

# Immigration weighs on Dutch economy



Research shows that immigration can actually boost economic growth, however new transplants may also be victims of an uneven welfare state. Photo: Flicker

## Analysis

By Prashanth Shanmugan

**As the PVV conducts research into the cost of non-western immigrants, the economics of immigration is getting increased attention. Experts warn that pinpointing the financial impact of foreigners is no easy feat.**

The economic implications of migration on the Dutch economy is a topic that frequently stirs debate in political discourse. Although it is a country with a bustling immigrant population, some Dutch politicians shy away from discussing these economic issues publicly for fear of feeding extremist elements.

Jan H. van de Beek, a Dutch mathematician and cultural anthropologist from the Institute for Migration and Ethnic Studies at the University of Amsterdam, was struck by how little research had been done on the economic consequences of immigration to the Netherlands, including how it relates to developments in science and politics.

Van de Beek took the issue on head-first in his PhD research. For his thesis, he explored two elements of immigration in the Netherlands.

Firstly, he analysed both the qualitative and quantitative development of scientific knowledge regarding the economic effects of immigration during the period between 1960-2005. Secondly, he asked which factors influenced such developments in what way and to what degree.

Van de Beek focused his analysis on studies previously undertaken by others. The genesis for his interest and research questions arose ten years ago while he was researching his master's thesis on Dutch policies toward asylum seekers.

Van de Beek says he wanted to better understand "what is known about the economic consequences of immigration for the Netherlands."

## Racial economics

Philippe Legrain, author of *Immigrants: Your Country Needs Them* argues against framing questions of immigration in economic terms.

"Measuring anyone's economic contribution is incredibly complex and involves all sorts of assumptions which can swing the results any way you want," he says.

Further concern comes from Jan Willem Duyvendak, professor of sociology at the University of Amsterdam who warns that by suggesting a lack of research

into the issue, Van de Beek may be unnecessarily labelling the issue as taboo. "[It is] quite normal and understandable that not much research has been carried out to study the economic effects of immigration in the last few decades."

Although research into the economic effects of immigrants can be done, Duyvendak suggests there may be little need for it in terms of policy. "[Immigration] policies are not motivated by questions of costs or benefits, at least not by the politicians involved," he says.

Legrain, however, argues that the economics of the issue are of increasing concern, "especially now that times are tough." While he supports examining the economic influences of immigration, Legrain hints at the sensitivity of such a complex issue.

Research "isn't necessarily a substitute for cultural debate," he warns. Those who dislike immigrants may be quick to jump on any negative figures.

"People say they are a burden on society rather than saying they dislike foreigners," Legrain explains. "Looking only at incomings and outgoings misses the most important of the picture. By boosting economic growth, immigration can help pay for the welfare state."

## Foreign relationship

Van de Beek adds that this was exactly the reasoning against, "doing research into the economic effects of immigration during the 1980s and 1990s," as it would blame the victim and, "play into the hands of the extreme right."

For Van de Beek, immigration can be economically both positive and negative, and it is important for research to not "play into the hands of the extreme right."

His research may actually help boost the Dutch relationship with foreigners. According to him, the country is on a level sub par to other European countries "with regard to unemployment and labour participation of immigrants relative to the native born."

This unbalance may be partly related to the welfare state, says Van de Beek. Other influencing factors are the "rather even distribution of income and the related fact that the Netherlands attracts many low skilled immigrants."

A report called *Immigration and the Dutch Economy*, released seven years ago by the Centraal Planbureau (Netherlands Bureau for Economic Policy Analysis, CPB), sought to identify the desirability of labour migration from an economic viewpoint.

The CPB concluded that large scale labour migration "is not an effective instrument to cope with the financial

effects of an ageing population." The report also stated that large scale immigration will not have positive effects on the labour market.

Small scale immigration, however, can benefit the Dutch labour market if "immigrants are high skilled, have good prospects for a job, and if they fill vacancies which are difficult to fill."

The report discouraged using immigration as a panacea for aging and labour shortfalls in the Netherlands, noting that such an approach "can be a sensible solution for other countries."

## Mixed figures

Last year Geert Wilders and his *Partij voor de Vrijheid* (PVV) asked research firm Nyver to estimate the cost of non-western immigration to the Netherlands.

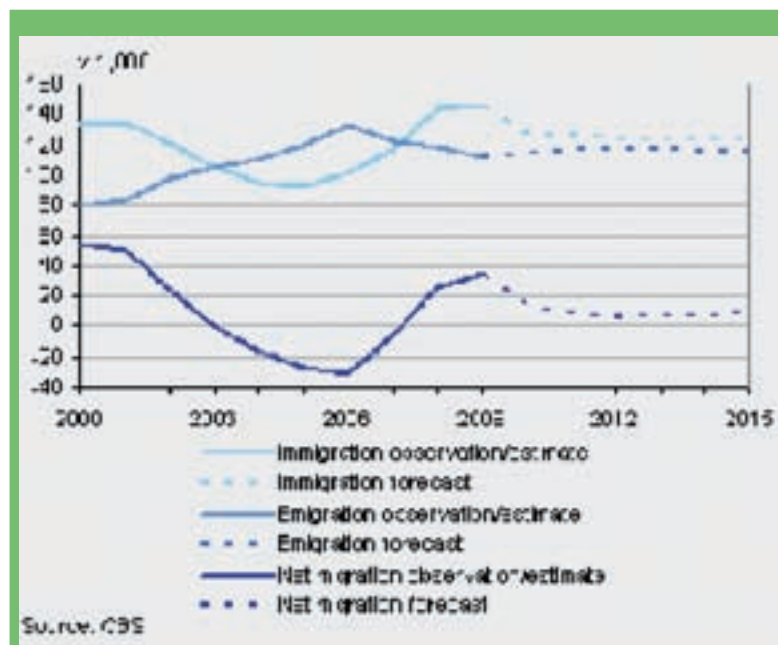
An interim report released in April concluded immigration costs the Dutch economy between six and ten billion euros annually. Which is between 300 and 500 thousand euros per immigrant.

Van de Beek is not buying such figures. He points to the report by the CPB which estimates the figure is between 50 and 100 thousand euros per immigrant. He compares this with the PVV/Nyver figures for the net contribution of non-western immigrants.

"I put more faith in the CPB computations and think the PVV/Nyver estimates are rather high, though it is impossible to make sound comparisons until the Nyver report is published," he concludes.

With the PVV's move to put figures with such a complex issue, the Netherlands is facing a tough road toward understanding immigration's effects rather than demonising or politicising immigrants themselves.

"[Academic research] is searching after the truth, is important," says Legrain. "With all the caveats that such calculations imply, yes it can be done and should be done - not least because findings that the contribution is positive can help sway skeptics about immigration."



## Next-door neighbours

Last year nearly 30,000 native Dutch citizens left the Netherlands permanently. A report from the CBS reveals that Belgium and Germany are the favoured destinations for Dutch emigrants, attracting nearly 4,500 Dutch settlers each. Southern European countries like France, Portugal and Spain rank among the favoured destinations for those over 50-years-old.

Despite these figures, the emigration of Dutch nationals declined for the third consecutive year. "In times of economic insecurity, potential emigrants prefer stay in the Netherlands or they are forced to postpone their departure, because the poor situation on the housing market makes it difficult for them to sell their houses at short notice," says CBS.

## Less credit from ING in 2010

**AMSTERDAM** | ING bank intends to provide less new credit in the Netherlands in 2010 than it did in 2009, said managers during a press conference on 12 April. The decrease in credit is due to a limited demand for loans. Last year, ING gave over 25 billion euros in credit to Dutch companies and consumers. When asked if the bank would match last year's figures, CEO Nick Jue said, "My basic reaction is no, it will not be as much."

## Ash causes Schiphol losses

**AMSTERDAM** | The Icelandic ash cloud that recently overtook airspace in Europe created a net loss of between 12 and 18 million euros in losses for Schiphol Airport. The most important losses for the airport came from disruptions in take-off, landing and parking rights. The shops at the airport also missed out on a great deal of revenue. Partner airport, Rotterdam The Hague Airport experienced less financial damage during the crisis. According to an airport spokesperson, their operations suffered by several hundred thousand euros.



## Youth unemployment up

**THE HAGUE** | The unemployment rate for Dutch youths is at a worrying level. In January 63,000 youths under 27 registered with the Employment Insurance Bureau (UWV). In the same month last year, this number was 43,000. Secretary of Social Affairs and Employment Piet Hein Donner (CDA) has proclaimed successful results from the Action Plan Youth Unemployment which helped 29,000 youths land a job, internship or learning-working position. The results are reassuring, however Donner acknowledges the problem with youth unemployment is not yet solved.

## Energy usage lower

**THE HAGUE** | The Central Bureau for Statistics (CBS) revealed a decrease in energy consumption over 2009 this April. According to their figures, energy consumption in the Netherlands has dropped by two percent in the past year compared to 2008. However, the fourth quarter of 2009 saw an increase of three percent in comparison to 2008. The overall decrease is due in part to the transport sector which showed a drop in energy usage by more than three percent. In terms of natural gas, a small rise of one percent was recorded, which CBS attributes to an increase in usage by the domestic, agricultural and service sectors.

## Mortgage debate goes on

**AMSTERDAM** | Debate in parliament on whether or not the mortgage interest rate reduction should be abolished is harming the housing market. Compared to the first two months of 2009, this year has shown a downfall in home sales of 11 percent. The discussion over whether or not people will be allowed to reduce their taxes with their mortgage interest rate in the future is seen as one of the root causes of the decrease. The future outlook for home owners is insecure and therefore consumers are hesitating before buying a home.

