



Netherlands Labour Authority
Ministry of Social Affairs and Employment

Reflection

the 2021 annual report

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Labour migration: embarrassment of choice does not apply!

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The labour market is in full swing. It's fantastic that unemployment is so low, that there are so many job opportunities for job seekers.

Times have been different. You would almost forget that seven years ago, we still had an ambassador for Youth Unemployment in the Netherlands. And in the 1980s, there were more workers than jobs; periodically, that problem recurred in the decades that followed. Many European countries have had persistent unemployment problems since 'Les Trente Glorieuses'.

Inspectors, investigators, analysts and researchers from the Netherlands Labour Authority work in the daily practice of this expanding labour market. They witness the expansion and maintenance projects of companies, they see the employers' search for personnel, high work pressure in companies, distribution centres and on construction sites, reintegration of benefit claimants, occupational risks in terms of health and safety at work, the usefulness of agency work ('sick and peak', 'step up' to the labour market). They also explicitly note the rogue practices, abuses, and also exploitation.

Labour migration is part of that daily reality. Unfortunately, too often in the same breath with staggering situations. A few examples of practical situations we encounter:

People from other EU countries who work in the Netherlands and have to wait every day to see if they receive a text message to know whether they will work the next day or not. While they were promised steady work. Babylonian construction sites with all the associated risks of miscommunication. Fatal or very serious accidents, high turnover of anonymous agency workers during work with exposure to hazardous substances, having been promised 40 hours, but only able to work 20 hours a week. Working for 40 hours and getting paid for 20. Intimidation by labour subcontractors. Unbalanced power relations with psychological consequences and sexually inappropriate behaviour.

The combination of dependence for work and living (and transport). That combination is problematic. A group of people who, after a long journey from Central Europe, are kicked off the bus in the middle of the night and have to

struggle to find shelter. The employment agency that 'ordered' them doesn't respond. Employers who drop off workers at shelters for the homeless. People who after phase A' of the agency contract are immediately fired, no work, no home. Overcrowding in both residential areas and recreation parks. People who have 'fines' imposed on them by the landlord/employer for absenteeism or damage to the accommodation rented out to them by the employer. Landlords who increase their revenue by converting a property into multiple flats. Tenants who live in small and dirty accommodation without any privacy, because of property being converted into multiple flats. Construction workers working, cooking, eating and sleeping on the construction site.

The legal structure of the employment relationship is almost always a point of attention. People who are kept in phase A of the agency contract for years in a row by moving them from one employment agency to another. So that the phases of the collective agreement that are more expensive for the employer are avoided. On paper, 'self-employed' who in practice, simply call the 'client' 'our boss' and who are employees for all intents and purposes, except on paper. Because the boss even prepares the invoices the 'self-employed' charge to him as a 'client'. So that the employer avoids payments for taxes and premiums and pays less than the statutory minimum wage.

Undesirable. Not in accordance with how we want it to be in the Netherlands. The question of how to prevent and resolve these situations is of great importance to the Netherlands Labour Authority. So that fair, healthy, safe work and social security do not depend on your nationality.

That is why 'directing migration' - as the Netherlands Scientific Council for Government Policy called a collection of essays - is important. This reflection builds on those analyses. The gist of it is:

- The incentives for labour migration to the Netherlands are extremely strong. This is because the labour market is European in an economic sense, the Dutch economy is doing well and is a magnet for new activity, which in turn means demand for labour, and so on; in short, an upward spiral of economic growth.
- Private revenue models stimulate labour migration but pass the burden on to the public.
- These public burdens include the great pressure on the housing market, which means that miserable living conditions are more likely to increase than decrease, and too much pressure on public services, such as too much pressure on the education system. These external effects are not factored into the private business models.
- The work of the Authority will increasingly include investigations into the economic motives for abuses. To check whether enforcement is in proportion to the power of those motives to bring about behavioural change. And if external effects are not factored in, make them visible so they can be integrated as much as possible in government and corporate decisions about economic activities, housing and transport.

¹ The collective agreement for agency workers distinguishes between phases A, B and C. An agency worker starts in phase A. He gradually receives more wages and security in phases A, B and C. Phase A used to be 78 working hours, but in the new collective agreement, this will be 52 weeks. See for instance:

[Collective Agreement for Agency Workers 2021 - 2023 - Federation of Private Employment Agencies \(ABU\)](#).

- Relatively small annual migration balances will also significantly increase the population size in 2050. A larger population increases the existing challenges even more (social, environment, nitrogen, etc.). Because the Netherlands will always want and have to reserve ‘migration space’ for refugees, as underlined with the Ukraine situation, the options available to the Netherlands with regard to labour migration are very limited.
- This observation also means that choices for extensive growth (more capital, more labour) are less obvious than intensive growth (higher capital/labour ratio). In the event of a scarcity on the labour market, adjustments must be made increasingly through extending working hours, in the sense of more part-time jobs, through the activation of unused labour potential and more via the P than the Q: increasing labour productivity by investing more in people.

Starting point

In 2018, the Netherlands Scientific Council for Government Policy named a bundle of essays on this social issue ‘Directing Migration’. Two important contributions were written by Leo Lucassen and Paul Scheffer. They look to the past, present and future.

In his contribution, Lucassen shows that for centuries, there has been a labour market-driven migration mechanism. In short: if the labour market demands a lot, this leads to a lot of migration.

He cites the example of Amsterdam, where almost 40% of the residents in the first quarter of the golden age were born abroad, and Leiden, which around 1600 had a figure of 55%. This ‘super-diversity’ is temporary. Cumulation is followed by decumulation, as Lucassen indicates.

According to Lucassen, three developments in the interwar period changed the primacy of the labour market for the post-war period. Those three developments are:

- First, the emerging nationalism in colonies and decolonisation after WWII. This led to migration by ‘returnees’, a well-chosen inclusive term for migration from the former Dutch East Indies. This was followed by migration as a result of the independence of Suriname.
- Second, the role of the State in covering risks such as unemployment, illness and incapacity for work and the structure of the welfare state. The pattern of coming and going of guest workers increasingly became a pattern of coming and staying, partly due to the welfare state.
- Third, the treatment of refugees that led to the Geneva Convention on Refugees in 1951.

The influence of these three developments on migration has been significant, says Lucassen. At the same time, a lot of effective policy has been applied (rules for follow-up migration, ‘immigration proofing’ of schemes, etc.). This leads him to ‘consider that the three post-war developments that loosened the direct link between

migration and the labour market have considerably slowed down or even stopped altogether’.

In effect, Lucassen is saying that we are returning to a long line in history. And he interprets this positively: “However, it doesn’t seem too bold to state that the labour market principle has started to determine migration movements again to a greater extent and that a high level of labour market-related migration is a favourable sign.”

This image of a return to the long line is powerful. However, it can obstruct your view. Of a development that could equally well be a fourth mechanism: economic integration in Europe.

Paul Scheffer connects migration and globalisation. And shows that this requires order. Because migration that results from order and conscious choices is better. ‘Clear orientation in the field of labour migrants and refugees makes a society more open. It is the idea that people’s movements are eluding control that detracts from society’s willingness to change.’

As an example of a country that has such an orientation, he mentions Canada: ‘The best example is Canada, which has an immigration policy with clear criteria in terms of qualifications and numbers of migrants. For example, the goal for 2017 was: 300,000 newcomers, of which 58% were in the economic category, 28% in the family migration category and 14% were reserved for refugees.’

Population figures and prognoses are important to arrive at such an orientation for the Netherlands as well. Scheffer shows that small annual differences in migration balances over a period of several decades can lead to a large difference (millions of people) in the population size. This approach was supplemented in 2020 and 2021 by scenarios and forecasts that Statistics Netherlands (CBS) and Netherlands Interdisciplinary Demographic Institute (NIDI) have drawn up together, which are explained in more detail below.

But first, economic integration in Europe is discussed as a possible ‘fourth mechanism’, driving migration.

Economic integration in Europe

The dynamics of the European construction are great and cover a large number of areas. From agriculture to space travel, from currency to culture, from consumer protection to nature conservation².

A number of developments are particularly important in relation to migration.

Free movement

Within the European Union (EU), there is free movement of persons and services. The Dutch work and live in various EU Member States.

Conversely, people from other Member States look for and find work in the Netherlands. Linked to these freedoms is citizenship of the European Union. This has given every EU citizen, even those of the largest member states, many more options than when citizenship was limited to the nation state. Options to stay, work and live. And from a historical perspective, that has happened very quickly.

Just consider the following. About 70 years ago, six countries brought together their coal and steel production, semi-finished products for weapons. More than 50 years ago, there was a customs union that broke down mutual tariff walls. 30 years ago, free movement of persons and services. 20 years ago, a common currency. Shortly afterwards, the largest expansion with countries from central and eastern Europe.

Labour mobility higher than expected

Europeans use the options obtained. 17 million work in another EU country. And those are the registered numbers. In addition, there is an unknown, but probably substantial number of people who work abroad for a shorter or longer period of time, of whom it is not registered.

Inspections regularly show people working for whom residence or work is not apparent from the company's records, nor from government records. The started improvement of the registration of non-residents (RNI) and the obligation to register certain seconded workers before they start working in the Netherlands³, are therefore good developments.

In 2004, it was expected that approximately 3% of the population from the East could emigrate to the more western EU countries, i.e. approximately 2 million people. Ten years later, more people from

Poland alone had started working in other EU countries.

In 2004, annual numbers of ten thousand migrants from the new member states to the Netherlands were expected, which over time would logically add up to about 1-2% of the Dutch labour market. Already about 5% of all workers come from the countries that acceded in 2004 or from candidate countries⁴.

Accumulation of risks in groups with a vulnerable labour market position

In 2019, the Inspectorate SZW named mechanisms in 'the State of fair work' that strengthen unfair work⁵. People with a low wage and a flexible contract and low-paid self-employed workers in particular may be faced with underpayment, excessively long working hours, illegal employment and exploitation. This group of workers is large, more than ten percent of all workers in the Netherlands, including substantial groups of workers from other EU countries.

Moreover, they are more often exposed to unsafe and unhealthy working conditions, such as physical strain and hazardous substances. This group of workers also has a greater influx into the Unemployment Insurance Act, social assistance and incapacity for work, as the 'State of Fair Work' showed. There is an accumulation of employment and livelihood risks. The identified mechanisms are still fully applicable.

In 2020, the committee 'Work Regulation' (led by Hans Borstlap) and 'Migrant Worker Protection Task

Force' (led by Emile Roemer) made recommendations that, among other things, aim to reduce or prevent such vulnerabilities. The coalition agreement adopts a large part of the recommendations. This will lead to proposals for amendments to laws and regulations in the near future.

Words matter

The concept of labour migration is neutral. It connects the movement with the motive. The term labour migrant is also relatively neutral, but it does have a number of pitfalls.

First, it can reduce people too much to one aspect. Paul Scheffer quotes a statement that puts it succinctly: "we wanted workers, but we got people".

² Not unimportant in this day and age: defence, too, albeit modestly. There were also more far-reaching plans in the past. In 1952, the treaty for the European Defence Community was concluded. In it, FR, GE, IT, B, NL, L decided to form a joint army. It was not ratified. Although proposed by France, the French parliament voted against ratification in 1954, partly because the death of Stalin lowered the external threat and presented the alternative of including Germany through NATO

³ Pursuant to the Posted Workers in the European Union (Working Conditions) Act (WAGWEU), see www.postedworkers.nl

⁴ See [Memorandum immigratie.doc \(cpb.nl\)](#). An overview of studies showed that the estimated migration flows differed by a factor of 12 (from roughly 0.5 million to more than 6 million). In the long term, the average of the studies was that about 3% of the population could emigrate from the East, 2 million people. For 2005 and 2006, numbers of 5 to 10 thousand migrants and 10 thousand seasonal workers were expected. The migration volume was also expected to halve after 6 years. In 2019, the number of workers from the EU-11 in the Netherlands was approximately 375 thousand and from the candidate countries approximately 100 thousand.

⁵ TK 29544-950.

Related to this, and secondly, is the question of how long someone remains a migrant. The initial motive does not have to be consistent with the motive to stay. Thirdly, it is questionable whether it is appropriate for EU citizens to refer to each other as migrants, as we do not do within the Dutch borders (anymore). Furthermore, there seems to be a class difference in comparison to the term expat.

The pitfalls also have meaning in reality. For example, when talking about 'housing for labour migrants'. There is continuation of distinction based on one aspect of people. The term also seems to be subject to the 'euphemism treadmill' (that sensitive words are replaced with euphemisms). A number of organizations promote the term 'international workers'.

It is also important to be careful with fallacies regarding labour migration. Often heard and read is 'they do the work (we) Dutch people don't want to do'. This argument is usually used as a justification. But that's a fallacy. If the Dutch do not want to do certain work, what does it say about how we view the people who do want to do it? As equals, yes or no? If the Dutch do not want to do certain work because it is dirty, heavy, unhealthy or unsafe, then shouldn't we ask ourselves if such work should be carried out in the Netherlands? And it raises the question of whether the Dutch categorically do not want it, or just not under the conditions offered.

Labour migration as a business model

The accumulation of risks for workers from other EU countries has emerged prominently in the Labour Authority's work, media and research during the pandemic of recent years.

A report from the Labour Authority in early 2021, based on surveys among 380 people from other EU countries, highlights the extent to which the package deals of work, housing and transport are linked to unfair, unsafe and unhealthy working conditions⁶. The package deals strengthen the dependency relationship with employers or employment agencies.

Employers in industries with strong international competition and pressure on prices develop a continuous search for cost advantages. Following a round-table meeting⁷, the Netherlands Labour Authority prepared a report at the end of 2021. Violations found in practice were investigated to determine the cost benefits associated with the structures. This has resulted in a non-exhaustive table of estimated cost benefits showing that the savings - thus at the expense of pay for the labour factor - can be significant. On average, it is about 20-30%⁸.

A crisis sometimes makes visible what is undesirable. For example, the financial crisis in 2008 showed that some financial institutions used business models that entailed financial or moral risks at a social level. This led to the idea that from now on, banks and supervisory bodies should consider the nature of the earnings model more explicitly and explicitly know and manage the associated risks⁹. The COVID crisis has brought into view the earnings model of labour market intermediaries regarding the hiring and lending of people in a similar way.

The earnings model for labour migration is characterised by approaching labour as a bulk commodity. In an economic sense, the earnings model is an arbitration relationship between wage differences in Europe. Those are significant.

In 2016, a report by ABDTOPConsult calculated that the minimum wage in the Netherlands for more than 100 million Europeans is approximately double that in their own country¹⁰. Coupled with an underestimation of how much living and housing cost in the Netherlands ('money illusion'), this creates a major labour potential.

Data from Eurostat (the EU's Statistical Office) shows that in 2022, these differences are still considerable. The relevant chart is included in the appendix. In it, Eurostat compares the minimum wages of January 2022 with 10 years earlier, January 2012.

Eurostat data show convergence. The differences between countries have narrowed in those 10 years. By way of illustration, in the Netherlands the minimum wage for a month's work increased by roughly 200 Euros in that ten-year period, and the same happened in Bulgaria. But in Bulgaria, that was a doubling and therefore an average annual increase of 9% from a much lower wage level in absolute terms. In the Netherlands, it was an annual increase of approximately 2% at a much higher wage level in absolute terms. The differences have narrowed in 10 years, but at the same time remain large: a factor of 8 between the highest and lowest minimum wage in the EU.

Notwithstanding the appeal of these significant wage differences, there are also barriers to working in another EU country. You have to travel to get there, so transportation is a challenge. From your country of origin or once you have arrived in the Netherlands, you have to find work and you need a place to live. You have to manage your commute and find your way around a system you don't know in a language you don't usually speak.

⁶ [Reports on working during the Corona pandemic | Report | Netherlands Labour Authority \(nlarbeidsinspectie.nl\)](#).

⁷ [Round-table meeting: "Employment Agencies" | House of Representatives of the States General](#).

⁸ [Report Inspectorate SZW: cost advantages and labour exploitation | House of Representatives of the States General](#).

⁹ House of Representatives, session year 2009-2010, 31 980, nos. 3-4.

¹⁰ House of Representatives, session year 2016-2017, 34550-XV, no. 14: ABDTOPConsult: working with effect, November 2016.

A gap in the market for intermediaries on the labour market. They jump in and ensure the decision to go is fundamentally changed. They lower these barriers by bringing people who would not make that choice on an individual basis to the Netherlands in groups, by offering transport and housing, by mediating in groups and by offering them as production capacity to employers. Labour as a commodity also means that it is seen as homogeneous and standardised as much as possible. And the ample supply of cheap foreign personnel means employers are not encouraged to innovate business processes or improve working conditions.

Herein lies the apparent contradiction of the free movement of persons in the EU. In principle, this is mainly a right exercised by the individual. Possibly even aimed at higher ideals such as cultural enrichment or self-realisation. At the same time, the revenue model lies in collectivising and striving for scale to reduce costs, which can flatten self-realisation and individuality.

The law attributes individual rights, but these are exercised collectively. In group transport, group mediation, group accommodation and shift work. This mechanism does not stop at the EU borders, however. The Labour Authority increasingly also encounters employees without an EU passport who gain access to the European labour market through secondment constructions from another EU country.

Individual in a fix

This group approach means that individual interests and individual dignity and rights are easily overlooked. And that creates tension with the principles and values in the Netherlands, which are laid down in Dutch laws and regulations.

Anonymised bulk labour is incompatible with the image of man and the division of responsibility between employer and employee in the Working Conditions Act. Nor with human dignity as enshrined in employment conditions legislation and the concern for social security as laid down in the Constitution.

The employer's relationship with employees and the individual employee is emphatically not limited to a contractual exchange of labour and money (wage), but includes more mutual rights and obligations. The Working Conditions Act, for example, contains several provisions on the collective of employees, rights of employee representation, the employer's duty of care, and so on.

The possibilities for the individual employee to a safe and healthy workplace is an important public value that is expressed in these rules. And that's where individuals get in a fix, as the practical situations described at the beginning.

Many of these situations can be resolved by reducing the dependency relationship with the employer or client. By emancipating the individual worker, so she/he has a stronger position in Dutch society. This means, among other things, that in addition to work, a migrant should not also be dependent on an employer for transport and housing. But it's not that simple.

In the densely populated Netherlands, housing is a bottleneck that inspectors regularly witness. For example, if there are joint inspections with municipalities. The housing market is tight, prices are rising, the housing needs of EU citizens who work in one municipality are a spill-over effect that puts pressure on the housing stock in neighbouring municipalities, also just across the national border and regularly in parts of the country further afield.

Property being converted into multiple flats is one of the other answers to scarcity. Sleeping at the work location is another, with all the associated safety risks that lead to eviction. In addition to the effects on the housing market, emancipation also demands a lot from society. For example, there are emphatic effects on education, children of EU citizens from central European countries who have to learn the language and often (only) acquire knowledge of Dutch society through school.

Private benefits, public costs

On balance, the private earnings model for labour migration is characterised by private benefits and public costs. The social challenges and costs associated with migration are not expressed in the cost/benefit assessment of employment agencies/employers. In this sense, they pass on those burdens, not only in the here and now, but also for later generations.

Similarly, decision-making and licensing at the local level do not automatically internalise spill-over effects and negative externalities. The external effects are often not reflected in the price, for example, of land sales for new economic activities.

Labour migration options

CBS and NIDI (2020 and 2021) have looked at previous population forecasts, compared assumptions and realisations and made an exploration of the population in 2050 on the basis of the experiences gained¹¹.

¹¹ In 2020: [Looking at the population in 2050. Busier, more diverse and twice as old | Report | Rijksoverheid.nl](#).

In 2021: [Final report Exploring Population 2050 | Parliamentary paper | Rijksoverheid.nl](#).

Scenarios by Paul Scheffer have also been calculated in this. The core of the studies is that the size and composition of the population in the year 2050 is very sensitive to assumptions about birth rate, longevity, asylum migration and above all, labour migration.

The uncertainties in the assumptions mean that the range for the population size in 2050 will vary from 17.1 to 21.6 million. At 19.3 million, the CBS forecast sits roughly in the middle. The broad range confirms what Scheffer indicated in the WRR bundle, that relatively small differences in the annual migration balance add up considerably over a period of a few decades.

Scheffer's argument is not to see migration as something that happens to us or cannot be influenced, but to implement a deliberate policy. And that targets help to determine thoughts and make choices transparent.

The numerical exercises by CBS, NIDI and Scheffer also do this, they help to get a good feeling for options and choices.

Diffuse signals

As a migrant EU citizen, you have no obligation to integrate. But participating in society is good for yourself and also for those around you. You participate through work, but especially through language. And through culture, which you become a part of by acquiring language. Dutch society sends diffuse signals. Our language is very important for integration. But not for studying at University in the Netherlands. As a temporary worker, not knowing Dutch is logical and not an issue, but as soon as it turns out to be not temporary, the social standard shoots up and poor language skills cripple social position, labour market opportunities and contribution. Learning the language often takes place in a 'utility frame'. Utility thinking whether or not the 'investment pays off'. As a result, the wonder, pleasure, insight, social bonding and challenge that are also associated with language acquisition and education receive little attention.

Options in 2022 are very limited

The publications of CBS and NIDI also explicitly state that 'population developments also have consequences for many other policy areas, such as mobility, climate, energy, agriculture, nitrogen policy, spatial planning, social benefits, pensions and social participation'.

That comment by CBS and NIDI is very topical. The report of the Advisory Board on Nitrogen Problems (Remkes Committee - 2020) '*Not everything is possible everywhere*' and the wording about nitrogen in the current coalition agreement underline that.

In short, the report of the Remkes Committee indicates that it follows from European rules (Habitat) that nitrogen deposition

must be greatly reduced. The method of measuring, registering and compensating for new activities that cause emissions or deposition are in a certain sense still under development. '*Not everything is possible everywhere*' contains an impressive list of recommendations to improve nitrogen accounting and accounting rules, as well as to achieve the halving of nitrogen deposition compared to 2019 levels.

While money/capital has traditionally been a limiting factor (constraint) for expanding economic activity, the report shows that this role is now mainly incumbent on the natural living environment. Because in addition to nitrogen, CO₂, water and other aspects of the living environment are increasingly a limiting factor.

That thought is not new, '*The limits to growth*' by the Club of Rome (1972) already elaborates on this. But the changing scarcity ratio is new. Low interest rates and ample availability of capital, as well as ample labour supply as a result of the private revenue model, make the living environment increasingly the scarcest factor. And, unlike the European rules for budget and debt, the European rules for nitrogen do not provide for a hardship clause and provide no grounds for exception for 'special circumstances' to enable a broader weighing of interests.

As a result, the options for labour migration are logically severely limited. In the short term, because housing that meets the standards is a hard limiting factor. Otherwise, the choice for more migration will lead to increasingly miserable living situations. And in the longer term, the choices are limited because each of the problems facing Dutch society (housing market, inequality, CO₂, nitrogen, etc.) only increases as the population (and thus the size of the economy) increases.

Within the constraints to which we have bound ourselves, there seems to be little choice other than for the Netherlands to take a stabilisation of the population size as an 'orientation'. The only positive thing about this observation is 'embarrassment of choice' about labour migration is superfluous. It also means that investment choices can better focus on growth through an increase in the capital/labour ratio.

From the perspective of the Netherlands Labour Authority, it makes sense for us as the Netherlands, and preferably also in an EU context, to reflect on what sustainable labour and a sustainable labour market entail. Eurostat data shows that taking advantage of the differences in labour costs between EU countries, because of the eventual convergence, can only temporarily provide a business model for employers. We are already seeing a shift in which the proportion of workers from outside the EEA is increasing and moving further and further away. The passing on of external effects stands in the way of thinking about what should be a sustainable and inclusive labour market in the Dutch or European context. There are opportunities for action on two sides: internalising the ecological-social costs of migration, but also creating a beckoning perspective for high-quality, sustainable labour.

Which activities and economic activity can we stimulate in the Netherlands that contribute to those values and which activities actually do not.

For the Netherlands Labour Authority, this means an ambition in the coming years to map out undesirable earning models on the labour market. Based on the idea that Dutch society benefits from a system being created in which the social costs of revenue models be expressed in the incentive structure experienced by employers and employment agencies. We are committing ourselves to this as a labour authority in the Netherlands. And in the context of the European labour market, we do this together with our peers in Europe.

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