6 Post-war International Labour Mobility: The Netherlands

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1 INTRODUCTION

The standard neo-classical view of labour mobility is fairly straightforward. Labour will move from relatively depressed sectors and regions to sectors and regions that fare relatively well. At the level of individual labour supply, recognition of the separation in time of the cost of moving and the benefits leads to an investment framework (see e.g. Fields, 1979). Individuals move if they expect a positive return on their investment. They will forego expected future opportunities in their present situation, expend time and money in the move itself and hope to recover these costs from an improved position in the destination of their choice. The standard neo-classical theory predicts mobility if expected discounted benefits are positive. Usually, all kinds of frictions, such as informational, psychological and sociological barriers are incorporated in the analysis in terms of the exogenously given distance between origin and potential destination. If expectations are geared to the observations of current conditions, the theory predicts movement from areas with low wages and high unemployment to areas with relatively high wages and low unemployment. In this view labour mobility is a supply side phenomenon: it is the worker who takes the initiative.

This paper, while remaining within the neo-classical tradition, extends this basic model somewhat, particularly in taking account of employer behaviour, in an attempt to account for the main features emerging from a description of post-war developments in migration to and from the Netherlands. These are shown in summary form in Figure 6.1 which highlights Holland's transition, around 1961, from being a country of net emigration to one of net immigration. At an impressionistic level we may note that this turning point coincides with the start of a period of very tight labour market conditions, with an unemployment rate in the Netherlands of 0.8 per cent. Much of the data which we might wish to use for more formal quantitative explanations of this shift, and the fluctuating levels of migration, is, however,

*Comments by participants in the Canterbury conference and by Professor Jan Pen are gratefully acknowledged.

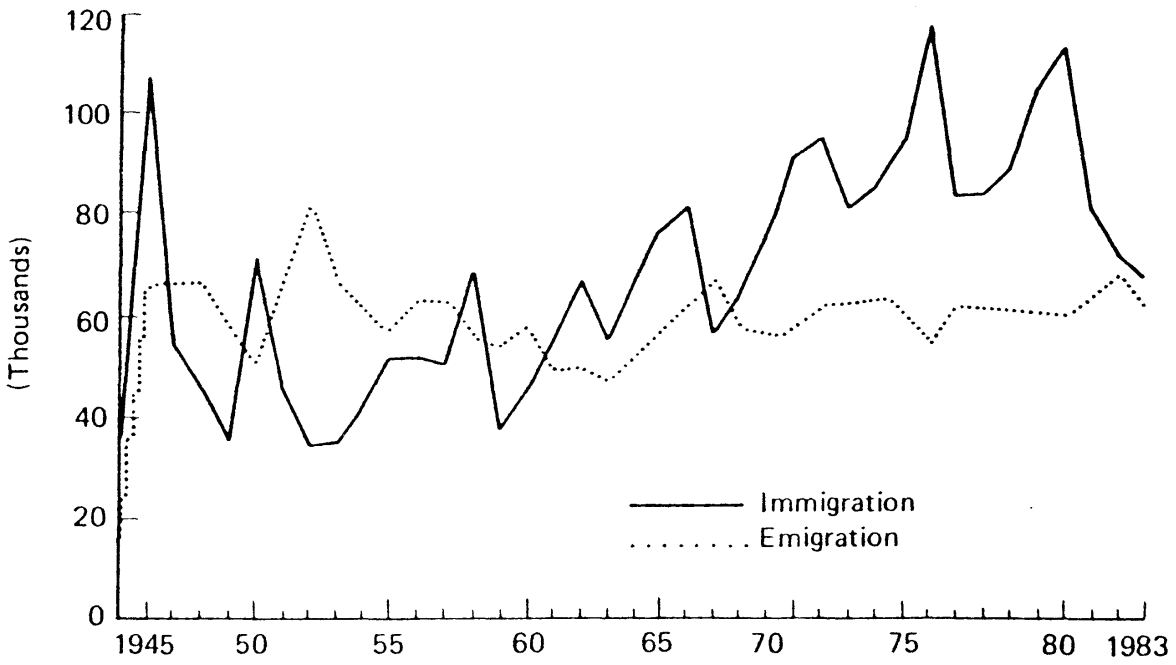

Figure 6.1 Immigration/emigration 1945–83, Dutch and foreign individuals
Source: CBS, Tachtig jaren statistiek in tijdreeksen; CBS, Statistisch zakboek 1984.

not readily available in the Netherlands. Thus, in what Samuelson (1947) sees as a typical situation for the economist, 'in the absence of precise quantitative data (we) must infer analytically the qualitative direction of movement of a complex system' (p. 258). To this end, after trying some simple models of overall flows (in section 2), attention is concentrated on identifying specific influences on some of the main component elements (in section 3) and examining the role of immigrants in the unskilled labour market (in section 4), before considering possible policy options (in section 5).

2 TOTAL FLOWS OF IMMIGRATION AND EMIGRATION

In view of the lack of previous analytic work explaining the pattern and shifts in Dutch migration,[1] and the lack of good data, it is appropriate to start an investigation of the post-war migration experience with some simple regression analyses involving the two variables, unemployment and income, central to neo-classical models of labour migration. These have the merit also of being available for a long period (since 1921) so that checks can be made on the consistency and stability of any simple relations, between the pre-war and post-war periods.

The immigration and emigration series used for this purpose refer to all moves and are not restricted to those directly associated with labour market factors, but it is difficult analytically (as well as practically) to see how such a distinction can be made. Parents may move to seek a better future for their

children, a wife not previously working may enter the labour market in the country where her husband has found employment. Migration *with* a family involves more risk and therefore may require higher expected profitability, i.e. higher income differentials and lower unemployment rates in the country of destination. Moreover, with respect to Mediterranean family reunion, for example, employment of the husband or father in the Netherlands will have been one of the institutional requirements. So, even though there may be many reasons for migration, an examination of total migration series may be quite appropriate to an analysis of labour mobility.

In national (Van der Veen and Evers, 1986) and international (Clark and Ballard, 1980) mobility analyses some support has been found for a two-stage decision model, involving a distinction between an initial decision to leave one area and the subsequent selection of a destination. Our analyses of *emigration* involve only a simple equation relating to the first stage of this model. In Table 6.1, results of the regression analysis are presented for the pre-war and post-war periods. The dynamic form of the equation is chosen to avoid apparent autocorrelation and inconvenient multicollinearity. The *t*-values and the $\bar{R}^2$ of the first equation (1921–39) are very low; the *F*-statistic indicates that it is very unlikely that this equation is explaining anything at all ($F(5,12) = 1.91$). Moreover, the signs are contrary to expectation. The second post-war regression gives much better results, with the expected signs on level variables and unemployment change, a significant income coefficient and an $\bar{R}^2$ value of 0.67. There is great intuitive appeal to the hypothesis that high emigration in the early fifties was related to the low expectations of the future prosperity in Holland, and that the ensuing reduction in the outflow was due to improved prospects. The high unemployment rates of the late seventies and eighties, and the substantially reduced levels of expected income growth, indeed produced an increase in emigration flows. But if one hopes to find stable relations in the aggregate series, more careful modelling is clearly needed.

Figure 6.1 indicates that *immigration* shows substantial fluctuations between successive years, and reached higher levels after the mid-1960s. To parallel the treatment of emigration, the analysis will start with a simple regression of the time series of annual immigration rates, again separately for the pre-war and the post-war period. In the neo-classical investment framework, and the two-stage decision model mentioned earlier, the proper approach would call for an empirical analysis of the distribution of outflow by origin between countries of destination. Explanatory variables for the Dutch inflow would then be the relative value of economic indicators like unemployment and income, compared to the other destinations. Apart from data problems, it may well be the case that these variables move very much together in the European countries of destination and hence may not carry much explanatory weight. Nevertheless, such a broad European perspective

Table 6.1 Time-series regression analysis of emigration, 1921–79

	Intercept	*Unemployment (%)*	*Real nat. income per head*	*Dif*[a] *(unempl.)*	*Dif*[b] *(real) nat. income per head)*	*Lag*[c] *(emigration/ pop. 20–64)*	$\bar{R}^2$	*First-order autocorrelation*
1921–39	82.90	−1.13	0.60	−1.05	1.31	0.08	0.21	F(1,11) = 0.48
	(1.32)	(−1.46)	(0.39)	(−0.50)	(0.56)	(0.29)		
1948–79	76.75	2.95	−0.43	5.62	1.16	0.42	0.67	F(1,25) = 0.67
	(3.30)**	(1.54)	(−2.87)**	(1.63)	(1.16)	(2.44)**		

Notes
Dependent variable = (total emigration/population 20–64 years old) × 10 000.
t-values in parentheses; * and ** = significant at 2½ and ½ per cent in each tail.
[a]First differences in unemployment
[b]First differences in real national income per head
[c]Dependent variable lagged one year.
Source: CBS, Tachtig jaren statistiek in tijdreeksen.

would be quite valuable and is certainly worth pursuing (as in Böhning (1984) and Heijke (1979)).[2]

The results of the simple time-series regressions for the Netherlands are given in Table 6.2. The same dynamic form is chosen as in Table 6.1. The coefficients have the expected sign on levels (only) and are frequently significant. Also, the $\bar{R}^2$ values are not too bad. However, the relationship between immigration, on the one hand, and unemployment and national income, on the other, clearly is not stable. Assuming stationary values for all variables, one can calculate the overall influence of the income and unemployment levels on immigration. The influence of unemployment almost doubled between the two periods, while the constant part of the immigration has a considerably higher value in the post-war period. Similarly, one can compare the sensitivity of emigration and immigration in the post-war period. Emigration turns out to contain a larger constant element, while immigration is more sensitive with respect to unemployment and real national income. These facts seem to be apparent also from Figure 6.1.

But as indicated, we do not want to read too much into these results, as we feel that this requires a more developed structural model. Neither do we want to manipulate equations until the functional form, the lag structure and the coefficients fit the data well.[3] Instead, we will highlight some particular elements within these broad aggregate developments. Two aspects seem particularly relevant. First, one can easily point to some flows that are related to specific historical events: 1945, the last year of the Second World War, 1946, 1950 and 1958, years in which large numbers of individuals returned from Indonesia in response to the political developments and the process of decolonisation, and 1975, the year in which Surinam became independent of the Netherlands. Secondly, one can distinguish three important and seemingly unrelated migration streams: Dutch mobility inside Europe, 'traditional' emigration, and the migration of Mediterraneans. These phenomena will be described in the next section.

3 A DISAGGREGATION OF DUTCH MIGRATION

In this section we shall look in turn at the three major sets of migrant flows to and from the Netherlands, and at specific influences on each. Table 6.3 focuses on the emigration of Dutch nationals to other parts of Europe during the post-war period, showing how the flow has varied over time and between the main destinations. Between the 1950s and 1970s this emigration doubled. Most of this increase was in migrants to West Germany, which with Belgium and Luxemburg accounted for about 75 per cent of the Dutch emigration inside Europe. A high rate of return migration is evident from these countries, with a similar time profile for return and outward flows (including the slight decrease at the end of the 1970s) suggesting relatively short

Table 6.2 Time-series regression analysis of total immigration, 1921–79

	Intercept	*Unemployment (%)*	*Real nat. income per head*	*Dif[a] (unempl.)*	*Dif[b] (real) nat. income per head)*	*Lag[c] (immigration/ pop. 20–64)*	$\bar{R}^2$	*First-order autocorrelation*
1921–39	3.63	−2.81	2.61	2.36	−3.83	0.24	0.76	F(1,11) = 0.83
	(0.05)	(−3.17)**	(1.56)	(0.81)	(−1.49)	(1.20)		
1948–79	61.2	−7.10	1.07	6.29	−5.11	−0.15	0.64	F(1,25) = 0.74
	(4.66)**	(−2.70)**	(6.03)**	(1.10)	(−3.25)**	(−0.96)		

Dependent variable = (total emigration/population 20–64 years old) × 10 000.
For notes and sources, see Table 6.1.

Table 6.3 Emigration to some European countries,[a] *1948–80 (Dutch nationals)*

Period	*Annual average*	*Percentage shares*					*Annual aver. return migr.*
		Belg. /Lux.	*W.Germ.*	*UK*	*France*	*Italy*	
1948–50	7 543	34	26	25	13	2	8 413
1951–55	7 680	43	24	18	13	1	5 390
1956–60	8 186	35	36	16	11	3	6 548
1961–65	11 763	31	45	12	9	4	7 796
1966–70	14 977	28	51	11	6	4	10 623
1971–75	15 174	31	46	11	8	4	11 756
1976–80	12 893	32	38	16	11	3	10 525

[a]Belgium/Luxemburg, West Germany, United Kingdom, France and Italy.
Source: CBS, Statistiek van de Buitenlandse Migratie, 1948–80.

duration moves. The overall pattern appears to be one in which higher economic activity generally stimulates labour mobility, without any strong directional component to the changes. Thus, while Dutch labour mobility inside Europe has strongly increased, net migration appears to be fairly constant and also rather low (about 3000 migrants annually).

A second important component of labour mobility in the post-war period has been 'traditional' emigration, with entire Dutch families heading for a new future in another continent. Table 6.4 provides data on rates of emigration to the 'traditional' destinations outside Europe, excluding Indonesia, Surinam and the Netherlands Antilles, showing that while this flow has reduced markedly since the early 1950s, in total over the post-war period it has involved 595 000 emigrants.

It can be seen that Canada and the USA together account for 55–60 per cent of this traditional emigration, in strongly fluctuating proportions, and

Table 6.4 Emigration to 'traditional' destinations, 1948–80 (Dutch nationals)

Period	*Annual average*	*Percentage shares*						*Annual Av. ret. migr.*
		USA	*Canada*	*Brazil*	*South Africa*	*Aus-tralia*	*New Zealand*	
1948–50	17 821	20.8	38.7	0.1	12.7	22.9	1.7	1482
1951–55	39 022	9.4	42.7	1.5	9.2	30.8	6.5	3255
1956–60	28 900	28.1	28.3	1.4	6.7	30.3	5.3	7023
1961–65	12 797	36.0	18.6	2.8	8.7	25.2	8.7	9121
1966–70	11 450	22.4	27.8	3.2	14.3	26.0	6.2	7505
1971–75	8 273	23.4	21.6	5.0	18.3	22.4	9.3	7546
1976–80	7 903	30.3	22.6	5.4	8.5	21.7	11.4	6104

Source: CBS, Statistiek van de Buitenlandse Migratie, 1948–80.

Australia for roughly one-quarter. Total emigration reached a peak in the early fifties and the bulk of these additional departures headed for Canada. Return migration has gained relative importance as emigration rates have fallen, but over the post-war period as a whole represents only about one-third of the outflow and does not appear to be a short-term phenomenon.

The large flow of 'traditional' emigration after the Second World War has been attributed to the impoverishment during the war, fear of mass unemployment as in the 1930s, rapid population growth in Holland and the atmosphere of the Cold War.[4] Changes in this situation of unfavourable economic expectations and apparent overpopulation during the 1960s period of economic growth and planned suburbanisation may be responsible for the decrease of emigration at that time. Later, during the late 1970s and early 1980s, a modest increase in emigration may perhaps be explained by the deteriorating economic outlook and the increased demand for high quality living environment, for economic freedom and 'living space'.

An aspect worth stressing is the role of the government. In the immediate post-war period, the desire to emigrate was thwarted by the lack of an organisational infrastructure, of funds to finance the journey and of transportation facilities. Acting on the expectation that industrialisation would not be strong enough to provide full employment, the government policy of economic expansion was complemented by a deliberate stimulation of emigration. Target levels of emigration were calculated and published, a Commissioner of Emigration was appointed, emigration officers were associated with Dutch embassies, and a new Dutch Emigration Service was established in 1953. Moreover, emigrants were subsidised, at rates depending on the distance to be travelled. Emigration contracts were signed with destination countries. In the early post-war period, demand for immigrants in the traditional destinations mentioned in Table 6.2 was high and Dutch immigrants were easily admitted. With changing labour market conditions, these policies changed too.

From 1961 on, the Dutch government no longer actively promoted emigration and in the 1970s admission to traditional destinations was greatly reduced. But while these policies undoubtedly had an effect, they also seem to be rather endogenous, being responses to labour market conditions and other independent factors. However, firm conclusions about policy effects would require more careful empirical analysis of the interrelation between total migration, its distribution between destinations and the impact of government policies.

The most important new development in the post-war period has been the influx of workers from the Mediterranean countries. A summary description of this development in Tables 6.5a–d brings out some very important features. First, it was only during the 1960s that this immigration grew into something important. Secondly, although the deterioration in the economic situation during the 1970s did reduce immigration of guest workers, even in

Table 6.5a Total immigration of Mediterraneans, 1955–80 (× 1000)

Period	*Total*	*Italians*	*Spaniards*	*Yugoslavs*	*Turks*	*Moroccans*	*Portuguese*	*Greeks*	*Tunisians*
1951–55	0.9	0.7	0.1	0.1	·	·	·	0.0[a]	·
1956–60	7.6	6.9	0.3	0.2	·	·	0.1	0.3	·
1961–65	70.7	14.4	32.5	1.4	9.7[b]	5.3[c]	1.8	4.7	0.0[c]
1966–70	111.1	9.5	28.2	10.6	29.8	22.4	4.8	2.8	0.2
1971–75	116.5	7.1	20.7	13.1	47.1	20.5	4.9	3.2	1.4
1976–80	120.2	6.1	4.2	4.0	64.3	36.9	2.6	1.2	1.0

Table 6.5b Immigration of male Mediterraneans participating in the labour force (guest workers), 1955–80 (× 1000)

Period	*Total*	*Italians*	*Spaniards*	*Yugoslavs*	*Turks*	*Moroccans*	*Portuguese*	*Greeks*	*Tunisians*
1951–55	0.4	0.3	0.0	0.0	·	·	0.0	0.0[a]	·
1956–60	6.6	6.2	0.2	0.1	·	·	0.0	0.2	·
1961–65	59.3	12.3	27.0	0.1	9.4[b]	5.2[c]	1.3	3.9	0.0[a]
1966–70	82.3	6.6	19.5	7.0	23.6	21.4	2.5	1.5	0.2
1971–75	49.6	3.9	11.2	5.7	16.1	8.1	1.5	2.0	1.1
1976–80	15.8	3.0	0.8	1.1	5.9	3.7	0.7	0.4	0.2

Table 6.5c Immigration of male and female Mediterraneans *not* participating in the labour force, 1955–80 (× 1000)

Period	*Total*	*Italians*	*Spaniards*	*Yugoslavs*	*Turks*	*Moroccans*	*Portuguese*	*Greeks*	*Tunisians*
1951–55	0.4	0.3	0.0	0.0	·	·	0.0	0.0[a]	·
1956–60	0.6	0.6	0.0	0.0	·	·	0.0	0.0	·
1961–65	5.2	1.4	2.7	0.0	0.2[b]	0.0[c]	0.3	0.6	0.0[c]
1966–70	17.4	2.2	6.0	0.5	5.5	0.9	1.4	0.9	0.0
1971–75	63.6	2.7	8.3	3.6	32.9	12.0	2.7	1.1	0.3
1976–80	102.3	2.8	2.8	2.6	57.9	33.0	1.8	0.7	0.7

Table 6.5d Return migration of Mediterraneans, 1955–80 (× 1000)

Period	*Total*	*Italians*	*Spaniards*	*Yugoslavs*	*Turks*	*Moroccans*	*Portuguese*	*Greeks*	*Tunisians*
1951–55	0.9	0.8	0.0	0.0	·	·	0.0	0.0[a]	·
1956–60	4.7	4.4	0.1	0.1	·	·	0.0	0.1	·
1961–65	25.7	9.2	11.8	0.4	1.5[b]	0.7[c]	0.3	1.2	—[c]
1966–70	53.1	7.6	23.2	3.8	9.3	5.9	1.5	1.8	0.0
1971–75	51.9	6.0	20.4	7.5	11.8	3.2	1.3	1.4	0.3
1976–80	43.0	4.3	10.6	4.1	16.3	5.0	1.2	1.1	0.4

· Data not available.
— Nil.
[a]1954–5
[b]1964–5
[c]1965.
Source: CBS, Statistiek van de Buitenlandse migratie, 1948–80.

1980 when unemployment had risen to 5 per cent (from its post-war low of less than 1 per cent), male immigration remained very high. Moreover, whereas during the first immigration wave (1960–7) yearly return migration was about 30 per cent of the number of guest workers residing in Holland, after a minor economic recession this percentage fell to 15 per cent during the second wave (1967–72), and thereafter there was very little return migration. So, the simple relation between the number of immigrant workers in the Netherlands and the business cycle seems to break down. Thirdly, the immigration of females and relatives not participating in the labour force continuously increased during the post-war period (to about 85 per cent of the number of immigrants between 1976 and 1980). And fourthly, from the late 1960s on there is a shift in the origins of migrants, from Italians and Spaniards to Turks and Moroccans. This all points to the conclusion that the character of Mediterranean immigration changed enormously over the last twenty years; from temporary, single, male guest workers in the early 1960s to foreign families residing more or less permanently in the Netherlands.

The data illustrate a development well known elsewhere in northern Europe. Migrant workers were brought into the Dutch labour market in the early 1960s through active recruitment by firms, with government support at a time of labour shortage. They were brought in to fill unskilled jobs, for which there was strong demand and low supply, as Dutch males moved up to better positions. Recruitment started among Italians and Spaniards and later moved to Yugoslavs, Turks and Moroccans. The influx continued during the period of labour market tightness, and decreased with growing unemployment. The immigration of females continued at ever increasing rates, as wives (and children) followed the head of the family. The labour market situation then deteriorated markedly, but by that time many immigrant workers had settled permanently in the country, with employment or entitlement to unemployment benefit, and their children also started to enter the labour market (or the pool of unemployed). A complete analysis of these developments should explain the timing and size of the original influx of males, the (change in the rates of) return migration, and the later arrival of other family members and their return migration. Some possible explanations have been mentioned above, but it will be much harder to translate these explanations into stable behavioural relations, useful for predictions. Still, some steps in this direction will be made below.

Before attempting to fit the historical developments in the mould of economic theory, it is useful to outline government policy on guest workers. When, in the 1960s, firms started to recruit workers in Mediterranean Europe, the government stepped in to create institutional arrangements. It is noteworthy that this was to the dislike of employers.[5] Recruitment treaties were concluded with Italy (1960), Spain (1961), Portugal (1963), Turkey (1964) and Greece (1966). From 1969 to 1979 the Act on Working Permits for foreigners was relevant. Foreign nationals could obtain a work permit for

one year ahead. After five consecutive years of work this could be changed into a permanent working permit. On 1 November 1979, the Act on Labour of Foreign Workers came into existence. For each employer, labour permits can be given, up to limits that the government can freely choose. This implies that a foreign worker who loses his job, can only find employment with a new employer who has not yet filled the quota. This is an important difference from the pre-1979 regime, aimed at enforcing restrictions on the number of foreign workers and on the sectors in which they work. However, such a regime may stimulate both illegal work and a demand for naturalisation.

As noted, until 1979 Dutch policy was very favourable to guest workers, and this stance was supported by the Centraal Planbureau (1972) in a study of the consequences of foreign worker recruitment for overall economic performance. This concluded that on balance the effects of guest workers were positive, and that although the alternative of increasing Dutch labour market participation would be economically preferable, the one great advantage of guest workers was that they could be sent home if they were superfluous. And indeed, the Dutch government kept on believing in return migration, even when it had already become only a myth.

Since the disparity in income levels between Holland (or North-West Europe as a whole) and the Mediterranean was long established, an important question is why it took so long before northbound labour mobility became important. The answer seems to lie in problems of information and perhaps lack of funds to finance the move. Only when Dutch employers took the initiative by opening up the flow of information and other facilities did the potential supply become manifest. One survey of Mediterranean migrants in 1968 (Nederlandse Stichting voor Statistiek, 1971) showed that over 60 per cent of the sample first considered moving on the basis of information from friends or relatives, while over 30 per cent were directly influenced by the activities of recruitment offices. Once this information had been spread and barriers had been cleared away, supply became hard to stop and only restrictive government policies would control the inflow. In fact government policies seem basically to respond to employers' demands and ultimately the rate of inflow seems to have been demand determined, although there was an element of illegal immigration. Similarly, it seems to have been mainly the demand side which determined the particular countries of recruitment at different times.

A second important question concerns the timing of the recruitment activity launched by Dutch employers. Marshall (1973) suggests that the decisive element was the combination of labour scarcity, expected growth, fast rising wages and declining profits in the 1960s, together with the example of employers in other European countries. There were, however, possible alternative responses to this situation including movement of whole firms or branches (which has indeed occurred) or increasing the home supply of unskilled labour, particularly from females, via a bidding-up of wages. In

fact the participation rate of married females in Holland did rise from 6.8 per cent in 1960 to 15.2 per cent in 1971 and 25.3 per cent by 1979 (Hartog and Theeuwes, 1985, table 3). Whether, in the absence of guest workers adequate additional labour supplies from this source would have been forthcoming seems to depend on the answers to three questions: (i) would previously inactive females have been attracted to fill unskilled vacancies?; (ii) would unskilled wages have risen in the absence of foreign supply?; and (iii) are guest workers and unskilled Dutch workers perfect substitutes? The last question cannot be answered here for lack of suitable data, but the first two questions will be considered in the next section in the context of the Dutch market for unskilled labour.

4 THE MARKET FOR UNSKILLED LABOUR

Mediterranean workers almost exclusively end up in unskilled or low skilled work, usually offering low wages and social status, unpleasant and often risky working conditions, with negligible opportunities for upward mobility (see e.g. Nederlandse Stichting voor Statistiek, 1971; Marshall, 1973; Penninx, 1979; Heijke, 1979 and Brassé *et al.*, 1983). Whether in future permanently settled Mediterranean workers will be as disadvantaged as the first wave of immigrants is an important research question.[6] To understand the present role of these immigrants, however, it is appropriate to focus explicitly on the unskilled segment of the labour market.

Analysis of the changing composition of jobs, in terms of seven-point scale of complexity, undertaken by Conen, Huijgen and Riesewijk (1983) shows an increase in the two lowest levels of 'unskilled' *jobs*, to which guest workers are likely to have been recruited, from 27.6 per cent in 1960 to 31.2 per cent in 1971 and 34.7 per cent in 1977 (p. 39). In numerical terms this involved annual growth rates of 2.3 per cent and 3.8 per cent in the two subperiods. Against this, the number of *workers* with only a basic education was actually falling by about 1.6 per cent per annum, with their share (among both male and female workers) declining from about 55 per cent in 1960 to about 33 per cent in 1975 (Hartog, 1981, table 4.8). Thus it seems that excess demand for unskilled labour must have been growing strongly between the early 1960s and the mid 1970s.[7] Ter Hoeven's (1964) and Van Berkel's (1968) evidence on changing job preferences and labour market behaviour point in the same direction.

Given the strong excess demand for unskilled workers and the remarkably low labour force participation of married women in the Netherlands, one may wonder whether women might have filled the vacancies. The participation rate of married females indeed strongly increased between 1960 and 1975. However, the increase was smallest among married females with only an elementary education and thus the available female supply was also

Table 6.6 Unskilled hourly wage rate relative to skilled wage

	1947	*1953*	*1958*	*1960*	*1962*	*1966*	*1972*
Males, manufacturing	85	87	87	89	90	90	87
Females, manufacturing	64	72	73	76	81	104	94
Males, construction	95	88	81	83	91	89	89

Source: Van Wezel (1979).

subject to the upgrading development referred to above.[8] As Willems and Janmaat (1968) show, firms did not consider married women immediate substitutes for (unskilled) men. The supply itself was certainly available, even for low-level jobs, and large enough for employers to be very selective. But many firms preferred unmarried women, and prejudice and reservations among employers and male employees led to low priority for hiring married females. Moreover, it was hard to hire them full time in typical low-level jobs, involving shift work, night work and heavy physical demands. Hence, both perceived and real barriers relating to the nature of the jobs prevented married women from filling many of the unskilled vacancies.

Turning to the question of how wage levels for the unskilled would have been affected by immigration, some partial evidence is provided by Table 6.6. This shows, on the one hand, no evidence of an upward trend in the relative wages of the unskilled in the case of *male* workers in manufacturing or (despite short-term fluctuations) in construction, during the period when excess demand for this group would have been expected to grow strongly;[9] on the other hand, among *females* there is a dramatic improvement in the relative wages of the unskilled (42 per cent between 1958 and 1966), in contrast to the usual stability of the wage structure. There is insufficient data to investigate the role of immigration in damping down wage increases among unskilled men. However, in the female case it does appear that a bidding up of wages has been used to tap the reservoir of labour supply, although this was not used to substitute for male production workers.

Next, consider more analytically the issue of immigrants as a wage-depressing factor. Assuming immigrant workers and Dutch (unskilled) workers are perfect substitutes, one may picture the situation as in Figure 6.2. Initially, prior to 1960 say, there is market equilibrium at employment L_0 and wage rate w_0. Then, continued economic expansion shifts the demand curve up from D_0 to D_1 while at the same time supply is reduced from S_0 to S_1, due to increased schooling levels and mounting disutility of unchallenging work. A new market equilibrium would involve a much higher wage rate and an increased employment. Now, suppose, at this point employers realise that there is an abundant supply of foreign workers, involving a cost mark-up of g above the wage w to Dutch workers. g covers the cost of recruitment, perhaps

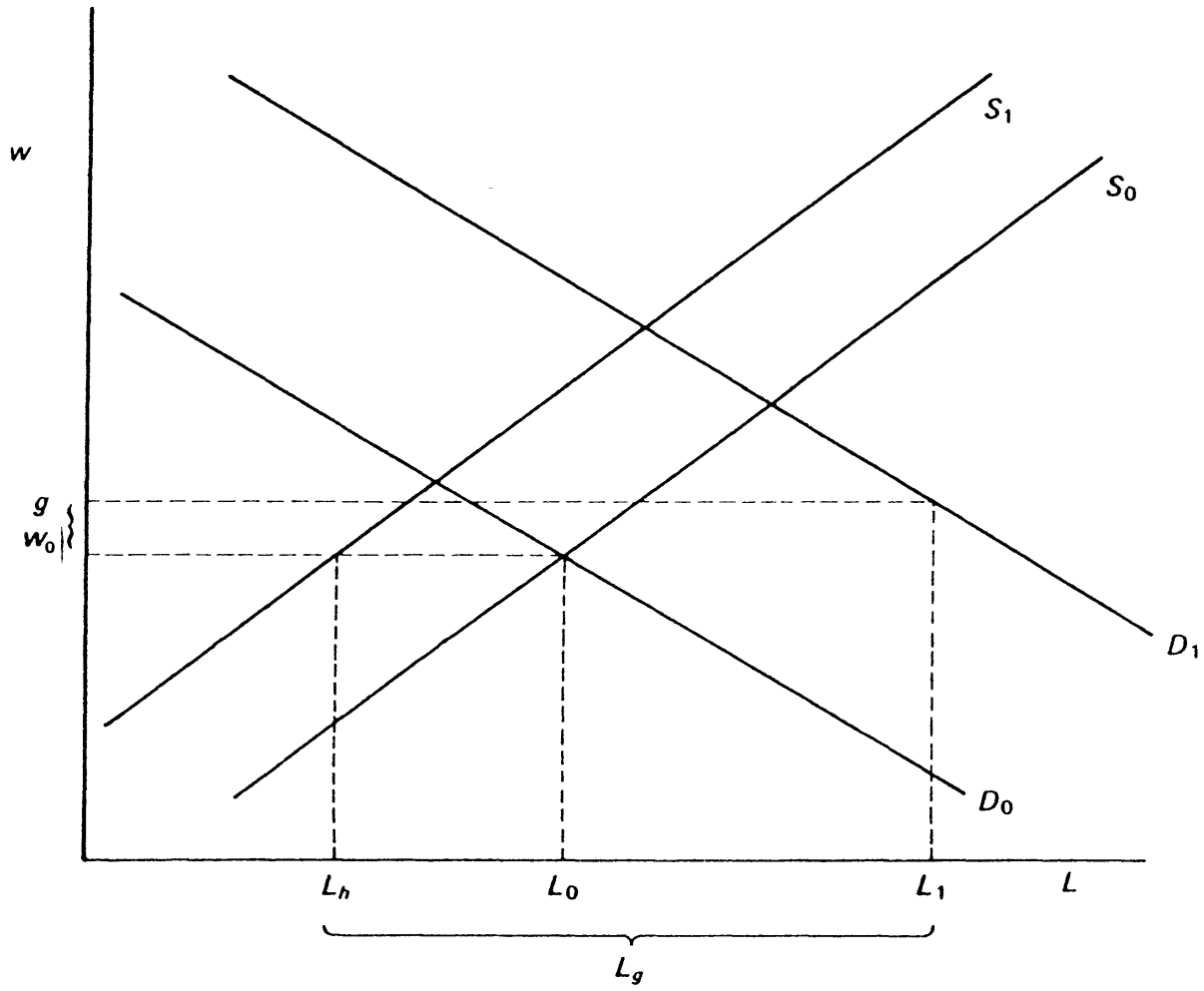

Figure 6.2 Immigrant workers and (unskilled) wage depression

some instruction, travel expenses and housing allowances calculated per unit of labour. This leads to a new equilibrium where employment of Dutch workers is reduced from L_0 to L_h, on account of the shift in the supply curve. Total employment increases to L_1, where the wage cost curve $w_0 + g$ hits the demand curve and where L_g guest workers are hired. Thus, two variables are to be determined: the wage rate w_0 and the number of immigrant workers L_g. One could suppose that w_0 is the institutionally determined minimum wage rate. The wage rate will remain at this level if a number of guest workers L_g is recruited. The advantages to employers are obvious: first, Dutch workers are hired at the (minimum) wage rate w_0 and next, guest workers are hired, enabling employers to enjoy a producer surplus compared to an equilibrium at the intersection of D_1 and S_1.

It would be interesting to test this interpretation on the basis of known supply and demand elasticities, shifts and the magnitude of g. Such information is lacking, unfortunately, but a calculation on the implied upper bound of the elasticity of supply can be derived. Note that for the recruitment of guest workers to be rational, the intersection of D_1 and S_1 should be at a wage rate above $w_0 + g$, since otherwise it would be cheaper to let the wage rate

float to its 'notional' equilibrium. If ε is used to indicate the wage elasticity of supply of Dutch unskilled workers, an additional supply of L_g/L_h Dutch workers would be forthcoming at a wage increase $(w_1 - w_0)/w_0\varepsilon$ and this should be less than g/w_0 for recruiting foreign workers. This implies as a necessary condition:

$$\varepsilon < (L_g/L_h)/(g/w_0)$$

To derive the implications, the values of the variables are needed. Available evidence suggests that g is about 10 per cent of w_0.[10] The number of 'guest workers' is about 100 000 in 1972.[11] If one were to equate L_h to the number of unskilled wage earners in Holland (1 194 000 in 1971), this would put an upper limit on the elasticity of 0.84. This is not a very high value, but it can certainly not be ruled out that the true value does not surpass this level. If one is to equate L_h to the number of unskilled jobs (about 1 138 000 in 1971, of above), the upper limit would be almost the same (0.88).

Predicting the wage change needed to restore equilibrium after the supply and demand shifts in the unskilled labour market again needs knowledge of the elasticities. Above, the reduction in the number of workers with basic education only was calculated at 1.6 per cent annually between 1960 and 1977, and the growth in the number of unskilled jobs in this period was calculated as rising by 2.8 per cent per annum.

If one were to take these shifts as indexing the shifts in supply and demand curves, this would imply a 24 per cent reduction in supply and a 60 per cent increase in demand over that period. Using a simple, partial comparative static framework,[12] and putting both the supply and the demand elasticity at a value of 1, restoration of equilibrium would have necessitated a wage increase of 42 per cent. Lower values of these elasticities are quite probable, increasing the required wage increase. One can conclude that importing guest workers was a rational short-run strategy for employers and that the change in the unskilled wage rate necessary to restore equilibrium would have been substantial. Hence, compared to a market with flexible wage rates, the downward wage pressure of immigrant workers probably has been quite large. Of course, we abstract from a lot of interesting things, but this figure highlights the fact that, even with perfect substitutability between unskilled Dutch labour and guest workers, employers would be willing to incur substantial recruitment costs for guest workers, even if they are paid the same wage. The rationale for this is the existence of two different supply curves.

5 SOME POLICY OPTIONS IN THE PRESENT SITUATION

In the context of labour mobility, the most pressing policy issues at present relate to immigrant workers. While the economic recession has increased

interest in emigration among Dutch workers, and some government help for them may be appropriate, this is not a major issue. In the past government policy with respect to guest workers has been accommodating rather than initiating, perhaps even running behind the topics of the day. Until the late 1970s it tried to organise the inflow (initiated by the Dutch employers) into orderly patterns by means of official recruitment, still believing in return migration even when this did not fit in with the facts any more. The government thus only pursued an admittance policy without thinking about the consequences. Nowadays admittance is very restricted, while the government is faced with (problems of) ethnic minorities and obtrusive professionals. Mobility of foreigners seems to play no further role in policy considerations.

Among the important gaps in present Dutch labour market knowledge is that concerning the position and function of immigrant workers in the context of changing demands for different kinds of labour. However, even without this knowledge it is obvious that during the last decade the outlook for immigrant workers has changed. In the present situation of high unemployment, concentrated among the unskilled, many former guest workers are now unemployed, and both from a national economic perspective and from the point of view of many immigrants, return migration seems to be desirable. This is strengthened to the extent that future developments in the economy are leading to demands for skilled rather than unskilled labour. But mobility is not frictionless. The process of settlement, the cultural adjustment of children, the social security benefits, ownership of a house in Holland, uncertainty about the prospects in their country of origin – all these elements together may, for the immigrant workers themselves, favour a prolonged stay, even given a lack of demand for their labour services in Holland. Therefore, a government policy to stimulate mobility seems to be called for. But an unrestricted policy aimed only at return migration of Mediterraneans is both undesirable and unfeasible. What is needed is a policy mix including both some stimulus for return migration and measures to improve integration of those remaining. Stimulus for return can best be aimed at the group of foreign workers without dependents or with dependents in their homeland. They are least firmly rooted in Dutch society, and their response to the policies can be expected to be strongest. It would be appropriate to subsidise their return migration; for a proper rate to be set, one would like to know the response elasticity, but reliable estimates are lacking.

Encouraging the return of families may be less effective, and in their case a policy of rapid integration into Dutch society is probably better. This will involve language and skill (re)training programmes for the first-generation immigrants and promotion of educational participation among their offspring. Skill training is needed, as labour demand is more likely to increase in skilled than in unskilled occupations. Knowledge of the language will

improve the worker's value in general, and make them suitable for client-oriented service jobs (where demand may grow because of wage reductions).

The promotion of education is important because the different cultural backgrounds of the immigrants may give rise to underschooling, especially where girls are concerned, causing ethnic minorities to develop a self-perpetuating weak position in society. The relevance of the dual labour market hypothesis in the Netherlands is doubtful and so far has not been convincingly supported by empirical evidence. Systematically low participation in extended education may, however, lead to a demotivating situation with a recognisable group of individuals ending up in the less attractive positions.

6 CONCLUSIONS

The descriptions and analyses in this paper can be summed up in the following conclusions:

1. The Netherlands changed from being a net emigration country to a net immigration country in 1961. The change is to be attributed to economic growth and the state of the labour market. However, a simple direct relation with national income and unemployment could not be established. Moreover, the strong increase in unemployment in recent years has not led to a return of net emigration.
2. The large immigration of Mediterraneans after 1960 is consistent with the neo-classical view of factor mobility, but it required the lifting of information and other barriers to start flowing. These frictions and their removal should not be explained by non-economic, exogenous factors, but are endogenously determined in the economic process. In this case, it was the economic situation in the Netherlands that led employers to lift the barriers and thus initiated the influx of Mediterraneans.
3. The inflow of Mediterraneans was induced by a shortage of unskilled labour, which developed from a simultaneous increase in demand and a reduction in supply during the 1960s. The reservoir of married female labour was insufficient to close the gap, as females were (perceived to be) inadequately qualified.
4. Up to 1972, the downward pressure on the unskilled wage from increased immigration was substantial. Immigration managed to maintain a stable wage structure for males (although the female unskilled relative wage rose strongly). There are signs that this changed after 1972, as a result of a deliberate redistributive government policy.
5. In the present situation of excess supply of unskilled labour, a mixed policy can be recommended: stimulus of return migration by workers without dependants in Holland and improved integration into Dutch society for settled immigrant families.

6. Many questions are unanswered. Sometimes lack of data prevents answers, sometimes the work simply has not been undertaken. This is the case both for research questions (e.g. are immigrant workers perfect substitutes for Dutch unskilled labour?) and important policy related questions (e.g. to what extent, and with what time delay, will immigrants be integrated into Dutch society?).

Notes

1. Nelissen (1983) has estimated some regression equations, explaining emigration and immigration flows (excluding former Dutch colonies) from employment and income variables. He uses only thirteen observations and does not derive his specification from any theoretical model.
2. Because of the lack of migration figures for some European countries, Heijke (1979) estimated an equation explaining the number of foreigners residing in Austria, France, West Germany, Switzerland, Belgium, the Netherlands and Sweden, and those coming from Greece, Portugal, Italy, Spain, Yugoslavia, Turkey, Algeria, Morocco or Tunisia. The variables used by Heijke are income difference, employment in the country of destination, population in country of origin, and distance.
3. Some exercises with the data are usually sufficient to come up with something plausible. For example, explaining traditional emigration as a share of total population aged 20–64(e), in the period 1948–79, by net real national income per head (Y), its square (Y^2), population density (p), a time trend (t) to represent the recollections of the great depression and the Second World War, and a dummy (d) for the availability of government subsidies leads to:

$$10\,000\,e = -200.99 - 5.00\ Y + 0.02\ Y^2 + 1.32\ \mathrm{p} - 6.37\ t + 39.44d$$
$$(-2.02)(-6.34)\quad (8.34)\quad (3.79)\quad (-4.83)\quad (7.07)$$

   with $\bar{R}^2 = 0.95$, $DW = 2.16$. All results are significant at conventional levels and signs are as expected.
4. Frijda (1960) reports that, in 1957, 32 per cent of non-emigrants had seriously considered emigration in earlier years. Surveys by NIPO (Netherlands Institute for Public Opinion) indicate that between 1947 and 1950 some 30 per cent of the respondents would rather live in another country. By 1953 (at the peak of emigration), this percentage had dropped to 21. See Staatscommissie voor Bevolkingsvraagstukken, 1977.
5. See *De Onderneming*, 13 August 1963, or *De Werkgever*, 23 December 1965.
6. For a comparison of allocation and earnings between young Dutch and young Mediterraneans, using more elaborate econometric techniques, see Hartog and Vriend (1987).
7. Heijke (1979) gives a different account, but has already been criticised for that, as noted by Conen, Huijgen and Riesewijk (1983).
8. Consider the table on the next page.

Labour force participation of married women, 1960–77

	1960	*1971*	*1977*
Elementary education	6.8%	12.3%	18.9%
Advanced elem. educ.	4.6	19.8	29.5
Secondary education	5.1	22.6	38.9
(Semi) higher educ.	13.5	35.4	54.6
Total	6.4	15.6	26.3

Based on the Census of the Population 1960 and 1971 and the Labour Force Survey, 1977.

9. Although comparable data are lacking after 1972, there are indications that in later years the relative wage for (male) unskilled labour increased substantially. This is probably due to considerable increases in the legal minimum wage.
10. Based on Central Planbureau (1972).
11. CBS, Sociale Maandstatistiek.
12. The standard partial equilibrium framework of comparative static analysis implies $dw/w = -D/(\varepsilon_w^d - \varepsilon_w^s)$ where ε_w^d, ε_w^s are the wage elasticities of demand and supply, while D is the relative deplacement of the demand curve minus that of the supply curve. See, e.g. Hartog (1981), p. 57.

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