



HERE TO STAY, BUT IN WHAT FORM?

Researching the potential of cross-border telework in the digital economy

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June 2024

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**Co-funded by
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Introduction: digitalisation, COVID and the rise of telework in the EU

The rapid uptake of telework, facilitated by digitalisation, has upset a system based on physical presence in the workplace in the EU. Especially since the pandemic, telework has become increasingly prevalent and an integral part of employees' working and expectation patterns. Almost 1 in 4 employees in the EU worked sometimes or usually from home in 2022¹. The potential of employees who can do telework is much higher, reaching 37%².

Despite the uptake of various forms of telework (fully remote, hybrid and workcations)³, there is currently **no bespoke status** for employees wishing to work remotely across member state borders. This brings various challenges with respect to social security and taxes and creates hindrances for both employees and employers in cross-border situations. In light of such administrative obstacles and disadvantages, companies either decide to prohibit telework altogether or do it in a way that places significant administrative burdens on the worker⁴. **This is a missed opportunity.** First, the lack of regulation targeted at facilitating cross-border telework hampers the completion of a true Digital Single Market with freedom of labour and services. Second, several studies have pointed to the advantages that more cross-border telework can provide for employees, employers, and the EU economy as a whole. Second, several studies⁵ have pointed to the advantages that more cross-border telework can provide for employees, employers, and the EU economy as a whole.

¹ Eurostat, "Employed Persons Working from Home as a Percentage of the Total Employment, by Sex, Age and Professional Status (%)."

² Sostero et al., "Teleworkability and the COVID-19 Crisis."

³ Telework is also prevalent among the self-employed, but this category falls outside the scope of this paper.

⁴ Soler, "The 'Digital Frontier Worker', a Response to Address EU Labour Shortages."

⁵ Barrero, Bloom, and Davis, "Why Working from Home Will Stick."; Hauret, "Télétravailler."

Remote work is here to stay⁶, and legislators should adapt to this new reality. However, regulating this domain is a complex and lengthy process, touching upon intersections with social security coordination, taxation, labour rights, freedom of labour and services, and regional development. Therefore, before undergoing a legislative overhaul and engaging in a lengthy negotiation process, it is crucial to consider how any legislative change aligns with the actual needs of businesses and employees and whether the cost of new legislation proportionately matches its (economic and social) gains.

Solid data⁷ is a precondition to performing this delicate balancing act.

Critically, the lack of this data currently makes it impossible for policymakers to regulate this upcoming phenomenon adequately because informed decisions cannot be reached. Therefore, to facilitate the discussion on cross-border telework, this policy paper will address the following questions:

- What are the advantages of (facilitating) cross-border telework in the EU?
- What data is currently lacking to effectively regulate cross-border telework at the EU level?

⁶ European Foundation for the Improvement of Living and Working Conditions., *The Rise in Telework*.

⁷ On the demand for telework, the economic and budgetary consequences, and the danger of non-regulation

Advantages of cross-border telework

The rise of a digital economy and remote work challenges the currently prevailing regulatory system based on physical presence. However, if regulated well, its rise could also offer **multiple opportunities for workers, employers, rural regions, and the EU economy as a whole**. It is, however, important that regulation is done in such a way that it does not lead to unfair competition and a race to the bottom by exploiting differences in corporate and income taxation and social security contributions.

Cross-border social security coordination

Social security coordination operates under regulations (EC) No 883/2004⁸ and 987/2009⁹, which determine which country system will apply to a specific person. With the rise of remote work, employees regularly telecommuting from home or another state risk becoming subject to that state's social security regime¹⁰ and may in some situations face gaps in social protection¹¹. This is because member states hold exclusive responsibility over their national social security systems, including benefits provided, the conditions for eligibility, how these benefits are calculated and what contributions should be paid¹². In addition, given the complexity of social security coordination and lack of easily accessible information, companies regularly pay contributions in the wrong country¹³.

⁸ Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems (Text with relevance for the EEA and for Switzerland).

⁹ Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems (Text with relevance for the EEA and for Switzerland).

¹⁰ This is due to the state of employment principle (*lex loci laboris*). In other words, the place of work is where the laptop is physically located.

¹¹ EZA, "EZA: 60 Years of Social Security Coordination from a Workers' Perspective."

¹² Golynger, "EU Coordination of Social Security from the Point of View of EU Integration Theory."

¹³ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

Advantages to the EU Single Market

First and foremost, regulating digital cross-border work could help unlock the full potential of the **(Digital) Single Market**¹⁴ and foster a more integrated labour market. Despite the European Single Market being a flagship accomplishment of EU integration, its full potential remains unexploited¹⁵. Facilitating cross-border telework by eliminating legal frictions and administrative burdens would enhance geographical mobility for workers and foster economic value creation across the member states¹⁶.

Low **labour mobility** is one of the pain points of today's Single Market. Today, cross-border work constitutes only 1% of employment¹⁷. However, the potential of digital frontier work is far greater, as it does not require employees to physically cross the border and is not limited to neighbouring countries¹⁸. Regulating this phenomenon at the EU level should make it easier for workers to work more easily for companies across the EU Single Market without physical relocation. In turn, increased labour mobility can be pivotal in addressing unemployment disparities and labour market imbalances within the EU, contributing to a more efficient matching of skills and demand. The latter is especially crucial in a context where labour shortages are not only persistent but expected to increase further, according to the latest Employment and Social Developments in Europe (ESDE) Report¹⁹.

¹⁴ Council of the European Union, "Digital Single Market for Europe."

¹⁵ European Parliament, "The Ubiquitous Digital Single Market | Fact Sheets on the European Union | European Parliament."

¹⁶ Mariniello et al., "Blending the Physical and Virtual."

¹⁷ De Ridder, Nurksi, and Schraepen, "Cross-Border Telework in the EU: Fab or Fad?"

¹⁸ De Ridder, Nurksi, and Schraepen.

¹⁹ EURES, "Persistent Labour Shortages in Europe: Latest Insights from the ESDE Report | European Labour Authority."

Cross-border income and corporate taxation

Income and corporate taxation are governed through bilateral agreements based on the OECD model tax convention²⁰. Unlike social security coordination, where one country is responsible, employees regularly working from home (or another country) have their income taxed proportionately between their residence and work country²¹. This system imposes high compliance costs, can result in the loss of tax benefits, and impacts the overall tax burden²². Disagreements between countries on income allocation can lead to double taxation and lengthy legal disputes²³. Moreover, bilateral treaties for cross-border work only exist between neighbouring states²⁴, while online labour markets enable cross-border work beyond these boundaries. This, in turn, could potentially result in 26x27 bilateral deals²⁵. Cross-border telework may also affect corporate taxation²⁶, as hiring hybrid or fully remote employees risks creating Permanent Establishment²⁷, dividing corporate income between two locations with different tax liabilities²⁸. Employers fearing to accidentally create PE may decide to restrict telework²⁹.

Besides addressing labour shortages, facilitating cross-border telecommuting can contribute to reducing **wage inequality** across residential locations³⁰. By improving access to jobs in high-paying locations, telecommuting can reverse the trend of increasing geographic income inequality³². Moreover, increased

²⁰ Baert, “Tax Challenges of Cross-Border Teleworking.”

²¹ Jacquet, “Virtual Workforce, Real Consequences.”

²² EESC, “Taxation Rules on Cross-Border Teleworking Must Be Updated and Simplified.”; European Parliament, “Notice to Members- Subject: Petition No 0349/2023 by M. H. (German) on Removing Tax and Social Security Barriers to EU-Wide Telework and Remote Working.”

²³ European Parliament, “EU Economic Governance from a Parliamentary Perspective - Background Note Interparliamentary Committee Meetings (in Parallel) Committee on Economic and Monetary Affairs.”

²⁴ De Ridder, Nurksi, and Schraepen, “Cross-Border Telework in the EU: Fab or Fad?”

²⁵ De Ridder, Nurksi, and Schraepen.

²⁶ European Parliament, “EU Economic Governance from a Parliamentary Perspective - Background Note Interparliamentary Committee Meetings (in Parallel) Committee on Economic and Monetary Affairs.”

²⁷ The employee's home office is considered a fixed place of business

²⁸ EESC, “Taxation Rules on Cross-Border Teleworking Must Be Updated and Simplified.”

²⁹ European Parliament, “EU Economic Governance from a Parliamentary Perspective - Background Note Interparliamentary Committee Meetings (in Parallel) Committee on Economic and Monetary Affairs.”

³⁰ Gallardo and Whitacre, “21st Century Economic Development: Telework and Its Impact on Local Income.”

³¹ “Unlocking the Potential of Teleworking to Address Labour Shortages in the Ems-Achse, Germany | En | OECD.”

³² Delventhal and Parkhomenko, “Spatial Implications of Telecommuting.”

telework can also play a role in **regional development strategies**. Especially for rural regions that struggle to attract industry, remote work could provide an alternative, allowing shifting strategies towards the training of teleworkers³³. By giving new dynamics to regions in economic decline³⁴, telework could, in turn, contribute to reversing **depopulation trends** in certain European regions³⁵ on the condition that basic services and strong internet infrastructure are present.

Advantages to employees and employers

Regulating cross-border telework could not only be beneficial to the EU's economy. If regulated well, it could also help **employees** find more job opportunities without physically moving around or allow them to travel and work without having to opt for a self-employment status³⁶. In addition, facilitating telework responds to the wishes of employees in a post-COVID era, offering numerous advantages, including reduced commuting time, greater flexibility and work-life balance³⁷.

Increased cross-border telework could also provide opportunities for **employers**. As remote job vacancies can be filled with job seekers from different regions, employers have cost-efficient access to highly skilled talent abroad³⁸. In addition, in a competitive job market grappling with labour shortages, cross-border telework emerges as a crucial tool for employee retention and recruitment³⁹. This is especially relevant in member states like the Czech Republic, a country boasting one of the lowest unemployment rates in the EU⁴⁰, resulting

³³ Gallardo and Whitacre, "21st Century Economic Development: Telework and Its Impact on Local Income."

³⁴ Soroui, "Understanding the Drivers and Implications of Remote Work from the Local Perspective: An Exploratory Study into the Dis/Reembedding Dynamics."

³⁵ Rasnača, "Enforcing the Rights of Remote Workers: The Case of Digital Nomads."

³⁶ De Ridder, Nurksi, and Schraepen, "Cross-Border Telework in the EU: Fad or Fad?"

³⁷ Sroka, "Is Telecommuting the Future of Business."

³⁸ Bruurs, "Cross-Border Telework in Light of the Rome I-Regulation and the Posting of Workers Directive."

³⁹ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

⁴⁰ European Commission, "Employment and Social Developments in Europe 2023 – Addressing Labour Shortages and Skills Gaps in the EU."

in an extreme demand for workers⁴¹. Driven by the growing realisation that telework does not negatively affect productivity, employers have started to show themselves increasingly favourably towards telework, using it as a selling point⁴² while minimising the costs⁴³ of offices and utilities⁴⁴.

A need for regulation? The need for data

The potential advantages described above make cross-border telework a topic deserving serious consideration. Despite its potential, large-scale telework is still a relatively new phenomenon and has only recently caught the attention of researchers and policymakers.

To respond to the most pressing issues after the pandemic, a **Framework Agreement on cross-border telework**⁴⁵ was signed in the summer of 2023. The agreement facilitates telework up to 49,9%⁴⁶ of working time and provides much-requested flexibility to frontier workers and their employers regarding the social security aspect (including sickness benefits, maternity support, retirement provisions and unemployment insurance)⁴⁷. However, beyond this initiative, little work has been done. And while the Framework Agreement provided a quick fix to a pressing issue, it is limited in scope and primarily deals with the most affected group of workers – the frontier worker⁴⁸. Recognising the potential

⁴¹ Interviewee 1, Law Faculty, Department of Labour Law and Social Security, Charles University, 12.12.2023, online

⁴² Théobald, “50 jours de télétravail, un grand pas de franchi.”

⁴³ Telework may incur extra costs for home office allowances, equipment, and administrative adjustments, which should be considered alongside its benefits.

⁴⁴ Mariniello et al., “Blending the Physical and Virtual.”

⁴⁵ “Framework Agreement on the Application of Article 16 (1) of Regulation (EC) No. 883/2004 in Cases of Habitual Cross-Border Telework.”

⁴⁶ The country competent for social security is the country with is the strongest link to the employment relationship. To avoid any doubt, the Framework Agreement provides that this is the country where both the statutory seat of the company are and the majority of working time is performed.

⁴⁷ “Framework Agreement on the Application of Article 16 (1) of Regulation (EC) No. 883/2004 in Cases of Habitual Cross-Border Telework.”

⁴⁸ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online; De Pauw and Verschueren, “The Framework Agreement on the Applicable Social Security Law in Case of Habitual Cross-Border Telework after the Pandemic.”

benefits at hand, it is now crucial to consider if further legislative action could help to fully harness the advantages of cross-border digital labour markets.

When drafting a regulation, several considerations come into play. The scope of the regulation should correspond to the demand and the potential benefits it can bring. Moreover, it is crucial to acknowledge the sensitivity of the topic, which touches upon matters such as national social security, taxation and labour law,

as well as two problematic groups of workers – the highly skilled and highly demanded experts and the vulnerable group of click and platform workers⁴⁹. To draft a regulation that maximises the benefits offered by digitalising labour markets, is demand-driven and minimises unforeseen negative externalities, it is crucial to possess the right data.

Before undergoing a legislative overhaul and engaging in a lengthy negotiation process, ensuring that new legislation corresponds to the actual needs of businesses and employees is crucial.

Is telework a hype? Evaluating demand for telework

Firstly, the potential benefits should depend on the **demand** from employers and employees for cross-border telework. This is because the potential benefits for wage inequality, regional development, labour mobility, and labour shortages can only materialise when a substantial number of people want to engage in telework in practice.

⁴⁹ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

While the number of teleworkable jobs is significant⁵⁰ and the number of remote job offers has increased substantially⁵¹, it is very unclear at this point whether telework will be widely used in the future or, conversely, if it is just a passing trend. Its adoption is largely influenced by workers who often prefer various forms of telework – fully remote, hybrid, and workcation⁵². Conversely, employers are more inclined towards a “back to the office” approach. For example, in the Czech Republic, large companies are requesting their employees to return to the office (at least a few days per month) to maintain discipline and foster a sense of belonging to the company culture⁵³. In an interview with a representative from DG EMPL (Unit Labour Mobility), it was argued that while the telework discussion is trendy and teleworkers might also deserve some attention, it is probably not as big of a phenomenon as it is now considered. Inquiring about the implications for further regulations, a representative from DG EMPL argued that it is, at this point, hard to estimate how much demand there is to regulate telework above 50%: “The problematic thing is that we do not have the data that we would need for considering these options”⁵⁴. The large number of cross-border work that happens under the radar of statistical agencies further complicates legislation in this field⁵⁵.

It is unclear whether cross-border telework will primarily be reserved for key employees, such as managers and ICT experts, or if it will be more broadly embraced across various roles.

The uncertainty about employers’ demand for (cross-border) telework is also present in the **Czech Republic**. In an interview, representatives from the Czech

⁵⁰ Teleworkability is currently 35% in the Czech Republic and 38% in the EU respectively. (Sostero et al., “Teleworkability and the COVID-19 Crisis.”)

⁵¹ De Ridder, Nurksi, and Schraepen, “Cross-Border Telework in the EU: Fab or Fad?”

⁵² Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

⁵³ Interviewee 4, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague

⁵⁴ Interviewee 3, DG EMPL, 20.12. 2023, online

⁵⁵ Konle-Seidl and Danesi, “Digitalisation and Changes in the World of Work.”

Chamber of Commerce argued that it is unclear how many companies want to continue engaging in telework⁵⁶. Particularly, there is uncertainty about whether the demand will concern fully remote or rather hybrid work and workcations. Additionally, it is unclear whether cross-border telework will primarily be reserved for key employees, such as managers and ICT experts, or if it will be more broadly embraced across various roles. The representatives from the Chamber's Employment and Labour Market Section concluded that while the demand for telework for specific profiles will likely remain, there is more uncertainty regarding the latter group⁵⁷.

Before undergoing a legislative overhaul and engaging in a lengthy negotiation process (the current revision of social security has been going on for seven years), **ensuring that new legislation corresponds to the actual needs of businesses and employees is crucial**. This consideration is important for several reasons. Firstly, making changes in legislation involves a difficult and lengthy process. Secondly, incomplete information might lead to unintended consequences, such as the rise of letterbox companies or undeclared work. Thirdly, the effort invested in the new legislation might not proportionately match its (economic and social) benefits. The concern that the efforts of new legislation might outweigh the benefits, especially if the current Framework Agreement meets most of the needs, was voiced during the interviews with DG EMPL⁵⁸. The representatives argued that the number of people who have prolonged a teleworking relationship after the pandemic is relatively limited. Adding to the wait-and-see attitude is the fact that the applications under the New Framework Agreement have been very limited so far. This was pointed out by the Ad Hoc group's former rapporteur negotiating the Framework

⁵⁶ Interviewee 4, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague; Interviewee 5, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague

⁵⁷ Interviewee 4, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague ; Interviewee 5, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague

⁵⁸ Interviewee 2, DG EMPL, 12.12.2023, online; Interviewee 3, DG EMPL, 20.20. 2023, online

Agreement⁵⁹ and a representative from Deloitte's Global Employer Services⁶⁰. Consequently, the European legislator takes a cautious stance, awaiting the popularity of the Framework Agreement before assessing whether further regulation is needed.

Lessons from Belgium?

While a cautious approach in sensitive matters is good practice, data gathering for potential future regulations must start now. In this context, lessons can be drawn from Belgium, which is **systematically gathering data on cross-border telework, also for those cases falling outside of the Framework Agreement**⁶¹. Through its ICT system that delivers A1 forms for secondment⁶², Belgium introduced the concept of telework throughout every form of employment⁶³. For example, when a Belgian worker does a posting in Spain and teleworks there, it can be indicated in the application. Consequently, Belgium possesses data on telework secondment⁶⁴. In addition, the Belgian National Social Security Office also has data for cross-border telework when a frontier worker works less than 20% of the time from home.

Belgium is, thus, making an effort to comprehensively map the scale of the cross-border telework phenomenon in its country. While not sufficient, this will provide a first idea of whether the current agreement covers most telework and what a new regulation should cover. The Belgian system is a good practice which should

⁵⁹ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

⁶⁰ Interviewee 7, Deloitte, Global Employer Services, 12.01.2023, online

⁶¹ Above 50% and under 20% of telework

⁶² An A1 certificate confirms where a worker pays their social security. The document is required for posted workers or work-related travel. According to EU law, one can only be subject to one social security within the EU. An A1 exempts workers from paying social insurance contributions during a temporary stay in another Member state.

⁶³ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

⁶⁴ Type of cross-border telework in which worker hired in an EU country working temporarily for another entity in a different EU country (Kahancová and Williams, "The Rise of Teleworking: Improvements in Legislation and Challenges for Tackling Undeclared Work Output Paper from the Plenary Thematic Discussion.")

be incorporated by other member states, including the Czech Republic, to draft future regulations based on facts and actual demand.

The danger of non-regulation: self-employment, tax competition and the precarisation of work

Secondly, in addition to the demand for telework, more clarity is needed as to whether the current group of highly mobile **digital nomads** are self-employed by choice or by lack of alternatives. The idea that the lack of options for cross-border employment drives workers into self-employment, leading to a precarisation of work⁶⁵, is a recurrent argument in favour of regulating the area⁶⁶. Already now, many young startups have found their way around the costly administrative hornets' nest by hiring remote talent as external self-employed consultants⁶⁷. Nevertheless, in a labour market that is increasingly flexible (also visible in the increasingly popular platform and online click work), hindering cross-border work for employees risks creating an additional push into self-employment with limited protection, sporadic pay, and uncertainty⁶⁸.

However, in an interview, a representative from DG EMPL expressed doubt regarding this claim, arguing that the small but growing number of digital nomads might not be interested in becoming employees⁶⁹. Linked with the issue of self-employed digital nomads is the current competition among member states to attract this group – perceived as high earners – through tax incentives⁷⁰. These policies may result in a race to the bottom and ultimately lead to negative social effects⁷¹. In light of the concerns above, further research should study the extent

⁶⁵ Konle-Seidl and Danesi, "Digitalisation and Changes in the World of Work."

⁶⁶ Castellani et al., "Report on the State-of-the-Art and Research Gaps."

⁶⁷ European Digital Forum, "The 2016 Startup Nation Scoreboard."

⁶⁸ Soler, "The 'Digital Frontier Worker', a Response to Address EU Labour Shortages."

⁶⁹ Interviewee 3, DG EMPL, 20.12. 2023, online

⁷⁰ Castellani et al., "Report on the State-of-the-Art and Research Gaps."

⁷¹ OECD, "Should OECD Countries Develop Digital Nomad Visas?"; Agrawal and Stark, "Will the Remote Work Revolution Undermine Progressive State Income Taxes?"

of the challenges related to self-employment, the precarisation of work, and tax competition, and clarify whether regulation facilitating cross-border telework for employees can address these concerns.

Opportunities for economic development?

Thirdly, with data on the future demand for cross-border telework unclear, it is uncertain what the potential economic impact of regulating cross-border telework might be. While previous research⁷² has suggested that increased cross-border telework could become a tool for the **economic development of certain regions, especially in rural areas**, proper impact analyses are currently lacking.

Various studies, particularly in the USA, have found that the rise of telework can partially reverse the spatial concentration of talent and spending power and positively impact median household income and the local economy⁷³. In addition, decoupling work from the formal workplace could offer opportunities for policymakers to revive struggling regions⁷⁴. In this context, previous research has pointed to the potential of employing a different economic development approach away from industry attraction towards promoting telework as a community development tactic⁷⁵.

While acknowledging the importance and relevance of the topic, a representative from DG EMPL raised doubts about the extent of the benefits of cross-border telework⁷⁶. Specifically, there are uncertainties regarding the spillovers from consumption, its potential for economic convergence and to reverse depopulation trends, and its ability to bring new dynamics to regions in economic decline. It was argued that (qualified) workers in declining regions might have already left these

⁷² Gallardo and Whitacre, “21st Century Economic Development: Telework and Its Impact on Local Income.”, and Delventhal and Parkhomenko, “Spatial Implications of Telecommuting.”

⁷³ Gallardo and Whitacre, “21st Century Economic Development: Telework and Its Impact on Local Income.”

⁷⁴ Gallardo and Whitacre.

⁷⁵ Gallardo and Whitacre.

⁷⁶ Interviewee 2, DG EMPL, 12.12.2023, online

regions. While this is a valid argument, creating the possibility for quality work in rural regions through telework might bring back those qualified workers who were forced to leave.

Secondly, while representatives from the Czech Chamber of Commerce voiced optimism about the potential impact of telework on the Czech economy, more research should be done on its effects in a European context, taking into account

The rise of telework can partially reverse the spatial concentration of talent and spending power and positively impact median household income and the local economy.

the **specificities of each region**⁷⁷. Economies vary in their reliance on telework, and the Czech Republic, being more industrial than a service-oriented economy, may experience different gains compared to other regions or countries in the EU. This was also pointed out in the interview with representatives from the

Czech Chamber of Commerce⁷⁸. Moreover, research should delve into the potential of telework to address labour shortages. In the Czech Republic, employers continue to be primarily interested in blue-collar occupations, including truck drivers, construction workers, and warehouse workers⁷⁹. This raises the crucial question of to what extent telework could be the silver bullet for addressing shortages in much-demanded professions.

Lastly, when considering the economic potential of telework, it is worth researching whether additional **investment strategies in infrastructure and digital skills** would be necessary for these potentials to unleash. A recent analysis of telework found that the “anywhere jobs” are currently not performed from anywhere but in cities, particularly capital cities⁸⁰. Indeed, today, only a few

⁷⁷ Interviewee 4, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague ; Interviewee 5, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague

⁷⁸ Interviewee 4, Czech Chamber of Commerce, Employment and Labour Market Section, 9.01.2023, Prague ; Interviewee 5, Czech Chamber of Commerce, 9.01.2023, Prague

⁷⁹ EURES, “Labour Market Information.”

⁸⁰ Stephany, “The ‘Anywhere’ Jobs Are Not Everywhere – They’re in Cities.”

non-urban regions manage to capitalise on the working from anywhere (WFA) phenomenon. Exceptions are some well-connected and integrated rural areas near large (western-European) cities⁸¹. This could be a missed opportunity. Declining regions and depopulation trends are serious problems in several regions in the EU, and options to counter this trend should not be left undiscussed. Therefore, further research is necessary.

Budgetary impact of social security coordination

Lastly, there is currently no data on what the budgetary impact might be of a new regulation regarding the **social security of cross-border teleworkers**. Social security is a competence of EU member states. Rather than harmonisation, social security is coordinated in the EU to facilitate labour mobility across member states. As new forms of mobility arise, the member states stand for a challenge as to how to coordinate social security. Different rules will have a different budgetary impact on member states, depending on the number of (full-time) cross-border teleworkers in each country and whether a country is the source or residence country⁸².

The Ad Hoc Group of the Administrative Commission for the Coordination of Social Security Systems, which prepared a template for the above-mentioned Framework agreement in the first half of 2023 to offer a swift solution after the pandemic, is now tasked with undertaking an impact assessment and proposing new rules for telework in light of a future revision of the regulation⁸³. The Ad Hoc Group should look into the options for future regulation and their impact on some branches of social security in different countries. In this context, it is not helpful that the Ad Hoc group has not convened once since the extension

⁸¹ Stephany.

⁸² Interviewee 3, DG EMPL, 20.12.2023, online

⁸³ De Pauw and Verschueren, "The Framework Agreement on the Applicable Social Security Law in Case of Habitual Cross-Border Telework after the Pandemic."

of its mandate in June 2023, as the former rapporteur pointed out in an interview⁸⁴. With a solution provided for the most pressing problems accommodating the largest and best-organised group concerned, namely frontier workers, the sense of urgency has waned. It is, however, essential that work in the Ad Hoc group continues. Given the rapid development of the situation and the slow legislative process, it is crucial to stay proactive and not lag behind.

⁸⁴ Interviewee 6, Advisor general, National Office for Social Security (RSZ/ONSS) - Dept. for International Relations and rapporteur Ad Hoc group on cross-border telework, 12.01.2023, online

Conclusion: time for action

The rapid uptake of various forms of telework, facilitated by digitalisation and fuelled by the pandemic, has upset a system based on physical presence in the workplace. The increasing decoupling of work from the formal workplace creates regulatory challenges for the Single Market but also offers multiple **opportunities for workers, employers, and the EU economy as a whole.**

Telework could, for example, help address labour market imbalances, reduce wage inequality across regions and contribute to regional development, especially in rural areas. In addition, greater access to telework could provide increased job opportunities and broader, cost-efficient access to talent for employers.

Regulating digital cross-border work could help unlock the full potential of the (Digital) Single Market and foster a more integrated labour market.

While addressing the most pressing issues, the current Framework Agreement falls short of tapping into the broader potential of cross-border telework. The primary obstacle to further regulating this area is the glaring lack of data, which prevents unlocking the full potential of an integrated Single Market in the digital age. First of all, a significant challenge lies in the data gap regarding the demand for telework. To address this, Belgium's data-gathering system presents a first good step and offers a valuable model for other member states, including the Czech Republic. In addition, research must be conducted on the economic potential of increased telework arrangements and the impact of different conflict rules on state finances. Finally, concerns about self-employment, tax competition, the impact on regional development and the need for additional investments in skills must be addressed in further research.

Given the potential benefits of various forms of telework and the sensitivity of regulating this area, **it is worth investigating its impacts now.** The telework landscape is evolving quickly, and regulation is slow. Therefore, a proactive



attitude, informed by comprehensive data, is crucial for maximising the gains of cross-border telework arrangements while minimising the costs in an evolving digital labour market.

Recommendations

Systematise data gathering on telework throughout the EU

Firstly, to have a clearer idea about the scale of the cross-border telework phenomenon, a first step for EU countries must consist of more systematic data gathering on the use of telework from abroad today. When doing this, countries could draw inspiration from Belgium. The country has incorporated telework from abroad in its applications for secondment and equally gathers data for telework that falls below the scope of the current Framework Agreement. This system could help provide a clearer view of the scale of different forms of cross-border telework in each country in light of an impact assessment.

A call for proposals to study the potential of cross-border telework in the EU

Secondly, a comprehensive study assessing the socio-economic potential of (fully remote and hybrid) cross-border teleworking constitutes a crucial step in leveraging the benefits of telework at the EU level. The European Commission should, therefore, consider launching a call for proposals that will study the potential demand for cross-border telework in an employment relationship, its effects on economic and regional development, and the potential dangers of a wider application of cross-border telework.

An impact assessment of new rules for Social Security and taxation

Finally, following a study on the potential of telework, the European Commission should undertake an impact assessment to study the consequences of different rules in view of a future revision of social security coordination and taxation in the years to come.

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