

# Economic Dynamics and Migration

Migration is largely driven by labour demand, as evidenced by the correlation between migration patterns and business cycles, as well as the influence of labour market policies on migration. Beyond direct migration policies, economic policies have also played a significant role in shaping migration to and from the Netherlands. This connection between migration and economic factors is explored in our retrospective analysis of migration trends in the Netherlands since 1950.

The history of guest workers highlights the importance of considering migrants' long-term employability and implementing a (labour) migration policy that aligns with the (intended) development of the Dutch economy.

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# Summary

In this report, we explore the relationship between migration, the business cycle, and economic policy in the Netherlands by analysing immigration and emigration trends since 1950. We argue that labour demand is a key driver of migration. This central role of labour demand is evident in the correlation between migration patterns and the business cycle, as well as in the impact of labour market policies on migration. Consequently, both direct migration policies and broader economic policies have significantly influenced migration to and from the Netherlands.

**Migration is closely linked to the business cycle**. When the economy is strong, more migrants tend to arrive in the Netherlands, while during recessions, immigration decreases and emigration increases. However, asylum migration does not show a similar relation with the business cycle. Additionally, since the 2004 EU enlargement, there has been a notable rise in immigration, primarily driven by labour and related family migration.

Labour market flexibility encourages employers to recruit more migrant workers. For example, research indicates that lower levels of employment protection legislationlead to a higher migration balance (immigration minus emigration). While there is no clear evidence that a more extensive social safety net is a major pull factor for migrants, it did play a crucial role in the permanent settlement of guest workers who arrived in the Netherlands during the 1950s, 1960s, and 1970s.

The history of these guest workers reveals that many settled permanently in the Netherlands, despite migration policies at the time being focused on temporary residence. Over time, several industries that initially attracted guest workers underwent significant decline, leading to widespread unemployment among these migrants and making it difficult for them to transition to other professions.

Migration plays a role in shaping the development of the Dutch economy. Conversely, economic policies that influence labour demand also affect the scale and nature of migration to and from the Netherlands. Therefore, it is advisable to consider the long-term employability of migrants and to implement a (labour) migration policy that aligns with the (desired) direction of the Dutch economy and the corresponding labour market needs.

# 1 Introduction\*

History offers valuable lessons on migration, and on how migration is linked to the Dutch economy.

Migration is an important issue, both in the public debate and in policy discussions. The recent report by the Staatscommissie Demografische Ontwikkelingen 2050 (2024) underscores the central role of migration in addressing several policy challenges, including economic ones, over the coming decades. However, there is a prevailing perception that national policy has limited influence on migration to and from the Netherlands, leading to concerns that governments and citizens lack sufficient control over it (den Ridder et al., 2023; WRR, 2023). Migration is a constant throughout history. Examining the history of migration to and from the Netherlands and its underlying causes can provide valuable insights into the phenomenon of migration and the significant role played by economic factors.

In this study, we look at the influence of both economic policy and the business cycle on migration to and from the Netherlands over a period of more than 70 years. The Netherlands has a rich and varied postwar migration history. Shortly after World War II, there was large-scale emigration of Dutch citizens, with at the same time almost equally substantial immigration from the former Dutch East Indies. The following decades saw the arrival of guest workers and the introduction of free movement of workers within the European Economic Community, later the EU. Between the 1970s and 1990s, many immigrants came from Suriname, and first family and later asylum migration increased. And in the past two decades, labour and student migration also increased significantly, partly due to European Union enlargement. In this study, we look at this history and ask to what extent migration has been influenced by migration policy, economic policy and the business cycle over the years. In doing so, we follow a descriptive approach.

Besides legal factors, economic factors also play a role in the number of migrants coming to or leaving the Netherlands. Governments can try to manage migration with direct legal measures, for example by issuing work permits or setting criteria for asylum. In the Netherlands, this kind of migration policy is largely determined by the European Union (Groenendijk & van Riel, 2017). Apart from migration policies, there are many other issues that influence the arrival and departure of migrants. The structure of the Dutch economy and the state of the business cycle play a key role in determining labour demand. In addition, economic policies, e.g. the design of the labour market, partly determine the extent to which migrants want and are able to come to the Netherlands, or, on the contrary, want or have to leave.

This report aims to provide general insights into the factors that influence migration to and from the Netherlands. In doing so, we limit ourselves to the *determinants* of migration: what determines how many migrants come and go? We leave aside the economic *effects* of migration, which in turn are also highly dependent on integration, in this study. In addition, we limit ourselves – mainly for practical reasons – to Dutch history, and only take a limited look at the experiences of other countries.

This report is structured as follows. Chapter 2 reviews the course of immigration to, and emigration from, the Netherlands since 1950. In chapter 3 we shift the focus to the role of economic factors and is a mix of a review of the international academic literature on migration, a look at recent Dutch migration history, and new quantitative analyses.

<sup>\*</sup> We thank the members of an external sounding board group – Saskia Bonjour (UvA), Roel Jennissen (WRR), Tesseltje de Lange (RU) and Leo Lucassen (IISG) – and academic partner Clemens Kool (UM) for valuable input on earlier versions of this publication.

<sup>&</sup>lt;sup>1</sup> CPB does have the ambition to conduct further research on the effects of migration in the coming years; see van Stiphout-Kramer et al. (2023).

# 2 Migration and migration policy: a timeline

In this chapter, we discuss the course of migration by type: post-colonial migration, labour migration, family migration, asylum migration, student migration and emigration. Post-colonial migration refers to migration between the Netherlands and its former colonies and overseas territories. Labour migration is primarily motivated by the search for work. Family migration refers to migration where people move to another country for the sake of relationships or family ties. Asylum migration refers to people leaving their country of origin because they are in danger there. Student migration refers to people moving to another country to pursue education. Finally, emigration refers to migration from the Netherlands to other countries, involving both return migration (emigration of previous immigrants) and emigration of Dutch natives. Various motives (labour, family, etc.) also play a role in emigration, but this distinction is not made in the data.

Although the following discussion, like the data, divides migrants by migration motive, the motives are often more complex. Migrants from outside the European Union are classified statistically on the basis of the legal regime (visas, residence permits, etc.) that allows them to enter the Netherlands. Thus, CBS data on immigration subdivide into labour, family, asylum and study migrants and migrants with 'other motives'. For European migrants, CBS classifies the reason why someone immigrates on the basis of registered activities after arrival in the Netherlands (CBS, 2023). But in practice, people often have multiple motives for migrating (WRR, 2020, p. 37). For instance, people who leave their country of origin for security reasons may possibly choose to come to the Netherlands as a labour migrant, or someone who comes to the Netherlands as a student will also consider employment opportunities after graduation. The statistical migration 'motives' should therefore be considered as the legal channels through which migrants enter, rather than as an exact reflection of their reasons for migrating.

Over the past two decades, immigration to the Netherlands has increased significantly, leading to a corresponding rise in the migration balance. The number of migrants coming and leaving has been increasing on a trend basis, initially in line with the total Dutch population, but since around 2004 also as a percentage of the population (see Figure 2.1, left).<sup>2</sup> However, this trend is subject to strong fluctuations, especially for immigration. Immigration has risen faster than emigration, leading to an increase in the migration balance. These trends are also reflected in the population composition: an increasing share of the Dutch population has a first- or second-generation migration background (see Figure 2.1, right). With natural population growth (births minus deaths) currently near zero and expected to remain so in the coming decades, migration will be the primary driver of any future population growth (Staatcommissie voor Demografische Ontwikkelingen 2050, 2024).

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<sup>&</sup>lt;sup>2</sup> Between 1950 and 2022, the Dutch population grew from about 10.0 mln people to about 17.6 mln people.

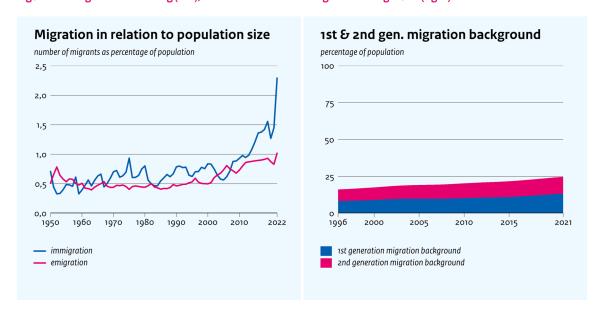


Figure 2.1: Migration increasing (left); more residents with a migration background (right)

Source: CBS

Since 1950, the ability of Dutch authorities to directly shape migration policy has been increasingly constrained by international agreements. Both European integration and the protection of human rights have led EU countries, including the Netherlands, to establish various agreements that national migration policies must adhere to. Additionally, many migration-related powers have been transferred to the European Union. Since the 1960s, immigration from EU member states has been liberalized under the free movement of workers. For asylum migration, the Netherlands is bound by the 1951 UN Refugee Convention and various human rights agreements, which are also incorporated into European Union law (Donner & den Heijer, 2020). Similarly, restrictions on family migration are limited due to international humanitarian agreements (Adviesraad Migratie, 2022), leaving the Netherlands with few powers to regulate European family migration. While there are more national powers to impose conditions on non-European student and labour migration, these too are subject to various European restrictions. In short, much of today's migration law is governed by international and European law (Groenendijk & van Riel, 2017).

A historical overview of immigration in the Netherlands, from 1950 to the present, shows that labour migration in particular has increased over the past two decades. CBS data, categorized by immigrants' migration motives, is only available since 1999. For the years before that, the channels through which immigrants entered are unknown. However, the country of origin is known, making it possible to identify post-colonial migrants. Figure 2.2 shows total immigration to the Netherlands from 1950 onwards, with in the years up to 1999 the breakdown into post-colonial and other immigrants, and from 1999 onwards the categorization by official migration motives. What is striking is the sharp increase in immigration over the years. For much of the period, this increase parallels the growth in population size, but starting in the early 2000s, immigration rises rapidly, both in absolute numbers and as a percentage of the population. The growth is mainly due to the enlargement of the European Union in 2004. In the period up to 1999, it is notable that most peaks in immigration are related to post-colonial migration, such as around the independence of Indonesia and Suriname. For the period from 1999 onwards, the sharp rise in labour and student migration is particularly striking. Family migrants and returning Dutch nationals have a stable and large share over the whole period. Asylum migration shows no clear trend and is highly volatile.

1999-2021 1950-1998 number of migrants (1000) number of migrants (1000) 250 250 200 200 100 100 50 1960 1980 2005 2010 2015 1950 1970 1990 1998 1999 2021 (post-)colonial study work total excluding (post-)colonial family NL-return asylum other

Figure 2.2: increase in immigration from 1950 by type

Source: CBS.

Note: This refers to immigration from both EU and non-EU countries. Because for EU migration the so-called derived migration reasons for 2022 are not yet known, the figure on the right runs until 2021. The "NL-return" category refers to Dutch nationals who previously emigrated and are now returning to the Netherlands.

## 2.1 Post-colonial immigration

Many migrants who have moved to the Netherlands over the years originate from former Dutch colonies or overseas territories. This type of migration is often referred to as 'colonial' or 'post-colonial' migration in the literature (Bosma, 2009).<sup>3</sup> After gaining independence, migration to the Netherlands from former colonies has remained remarkably high compared to immigration from other countries, Indonesia after 1962 being an exception. This relatively high migration from former colonies is a common pattern (also seen in countries like France and the UK) and may be linked to shared language, historical ties, and established networks. (de Haas et al., 2019). Here, we discuss migration from Indonesia, Suriname and the Dutch Caribbean islands. Although not formally considered as international migration before independence, we treat it as such here, in line with official data.

Migration from former Dutch colonies and overseas territories follows unique patterns, mainly peaking around independence. In the 1950s and 1960s, migration to the Netherlands peaked due to Indonesia's independence. About one hundred thousand Dutch people, including Moluccan soldiers, came to the Netherlands at that time (Magnée & ter Weel, 2021). Another fifty thousand moved to the Netherlands in 1957 due to nationalisation of companies and political unrest. Migration between Suriname and the Netherlands has always been significant, but it peaked around Suriname's independence in 1975. Before independence, much of the migration was temporary, with people alternating between Suriname and the Netherlands for reasons such as work or study (Centrum voor de Geschiedenis van Migranten, 2010). Even after 1975, Dutch migration policy remained relatively open to Surinamese; until November 1980, Surinamese citizens could move to the Netherlands with few restrictions (Laarman, 2013). <sup>4</sup> This explains why not only in 1975, but also in

<sup>&</sup>lt;sup>3</sup> The preposition 'post' applies to migrants after the moment of independence; before that, they are simply colonial migrants. The specific term 'repatriation' is also used for the return of Dutch nationals from the colonies around independence (Lucassen & Penninx, 1999).

<sup>&</sup>lt;sup>4</sup> This was regulated by the "Nationality Separation Agreement between the Kingdom of the Netherlands and the Republic of

1979 and 1980, there was an increase in immigration from Suriname. The announcement of the closing of the borders – the expiry of the transition agreement and the introduction of the visa requirement – led to a large increase just before closing. Economic problems and political unrest in Suriname caused another increase in migration to the Netherlands in the 1990s (CBS, 2015). There have also been significant relocation movements between the European Netherlands and the Caribbean part of the Kingdom for many years. <sup>5</sup>

Both Dutch migration policies and economic factors in former colonies influenced migration to and from former colonies. Fluctuations in migration to and from Suriname were linked to independence, but also to economic malaise in Suriname. Peaks in migration to and from the Caribbean part of the Kingdom can also be explained by economic factors, such as the closure of some oil refineries in Curação and Aruba in the 1980s (Oostindie, 2016; Lucassen & Lucassen, 2018).

## 2.2 Labour migration

Overall, work is one of the primary reasons people migrate. For labour migrants, work is the official migration motive, but other migrants, such as family migrants or asylum seekers, also consider employment opportunities when deciding to migrate (for asylum seekers, see Jennissen and van Wissen (2015)). However, as Borjas (2016) emphasises, people are much more than just workers, and both the reasons to migrate and the societal effects of migration extend beyond the labour market.

Labour migration to the Netherlands has seen two main periods since World War II: the arrival of so-called 'guest workers' and the recent increase in European labour migration. Between 1955 and 1973, large numbers of labour migrants from Spain, Italy, Morocco and Turkey arrived in the Netherlands. We first discuss the history of these guest workers in section 2.2.1. In the next two sections, we discuss the arrival of other labour migrants, both from inside (section 2.2.2) and outside (section 2.2.3) the European Union and its predecessors. In section 2.2.4, we draw some parallels between the history of the guest workers and contemporary labour migration to the Netherlands. Labour migration is of all times and has periods of strong increases and decreases (Lucassen & Lucassen, 2018). Over the last two decades, labour migration has increased sharply, mainly due to the accession of a number of Eastern European countries to the EU.

#### 2.2.1 Guest workers

Government and employers joined forces from the mid-1950s onwards to attract foreign workers, as there was a great need for labour. After a decade in which policies had actually encouraged emigration (see section 2.6), the tide turned. Pressed by large labour shortages in the textile, metal and mining industries in particular, employers and the Dutch government decided to attract foreign workers: guest workers. This was initiated by entering into bilateral labour treaties with other countries. Agreements were also made on issues such as maximum numbers of migrants, wages, working conditions and child benefits. As the term 'guest workers' suggests, a strong desire was expressed by policymakers that this would remain temporary migration: The Netherlands wanted workers, but explicitly did not want to become an immigration country (de Lange, 2007; Bonjour, 2011; Lucassen & Lucassen, 2018).

Between 1958 and 1973, some two hundred thousand people migrated to the Netherlands as guest workers, some at the invitation of the Netherlands, but largely also on their own initiative. Figure 2.2 illustrates the countries of origin of these guest workers, with a notable dip during the 1967–1968 recession. Initially, most migrants came from Spain and Italy, but in the 1960s Morocco and Turkey also became

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Suriname." The treaty stipulated that on 25 November 1980, the five-year period ended during which residents of Suriname could choose either to remain in Suriname and automatically exchange Dutch nationality for Surinamese, or to retain Dutch nationality by migrating to the Netherlands.

<sup>&</sup>lt;sup>5</sup> The six islands that make up this part are the Dutch municipalities of Bonaire, Saba and Sint Eustatius (Dutch Caribbean), and the independent parts of the Kingdom: Sint Maarten, Aruba and Curação.

important countries of origin. Although the first guest workers were actively recruited, a large proportion subsequently came to the Netherlands on their own initiative. Migration was not greatly restricted at that time. Only about a fifth of all guest workers came to the Netherlands through active recruitment between 1964 and 1968; the rest arrived spontaneously (table 3.1; de Lange, 2007, Schoorl, 2011).

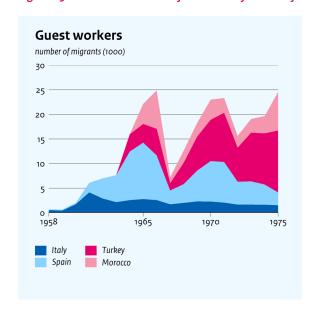


Figure 2.3: Guest workers initially came mainly from Italy and Spain, later more often from Turkey and Morocco

Source: CBS

Guest workers were employed in a limited number of industries, especially in manufacturing and partly in mining. Figure 2.4 shows the number of work permits per year by industry, based on historical CBS data. <sup>6</sup> The left figure illustrates the absolute number of work permits for the six industries with the highest numbers of guest workers, while the right figure shows the relative percentage of foreign workers for the same six industries. <sup>7</sup> In absolute numbers, the metal industry stands out, with around twenty-five thousand foreign workers employed in the early 1970s, because it was a very large industry. When considering the relative share of foreign workers, this figure rose to between 5% and 10% in several industries during the early 1970s. <sup>8</sup>

<sup>&</sup>lt;sup>6</sup> The sources for this are CBS publications from the relevant years, namely: Sociale en Economische Maandstatistieken, Maandstatistieken van de Industrie, Maandstatistieken van de Bouwnijverheid en Maandstatistieken van de Handel (editions 1958-1988). Because Italians could work in the Netherlands without work permits from 1968 onwards, the series for Italy may be an underestimate.

<sup>&</sup>lt;sup>7</sup> Note that the figure shown in Figure 2.4 differ from those in Figure 2.5. This is because Figure 2.4 is based on work permits, while Figure 2.5 refers to people who were registered with Dutch municipalities.

<sup>&</sup>lt;sup>8</sup> The mineral extraction industry has a somewhat atypical development. This is due to the closure of the Dutch coal mines between 1965 and 1974. Until then, a relatively large number of foreign workers were active in this industry. After the closure of the coal mines, the mineral extraction industry consisted mainly of natural gas extraction, an activity that is much less labour-intensive, and which also made less use of foreign labour. Moreover, the decline in the number of Spanish migrant workers after 1967 is not related to mineral extraction: even in the early 1960s, less than 10 per cent of Spanish guest workers were active in this industry.

Permits for foreign workers Share of foreign workers number of workers (1000) number of permits as % of total workers 25 20 1958 1965 1970 1974 1958 1965 1970 1974 metal industry construction industry metal industry ceramics & construction equipment textile industry wholesale and retail textile industry - leather, rubber, etc. food transport companies and catering food mineral extraction

Figure 2.4: Many guest workers were employed in the manufacturing sector

Source: CBS Sociale en Economische Maandstatistieken

Industries with relatively large numbers of guest workers often had low labour productivity and wages, although this was not always the case. Especially in industries such as 'leather, rubber, etc.' and the textile industry, wages were below average (see Figure 2.5, left). However, this was not the case for all industries with many guest workers: for instance, wage levels in the metal industry were above average. This illustrates that low wages may not necessarily have been the main reason why employers attracted guest workers: the desire to fill vacancies in shortage occupations will often have been leading. Incidentally, the data used concern the wages of *all* workers, not just foreign workers. Labour productivity was also relatively low in sectors with many guest workers. Figure 2.5 (right) shows average wages and labour productivity by industry, distinguishing between industries with many and few guest workers. While most industries with large numbers of guest workers had low productivity, this was also true for some other industries with few guest workers.

<sup>&</sup>lt;sup>9</sup> The sources for this are the same as mentioned in footnote 6.

<sup>&</sup>lt;sup>10</sup> In the 'mineral exploitation' industry, the average wage level was even significantly higher: about a factor of 1.5 above the Dutch average. Besides the atypical course of this industry (see footnote 8), this may also be due to the nature of the work: coal mining was extremely physically demanding and this will have been reflected in wages.

Index wage per working year Labour productivity and wages index average wage per working year compared to average wage 1960-1964 average wage per working year 1960-1964 (1000 guilders) 110 105 95 85 m 1960 1962 1964 1966 10 20 25 30 average labour productivity 1960-1964 (1000 guilders) — pottery and building materials sectors with a large share of migrants metal industry sectors with a small share of migrants textile industry – leather & rubber food

Figure 2.5: In industries with many guest workers, wages and labour productivity were often lower than the average.

Source: CBS Sociale en Economische Maandstatistieken, National Accounts

Note: In the right-hand figure, we use the short period 1960-1964 due to breaks in the dates in 1959 and 1965. The outliers are mining (blue dot) and agriculture (pink dot).

Labour migration opportunities decreased due to tightening migration policies and decreasing labour demand, but many guest workers remained in the Netherlands. In 1967, during a brief recession, opportunities for labour migration were reduced. Although guest workers were still recruited, spontaneous arrival was no longer possible (de Lange, 2007). The arrival of guest workers declined further from the 1970s due to the declining demand for foreign labour as a result of the oil crisis. <sup>11</sup> This made it more difficult for guest workers to commute back and forth for work. Many chose to stay in the Netherlands for fear of not being able to re-enter the Netherlands after return to their country of origin. Whereas previously many guest workers would return to their country of origin, now many decided to stay in the Netherlands (WRR, 2001; Lucassen & Lucassen, 2018). This timing partly explains why many more Turkish and Moroccan guest workers, who formed the largest group in the early 1970s, stayed in the Netherlands than Italian and Spanish guest workers, who were dominant until the early 1960s. The rise in prosperity in Italy and Spain also contributed to the return of immigrants to their countries of origin (Lucassen & Lucassen, 2018).

The economic downturn of the early 1970s marked a turning point: many of the industries that employed guest workers contracted, leading to a sharp increase in unemployment among this group. The 1973 oil crisis marked the end of strong post-war economic growth. It also led to a decline in labour demand, especially in industry, accelerated by globalisation. This de-industrialisation, following the earlier closure of coal mines, resulted in contracting industries in which guest workers worked in the 1970s and 1980s. <sup>12</sup> Unemployment in the Netherlands rose, especially among migrants: among Moroccans, unemployment was around 40 per cent in the 1980s (Lucassen & Lucassen, 2018, p. 164). Historians sometimes refer to this period as the 'guest worker trauma': the collective memory of this unfortunate conclusion to the guest worker era is believed to have become a pivotal factor in shaping the migration debate in the decades that followed (Engbersen, 2003; de Lange & Doomernik, 2004; Kremer, 2013).

The Dutch experience of guest workers is not an isolated one. Van Mol and de Valk (2016) and de Haas et al.

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<sup>&</sup>lt;sup>11</sup> That immigration from Turkey and Morocco remains high even after 1973 is mainly due to the increase in family migration; see section 2.3

<sup>&</sup>lt;sup>12</sup> For instance, the real value added of the 'Textile, clothing and leather industry' industry roughly halved between 1969 and 1985 (own calculations based on National Accounts).

(2018) describe how the arrival of guest workers from Turkey and Morocco followed a broadly similar pattern across Western European countries. In Germany, for instance, a formal ban on guest workers was declared in the early 1970s, making the decision to stay even more pressing for guest workers there than in the Netherlands. Despite economic challenges and the termination of guest worker programs in the early 1970s, non-European migrants continued to arrive in Western Europe, partly through family reunification. The decline of industries that employed many guest workers was not unique to the Netherlands; de-industrialization driven by globalization was a widespread phenomenon across Western Europe. In the Netherlands, however, this process was somewhat accelerated by the closure of coal mines and by the *Dutch Disease*, in which large revenues from natural resources such as oil or gas led to a stronger national currency, making other economic sectors less competitive in the international market (Buiter & Purvis, 1980).

#### 2.2.2 European labour migration

Over the years, it has become increasingly easy for a growing group of European citizens to migrate within Europe. The first formal steps towards free movement of workers were taken in 1957, when six member states, including the Netherlands, founded the EEC. Despite declining migration opportunities for workers from outside Europe in the 1970s, free movement within the EEC remained firmly in place. The transition to the EU, the Schengen Agreement and the expansion of the number of member states led to increasing mobility within Europe. Incidentally, the Dutch themselves also make frequent use of this mobility: it is estimated that about six hundred thousand Dutch nationals are currently resident in other EU member states (Ekamper, 2023).

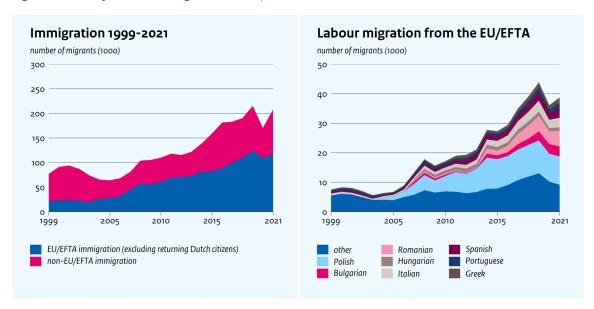


Figure 2.6: Notably increased immigration from EU/EFTA

Source: CBS.

Note: The left figure includes all forms of immigration; the right figure includes only labour migration.

Gradual EU enlargement from the start of this century has contributed significantly to the increase in annual migration. Figure 2.6 (left) shows that immigration from the EU/EFTA in particular is responsible for the positive trend in immigration over the past two decades. <sup>13</sup> Labour migration is primarily driven by recently acceded Central and Eastern European EU countries, such as Poland, Bulgaria, Romania, and Hungary. The increase in labour migration is driven by a combination of high demand for labour in the Netherlands and the willingness of people to move here for better opportunities and higher wages. Additionally, there has been a

<sup>&</sup>lt;sup>13</sup> The four non-EU countries Liechtenstein, Norway, Iceland and Switzerland make up EFTA, the European Free Trade Association. EFTA countries also have free movement of workers and are therefore considered in the same category as EU countries for migration data.

rise in immigration from southern European countries such as Italy, Portugal, and Spain, where unemployment is higher and wages are relatively lower (Eurostat, <u>link</u>). According to the Nederlandse Bond van Bemiddelings- en Uitzendondernemingen (NBBU), there were an estimated total of 984 thousand labour migrants in the Netherlands in 2022 (NBBU, 2024). <sup>14</sup> About 62% of European labour migrants are male. Not all labour migrants are registered in the municipal administration; some 250 thousand of them fall outside the official records (Strockmeijer, 2020). This group mainly concerns seasonal workers: only a migrant who intends to stay in the Netherlands for more than four months needs to register in the municipal administration.

The 2004 EU enlargement led to more migration to the Netherlands than expected. In 2004, CPB estimated that this would bring between 3.5 thousand and 8.5 thousand extra immigrants per year to the Netherlands for at least four months' residence in 2004-2006, with a predicted gradual decline after 2006 (CPB, 2004). Seconding to this estimate, the number of seasonal workers would remain constant at 10 thousand per year. The number of immigrants in 2004-2006 was at the upper end of (but therefore within) the range given by CPB. But after 2006, this form of immigration continued to rise, reaching 25 thousand in 2008, and the number of seasonal workers actually increased significantly to 65 thousand in 2007 and 100 thousand in 2010 (CPB, 2011; Weltevreden et al., 2009). This discrepancy with the initial estimates was partly attributed to measurement issues and the scientific literature's focus on long-term migration. The dynamics of open borders within the EU were greatly underestimated. The good reputation of Polish workers may also have played a role in this. Research on discrimination in the Dutch labour market, shows significant discrimination for almost all nationalities, but not for Poles, possibly due to the low cultural and religious distance employers perceive towards them (Thijssen et al., 2021).

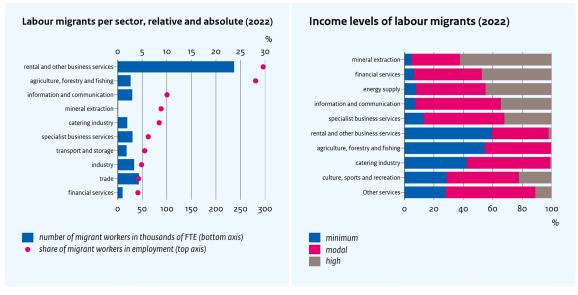


Figure 2.7: European migrant workers are concentrated in a few industries and often have low incomes

Source: SEO.

Note: In the figure on the right, "minimum" refers to persons earning less than the monthly minimum wage per month, "modal" refers to persons earning more than the minimum but less than the limit for the kennismigrantenregeling, and "high" refers to persons for whom the monthly income (and age) corresponds to the level of the limit for the kennismigrantenregeling.

<sup>&</sup>lt;sup>14</sup> This refers to the number of migrants present. Figure 2.6 refers to the annual number of people coming and leaving. This distinction explains the difference in orders of magnitude between the numbers mentioned.

<sup>&</sup>lt;sup>15</sup> Ten new member states joined in 2004. In addition to eight central and eastern European countries – the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia – Cyprus and Malta also joined.

Labour migrants from Central and Eastern Europe (CEE) often come to the Netherlands through employment agencies and have relatively low incomes. About half of labour migrants from CEE countries come to the Netherlands through employment agencies (NBBU, 2024). These agencies not only help migrants find work, but also arrange housing and other matters for them. Figure 2.7 (left) illustrates the industries in which they work and their income. The 'rental and other business services' industry includes all workers employed through employment agencies. As Figure 2.7 (right) shows, the income level of labour migrants is relatively low precisely in the industries where many labour migrants are employed. Many of them are employed in sectors such as industry, transport and storage, and agriculture and horticulture (Vervliet & Klinker, 2023). They are often seasonal workers, staying temporarily in the Netherlands and returning to their home countries after the season ends. There are also European labour migrants who come to the Netherlands for work in sectors such as ICT, engineering or science, where specific skills and expertise are required.

#### 2.2.3 Extra-European labour migration after the 1970s

For high-income labour migrants, the Netherlands has an inviting policy. High-skilled immigration policy, developed to attract more highly skilled labour migrants, was introduced in 2004 with the "Kennismigrantenregeling" (Knowledge Migrant Scheme). This programme simplified the admission procedure and established a minimum salary as an admission criterion. Although the EU introduced the 'Blue Card' system for highly skilled workers from outside the EU in 2008, the Dutch kennismigrantenregeling appears to be generally more attractive (IND, 2009). In addition, there are separate schemes, such as for startups, that facilitate the transition to the Netherlands (de Lange & Avontuur, 2020).

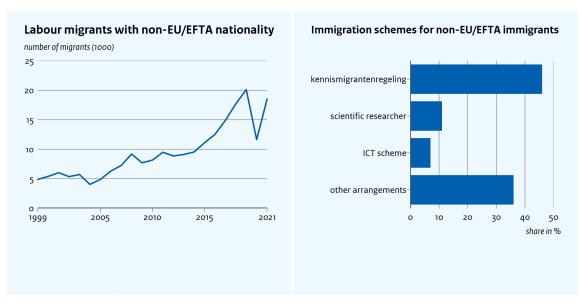


Figure 2.8: Non-EU migrants are mostly high-skilled migrants; number rising

Source: CBS, Migration dashboard

High-skilled migrants are concentrated in a small number of industries. Many high-skilled migrants work in ICT, science, financial services and consultancy. Think of engineers working at ASML or IT specialists. The favourable Dutch settlement climate for high-skilled migrants (such as the 30% facility) is a pull factor for industries with higher added value. Tech companies are actively seeking foreign engineers because of the tightness in the Dutch labour market.

For persons outside the EFTA/EU who do not qualify for the kennismigrantenregeling, opportunities to come to the Netherlands for work are limited. Figure 2.8 on the right shows through which immigration schemes non-EU/EFTA migrants came to the Netherlands in 2021. Over half of them came through the

kennismigrantenregeling. Among them, a significant proportion came as scientific researchers or through the so-called Intra-Corporate-Traineeship (ICT) scheme (Guild, 2018). Finally, there are also several other schemes aimed at attracting non-European labour migrants who do not qualify for the previously mentioned arrangements. However, due to the significant obstacles associated with these schemes – such as the labour market test – Dutch employers make limited use of them (de Lange, 2023).

#### 2.2.4 Guest workers: lessons for now?

The history of guest workers has a number of parallels with today's debate on labour migration. In the Netherlands and in neighbouring countries, the labour market has been particularly tight in recent years; employers in various industries report extreme difficulty in filling all vacancies. For this reason, there are regular calls to attract migrant workers from outside the EU on a larger scale. And as described, some industries already rely heavily on, mainly European, migrant workers. Looking at the history of the guest workers in the light of contemporary discussions, what parallels do we see, and where are clear differences? And can we draw lessons for the present from the experiences of the 1950s, 1960s and 1970s?

Both then and now, employers (and employer organisations) play an important role in initiating labour migration. As mentioned, the first cohorts of guest workers came to the Netherlands due to active recruitment from employers and the Dutch government, followed by large groups of other guest workers who came on their own initiative. As described in Lucassen and Lucassen (2018, h. 4), industrial enterprises played an important role in attracting guest workers. Likewise, today employers play an important role in initiating migration. For non-European labour migrants, including migrants under the kennismigrantenregeling, this is regulated by law: labour migrants can only gain entry if their employers co-sign the application for a work and/or residence permit for this purpose. For European labour migration, the large role of temporary employment agencies in particular stands out.

Another striking parallel between contemporary European migrant workers and former guest workers is that they are overrepresented in occupations with relatively unattractive working conditions. Guest workers in the 1950s to 1970s were often employed in physically demanding occupations where wages were low. Recruitment also specifically sought migrants who wanted to do this type of work, which in practice meant that many of them were low-skilled and low-literate. Piores' (1979) theory of dual labour markets is partly based on this history: the theory that migrant workers tend to be employed in positions that the native population is largely unwilling to do, given the level of pay. Likewise, among contemporary European migrant workers in the Netherlands, we see that they are often low-paid, have flexible contract types and do physically demanding work. Both then and now migrant workers regularly fulfil roles for which (too) few Dutch people can be found.

A similarity between then and now is the desire to attract migrant workers primarily on a temporary basis. The Netherlands did not want to become a migration country, which is why there was no political desire for guest workers to settle here permanently and/or have their families come over (Bonjour, 2011). Even now, many policy discussions focus on temporary or 'circular' migration. As discussed above, a significant proportion of guest workers decided to stay in the Netherlands right after opportunities for temporary migration were restricted in 1973. Again, it can be expected that while many temporary migrants will return to their country of origin, a significant group will also want to settle here permanently. That said, access to the social safety net for (recent) migrants has been restricted since the 1970s, which could have an effect on their length of stay (see section 3.2.2).

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<sup>&</sup>lt;sup>16</sup> Circular migration is a term denoting the multiple immigration and re-migration of the same person. Thus, for repeated temporary recruitment of different migrants, the use of the term 'circular' is, strictly speaking, incorrect.

<sup>&</sup>lt;sup>17</sup> See, for example, the recent publications by Clingendael (Sie Dhian Ho et al., 2021) and the Adviesraad Migratie (de Beer et al., 2023).

<sup>&</sup>lt;sup>18</sup> Across the whole group of guest workers, the majority returned. But of the later cohorts of 1972 and 1973, about half of the Turkish and Moroccan guest workers stayed (CBS, 2004), and much of the subsequent family migration also involved permanent settlement.

Finally, it should be noted that many guest workers at the time were recruited for occupations for which demand would shrink significantly in subsequent years. Many guest workers were employed in low-skilled occupations in manufacturing and mining. From the 1970s, these industries shrank rapidly: the Netherlands de-industrialised, due to a combination of oil crises, globalisation and the so-called *Dutch disease* (see section 2.2.1). At the same time, it was difficult for many guest workers to find work in other occupations, given their limited education. When guest workers lost their jobs, the government invested little in retraining or learning the Dutch language; the alternative of them entering social security was preferred (Bonjour, 2011). This was followed by a high level of unemployment among this group that had little chance of finding other work. This was thus the result of the *combination* of the sectoral shift within the Dutch economy and the fact that many guest workers had settled permanently.

This history offers some insights for the present. Attracting migrants to occupations with labour shortages offers a temporary solution, but when it comes to occupations whose demand is likely to decline within a few years, this constitutes a risky strategy. It is therefore desirable to attract labour migrants who mainly bring skills that will also be in demand in the future. (Labour) migration policy should therefore be consistent with the (desired) direction in which the Dutch economy – and the demand for labour – will develop. At the same time, this history illustrates that labour demand can change rapidly: the exact nature of the occupations that will be in demand is difficult to predict. It is therefore advisable to ensure the long-term employability of migrants so that they can be well (re)trained to other occupations in the future.

## 2.3 Family migration

Family migration constitutes the largest category of immigration in the Netherlands and has had a significant impact on population growth. Family migration consists of two main components: family formation and family reunification. Family formation involves immigrants coming to the Netherlands as the partner of a Dutch citizen, while family reunification involves family members of previous immigrants. Since 2000, about a third of the annual number of new immigrants concerns family migration. Of family migrants, more than half are still present in the Netherlands after ten years. Looking at immigrants still present in the Netherlands ten years after arrival, family migration constitutes the largest group at 46 per cent (van Sonsbeek et al., 2023). Internationally, family migrants are also the largest group of migrants (OECD, 2017). Within the family reunification category, partners and children of previous labour migrants constitute the largest component (van Winden, 2023). <sup>19</sup>

Since 1999, the annual number of family migrants has almost doubled; this increase is mainly due to family migration from within the EU. The majority of family migrants were from outside the EU in the period before 1999. In 1999, the first year for which detailed figures on family migration are available from CBS, a quarter of family migrants came from within the EU and three quarters from outside, with family formation and family reunification having roughly equal shares. In particular, the arrival of labour migrants from Eastern Europe led to significant family migration. Today, about half of family migrants come from EU countries (Figure 2.9).

<sup>&</sup>lt;sup>19</sup> People who come as partners/children of asylum migrants as part of family reunification are also referred to by the Dutch term "nareizigers". In the CBS data, nareizigers are classified partly as family migrants, and partly as asylum migrants. Until 2020, CBS classified nareizigers who arrived more than a year after the original asylum migrant as family migrants, and those who followed sooner as asylum migrants. From 2020, CBS in principle classifies all nareizigers as asylum migrants (link).

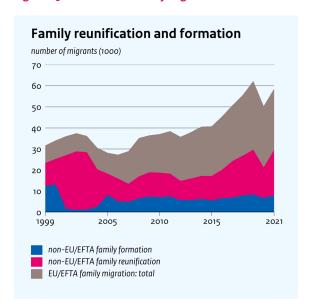


Figure 2.9: About half of family migrants come from outside the EU, the majority for family reunification

Source: CBS

Note: Within the EU, no distinction can be made between family formation and family reunification. CBS does not have a good distinction between the categories family formation/family reunification available for the years 2001-2003; the figure is therefore slightly distorted for those years.

Policy around family migration has changed considerably since 1955, with fluctuations in its stringency. Initially, there were almost no possibilities for guest workers to bring their families, but after the 1960s the rules were gradually relaxed. In the 1990s, requirements became stricter again, including income and age requirements and stricter controls on marriages of convenience (Bonjour, 2011). Bonjour describes the paradox of migration policies in Western Europe, where countries that originally did not want to become immigration countries have nevertheless implemented policies that have enabled migration on a significant scale. According to Bonjour (2011), this paradox can be explained by three crucial factors. First, it was underestimated how many guest workers would settle permanently, which was reinforced by a high proportion of marriages with foreign partners by second-generation migrants. Second, according to Bonjour, estimates of the effects of guest labour, both the contribution to the economy and social integration, were, in retrospect, too optimistic. Third, non-economic considerations, such as norms regarding family life, also played a role in Dutch policy.

Family migration is usually not directly determined by the destination country's economy, but it is closely connected to work-related migration. Since many family migrants accompany those who who migrate for work, economic developments also have a substantial indirect impact on family migration (OECD, 2017). Family migration policies are also a relevant factor in asylum migrants' choice of the country they want to settle in (Brekke et al., 2023).

#### 2.4 Asylum migration

For a long time, asylum migration was not a major phenomenon in the Netherlands. Until the mid-1980s, at most a few thousand asylum migrants arrived annually. The most notable peaks during this period were the arrival of around three thousand refugees from Hungary in 1956 and a thousand refugees from Czechoslovakia in 1968. Apart from these two years, the number of asylum applications did not reach a thousand until 1980, including applications from Vietnam (Grütters, 2003). From the mid-1980s onwards, the number of asylum applications began to increase steadily, from about six thousand in 1985 to several tens of thousands in the 1990s. Around a third of these applications were granted (Nicolaas & Sprangers, 2007). These asylum migrants had diverse countries of origin: Somalia, Iran, Sri Lanka, Yugoslavia, Romania and Iraq (Böcker & Havinga,

1998). Since the mid-1990s, no clear trend has emerged in the number of asylum applications. Particularly striking are the large fluctuations in this number, strongly linked to the intensity of conflicts in certain countries of origin. Conflicts in regions such as the Middle East and the Horn of Africa led to a large number of asylum applications, while conflicts in Sub-Saharan Africa hardly did (Lucassen, 2018).

In recent years, the Netherlands receives about the same number of asylum applications per inhabitant as the European average: about 4% of applications within the EU. However, the Netherlands approves slightly more asylum applications than other European countries, accounting for approximately 5% of all granted asylum applications within the EU. This difference can be attributed to differences in nationalities of asylum seekers and subgroups within them (Ministerie van Justitie en Veiligheid, 2022). In particular, the Netherlands receives a relatively high number of asylum applications from people originating from unsafe countries such as Syria, Yemen, Somalia, and Eritrea (Vluchtelingenwerk Nederland, 2023). This may be explained by the fact that communities from these countries already exist in the Netherlands. Asylum applications and granted asylum applications are unevenly distributed within the EU, with most Eastern European countries, such as Poland, receiving hardly any applications. Other countries, in particular Germany, on the contrary, receive many more asylum applications than average. Since 1980, asylum policies have become increasingly strict both in the Netherlands and in other European countries (Brekke et al., 2023; Jennissen & van Wissen, 2015). For the Netherlands, this is partly evidenced by the relatively large number of countries labelled as 'safe countries of origin' (Eekelschot et al., 2024).

Asylum migration accounts for about 12% of annual immigration, but among all types of migration, it most frequently leads to long-term settlement. Asylum migrants have the longest duration of stay compared to other migrant categories based on migration motive: about three-quarters of asylum migrants remain in the Netherlands after ten years. At 23%, they represent the second-largest group (by migration type) among immigrants with a length of stay of at least ten years (van Sonsbeek et al., 2023). Consequently, asylum migration contributes slightly more to population growth than labour migration but less than family migration.

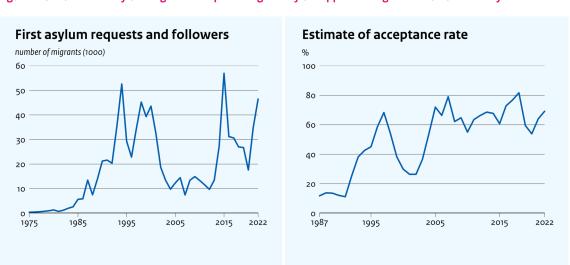


Figure 2.10: Number of asylum migrants and percentage of asylum applications granted fluctuate widely

Source: CBS

Note: The figure on the right is an approximation of the acceptance rate due to the time between first application and final granting of residence permit. As a result, there may be a mismatch between the year in which the asylum application was submitted and the year in which it was granted (especially if it was granted via an objection procedure at a later stage). To correct for this, the graph shows a three-year moving average. Besides differences in composition by country of origin, implementation factors, such as the temporary prioritisation of asylum applications from unsafe countries, also play a role in annual fluctuations in the acceptance rate.

Several factors influence the number of asylum migrants. For instance, the security, freedoms and economic situation in countries of origin determine whether people flee. But distance to destination countries and the presence of compatriots also have an influence. Asylum policy and the economic situation in the destination country do matter, but they have more influence later in the process, once asylum migrants are in the EU and are deciding which EU country they will (atempt to) travel to (Hatton, 2016; Jennissen & van Wissen, 2015; Kahmann et al., 2023). Stricter asylum policies can reduce the number of asylum applications, especially measures that make family reunification more difficult and policies that reduce the likelihood of an asylum application being approved (Brekke et al., 2017). Such policies mainly affect where asylum seekers apply once they are in Europe. Stricter rules in one country often lead to more applications in neighbouring countries. The quality of asylum facilities has less effect on the number of applications (Kahmann et al., 2023).

Recent policies in Scandinavian countries, such as tighter border controls and restrictions on social rights, have led to a sharp decline in asylum applications (Hagelund, 2020). <sup>20</sup> A similar decrease in asylum migration within the current frameworks is probably not feasible for the Netherlands, as it is bound by European regulations and due to the fact that Dutch asylum policy is already closer to the internationally agreed minimum (Kahmann et al., 2023). Before the aforementioned policy changes, Sweden's asylum policy was significantly more lenient than the minimum within the applicable international rules. With the policy changes, Sweden moved more towards the standard in other EU countries. Denmark has sharply tightened its asylum policy in recent years, to a much stricter level than EU average, but has more freedom to do so than other EU countries because of the *opt-out* position on migration policy negotiated in 1992. The Netherlands has no such opt-out position, preventing it from adopting Danish policy.

The employment rate of asylum migrants is relatively low. Not only are there legal restrictions to work during the asylum procedure; even where there are none, actual access to the labour market often proves difficult (de Lange & Özdemir, 2020). Van Winden (2024) shows that although the employment rate of asylum migrants increases after a certain period of time, it remains around 50% for cohorts that have been in the Netherlands for 20 years. A policy direction that could be considered to increase this participation could therefore be to remove early barriers for asylum migrants to enter the labour market.

<sup>&</sup>lt;sup>20</sup> Sweden has over 2% of the EU population, but received almost 15% of asylum applications within the EU every year between 2013 and 2015. After tightening its asylum policy, Sweden's share of asylum applications fell rapidly to around 2% as of 2021, roughly equal to the EU average. Sweden's share of the number of asylum applications granted (positive decisions) during the same period is between 1 and 1.5% of the EU total, below the EU average. Denmark has over 1% of the EU population, but received more than 3% of asylum applications within the EU between 2013 and 2015. This has since fallen to 0.2% of the EU average.

# Irregular migration

The phenomenon of 'irregular migration' refers to migration of people who do not have formal permission to do so. This can include, for example, crossing borders without valid visas or residence permits, as well as staying beyond the duration of a legally obtained visa. The reasons for irregular migration vary: people flee conflicts, persecution, economic hardship or seek better living conditions.

The majority of irregular migrants reach Europe via the Mediterranean Sea. Since many refugees lack a legal pathway to reach the EU, they resort to using people smugglers and taking flight routes that often involve sea crossings (see Figure 2.11 on the left). Once they have obtained asylum, they are no longer irregular. Compared to legal migration to the EU, irregular migration constitutes a small proportion: in 2022, it was only 4% (European Commission, link).

Irregular arrivals in the EU
number of arrivals (1000)
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Figure 2.11: Bulk of irregular migrants in EU arrive by sea; slightly less departure than arrival of irregular migrants

Source: UNHCR, 2024; Dienst Terugkeer en Vertrek, 2024

People without the right of residence must leave the Netherlands themselves, for which they may receive assistance. These returns are often complicated and policy has limited influence. The foreign nationals or the countries of origin do not always cooperate in return, often for economic or political reasons (Verbaten et al., 2022). Of the foreigners required to leave in 2022, the largest group was from Turkey (8% of the total). The top 5 further consisted of Indian, American, Moroccan and Chinese foreigners (CBS, <a href="link">link</a>).

Research shows that a significant majority of rejected asylum seekers in European countries do not leave. Not all countries enforce return policies, and countries also experience difficulties with implementation (van Houte et al., 2023). Such efforts often face societal resistance. Moreover, tightening measures, such as stricter border controls, can reduce migrants' willingness to return. This is because these stricter measures make it less attractive for them to leave the country, knowing that returning will be more difficult.

## 2.5 Student migration

Student migration to the Netherlands was limited until the turn of the century. Of the study migrants who came to the Netherlands in the twentieth century, a significant proportion came from the former Dutch colonies. Their arrival in the Netherlands was often related to the education and development policies of the Netherlands. According to Kostons (2022), this early form of student migration can be seen as part of Dutch development aid. This policy was aimed at providing students from less developed countries with access to higher education, with the expectation that they would use their acquired knowledge to contribute to the development of their country of origin.

In recent decades, the number of foreign students in the Netherlands has increased significantly, partly linked to policies of both the government and universities. <sup>21</sup> In 1999, about five thousand people from both EU and non-EU countries were studying in the Netherlands (see Figure 2.12). At the beginning of this century, the Dutch government and educational institutions focused their policies on increasing the number of international students. The Dutch government viewed foreign students as an asset to the Dutch knowledge economy, as highly educated personnel contribute to economic growth and development. The Bologna Convention also played a role in this. <sup>22</sup> The policy contributed to an annual increase in the number of residence permits for study purposes (Overmars & Hendriks-Cinque, 2012). For universities, attracting foreign students is a source of income (Ministerie van Financiën, 2019). As a result, universities offer many programs in English. A so-called search-year permit allows recent graduates with a nationality from outside the European Union to stay and work in the Netherlands for a maximum period of one year; longer stays are possible if they find a job during that year that meets certain income requirements. One consequence is that many international students remain in the Netherlands after their studies. This group often earns an above-average income, which ultimately also benefits Dutch public finances (Bolhaar et al., 2019).

In 2023, the government has indicated it wants to get a better grip on the number of international students coming to the Netherlands. In this context, measures are mentioned for universities and colleges to focus on retaining and strengthening the Dutch language. At the time of writing, the bill proposing these measures – the "internationalisation in balance" bill – is pending advice from the Council of State (link). An important aspect of this proposal is that, in principle, undergraduate courses should be taught in Dutch.

<sup>&</sup>lt;sup>21</sup> Not all foreign students are migrants. Especially at universities close to the border (like Maastricht) there will students that commute from abroad. Due to a lack of data we stick to officially registered numbers.

<sup>&</sup>lt;sup>22</sup> This treaty gave the Netherlands, like other EU countries, a bachelor-master system, making it easier to do part (the master's) of the degree in another country. Initially, therefore, only master's programmes in the Netherlands were in English.

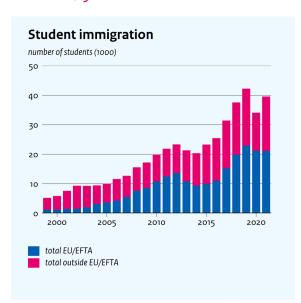


Figure 2.12: The immigration of students from both within and outside the EU increased significantly between 2015 and 2019

Source: CBS

The number of Dutch students studying abroad remains relatively small. The share of Dutch students studying abroad has increased from 1.7% in 2009 to 2.9% in 2019 (Favier & Wijsenbeek, 2023). Despite this increase, the number of Dutch students studying abroad is still much lower than the number of international students arriving in the Netherlands. In 2019, around twenty thousand Dutch nationals studied abroad for a full bachelor's or master's degree (Favier & Wijsenbeek, 2023).

## 2.6 Emigration

Before 1960 and after 2000, emigration as a percentage of the Dutch population is significantly higher than between 1960 and 2000. As shown in in Figure 2.12, the number of emigrants per year is considerably less variable than the number of immigrants. Between about 1960 and 2000, about 0.45% of the population left each year. However, both in the period between 1945 and 1960 and in the last two decades, the percentage of emigrants is significantly higher. Behind this are two different causes: Dutch emigration policy during the post-war years, and an increase in return migration since the turn of the century. The latter mainly concerns EU return migration rather than return migration of asylum seekers or former guest workers. After all, EU citizens have the freedom to move freely, allowing them to move back and forth more frequently or to come for shorter periods. Student migration is also often temporary in nature and therefore also causes higher emigration when students leave.

The late 1940s and 1950s represent the only period in post-war history in which the Dutch government actively pursued emigration policies. In the years immediately after World War II, the government actively pushed for emigration, fearing overpopulation (Lucassen & Lucassen, 2018 pp. 94-96; van Faassen, 2014). At the same time, classical immigration countries outside Europe were still very open to immigrants from Europe (Henkes, 2013; Hulsman, 2012). Between 1946 and 1963, more than 400,000 Dutch citizens emigrated, representing about 4% of the population. Of these, approximately 147,500 (36%) migrated to Canada, and about 76,200 (19%) to the United States. The remaining 45% dispersed to Australia, South Africa, New Zealand, and Brazil (Krabbendam, 2008).

**Doubts about the continuation of the Dutch emigration policy emerged in the mid-1950s.** In 1956, some members of parliament expressed concern about the policy where, on the one hand, financial incentives were offered to Dutch nationals to emigrate, while on the other, considerable efforts and financial resources were

put into bringing Italian workers to the Netherlands. Employers also criticised the government for encouraging valuable workers to leave the Netherlands at a time when there was already an acute labour shortage. Therefore, due to the rising demand for labour, emigration was no longer seen as a 'national objective' from 1960 onwards (de Lange, 2007) and policies to encourage emigration were abandoned.

The increase in emigration since around 2000 can be partly explained by the departure of previous immigrants. Many immigrants leave again after some time. This phenomenon is called return migration and varies greatly by type of migrant (Bijwaard, 2013). As a result, an increase in immigration also automatically leads to an increase in emigration within a few years, which explains the increased emigration since 2000. The increase in emigration occurred in all age groups and among all nationalities. But Dutch nationals also emigrated, with a peak occurring around 2007. The latter group was studied in 2008 by van Dalen and Henkens, who found that Dutch emigrants were primarily motivated by dissatisfaction with the public domain in the Netherlands. Factors such as the quality of public space (including nature, tranquillity, and open areas) and the effects of high population density, along with social challenges like pollution, crime, and the multicultural society, proved to be significant drivers of emigration.

**Emigration 1977-2022** Top 5 destinations number of emigrants (1000) number of emigrants (1000) 300 250 200 40 150 100 2005 Dutch nationality Germany Spain non-Dutch nationality Poland United Kinadom Belaium

Figure 2.13: Non-Dutch emigration is on the rise (left); the top five destinations are in Europe (right)

Source: CBS

# Perceptions of population pressure

**Is the Netherlands full?** Responses to this question have varied greatly over time, with perceptions of population pressure seemingly following a cyclical pattern.

In the 1950s, the Netherlands was considered so crowded that the government initiated an active emigration policy. At that time, the country had about 10 million inhabitants. In her 1950 queen's speech, Queen Juliana stated, "The strong population growth and the limited land available continue to demand vigorous promotion of emigration" (Lucassen & Lucassen, 2018). During the post-war reconstruction years, the government actively encouraged emigration abroad (see section 2.6).

During the 1960s, the Netherlands shifted from being an emigration country to an immigration destination. The booming economy created significant labour shortages, particularly for heavy and undesirable jobs that most Dutch people were unwilling to take on. This led to the arrival of guest workers, initially from Southern Europe, and later from Turkey and Morocco. As a result, the Dutch population grew substantially, and concerns about population pressure faded from public discourse.

In the 1970s, concerns about the Netherlands being "full" resurfaced. This renewed discussion was driven by two key factors. First, the Club of Rome report (1972) highlighted the negative environmental impacts of rapid population growth. Second, it became evident that the immigration of guest workers in the 1960s was more permanent than initially anticipated. In 1972, the State Commission on the Population Question, led by Prof. Muntendam, was established and by the mid-1970s, it recommended measures to curb population growth. The commission's advice focused not only on migration but also on limiting natural population growth (Staatscommissie Bevolkingsvraagstuk, 1977).

During the 1980s, the consensus on limiting population growth faded. The Netherlands was struggling with an economic crisis and immigration policy gradually moved more towards the level of an expanding EU. The integration of minorities or lack thereof was increasingly being discussed in the 1990s, the debate having been a long time taboo subject. The large influx of refugees from war-torn Yugoslavia caused a refugee accommodation crisis in the mid-1990s. Migration policy became more restrictive, culminating in the new Vreemdelingenwet (Aliens Act) 2000 by then-Secretary of State Cohen. In the following years, partly due to the rise of Pim Fortuyn, the topics of immigration and integration became very prominent on the political agenda. The discussion mainly focused on limiting the number of immigrants, especially asylum and family migrants.

In 2018, the House of Representatives unanimously passed a motion to establish a new State Commission on Demographic Developments. Politically, the topic of migration remained controversial, but the unanimous motion to broadly examine demographic developments highlighted a consensus on its importance for the future. The commission, reporting in early 2024, recommended targeting moderate population growth, implying limiting current population growth through limiting migration (Staatscommissie Demografische Ontwikkelingen 2050, 2024).

# 3 Migration and the economy

This chapter examines the role of the Dutch economy as a determinant of migration to and from the Netherlands. As the discussion of Dutch migration history since 1950 in Chapter 2 shows, economic considerations have often been important in shaping migration policies, including legal ones. But both economic policy and the state of the economy can also be important factors behind immigration and emigration.

#### 3.1 The business cycle and economic growth

Migration is linked to macroeconomic conditions in the Netherlands, albeit with a lag. We show this by performing a statistical analysis using a VAR model. A VAR model is an econometric model to analyse how different time series are related. We will discuss the qualitative results of the VAR analysis in this section. <sup>23</sup> It shows that between 1950 and 2022, an increase in GDP growth is usually accompanied by an increase in the migration balance (immigration minus emigration) a few years later. We also find this relationship for immigration and emigration separately: immigration is higher during boom times, while emigration, by contrast, is higher during recessions.

Correlation between the business cycle and the migration balance can arise from both labour demand and migrants' choices. A plausible explanation for this correlation is that during periods of higher economic growth, the demand for labour increases. As a result, employers may seek to recruit workers from abroad, particularly if they expect migrants to be willing to work for lower wages than local residents. From the labor supply perspective, more migrants will be inclined to come to the Netherlands if job opportunities and expected income are higher, which is particularly true during economic booms. However, a potential migrant's decision to move to the Netherlands is influenced by various factors beyond economic considerations. These include legal constraints and practical aspects such as awareness of migration opportunities, financial means to undertake the journey, and connections with previous migrants (Jennissen, 2004; de Haas, 2021).

Employers typically seek workers within the Netherlands before turning to foreign migrants, which may help explain the slowdown in the migration balance. In a downturn, a delay in migration is also expected, though it may be shorter, as labour migrants often leave shortly after their employment contracts end or are required to do so. From the migrant's perspective, there is a time lag between the decision to migrate based on economic prospects and the actual migration to the destination country.

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<sup>&</sup>lt;sup>23</sup> The methodology used and detailed results are available in the online Appendix (<u>link</u>).

Net immigration and GDP growth % of population 10 1.0 8 0,8 0,6 0.4 0 0.0 -2 -0,2 -0,4 -4 ¬ -0,6 2021 1960 1980 1950 1970 1990 2000 2010 GDP growth net immigration

Figure 3.1: relation business cycle and the migration balance

Source: CBS

Three periods can be distinguished in the correlation between GDP growth and the migration balance.

The post-war reconstruction period with an initial wave of emigration is characterised by high GDP growth. The relationship between the two variables is visibly weaker during this period (see Figure 3.1). This is followed by the period from roughly the late 1960s onwards, when the relationship between GDP growth and the migration balance is quite strong. In response to economic crises in this period, the migration balance tends to decrease, while net migration increases in periods of economic growth. Finally, we distinguish the period after 2004 when a total of 10 countries joined the EU. During this period, the relation between the dynamics of GDP growth and the migration balance persists, but on top of that a strong positive trend in the migration balance is visible. To a large extent, this is due to the free movement of people from CEE countries. This upward trend therefore appears to be independent of the business cycle.

The VAR analysis does not indicate that the number of asylum migrants is influenced by the business cycle in the Netherlands. Unlike total migration, asylum migration is not statistically significantly related to GDP growth. In contrast, the analysis shows that post-colonial immigration does respond significantly to the business cycle. This suggests that immigration from former Dutch colonies and overseas territories is not solely driven by political changes, such as independence, but is also influenced by the economic situation in the Netherlands. This aligns with Dutch migration history, where past migration between the Dutch Caribbean and the Netherlands has been shaped by economic activity in both regions (Lucassen & Lucassen, 2018).<sup>24</sup>

The analysis finds no evidence for a stronger cyclical sensitivity of intra-EU migration compared to extra-EU migration. A stronger cyclical sensitivity of EU migration would be expected, however, as the free movement of workers within the EU and its predecessors, from the formation of the EEC in 1958 onwards, creates lower migration barriers. This allows people from EU countries to migrate more easily than those from countries who are subject to long and complicated procedures. In addition, income differences with EU countries are relatively small, so the neoclassical model – in which relative income differences determine migration – should apply particularly to this group (Jennissen, 2004). Previous research that used a gravity model finds empirical evidence that in case of free movement of workers, the sensitivity of migration to changes in economic conditions in the destination country is higher (Lewis & Swannell, 2018). However, the results of our VAR analysis do not show that the GDP response of EU immigration is stronger than that of non-

<sup>&</sup>lt;sup>24</sup> Due to data limitations, it is not possible to do such an analysis separately also for the other migration motives (labour, family and study migration). These series only start from 1999 and are therefore too short to perform our VAR analysis on them

EU migration: there is no statistically significant difference, and the point estimate for EU immigration is itself slightly lower. This may be explained by the fact that, ultimately, it is more about the relative, rather than absolute, state of the economy. After all, the business cycles of economies within the European Union are to some extent in sync with each other, while there is less of a relation between the Dutch business cycle and that of non-European countries.

A similar pattern can also be observed in other countries. Czaika and de Haas (2017) arrive at similar findings for a global panel of countries. For Germany, de Haas et al. (2018) show that there was a strong correlation between GDP growth and net migration between 1970 and 2015. One difference with our results is that they find that in Germany, intra-EU migration does respond more strongly to the business cycle than extra-EU migration.

## 3.2 Economic policy

In what way is migration related to economic policy? The term 'economic policy' in this case covers a wide range of policies, including labour market policy, social security policy, industrial policy and fiscal policy. The way governments shape for instance the labour market and social security plays a role in determining the opportunities and prospects migrants have in the Netherlands. Consequently, economic policy can influence migration.

#### 3.2.1 Labour market policy

**Flexibilization in the labour market may contribute to higher labour demand and/or to a lower (foreign) labour supply.** As with business cycles (see section 3.1), the reasoning can be approached from either the potential migrant's perspective or that of the employer. However, unlike business cycles, the likely effects of labour market policies on migration work in opposite directions on employers and on potential migrants. In a more flexible labour market, characterised by less employment protection legislation, more flexible contracts, and/or a lower minimum wage, it becomes, *ceteris paribus*, more attractive for employers to hire temporary workers. This also increases the demand for foreign workers, particularly for jobs where there is a shortage of domestic labour. However, from the perspective of the potential immigrant, labour market flexibilization may discourage immigration. Less attractive working conditions in the Netherlands might lead migrants to decide against moving to the country.

Which effect prevails will depend on macroeconomic conditions, migration policy and the country of origin, among others. EU citizens can migrate to and from the Netherlands without legal restrictions. Also, for this group, the income difference between the Netherlands and the country of origin will be smaller than for potential migrants from outside the EU. It can therefore be expected that for this group there will be both a demand and a supply effect. Labour migrants from outside the EU are much more tied to their employers, as their visa is often linked to their employment contract. And migrants from low- and middle-income countries will still find it attractive to move even under relatively unfavourable working conditions, such as low job security, in line with the aforementioned dual labour market theory (Piore, 1979). Furthermore, the macroeconomic situation also plays a role: in a tight labour market, it is easier to find work.

International empirical research shows a negative relationship between employment protection legislationand net immigration, suggesting that the effect from labour demand dominates. Layoff protection is a widely used measure of labour market flexibility. For a panel of OECD countries between 1980 and 2006, Cicagna and Sulis (2015) show that more employment protection leads to less immigration. This suggests that the demand effect from employers is stronger than any supply effect from migrants themselves; with less employment protection it becomes attractive to recruit more migrant workers. Furthermore, Cicagna and Sulis (2015) show that this effect is related to the effect of migration policy itself: the stricter migration policy, the smaller the dampening effect of employment protection on migration. Translated to the Dutch context,

this means that for EU citizens in particular, there is a relatively strong negative relationship between employment protection and the migration balance.

It is still unclear whether raising the minimum wage leads to more or less immigration. As described, a high minimum wage would theoretically lead to less demand for foreign labour, but to more supply thereof. The dual labour market theory would predict that this first effect dominates: if the minimum wage is raised, it will mainly be at the expense of those jobs for which insufficient domestic labour can be recruited. However, empirical research on which effect predominates is not consistent. For the United States, different studies find different effects: Giuletti (2014) finds that raising the minimum wage there in the 1990s led to more immigration, but Cadena (2014) finds just the opposite. Research for European countries is unfortunately very scarce. The study by Cicagna and Sulis (2015) does find a negative relationship, but that study only looks at whether a country has a minimum wage, not the level of that minimum wage.

It is plausible that labour market flexibility plays a facilitating role in the arrival of migrant workers in the Netherlands. During the guest worker era, there was no minimum wage, and foreign workers had relatively little job security. This made it attractive for employers to recruit guest workers, while for these migrants themselves, work in the Netherlands was still considerably more lucrative than in their countries of origin. Additionally, there was plenty of work available for this group, and until 1967, immigration was relatively straightforward: even if a guest worker lost his job, he could quickly find other employment. Currently, European migrant workers too often face flexible working conditions. Based on the scientific findings discussed here, and given the important role that labour demand from employers plays for this form of migration, it is clear that the flexible Dutch labour market contributes to European labour migration to the Netherlands.

#### 3.2.2 Social security

The nature and extent of social safety nets differ between countries, and access to services sometimes differs between immigrants and national citizens. By "social safety net," we refer to the range of provisions and national insurance programs that residents are entitled to, such as those available in cases of unemployment or disability. Some of these benefits function as insurance, available only to employees. In the Netherlands, the WW and the WIA (or its predecessor the WAO) are important employee insurance schemes. For the WW, moreover, entitlements depend on employment history, while this is not the case for the WAO and WIA. Other provisions are in principle accessible to all residents who have no other way to provide for their income; in the Netherlands, this applies to the Bijstand and the Wajong. The scope of social safety nets varies significantly from country to country. Additionally, countries differ in the conditions under which they grant access to social services, often distinguishing between citizens and/or residents with permanent residence permits versus immigrants (Kremer, 2013).

In theory, one would expect social security benefits to encourage immigration. In principle, countries with a larger social safety net should be more attractive to immigrants, provided they can also make use of this safety net. According to Borjas' (1999) 'welfare magnet' hypothesis, countries with a broader welfare state would therefore attract more migrants. It follows from the same hypothesis that the attractiveness of the welfare state would be a factor of particular importance for migrants for whom the risk of becoming unemployed is proportionately high. Moreover, there are other mechanisms through which welfare policies could influence migration. For example, a more extensive social safety net could reduce labour force participation among national citizens, thereby increasing the need for migrant labour to meet the same work demands. Employer premiums may also make labour less attractive, potentially reducing the overall demand for labour, including that of migrants.

Empirically, there is no consistent evidence that a broader welfare state leads to a higher migration balance. Kremer (2013) explores the relationship between the welfare state and migration, reviewing the scientific evidence available at the time regarding the "welfare state magnet" hypothesis. The study concludes

that there is still limited empirical evidence to support this phenomenon. <sup>25</sup> Research conducted since then does not consistently show that countries with more comprehensive welfare states attract more migrants. For example, studies on Denmark have produced mixed results: some find evidence for the welfare state magnet effect (Agersnap et al., 2020), while others do not (Martinsen & Werner, 2019). Regarding the hypothesis that a broader welfare state generally contributes to longer stays for migrants – a so-called "reverse welfare state magnet" – there is no clear evidence yet. Van de Beek et al. (2021, p. 228) observe a positive correlation between the length of stay and benefit dependency among migrant cohorts (categorized by country of origin and year), but this correlation cannot be interpreted causally. Research on this "inverse" relationship remains scarce.

Social security policies played a role in the length of stay of guest workers. Although the policy intention in the 1950s to 1970s was for guest workers to remain in the Netherlands only temporarily during their working periods, they were still entitled to employee insurance schemes such as WW (unemployment insurance) and WAO (disability insurance). The trade union movement, among others, campaigned hard for migrants to have these rights too, not only to defend the rights of migrant workers, but also to prevent unfair competition with Dutch workers (Lucassen & Lucassen, 2018). When many of them became unemployed in the 1970s and 1980s, many qualified for WW or WAO benefits. This helped prevent them from returning to their countries of origin in large numbers: the Dutch social security system enabled them to stay here (Kremer, 2013).

Turkish and Moroccan men, in particular, were overrepresented in the WAO (disability insurance). The number of disability benefits under the WAO surged during the 1970s and 1980s, with the Netherlands having one of the highest disability rates in the world. Employees could receive benefits that lasted until the state pension age, and unlike unemployment insurance (WW), there were no individual costs for employers. As a result, the WAO was often used as a redundancy scheme for struggling industries (Koning & Lindeboom, 2015). This resulted in a high level of benefit dependency among older male workers, with a disability risk that was three times higher among older Turkish and Moroccan men (Snel, 2002). At the end of 2001, 61% of all Turkish men aged between 55 and 65 years had WAO benefits (Boerdam, 2003). In addition, because disproportionally many guest workers remained unemployed due to limited integration and insufficient investment in retraining, social security also played a role in creating the aforementioned 'guest worker trauma' during this period (see section 2.2.1).

Today, access to the welfare state is more restricted compared to the 1980s. For example, to claim more than three months of unemployment benefits (WW), a person must have been employed for at least four of the past five years. <sup>26</sup> For a non-European migrant with temporary residence status, applying for welfare benefits is a ground for revoking the residence permit. <sup>27</sup> Also for European migrant workers, in many European countries today, access to the social safety net is more restricted than for national citizens (Mantu & Minderhoud, 2023). Such restrictions contribute to the fact that a large-scale inflow into social security of migrant workers as in the 1970s and 1980s is less likely today: the welfare state has, in other words, been made a lot more 'migration-proof' (Kremer, 2016).

#### 3.2.3 Other economic policies

**Besides labour market and social security policies, other policies could also play a role.** In principle, any policy instrument that affects the probability of employment or expected income in the Netherlands could have an effect on migration. Even a policy type like monetary policy that is far removed from migration could hypothetically affect the migration balance indirectly, through its effect on GDP growth or the exchange rate.<sup>28</sup>

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<sup>&</sup>lt;sup>25</sup> On US research, Kremer (2013, p. 23) writes that a number of studies suggest that the more generous the welfare state, the more, especially lower-educated migrants there are (de Giorgi & Pellizzari, 2009; Razin et al., 2011). Other studies could not find any difference at all (Nowotny, 2011; Barrett & Maître, 2013). Among other methodological differences, these different findings may be related to the extent to which these studies take into account the extent to which different social services are also accessible to migrants.

<sup>&</sup>lt;sup>26</sup> https://www.rijksoverheid.nl/onderwerpen/ww-uitkering/vraag-en-antwoord/wanneer-heb-ik-recht-op-een-ww-uitkering

<sup>&</sup>lt;sup>27</sup> https://ind.nl/nl/gevolgen-verblijfsrecht-bij-beroep-op-algemene-middelen

<sup>28</sup> An exchange rate effect on migration would be possible because migrants also include the value of remittances for family in the

Are there therefore other economic policies besides labour market and social security policies for which such effects might be expected?

If industrial policy helps determine the structure of the economy, a link with migration is to be expected. By industrial policy, we refer to strategies aimed at promoting certain industries while discouraging others. This can include measures such as subsidies, tax incentives, or state participation, among others. As several perspectives highlight, the question of what migration policy should entail is preceded by a more fundamental question: what do we want our economy to look like (see also ACVZ, 2021)? The way the economy develops shapes the demand for labour, which in turn influences migration patterns. Industrial policy serves as a direct tool for shaping the economic structure, while pricing or setting standards for activities and their externalities also plays a role in influencing that structure. The relationship between migration and industrial policy is complex, as it depends on the types of economic activities being promoted. In certain cases, migration policy can even be viewed as a form of industrial policy. Reflecting on the guest worker era, migrants were specifically recruited for certain industries. Without government-facilitated immigration of guest workers, some of these industries might have earlier struggled to survive, and labour costs would likely have been higher. Therefore, the recruitment agreements that enabled guest labour can be seen, in a sense, as a form of industrial policy.

Finally, tax policies can also influence migration, as demonstrated by the kennismigrantenregeling. High-wage migrant workers can benefit from a tax rebate on their income tax. In addition to the recently reduced 30% ruling, there is also the extraterritorial expenses scheme (ETK), which allows high-skilled migrants to deduct certain immigration-related expenses for tax purposes. Dialogic's 2016 evaluation of the 30% rule found that this scheme led to "around 1,765-5,575 additional foreign workers (usually with scarce, specific expertise) being employed in the Netherlands" (Vankan et al., 2016, p. 10). The evaluation concluded that the scheme is both efficient and effective. Furthermore, Giarola et al. (2023) showed that the tightening of the 30% rule in 2012 led to a significant reduction in the duration of stay for only the wealthiest 1% of knowledge migrants in the Netherlands. However, international research is sometimes more critical of such tax schemes. For instance, Sousa and Teles (2023) view migrant tax schemes negatively, arguing that they primarily fuel tax competition between countries.

country of origin in their choice to migrate (Stark & Bloom, 1985). Incidentally, to our knowledge the effect of monetary policy on migration has not yet been investigated.

#### 3.3 Conclusions

The state of the economy is likely to be closely connected to patterns of immigration and emigration. The relationship between migration and the Dutch business cycle is primarily driven by labour demand: economic growth increases the need for labour, while recessions decrease it. During periods of a tight labour market, economic booms tend to heighten the demand for foreign labour, resulting in more migrants coming to the Netherlands. The rise in immigration over the past 20 years is likely attributable to this increased labour demand, coupled with the expanded labour supply following the enlargement of the European Union. Notably, we found no evidence that asylum migration to the Netherlands is influenced by the economic cycle.

Economic policies, including labour market policies, social security policies, industrial policies and fiscal policies, can affect migration but their relationship with migration is complex. Labour market flexibility, a form of labour market policy, increases the demand for foreign workers. Social security policies may play a role in encouraging or discouraging migration, but empirical evidence for a direct relationship between a more generous welfare state and higher migration is inconclusive. Historically, social security policy played a significant role in the retention of guest workers, particularly by granting access to benefits like those provided under the WAO. Industrial policy can indirectly influence migration by shaping the economic structure and influencing labour demand. Vice versa, attracting migrant workers in specific sectors can be considered a form of industrial policy. Finally, fiscal policies, such as the kennismigrantenregeling, can incentivize migration by offering tax benefits to specific groups of migrant workers. However, the effectiveness of such schemes is sometimes questioned on an international level.

More research is needed on the effects of economic policies on both immigration and emigration. For instance, the impact of social security policies needs more research. There are also a number of topics in the field of labour market policy where more knowledge would be useful. For example, there is still insufficient knowledge on what effect the minimum wage has on labour migration and on which factors this depends. The influence of collective bargaining policy on labour migration is also still unclear.

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