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Panel Discussion: What Policies do we Need?

Chair

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Participants

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Panas Konstantopoulos – European Parliament (head of the secretariat of the Committee on Employment and Social Affairs of the European Parliament)
T.J.P. van Os van den Abeelen – Dutch Justice Department (chairman of the Advisory Board on Alien Affairs)
Paul de Beer – AIAS, University of Amsterdam (economist, professor of industrial relations)

Jelle Visser

Can Europe do without labour migration of third country nationals? If the answer is positive, then the question would be how to do that. Can you stop labour migration? Is there a policy for that? And if the answer is negative, then what should such a policy on migration look like?

T.J.P. van Os van den Abeelen

First of all, this is a hypothetical question. We will not stop labour migration from outside the EU. We can try to build a Chinese wall around Europe but it will not work, it will not stop the people from Africa coming in, as in the USA it did not prevent people from Mexico crossing the border. Theoretically, we can live with a decreasing population and diminishing wealth, but we should not, and we must find a more intelligent way to regulate migration. A system of temporary migration might solve the problem.

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Paul de Beer

With respect to long term aspects, we really do not need immigration and it will not solve the problem of an aging population in the long run. However, as we will have a transition phase to get from a younger to an older population, which will take quite a long time, immigration might help to smooth that process and reduce some of the problems that we will face in that period.

Panas Konstantopoulos

My role here is to try to reflect as much as possible the views that the European Union has taken on the issue. I will refer to the decision of December 2005 when the heads of state and government agreed that we do need migration and adopted a road map, in the context of which a series of initiatives are to be taken. The very first instrument that was proposed recently by the Commission is a directive on combating undeclared labour. And there is a stream of directives to come, more positive in the sense that they will look at eventual criteria for temporary entry. These initiatives refer to the third country migrants into the European Union.

Jelle Visser

I understand that the document you have mentioned was prepared in the context of the Lisbon Agenda and it states that for the purpose of growth we need migration. How I translate this is 'we need better immigration than we had in the past', and better means skilled. Is this the message?

Panas Konstantopoulos

The EU heads of state and government want to have a differentiated approach towards migration. Maybe because they consider that we already have too much unskilled labour present in Europe. Indeed, the directives to come concern the temporary entry of skilled migrants, paid trainees and students.

Jan Dewaele

Ernest Berkhout showed us that even if migration continues at the rates we have experienced so far, there will be an employment gap of some 32 million people (under the assumption that in 50 years we want to produce the same output as we are doing today). If migration is stopped, which is indeed a hypothetical assumption, then the gap will be even larger and will amount to about 51–52 million. In my opinion, immigration is here to stay and is very much needed. Of the 350,000 people Randstad puts to work every day on average, 1% has been mobilized from one country to another, in a very active way. Not to mention the

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immigrant population that is already here in the Netherlands and that is finding jobs via private appointment agencies.

Jelle Visser

So immigration is here to stay and there is not much that can be done to prevent it. The experience of the United States is very telling. The country has tried to erect borders, but today there are about 12 million people in the United States with an illegal status: they are illegal only because they entered the country illegally, while in other aspects they may be law-abiding, hard-working citizens. And the US administration does not know how to approach this. Should we then encourage the entry of third country nationals even more than is already happening? And if we do so, how do we do that?

T.J.P. van Os van den Abeelen

The Dutch Advisory Board on Alien Affairs has launched a plan for temporary labour migration. We know from the past that nothing is more permanent than temporary labour migration. We believe that the only way to make this scheme work is to make it profitable for people to return home after some years: they cannot be forced to leave, they can only be seduced to go back. This can be achieved by building up an amount of money from the government (it could be €20 to 30,000) in support of their wages. That amount should be made available to them, gradually, upon their return to their home country after 4 or 5 years of working in Europe, and it should be complemented with some loans or mini or meso credit if they succeed in creating employment in their home country.

Jelle Visser

At the end of her presentation Grete Brochmann made the argument that that was what actually happened with many Italian, Spanish or Portuguese workers. But they were willing to go back because their home countries were democracies or had become democracies, with some basic functions of welfare. However, if you have a temporary system and in the meantime the countries where the migrants come from have not developed into democracies, how much money would be needed to 'seduce' them to go back?

T.J.P. van Os van den Abeelen

For countries such as Kenya or Mali, where the average annual income is about 1500 dollars, €20 to 30,000 is a substantial sum, which one can invest there in a way that otherwise one would never be able to do.

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Paul de Beer

If migration is meant to solve some of our structural problems, then temporary migration is not the solution. I can think of only one reason for opting for temporary migration, which is the assumption that those migrants will become a burden to our economy and welfare state in the long run. But if that is the case, then those are perhaps not the right migrants. So would it not be better to select migrants in such a way that they would be to the benefit of the receiving country in the long run and would not have to be sent back?

Panas Konstantopoulos

We are at the core of the argument. Why hasn't temporary migration been an issue before? This is because now our societies have a more reluctant attitude towards migration. The only way for the politicians to 'sell' migration to the electorate is to specify that it will be temporary. In terms of policies that means trying to build partnerships with countries of origins, in which the agreement will be that the migrants will have to return after a number (3–5) of years, and that the countries of origin will have to cooperate as far as illegal migration is concerned, with a number of other conditions. The issue of contributions is a major carrot in this context. It is a carrot for receiving countries, because we are not giving public money back but we are repaying the contributions that immigrants have paid over the years, so these are their entitlements. And for the countries of origin that is a transfer of capital which is increasingly important.

T.J.P. van Os van den Abeelen

I partly disagree with this view. There are different aspects here: the highly skilled people can stay without restrictions. What we need on a temporary basis is low- and medium-skilled labour. The aging of the population and the declining birth rate will cause a gap in the labour market in the next 10 to 15 years, which we will have to fill, and we will have to fill it on a temporary basis, because in 2050 it will be over.

Paul de Beer

So temporary means 35 or 40 years, which actually means permanent. What is the difference?

T.J.P. van Os van den Abeelen

If the immigrants stay, they will add to the problem of the aging population, so in 2050 we will have the same aging population problem as we are facing now.

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Jelle Visser

What you mean is that they should not become old here. Otherwise economically it would not make much sense. If the predictions about an aging population are correct, and if the argument that we need migrants to help our aging population is right, inviting in migrants to do that for the purpose of adjustment – as Paul De Beer has said – will only make the adjustment longer, because we will not make the innovations that are needed in the healthcare sector. Or we will not raise wages at this point because we will have cheaper replacements. I cannot see how that helps, I cannot even see the transition logic in it.

Jan Dewaele

Should we activate migration? We should first distinguish different types of migration. Grete Brochmann referred to three categories of migration. Some of those we absolutely want to activate, while maybe we should approach others differently, in a more moderate way. The fact of the matter is that migration, no matter how you look at it, needs to be managed differently than in the past. That will take different policies and it will also take a removal of obstacles for the right immigrants to come into the right countries, because the basic principle is that migration needs to be to the advantage of the host country and also beneficial to the immigrant him- or herself.

Question from the Audience

I would like to hear the panel's view on the fact that immigrants or potential immigrants do have families and also have a gender. Temporary labour migration might be a problem from that point of view. Will we have female migrants willing to come here on a temporary basis without being able to bring their family? I think we do need female immigrants especially in healthcare work, and – also from the point of gender equality – we should allow them to come. On average, worldwide, more than half of all labour migrants are female, but female immigration into the Netherlands constitutes but a small percentage. Might that have to do with the fact that we do not allow migration for household work?

Jelle Visser

It is a question for any migration, but in particular for guest workers and temporary schemes. I would recall the late Swiss writer Max Frisch who said: 'We wanted workers, we got humans'.

Paul de Beer

The only way to avoid that labour migrants bring their family members is to offer them only very short-time temporary work. The Polish workers in the Netherlands

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now, for example, mostly stay at the longest half a year or so. They can leave their family behind. But in an immigration system that allows people to stay here for at least 4 to 5 years, let alone 40 years, of course they must be allowed to bring their family. Actually, as long as they are really productive and generate some surplus for our economy, you can probably allow it, because we do not consider Dutch people who have a family to be a burden to our society. So why should immigrants with a family be a burden?

T.J.P. van Os van den Abeelen

In my view, a temporary migration system should provide for inviting people that are just out of their first education, 18 or 20 years old. Once they are in the host country, they should be followed for four years or so, and then they go back – having learned something and having earned and also received some money, with the possibility to invest in their home country. I agree with Jan Dewaele that the country of origin will also benefit from this.

Jan Dewaele

On the first question, whether or not women are willing to move temporarily, our experience at Randstad is clearly positive. Actually women prefer to come on a temporary basis, and they do want to go back to their home countries and their families. Will we see more of this? I think the answer is, again, positive. It is true that women immigrants are often only low- or half-skilled. That also means that until recently, until the regulations changed, they were not really allowed to come into the Netherlands. Already now more women migrants are coming into the Netherlands.

Wiemer Salverda

Part of the problem with temporary immigration is the infrastructure. We have seen that with Polish immigrants in a number of locations in the Netherlands. How to house them? Who will pay for that? Will they put their contributions into a separate unemployment fund and then get that back when they leave? How do you organize that administratively? Maybe a temporary agency with a contractual relationship with the worker would be able to do that? But what kind of a lever will you have over this worker if he or she moves to another agency? I am curious to know how this should work in practice.

Jelle Visser

The mood in European societies has turned a bit sour on the issue of migration. There are different explanations for this, but one of them is that until recently high unemployment was a big problem, although it has eased a bit now.

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The question would be: as long as unemployment is high and has a big structural component (affecting those less skilled among our populations and perhaps also some of the older cohorts of the migrant workers themselves), would you think that migration as an open policy will remain infeasible? Are these two issues mutually exclusive?

Paul de Beer

Perhaps you should distinguish between political and economic feasibility. Politically it is very difficult to change the attitude of a population that is not favourably inclined towards immigration, if at the same time the unemployment rate is high. The fear that migrants are taking their jobs might be one of the main reasons why many people do not really like immigration, but whether this is true is another point. There is not much empirical evidence to suggest that the impact of labour immigration on unemployment levels is very large. In a number of countries, a very high unemployment rate had already been in place before any considerable immigration took place. So it is not very logical to think that immigration causes unemployment. Nevertheless, especially in the short run, it cannot be excluded that labour immigrants who are willing to work for much lower wages than the resident population may take some jobs. There may be some adjustments on the labour market in the long run, but in the short run this might indeed cost some people their jobs. That might be yet another reason to reconsider allowing low-skilled people to immigrate and work for lower wages than the presently going rate. It is not so strange that trade unions insist that, if we allow more labour immigration, we should also try to control whether those immigrants are paid according to the wages that are part of the collective agreements here.

Jelle Visser

European trade unions are split on this issue, because if you are a trade union in Poland, you are happy that the unemployment problem is alleviated when people leave to look for jobs somewhere else, whereas here, it may be seen from a different angle. I would like to know how this issue is discussed at the European Parliament.

Panas Konstantopoulos

First, the connection between unemployment and immigration is not discussed for the simple reason that it is assumed that you only allow people to come in when there is a skill shortage, or a labour shortage. An example could be the case of the seasonal workers and the temporary entries and multiple entries, which is being examined now in the European Parliament. This is intended for mainly

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agriculture or construction work. There is a labour shortage there and it is not considered that migrants are taking the jobs of others; otherwise they would not have been there. Secondly, we are trying to regulate an 'industry' that is notoriously unregulated. It is difficult to control. So, first, you gain a better control of the people on your territory and, second, you gain from the contributions that the migrants pay when they are declared. On the other hand, they gain the additional income and they also gain the certainty of being able to return to the receiving country, which is extremely important for them and also for us. So I guess in the case of the seasonal workers, I don't see the problem.

In the case of long-term or medium-term work permits for the highly skilled workers, what is the competition between an IT engineer who comes from India and an IT engineer who is in the Netherlands or in Germany? If he or she is employed – none. Even better: we assume that there is a shortage there, so there is also demand. And the presence of these highly skilled migrants allows the companies to continue to operate in the Netherlands and in Germany and not to have to relocate only for that purpose. So it is a positive impact if you see it like that. But that argument is based on the assumption (and this is a big question mark which I will not hide from you) that the management is done correctly, meaning that you can select those whom you want and that you can leave out those whom you do not want. This is extremely difficult.

There are countries that are being portrayed as the model, Australia, New Zealand and Canada. They have been extremely selective. They have a quota system, but there is also another element in their favour: they have a fair amount of water between them and the countries of origin.

Jan Dewaele

I want to give the example of the UK. There are about one million Polish people that have arrived into the UK in the last three to four years. It has been proven that they have, in a direct way, contributed to economic growth in the UK as much as one percentage point. So if you know that the UK economy has grown by between 3 and 4% that is significant. And although immigration was this massive, unemployment was never as low as it is today in the UK. So I agree that there is no direct correlation between the two and this is the best example.

Jelle Visser

In the CEO report that was presented to us there is a mention of the employment gap and of another obvious way to counter it, which is to raise the rate of labour participation either by bringing more people into the labour force or have them work longer or more hours. For example, in the Netherlands there is discussion about the long-term aim to reach 80% labour participation. Would it

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be a good thing to do? Would it be feasible? Would that be an alternative to migration?

Paul de Beer

Perhaps more important than the feasibility is the question of whether it is desirable. I think we simply have to balance the costs and benefits just as we also should try to balance the cost and benefits of more immigrants. If it is true that Dutch people very much like their leisure time, then perhaps it might be wise to let people from abroad come here to do the work we are not willing to do. But there are also some indicators that there are still many people who would like to work longer or work more hours. We know that there are many women who might want to work more hours, if there were better child care facilities available. So I think it is really a serious option. I do not think it is a choice between increasing the labour participation rate or increasing immigration. Both are instruments that we can try to use if we want to increase the labour force in order to increase welfare. But of course there is also the option, which was also mentioned both by Ernst Berkhout and by Joop Hartog, simply to accept that we have less economic growth.

T.J.P. van Os van den Abeelen

I think it is not so important what we choose. It is the Dutch people, or populations in the EU in general, that will choose. If you ask them if they accept less economic growth, my prediction is that they will say 'no'. Then you have only one alternative.

Paul de Beer

But if you ask them if they want more immigration they will also say 'no'.

T.J.P. van Os van den Abeelen

They will say 'no' to more of permanent immigration, but not necessarily to more temporary migration.

Jan Dewaele

I would like to look at the problem from a different starting point. If we accept that economic growth is going to slow down or even is going to turn to negative growth, that will indeed mean that we will need less new employment. But I would rather take the starting point that at least the output should stay the same. This would mean that we need to close the gap, simply because the alternative

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would mean giving in when it comes to life expectancy and quality of life. And it would also mean that our children and grandchildren would have to support a larger number of older people (30% of the population if we count those 65+) with less income.

Paul de Beer

I think this is a very unrealistic picture of the future, because it simply suggests that there would not be any productivity increases in the next 30 or 40 years. It is a very long time since we have seen anything like that. All projections of the future, which are of course very difficult to make for such a long term, start from the assumption that there will be some productivity growth in the next 30 or 40 years. Even with 1% productivity growth in the next 30 or 40 years there will be no reduction in wealth in our country even if much fewer people are working. So I do not think you should exaggerate this phenomenon. And I believe that this is indeed a problem with the report 'Mind the Gap', as it simply suggests that if we don't do anything with respect to the size of the labour force, we will run into deep trouble. I do not think that is very realistic.

Jan Dewaele

I agree; the point that I want to make is that accepting a declining domestic product would not be my option.

Paul de Beer

But my point is that it is not realistic that the domestic product will decline even if we do not have any immigrants at all.

Jan Dewaele

So the point is that no matter whether the gap is 30 million or 25 million, closing the gap is the challenge. There is more than one solution. I agree with you. As you said earlier, there are more buttons to be pushed. Activating participation is absolutely one of them. Productivity increase is absolutely one of them too. But each of these buttons has its limitations. So in the end activating immigration should also be considered.

Question from the Audience

What I miss in this discussion is the aspect of increasing competition from economies with younger populations, which might have an effect on employment.

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Paul de Beer

If other countries have younger populations and are more innovative, they will grow faster than we will. It will not have a direct impact on our economy. We might lose with respect to the share of total world trade, but that does not really matter: if our population is becoming smaller then of course we will have a smaller share.

Panas Konstantopoulos

I think the argument here is whether a country or a union with a shrinking population, and an aging population on top of that, can also have an increasing rate of innovation. This is actually the problem, because it is directly related to competitiveness.

Pieter Emmer

In general, the aging problem is something new to us. Japan is an example where there has been very little demographic growth over the past 10 years and virtually no immigration. But I do not think that today this is an example to follow.

Paul de Beer

We should not simply take for granted that an older population means less innovation, less creativity. Older people can be very creative but we do not seem to stimulate this very much in the Netherlands. But, if stimulated, most people could be creative until the age of 75 or 80.

Question from the Audience

One explanation of why a growing population might be more creative and more productive, and a shrinking population might be less productive, is that a growing population means that there are more young people entering the labour market than leaving it, and usually young people have higher levels of human capital because of the investments at the beginning of their lives. An increasing influx of individuals with higher human capital and a decreasing share of individuals with lower human capital translate, on the macro level, into an increase in human capital and an enhanced productivity. I agree, however, that a smaller population does not mean a lower per capita income. Norway has a population of 5 million people and their per capita income is as large as ours. I would like to ask the panel a question about why we bother about labour immigration. If you think about the costs of (illegal) labour immigration, you have to offset them against the costs of controlling immigration (producing and implementing policies and laws, employing judges, police on the borders, etc). Those costs can

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be quite substantial. I recall a study on US immigration policy that showed that the costs of illegal immigration were lower than the costs of policing it. Perhaps in Europe this is still not the case, but I think it is an interesting aspect of the debate.

Joop Hartog

In the past, a decline in population would occur after economic growth rates had been declining; in other words, a declining population was the consequence of declining growth. Here, the question is whether this cause-effect relation can work the other way round: can a decline in population lead to declining growth rates. I do not think so, but why don't we take that as a challenge? Why can't we investigate whether older people cannot be kept more active, and this for longer than is now the case? They can be activated, retrained. This could be a challenge for innovation and development.

Jelle Visser

Let us move to the final issues and elaborate on the idea of having a rotating labour migration system, which would probably mean a lower social security protection. Is this feasible? And then, what could be the role of business, and of labour agencies in this?

T.J.P. van Os van den Abeelen

I think that a temporary labour migration scheme could only be organized on a large scale, namely on the European scale, and temping agencies might play an important role here. In the last 50 years we have seen that government has not been able to deliver in this respect, so I will hold a plea for public–private enterprises, setting up schemes and getting temping agencies involved.

Panas Konstantopoulos

What would be the pull factor, how shall we convince the countries of origin to cooperate with the 27 EU member states? We should provide them with access to a wider market and simplify the procedures. We could agree to apply a single application form combining work permit and temporary residence permit, build a single portal with information on rights and obligations. Instead of 27 consular offices, you can have one EU office issuing visas. There are definitely some advantages that one can think of, but whether this will be done is a different story altogether. It has to do with national competencies and we are at the core of what some may consider as national identity. So it is a very serious and difficult matter to manage. But there is a huge potential for added value here.

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I would also like to return to the social security aspect. I do not think that you would want to distinguish and discriminate on that ground. That would have huge implications for the labour market and it would destroy the level playing field that we want to have for comparable skills. That is one argument against it. Second, the contributions concerned can serve as a pool of resources to furnish the capital stimulus for return. Finally, let us look at selection and the role of temp agencies. Who is doing the selection right now? People smugglers! It is almost an auction process. I definitely prefer the temp agencies.

Jan Dewaele

Private labour agencies are already acknowledged as experts on labour markets. Randstad proves it every single day with thousands of people at work, a number of them being immigrants. We address the full scope of the potential solutions that we have been discussing. We do have vacancies for older people, we help them to get back into the labour markets, we do the same for women, for the low skilled, for the unemployed, for whom we organize trainings. Randstad and some other colleagues are investing in setting up processes and services to help a managed migration flow. A managed migration flow means respecting the interest of all the parties involved, the host countries, the company clients but also the candidates, who are also our clients. This adds to the political agenda.

I also want to enter a plea for the removal of some of the unjust obstacles we run into every single day, especially when it comes to migration and migration restrictions.

Paul de Beer

I would like to turn the question around. If we choose a system of rotating migration, then temp agencies can play a very useful role, especially with respect to the question of who makes sure that those people return to their home countries. If temp agencies were responsible for this, the system would work much better.

Jan Dewaele

Temporary or private employment agencies are focusing not only on temporary assignments. We are making a successful match between demand and supply, often with temporary contracts but also, and just as often, for permanent placement.

Jelle Visser

In past decades, in the 1950s, 1960s and 1970s, labour migration in the Netherlands was handled directly by the government. We had a centrally organized government

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agency, 'Arbeidsvoorziening' near The Hague, which assumed to know what Dutch companies needed and that directly contracted with the countries of origin, such as like Turkey, Morocco. As we can see now, this has not been very successful. I'm convinced that migration will not disappear, whether we like it or not. My terribly reformist instinct tells me that we should try and manage the migration issue better than we do today. There should be some re-distribution of the benefits to the countries of origin.

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