



The Labour Market position explains it. Work and benefit take-up by Eastern European labour migrants in the Netherlands

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In the 15 years since the eastward expansion of the European Union, large numbers of workers have travelled from Eastern Europe to work in the Netherlands. Before the borders were opened to workers from Eastern European Member States, there were just under 100,000 people from Eastern Europe working in the Netherlands (Kamerstukken, 2013). By 2017 this figure had risen to 400,000, more than 5% of the total employed workforce in the Netherlands in that year. The numbers also increased during the (credit) crisis in the period 2008-2012. Twice as many migrants come from within the European Union to work in the Netherlands as from outside the EU (CBS, 2019). These figures relate to registered migrants; given that half of migrants from Eastern Europe (CBS, 21018) are not entered in the Dutch population register (Municipal Personal Records Database), even when they stay in the Netherlands for more than three months, the true share of Eastern European labour migrants entering the Netherlands is much larger.

Eastern European labour migrants have now become a significant presence on the Dutch labour market, and parts of the Dutch economy are dependent on them (Heyma, Bisschop & Biesenbeek, 2018). Their importance for employers is also evident from the frequent reports in the Dutch media in which employers express their concern about their ability to recruit staff now that the motivation of Poles to work in the Netherlands appears to be waning as Poland's growing economy begins to push up wages there (Neuteboom, Buijs, Menkveld, Swart & Zandvliet, 2019). A reduction in the number of Eastern European labour migrants wanting to work in the Netherlands would have negative consequences and be 'a serious blow for the Netherlands'.¹

For many Eastern European labour migrants, work is the main reason for moving to the Netherlands, mainly because of the anticipated higher income. It is sometimes suggested that they come to the Netherlands not just for the jobs and wages, but are also attracted by the better employee insurance arrangements: as EU citizens, Eastern Europeans who work in the Netherlands have the same entitlement to unemployment benefits as Dutch employees. The main topic of this thesis is the socio-economic position of Eastern European labour migrants and their take-up of benefits, based on the research question:

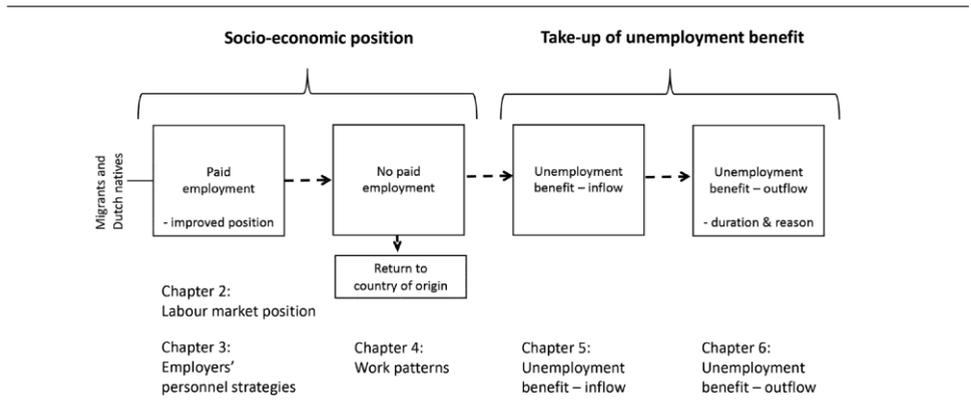
1 *Oost-Europese arbeidsmigrant is onmisbaar* ['Eastern European labour migrants are indispensable']; article in *De Volkskrant* newspaper, 11 June 2018; *Polen blijven thuis door groeiende economie: strop voor Nederland* [Growing economy tempts Poles to stay at home: serious blow for the Netherlands'] *RTLZ*, 19 June 2019 (see also chapter 3).

To what extent does the socio-economic position of Eastern European labour migrants and their take-up of Dutch unemployment benefits differ from that of other migrant groups in the Netherlands and of Dutch employees, and which factors explain this difference?

This thesis is made up of five empirical chapters with political, societal and theoretical relevance, focusing in turn on the position of Eastern European labour migrants on the Dutch labour market and examining whether that position improves as their employment history lengthens (chapter 2) and in periods when there is a squeeze on the labour market (chapter 3); exploring patterns of work (chapter 4); studying take-up of benefits by measuring the numbers moving on to (chapter 5) and off (chapter 6) unemployment benefit. The studies carried out for these chapters shed light on the current take-up of unemployment benefits against the backdrop of concerns about the use of unemployment benefits by Polish labour migrants. The information on working patterns adds a further dimension to the question of housing for Eastern Europeans who are staying (perhaps temporarily) in the Netherlands, an issue which raises concerns particularly at regional and local level. Finally, there is the question of whether the integration of Eastern European labour migrants in Dutch society is working (literally and figuratively) as well as it might. The analyses performed enable this thesis to contribute to the body of knowledge about the socio-economic position of migrants in the Netherlands and their use of social security arrangements. By linking recent databases for the total employee population to unemployment benefit data, and relating the breakdown of those databases by different migrant groups and Dutch employees to existing theories on segmentation, personnel strategies, migration patterns, the welfare magnet hypothesis and job search theory, this thesis contributes to the body of scientific knowledge. That knowledge can in turn provide added nuance and evidence to foster and underpin the public and political debate.

Incorporating socio-economic position as a factor in the take-up of unemployment benefit places the take-up of benefits in a broader perspective. Benefit take-up is not regarded here as an isolated phenomenon, but as the outcome of a process involving a number of steps or phases (figure 1).

Figure 1: Relationship between socio-economic position and take-up of unemployment benefit



The key results and theoretical implications for each chapter are set out in the next section. In the general conclusions section we go a step further by viewing the results in combination.

Summary of research results

Little improvement in position of Eastern European labour migrants

The position of Eastern European labour migrants on the Dutch labour market was examined in chapter 2, which addressed the following question: *What is the position of Eastern European labour migrants on the Dutch labour market, both compared to other migrant groups and to Dutch employees, and to what extent does their labour market position improve as their length of stay in the Netherlands increases?*

The importance of garnering knowledge about labour market position stems from the signal function of a rapid improvement in labour market position as an indicator of successful integration. A weak labour market position may mean poverty, underutilisation of labour potential and greater benefit dependency. Our expectation is that labour migrants who have just arrived in the host country will mostly be in jobs at the lower end of the labour market (Lusis & Bauder, 2010). The literature assumes that the longer labour migrants spend working in the host country, the more their occupational status rises (Chiswick, Lee & Miller, 2005; Parutis, 2014). Parutis (2014) uses three job types to distinguish the ‘employment transitions’ of Eastern European labour migrants.

She posits that labour migrants are initially satisfied with *any job*, after which they seek to improve their labour market position with a *better job*, while some are able to achieve their *dream job*.

The results of cross-sectional research of an integrated database of all employees in the Netherlands confirm the expectation that Eastern European labour migrants start in a disadvantaged position on the Dutch labour market. Even after controlling for background characteristics (age, sex, sector), they earn lower wages than Dutch employees and members of other migrant groups. One possible explanation for the discrepancy in remuneration is that Eastern European labour migrants are paid less for performing the same work, though it is also possible that they are structurally overrepresented in low-paid positions. These two explanations are not mutually exclusive. Eastern European labour migrants are more often in temporary employment and more often in precarious employment, defined as a combination of a lower hourly rate of pay and low job security.

Looking at upward mobility provides a picture of how persistent the disadvantage of Eastern European labour migrants is. Upward mobility was measured by incorporating the employment history of labour migrants in the analysis, taking as a basis the number of years they had spent in paid employment in the Netherlands during the preceding five years. The longer labour migrants from Eastern Europe have spent in the Netherlands, the better their labour market position: their wages are higher than those of starters and of labour migrants with an interrupted employment history. The latter two groups also more often have low job security and are more often in precarious employment. The longer their employment history, the less likely this is. The longer Eastern European labour migrants spend working in the Netherlands, then, the better their position. However, for Eastern European migrants that improvement in labour market position is substantially less pronounced than for other migrant groups. The inequality relative to Dutch employees is thus greater and more persistent for labour migrants from the new European Member States than for other migrants.

The apparently limited success in achieving upward mobility fits in with segmentation theory (Doeringer & Piore, 1971; Lusia & Bauder, 2010), which posits that the labour market is divided into segments and that it is very difficult for someone in the precarious secondary segment to break through to the better jobs in the primary segment. If Eastern European labour migrants do manage to improve their labour market position, they are generally able to do so only within the secondary segment.

This means that, although Parutis' (2014) employment transition theory appears to hold to some degree (Eastern European labour migrants do manage to improve their position), the transition to better-paid and stable jobs appears to be limited: they do manage to achieve a *better job*, but only very rarely their *dream job*. Whilst this does not imply that the low upward mobility is only a problem for Eastern Europeans, it does affect them to a great extent than other migrant groups.

Path-dependency of employers regarding deployment of Eastern European labour migrants

In chapter 3 we addressed the question: *To what extent and in what way do employers in the glasshouse horticulture industry adapt their personnel strategy in times of a tight labour market, and what are the decisive considerations in this process?*

Interviews with employers in the glasshouse horticulture industry, temporary employment agencies and other stakeholders were used to investigate whether employers have plans to adapt their personnel strategy and whether they will devote more attention in the future to the interests of labour migrants if it becomes more difficult to recruit staff from Eastern Europe.

Cost reduction is an important factor for employers in the glasshouse horticulture industry in choosing labour migrants from Eastern Europe and opting to follow a 'low road' personnel strategy. That is a strategy in which the primary focus of the employer is on reducing wage costs, as opposed to a 'high road' strategy where the relationship between employer and employee is characterised by long-term commitment and more attention for the interests of employees (Kalleberg, 2003). The production process in glasshouse horticulture, in which general skills dominate and which Lutz and Sengenberger (1974) describe as a *Jedermanns* (everyman's) labour market segment, may contribute to making a low road strategy possible and appealing. Employers could invest in a high road strategy to encourage employees to stay for longer, or in new technology to make the production process less labour-intensive and less dependent on the availability of workers.

The interviews reveal that employers continue to adhere to a low road personnel strategy even in times of an increasingly tight labour market. They strive for mutual trust (high cost, high trust) by focusing more prominently on being good employers, and work on the assumption that adhering to agreements made will 'put them in a good light' with labour migrants. Employers also seek to resolve the perceived shortage of

Polish labour migrants mainly by casting their recruitment net more widely on the European labour market. They lower the functional requirements for production work, thereby increasing the number of potential workers who are able to meet those requirements.

Employers tend to continue along the path on which they have embarked, pursuing the same personnel strategy for the future as when they have lots of labour migrants, when they have built up a long-term relationship with employment agencies, when the costs of changing to a different production process are high and when Dutch employees show little interest in working in the sector. This creates path dependency (Ruhs & Anderson, 2010).

Little occurrence of circular migration

Chapter 4 focused on an exploratory study of the migration patterns of Eastern European labour migrants and addressed the question: *To what extent are the work patterns of labour migrants from Eastern Europe an indicator of patterns of temporary, circular and settlement migration?*

Recruitment of Eastern European labour migrants is often viewed from a short-term perspective. Employers, (local) authorities and institutions assume that their stay in the Netherlands will be short and temporary and take this as a starting point in their policy and approach. It is argued that the ‘new European migration’ (Favell, 2008) is more diverse and variable than the ‘old’ migration and is characterised by temporary and return migration (Fermin, 2016; Glorius, Grabowska & Kuvik, 2013). As EU citizens, Eastern European labour migrants are able to come and go freely, and are incentivised to do so by the pay differential with Western Europe. Temporary or circular migration would therefore appear to be more common than settlement migration.

We used patterns of work of Eastern European labour migrants to establish a picture of contemporary migration. Almost half the Eastern Europeans in the Netherlands spend all 12 months of the year in paid employment, and almost as many work between seven and 11 months. Only a small proportion, around 10%, spend a short period (between one and six months) working in the Netherlands.

Combining the number of months for which labour migrants receive an earned income with information on whether or not they are entered in the population register sheds light on patterns of work which can be mapped onto migration patterns. By monitoring labour migrants over a period of five years, we were also able to track changes. The majority of Eastern European labour migrants are no longer in waged employment in the Netherlands after five years, and may have left the country.

A third of Eastern Europeans do stay in the Netherlands for an extended period, while a quarter can be regarded as settlement migrants based on their actual migration behaviour.

A circular migration pattern, in which labour migrants repeatedly travel to the Netherlands for short periods, is relatively rare, accounting for around 6% of Eastern European labour migrants. The results add a caveat to the notion of new European migration, which would lead us to expect more labour migrants spending a limited number of months of the year working in the Netherlands and fewer migrants working in the Netherlands for a longer period.

Job characteristics have a very big impact on higher take-up of unemployment benefit

In chapter 5 we investigated the numbers of people moving onto Dutch unemployment benefit (inflow) in order to answer the research question *Do Eastern European labour migrants claim Dutch unemployment benefit more often than Dutch employees, and if so, to what extent can this be explained by differences in personal and job characteristics?*

The large increase in the number of Eastern European migrants on the Dutch labour market has prompted concerns about them claiming Dutch unemployment benefits. The American economist Borjas argues that a more generous social security system could attract migrants, in what he calls a ‘welfare magnet’ hypothesis (Borjas, 1999). Migrants may be subject to negative self-selection, migrating in the expectation that the welfare state in the host country will offer them income protection. Generous benefits then act as a magnet for low-skilled migrants (Nannestad, 2007).

We used a decomposition analysis to study the differences in unemployment benefit claims by migrants and Dutch employees by analysing the register data for all employees in the Netherlands in 2015. The results confirm earlier findings (Barrett & Maître, 2013; Eurofound, 2015; Huijnk, Gijsberts & Dagevos, 2014) that Eastern European labour migrants, like other migrants, make heavier demands on unemployment benefits than Dutch employees: 14.7% versus 5.5% of Dutch employees.

Earlier studies made no allowance for differences in background characteristics. The risk of unemployment was also not included in earlier analyses, which means a potentially important explanation for the higher use of unemployment benefits by (Eastern European) labour migrants is left out of consideration.

Including the risk of unemployment in the analysis sheds light on the effect of migrants' weak labour market position. The findings show that Eastern Europeans are four times more likely to lose their jobs than Dutch employees. This is because they are primarily employed on temporary contracts, are overrepresented in sectors with a high risk of unemployment such as temporary agency work, and are underrepresented in no-risk sectors such as the civil service. Their employment history is also a here; they are often starters on the labour market, and starters are at greater risk of losing their jobs; they do not have a lengthy employment history, and it is precisely those employees who do have a longer employment history who are more likely to retain their jobs.

A relatively high proportion of Eastern European labour migrants are out of work, and, relatively few of this group – and few than unemployed Dutch workers – are claiming unemployment benefit (27.1% versus 35.9%). This is explained largely – though not completely – by their short employment history. It is also possible that they are unaware of their rights. Some of them will also return to their country of origin if they lose their jobs, without applying for unemployment benefit.

Combining the effect of job loss with the effect of receiving unemployment benefit shows the former effect to be more dominant. The total take-up of benefits (number of new unemployment benefit claimants) is higher among Eastern European labour migrants than Dutch employees (14.7% versus 5.5%). This difference of 9.2 percentage points can be attributed largely (almost 90%) to job characteristics. Based on the welfare magnet hypothesis, migrants might be expected to deliberate choose a temporary contract and a sector with a higher risk of job losses and therefore with the potential for claiming unemployment benefit. However, it is mainly employers in specific sectors who choose to take on Eastern European labour migrants and to offer them mainly temporary employment contracts (Berkhout, Bisschop & Volkerink, 2014; Holtslag, Kremer & Schrijvers, 2012; SER, 2014). Moreover, not only is the number of out-of-work Eastern European labour migrants claiming unemployment benefit lower than that for non-working Dutch workers, it is also lower than would be expected given their rate of job loss. These findings do not support the welfare magnet hypothesis, because then we would expect more migrants to be claiming unemployment benefit after losing their jobs. The small unexplained portion of around 10% can be ascribed to variables that were not included in our research model, such as education, discrimination, household composition or illegitimate unemployment benefit claims. To what extent these and other variables contribute to the unexplained portion is not possible to determine.

Eastern European migrants rapidly move off unemployment benefit

The total take-up of unemployment benefits is determined not only by the number of unemployed people claiming benefit, but also by the number of months for which they receive benefit. Chapter 6 addressed the question *To what extent is there a difference between the length of time spent on unemployment benefit and the reason for moving off benefits between Eastern European and Dutch benefits claimants, and which factors explain these differences?*

Job search theory (Mortensen, 1977) posits that the level of unemployment benefit determines the length of time spent claiming it. By including the maximum unemployment benefit entitlement in the analyses alongside the level of benefit, we allow for the fact that the employment history of labour migrants is often shorter.

The unemployment benefits paid to unemployed Eastern Europeans are lower than those paid to unemployed Dutch employees, due to their daily rate being a quarter lower, leading to the expectation that they would resume work more quickly and move off benefits; however, this effect was found to be small. The fact that they stop claiming benefit more quickly than unemployed Dutch workers can be ascribed largely to differences in age and benefit entitlement, the latter primarily due to a shorter accrued employment history. Since most Eastern Europeans have a short employment history, as seen in chapters 2 and 5, 40.6% of them are entitled to no more than three months' unemployment benefit; this applies to only 14.8% of unemployed Dutch workers. Conversely, 59.8% of unemployed Dutch workers are entitled to receive unemployment benefit for more than a year, but this holds for only 18.5% of Eastern Europeans. As a consequence, Eastern European benefit claimants move off unemployment benefit much more rapidly than their Dutch counterparts. If we correct for differences in benefit entitlement, the length of time spent on benefit by Eastern Europeans is almost the same as for Dutch benefits claimants.

Like all other migrant groups, unemployed Eastern Europeans, after correcting for background and other characteristics, find a new job during their period on unemployment benefit less often than unemployed Dutch workers. The available register data do not allow us to determine whether the lower chance of resuming work is due to limited or deferred search intensity, labour market discrimination or a combination of these and/or other factors. The fact that migrants less often receive sanctions than unemployed Dutch workers entailing a curtailment of benefit for behaviour that can be described as 'moral hazard', is an indication that this does not play a dominant role.

General conclusions

The Labour market position explains it

Based on the findings in this thesis, we conclude that Eastern European labour migrants are at a structural disadvantage on the Dutch labour market. More specifically, they are a migrant group who differ from other groups of migrants in terms of their position and their ability to improve that position. The staffing policy of employers appears to contribute to keeping them trapped in a vulnerable position. The analysis in chapter 2 suggests that the same personnel strategy as in the glasshouse horticulture industry is also used in other sectors which employ lots of Eastern European labour migrants. The 'low road' strategy based on an 'everyman's' labour market, in which temporary employment agencies provide a steady (new) supply of Eastern European labour migrants, helps constrain the upward mobility of Eastern European labour migrants who are already present on the Dutch labour market. The fact that Eastern European labour migrants are often dependent on temporary employment agencies for their housing appears to be a complicating factor in the drive for better jobs; accepting a job without the mediation of an agency would for many labour migrants mean the loss of a roof over their heads. The disadvantaged position of Eastern European labour migrants, combined with the finding that a substantial proportion of them seem set to be a permanent fixture on the Dutch labour market now and in the future – through increased demand for Eastern European labour migrants and the path-dependency of employers in employing Eastern European labour migrants on an everyman's labour market – could signify that a new group of employees is emerging based on country of origin with a structurally disadvantaged position on the Dutch labour market. The structural labour market inequality indicates that Eastern European labour migrants are subject to segregation on the labour market relative to other groups of migrants and Dutch employees.

The study of the socio-economic position of Eastern European labour

migrants reveals that for the most part they are in a vulnerable position on the Dutch labour market. This is reflected in the analyses of benefit take-up: they are four times as likely to lose their jobs as Dutch employees. This higher rate of job loss in turn explains why they claim unemployment benefit more often than Dutch employees. Anyone who is concerned about the high take-up of unemployment benefits by Eastern European labour migrants should therefore above all ask the question of how they can be offered better prospects of more stable and better paid work. This is all the more important given that a substantial number of them will remain in the Netherlands for an extended period. There are questions about whether the assumptions of policymakers and employers in relation to Eastern European labour migrants are actually in line with the reality. Employers and local and central government often have a short-term focus, with little in the way of vocational training and low investments in Dutch language training, whereas the long(er) period of residence in the Netherlands by Eastern Europeans would justify a long-term vision aimed at building a long(er) employment relationship and integration in Dutch society.

Given the high risk of job losses, the number of new Eastern Europeans unemployment benefit claimants is lower than might be expected, and also lower than among Dutch employees. Once they start to claim unemployment benefit, they stay on it for a shorter period and receive a lower benefit. The effect of these two factors is to lower the overall consumption of benefits. At the same time, the fact that the number of Eastern European labour migrants moving onto unemployment benefits *from work* is higher than among Dutch employees has a positive effect on the total claim on benefits. The combination of these two effects leads to the conclusion that the total claim on unemployment benefits by Eastern European labour migrants does not differ markedly from that of Dutch employees.

The reason for the shorter period spent on unemployment benefits is not that Eastern European labour migrants find new work again quickly – in fact, they find a new employer less often than unemployed Dutch workers. The chance of resuming work is not so very different for Eastern European benefits claimants from that of their Turkish and Moroccan, non-Western and Western counterparts. These labour and other migrants are less often working through intermediaries when they start claiming unemployment benefit and do not have the ability to ‘export’ their benefit, factors which are alleged to contribute to abuse of benefits. Given the correspondingly low resumption of work in several migrant groups, moral hazard does not appear to offer a dominant

explanation for the lower resumption of work by Eastern European labour migrants. Moral hazard could also manifest itself in the sanctions imposed which lead to the curtailing of unemployment benefit. However, sanctions are imposed on all migrant groups less often than on Dutch workers. It may be that checks on compliance are made more difficult by unscrupulous intermediaries masking the fact that Polish benefit claimants are living in their own country whereas in principle they should be available for the Dutch labour market, but the differences compared with other migrant groups are small and give no cause to assume that the take-up by Eastern European benefit claimants differs from that of other groups and, where it does differ, that this discrepancy is significant.