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Economic impact of labour migration: displacement effects 1999-2008

Executive summary in English

Ernest Berkhout
Arjan Heyma
Siemen van der Werff



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Executive summary

Despite the substantial growth in the number of Eastern European labour migrants between 1999-2008, displacement of Dutch employees has hardly taken place. Labour migration has both positive and negative effects on the national labour market, which seem to compensate each other.

Numbers

Since 2005 the number of labour migrants from the new EU member states (NMS) has doubled.¹ This concerns not only temporary labour migrants, but also long-term labour migrants who decide to settle in the Netherlands for a longer period.² During the year 2008, a total of 54 thousand long-term migrants and 154 thousand temporary migrants from the NMS worked in the Netherlands as employee. The vast majority comes from Poland (65 and 91 percent respectively). Around 16 percent of the long-term migrants originates from Bulgaria and Rumania, the same holds for only 1 percent of the temporary migrants. Measured in FTE's, 0.6 percent of all labour in the Dutch economy in 2008 was carried out by long-term migrants and 0.9 percent by seasonal migrants.

Characteristics

Temporary migrants are often males (68 percent in 2008) whereas long-term migrants are more often females (57 percent). Temporary migrants are younger, long-term migrants somewhat older but still much younger than the average Dutch employee. The majority of temporary labour migrants is between 19-29 years of age, the majority of long-term labour migrants between 24-35 years. Many migrants work in the South-Eastern provinces of Noord-Brabant and Limburg, although long-term migrants are also employed in the West. The North-Eastern part of the Netherlands employs relatively few labour migrants from the NMS.

Temporary labour migrants from the NMS are mainly employed as temporary agency workers (53 percent) or directly by employers in the agricultural sector (14 percent) or business services (21 percent, often payrolling). Long-term labour migrants are more similar to native employees: although overrepresented in agency work, agriculture and business services as well, the differences are smaller.

In 2008 the temporary labour migrants worked on average 77 days in a job. The wage they earned was close to the minimum wage or just above. Although the variation in wages was larger among long-term migrants, only a small fraction of them earned more than the average Dutch employee.

¹ The NMS are defined here as to include the eight Eastern European countries that acceded the EU in 2004 (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary and Slovenia) plus the two countries that acceded in 2007 (Bulgaria and Rumania). Malta and Cyprus are not included.

² Long-term labour migrants are defined as employees who are registered in the municipal registry as a foreign-born inhabitant of the Netherlands, temporary labour migrants are not registered locally. Registration is compulsory if the intended total stay exceeds four months during a period of six months.

Displacement of native workers?

The inflow of long-term labour migrants from the NMS between 1999-2008 did not have a significant net effect on the number of jobs for Dutch employees. Apparently the labour market was able to rapidly assimilate the extra supply. In expanding labour market segments, small positive effects of labour migration on the number of jobs for Dutch employees have been found. Apparently, in this case, labour migration is complementary to the local supply. In some contracting labour market segments however, small negative effects have been found. Here the extra labour is probably competing with the local labour supply. But in practice, both effects are very small and compensating each other, so that the net effect is zero. In the months after the abolishment of the compulsory working permit for ten of the twelve NMS countries (May 2007 till December 2008), local labour markets seem unaffected by the increased labour migration.

Concluding remarks

The conclusions above are based on research data for the period 1999-2008. Unfortunately, the currently available data do not allow analyses for the period after 2008 and the effects of the financial and economic crisis. Also, to enable the proper identification of the effect of temporary labour migration in the period after 2005, the quality of the data has to be improved. In spite of these remarks, the report presents a clear answer to the two most important questions of the LURA-commission: in the period 2005-2008 the number of labour migrants from the NMS has doubled, but this has not resulted in displacement of native Dutch workers.