a budget of approximately EUR 5 million per year. For EURES, the costs depend on which option is chosen. Expanding ELA's enforcement operations (Option 3.1) - which includes recruiting 13 FTEs for data-analysis, and ten FTEs to cover the extension to relevant provisions of the migration acquis, expanding outputs by 20% to manage TCN-related activities, and funding the 27 additional SNEs under sub-option 3.1.2 - will generate total additional costs of approximately EUR 10 million per year. The simplification of the mediation procedure (Option 4.1) would have limited costs and mainly related to adapting internal procedures, and enhanced facilitation of cooperation and mediation.

4.3. Will SMEs or consumers be affected?

The initiative does not impose any new reporting obligations or administrative compliance requirements on businesses, and therefore has a neutral direct cost impact. The costs for SMEs, which make up a vast proportion of the roughly 3.6 million enterprises looking to recruit workers internationally, could be slightly reduced. By simplifying and improving access to tailored information on cross-border operations and improving EURES recruitment tools, the initiative addresses some of the barriers that currently make cross-border activities more expensive for SMEs than domestic operations. Consumers are not expected to be impacted by these internal administrative framework adjustments.

4.4. Will there be significant impacts on national budgets and administrations?

The impact on national budgets will be minimal. Member States will face a minor opportunity cost associated with seconding one additional staff member per country to form the new inspector pool at ELA. However, this is expected to be offset by the structural benefits gained. Better-targeted inspections and enhanced analytical support will reduce the duplication of efforts and ease the investigative burden on individual national labour inspectorates. Moreover, simplified mediation mechanisms will lower the long-term economic and administrative costs associated with prolonged, unresolved cross-border disputes.