

Jobs for Immigrants (Vol. 2): Labour Market Integration in Belgium, France, the Netherlands and Portugal

Summary and Recommendations

THE NETHERLANDS

The Netherlands has a relatively large proportion of immigrants, many of whom did not primarily come for employment.

Since the 1960s, the Netherlands have hosted significant numbers of immigrants. The current migrant population essentially consists of “guestworker-type” migration and their families (migrants from Morocco and Turkey), migration that is linked with the Netherlands’ colonial past (Suriname and the Netherlands Antilles), humanitarian migration, and migration from other European OECD countries. Currently, about 10% of the total population are immigrants, and a further 10% are native-born who have at least one foreign-born parent. The majority of migrants did not come primarily for labour purposes. Indeed, the Netherlands is generally considered to have had a rather generous family migration policy, and was a prime destination of asylum seekers for many years.

The current situation with respect to their labour market integration is unfavourable in international comparison.

The first and salient observation with respect to the labour market integration of immigrants is that there are very large gaps in the employment population ratios of immigrants when compared to the native-born. This holds for both genders, although the gaps are especially large for women from Turkey, and from Morocco and other non-OECD countries.

The low employment of immigrants dates back to the early 1980s.

The unfavourable labour market situation of immigrants is not a recent phenomenon in the Netherlands. Large gaps in the employment rates between native-born and immigrants

have been observed since the recession of early 1980s which hit immigrants disproportionately. The recession and subsequent large-scale exit of immigrants from the labour market, compounded by policy effects, appears to have had a lasting effect on the outcomes of those who had arrived before that date.

Significant efforts were taken since then to improve the situation, and it appears that these had some beneficial effect.

Following the recession of the early 1980s, the Dutch government, in co-operation with the social partners, put significant effort in improving the situation. As these initial efforts bore little fruit, they were further reinforced by elements of affirmative action in the 1990s. Along with a more favourable economic situation, this seems to have had some beneficial effect – the employment rate of non-OECD and Turkish immigrant men increased by about 20 percentage points between 1996 and 2002, significantly closing the gap in employment rates compared with the native-born.

Unfortunately, the improvement in the integration record has not been sustained during the more recent period.

However, this process of improvement has halted since about 2002 – a time that was in many ways a watershed for integration in the Netherlands. Following an all-time peak in immigration in 2001, essentially driven by asylum seeking, the election campaign was focused around immigration and integration policy. The negative public discourse was reinforced by the murder of the Dutch filmmaker van Gogh in 2004. In parallel, a range of targeted policies had ended in 2003, and increasing emphasis was placed on immigrants' obligation to integrate – with a focus on civic integration, rather than employment. In addition, the labour market situation worsened in 2003 and 2004. Immigrants were disproportionately affected by the downswing of the economy.

It is imperative to monitor the labour market integration record closely since further policy intervention may be warranted.

It is vital to monitor the labour market integration record closely. Until recently, it seemed that immigrants did not benefit disproportionately from the more favourable labour market conditions. The Netherlands is among the few OECD countries where there was no improvement in the labour market position of immigrants over the period 2001-2006. Only now there are signs that the gaps between immigrants' and natives' labour market outcomes are closing under the currently favourable labour market conditions. But these signs are still tentative. If immigrants were to benefit less from the recent upswing than the native-born, in contrast to what has generally observed in previous upswings in the Netherlands and in other OECD countries, this would make a strong case for more targeted action for labour market integration.

Employment of immigrant women is particularly low, and this is attributable to low participation in part-time employment.

Immigrant women, particularly those from Turkey and Morocco, have a very low employment rate. This is essentially attributable to a much lower probability to work part-

time, which is very pronounced for native Dutch women. This often concerns only few hours, particularly in the presence of children. Immigrant women in turn essentially work either full-time or are not in the labour market. This suggests that the traditional Dutch model of a mix of part-time employment – often for both parents in parallel – and limited accompanying childcare does not appear to be very appropriate for immigrants.

There is evidence that immigrants' converge more slowly – if at all – towards the outcomes of the native-born than in other countries.

The picture with respect to the labour market outcomes of immigrants by duration of residence shows little differences between immigrants who have been in the country for longer and those who are recent arrivals. This stands in stark contrast to the picture in countries like Denmark, whose situation resembles that of the Netherlands in many respects, but whose integration efforts are very strongly geared towards early labour market entry for recent arrivals. This suggests that much could be gained from a re-orientation of the introduction phase towards promoting early employment.

The current civic integration policy does not primarily focus on labour market integration.

Much effort has been placed in recent years to promote so-called “civic integration”, which consists of language mastery and knowledge of the Dutch society and culture. Labour market integration is not a primary objective of civic integration and indeed, the available evidence thus far suggests that participation in the programme in the past has not contributed much to higher employment, particularly for immigrant women. The civic integration programme has undergone frequent and significant changes in recent years – from voluntary to obligatory participation to the current obligation to pass an integration exam. While there is no longer a formal programme to be followed, many recent arrivals still have to follow integration courses in order to pass the obligatory integration exam.

Such shortcomings in the civic integration system are now gradually being fixed, and it is important to pursue this route rigorously.

It would be desirable to redesign the civic integration programme so that participation in it serves to promote labour market integration, and not pose an obstacle on it, as it can lead to lock-in effects (*i.e.* immigrants having no time for looking for a job while participating in the course or preparing for the exam). First steps in that direction are now being taken by the introduction of so-called “dual trajectories” which combine language training with labour market integration programmes. However, the two tasks do not appear to be always well integrated, and are generally fulfilled by separate providers who have different objectives and incentives.

Language course providers should be given incentives to support to the process of labour market integration.

Incentives for language course providers to introduce vocational elements and more generally support the process of labour market integration are lacking. Such incentives should be introduced, *e.g.* by providing them with a bonus if a person is in employment six months after following the course. In addition, courses should more generally transmit

vocational language, and include elements of knowledge about the labour market functioning (writing CVs, etc.) in the course content. Finally, employed individuals could be exempted from the obligation to pass the exam within a certain timeframe, and/or be provided the courses for free. Indeed, several municipalities are now providing free courses in these and other cases, and this should become general practice. A more comprehensive step towards a more employment-targeted strategy would be to shift the focus of integration from “civic integration” to one of self-sufficiency, complemented by a regular monitoring of the impact of the measures taken. This strategy has been pursued in other OECD countries with some success.

There seems to be consensus about obligatory measures, but public discourse should encourage integration.

Since 1998, growing emphasis has been placed on immigrants’ *obligations*, supported by a broad consensus among the main Dutch actors. In principle, all new immigrants, as well as certain groups of resident immigrants are obliged to pass an integration exam and to pay for the preparation for it. Despite the harsh-sounding nature of this policy, its implementation to date has been more flexible: solutions were found for immigrant groups facing particular disadvantages, and/or where obligations are not possible to enforce. This flexibility and the reasoning behind the obligatory nature of some of the measures should be communicated more clearly, as part of an overall balanced public discourse on integration.

More should be done to integrate the large group of persons not dependent on benefits, and obligations are not likely to be a solution.

About half of the immigrant population who are not employed are also not dependent on benefits, and this group has not been the focus of integration policy. With a tighter labour market, this is now gradually changing. It is important to address this category of immigrants, particularly immigrant women. Policy has tried to oblige this group to participate notably in civic integration by making migrant status more insecure unless they participated, but this has the downside of limiting the incentives to invest in host-country specific human capital – notably Dutch language ability – and may make employers reluctant to hire. This suggests that a more balanced mix including positive incentives to participate in integration measures should be considered. Providing free language courses and offering childcare during participation would be a first step, which has met with some success in other OECD countries.

Facilitating access to citizenship has been an important policy lever in the past, and there are signs that this had a beneficial effect.

For many years, the Netherlands has had one of the highest naturalisation rates among European OECD countries, and facilitating access to citizenship was seen as a means to promote integration. Indeed, outcomes of naturalised immigrants tend to be better than those of migrants who have not taken Dutch nationality. However, the benefits in terms of better labour market outcomes are not equally distributed among immigrant groups. In particular, immigrants from Turkey and Morocco, many of whom opted for naturalisation during a period of generous access to Dutch nationality while maintaining their original citizenship,

do not enjoy a naturalisation premium in terms of higher wages or employment probabilities. However, the reasons for this are still unclear.

The incentive structure of the reintegration services tends to disfavour immigrants...

The current set-up for employment services is a market-based system that essentially focuses on rapid insertion of benefit recipients. This tends to disfavour immigrants, as these may take more time to get integrated into the labour market than natives, in particular when immigrants accumulate multiple disadvantages (language problems, very low employment record, lack of knowledge of the labour market functioning, etc.).

...and adaptations should be considered to fix this.

There has been some progress regarding the provision of these services in recent years, for example by an individualisation of the reinsertion trajectories which should tend to reduce creaming effects and provide more scope for tailored solutions. No information is currently available, however, regarding whether or not immigrants participate and benefit from this on an equitable basis. Such information should be collected as a basis for evaluation of the impact of reintegration services on immigrants the lessons learned should be used to adapt policies if necessary. Further adaptations in the incentive structure facing municipalities and private providers, notably to integrate non-benefit recipients and immigrants with multiple disadvantages, should also be considered in this context. For example, municipalities could be provided with a financial premium for each non-benefit dependent migrant whom they manage to get into employment.

Significant amounts are invested in integration-related activities...

The Netherlands invests significant amounts into promoting the integration of immigrants, and indeed, the overall infrastructure for integration is relatively developed. There is a very strong focus on the education system – including the recognition of foreign qualifications – and language courses. Of the more than 1 billion Euro currently budgeted at the central government level for integration expenditures, more than half is for education, and a further about 30% are for language training.

...but there are few measures in place to overcome migrant-specific employment obstacles. A broader introduction should be considered.

The framework is much less developed with respect to labour market integration *per se*. In other OECD countries, there are, in addition to the mainstream employment services which cater for the entire working age population, a range of complementary services in place to overcome migrant-specific employment obstacles. These include mentoring programmes, company fairs, and “trial traineeships”. While such measures also exist in the Netherlands, their current scale and scope is relatively limited. Although these instruments have rarely been evaluated, a wide range of empirical and anecdotal evidence from other countries suggests that they can be an effective tool for labour market integration. Since a large part of vacancies in the Netherlands are filled by some kind of personal contact, it is

important to enhance such measures as they bring immigrants into contact with potential employers and help immigrants to better grasp the functioning of the labour market.

This could include improved targeting and/or broader introduction of wage subsidies, if thorough evaluation bears it out.

Many of the immigrants in employment, particularly low-educated immigrant women, have earnings that are around the minimum-wage level. In such a context, wage subsidies could be one effective means to overcome barriers to employment, in particular when alternative measures such as the reduction of minimum wages are difficult to implement politically and on equity grounds. The scarce available evidence on the effectiveness of this instrument in the Netherlands does suggest that it can be a rather effective measure, and immigrants appear to benefit somewhat more than the native-born. However, further rigorous evaluations of the effectiveness of this policy measure would be very desirable, particularly in light of the planned expansion of this instrument.

This should be part of a general strategy that focuses more strongly on the low-skilled.

The picture of labour market integration of immigrants and their children differs significantly by education level. The situation of those with a high education level is relatively favourable in international comparison, but this is not the case for the low-qualified. This holds both for immigrants and for their children born in the Netherlands. This group, which is a particularly difficult one to integrate, should thus receive more attention across all policy levels.

The recognition of foreign qualifications seems to work reasonably well, but immigrants would benefit from enhanced accreditation of prior learning.

In recent years, special attention has been paid to making better use of the qualifications of immigrants. The procedures for the recognition of foreign qualifications appear to be relatively developed and transparent compared to other OECD countries, and the incidence of “overqualification” (*i.e.* immigrants working in jobs which are below their level of educational attainment) is not higher than elsewhere. In contrast to the formal recognition of credentials, the more general accreditation of prior learning (APL) is still limited. It is also not targeted at immigrants, despite the fact that they could disproportionately benefit from such accreditation as this helps to overcome information asymmetries which are more pronounced in their case. The broader based introduction of APL with a specific focus on immigrants should thus be considered.

The framework conditions for effective evaluations are in place, but these are not conducted. It is important to overcome this shortcoming.

In principle, there is a developed statistical infrastructure in place that should allow for rigorous evaluation of which measures work best to integrate immigrants into the labour market. Yet, such evaluations are rare. The Act on the stimulation of labour market

participation (Wet Samen) provides a case in point. Although one of the key purposes of the Act was to monitor progress of immigrants' labour market integration and to link it with the measures taken to achieve this, no thorough evaluation has been conducted. Likewise, with the current decentralised system of labour market policy, it is important to ensure that information is shared on what works and what does not, in particular since there is evidence that labour market instruments may have a different impact on immigrants than on the native-born. To this end, benchmarking municipalities' success in integrating immigrants into the labour market should be considered as a high priority, similar to the system currently in place in Denmark.

Immigrants and their native-born children are often presented as one group, which renders a monitoring of improvements difficult.

A related problem is that Dutch statistics generally do not distinguish between immigrants and native-born, but between "autochtonen", "western allochtonen" and "non-western allochtonen". "Allochtonen" (or ethnic minorities) are persons who have at least one foreign-born parent. For a number of reasons, it is somewhat inappropriate to include native-born persons with foreign-born parents in the group of "immigrants". First, it tends to connote native-born children of immigrants in some way as "outsiders". Second, the issues involved are very different. For immigrants, at least part of their education is very likely to have been obtained abroad, posing questions concerning the recognition and equivalence of schooling in countries that have an education system that largely differs from the Dutch one. This is not the case for the second generation, making them an important benchmark for the success of integration policy. Finally, the age composition of the second generation is very different from the immigrant group, and comparisons involving this group should thus not refer to the entire range of working-age.

There is a pronounced concentration of immigrants in the main cities. This does not seem to hamper labour market integration.

There is a very strong concentration of immigrants in the four main cities (Amsterdam, Rotterdam, The Hague and Utrecht), where immigrants and their children account for more than a third of the population. Within these cities, concentration is even more pronounced and it is not uncommon, for example, for schools in poor neighbourhoods to have more than 80% pupils with an immigrant background. Evidence suggests that segregation is still ongoing. However, immigrant concentration in certain areas *per se* does not appear to have had a strong negative impact, either on the labour market outcomes of immigrants or on their educational outcomes. For new arrivals, the presence of pre-established ethnic networks even seems to have contributed to higher employment and earnings.

The significant efforts to improve the educational outcomes of the children of immigrants seem to have had a beneficial, but limited impact.

On the whole, the educational attainment of the children does not compare unfavourably with other OECD countries, in particular those that also have streaming of students into separate institutions or programmes like in the Netherlands. Although the high drop-out rate remains a problem that deserves attention, considerable progress has been made in reducing it in recent years. This overall picture seems at least in part to be attributable to the strong

affirmative-action policies that have been in place in the education system, in particular through schemes that gave children of immigrants more weight in school funding. Although the system of direct targeting has recently been abandoned, strong indirect targeting remains, by providing more funds to schools with children of low-educated parents. Most of the additional funding has been used to reduce class sizes. Despite some improvement over the past two decades, considering the large amounts invested one might have expected an even larger improvement in educational attainment. Shifting attention towards more homework support could be considered in this context since this is an area where the children of immigrants tend to face particular disadvantage due to the often very low educational attainment of their parents.

More attention is now paid to improve the reach and quality of pre-school education, and it is important to continue in this direction, particularly at very early ages.

Less attention has also been paid in the past to the pre-school level, which, at least until recently, has been less developed in the Netherlands than in other OECD countries. In addition, the children of immigrants tended to be underrepresented in early childhood education and care, and the quality of the service provided was often considered as rather low. This is unfortunate, since early intervention has proved very effective for the integration of the children of immigrants, particularly at the age of two or three. More attention has been paid in recent years to enhance participation of immigrants' children in pre-school, particularly of those with language difficulties. The available figures to date suggest that there has indeed been a significant improvement in access to pre-schools.

Improving early childcare infrastructure – including its financing – could also help to increase the employment of immigrant mothers.

The situation is less clear for children at very young ages and, in particular, with respect to childcare. Although recent measures have greatly reduced childcare costs for low-income families, they still need to advance the money before being reimbursed via a subsidy payment. There is some anecdotal evidence that immigrants are either not aware of this or afraid that they may not get reimbursed ultimately, which may have hampered their take-up of childcare services. Alternative modes of financing such as the option of an upfront subsidy might be considered to foster immigrants' participation in these services. In addition, the current financing of childcare also funds previously informal childcare of family members and neighbours which, in the case of low-educated immigrant parents living in poor and segregated neighbourhoods, may not contribute to early language stimulation. Care should thus be taken to provide incentives only for *formal* childcare. Indeed, when combined with language stimulation for both the children and the mothers in the same institution, this could not only benefit the children of immigrants, but also promote the integration of immigrant women.

The labour market position of the children of immigrants is below that of the children of natives, although the gaps are not larger than elsewhere.

The labour market position of the native-born children of immigrants (*i.e.*, the second generation) lags behind that of the native-born. This also holds after controlling for the lower

average educational attainment of the former. Nevertheless, the gaps do not appear to be particularly large in international comparison, and there are signs of progress over generations, particularly for women with parents from Turkey and Morocco. However, in contrast to what is observed in other European OECD countries, the second generation's lower average educational attainment explains only a relatively small part of the gap *vis-à-vis* native Dutch, which suggests that other obstacles to the employment of the former persist, particularly for those with a low educational attainment.

The public sector has played an important role in labour market integration, but the decline of employment in the private sector is worrying and unexplained.

The second generation is now relatively well integrated in the public sector, which is larger than in many other OECD countries. This also holds for immigrants themselves. Indeed, the Netherlands has a relatively long tradition in promoting employment of persons with an immigrant background in the public sector – including by target setting and other actions – with a view of having the public sector serve as a role model. Indeed, the increase in employment of the second generation in the public sector has compensated for a decline in private-sector employment, which is unexplained and worrying. This development should also be seen in light of a rather strong increase in immigrants' self-employment over the past decade, which seems to be often used as a way of escaping marginalisation on the labour market. The decline in private sector salaried employment is an area of high concern, and should be subject to thorough enquiry and subsequent action.

Immigrants' offspring are largely underrepresented in apprenticeship, which is a particularly effective transition pathway.

A particularly effective school-to-work transition pathway seems to be apprenticeship, both for native Dutch and the children of immigrants. However, this is also an education pathway where children of immigrants, particularly those whose parents came from Turkey and Morocco, are largely underrepresented. The reasons for the low participation of children of immigrants in apprenticeship should be subject to further investigation, and subsequent actions taken to promote this pathway for the children of immigrants.

There are signs of a decline in discrimination.

In contrast to testing in the early 1990s, several recent studies did not find strong evidence for discrimination. At the same time, awareness of discrimination in Dutch society is very high. Although discrimination undoubtedly continues to be an obstacle for employment, the tentative indications of a decline in discrimination could be the effect of the current tight labour market conditions. In such a situation, employers can hardly afford the luxury of discrimination and may be more willing to diversify their recruitment channels and to give disadvantaged groups a chance.

The diversity and anti-discrimination policies of the 1990s appear to have had some success, and a careful re-introduction could be beneficial, particularly in the private sector.

On the other hand, these tentative signs could also be an outcome of past policy, which obliged companies to monitor the employment of immigrants and to take some pro-active measures to diversify their recruitment. Indeed, overall a high correlation can be observed between the implementation of strong and targeted anti-discrimination and diversity policies since the mid-1990s and the parallel significant improvement in the outcomes of immigrants relative to the native-born. One reason for abandoning the monitoring of staff evolution and the implementation of diversity policies was that it placed a high administrative burden on employers. A possible solution could thus be to reintroduce it on a voluntary basis, linked with financial and other incentives for companies that introduce measures to diversify their staff. This should be done in close co-operation with the social partners, who have been rather active players in labour market integration in the past.