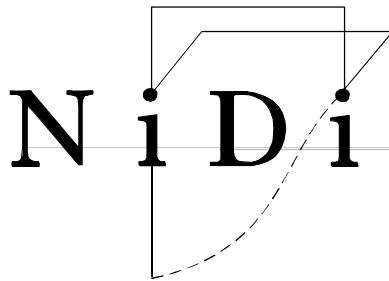




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LABOUR MIGRATION POLICY FOR THE NETHERLANDS

A STUDY ON SKILL IMPORT TO MEET LABOUR DEMAND

by

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Abstract

This thesis analyses the institutional labour market conditions for importing skilled labour to the Netherlands to meet domestic labour demand. However, coordinated market economies like the Netherlands are characterised by creating specific skills through a system that depends on strong social partner cooperation and on complementary institutions, namely social protection and wage bargaining. Employers rely on specific skilled workers who are educated through that skill creating system, also characterised as a 'high skill' equilibrium. That equilibrium can be defined as a self-reinforcing network of institutions that interact to stimulate a high level of specific skills. This thesis examines the feasibility of labour migration to supply skilled workers who are educated in different countries. It also discusses its desirability by questioning whether importing skills undermines the initial system of skill creation. Knowing the conditions for skill import, a deeper analysis of migration control policy is performed with the aim of drawing policy lessons from Denmark, Germany and Switzerland. The method of research is an extensive literature study supplemented by interviews with representatives of employers' associations.

Results of the research indicate that labour demand is difficult to meet by migration as numbers are too high and specific skill level is hard to match with foreign educated skills. The institutions obstruct migrants to become active on the labour market: employers' doubts on qualifications are aggravated by the presence of unionised wage floors and employment protection, which decrease chances of employment at the migrant's skill level. These interlocking institutions seem to prevent the system of skill creation from declining when skills are imported. A combination of demand-driven migration management for specific and supply-driven migration for general academic skills is most suitable for skill import.

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List of abbreviations

ACVZ	- Adviescommissie inzake Vreemdelingenzaken (Advisory Committee for Aliens Affairs)
APL	- Accreditation of Prior Learning
BAMF	- Bundesamt für Migration und Flüchtlinge (German Federal Office for Migration and Refugees)
BBT	- Bundesamt für Berufsbildung und Technologie (Swiss Federal Office for Professional Education and Technology (Switzerland))
BDA	- Bundesvereinigung der Deutschen Arbeitgeberverbände (Confederation of German Employers' Associations)
BFM	- Bundesamt für Migration (Swiss Federal Office for Migration)
CBS	- Centraal Bureau voor de Statistiek (Statistics Netherlands)
CME	- Coordinated Market Economy
CWI	- Centrum voor Werk en Inkomen (Centrum for Work and Income)
DA	- Dansk Arbejdsgiverforening (Confederation of Danish Employers)
DIHK	- Deutscher Industrie- und Handelskammertag (German Chambers of Industry and Commerce)
EEA	- European Economic Area
EES	- European Employment Strategy
EPL	- Employment Protection Legislation
EU	- European Union
EU10	- New European Union Member States since 2004 minus Cyprus and Malta
EU17	- European Union Member States before 2004 plus Cyprus and Malta
HBO	- Hoger Beroepsonderwijs (Higher Professional Education)
IND	- Immigratie- en Naturalisatiedienst (Dutch Immigration Service)
LME	- Liberal Market Economy
MBO	- Middelbaar Beroepsonderwijs (Medium Vocational Education)
MVV	- Machtiging tot Voorlopig Verblijf (Permit for Temporary Stay)
OECD	- Organisation for Economic Cooperation and Development

O&O-fund	- Opleiding- en Ontwikkelingsfonds (Training and Development funds)
RWI	- Raad voor Werk en Inkomen (Council for Work and Income)
SER	- Sociaal Economische Raad (Social Economic Council)
TEC	- Treaty establishing the European Community
TEU	- Treaty on European Union
TCN	- Third-country nationals
VET	- Vocational Education and Training
VVR	- Verblijfsvergunning Regulier (Residence permit)
WAV	- Wet Arbeid Vreemdelingen (Aliens Employment Act)
WRR	- Wetenschappelijk Raad voor Regeringsbeleid (Scientific Council for Government Policy)

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Declaration of authenticity

I hereby declare that this thesis, submitted in partial fulfilment of the requirements for the double degree Master's programme in European Studies, is to the best of my knowledge and belief my own work. All contributions and works of other people have been acknowledged with appropriate use of citations and references. I further confirm that this thesis, in its original and/or similar format, has not previously been submitted to any other institution for any other degree, diploma or qualification.

Bart H. Pegge

The Hague, June 2007

Foreword

“Few other areas are as *complex* as migration” (Liebig, 2002: 4)

The complexity of the topic immigration reveals itself more as trying to unravel that complexity. After two research projects in the area of immigration, my first in New Zealand on Dutch immigrants and now this Master’s research on labour migration policy, I still wonder how many other perspectives can explain the same concept and process. Migration policy usually ends up as a (political) compromise, but is therefore faced with many side-effects that could not be avoided as consequences are only first visible after a certain period. This research discusses an important element of immigration and labour migration in particular. Unfortunately it cannot be viewed as the sole perspective to deal with labour migration and its accompanying policies. I nonetheless hope that this thesis contributes to the existing knowledge on and understanding of migration.

From October to April I was based at the Netherlands Interdisciplinary Demographic Institute (NIDI) in The Hague, which provided me with the facilities to do my research. I am very grateful to NIDI for offering me this opportunity to perform my project as a research trainee. I am thankful to my colleagues at NIDI for the great and open atmosphere that has made my time one to remember. I would like to thank Dr. Harry van Dalen of NIDI for his supervision and for his thorough feedback which kept me sharp on both content and style. I would like to thank my Twente supervisors Dr. Bert de Vroom and Dr. Arco Timmermans for their constructive support and enthusiasm for this research project. I have very much appreciated the open discussions we had during our meetings. Many thanks also to Prof. Dietrich Thränhardt for taking a seat in the graduation committee and providing me with the necessary feedback and references.

I am thankful to the representatives of social partners and government for replying so quickly to my requests for information and interviews. It was interesting to discuss my research with them in different ways. I would like to thank my peers who literally from all over the world provided me with much appreciated recommendations for improvement. Lastly, I would like to thank my parents for their continuous support and for offering me the full scope to develop myself during the past six years at university.

Bart Pegge
The Hague, June 2007

1. Introduction

Developments in society and economy create an increasing pressure on the labour market on both short and long term. An ageing society leads to less workers available, while new economic and technological developments demand more from current workers or may even demand workers who are not yet educated. Using the global labour market as a means to create additional supply is often mentioned as a possibility to overcome problems on the domestic labour market (Castles, 2006; Freeman, 2006). This thesis examines the extent to which labour migration can really meet the demand on the labour market in terms of skill importing. The need for foreign workers to fill gaps on the labour market could be a symptom for a flaw in the national education system which should create the skills that are necessary in a country (de Lange, Verbeek, Cholewinski, & Doomernik, 2002). It therefore can also be questioned whether the necessary skills can be imported from abroad. Firms participate in skill creating systems and need the output of these systems for their market strategies (Culpepper, 2001; Estevez-Abe, Iversen, & Soskice, 2001). Building on varieties of capitalism literature (Hall & Soskice, 2001a), the question whether skills can be imported to satisfy needs can be divided into elements of feasibility and desirability: If firms need skills with country specific elements, how can workers with foreign education be expected to do the work as requested? And when that is feasible, will employers cease their cooperation to create skills and just import it?

Immigration policy can regulate legal flows of citizens from outside European Economic Area. In order to design that policy, the right conditions for an effective use of labour migration should be clear. Effective use of migration presupposes the satisfaction of labour market demand with minimal side-effects for existing institutions like skill creation system. After establishing these conditions, this thesis identifies migration policy that would fit to the established conditions. In order to conclude on possible policy options for the Netherlands, the research subsequently tries to draw lessons from policies that are in place in three other European countries comparable to the Netherlands, namely Denmark, Germany and Switzerland, using the basic elements of that policy making theory (Rose, 1993, 2005). This introductory chapter lays the foundation for the thesis. Therefore it will start with an elaboration on both societal and scientific relevance. In section two the research questions are presented and discussed. After the scope of this research, an overview summarises the content of this thesis.

1.1 Relevance of subject

During the last economic boom many vacancies were difficult to fill; there were shortages of personnel all across the economy, but most notably in the Information Technology and Communication sector. It is expected that new shortages will emerge (van Imhoff & van Wissen, 2001), especially now that after several years of economic downturn, the economy is rising again. Unemployment is slowly decreasing and government and labour market organisations warn for a shortage of workers in the near future, especially in the middle and higher skill segments of the labour market (RWI, 2005; SEOR & ECORYS, 2006). Although ageing is merely seen as a financial problem, it is necessary to look at its impact on the labour force. Lately more attention is given to the need for immigrants¹ to overcome labour shortages (Schenkel, 2007; Stoker, 2007), though most of the news concentrates on the migration flows from new European Union countries from Eastern Europe (van Engelen, 2007). Immigration discussions have leading topics on the failure of older and recent immigrants' integration. With work being mentioned as one of the main means for integration, a study looking at the conditions for institutional suitable migration policy, has societal relevance. When labour migration comes to the table, both politicians and public are reserved, since the Dutch history of immigration has not always been a success story in the past, mainly due to the failure of long-term integration (van Ours & Veenman, 1999; Zorlu & Hartog, 2001). Although experiences from the past may not be forgotten, it is time to look at current situations and concentrate on the present-day and future demand.

This research has been done against the background of two developments. First, in May 2006 a lay-out for a new immigration policy was presented by the Dutch government, proposing simplified regulations for all categories of immigrants (Ministerie van Justitie, 2006). Second, following the proposed policy in September, the government asked the Social Economic Council² to advice on the future of labour migration policy for the Netherlands (Ministerie van Sociale Zaken en Wergelegenheid, 2006a). As a result of relevant societal developments such as economic effects of globalising labour markets, the competition on high-skilled labour migrants, ageing and policy developments at national and European level, the government decided to ask the SER how to proceed with labour migration. It presented its advice on the 16th of March (Sociaal Economische Raad, 2007). This research has focused on a number of issues the SER was

¹ 'Migrants' and 'immigrants' are interchangeable and will be used both in this thesis for describing foreigners moving to the Netherlands for a certain period. 'Emigrant' is used to describe those moving from the Netherlands.

² Sociaal-Economische Raad – abbreviated by SER

entrusted with, which makes that this thesis is of high relevance for society and politics. While the advice of SER aims at policy advice, this research should be seen as an academic supplement.

Multiple studies have discussed immigration systems and policies and their effect on a country. In addition, much research has scrutinised the role of migration for societal problems like ageing. A perspective from the theory of comparative institutional advantage within the varieties of capitalism approach (Hall & Soskice, 2001a) has not been used frequently for these research purposes. Relating the issues of skill creation and labour migration is novel, as well as including the possibility for migration to undermining that system. Some empirical studies have analysed the consequences of labour migration for workers in specific industries (Hunger, 2001), but concentrate more on other forms of migration, namely cross-border services. Through country studies, potential lessons can be drawn on new immigration regulations. Multiple studies use the policy development method of lesson drawing to identify the elements of comparison, but these select their countries of comparison on the basis of their immigration history (de Lange *et al.*, 2002; PricewaterhouseCoopers, 2006), rather than institutional likeness, as this research. This study provides a starting point for other research to look at whether immigration policy is better suited to European or national level. Immigration policy is a policy field that is seen as a domain of the nation state (Avci & McDonald, 2000), which makes a European role controversial. It will therefore be only politically feasible when member states see advantages and possibilities of bringing the immigration policy to a supranational level. Studies concentrating on a European immigration level (Taron, 2006) without recognising the situation and labour market (or institutional) structure in a country may therefore be premature when no preliminary study shows immigration's institutional feasibility (Wynia, 2007).

1.2 Research questions

Before being able to design immigration policy with the objective of regulating the entrance of foreign workers, first it needs to be clear under which conditions migrants result in the most likely chance of satisfying the demand and not becoming inactive on the labour market. With an increase of domestic labour demand, this research ought to look at what this demand really is before being able to identify what kind of immigrants can be connected to that. Within the Netherlands skills are created based on the specific demands from firms. The skill profile, which is the level of general or specific skills that is required in a country, is created not only through the educational system. It is supported by a number of other variables, such as wage bargaining, social protection and influence of social partners. The following chapter will outline this

relationship closer in the theoretical perspective of the models by Hall and Soskice (2001b) and Culpepper (1999; , 2001). When employers need certain country- or industry-specific skills there are limits to the possibility for workers equipped with other skills to enter the labour market and fill up vacancies. It must therefore be researched if migration is a feasible and desirable solution while taking into consideration institutional settings of the Dutch labour market. This leads to the following research question:

To what extent need and can skills be imported through labour migration to meet the medium and high skilled labour demand in the Netherlands and what migration policy is suitable?

This research question takes the labour demand in the Netherlands as a starting point and focuses from that on the possibility of labour migration to solve the demand on the labour market. As the European Union expands its influence also to that of employment policy and immigration, the constraints it imposes on the Dutch labour market and migration policy making will therefore be reviewed shortly in chapter two. For identifying the conditions under which labour migration can be used, this thesis will look at other countries with similar institutional settings, all being coordinated market economies as defined by Hall and Soskice (2001b). These countries (Denmark, Germany and Switzerland) will also be used to draw lessons on possible labour migration policy alternatives.

The research question has been broken down into five sub questions. To understand the labour demand in the Netherlands, the first sub question will concentrate on expectation of short and long term for the labour market by looking at the prospect of both labour supply and demand. For analysing the need for foreign workers, not only the number of future shortages is necessary, also an approximation of the skill levels as this is the essence of this thesis. As shall be defined in the next chapter in more detail, low skilled workers are a different category than medium and high skilled. The question whether (vocational) skills can be imported is less applicable to low or non-skilled workers. Therefore the choice was made to only include medium and high skilled labour demand. The first sub question is:

1. *What demand for medium and high-skilled workers exists in the Netherlands on both short and long term?*

Once it is clear what kind of demand there is on the labour market, which educational levels, which sectors or industry, and whether more on structural or flexible basis, the question arises whether the concept of migration can satisfy additional supply that is needed. The second sub question focuses on that and answers together with the first question *to what extent need skills be imported*. This is the first part of the research question. In order to grasp the process of migration a short introduction to migration literature will be provided. The second sub question is:

2. *To what extent can labour migration meet the demand on the labour market?*

The feasibility and desirability of labour migration as expressed in the research question through *to what extent can skills be imported* will be answered through the third and fourth sub question. Institutions in a market economy are complementary to another and determine the setting of for instance a labour market and skill developments (Hall & Soskice, 2001b). The flexibility of the labour market has influence on the position of immigrants (Angrist & Kugler, 2003; von Weizsäcker, 2006), which in turn might lead to certain flows of migrants that are more able to enter the labour market and move around. From another point of view, necessity for immigration can point to a flaw in institutions. The report of the Advisory Committee on Alien Affairs (ACVZ) on immigration to the Netherlands asks itself in its introducing chapter whether importing of high skilled labour could point to shortages of national educational systems (de Lange *et al.*, 2002: 10). Following the theory on varieties of capitalism (Hall & Soskice, 2001a), the system of skill creation is a very important institution. It is possible that when this skill creating system is not perfect and that labour migration is used to fill the gaps its mismatch has created. In order to identify to what extent labour migration is feasible in the Netherlands, the following question gives answers to that:

3. *How do coordinated market economy institutions facilitate or obstruct labour migration?*

This answers the question on labour market flexibility and the system of skill creation. The Council for Work and Income mentions upgrading of skills or more schooling as a possible solution for labour market shortages (RWI 2006a,b), but will employers invest in schooling when they can attract immigrants from outside? It is therefore very useful to research the influence of immigration on the system of skill creation. Unfortunately, although the report of the ACVZ identifies the risk, it does not include a discussion on the consequences of migration for existing structures in a market economy. The side-effects of importing skills on the skill creation system

will be looked at in particular, since employers are pivots for the system and their contribution could decrease the migration flow. Therefore, this research will answer the following sub question to identify consequences on institutions in a coordinated market economy. This is called the desirability. Sub questions three and four are answered with an additional look at other selected continental European coordinated market economies to analyse their similarity in order to draw valid policy lessons.

4. What are possible foreseeable side-effects of labour migration for the skill creation system?

When the previous four questions have been answered, the conditions under which skills need and can be imported through labour migration can be derived. The second part of the main research question focuses on how these conditions can be framed within migration policy. This thesis explores the different management systems of migration policy without designing a new policy. These systems are known as supply or demand-driven system: the most important alternatives when considering managing migration through policy. This question incorporates the migration policies of other selected coordinated market economies, namely Germany, Switzerland, and Denmark. Looking at other countries is a means for identifying possible suitable immigration policies. The policy theory on lesson drawing (Rose, 1993, 2005) is guiding for this part of the research. The third chapter will go into more detail on the research method of lesson-drawing and the selection of countries. The final sub question is:

5. What are suitable policy alternatives for labour migration in a coordinated market economy?

1.3 Research scope

Although migration policy does not only consist of labour migration, it is not possible to include all elements in this research. Therefore, it is necessary to have a certain scope for ensuring a proper focus of the research, as well as offering fair expectations to readers. As will become clear from the next chapter, labour migration policy can only be designed by the Netherlands for immigrants from countries other than Switzerland and the European Economic Area, which includes the countries of the European Union, Iceland, Liechtenstein and Norway³. Citizens of the European countries can move and settle freely in other member states, which limits the

³ Citizens from these countries, other than the aforementioned, are also known as third-country nationals (TCN).

Netherlands to control the flow of immigrants from those countries⁴ through migration control policy (Meyers, 2000). A second limitation is that only medium and highly skilled labour migration is included. Low skilled labour migration, such as seasonal work, has not been part of the research for two reasons additional to the different skill profile. First, there are doubts whether low skilled migration is favourable to an economy as low skilled workers are relatively more unemployed and use social benefit schemes more often (Roodenburg, Euwals, & ter Rele, 2003). Second, low skilled migrants working in for instance agriculture and horticulture for seasonal work, for the largest part come from European Union countries (CWI, 2007).

The past has learned that immigration is not fully controllable; for one labour migrant coming to the Netherlands, approximately three follow through family reunification or family formation (Ministerie van Sociale Zaken en Werkgelegenheid, 2006c). It would be very interesting to include family migration as well, but it goes beyond the scope of the main problem, the demand of workers, and it will therefore not be included in the main part of the research. Migration with a family motive demands a different approach, but it can nonetheless have a side that can be of interest for the discussion on labour migration. When it seems necessary, this thesis will make a remark on it. Finally, the discussion whether recruiting immigrants from non-Western countries causes brain drain or brain circulation will be left aside. This refers to a different perspective on the issue of migration of which the outcomes are not clear (OECD, 2002). For a recent debate how the Dutch governments should deal with the issue of brain circulation, please refer to the advice of SER on labour migration (Sociaal Economische Raad, 2007).

1.4 Overview

This thesis consists of seven chapters of which the first three are meant for general introduction, theory and research design. After this introducing chapter, the second chapter will look at the legal and institutional context for labour migration to the Netherlands. It will start with embedding the problem in a European framework as the European Union has a multiple impact on the Netherlands and its policy making. After the European focus, the national institutional perspective will be given attention. This forms the theoretical frame of this thesis on the institutional labour market settings in the Netherlands. Subsequently, chapter three explains the research design, focussing on selecting of the chosen countries and gives a clear outline through which methods the research question and its sub questions will be answered.

⁴ To get a better insight at the improvement of intra-migration within the European Union, please refer to a report of the Social Economic Council on this subject (Sociaal Economische Raad, 2001).

Following this chapter, the subsequent chapters will answer the research questions outlined above. Chapter four will describe the upcoming labour demand in more detail and will answer the first sub question. It will also give an insight on migration movements and the barriers that causes people (not) to move. The chapter will outline the demand and supply side of immigration and give a contextual view on migration. It also answers the question whether labour migration is a solution to the demand. The fifth chapter deals with the questions whether skills can be imported to the Netherlands through labour migration and thus deals with its institutional feasibility and desirability. The third and fourth sub questions will be answered in this chapter. A concluding section then answers the first part of the research question. Chapter six will then concentrate on the policy alternatives there are in a coordinated market economy and answer the fifth sub question. In combination with the information from chapters four and five, policy alternatives for the Netherlands as well as policies from other selected countries will give a basis for the final answers given in chapter six. Chapter seven will recapitulate the thesis and answer the main research question to what extent skills need and can be imported to meet labour demand and what migration policy is suitable to facilitate that. It will end with recommendations for further research and implementations of this thesis to the making of a new labour migration policy. In appendix B an overview has been included of current immigration policies and of relevant proposals for new regulations in the Netherlands, Denmark, Germany and Switzerland.

2. Legal and institutional context for labour migration

In order to be able to discuss whether immigration can meet the labour demand, it first needs to be established what context is relevant for this research. There are two relevant contexts: first, the legal context from the European Union. The EU is active in fields of labour market and more recently also migration policy. This determines the scope of the research as well as the discretionary powers for migration policy making. Second, a theoretical institutional framework on the model of skill creation is included, which determines the feasibility and desirability of immigration as a solution for Dutch labour demand. This framework forms the heart of the research. The research design in the next chapter is based this theoretical frame.

2.1 European Union context

Started in 1957 as the European Economic Community, the European Union has grown from an economic profitable internal market for trade to an extensive supranational institution dealing with a large number of policy fields that most of the time can be traced back to the underlying principle of economic cooperation. Its treaties and regulations influence the policy freedom that Member States have, also on the field of immigration. This first section will analyse the European context for the Netherlands when dealing with labour market issues and immigration policy, starting with the European strategies for employment and ending with common policies for immigration policy.

European Employment Strategy

Article 2 of the Treaty on European Union (TEU) states that the Union will “promote economic and social progress and a high level of employment and (...) achieve balanced and sustainable development” and will “maintain and develop the Union as an area of freedom, security and justice, in which the free movement of persons is assured in conjunction with appropriate measures with respect to (...) asylum [and] immigration”. Based on this article and on the article 125 of the Treaty establishing the European Communities (TEC), a council decision was made on guidelines for the employment policies of the Member States establishing a European strategy for full employment and jobs (Council of Ministers, 2003a). Not only has this European Employment Strategy (EES) provided targets on levels of employment, it also states that Member States should address problems with labour shortages and bottlenecks through a range of measures, such as promoting occupational mobility and removing obstacles for geographical mobility, especially for movements on the European labour market (guideline 3). This should be accomplished among

others by decreasing skills mismatch and improving the recognition and transparency of qualifications and competencies. Member States should also take into account the labour market aspects of immigration.

Skills form an important part of EES as it is seen as the main condition for work and the appropriate access of workers to training is an essential element in providing the labour market with both flexibility and security (Council of Ministers, 2003a). In the second section, this will be analysed from a more theoretical perspective. The European Commission has set up an Action Plan on Skills and Mobility which concentrates on objectives to create a more open and easily accessible European labour market. Part of this comes from the goals set by the Lisbon strategy of 2000. Employability and adaptability are important concepts in the Action Plan, as these concepts ensure that workers can adapt to new situation within an economy and on the labour market (European Commission, 2002). This action plan focuses on the improvement of geographical and occupational mobility as that would open up the European labour markets and ensure a proper distribution of skills across Europe. Life-long learning is a concept that has been introduced to continuously keep the work force updated with the latest standards and, if possible, upgrade the level of skills. The changes in work that occur with quick pace demand that workers invest in their personal capacity to “adapt to new ways of working, technologies, sectors and working environments” (European Commission, 2002: 7). In addition, industrial and technological changes implicates that training to employees has to be adjusted to that new demands. According to the European Commission, new types of skill profiles have to be developed to facilitate the changing work so that employees can be trained accordingly. Educational systems need to adapt to the need and demand of the labour market.

The European Commission states that employers only hire workers who match their skill demand. To be able to control the level of skills, it is important to have not only qualifications recognised, but also non-formal and informal learning and experience and on-the-job training (European Commission, 2002). An overarching Action Plan objective to enhance both geographical and occupational mobility is therefore to lower barriers to recognition of learning wherever acquired and to promote the transparency and transferability of qualifications across Europe, part of that by developing voluntary quality standards. To increase the transferability and transparency of acquired skills, the European Union started two processes, the Bologna process for higher education and subsequently the Copenhagen process for vocational education. The Bologna process started harmonising the European higher educational systems to Bachelor and Master

with an equal system of crediting. The Copenhagen process aims at European cooperation in the field of vocational education and training (VET), but no direct harmonisation (Council of Ministers, 2002). Social partners play an important role in this process as they are the ones to develop, validate and recognise vocational qualifications and competences. One of the ways to transfer non-formal and informal skills and experiences is by the Accreditation of Prior Learning (APL). The Copenhagen process has already started the process of equal crediting for vocational education (ECVET) and started the establishment of the European Qualifications Framework, which increases the transparency of education by introducing levels of qualifications. The system of VET will not be harmonised as vocational education is characterised by its diversity and mirrors the needs on the local, regional and national labour markets (European Commission, 2006). By making qualifications more comparable, the EU expects that mobility between countries and occupations will increase.

A different objective of the Action Plan increasing geographical mobility is to develop an EU wide immigration policy. Immigration of third-country nationals will become more important. According to the EU, Member States will be more dependent on the skills and labour of third country nationals and once admitted for work should have rights comparable to EU citizens (European Commission, 2002). That also means that they have the same right to recognition of qualifications. The following part will go deeper into the European Union migration policy.

European Union immigration policy

The OECD makes a distinction between discretionary and non-discretionary migration (OECD, 2006c). In general, non-discretionary migration consists of four types of immigrants⁵: spouses and own children, fiancés and adopted children, recognised asylum seekers or persons in need for protection and persons entering for a long term stay under a free movement regime. These forms of immigration are non-discretionary, because international treaties, such as the United Nation Convention Relating to the Status of Refugees and Protocol Relating to the Status of Refugees signed in respectively 1951 and 1967 frame the refugee policy in general. The same applies to direct family through the Council of Europe's Convention for the Protection of Human Rights and Fundamental Freedoms, which determines the framework for family's rights in article 8 – Right to respect for private and family life (Council of Europe, 1950). This implies that immigration policy may not interfere with the formation or reunification of families. The non-

⁵ As defined in OECD's International Migration Outlook: Sopemi 2006 edition (2006c: 127)

discretionary migration is limited to a certain extent within the treaty. Countries that have signed the treaty are still in control of the strictness of policy and interpretation of the details.

When it concerns economic migrants and their accompanying family, relatives not being members of the immediate family, resettled refugees and other categories specific to a country, for instance on the basis of a Commonwealth, the OECD characterises policies as discretionary, as countries are free to determine the regulations for persons to enter the country. Judicial frameworks and policies of the European Union (and beyond) restrict the Netherlands in designing its immigration policy. The European Union forms an area of free movement of goods, persons, services and capital, established by article 14 TEC with article 39 specifying that “freedom of movement for workers shall be secured within the Community” and is equal to national workers (Council of Ministers, 1968)⁶. Immigration of European Economic Area citizens within the EEA is free for workers, entrepreneurs, businesspersons and investors. Citizens are also free to offer their services throughout the European Union. There are no possibilities for Member States to restrict workers who are citizen of another Member State of the European Union, except in case of public safety or transitional regulations as is the case with the new eastern European Member States. Migration of EEA citizens⁷ and their family is therefore non-discretionary.

Based on article 63 TEC⁸, the European Union⁹ structures the obligations of the Netherlands towards refugees more and works towards a common asylum procedure. Through this procedure, asylum seekers can expect the same procedures throughout the European Union, but Member States can still determine the strictness of the policy. Article 63 TEC also provides the possibility to adopt “conditions of entry and residence, and standards on procedures for the issue by Member States of long-term visas and residence permits, including those for the purpose of family reunion” (article 63.3.a TEC). A European Union broad immigration policy was discussed during the Tampere European Council in 1999. After this meeting, the commission published a

⁶ The free movement of goods, persons, services and capital also applies for EFTA members Iceland, Liechtenstein and Norway, who are, together with the European Union countries part of the European Economic Area (EEA) by an agreement signed in 1992 (European Commission, 2007). After agreement of Switzerland to the Schengen treaty, free movement of persons also applies to Switzerland.

⁷ Including citizens of Switzerland.

⁸ Before the Treaty of Amsterdam, policies in the field of immigration and asylum were part of the intergovernmental third pillar structure of the European Union structure. Through the Treaty of Amsterdam in 1999, immigration and asylum are part of the first pillar, the European Community framework.

⁹ Although most decisions within the EU structure are made within the first pillar, European Communities, this thesis will not differentiate between European Union and European Communities, but just mention EU.

communication on a community immigration policy with a target to come to a framework of common procedures and standards (European Commission, 2000). Regulations on family reunion and long-term residents are the results of these frameworks. The European Union has adopted a directive on the right on family reunification for non-European Union citizens, which makes the close family immigration in essence non-discretionary for family reunification of third country nationals with a residence permit of at least one year. Member States still have the discretion to decide on margin details and on the definition of “close” family (Council of Ministers, 2003b). Also a regulation on long-term residents was adopted, which states that third-country citizens will get a long-term residence status after five years of legal residence in a Member State. Once the status has been obtained, they have the same rights of European Union citizens with regard to free movement of workers (Council of Ministers, 2003c). That again restricts the discretionary powers of the Member States¹⁰. Concluding, the Netherlands have mainly discretionary powers to determine the scope of several immigration policies and are most free to do so with economic immigrants.

In the beginning of 2005, the European Commission launched its green paper on a European Union approach to managing economic immigration (European Commission, 2005a) and more recently the commission issued a policy plan regarding legal migration (European Commission, 2005c). In between, the The Hague Programme was adopted with proposals how to establish an area of freedom, security and justice. Legal migration was one important priority in that focusing on common immigration policy through which legal migration will be put on a European level (European Commission, 2005b). The policy plan initiates four specific directives with which both interests are served of Member States that need more high skilled labour migrants and those searching for season workers, all based upon the so-called demand-driven labour migration policy¹¹. Member states remain in control of the numbers of immigrants that can enter their country. The four directives will aim at common entrance procedure of high skilled labour workers with possibly a “green card” for migrants to work throughout the whole European Union, a common policy approach to season workers, of intra-company workers and of interns (European Commission, 2005a: 7-8). By September 2007, the European Commission decides whether to proceed with the proposed directives.

¹⁰ For a thorough overview of the developments to EU migration policy, please refer to Groenendijk (2005)

¹¹ Please refer to chapter 4 for a more insight into this concept.

Although initiatives have been taken to integrate economic migration on the European Union level, still it is important to find out what policy fits to the demand of the Netherlands. Before integrating policy to a European level, it should be clear if it is in the Netherlands' interest to design a European labour migration policy. If research discusses the use of a common migration policy, a top-down approach is mostly used to see what the European Union as a common market would gain from it (Apap, 2002; Constant & Zimmerman, 2005; Zimmerman, 2005). This way of thinking is very useful to identify the gains of a pan-European migration policy, but its Member States will only transfer power on policy areas to Europe if they feel the necessity. European Union issues are political issues and therefore national interests need to be regarded (Richardson, 2001). When it is clear what policy alternatives are recommended, further research can show the additional value of moving jurisdiction to a European spectrum.

2.2 Migration and market economy institutions

The underlying problem of this research points to the creation of labour supply expressed in skills as it depends on the system how this skill supply is obtained. If the type of skill demand is equal to the skills supplied by the workers on the domestic labour market, there would be no reason for concern. As this is currently not the case in the globalised world, it is interesting to include foreign labour markets as a possibility to obtain additional supply. This section will explain the characteristics of domestic skill creation systems including the underlying variables and show the relevance of the question why importing skills through migration might be more difficult than it seems at first instance. Migration policy can regulate the entrance of foreign workers and it is the objective of every government to get immigrants to be active on the labour market. Migration literature also shows that for labour migration to be effective, underlying socio-economic policies have to be taken into account (Golder & Straubhaar, 2002).

The integration of migrants in the labour market to satisfy the demand depends on the economic situation and on labour market institutions present. In periods of economic downturn especially the workers that do not have the right qualifications have difficulties finding a job. Immigrants are often included in this group. When migration policy is designed to regulate the entrance of foreign workers and the way of selection is not sufficient, there is a high risk that immigrants enter the labour market without having the right 'fit' to it. The condition for that 'fit' can be derived from the institutional setting of the labour market. Looking at the problem at hand, institutions should be identified that can play a role of immigrants on the labour market. As showed in the first chapter and the previous section, skill profiles and labour market flexibility are

important concepts that should be considered when discussing the suitability of migration to meet the labour market demand. Institutions can hinder effective labour migration in two ways: first, for immigrants to get active on the labour market as just outlined and second, for government to design labour market policy as especially social partners will try to influence migration policy (Caviedes, 2005; Golder & Straubhaar, 2002). Therefore, the logic behind the formation of institutions around the skill creating process will be explained following recent literature on comparative institutional advantage (Hall & Soskice, 2001a). This section will analyse the backgrounds of the theory and lay a foundation for answering the research question. Immigration policy determines the possibility for employers to attract workers from abroad, but it is the already existing institutional setting that determines to what extent immigration contributes to the demand of labour (Constant & Zimmerman, 2005; Miller & Neo, 2003). The institutions complementing skill creation also determine the level of flexibility and security on the labour market.

The theory of ‘Varieties of Capitalism’ explains the role of institutions that are complementary to one another in a market economy (Hall & Soskice, 2001b). This concept describes the tendency that the existence of institutions will lead to the establishment of other institutions that depend on each other to function effectively (Jackson & Deeg, 2006). Institutions, defined as “a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons,” (Hall & Soskice, 2001b: 9), are set up in different spheres to support economic relations. Although Hall and Soskice link these spheres to coordination problems with which firms are faced when building relations for producing and developing their goods and services, it can also be detached from the direct influence of firms and used in a broader perspective. The authors distinguish five spheres in which relations need to be build in order to deal with these coordination problems: industrial relations, vocational training and education, corporate governance, inter-firm relations and the firm’s employees (Hall & Soskice, 2001b). As complementary institutions and organisations of market economies emerge, it is possible to identify groups of market economies with a similar pattern of institutional setting.

The authors identify two sets of market economies from this complementary behaviour: liberal and coordinated. Within a liberal market economy (LME) firms “coordinate their activities primarily via hierarchies and competitive market arrangements”, while in a coordinated market economy (CME) firms “depend more heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies” (Hall & Soskice, 2001b:

8). Within coordinated market economies relationships are also built with organisations that facilitate institutions to work properly, such as trade unions and employers' associations. The relationships in coordinated market economy aim at long-term stability, while those in liberal market economies are more short-term oriented. By seeing equal institutional settings throughout different countries, the authors divided OECD countries into different types of market economies. Germany is mentioned as the prime example of a CME, while the United States and the United Kingdom in Europe are a typical LME. The Netherlands are characterised as a CME¹².

Germany as a coordinated market economy is also characterised as a country with a 'high-skill' equilibrium (Culpepper, 1999, 2001). Equilibrium is seen here as a "self-reinforcing network of societal and state institutions which interact to stifle the demand for improvements in skill levels" (Finegold & Soskice, 1988: 22). The pursuit of a high level of vocational skills is seen as a collective goal in coordinated market economies, because the "production market strategies are facilitated by a workforce with particular skill profiles" (Estevez-Abe *et al.*, 2001: 147). This logic can be thought through when thinking of starting up companies: they will design the production process to production factors available. Since businesses start locally, the production market strategy will be adapted to available knowledge and skills on the national labour market. Strategy follows on the structure of a market economy and thereby leads to different firm behaviour across institutional settings (Jackson & Deeg, 2006: 22). Skills can be differentiated between specific and general skills (Becker, 1993 [1964]) with general skills being portable through industries and firms. The portability of specific skills is bound to either firm, industry or occupation (Korpi & Mertens, 2003; Loewenstein & Spletzer, 1999). Industry-specific skills are acquired through apprenticeships and vocational schools and have certificates as proof. They can be used throughout a sector or throughout a certain trade. General skills are recognised by all employers and do not carry a value that is dependent on the type of firm or industry. In coordinated market economies, production market strategies are more likely to depend on specific skills. Although it is easy to talk about skills, it is difficult to define what skills are. On the next pages, skills are defined in a separate scheme.

¹² Other countries categorized in the group of CME are: Japan, Switzerland, Belgium, Sweden, Norway, Denmark, Finland and Austria. Countries that accompany the UK and the US as LME are Australia, New Zealand, Canada and Ireland. Countries with more ambiguous market economies are France, Italy, Spain, Portugal, Greece and Turkey (Hall & Soskice, 2001b: 19-21).

Scheme: Skills conceptualised

Skills defined

In migration literature defining skills is one of the biggest deficiencies when for instance literature discusses high skilled migrants, without describing the concept of 'high skilled'. The concept of skills is not uniform (Iredale, 2001) as it can include formal educational qualifications, informal learning, learning on-the-job or by experience. There are hard and soft skills, with hard being knowledge of profession and soft the social and communicative skills (Williams, 2006). Skills can be defined in broad and strict sense. 'Skills' in a strict sense signifies knowledge gained through formal education, while 'skills' in a broad sense describes level of formal education plus expertise and work experience in a certain field, which have to be translated to an equivalent level of education. In addition, 'talent' is used to define extraordinary skills related to one person, for instance in sports and culture, but also in science.

Much research only discusses high or low skilled workers and tends to forget the intermediate level of workers. Iredale (1999: 90) for instance states that "skilled or highly skilled workers are usually defined as having university degrees or extensive experience in a given field". Although the definition of high-skilled is fairly correct, he uses the concept of 'skilled' randomly. This leads to indistinct conceptualisation of the skill levels of immigrants. In order to solve the definition problem of skills, the following table categorizes skill levels from formal education standards*. At all levels, equivalent levels of experience or non-formal learning should be included. People could for example be very fine carpenters by experience without having formal qualifications for that profession. In that case, a person still can be called medium skilled. The differentiation between general and specific skills becomes less apparent when coming to the area of high skilled workers. Although students at universities are educated in a specific field, more general transferable skills are also part of the education program. The distinction is therefore more relevant for vocational and higher vocational education, where work experience during study is more important for coordinated market economies.

* This division has been made after taking into consideration migration literature read (among others Salt, 1992; Salt, Clarke, & Wanner, 2004) and the division of skill levels for workers on the Dutch labour market, as made by the Council of Work and Income (RWI, 2006b) and the educational levels applicable in the Netherlands based on official standard classifications ISCED (Ministerie van Onderwijs, 2006; OECD, 2006a).

Skills conceptualized from international education standards

Level of skills	Description of education	ISCED level	Equivalent to Dutch system
No/unskilled	Primary level education or less	0 and 1	Primary school
Low	Lower secondary level of education	2	Secondary school VMBO, less than MBO 2
Medium	Upper secondary level of education and post-secondary non-tertiary level, vocational education	3 and 4	Vocational education, MBO 2 to 4
High	Tertiary level of education and advanced research programmes:	5 and 6	Professional education or universities of applied science (HBO) and universities (WO)

The dilemma of the skill creating system becomes clear when discussing the investment in skills. Firms that invest in skills of their workforce expose themselves to poaching behaviour of competing firms when their competitors offer a slightly higher wage to the (just educated) employee (Culpepper, 2001). A company could decide to invest only in firm-specific skills, which are in theory useless outside the firm. Empirical studies however show that most firm-based trainings contain a high level of portable skills (Korpi & Mertens, 2003). Another strategy could be to not invest in these skills as a firm, but let workers themselves invest in their human capital increasing portable skills. This happens more often in liberal market economies (Estevez-Abe *et al.*, 2001; Finegold, 1999). The latter is not an option for companies who base their production market strategies on specific skills. Firm-based training leads to poaching as well. Therefore, the institutional setting of the coordinated market economy regulates the creation of skills through general training schemes. All employers within an industry or occupation contribute to training employees through these schemes, either by offering placements or by reallocating skill investments to companies that train. This is the system that leads to a general high level of skills or ‘high-skill’ equilibrium as defined by Finegold and Soskice (1988) and Culpepper (2001)¹³. When companies in countries with country specific skill creation systems try

¹³ Although Culpepper’s line of arguing is directed at coordinated market economies, Finegold (1999) shows that it is possible to create “high-skill ecosystems” in liberal market economies as the United States. Geographic clusters of firms create a sub system within larger low-skilled economies; Silicon Valley is a perfect example of that. In those clusters, it is necessary to have a catalyst that initiates, fuel or nourishment to sustain the growth like human and financial capital and a supportive host environment with infrastructure, climate attractive to knowledge workers and regime that support risk-taking. In addition, a high degree of interdependence is necessary to make sure that firms need to rely on each other for their own success (Finegold, 1999: 66-70). This shows that both systems are not mutually exclusive. The line of

to attract immigrants that do not have such ‘high-skill’ equilibrium, it is possible that these immigrants do not match the skill level that is required for the job.

Social partners, and especially employers’ associations, play a crucial role in a CME’s skill creation system. Individual firms are responsible for providing the necessary training to create skills and knowledge and therefore employers are united in the creation of skills as a group to educate young people through apprenticeships and dual learning tracks (Crouch *et al.*, 1999: 7). Employers’ associations are the best platform to coordinate and monitor these activities. Additionally, trade unions are actively engaged in the certification design as it is in the employee’s interest to have certified skills to be able to transfer them to other companies (Culpepper, 1999). Employers’ associations create a platform for individual firms to invest in the skill creating system by providing sector information, giving a forum for deliberation and being able to monitor and softly sanction companies that do not participate in the training process as was agreed upon (Culpepper, 1999). The influence of employers’ associations determines the feasibility of the vocational education system (Culpepper, 2001). This platform is not only used for vocational education and training, but for many more topics. Since firms depend heavily on the cooperation between each other on multiple issues, for instance on research and development collaboration, the inter-firm relations are strong (Hall & Soskice, 2001b). As a large number of employers participate in those educational systems and wages are relatively stable, there is less chance for firms to poach employees and thus show free-rider behaviour (Crouch *et al.*, 1999; Culpepper, 1999). This leads to the preservation of a stable and continuing system of vocational education and training.

There is a continuous interaction between a country’s skill profile (i.e. the level of specificity skills of workers mostly have) and the product market strategies of firms (Estevez-Abe *et al.*, 2001), which calls for creating a stable institutional framework to support that interaction. Wage bargaining has emerged from a necessity to recompense workers equally either on firm, industrial or national level. Wages are more likely to be bargained at a higher level in coordinated market economies as the system of (specific) skill creation can only be upheld when it is safe for employers to invest in their workers without the risk of poaching. By setting wages at a coordinated level, these risks diminish (Estevez-Abe, Iversen, & Soskice, 1999). When research is done on skill profile, the level of wage bargaining coordination is one element that should be

reasoning of Culpepper (1999) and Crouch *et.al.*(1999) is not undermined by this observation, since the larger part of the market economy’s institutional setting still shows the bigger picture.

taken into account. Other important factors for wage bargaining are the level of centralisation and the union coverage (OECD, 2004b). Next chapter shows how these are used in the research design. The influence of this variable is taken into account for the integration of migrants on the labour market.

An additional institutional setting that determines the level of skills investment are social protection regulations. A high level of employment protection leads to higher security of staying in a firm and therefore workers will be prepared to invest in more firm-specific skills. If high unemployment protection is present in a welfare state, the likeliness for workers to invest in industry-specific skills increases, as they have more security to find a job that fits to their occupation and not need to accept every job that is offered to them. When neither employment nor unemployment protection is provided, people will invest in portable, general skills, since that will increase their chances on the labour market. These workers will be able to change jobs more easily than workers with specific skills. Coordinated market economies have a relatively high employment and unemployment protection. This research focuses on these elements as it offers an insight of the flexibility and security of a labour market. This can be of much influence to the position of immigrants in a labour market. Comparing information between countries on these variables makes it possible to look at the flexibility and security level of those labour markets and when comparing this to (un)employment levels of immigrants in these countries, can show the interaction and thus possible factors that obstruct or facilitate migration.

This chapter has outlined the role of the European Union on their labour market policy, while concentrating on their position of skill creation. The European Employment Strategy plays an important part in this by promoting employability and calling for an EU wide immigration policy. That policy still leaves its Member States much discretion in economic migration, but tries to increase the scope of its migration regulations. Due to the internal market, the Netherlands cannot design policies on immigration for citizens coming from EU countries. It has been explained that countries characterised as coordinated market economies have a ‘specific skill’ profile with a ‘high-skill’ equilibrium. This is supported by complementary institutions, namely social protection, wage bargaining and social partners. It is important to consider how this skill profile influences migration and potentially how migration influences the skill creating system. The following chapter will show how the research question and its underlying sub questions will be answered from a methodological perspective. Concepts outlined here will form the basis of this elaboration.

3. Research design

This methodology chapter outlines the research methods used for the research that has lead to the answers on the research questions. First section discusses what methods are needed, why and what can be used as research method. This will be done per sub question followed by an explanation on the method of lesson drawing, which is used to discuss policy alternatives for labour migration regulation. This method is derived from policy theory and it has been included in this chapter as it plays only a role in obtaining information, not as underlying theoretical framework. The subsequent section will discuss the selection of countries for comparing and lesson drawing. The fourth section gives a short overview on the different collection techniques that have been used to answer the questions. This research is characterised by a mixture of empirical and theoretical foundations to answer the questions lying at hand.

3.1 Research methods

This section describes the methods used in this research to answer the sub questions and thus the main research question *to what extent need and can skills be imported through labour migration to meet the medium and high skilled labour demand in the Netherlands and what migration policy is suitable?* In order to answer this question, information is needed on all elements of this research question including labour demand in the Netherlands, how migration is used by employers as a way to deal with problems, the institutional context of the skill profile in coordinated market economies and finally, information on immigrants currently in a country and active on the labour market. If information is available on the level of education at entrance and their position on the labour market, it is possible to identify patterns in relation to the skill profile of a country. Unfortunately, both immigration services and national statistics agencies have difficulty in providing this type of information. It is not easy to retrieve this information as immigration services do not collect data on education level at entrance and for population in general it is not (yet) possible to identify where foreigners hold their active positions on the labour market. Neither in the Netherlands nor in the selected countries was data available on the education level of immigrants at entrance. The general statistics that are retrieved can only be used for indication as these data contain migrant cohorts of several generations. Due to over time shifts in immigration policy, changing economic conditions in both host and source country or the selective out-migration of immigrants in the host country, changes occur between cohorts (Böcker & Thränhardt, 2003; Borjas, 2000; Koopmans, 2003). This limits the ability to use sound general statistics, as for instance an overview of the unemployment level of foreigners includes

those that have arrived in different situations. Secondary sources are therefore very important which have been used through extensive literature study.

The first sub question on *what demand exists for medium and high-skilled workers in the Netherlands on both the short and long term* is a more quantitative question on the demand side of the labour market. The demand for workers and its specific skill requirements depend on the economic situation and development. Whether a shortage of workers will emerge is subject to the amount of workers available on the labour market and whether these workers are educated according to demand. It is therefore relevant to include a demographic perspective on the supply of labour as ageing becomes an important problem to deal with in the future (Freeman, 2006). Both a quantitative and qualitative analysis on the expected demand on short and long term are needed for a good overview on the amount of workers needed and their specific skill characteristics. Studies from research groups and labour market institutions like the Centre for Work and Income (CWI) and the Council for Work and Income (RWI) will be used to project this demand. Long term projections will be less concrete, as projections are made on a time span of approximately five years. In addition, analyses from both European Union and Dutch government are used to outline the projection. Also projections of individual sectors have been collected to give supplementary information how the Dutch labour market demand develops.

The demand for workers will be differentiated to skill levels and sectors and industries. In the theoretical debate between general and specific skills, it is specific skills that get most emphasis in skill creation systems. The feasibility and desirability of importing these specific skills is therefore most questionable. If it is possible to identify the sort of skills needed, the problem becomes more visible. Furthermore, the analysis will include whether the demand is of more structural or temporary nature which is relevant to identify the necessary scope of migration policy alternatives. The second question *to what extent can labour migration meet the demand on the labour market* shall be looked at from the perspective what role labour migration can play within the solution of anticipated demands. Much literature has been written on this side of the solution. It is relevant to analyse the position of employers in this as they are the ones who have to deal with shortages in first instance. Literature supplemented by interviews with representatives of employers' associations is used to answer this question. An insight is also obtained through this on the possibility for foreign workers to be able to offer the skills that are demanded for by firms.

Chapter 2 has outlined the importance of institutions when looking at immigration to a labour market and it has identified those institutions that should be considered when trying to grasp the facilitating or hindering role of these institutions for an effective use of labour migration. The skill creation system is supported by social protection and wage bargaining. As the third research question looks *how these coordinated market economy institutions facilitate or obstruct labour migration*, which implies a way these variables relate to the outcome of (labour) migrants on the labour market. Literature initially provides the answers to what extent these institutions interact with labour migration. Country specific institutional settings will be described as well to analyse the similarity of the selected countries with the Netherlands. This is necessary for the method of policy lesson drawing. This ensures that the analysis on this question can be widened to coordinated market economies in general and not just the Netherlands. In order to draw valid lessons from selected countries, other countries are also included in this analyse to give a comparable overview on the differences, but foremost the similarity in institutional settings. Comparable OECD information and data is used.

Wage bargaining will be compared at the level of centralisation and coordination of bargaining (from national central to firm level respectively from fragmented to coordinated bargaining) (OECD, 2004b), as well as the organisational level of trade unions measured through membership data and coverage of collective agreements. Social protection is divided into employment protection and unemployment protection, with the first being measured through the index of employment protection legislation (EPL) and the latter with the unemployment benefit level. The effect of EPL on the unemployment level of foreigners in a country will be visualised. The institutional setting around skill profiles will be described and the outcomes of national educational systems are compared, looking at the educational level of nationals. Through this the skill profile can be partly identified. Unfortunately, it is very difficult to operationalise the concept of specific and general skills as very detailed information is necessary which would result in a new research project. In addition, the level of education of immigrants in a country will be outlined to see if countries with different settings in their institutional settings also have differences on skill level of migrants. To the question *what are possible foreseeable side-effects of labour migration for the skill creation system* academic literature describes the risk. As the system of skill creation is the starting point on the institutional settings for migration, this will be the main issue considered here. The risk as outlined before is the choice of individual employers to by-pass educational investments by only attracting available skilled workers from the domestic or international labour market. The participation of employers in the (vocational) skill creation

system, measured by available apprenticeship positions could indicate a decline in the involvement of employers. In addition, the expectations of employers themselves are taken into account through interviews with employers' associations. This is a suitable level as the associations determine the educational policy of the industry and have an overview of the sector. Experiences from the selected countries should try to help identifying the risk of such side-effects.

To answer the final sub question *what are suitable policy alternatives for labour migration in a coordinated market economy*, the study analyses theoretical alternatives for immigration policy and empirical collection of policies and regulations from selected countries and their experiences with that policy. Academic literature, country studies and benchmarking reports of the OECD show different policy alternatives for labour migration. Next chapter will describe migration processes and general categories of policy. The results to what extent migration is a feasibility and desirable solution in a coordinated market economy determine the framework for this question. Policy alternatives are laid next to the constraints of institutional settings. In addition to the more theoretical argument, policy lessons will be drawn from selected countries with similar institutional settings following the lesson-drawing concept of Rose (1993; , 2005). Policies implemented in other countries can provide interesting lessons for own migration policy. Before it is possible to make statements on the suitability, first policies need be evaluated. To evaluate these policies, mostly secondary sources are used, as it is again very difficult to find reliable data on the outcome of immigration policy. When the effects of migration in a certain country are scrutinised, it is often not only the immigration policy itself that influences the effective labour market integration, but also elements such as discrimination and migration history play a certain role. Since this study researches the institutional setting in connection with labour migration, it has to rely on other research for the effect of immigration policy. In order to understand the concept of lesson-drawing, some elements of this theory are included in the next sections.

3.2 Lesson drawing

Governments look for lessons to other governments with the objective to transfer good working policies and implement them into their own settings. This supports the research by providing good and fresh insights to setting up policies with which they themselves have no experiences yet (Rose, 2005) and by looking "for guidance in designing better policies" (Heidenheimer, Heclo, & Teich Adams, 1990: 1). Rose defines a lesson as "a program for action based on a program or programs undertaken in another city, state, or nation, or by the same organisation in its own past"

(1993: 21). In this research, countries offer the best level of comparison, since national level is yet decisive when it comes to immigration policy. When transferring policies, differences in institutional settings determine whether a program can be easily copied, need to be adapted or even only serve as selective imitation (Rose, 2005: 81). In addition, a prospective evaluation should be made to see how well a program would work in the future in a different country. By looking at the question whether immigration might be a feasible and desirable solution for labour demands, this prospective evaluation is already partially made. Whether policy lessons can be drawn depends on both the technical practicability and the political desirability. This research will not deal with the political, but with the technical, institutional desirability. The second part of the main question on policy alternatives will be answered also by looking at examples of policies in practice. The practicability (or feasibility) of these policies depends on the Dutch labour demand, compared to rationale of immigration policy in the selected countries and the specific institutional setting in the Netherlands. Before implementing a policy from another country, it is good to know if the policy goals are achieved by means of this policy. Unfortunately, this is very difficult to assess, as many countries have just implemented or are implementing new policies of which the results should become clear in the next couple of years. The desirability of a policy to be adapted to the Dutch situation will depend on the expected consequences on the desirability question for the solution, as well as the position of social partners as policy actors in the field of migration.

In order to conclude on suitable alternatives for labour migration policy, policies or policy initiatives must be viewed with regard to both the desirability and practicability, otherwise there is much risk for policy failure (Dolowitz & March, 2000: 17). The authors warn for three kinds of transfer failures: uninformed, incomplete and inappropriate transfers. Uninformed transfers are likely to occur when too little information is obtained on the policies, policy outcomes and institutions from countries. This kind of failure is most likely to be confronted with as migration policies are hardly evaluated and not enough data is available to analyse the impact of those policies. In several countries, a new law has been adopted which limits the possibilities to draw lessons from the practical side. When policies are implemented without the crucial elements that made the policy a success, the authors call it incomplete transfer through which the policy is likely to fail. Differences in institutional contexts within countries can lead to this kind of failures, especially when no new elements are inserted to replace them (Rose, 2005). That is also why institutions and their connection with the policies are analysed. The third factor for failure is the inappropriate transfer when differences in economic, social, political or ideological context are

not taken into account at time of deciding to transfer policies. To limit these failures a proper selection of the countries of comparison must be made.

3.3 Countries of comparison

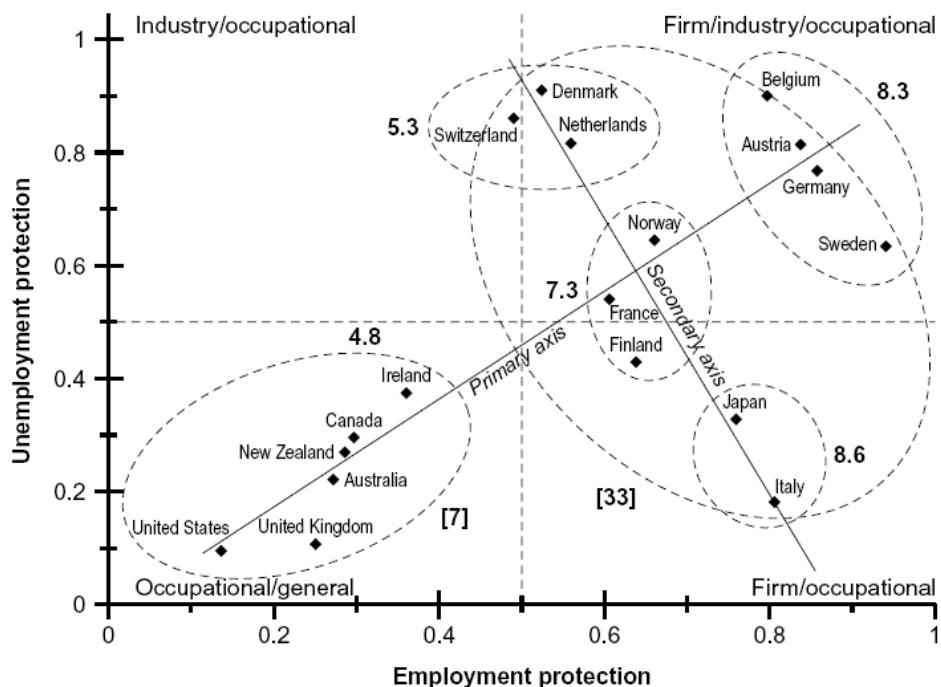
To have an effective analysis, cross-national similarities are the best starting point to use the method of lesson-drawing (Heidenheimer *et al.*, 1990). In case of immigration, especially developed and industrialised countries in the world are faced with the need of skills and knowledge from outside their country. Therefore, countries that are member of the Organisation for Economic Cooperation and Development (OECD) are good starting point. As this research focuses on the institutional settings that influence the feasibility of immigration and departing from those propositions to the policy implications, it seems reasonable to include only countries that have equal institutional settings. For this research, the countries that will be included for lesson-drawing are all coordinated market economies. The importance on skill profiles and the complementary institutions make it a sound step to look at rather similar countries.

As the Netherlands is considered to be a coordinated market economy, the most typical CME Germany will be one of the countries for comparison. The type of social protection and the skill profiles derived from the CME characteristic shows groups of countries that are alike in their institutional setting. In figure 1 next page, the position of OECD countries becomes clear when taking social protection with index of employment protection on the horizontal axis and unemployment protection on the vertical axis. Although this analysis has been performed in 2001 and changes have been made in legislation, the overall picture is rather equal. The authors measured the unemployment and employment protection within a country by making an index with 0 being no (un)employment protection and 1 full protection¹⁴. Figure 1 below shows how the authors have classified different OECD countries to specific skill profiles. Along the diagonal primary axis the differentiation between weak and strong (un)employment protection is made corresponding with more general and specific skills. The Anglo-Saxon countries and Ireland are located on the one side of liberal market economies, with the continental European countries on the other side as coordinated market economies. The secondary axis divides the coordinated market economies between countries with a greater emphasis on employment protection and therefore more firm-specific skill structures and countries with a better unemployment protection with industry-specific skill profile. The Netherlands is placed within the quadrant of firm-

¹⁴ Please refer to Estevez-Abe *et al.* (2001) tables 2, 3,4 and 5 for specific details

/occupational-/industry-specific skills, but tends more to industry- and occupational specific, at the outer end of the secondary axis (Estevez-Abe *et al.*, 2001: 173).

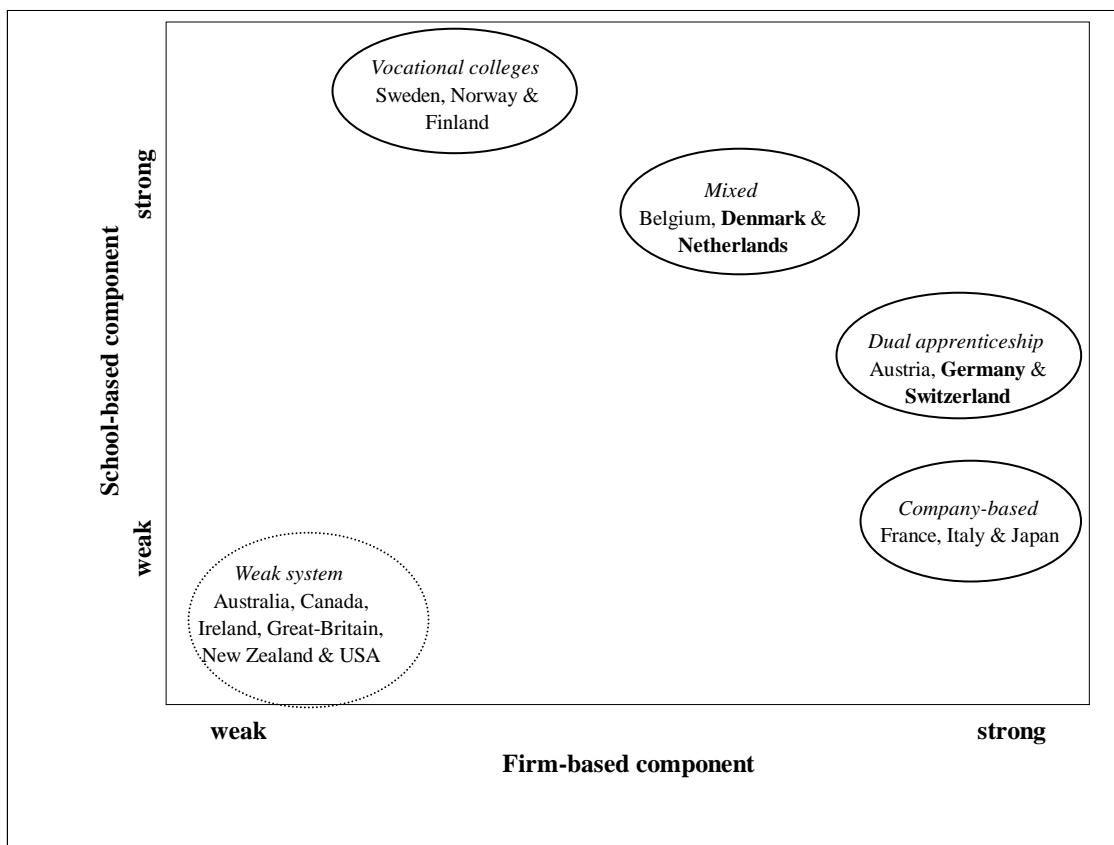
Figure 1: Social protection and skill profiles



Note: this graph has been taken from Estevez-Abe, Iversen and Soskice (2001: 173) who based this figure on calculations on employment protection (horizontal axis), unemployment protection (vertical axis), average tenure rates (bolded numbers per grouping) and percentage of an age cohort going through a vocational training (bracketed numbers).

Dealing with the skill creation system, the systems of vocational education and training (VET) level are compared and schematically laid down below in figure 2. From all countries, the countries with a liberal market economy have a weak vocational training system and are not specifically differentiated to components. These components show the level of educational venue: firm-based means spending most time in firms, while school-based is mostly college education. None of the educational programmes are completely based on one component. A system of dual apprenticeship characterises Germany, Austria and Switzerland, a system of vocational colleges defines the vocational training in Sweden, Norway and Finland and there is foremost company-based training in France, Italy and Japan. Belgium, Denmark and the Netherlands have a mixed system of dual apprenticeships and vocational colleges and are therefore situated in the middle of both systems (Estevez-Abe *et al.*, 2001).

Figure 2: Systems of vocational education



This schematic division of vocational education systems is based on section 4.4.2 of Estevez-Abe et al. (2001: 169-172).

From these groupings, the selection of countries for comparison is made. To draw lessons from other countries, it seems justified to derive that selection from characterisation on skill creation system. In this research where a need for skills determines the need of a country, the selection should be made on corresponding skill profiles, especially since that characterisation is based on the institutions of social protection. In addition to Germany, therefore also Denmark and Switzerland are selected. Denmark has entered the selection due to its similarities with the Netherlands in institutional settings around social protection and the equal system of vocational education. The economic structure of both countries with their open economies and many small businesses is also similar. Switzerland has also been selected, because of its similarity with Germany in an VET institutional sense and to the Netherlands on the system of social protection, but also due to its distinct history on immigration. Since Switzerland is not part of the European Union, different rules apply on the accession of labour migrants. This country can therefore show how institutional settings respond to large entrance of labour migrants.

Previous research has focused on more traditional immigration countries, especially the United States, Canada and Australia. Also Great Britain got many attention of researchers (de Lange *et al.*, 2002; PricewaterhouseCoopers, 2006). Less researched are continental European comparisons, except when described in a nutshell (Constant & Zimmerman, 2005). Not only will this study give new insights for policy makers, also it will contribute to the range of academic literature already available.

3.4 Data collection techniques

For the institutional settings within the selected countries, including the Netherlands, a literature study on secondary sources as well as primary should give answers to the system. The EU constraints on the policy as described in the previous chapter, has been based on primary sources: treaties, regulations from the Council of Ministers and initiatives, policy plans and communications from the European Commission. National policy settings on immigration law will be collected through primary governmental sources, such as regulations and websites. In addition, secondary literature gives good insights in the policy process and rationale of labour migration policy. Both documents from government and academic literature will give indications as to whether and why a policy is effective. Statistical data presented in this thesis has been collected from statistical offices, labour market bureaus and immigration services as well as from secondary resources.

Finally, to get good insights of the role of employers, semi-structured interviews are designed with key actors from employers' associations at both national and industry level in the Netherlands as well as in Germany, Denmark and Switzerland. This study has strived for contacting representatives from industrial employers' associations of metal industry, chemical industry, information technology and the construction industry, as these are different industries with various labour demands and interests. Public sector has not been included, as it has become clear that migration to this sector is very difficult due to lack of migrant's language proficiency and country specific communication (Ministerie van Binnenlandse Zaken en Koninkrijksrelatie, 2006). Higher education and health care sector might have been exceptions to that. However, employers' associations at health care level are much dispersed and it would be better suited to include these employers' associations in a separate case study, following the results of this research. The interviews were intended to get information on the way employers deal with labour shortages and the role migration can have. Also the representative's view on the risk for migration substituting employers' role in skill creation has been included in the interviews. In

appendix B the questions that formed basis of the interviews has been added. Additionally, also several discussions with held with actors in the field. These discussions were off-the-record. The interviews and discussion worked as feedback mechanism on the researcher's ideas and to get indication for different migration policy alternatives as viewed by the respondents. Together with the recently published SER report on immigration (Sociaal Economische Raad, 2007), these interviews have helped to get insight in the skill creation system in practice and to structure information on the policy side of the research and to get better insights in the discussions of labour migration in the Netherlands. Unfortunately, the non-response to the requested interviews was fairly high in Denmark and Germany.

4. Necessity of labour migration

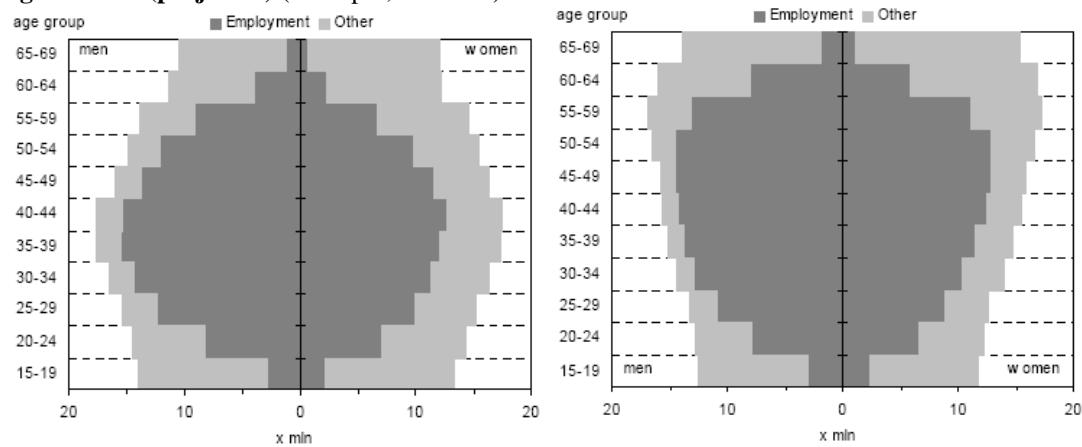
The necessity of skill import through labour migration is determined by the development of labour demand in the Netherlands and the role that labour migration has in satisfying this demand. This chapter will examine the current and future labour demand on the Dutch labour market in the first section and the issue whether supply of foreign labour can solve domestic shortages in the following section. The third section concentrates on international migration to the Netherlands. This chapter answers the sub questions *what demand for medium and high-skilled workers exists in the Netherlands on both short- and long-term and to what extent can labour migration meet the demand on the labour market?*

4.1 Demand on the Dutch labour market

Demand on the labour market depends much on economic development and on the costs of labour, while supply is determined by the number of workers available at the labour market. This is influenced by population composition and the skill level the working population possesses. Shortages on the labour market are created when demand is higher than supply. An increasing demand for labour is caused by two sorts of demand in addition to the regular processes of the labour market: replacement and expansion demand (ROA, 2005; RWI, 2004, 2005). Expansion demand is caused by new economic developments and the accompanying skill biased technology change, while replacement demand can be characterised as the process of workers leaving jobs due to pension or personal upskilling. Especially (early) retirement can form a challenge for the labour market, which makes it worth looking at the process of ageing.

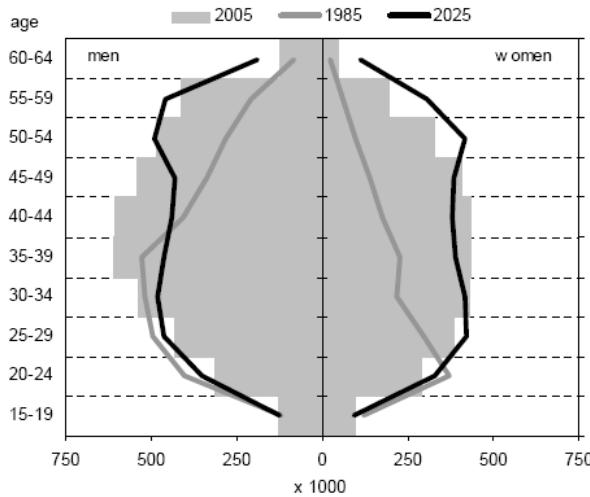
Ageing results from a distorted composition of population with significant different composition of older generation compared to younger generations. Currently, the situation leads to a retiring baby boom generation with early retirement schemes accelerating the process of workers leaving labour market (Ekamper, 2006). The problem is very well identifiable in figure 3. This figure shows that within the European population the biggest age cohort slowly moves up to older age groups, transforming the figure to the shape of a cup. In 2025, the projection is that the largest group of workers comes from the age cohorts 45-49 and 50-54. Less young people are added leading to a shortage of workers.

Figure 3: Population of the European Union, by sex, age and labour status. Left is 2005 (observed), right is 2025 (projected) (Ekamper, 2006: 42).



The ageing problems in other European countries are expected to be bigger compared to the Netherlands, but still it is strongly visible in the Netherlands (Lisiankova & Wright, 2005; van Gessel, Groot, & Weistra, 2006). Figure 4 shows the expectation of Dutch working population. It is well identifiable that the workers in 2025 will be more equally divided across age cohorts, with more in the higher age cohorts, while in 1985 the majority of workers was formed by younger age cohorts.

Figure 4: The Netherlands: population in employment by age and sex (Ekamper, 2006: 47)



This ageing problem leads in the Netherlands especially to a replacement demand of workers in public administration and education (Ekamper, 2006; RWI, 2004), but also in communication, transport, agriculture, welfare sector, chemicals and metal (ROA, 2005; RWI, 2004). The labour

market projections show that replacement demand is especially high vocational skilled professions with a technical and agricultural specialisation. Also, a high replacement demand is expected for medical personnel with an academic degree (ROA, 2005: 40-41). For public administration sector, these analyses also show that for already more than 40% of the vacancies within the public administration it is difficult to fill the positions and that approximately 55% of the vacancies in public administration are enlisted for higher educated workers (RWI, 2005: 49). Future shortages public administration is facing will be shortages on specialist professions. In a report for the Ministry of the Interior, ECORYS and SEOR conclude that more generalists will graduate in the near future (period 2003-2013) and less specialists. This will be of consequences especially to the health care, education and specialist professions in public administration. Therefore shortages may be expected (Ministerie van Binnenlandse Zaken en Koninkrijksrelatie, 2006; SEOR & ECORYS, 2006).

In addition to these shortage problems, there are also sectors like the food industry that face a relatively high replacement demand, but experience not many shortages. Industries will shift their production systems to less man power when professions tend to disappear (RWI, 2004). These jobs will therefore slowly disappear as its older workers start retiring (Freeman, 2006). The report of the RWI enlists numbers of workers necessary due to replacement demand. Especially teachers from different levels are demanded; elementary teachers are number one on the list with an expected demand of 27,300. Examples of other professions are managers (22,900), doctors (13,200) and social science researchers (6,200). The total list published by RWI of relative high replacement demand and high pressure point adds up to more than 240,000 workers over the period of 2003 to 2008 that should be replaced. This does not show the actual shortages that can be expected, but gives some indication that reasonable large numbers are involved concerning demand on short term.

A different cause of the shortage problem in the Netherlands can be assigned to the change of economy. The Netherlands for instance has seen a shift from an industrial economy to service economy and an increasing speed in “skill biased technological change” (RWI, 2005: 6). More and new technologies enter the production process and demand an increase of skills of the workforce. The employment structure therefore also needs to change towards highly skilled labour (OECD, 2003); it is part of the expansion demand of the labour market. This demand has increased as the Europe Union decided on a new economic objective for Europe at the Lisbon summit in 2000: to make Europe the worlds most competitive and dynamic knowledge-driven

economy by 2010. This was strengthened at the European Council in Barcelona where it decided to increase spending on research and development to 3 percent of a country's GDP by 2010. Europe strives to a transition to a knowledge economy, but the necessary upgrade of skill levels for an innovative and knowledgeable economy cannot happen at once, as the education level is not sufficient to provide that. The demand for more skilled jobs in different sectors is being intensified through the fact that less students graduate from technical studies in the Netherlands leading to a shortage of inflow of workers with a technical background. In addition, the demand for higher educated workers grows more than the supply from educational institutes allows (HBO-raad & RWI, 2006). It is expected that after 2007 a shortage of higher educated workers will develop. In its bi-annual labour market analysis, the Council for Work and Income has concluded that the "development of the level of education of Dutch lags behind compared to the need on the labour market" (RWI, 2005: 46). The shortage of engineers and graduates in science is an obstacle on the road to the new economy, especially since that group of graduates are of great importance in the development and application of technological innovations (Innovatieplatform, 2003). The Netherlands has one of the smallest shares of science and engineering graduates in the OECD (OECD, 2004a). The demand of these so-called "knowledge workers" exceeds the supply with even 120,000 on the midterm. The Innovation platform not only identified these problems at a level of higher education, but also to some extent to middle level education with a technical focuses of study.

When concentrating on individual sectors, analyses show that especially upper-medium and high skilled workers are short. The public sector expects recruiting problems for middle and high skilled workers (Ministerie van Binnenlandse Zaken en Koninkrijksrelatie, 2006), while the Information Technology sector expects no severe problems for middle skilled workers, but is worried about high skilled. For 2006, the shortage of highly educated workers already approached 1,000 and is expected to rise to 8,000 – 10,000 by 2010 (ICT~Office, 2006). From metal industry, it becomes clear that due to low inflow of recent graduates and high level of ageing, there is a reasonable chance that especially workers with vocational skills will be short in the near future. Already one third of the vacancies are difficult to fill (Metaalunie, 2006a, 2006b). With the prospect of better economic situation, the industry expects shortages in graduates from MBO and HBO (van Loo, de Grip, & Lintjens, 2006). The chemical sector is faced with a tight labour market with more jobs than personnel on a high skilled level (Cörvers & Golsteyn, 2005). The construction industry foresees reasonable shortages on both MBO and HBO levels (Bouwend Nederland, 2006).

A third challenge is to deal with the development of a negative immigration balance as emigration of residents has increased, while immigration decreased. In 2005 almost 120,000 residents left the Netherlands, with the emigration being registered if people leave the Netherlands for more than eight months (CBS Statline). A majority of these emigrants would be part of the working population. In the period 1995 to 2005 emigration has risen from 82,000, with more than 60% having the Dutch nationality and almost 75% of that group being born in the Netherlands. Emigration from people holding the Dutch nationality increased with 50% in a ten years period (CBS, 2007). Although it is not clear what characteristics these emigrants have, Dutch emigrants are often young and highly educated (Kruiter, 1981; van Dalen & Henkens, 2007).

Summarising these problems into demand on the short and long term, studies show that there will be a shortage on the longer term, even if positive labour participation scenarios are included, with both expansion and replacement demand of higher educated workers (RWI, 2005). It is difficult, though, to forecast demand on the longer term exactly, as scenarios on the development of the labour market are not accurate enough and economy can change relatively rapidly. It is clear that the bottlenecks will emerge especially on the upper-medium skill level (vocational education, MBO 3 and 4) and high skill level which will lead to a shortage of higher educated personnel of 100,000 (HBO-raad & RWI, 2006: 24) and of knowledge workers¹⁵ of 120,000 by 2012. In addition, at least 30,000 extra research and developers are essential to meet the research demands of Barcelona (Innovatieplatform, 2003). The highest level of vocational education, specialisation level MBO 4 and especially its technical stream will be faced with less students and therefore possibly creating a problem for the future (RWI, 2006b). On the short term, not only shortage problems are faced by the retirement of older workers, but also to change of skill requirements. It takes some time to adapt the educational programmes to the new skill demands as well as it takes time to train current workers to the new developments.

4.2 Labour migration as supply for demand

This section concentrates on the solutions for the aforementioned demand on the labour market. A special emphasis is put on the role migration can fulfil in this. It first describes the alternative solutions and how migration relates to these. Subsequently, the analysis shows to what extent migrants will be able to fulfil the needs from both a quantitative and qualitative side. Is it a

¹⁵ Knowledge workers are defined as higher educated and all other, especially technical vocational educated as long as they contribute to the innovating power of the Netherlands (Innovatieplatform, 2003: 3)

realistic scenario for immigrants to fill all shortages and can immigrants deliver the skills that are needed according to the skill profile of the Netherlands? This section will answer these questions.

Increasing the stock of workers to solve (future) shortages on the labour market can be achieved by increasing participation of domestic working population or intake of foreign workers. Before concentrating on the role of migration, first increasing participation level of people already present in the country can be identified as options to overcome the growing demand. The so-called behavioural effects have the potential of compensating the demographic effects in the Netherlands (OECD, 2003: 109), meaning that the replacement demand can be met partially by increasing participation of inactive workforce. This could be reached through a higher level of women in the labour force who also work more hours, or to encourage older workers to stay active until their pension and not retire early. Also the stock of foreigners already in the country can be used to enlarge the share working population (van Imhoff & van Wissen, 2001).

From a recent research, it becomes clear how employers deal with shortages on the labour market (van Dalen, Henkens, Henderikse, & Schippers, 2006). The interviews held with representatives of employers' associated have confirmed that outcome. Dutch employers have taken measures by increasing the employability of workers by using temporary workers through recruitment agencies and by outsourcing work. They consider taking measures to use the potential of older workers more, by increasing wage, overtime and employability of their personnel and by recruiting more ethnic minorities (van Dalen *et al.*, 2006: 31). The same report mentions the alternative of foreign recruitment. It is interesting to see that only 7% of the surveyed Dutch employers use recruitment of foreign workers as way to deal with shortages, and only 17% are considering this. This is very low when comparing that with the figures in Great Britain, where 23% of the employers use and 33% consider using labour migration as a measure to solve shortages (van Dalen *et al.*, 2006: 31). From the metal industry it becomes clear that especially large companies will try to attract immigrant workers to solve shortages (van Loo *et al.*, 2006). In the interviews with Dutch representatives as well as representatives of national employers' associations in the selected countries, migration is only mentioned as solution when other activating measures are not sufficient. Much emphasis is put on life-long learning and employability, but also on stimulating a higher participation of youth in technical vocational education (interviews Bouwend Nederland and FME-CMW). The construction industry estimates that if migration is necessary the demand will most likely be met through intra-European Union migration (interview Bouwend Nederland).

Increasing employability is an important measure to manage (future) demand on the labour market. As mentioned earlier, the European Union has put much emphasis on this and employers want to work on that as well. Life-long learning with continuous education is part of the strategy. Extra training to employees and retraining of workers should lead to a higher adaptability when changing economy and technology demands new or extra skills. Referring back to the sources used to identify the labour market demands, schooling and retraining are one of the most important solutions to solve the problems as well as activating groups that do not participate on the labour market yet (RWI, 2004, 2006a, 2006b). Unfortunately, upgrading of skill levels cannot be expected to happen instantly, but takes time. Recruiting immigrants can form a good solution to ease the tension on the labour market, while current workers are retrained. This was the line of reasoning behind the IT Green Card policy in Germany, where over a period of five years immigrants could be recruited for IT professions under favourable conditions, while the sector could invest in education of German students (Schreyer, 2003). In the Netherlands, the covenants in health care aim at the same objective: make a special deal on immigration in one sector, but simultaneously agree on more investments in education (de Lange, 2004). A structural solution is needed to solve long-term shortage problems on the labour market. Nonetheless, immigration can be a flexible way to alleviate pinpointed pressure of the labour market (van Imhoff & van Wissen, 2001).

When the system does not create as many skills or quality of skills that is necessary, it is an option to import the skills through international migration (Castles, 2006; Freeman, 2006). When the numbers of immigrants are included that should be attracted to the Netherlands in order to have a stable work force or even a stable distribution of age groups in the population, it seems unrealistic to attract immigrants to solve all shortages. The United Nations Population Division has published a report in 2000 that tries to answer the question if replacement migration is a possible solution for declining and ageing population (United Nations (2000) cited in Bermingham (2001)). For the European Union, the UN predicted that there is a need of about 615,000 immigrants a year in the first 25 years and 1.3 million in the 25 years after until 2050 to prevent population from declining. To prevent the work force from declining, approximately 2 million should be attracted to Europe (Bermingham, 2001; Keely, 2001). For the Netherlands, Van Imhoff and Van Nimwegen have calculated that 100,000 immigrants are necessary on an average yearly basis to prevent the working population from declining. Another 200,000 are required to stop the ageing effect on the welfare state, which especially means preventing the

financial burden of a larger share of retired people and keeping the ratio between retired and working population equal (van Imhoff & van Nimwegen, 2000).

A scenario that includes that many numbers of immigrants is very unrealistic, if even possible. The hidden problem of immigration is that immigrants will get older as well and new flows of immigrants are needed to uphold the system for this group. If only migration would be used as a solution to the ageing problem, in 2025 the Dutch population will have reached 27 million, in 2050 approximately 39 million and in 2100 more than 109 million (van Imhoff & van Nimwegen, 2000). From this quantitative perspective it becomes clear that immigration will only to a limited extent be able to meet the demand on the labour market as it is not possible to use the flow of foreign workers as a stopgap for domestic problems (van Dalen, 2001). Next to the question if the Netherlands would want to attract that many immigrants, there are also many barriers for immigrants to move to countries as will be explained in the third section of this chapter. Therefore, only a limited number of immigrants will be travelling to the Netherlands for work, which also limits the possibility for migration to satisfy quantitative labour demand from the side of the Netherlands, but also from the side of migrants.

In addition to the aforementioned perspective, it is also important to look if immigrants have the qualifications or skill levels that the Dutch labour market would demand. As mentioned earlier, the Dutch product market strategy has adapted to the skill profile and the way of educating. Immigration can only to a limited extent satisfy replacement demand as that is mostly dependent on specific qualifications. The more specific skill level of shortages is, the more difficult it will be to use immigrants to contribute on the labour market. Only employers know what qualifications or skills are necessary to fill their shortages and can judge best what, if any, immigrant could do the best job. Shortages on either the low and high end of the skill spectrum will be easier to fill up with immigrants, as they possess more general skills and are better adaptable. The expansion demand in the Netherlands of knowledge workers focuses on more general skilled workers with especially university qualifications. It is therefore more likely for immigrants to satisfy university skilled demands than vocational. Another contribution of immigrants is to supply skills that are complementary to those created in the country as for new innovative industries the supply of skilled staff is limited. Alike the situation in IT sector in Germany, immigration could therefore bridge the timeframe in which students are educated in new areas, while already import skills from other countries in which workers are qualified for that. Not only can they form a potential work force, but these immigrants can also be used to school personnel in a specific field (Klaver

& Odé, 2002). This group of knowledge workers are mostly highly experienced in a certain area and can offer their experience to the Dutch market. Recruiting foreign workers not only can offer skills, they also increase the level of international experiences in the Netherlands to stimulate knowledge creation (Williams, 2006) and innovation (Geelhoed & Nauta, 2003; Innovatieplatform, 2003; Raad van Economische Adviseurs, 2006).

Although this all seems very promising, again the extent to which migration can meet the demand is limited by country specific requirements. Immigrants coming over to fill shortages must learn country specific rules of that industry, which creates an extra burden to hire them in the first place. Especially for more specific vocational skills, labour migrants are not directly employable as they have to get used to country specific skills, ways of work and traditions. This limits the possibility for the public sector to make much use of immigrant labour. Language proficiency and country specific communication restrains immigrants from being usable (Ministerie van Binnenlandse Zaken en Koninkrijksrelatie, 2006). Also in the health care sector, these were major barriers for immigrants to function equal to domestic workers (de Lange, 2004). Different sectors need not only workers, but need workers that fit in the market. Even an international oriented industry like IT needs workers to sell applications to Dutch customers. This implies having workers able to communicate with them and know the Dutch working culture (Interview ICT~Office). Dutch employers rather use a well trained Dutch worker than hire a foreign worker who needs guidance on country specific elements (Interview FME-CMW). This restricts the potential of labour migration quality-wise.

4.3 International migration to the Netherlands

If the system does not create as many skills or quality of skills that is necessary, it is an option to import skills through international migration (Castles, 2006; Freeman, 2006). When thinking of a new migration policy, the process of migration needs to be described as it is important to know its main structures. This section will therefore give an introduction into the process why people move, but also why they do not move. As an important barrier, extra attention is given to immigration control policy.

It is difficult to find a common definition of a labour migrant, especially if trying to obtain definitions from governments. A study for the Council of Europe divides foreign workers in three categories (Salt *et al.*, 2004: 12-13) which can be summarised as foreign citizens who come to a country with the motive of work either temporary for a short period of time, longer on a fixed

contract or permanently. International migration can be defined as “[moving] the household across national boundaries” (Borjas, 2000: 1) and occurs only then when the place of destination offers a better situation than the place of origin, i.e. possibility of having something at one place that is not present at the country of origin, taking into account the costs of moving. The most important reasons for searching for a ‘better’ place are work or a better income (economic migration), the presence of family or a future partner in the country of destination (family migration) and (political) freedom and safety (humanitarian migration). To a lesser extent, but becoming more visible in the statistics is the motive of study to obtain a foreign qualification and international experience. Although there are some general characteristics on the movement of people, it is still reasonable general, because there is not one explanation as to the best description of the determinants of migration. The neo-classical economic model departs from wage differentials and explains international movements from low-wage to high-wage countries based on rational choice (Fischer, Martin, & Straubhaar, 1997). A similar perspective offers the human capital¹⁶ approach that predicts people to move when the return on investment of human capital is higher at one place than the other (Borjas, 2000; Iredale, 1999). As has been described in empirical research on Dutch immigrants to New Zealand, this does not explain motives for movement from one high-wage country to another high-wage country, especially when the latter has a lower wage standard (Pegge, 2006). There are also more immaterial reasons for persons to immigrate, such as space, nature and less societal problems (Doomernik, Penninx, & van Amersfoort, 1997; van Dalen & Henkens, 2007).

Many scholars have also asked themselves the question why so little people move, as the differences in wage and expected rates of return are enormous, not only between developing and developed countries, but also to some extent between developed countries. There are for instance clear differences of economic development within the European Union, but still of all citizens from the European Union who are allowed to move, settle and work without restrictions, less than 0,5% of the European workers changes region within a year, compared to 2,5% of American workers in the United States and 7% of the non-European citizens living in the European Union (and already immigrants themselves) (Boeri, Hanson, & McCormick, 2002). The world is a place with many barriers that hold people back from starting their migration process (Fischer *et al.*, 1997). The same human capital theory that explains certain movements on the basis of investment

¹⁶ “Human capital consists of the income-producing skills, knowledge, and experience embodied within individuals” (Tassinopoulos & Werner, 1999: 4).

in human capital, can also explain immobility. When workers possess in particular location-specific or country-specific skills, it will be difficult to move to other countries with the assurance that their skills will not be devaluated. Where coordinated market economies are characterised by a high level of workers with vocational skills, liberal market economies “provide relatively large numbers of potential employees at the two poles of the educational range” (Crouch *et al.*, 1999: 86), thus meaning both low and high skilled workers. It are these groups that are also most mobile on the labour market; the first, because low skilled workers enter work for which no transferable skills are necessary, such as seasonal work, the latter because of their high level of skills and their high level of adaptability; they can adapt easily to new country specific elements in their job. Workers with medium or vocational skills move less often, mostly because their education is specified to their country’s industry and services (Tassinopoulos & Werner, 1999).

The factors that play a role in staying immobile can be well identified in these countries and it can be assumed that developing countries or countries with a different background have to deal at least with the same barriers. Within the European Union, the immobility can for instance be explained by the inaccessibility of entitlements for European Union citizens (Sociaal Economische Raad, 2001). It also plays a hindering role when migrants pay social security contributions in one country, but have no opportunity to transfer them back to the home country if they do not use the entitlements. The recognition of qualifications is also a major problem for all immigrants (Belot & Ederveen, 2005) and on the acquisition of jobs (Sociaal Economische Raad, 2001). Cultural aspects like language and a different culture can also form a barrier to move and immigrants can be deterred by a xenophobic attitude of citizens and employers within the country of destination (Belot & Ederveen, 2005; Hammer, Brochmann, Tamas, & Faist, 1997; Tassinopoulos & Werner, 1999). From a study on German-Dutch border mobility the same factors can be identified, although some extra practical barriers are introduced, as possession and use of company cars across borders (de Gijzel & Janssen, 2000: 66). According to migration studies, there are also a number of barriers for immigrants to integrate into the labour market, of which age, (recognition of) qualification and ability to speak the language are mentioned most (see among others Bauer and Kunze (2004)). According to Borjas (2000), determinants of international migration are especially age and education. Highly educated, young people are more likely to find a job in a different country, more likely to learn language and location specific skills and adapt easier to the culture. This can be traced back to the development of more general skills and higher adaptability.

One of the most important barriers of international migration has not been mentioned yet, namely immigration policy, which is often put in place to restrict the mobility of international migrants. (Arango, 2000; Belot & Ederveen, 2005; Meyers, 2000; Tassinopoulos & Werner, 1999; Zimmerman, 2005). “Immigration control policy is a crucial element in determining immigration patterns” and consists of two parts, namely immigration regulation aiming at the selection and admission of foreign citizens and immigration policy that is resident part of the immigration, like housing, welfare and educational opportunities (Meyers, 2000: 1245-46). In chapter six, this research will concentrate on what Meyers calls ‘immigration control policy’¹⁷ after having identified institutional conditions for immigration. The influence of social partners, namely trade unions and employers’ associations in particular on immigration policies has become clear from the earlier chosen perspective on institutional settings. Strong trade unions are seen as a key obstacle for immigration to be used as a recruitment strategy (Caviedes, 2005; Meyers, 2000). Trade unions are in their traditional role not in favour of labour migration for recruitment, since they fear immigrants being substitutes of domestic workers. On the contrary, employers are said to encourage labour migration most of the time, because it would lower the wages and divide the labour movement, but again little attention is paid to changing conditions that employers might want to retain skilled workers (Caviedes, 2005: 4). Caviedes also makes a notion of the role employers’ associations play as policy initiators, partly because a state must rely on the information and knowledge that lies at employers’ level, as individual firms have difficulties in assessing policies and facilitating cooperation and are aloof in providing individual information to governments (Caviedes, 2005; Culpepper, 2001).

Dutch immigration flows in historic and current perspective

Movements of people to and from the Netherlands are of all ages. Especially with the Dutch naval and colonial history, migration is not a new concept. Zorlu and Hartog (2001) wrote an extensive overview in which they show that immigration for economic purpose already occurred in the Netherlands’ Golden Age, but that the Dutch immigration history foremost dates back to the post-war period, when guest workers were invited to come to the Netherlands to solve unskilled labour shortages. With the arrival of immigrants also the debate on the country’s benefits came up. In his article, Roodschilt tries to answer the question if “die buitenlandsche arbeidskrachten in Nederland in het voor- of in het nadeel van ons land [zijn]¹⁸?” (Roodschilt, 1921: 324). He

¹⁷ In this thesis, when ‘immigration policy’ is used, referred is to immigration control policy.

¹⁸ “...those foreign workers in the Netherlands [are] an advantage or disadvantage to our country”

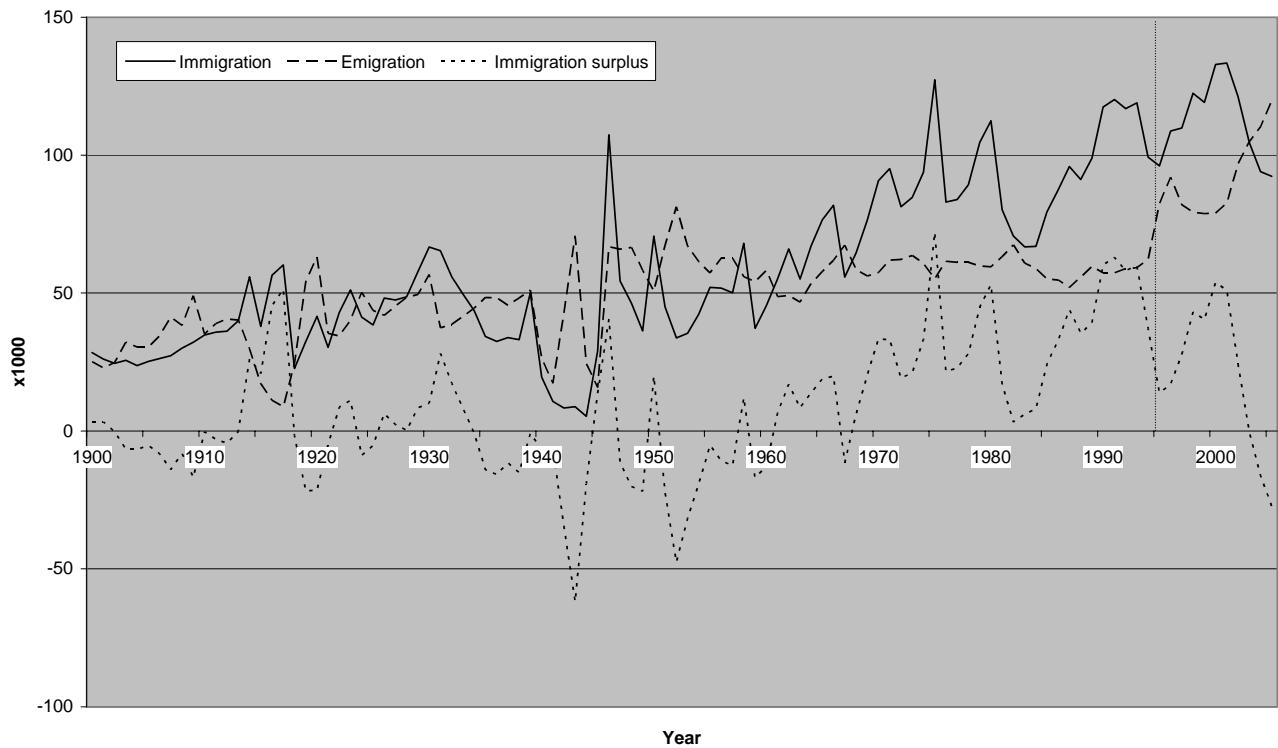
concluded that not many difficulties should be expected from it, but that the Netherlands should try to benefit from them.

Dutch post-war immigration history can be characterised by three flows of immigrants. First are immigrants from the former colonies Indonesia (notably the period 1946 – 1950) and Surinam (1975 and 1979-1980) and from the Caribbean side of the Dutch Kingdom, the Dutch Antilles (Zorlu & Hartog, 2001). To benefit from immigrants was exactly the aim of the recruitment policy between 1964 and 1975, which was designed to attract (mostly unskilled) workers from the Mediterranean countries, especially Turkey and Morocco. This makes up the second flow of immigrants. The third flow consists of family reunification and formation after the guest workers appeared to have settled permanently after their period of work (van Ours & Veenman, 1999). It is especially the second flow that has caused doubts on the temporary character of labour migration and the third flow that has established additional concerns on the unforeseeable consequences of these migration flows. Figure 5 on the next page shows both the immigration to and emigration from the Netherlands with its peaks and drops. One can identify the peaks of colonial flows to the Netherlands after 1945 and around 1975 and the steady rise of immigration levels to the Netherlands, caused by the third flow of family migration.

The recruitment policy in the second half of the 20th century was supposed to be temporary with the objective to fill shortages that were experienced by firms. After the oil crisis at the beginning of the 1970s, a recruitment ban was implemented, but not much restriction was put on the family migration. As immigration policy was aimed at temporary workers, no emphasis was put on integration of this group. Only after several years, the government slowly recognised that the immigrants were not going to leave and the integration process really started (van Ours & Veenman, 1999). In addition to the slow integration, the labour migrants were in general very low skilled and working in the industrial sector, which started to decrease with the deindustrialisation of the Dutch economy and the rise of the service sector (Böcker & Thränhardt, 2003).

No two cohorts of immigrants are equal, which makes it difficult to compare them. How representative are the labour migrants of the sixties and seventies for the current policy discussions? Those labour migrants still influence the entrance of migrants nowadays as family formation pulls many new migrants. These immigrants are still not always integrated well and that increases the risks of new migrants joining their relatives, ending up less integrated as well. But the discussion in this thesis concentrates on the arrival of new labour immigrants. Valuable lessons that can be learned from the past are that social economic position and language

Figure 5: Immigration and emigration to the Netherlands (1900-2005) (Source: CBS Statline, February 2007)



Note: From 1995 onwards the administrative corrections are taken into account. This affects mostly emigration numbers as residents not anymore registered in one of the municipalities Personal Records Database (GBA), will be corrected for absence from the Netherlands. This period has been marked with a vertical line.

proficiency of immigrants are crucial for a successful integration (Dagevos, Euwals, Gijsberts, & Roodenburg, 2006). Labour migrants that travel to the Netherlands nowadays differ from those in the past, mostly also since the labour migration policy is very restrictive as will be outlined in the next section. Large number of immigrants arrive from other countries than Mediterranean, such as China, India, South-Africa and OECD countries, most immigrants are high skilled and leave the Netherlands after an average of six years (Ministerie van Sociale Zaken en Werkgelegenheid, 2006b). These migrants also cause less chain migration than the previous generations of guest workers. Labour migration has grown over the last 10 years to almost a quarter of migrants entering the Netherlands doing so on the motive of work. More than 40% of migrants coming for work arrived as knowledge worker. Appendix C shows the recent developments in more detail.

4.4 Conclusion

Labour market problems identified are of a more structural nature. The demand on the labour market can be divided into two: first, shortages due to retirement of older workers and skill mismatch being replacement demand and second, restraints on the future grow of a changing economy and its innovative power which is expansion demand. The shortages are more likely to be solved through policies that stimulate more activity on the labour market and higher employability of existing workers than through migration. As workers need to be trained or educated for new jobs, foreign workers can help bridge the period in which employers invest in training. Migration is no solution for the numbers of shortages expected as too many foreigners are needed to satisfy all demands, while also qualitative problems arise. Due to the specific skill profile of the Netherlands it is not likely that migrants will be able to meet the direct skill demand of employers, especially on medium skilled level. In addition, country specific skills are required which implies some transition period in which migrants can adapt to new working environment. Labour migration can thus help solving those shortages to smoothen away temporary problems (Freeman, 2006; Lisankova & Wright, 2005; Winkelmann, 2002; Zimmerman, 2005), but it cannot be used as a stopgap for all shortages that exist. Immigration can be useful by attracting foreigners to help smoothen new economic and technological developments and give an incentive to knowledge creation. Valuable lessons that can be learned from the past are that immigrants' social economic position and language proficiency are crucial for a successful integration.

5. Feasibility and desirability of skill import

Now that the questions on the need of skill import have been imported, the conditions under which skills can be imported through migration have to be analysed. This will be done along the lines of feasibility and desirability of skill import through labour migration. This chapter will therefore answer sub questions three and four, respectively *how do coordinated market economy institutions facilitate or hinder labour migration* and *what are possible foreseeable side-effects of labour migration for the skill creation system*. These will be dealt with in respectively sections one and two.

5.1 Feasibility of labour migration

Migration is in a legal way always possible as long as governments permit foreigners to enter a country. However, skills that are imported should be used effectively on the labour market. This section will therefore show the possible influence of institutional settings as barrier or facilitator of migration, where the setting of coordinated market economies with ‘high skill’ equilibrium determines its feasibility. The labour market institutions differentiated in the second chapter, namely the skill creation, supported by the level of social protection and wage bargaining, are discussed in general on how they affect migration as well as in specific to the selected countries and the Netherlands. This is compared in order to determine whether all countries can be characterised as having a ‘high-skill’ equilibrium and to see if different outcomes on migration can be explained by these settings, which would lead to useful information for policy lesson drawing.

Skill profile

The system of skill creation and its skill profile in a country does not only influence the extent to which immigration is a solution, namely if labour migrants have the right qualifications to fill the demand. It also works the other way around as immigrants do not know whether their investment in skills will be repaid in the new country. One of the most important barriers for immigrants is this skill profile, as their skills might not fit to the demand of employers exactly. As has been explained in the second chapter, the skill creation system coheres with the production strategies of firms. Subsequently, coordinated market economies are characterised as creating specific skills through vocational and higher vocational education. This will be especially problematic for immigrants to get active on the labour market when the trained profession requires specific skills. Occupational structures of a country correspond with occupational education. As these structures

differ per country, this will lead to mismatch between education in one country and demand in other (Kreyenfeld & Konietzka, 2002). The recognition of their qualifications and skills leads to access on the labour market, while non-recognition may resolve in doing work for which they are actually overqualified (Nielsen, 2007). The more a labour market is dependent on recognised qualifications, the higher the barrier will be for immigrants to prove their capabilities and qualifications (Nielsen, 2007; Pedersen, 1999).

Even though immigrants might have skills that are complementary to native workers and not substitute them, employers want to be able to value the qualifications of foreign workers in order to hire them for their organisation. In addition to the formal qualifications and skills, another barrier for immigrants is formed by the country specific skills that are required to perform the job. If educational systems between sending and receiving country have more resemblance, skills will be more transferable (van Ours & Veenman, 1999). High skilled migrants are seen to be more adaptable to country specific skills (Tassinopoulos & Werner, 1999), so they will be less affected through that. From the experiences in the Netherlands with foreign health care workers recruited on the basis of covenants, it has become clear that after two years of working, the nurses were fully adapted to the working conditions in the Netherlands. Only after these two years they had obtained the skills required to adapt well, which depended also on the language and communication skills (de Lange, 2004).

The systems of vocational education in coordinated market economies differ from majority school-based to majority firm-based education. The system of dual apprenticeships, where students are educated mostly within firms is typical in Germany, but also Switzerland. The Netherlands and Denmark also have apprenticeship systems in their vocational education, but combine these more with school-based education. To be more specific for the Netherlands, the Dutch system can be differentiated between vocational education (MBO) and higher vocational education (HBO), where the MBO-level has two routes of education: a vocational college-based pillar and a dual apprentice-based pillar. At HBO level, students are educated as high skilled with a direct link to the labour market. The vocational education is divided in four levels, which educate to at least the level of assistant craft and highest to specialist. The assistant craft level is no upper-secondary education, though still seen as low skilled. With that, the apprenticeship system in the Netherlands is unique in educating to assistant craft (Ryan, 2000). In all four countries most programmes have a duration of 3 to 4 years, although some offer programmes between 2 and 3 years (except Denmark) (Steedman, 2002). Table 1 summarises some

characteristics of the vocational education systems. There is much variance between the numbers of occupations for which educational programmes have been set up. The Netherlands has more occupations probably due to the inclusion of assistant craft program. This shows the occupational diversity of the labour markets and thus also the difficulty for immigrants to get their required recognition.

Table 1: Apprenticeships: number of occupation, skill level and duration

	No. of apprenticeable occupations	Minimum skill level	Training duration (yrs)
Denmark	86	Craft	3-5
Germany	356	Craft	2-4
Netherlands	515	Assistant craft	2-4
Switzerland	200	Craft	2-4

Note: Data for Denmark, Germany and the Netherlands derived from Ryan (2000) and for Switzerland from BBT (2006; , 2007)

All countries require their education to consist of three elements: general and technical education and occupational skills and competencies (Steedman, 2002). Although all occupational labour markets rely on the qualification levels of workers (Kreyenfeld & Konietzka, 2002) this is especially the case in the German speaking countries, where the labour market relies more on certification than the ones in Denmark (Steedman, 2002). This would imply that access to the labour market without having the right qualifications is somewhat easier in the latter country. Table 2 shows the enrolment patterns of upper secondary education in the different countries. Especially Denmark has a high percentage of general education with remarkably the Netherlands has most vocational education enrolment. This shows that although other authors put much emphasis on Germany and Switzerland, the Netherlands also has a high occupational education.

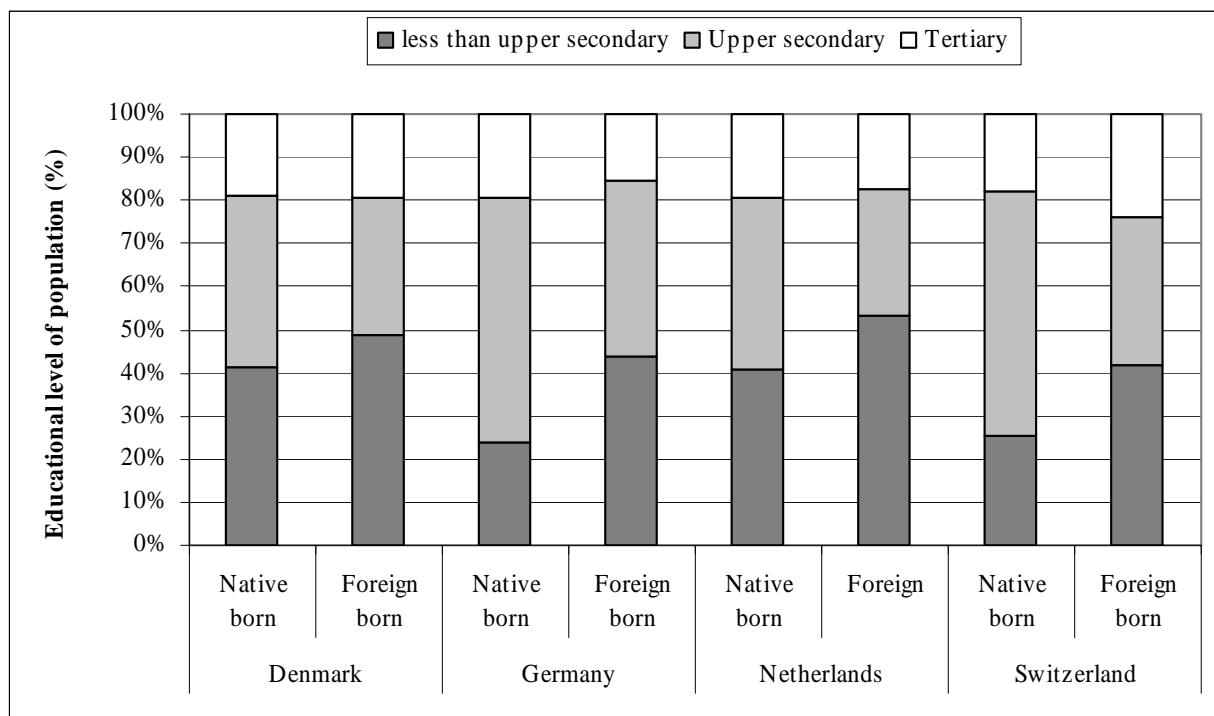
Table 2: Upper secondary enrolment patterns in percentages of total (2004) (Source: OECD, 2006a: Table C2.5)

	General	Vocational
Denmark	53.2	46.8
Germany	38.8	61.2
Netherlands	30.9	69.1
Switzerland	35.2	64.8

How can this structure of educational system and skill profile be compared to data on the educational level of immigrants? The following figure shows the qualification level of both native

and foreign-born with interesting differences. In Germany and Switzerland, the level of medium skills (upper secondary) is significantly higher than that in Denmark and the Netherlands. This can be explained by the strong dual apprenticeship programme the German speaking countries, as through the labour market, not much chances are provided to those workers without that start qualification, whereas in Denmark and the Netherlands students have also the opportunity to follow school-based education only, which might lead to more early school-exits.

Figure 6: Educational level of native and foreign born in percentage of total (Source: Dumont & Lemaître, 2005: 32)



The level of education of foreign-born is lower in all countries, as the percentage of low skilled people is much higher all countries (in Germany even 20% higher). These differences are especially visible through a lower level of medium skills and are possibly attributable to the immigration of low skilled guest workers in the sixties and seventies in all countries. As this table provides data for the whole stock of foreign population, it is difficult to differentiate between new and old immigrants. It is remarkable that in both Switzerland and Denmark a higher percentage of foreigners have obtained a tertiary qualification compared to natives. This could point to a more selective policy for immigrants through which lower educated migrants have less chance of being allowed to enter.

Table 3 shows the unemployment levels of both natives and foreign-born differentiated by level of education. It can be noticed that the higher the education, the lower the unemployment. In addition to that, the unemployment level of foreign-born is always higher than that of natives; most of the times even double the level¹⁹. Interesting detail is that medium skilled foreign born have a higher unemployment level than low skilled. There is no direct explanation for this pattern, but the structured occupational labour market structure might be of influence. From research it has become clear that former guest workers in Germany are less unemployed compared to the Netherlands due to policy choices through which Germany exported unemployment and the Netherlands imported it (Böcker & Thränhardt, 2003; Koopmans, 2003). The high unemployment rate of Danish foreign born is likely to explained by the Danish wage structure with high wage floors (Coleman & Wadensjö, 1999; Husted, Nielsen, Rosholm, & Smith, 2001).

Table 3: Unemployment rates of native- and foreign-born populations by level of education in percentage (Source: OECD, 2006c)

	Unemployment rate natives			Unemployment rate foreign-born		
	Low	Medium	High	Low	Medium	High
Denmark	7.0	4.5	3.5	16.0	11.6	9.8
Germany	15.6	10.4	4.4	20.3	14.7	12.5
Netherlands	3.3	1.8	1.5	6.5	7.3	3.3
Switzerland	4.8	3.1	1.9	10.4	8.2	5.7

Note: this represents 2004 data for Denmark, Germany and Switzerland, but 2002 data for the Netherlands.

The more differentiated the professions in an occupational labour market are, the more difficult will it be for immigrants to prove that their skills as expressed through qualifications match the specific skill demand. The skill profile of a country determines much of the accessibility for immigrants. For migrants entering the labour market without a job offer it will be more difficult than for domestic educated workers to find a job that matches their skill level. From the data provided of different countries it can be derived that Denmark has broad occupational education programmes, while the Netherlands, Germany and Switzerland rely heavily on many different educational programmes and corresponding qualifications.

¹⁹ The Netherlands has low unemployment numbers, also for foreign-born which can be explained from the statistics as they are from 2002 for the Netherlands, while the rest of the data are from 2004 when there was an economic recession.

Wage bargaining

An institution that is of great importance for the stability of the skill creation system is wage bargaining. As has been outlined in earlier chapters, wage bargaining in coordinated market economies happens to ensure that employees are paid according to their skills and the skill creation system is not undermined by wage behaviour of employers. Exactly this hinders immigrants to overcome the doubts or risk employers have when hiring a foreign worker of whom they cannot judge the qualifications *ex ante* (Kreyenfeld & Konietzka, 2002). When a foreign worker comes to an employer for work and provides the qualifications he has obtained, it may be difficult for employers to evaluate those. Especially for vocational education and training in countries that do not have well developed systems, it is difficult to assess what that potential employee has learned either in school or on-the-job. Recognition of qualifications, which translates the qualification to country specific degrees, does not always guarantee employers that a worker has the right skills (Kreyenfeld & Konietzka, 2002). This trust level plays an important role (Iredale, 1999). The European Union tries to overcome that mistrust by creating frameworks for easier recognition of qualification, like the APL discussed in chapter two. In addition to the 'hard' occupational skills, 'soft' skills can also play an important role. Language and communication skills are additional reasons for employers to be reluctant in hiring foreign workers, as Iredale (1999: 15) shows in an example of registered Philippine nurses to Asia and De Lange (2004) exemplifies in her article on the health care migration to the Netherlands.

This all leads to the fact that for employers there is some risk in hiring foreign workers. One way to overcome this is to pay a wage that is acceptable for that risk on the one hand and that offers on the other hand the possibility to train a worker to country specific skills on-the-job. This is where collective agreements on wage and working conditions make it difficult for employers to offer that lower wage to labour migrants in order to take the risk and give further training to them (Miller & Neo, 2003). From their study between recently arrived immigrants in the US and Australia, Miller and Neo found that due to wage awards and unionisation of wages, immigrants in Australia, a country with high trade union coverage, are more unemployed than their counterparts in the US, where wages are very flexible. The existence of such wage floor leads not only to a higher rate of unemployment, but also decreases the opportunities for training (Nannestad, 2004). Where the migrants' productivity in the US is rising rapidly over the years of residency, in Australia the growth in "skills specific to the Australian labour market appears to cause productivity to move more in line with the institutionally determined wages" (Miller & Neo, 2003: 353). The authors conclude that union wages prevent the acquisition of skills on-the-

job. These wage floors can also be identified in the countries of comparison, which is analysed through union coverage and the centralisation and coordination level of bargaining²⁰. The OECD recommended in its 1994 Jobs Strategy to make wages more flexible by removing restrictions that prevent wages from reflecting local condition and individual skill levels (OECD, 2006b: 80).

The collective agreements, decided upon by employees and employers (being representatives of trade unions and employers' associations) come in different forms, depending on their impact and scope of agreed items (Ministerie van Sociale Zaken en Werkgelegenheid, 2003). Collective agreements mostly include wage, minimum wages (if not regulated nationally), training obligations and working conditions. The flexibility of the bargaining process depends on both its level of centralisation and coordination. The less central the wage agreements are decided upon, the more specific can the agreements be made to sectors or companies. The degree of coordination focuses on the extent to which negotiations are coordinated across an economy and whether unions are harmonised in their negotiations on both the same level as the bargaining process and on the lower levels (OECD, 2004b: 155-156).

Dutch trade unions have much influence, which is somewhat ambiguous, as no more than 23% of the workers are member of a trade union (OECD, 2004b: 145). They are involved with collective bargaining agreements with employers' associations that are mostly performed on sector level. By law it is possible for the Minister of Social Affairs and Employment to declare a collective bargaining agreement binding for one sector or trade, even if a minority of employees and employers were not represented during the negotiations (van Empel, 1997). Although the trade union density is low, more than 80% of the employees are affected by the collective agreements and wage bargaining. Table 4 on the following page shows the indicators of wage bargaining in Denmark, Germany, the Netherlands and Switzerland.

²⁰ It is of course not only immigrants that have to face negative impact of wage inflexibility; also natives are more harmed by wage inflexibility when migrants enter labour markets on which they compete with natives. Although wages will not increase very much in times of shortages, due to the same inflexibility, with immigrants filling up shortages, the need to increase wages will be lower. When much additional supply would enter the labour market, wages would go down in normal economic situation. Due to wage floors, wages cannot go down more and unemployment will rise under that group of workers (Angrist & Kugler, 2003; Roodenburg *et al.*, 2003).

Table 4: Indicators of wage bargaining in countries of comparison

	% workers union member	% coverage of collective agreements	Level of centralisation	Level of coordination
Denmark	74	80+	Industry/plant	Co-ordination of regular industry- and firm- level bargaining by peak associations including tripartite agreements
Germany	25	68	Industry	
Netherlands	23	80+	Industry	
Switzerland	18	50+	Industry	

Note: Data shows the situation of 2000 (OECD, 2004b: table 3.3)

There are many differences between the union memberships of workers. Denmark clearly stands out with the membership rates as almost three-quarter of the workers is affiliated to a union. In other countries only one-quarter at maximum has joined a trade union. Although the membership of unions is small in most countries, the coverage of collective agreements, which shows the percentage of workers affected by the agreements made by these unions, is more than 80% in Denmark and the Netherlands, while being somewhat lower in Germany and much lower in Switzerland. The power of the unions on collective bargaining is higher in the Netherlands and Denmark, while the legitimacy of those agreements can be discussed in the Netherlands to some extent due to a low union density among workers. The level of centralisation is predominantly at industry-level, although in Denmark often agreements on company level are made. This happens as well in other countries, but to a lesser extent. Also the level of coordination is equal in all countries with trade unions organised at peak level, but giving freedom to sector unions. From this, it can be concluded that unions have a strong influence on working conditions on sector level, but that there is a good organisation that coordinates activities nationally.

In Denmark, the collective agreements cover many issues, also on (collective) dismissal. Wages may be ceiled through the agreement. The Danish ministry of Finance advices negotiators on a reasonable level of wage increase. Also minimum wages are agreed upon, as they are not part of national law (ECOTEC, 2004). In Germany, employers are only bound to the collective agreement to those workers who are member of (union) organisations that are party to the agreement, but they mostly apply agreements to all employees (European Employment Observatory, 2003). The German government has the possibility to declare the agreed bargaining legally binding for the whole sector. In Switzerland, the collective agreements are also concluded,

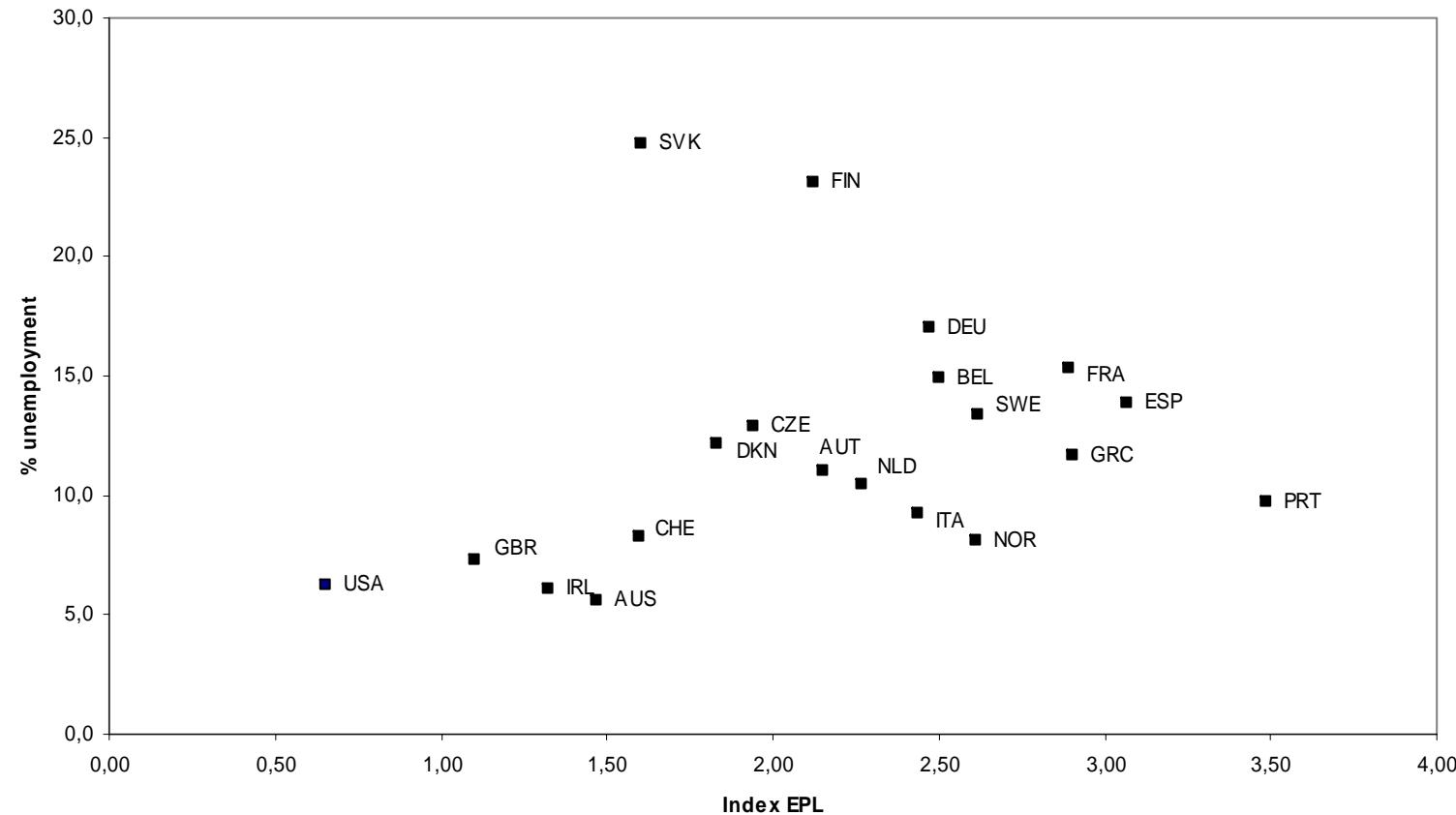
however, they are less common to be bound to all workers in a sector or industry (Schweizerische Eidgenossenschaft, 2007).

Fixed wages limit the possibility for employers to adapt the reward for foreign worker to the skill level they have as wage floors established by collective agreements are obstructing employers to provide wages that meet their risks. More flexible wage structure would give employers the possibility to hire a migrant to train him for country specific skills and see whether the qualifications fulfil the demand. The lower employment chances of immigrants that exist due to the differentiation of occupational skills are reinforced by unionised wages in coordinated market economy. The selected countries have equal wage bargaining systems although Denmark has a very high share of union members, while the coverage of Swiss collective agreements is much lower compared to the other countries.

Social protection

The effect mentioned above is reinforced through a rigid labour market. The flexibility employers have to hiring and firing workers when the situation asks for it is called numerical flexibility (Caviedes, 2005). Where liberal market economies are characterised by a high level of numerical flexibility, coordinated market economies have more social protection installed for workers to have security (Caviedes, 2005; Estevez-Abe *et al.*, 2001). One of the most important elements of that security is formed by the employment protection legislation (EPL), which is a set of rules governing the hiring and firing workers. A high EPL can also lead to increasing employer's costs of adjusting workforce and to creating a barrier for recruiting (Angrist & Kugler, 2003; OECD, 2006b). Inflexibility in general creates a less mobile workforce (Zimmerman, 2005). Although many scholars seem to agree on this, Nickell (2003) notes that there is no conclusive evidence on the impact of EPL on the overall rates of unemployment. Nevertheless, figure 7 on the next page sets out the index of EPL to unemployment rates of foreigners in OECD countries. The OECD (2006b) looked at the EPL strictness of both fixed or temporary working contracts and of regular, definite workers. The index below is the sum of the EPL on the several issues according to its own calculations.

Figure 7: Employment legislation protection by unemployment of foreigners, 2004



Note: This graph has been composed on the basis of data from the Employment Outlook (OECD, 2004b) and data from the International Migration Outlook (OECD, 2006c).

This graph gives a rather mixed view on the relation between EPL and unemployment of foreigners. The graph shows a vague slope from a group of countries that have been identified as liberal market economies to a group of more coordinated market economies. This could indicate that a higher EPL is related to a higher level of unemployment. There are however a few rather big exceptions to the general trend, which makes it very difficult to conclude on it. According to Angrist and Kugler (2003), employment protection leads in general to high firing costs which are mainly a disadvantage to existing native staff as immigrants are mostly hired through temporary contracts and to some extent in non-union jobs.

The entry of immigrants into the labour market and overqualifications are one of the biggest problems on the effective migration of foreigners. The wages of immigrants tend to be lower, especially for the period following their arrival, and this also seems to be the case, surprisingly, for high-skilled migrants (OECD, 2006b, 2006c). The unemployment benefit is another example of a labour market institution that affects the flexibility on the supply side of the labour market (Estevez-Abe *et al.*, 2001; Nickell, 2003). The presence of low employment protection also has negative side-effects. Higher protection aims at a stable working relation which will improve the likelihood for employers to invest in more work-related skills for his workers, while too secure working contracts can remove incentives to invest in employability (WRR, 2007: 139-140). The temporary character of migrants leads to less investment in their human capital which determines the chances of employment and equal wages (Bauer, Dietz, Zimmermann, & Zwintz, 1999; Kleinknecht, 2002).

From the EPL-statistics in table 5 on the next page, especially Switzerland comes out as rather lenient towards protection of workers, while the Netherlands has a high protection of regular workers, but rather low protection on temporary employment. For the Netherlands, the EPL strictness of temporary working contracts has been lowered in the last 10 years. Especially regular workers are well protected against dismissal (WRR, 2007). Relaxing EPL on temporary contracts in order to downsize the limitations on use of temporary workers can have adverse effects as employers will be more reluctant to convert contracts from temporary to permanent (OECD, 2006b). In addition to the EPL levels above, the Danish system of flexicurity should be given extra attention as it is recommended by both OECD (2006b) and European Union to all countries, although it will be best applicable to those with similar institutional settings (i.e. coordinated market economies). The system is based on a three main elements: the first is relatively unrestricted access to appoint, dismiss and to fix wages, the second is an economic safety net in

event of unemployment and the third is active labour market policy for helping unemployed back on the labour market (DA, 2007). Through this, employees should not be too afraid to lose their job as there is much chance of finding a new one. Employers are more willing to accept new employees (as firing is relatively easy) and unemployed are backed up by social security system in which the worker is able to wait to a job comes by that matches his skills (Estevez *et.al* (2001) mentions this as a way to secure investments in industry and occupational specific skills). Unfortunately, this cannot be concluded directly from the unemployment level of immigrants in Denmark (Pedersen, 1999). Although they should integrate easier due to low EPL, other characteristics, of which high wage floors are one, may offset this (OECD, 2006d).

Table 5: Employment Protection Legislation

	Protection of regular workers	Specific requirements collective dismissals	Regulations on temporary forms of employment	EPL – total
Denmark	0.61	0.65	0.57	1.83
Germany	1.12	0.63	0.73	2.47
Netherlands	1.27	0.50	0.49	2.27
Switzerland	0.48	0.65	0.47	1.60

Note: based on regulations in 2003 – Source: (OECD, 2004b)

The system of social protection that supports the development of specific skills, offers workers security that their investment keeps its value. Employees are more likely to invest in specific skills when they have (un)employment protection (Wood, 2001). Especially employment protection legislation is interesting to analyse as it determines the numerical flexibility of employers. When it is difficult to fire employees, employers will be reluctant to hire workers when they do not know the extent to which it fits their specific demand. This works out negatively for immigrants as many different risks accompany hiring migrants. There are some differences between the countries analysed. All have reasonable high EPL levels, but Switzerland and Denmark offer more flexibility to their employers than Germany and the Netherlands, which is mainly due to the Dutch protection on regular workers.

Conclusion

An analysis on the institutional settings within the Netherlands and selected countries was made in order to identify if these countries share the characteristics of a ‘high-skill’ equilibrium. Although the level to which these characteristics are present differs, all four countries can be seen as having that equilibrium. Even though the Netherlands has a mixed vocational education system

like Denmark, it looks more alike the systems of Germany and Switzerland with its high diversity of occupational education programmes through apprenticeships. The differences in employment and qualification level of foreign born in those countries are difficult to explain from just the institutional setting. The presence of past generations that did not fare well in these countries is still visible in statistics which makes it hard to identify the current effects of the institutional setting on the employment chances of migrants.

The flexibility on the labour market is important to stimulate the creation of jobs and increase mobility. This general notion has additional effects on the employability of immigrants. Due to difficulties in assessing the qualifications and skills of immigrants, employers are more reluctant to recruit migrants, especially since they are unaware with country specific skills and have difficulties with language skills (Tassinopoulos & Werner, 1999). More or less fixed wages lead to higher reluctance from the side of employers, especially as employment protection restricts the flexibility of employers in firing workers when not fulfilling the initial criteria. These institutions form subsequent barriers for labour migration to work effectively. The system in which specific skills are asked obstructs migrants when it comes to specific skills based on that same national skill creation system.

When on the other hand migrants are able to bring skills that are not formed through national education programmes, this offers a potential for them to be hired easier, but it is especially employers who can judge if specific or specialised skills fit the demand they have. This holds also when companies start new strategies or innovations and need foreign workers for obtaining the knowledge to implement. In all cases, the assessment of qualifications and skills obtained on-the-job will be problematic. An additional barrier is formed by the necessity of country specific skills. Only markets that are highly globalised, such as research, IT and international services (finance and consultancy) with workers being high-skilled, will not see this as much as a barrier. Communication is often in English and workers are highly adaptable, leading to less problems. These markets are already more fluent with skills being acquired on-the-job (Iredale, 1999) and will therefore not have many problems in hiring foreign workers. The more regulated sectors will have to deal with transition periods in which immigrants have to adapt to country specific skills and tradition, as well as the Dutch language.

5.2 Desirability of labour migration

Not only the feasibility determines the extent to which skills can be imported, but also the desirability. In a system which leans on skill creation, the consequences of importing skills also need to be analysed. With more possibilities for employers to attract employees from abroad, the question arises why firms would uphold the system of creating skills by dual vocational training and not attract necessary skills from the international market if it is not available domestic. As Crouch *et al.* (1999) explain, if employers are faced with skill shortage on the short term it is more likely to pay higher wages to attract workers than to improve training as this takes times as well. This reaction may undermine the existing skill creating system of vocational education and training. Existing literature hardly includes this question, which makes it relevant as well. Social partners interviewed in all countries that have been included in this research, as well as governmental vocational education organisations replied that this scenario has not been on their agenda yet. In Dutch parliament, a member warned that “the ease with which foreign specialists can be ‘ordered’ in the future harms the willingness of employers and government to invest in training and education in one’s own country” (Tweede Kamer, 2006: 7). Although means are limited to analyse the potential effect of migration on the system of skill creation, this section will elaborate on this.

Coordinated market economies have strong vocational education existing of vocational colleges and dual apprenticeships or a combination of both with these systems of apprenticeships having been set up with the support of employers. It is employers that bear a sizeable amount of the costs as they invest in their workers’ future skills. This ‘high-skill equilibrium’ is maintained by settlement of wages to prevent poaching. Through collective bargaining, employers and employees have agreed on the fee employers have to contribute for initial vocational education. In the Netherlands this happens through so-called Training and Development funds (Opleidings- en Ontwikkelingsfonds – O&O-funds) which are governed by the social partners (Ministerie van Sociale Zaken en Werkgelegenheid, 2003). More or less the same happens in Denmark, Germany and Switzerland where the costs for apprenticeship training are distributed over firms active in that sector. The cooperation between social partners in skill creation ensures that the system of vocational education exists.

There are however doubts whether the current dual apprenticeship system, leading to education in occupations, is still a viable provision to create qualifications and educate workers (Idriss, 2002). Several authors outline reasons why the ‘Berufskonzept’ may have to be subject to alteration.

First, the change of industry to service sector based economy can lead to an excess of educated workers for industrial sectors and to shortage for service sector, as industrial firms still deliver a majority of the apprenticeship places. Second, firms within the service sector are more fluent and less stable to offer apprenticeships and due to a highly competitive and globalised world, firms need to pay more attention to costs and are therefore wondering whether the system is not too expensive. Third, rapid changes in technology demand a more flexible work force, which would argue against the stringent occupational division and education of specific skills, but more to generalist workers (Finegold, 1999; Idriss, 2002). In Switzerland this has lead to sustaining several industrial sectors, with as a result delaying the structural shift from industrial to service sector (Golder & Straubhaar, 2002). There is an additional threat that lies in the general upskilling of workers. More people should be higher educated according to goals set by countries and the EU. As a consequence, the likely decrease in supply of medium skilled workers creates a shortage of workers.

If employers would want to change their method of obtaining skills, they will face the problem that their production market strategy is dependent on the supply the labour market provides. Along with the other institutions in a coordinated market economy and “given their institutional interdependence, national models will evolve in an incremental and path-dependent manner” (Jackson & Deeg, 2006: 6). The complementarity of the different institutions make that they are interlocked with each other and therefore not easy to break down (Ochel, 2002), especially not when employers’ associations are still leading the collective education (Crouch *et al.*, 1999). Only when several institutions change, such as a slow breakdown of social protection or of bargaining collective agreements between social partners, there is an increased risk for change of the skill creation system as well. Even when companies are attracted to immigration, the system compels them to stay active.

Van Lieshout (2002) shows that in the past, new production technologies were applied without this leading to undermining of the skill creation system. As the labour market would demand for more generalist workers, Van Lieshout argues that there has been a movement by which many occupational specific apprenticeships have been merged to broader occupations. From Germany it is argued that “German companies are not abandoning apprenticeships, but they are supplementing it” (Culpepper, 1999: 57). In addition, the dilemma in the future will not be the adaptability of educational systems, but the pace with which systems can change in order to adapt to a different demand of labour. The biggest risk lies in the mismatch of educated people that

goes along with that. When new sectors arise, it takes a while before new training programmes are developed (Idriss, 2002). Idriss argues along the same lines as Culpepper by saying that the skill creating system adapts to new challenges, for instance through development of broader specialised training programmes with general key qualifications of a certain trade and specialisation in the last year. With more flexibility, changes can be made easier and new occupations can be created when production strategies ask for them.

Respondents to the interviews noted that as they do not view immigration as direct solution for shortages, all emphasise that it is very important for young people to obtain a qualification first and that those workers are provided with additional training once in a job. The social partners emphasise that increasing participation is the best way to overcome future shortages and that education is pivotal for these countries. Employers underline that due to demographic pressure, not educating, but importing skills would be a way to destroy their own future. A problem identified by many is that it takes some time to adapt formal qualifications to a changing economy. Both for Dutch construction and for metal industry firms offer more apprenticeship places than students are available to fill them. That is a trend which is similar to those in Denmark, Germany and Switzerland.

Especially the Information Technology sector differs from the more traditional, manufacturing sectors in their demand for workers. The work in general is very international and could be performed by workers from all over the world (Caviedes, 2005). As this sector is also very cyclical in its demand for workers, this makes it more difficult for educational systems to predict the course of future needs. From the IT employers' association it becomes clear that many firms stay within the Netherlands as they have to keep in contact with customers (Interview ICT~Office). It is this contact with the customer that puts this global sector with its feet in the national labour market as country specific communication and sales skills are very important. The necessity for country specific skills also limits the possibility for employers to withdraw from national educational systems. Thus, attracting only immigrants to do the job is not a viable option. This is of course even more the case when dealing with manufacturing industries that depend also on vocational skills. Nonetheless, German employers' associations expressed their concern in Caviedes (2005: 18) that they "do not want to risk flooding the labour market with foreign workers for fear that circumventing vocational training programs might lead those institutions to atrophy".

Analysing actual numbers of apprenticeship places provided, there is no evidence yet that employers withdraw from the system, as already earlier has been determined by Van Lieshout (2002). For the Netherlands, an increase in apprenticeships has been identified and in general, the supply of places meets student demand or even exceeds that demand (Colo, 2006). According to the same report, there is even a shortage of students in some sectors (construction and health care are important ones). In Germany also the number of places has also risen with approximately 5% in 2006 with respect to the number of places in 2005, which can be attributed especially to industry, trade and agriculture (BIBB, 2007). In Denmark, no statistics could be retrieved on the number of apprenticeship places, but only on number of students enrolled in vocational education. About 102,800 were enrolled in general and vocational upper secondary education, of which about 68,600 were on general and about 34,200 vocational upper secondary programmes (Undervisningsministeriet, 2005: Ch4). As none of these countries had much labour migration, these statistics could be explained from the presence of a restrictive migration policy. Switzerland with its 20% foreign population forms a more interesting case to look at. The number of companies offering apprenticeships has declined since 1985: from 24.1% in 1985 to 14.7% of all companies educating in 1995. Since 1995, more companies offer apprenticeships with a current share of 17.8%. This decrease has been overcome by more places per educating firm. The number of apprenticeship places relative to work places was reasonable stable over the last 20 years, from 6.1% in 1985²¹ to 5.6% in 2005. The number of students in the dual vocational track in 2005 equals that of the number in 1985 (all figures are derived from Statistik Schweiz, 20-03-2007). This shows that although Switzerland has a high share of immigrants, the supply of apprenticeship has stayed fairly equal.

The large intake of immigrants seems not to have direct consequences for the system of skill creation. There is another advantage of apprenticeships that focuses on the profit firms make by employing apprentices. In Switzerland, the apprenticeship programmes cost about 4.8 billion Swiss Francs, while due to productivity firms gain 5.2 billion with this learning labour force (BBT, 2007). Van Lieshout (2002) draws the same conclusion for Germany: gains from apprenticeships are higher than costs of education. Considering the fact that at the moment in several sectors more learning places are offered than students are available to fill them, migration could help to fill those places²². As the programmes are more or less self-supporting, this could be

²¹ Figure indicates number of apprenticeships per work places.

²² For instance by means of attracting study migrants or educating children of labour migrants when they are allowed to accompany their parent.

a good way to use the capacity available, prevent future shortages by investing in personnel already without having adaptability costs later. This also improves the educational level of foreigners in order to stimulate brain circulation, so that those migrants can return to their country with knowledge and experience. Additionally, much attention should be paid to firms who hire labour migrants under false pretences of apprenticeships. During the interviews with employers this was mentioned often as a potential threat if regulations are easy to circumvent.

To conclude on this section and to answer the question whether side-effects for institution of skill creation may be expected, hypothesising it may seem a possible risk, but looking at the current systems of vocational education in coordinated market economies it is not very likely that immigration forms an immediate threat. There are several elements of the system to support this assumption. Through collective agreements and wage bargaining employers will share the costs of educating. Although individual firms may be allowed to recruit foreigners, students will still be educated. Informal pressure within employers' associations can be put on firms to offer apprenticeship places (Crouch *et al.*, 1999; Culpepper, 1999). When migration is fairly easy, it may lead to a higher supply of workers that cannot be controlled by the education system itself. This makes it more difficult to assess what need of apprenticeship places exists (Idriss, 2002). Immigration seems not to be a threat, but more a solution to firms who are not able to find qualified staff in the labour market yet and need additional human resources while educating and retraining future employees for the job (Bauer & Kunze, 2004). In a policy document of the Association of German Chambers of Industry and Commerce (DIHK), one of the keynotes for the future have to be, is that "Bildungspolitik und Einwanderung müssen einander ergänzen"²³ (DIHK, 2005: 40). When the system of vocational education and training is maintained by keeping the institutional settings the same, immigration can offer a temporary solution to companies that need intermediary skills that are being created during that time. By addressing future needs on the labour market with more flexible education structures, it should be possible to adapt reasonable fast to upcoming demands by technological and economic change (BDA, 2006).

When other complementary institutions tend to decay, the risk of circumvention of skill creation increases. It is interesting to see what will happen when trade unions loose more ground in coordinated market economies. If the number of workers that are member of a trade union decreases further, trade unions are less legitimised to make negotiations on their behalf and

²³ "Education policy and immigration have to complement each other."

therefore system might be changed. A decrease of membership will also lead to a stronger position of employers' associations (Culpepper, 1999: 47). When collective training funds disappear and the investment in training and apprenticeship places depends solely on individual firms, the risk increases that more companies will show free rider behaviour and thus the risk increases that the system deteriorates. Due to the mixed educational system, for the Netherlands there is less risk that the educational system will become problematic, even when apprenticeship places will decrease (van Lieshout, 2002).

6. Labour migration policy

An answer to the research question has been given to the extent to which labour migration is a feasible and desirable solution for solving the labour demand in the previous chapter. To answer the question what migration policy fits the import of skills, first the alternatives for such a policy must be identified. As discussed in the methodology chapter, the ‘method’ of lesson-drawing is used to detect potential migration policy lessons from the selected countries. The first section combines the conclusion of the previous chapters with theoretical elements for managing labour migration. Subsequently, the extent to which lessons can be drawn is included after which policy alternatives based on the migration policies in Germany, Denmark and Switzerland are analysed. The chapter answers the fifth and last sub question of this research: *What are suitable policy alternatives for labour migration in a coordinated market economy?*

6.1 Migration management in coordinated market economy

The extent to which migration is a feasible and desirable solution determines the suitability of policy alternatives in coordinated market economies. This suitability of policy alternatives can be viewed as part of the prospective evaluation of policies as is one of the condition for drawing lessons (Rose, 1993). There are different sets of alternatives identifiable in migration management: supply versus demand-driven labour migration as selection mechanism and temporary versus permanent as duration element (OECD, 2003; Roodenburg, 2005). Each combination of selection mechanism and duration offers its own set of policy alternatives.

The OECD differentiates between two policy areas: the recruitment of highly skilled immigrants in the context of a highly competitive global labour market and temporary, often seasonal low-skilled immigrants to alleviate skill shortages (OECD, 2006c: 76). Two main options for immigration policy for selecting immigrants to entering the country are employer selection and host country selection. Employer selection, also known as demand-driven control, is characterised by the delegation of the selection responsibility to the level of individual employers (Roodenburg, 2005). In general, employers seek the best candidate for a vacant post and request work and resident permits for the potential immigrant. This ensures a close link between the entry of the immigrant and the demand on the labour market, especially if the entry is restricted to sectors with recognised shortages. Governments are still responsible to set framing conditions, for instance minimal qualifications, salary requirements or precise sectors or occupations for which immigrants can enter the country (OECD, 2006c). Since immigrants are selected by employers

for one specific job, there will be no period of unemployment for the immigrant. Employers also have the opportunity to check more than just the qualifications on paper; contact is possible with the immigrant before he gets hired. Disadvantages are that the immigrant is only hired for firm-specific needs and not for long-term advantages he may have to offer for the labour market in general (OECD, 2006c).

The second form of selection, host country selection, is performed by the government of the receiving country. Especially countries that focus on permanent settlement of immigrants use this kind of system, like Canada, Australia and New Zealand. Most European countries use the employer selection, although some have a combination of both, like Great Britain. Potential immigrants are screened on specific characteristics when they apply for work and residence permit. These characteristics are based upon the determinants that facilitate quick integration in a country, but countries tend to differentiate on those. Age, language proficiency, formal qualifications, availability of funds, presence of family and having a job offer, can be taken into account when assessing an application (OECD, 2006c). The advantages of this supply-driven control are the flexibility of workers on the labour market, as immigrants are free to move between companies on the labour market and government can make a selection on long-term advantages of immigrants (Roodenburg, 2005). Disadvantages are the potential risk that immigrants need to rely on social benefits the first period due to unemployment and the potential fraud such as false diplomas and falsified work experience. A government agency will just check for certain criteria, while employers can ask into detail about formal qualifications (Roodenburg, 2005).

Migration is not a solution for continuing shortages. Shortages due to, for example, skill mismatch are more likely to be overcome by adapting the system of training and education to the new demand instead of recruiting foreign workers. As has been concluded, migration can form one way to bridge the shortages, but cannot serve as a way to neglect these mismatches. Depending on the qualifications, it is difficult to assess whether the skill level of foreign workers meets the skill demand of companies. Especially in times where migration serves as a bridge to new domestic supply, employers want to recruit personnel on which they can rely. If this condition is taken into account when looking for suitable migration policy, for this type of workers a demand -driven migration policy would serve best, as the selection mechanism is delegated to employers, who on their turn are best able to test the immigrant's capabilities to their needs (Roodenburg, 2005). Within a supply-driven system the selection of immigrants necessary

for that type of demands is not as flexible. For temporary shortages or demand, straightforward recruiting should be possible that allows a flexible and fast entrance for foreign workers who are willing to fill up shortages for a certain period of time, although temporary migration tends to become permanent (Avci & McDonald, 2000). In this case, no differentiation can be made between middle and high skilled labour migrants. The point of departure is that companies and organisations can hire someone from abroad when the situation asks for it. From many countries it has become clear that it is difficult to control the temporariness of this kind of migration (Castles, 2006; de Lange *et al.*, 2002; van Amersfoort, 2004). Disadvantage of this temporary programme is that if only one employer selects a labour migrant for current demand in one particular firm, this may not lead to having the right qualifications for a country in general. Selected on basis of temporary benefits may lead to adverse effects when temporary migrants stay permanent. A strict enforcement of immigration laws leads to better regulation of temporary migrants in order to avoid pitfalls of the past (Castles, 2006). Other consideration is to give permanent residence immediate to groups of immigrants who can be welcomed, but only when these migrants have good prospects (ACVZ, 2004).

A more long term need that has been identified is that of high skilled, innovative workers that can contribute to the growing shortages in that sector and can transfer knowledge. Although these high skilled labour migrants are also faced with institutional barriers, they are more likely to benefit from their complementary skill potential. It can therefore be expected that these migrants will find their way on the Dutch labour market. The higher skilled the immigrants are, the less chances they have to be unemployed. Language and country specific skills still may obstruct immigrants, but due to their adaptability, high skilled migrants may be expected to learn those skills quickly. The country specific skills are learned on-the-job which implies that they must first find one in order to be able to adapt. This is also one of the conclusions of Nielson (2007); immigrants that spend more time on the labour market will be employed sooner at their level of education while immigrants spend time in a country being unemployed will have less chance of finding a job that match their qualifications. Both supply and demand migration would fit well to this type of labour migration, as well would temporary and permanent migration and therefore all options are open for benefiting from migration. Even though high skilled migrants have not as much trouble with institutional barriers, they will have a higher chance of being unemployed compared to natives. For permanent migration to succeed well, migrants need to obtain country specific skills and should therefore become active on the labour market on their level of qualification.

The most likely combination in migration policies are temporary demand-driven migration and permanent supply-driven migration, as temporary migration relies on flexibility and is easier regulated by those who have first interest in foreign workers. Even when it concerns high skilled migrants, it needs not to be favourable when immigrants obtain permanent status on the basis of the selection of one employer as the choice of one company may not equal the contribution that high-skilled migrant may deliver at other firms. Some countries have started policies to admit high skilled migrants through temporary supply-driven mechanism in order for that migrant to find a suitable job within a certain period of time (ACVZ, 2004). A variation on this temporary supply-driven migration are students who are allowed to stay in a country after their graduation. This type of management would fit the conclusion that foreigners who obtained a national qualification or degree have a higher chance of being employed as employers can anticipate what kind of skills they recruit. The following table summarises the different suitable policy alternatives. On the basis of this scheme, next section will compare policies to this schematic overview of suitable policy alternatives, according to institutional feasibility and desirability.

Table 6: Suitability of migration management related to the extent immigration forms feasible and desirable solution

		Duration	
		Temporary	Permanent
Selection mechanism	Demand-driven	Needs on short term: - Medium skilled - High skilled Bridging shortages	Potential: - Temporary migrants that obtain additional training for increasing employability
	Supply-driven	High skilled: - Offering time to search job Foreign students graduated in host country: - Use of country specific skills - Offering time to search job	Needs on long term: - High skilled - Knowledge workers - Migrants with good prospect of finding job immediately

6.2 Labour migration policy

In the previous chapter, the selected countries were analysed and it was concluded that all four have ‘high-skill’ equilibrium. It was however difficult to attribute other employment outcomes to the differences in institutions; other factors like cultural settings, social acceptance and migration history also play a role. This section outlines labour migration policy alternatives by analysing labour migration policies in Germany, Denmark and Switzerland in order to see how these countries regulate labour migration. The evaluation of existing policies is very difficult for a number of reasons. Differentiated statistics on the entrance of migrants are incomplete and not comparable to each other. This research barrier has struck before; again it is not possible to differentiate numerically between the outcomes of migrants on the labour markets and the cohorts of immigrants, let alone by motive of entrance or specific stream. In addition, secondary sources are also limited, but they do give some ideas on the effectiveness of some policies. Denmark, Germany, Switzerland and the Netherlands face the same problem of existing institutional settings that are decreasing the chances for immigrants on the labour market. The actual decision on immigration policy includes many other factors that have not been included directly in this research. That makes it also very difficult to distinguish outcomes between countries. It is not only immigration control policy that determines the chances of good integration, but also many other aspects are very important. Therefore, it has not been possible to draw hard lessons from any of the selected country, but general policy alternatives can be derived from the different policy settings.

From the labour migration policies in Germany, Denmark and Switzerland, a number of broad policy alternatives have been deduced, which are summarised in table 7. The restrictive migration policy that characterises all countries has been taken as basis. The following alternatives are exceptions to that rule. In appendix A migration regulations in these countries are described in more detail. Elements from these policies will be used later to argue broad policy alternatives. The appendix also goes deeper into Dutch immigration policy as well as the government proposal for revising that policy (Minister voor vreemdelingenzaken en Integratie, 2006). Appendix C provides statistics on the entrance of immigrants. Denmark has seen an increase in immigrant numbers, but that is mostly due to entrance of new EU Member State citizens. Denmark’s special sector based scheme accounts for less than thousand immigrants. Germany sees a lower number of migrants as well as provided work permits. Finally, Switzerland shows an increase of immigrants for purpose of work, although its quota is not reached.

Table 7: Labour migration policies in effect or considered per country

	CH	DE	DK	NL
Sector agreements		X		X
Point system (considered)	X	X	X	
Faster entrance ²⁴	X	X	X	X
Permanent migration possibility		X		
Quota (as part of general policy)	X			
Sector based scheme			X	

Note: The mark behind the alternatives denotes which countries use this alternative.

Analysing the percentage of high-skilled foreign-born in the population in table 8 below, Switzerland stands out. It is difficult to explain this difference. Interviews with Swiss social partners pointed to the restrictive and selective immigration policy and the fact that Switzerland attracts high educated workers because of its reputation and expensive costs of living²⁵. This could lead to a self-selection of immigrants attracted to Switzerland.

Table 8: High-skilled foreign born relative to population (Source: Dumont & Lemaître, 2005)

	% Foreign-born	High skilled foreign-born (% total population)
Denmark	6.8	1.3
Germany	12.5	1.9
Netherlands	10.1	1.8
Switzerland	22.4	5.3

Policy alternatives analysed

Switzerland, Germany and Denmark have worked on new immigration policies in order to adapt to the new demand on the labour market. In general, the debate on immigration is triggered by demographic changes, especially in Germany, and diversification of skill requirements (Danish Welfare Commission, 2006; Schweizerischer Bundesrat, 2002; Süssmuth Kommission, 2001).

²⁴ Accelerated entrance is possible on different grounds. The most important categories that one or more countries use, are scientists, intra company movements, knowledge workers, managers and cultural or sports talent.

²⁵ Some authors point to the fact that Switzerland's immigration point system could explain this high share of high skilled (Boeri & Brücker, 2005; Brücker *et al.*, 2001; von Weizsäcker, 2006), but as has become clear in the review of migration regulations, Switzerland does not have a point system.

Changing economic needs and a workforce that should be more adaptable and flexible to rapid developments asks for a reconsideration of migration policies. Also in the selected countries many labour shortages can be identified (Holm *et al.*, 2002; Sollberger & Vuichard, 2007). From the labour migration policies of the several countries, it can be seen that restrictiveness is the key issue in this policy field. All countries only admit foreign workers on the basis of a demand-driven system if no labour on either the domestic or European labour market is available. Denmark requires in addition that the job must be of special character, which excludes low skilled and many medium skilled workers. Switzerland has the toughest immigration policy of the selected countries (law that comes into effect in 2008) as only issued to managers, specialists and other qualified workers. Countries often restrict the entrance with the fear of too many workers entering the labour market and thereby pushing aside domestic workers with substitutionable skills. The almost traumatic consequences of the guest workers period not only hit the Netherlands, but can also be seen throughout Europe (Castles, 2006). The high unemployment levels of migrants still help remembering that integration of immigrants takes much additional effort. Along the lines of earlier discussed barriers, immigration policy should be designed in such a way that migrants have least barriers and the labour market can benefit optimal from migration. Immigration policy being selective for medium skilled foreign workers is a logical step that follows from the skill structure in a coordinated market economy. Medium skilled are limited in their ability to adapt well to changes on the market and it is therefore difficult to implement permanently.

Many authors discuss the desired selectivity and restrictiveness of migration policy (Bauer & Kunze, 2004; Golder & Straubhaar, 2002; Zimmerman, 2005). For labour market demand on the short term, such as relaxation of the market or as a way to overcome temporary mismatches in supply and demand of domestic workers, a temporary, demand-driven immigration policy forms a most suited solution. Castles (2006) notes that in the past permanent problems were overcome by temporary migration, which led that temporary migration to become permanent. As the labour market problems after a while cease to exist due to a change of economy or economic downturn, that group of workers suddenly has no other way to go. Problems should therefore first be identified according to real expectations. As structural labour demand cannot be met through migration, policy actions of government and social partners are very important to deal with these problems. Immigration policy can help relieve the highest pressure if it can be managed flexible with a tight fit to what is demanded (Liebig, 2002). To prevent employers from using migration on structural basis, working conditions should be equal to domestic workers as different

conditions can upset labour markets and willingness of employers to participate in training programmes, even if it that would be against their own interest on the longer term. From interviews it has become clear that when migration is a good temporary solution, the system must be flexible enough to facilitate immigration. By means of a labour market test which identifies if there really are no other workers on the labour market to do the requested work, authorities can test whether the problems identified by employers are correct. If there are doubts that employers live up to the working conditions and wages that are agreed upon between social partners, the working contract could be checked before permits are issued.

When specific sectors are hit by skill mismatch or sudden decrease of supply, there are possibilities to regulate simplified procedures in order to provide employers with necessary flexibility to hire foreign workers. Three of these simplified procedures are discussed below, ranging from priority groups through which migrants with specific characteristics can be recruited, to sector agreements which is a special agreement made for specific sectors in demand for workers and to sector based schemes through which law will provide the possibility to add occupations that are in specific demand. Also the point system is analysed, which is the most common policy instrument for supply-driven migration.

Priority groups

Many countries have implemented different rules for specific groups of labour migrants that enter the labour market for specific events. Multinationals for instance have a possibility to exchange staff for a certain period without having to go through the immigration procedures. The companies that can participate in this are mostly bounded to rules in order to prevent fraud. Denmark does not demand scientists to obtain a work permit when they are only less than three months in a country. A visa is sufficient to enter the country and take up short term work. This can be a good way to overcome long immigration procedures, while research environment can be helped much by the arrival of scientists. For categories dealing with talents, such as managers and sports or cultural talents, the markets are already globalised and migration policy only restricts the potential use of these talents by controlling entrance rules. A different group of workers are knowledge workers: migrants with a high innovative potential that can contribute much to the economy. It is the Netherlands that has started this special demand-driven procedure in order to meet the demand of employers who wanted to have a simple route to recruit their high skilled workers. As the knowledge workers are seen as being able to integrate relatively easy on the labour market and not much competition is in place, it is a good way to make use of these

migrants on a more flexible basis. The criterion for being a knowledge worker is more ambiguous as it is set on an income level of approximately €45,000 per annum instead of educational levels. This has been decided to create an easy and simple control mechanism (IND Informatie- en Analysecentrum, 2005). Although educational levels would seem better fit to test the contribution that these knowledge migrants can make, checking the qualifications for fraud takes time and time efficiency was the purpose of this policy. Due to this income criterion, it has also been possible for cooks to enter the labour market as a knowledge worker. Because of this selection mechanism that filters short term contribution, it is not seen fit to use this measure to offer permanent migration as a possibility for immigrants that enter the country. The new German migration law has created an option to provide settlement permits on arrival, which gives this demand-driven labour migration a permanent characteristic. It can only be granted if the immigrant may be expected to integrate well and should be noted that the income threshold lies at more than €80,000 per annum.

Sector agreements

During the economic boom at the end of the 1990s, the German Information Technology industry has lobbied for a regulation to attract IT workers from abroad. In 2000, this IT green card has been installed which has provided the possibility for the industry to recruit 20,000 foreign IT specialists to the German labour market. Part of the deal was a higher investment of both employers and government to train and educate much more German youth for the IT profession (Schreyer, 2003). This special regulation has not delivered what would be expected. As table 9 shows, the number of approved work authorisations does not reach the cap of 20,000. In the end, only 13,000 came to Germany to work over a period of four years (2000-2004).

Table 9: Approved, issued and renewed work authorisations under IT green card policy (Source: BAMF, 2006b)

	Total	Coming from abroad	Foreign students to German (higher) professional education
Approved work authorisations	17,931	15,067	2,684
Issued work authorisations	13,041	11,748	1,293
Renewed authorisations	4,070	2,772	1,298

One of the biggest obstacles for immigrants was that they could not build up a living, as they would have to leave the country after a number of years (Schreyer, 2003). Small and medium sized firms had difficulty to fulfil all criteria and big enterprises mostly used intra-company schemes to attract high skilled IT workers from their branches in other parts of the world (Kolb, 2004; Schreyer, 2003). This regulation was designed through federal legislation and gives a good example how migration might be used to overcome specific short-term problems while investing in a solution to deal with the problem on a longer term. The policy was a success considering the additional supply that has been created domestically (Kolb, 2003), although it failed to attract as many immigrants as needed due to lack of incentives to come over to Germany for work (Castles, 2006). An additional disadvantage was that once the IT got their 'green cards', more sectors wanted to obtain a special position as well (Bauer & Zimmermann, 2000).

A method that looks like the IT green card are the covenants agreed for specific sectors in the Netherlands in order to overcome shortages in for instance health care. The main difference is that these covenants are agreed upon by at least employers and the Employment Office CWI, but most of the time trade unions are also party to the agreement. Covenants have a legal basis in the aliens' employment law, but it is no law or decision made by government, but a self regulating instrument to manage migration. For health care, an agreement was made with rules on easier recruitment of foreign nurses, but only for a limited period of time to stimulate migration circulation (de Lange, 2004; IND Informatie- en Analysecentrum, 2006). In the meanwhile, employers and government would invest more in training of nurses. While the latter has been accomplished, the form of covenants is arguable. The legal rights of immigrants are for instance worse than regular migrants. In addition, the recruited nurses had to adapt to Dutch health care sector, but when fully adapted to country specific skills after two years they had to leave the country due to the brain circulation principle (de Lange, 2004).

Sector based scheme

In order to create a more transparent system of relaxing entrance, Denmark has designed the system of 'positive list' or 'job-card scheme'. The basic idea is that once there are many shortages in an occupational group, such as nurses or IT specialist, immigrants may be entering the labour market through this accelerated procedure. Once a profession has been enlisted, no labour market test is necessary anymore, which shortens the procedure. The occupations enlisted are approved by parliament after social partners have decided on the need to migration. By including both employers' associations and trade unions, it is expected that the shortages are really present. The

system proves to be somewhat inflexible, because parliament has to vote on the positive list every time it is amended. It would therefore be better to design this procedure through discretion of the government that operates on advice of social partners. Until recently, only IT specialists, engineers, doctors, nurses and some categories of scientists were allowed under this scheme. Since 1 March 2007 the list has been revised on advice of the welfare commission that looked to the future of the welfare state in Denmark. In addition to the aforementioned categories, for instance knowledge workers, lawyers and economists are added. All jobs on the list require university qualification equivalent to bachelor or master (Danish Immigration Service, 2007b). This scheme can also be applied to those workers above a certain salary threshold, which lies around €50,000 (Danish Welfare Commission, 2006).

Point system

The most familiar policy method of selecting immigrants is that of the point system. This policy obtained its 'glory' being the leading policy mechanism in traditional immigration countries, like Australia, New Zealand and Canada. Immigrants score points for different characteristics such as age, qualification, and work experience, and on control variables, like family present. Although the point system has not yet been implemented in any coordinated market economy yet, many countries have thought about this way of selection. In Switzerland, this system was proposed by an advisory committee in 1996, but was never implemented (Liebig, 2002). In Germany, the point system was advised by the Süssmuth advisory committee on migration. It has been proposed from the notion that broad skills are more nowadays important than specific skills and high-skilled can trigger faster economic growth (Süssmuth Kommission, 2001: 83). It was almost implemented as the first supply-driven migration policy in a coordinated market economy, but was voted out a long legislative procedure. In both the Swiss and German cases, it was fear for uncontrolled migration that decided politicians to withdraw the proposals. Employers in Denmark are currently lobbying for implementing a point system in Denmark as well. Although one source mentions the news that Denmark will implement point system (Copenhagen Capacity, 2006), as far as known this point system has not been decided on. The SER recently advised the Dutch government that a point system should be installed for the Netherlands in addition to demand-driven elements to attract high skilled workers (Sociaal Economische Raad, 2007). Although such a combination of supply- and demand-driven elements has not been implanted in the compared countries, it is a good way to manage migration (DeVoritz, 2007). It is also possible to use the point system within the demand-driven system as a way to measure a minimum level of quality of the imported skills. This can increase the control on the level of migrants entering the country.

As with all alternatives, the point system has both a positive and negative side. The positive side is characterised by the possibility to attract a certain socio-economic profile that is based on the human capital doctrine, which states that not current shortages, but future economic benefits should be taken into account when managing migration (Golder & Straubhaar, 2002; Liebig, 2002). It has a record in traditional immigration countries to select a higher average education level than in systems without a point system (Zimmerman, 2005). In addition to these economic perspectives, a point system increases transparency for immigrants (Liebig, 2002) and may increase the acceptability for native citizens of migration policy as it creates a feeling of control (Boeri *et al.*, 2002). That is also exactly the counter argument: it creates some sort of feeling that governments would be able to control, but in reality it is much more difficult. The low flexibility is mentioned by many as a negative side of the point system. Because it manages more along long term economic needs, it is difficult to meet the current demand through it. If this were possible, for instance to give additional points to occupations in demand, there is much chance that due to formal procedures it takes too long for the system to adapt to new needs (Liebig, 2002; Schweizerischer Bundesrat, 2002). In addition, the system cannot cope with unexpected events, such as unemployment rates going up rapidly (Bauer & Zimmermann, 2000). However, even with these negative points, it is still seen to be the best way to control *supply-driven* migration.

Other considerations

The role of students in a labour market may not be overlooked. By giving students the possibility to get educated in one's country, not only will international experiences and skills be created, it also offers good potential for future labour market needs as students are educated through the skill creation system in a country, which is set up to form skills that are needed in the market. Because employers have a higher trust in national qualifications, this will have positive effect for them on the labour market and this potential should be used better (Liebig, 2002; Süssmuth Kommission, 2001). Students must be given enough time to find a suitable job, recommended is a period of one year (ACVZ, 2004; Sociaal Economische Raad, 2007). The Dutch labour market is often restricted for family members of immigrants to at least as much as it has been restrictive for the labour migrant to come in. The potential of an accompanying partner should also be taken into account. For future integration prospects it is best if the migrant is given instant access to the labour market to obtain country specific skills. A final consideration should be given to an active policy on emigrated citizens back to their country (OECD, 2004a). Western emigrants are mostly reasonable high educated (Dumont & Lemaître, 2005) and have enjoyed education in their own country. In addition, they have gained much experience in foreign countries and might bring

those transferable skills back. In this way one can create the best of both worlds: educated to fit the skill demand and additional experiences to fulfil the need to more generalist workers

6.3 Conclusion: Policy alternatives managed

The discussion on the possible alternatives per type of migration management can be summarised in table 10. This table has an equal structure to that of table 6 on the suitability of migration management related to feasible and desirable solution. When both tables are merged, the most suitable policy alternatives are showed. As concluded, temporary demand-driven and permanent supply-driven migration fit best to the feasibility and desirability of migration in a coordinated market economy. For permanent migration, the conclusion has been that it is only possible when skills of migrants are recognised and when the host countries also invest in their employability. Otherwise they will loose contact with the skills demanded and have much chance of being unemployed. The implementation of a quota system is difficult to assess, but can provide a necessary back-up if too many immigrants would use supply-driven migration, reduce uncertainty (Brücker *et al.*, 2001) and therefore increase policy's acceptance with native population (Liebig, 2002). It is not likely that quota are necessary for demand-driven, as employers determine the necessity and the restrictiveness of the policy ensures that only real shortages are addressed through migration. Quota could therefore limit employers from hiring migrants abroad, but can also ensure that not all shortages are filled by migration. When quota are set in a demand-driven system, this could lead to a system of auction of available permits, as is also discussed by the German Süssmuth committee (Süssmuth Kommission, 2001).

Table 10: Policy examples from selected countries by migration management stream

		Duration	
		Temporary	Permanently
Selection	Demand-driven	Restrictive policy: - Labour market test - Accelerated entrance (knowledge workers, high skilled, concern workers) Sector schemes - Covenant - IT green card Sector based scheme	German high skilled workers
	Supply-driven	Students: - From 3 months to 1 year time to search for job.	Point system (considered)

For short term demand it is recommended that migrants are only to be admitted to the Netherlands on the basis of a selective demand-driven policy that provides employers with possibilities to only recruit workers from abroad when no domestic solutions can be found. Once migration seems a short term solution, procedures need to go fast and smooth, where work and residence permits can be handed out together as the outcome on the labour market determines the residence of immigrants (van Amersfoort, 2004). This offers flexibility for employers to deal with shortages while starting plans on more structural solution. Fast track programmes for specific groups of workers are still recommended for the government to admit that some skills are more needed than others. A sector based scheme according to Danish example could be introduced when labour needs are especially visible in specific professions, like IT or nurses. As social partners are strong in the Netherlands, sectors or occupations that should be enlisted for providing accelerated entrance can be proposed in consultation with the social partners (Boswell & Straubhaar, 2005). These can also envision the potential labour force in Europe to see if a labour market test can be abolished in the countries without that having negative effects on the supply of workers in one specific occupation or trade. Having special arrangements does not necessary imply that migrants are attracted to come to the Netherlands, but they lower the entrance barriers for those who want to come. Immigration policy can only be used as a way to select, not to control migration flows.

Whatever happens to future demand on the labour market, there need to be much attention for increasing domestic supply and to stimulate companies for investing in employability of not only native workers, but also migrant workers, even if they are only present for some years. From history it has become clear that temporary migrants tend to stay permanently. Although much effort should be put on the temporariness of temporary migration, it is better for the position of immigrants in both the Netherlands as in their country of origin, to be trained according to newest demands. This also limits potential behaviour of employers to recruit a foreign worker in order to have to invest less in elements like training. That could limit the employer's incentive to hire a migrant instead of domestic worker. If a migrant stays in the Netherlands, he has most chances of being re-employed. In order to help solving shortages on the medium term, students can be attracted to the Netherlands to be educated to Dutch standards and afterward being able to flow onto the labour market. When they have a Dutch qualifications, search for a job will be easier. In general, it is recommended that immigrants who settle in a country are offered to recognition of qualifications as it will be beneficial for both Dutch employers and immigrant. It will be a difficult undertaking though to implement this (Tassinopoulos & Werner, 1999: 6).

7. Conclusion

This chapter recapitulates on the different elements of the research presented in this thesis and will answer through that the main research question *To what extent need and can skills be imported through labour migration to meet the medium and high skilled labour demand in the Netherlands and what migration policy is suitable?* The first section describes the theoretical basis of the research and the answers to both the answers on the condition on which skills can be imported and what migration policy would be in line with those conditions. The second section discusses the results of this research and shall place some recommendations for further research.

7.1 Labour migration policy for the Netherlands

Immigration is a much debated topic, also in academic literature, but discussing migration as a way to import skills has not received much attention from a skill centred institutional context. This thesis therefore offers an important first exploring insight in the skill discussion and can form the basis for future research on different elements that are more specific and quantitative. The research can be divided in three parts that step by step move to recommendations on the type of labour migration policy for the Netherlands. The first step has concentrated on the need for skills to be imported through labour migration, which puts emphasis on both demand of labour in the Netherlands on short and long term and the role that attracting skills from abroad through foreign workers can have by contributing to this demand. The subsequent second step analyses whether this solution is feasible as well as desirable. Domestic labour supply is dependent on the working population and the qualification level of this population. The creation of the skills in the Netherlands can be characterised as a ‘high-skill’ equilibrium with institutional settings on wage bargaining and employment protection. The extent to which importing skills is a feasible option, is based on factors that obstruct or facilitate migrants to getting active on the labour market where the most demand exists. As skill creation is dependent on the role of employers, it is also necessary to determine if importing skills in certain ways could lead to undermining domestic skill creation. The third step concentrates on policy alternatives for migration, based on the two different management forms of migration being supply-driven and demand-driven migration. Policies of selected countries with a similar institutional setting of the labour market as the Netherlands are used to draw lessons. A preliminary evaluation of policies in Denmark, Germany and Switzerland leads to general policy recommendations without discussing the details of it.

The non-market institutional setting on the labour market helps firms in coordinated market economies like Germany and the Netherlands to deal with their coordination problems. Institutions are complementary to each other implying that the functioning of one institution depends on the presence of others. The system of skill creation ensures that firms can rely on trained personnel for their production of goods and services. Countries depend on different institutional settings to organise this skill formation: where Anglo-Saxon countries leave it more to the market, North-West European countries rely on overarching structures and organisations to structure the system of education. Not coincidentally, the distinction between liberal and coordinated market economies reveals a similar picture. Within a coordinated market economy there is more coordination between firms to find solutions for problems. Employers' associations in cooperation with trade unions have much influence on vocational education programmes. The specific skills that are created through these programmes are supported by other institutional settings like social protection in the form of employment and unemployment protection and wage bargaining. This creates a 'high-skill' equilibrium, which can be defined as a self-reinforcing network of institutions that interact to stimulate a general high level of specific skills. The types of specific skills created are occupation- and industry-specific and fit the requirements of firms. This institutional setting determines the feasibility and desirability of importing skills for meeting the demand on the Dutch labour market.

The research started at the problem of increasing labour demand that cannot be satisfied through domestic supply of workers. The demand on the labour market can be split into replacement demand and expansion demand. The economic situation and the overall upgraded level of skills determine the latter, while the process of workers leaving jobs due to pension or personal upskilling adjusted by the labour productivity determines the first. This ageing problem leads to replacement demand of workers, which is especially high throughout several industries, including the public sector. Due to a lower number of students studying at technical and agricultural streams of vocational education there is a larger shortages expected in these branches. In general, there seems to be an increasing skill mismatch with lower numbers of engineers and graduates in science in general. This is an obstacle on the road to the new 'knowledge' economy, especially since that group of graduates are of great importance in the development and application of technological innovations at (higher) vocational level. The skill mismatch is likely to increase because of an increasing speed in "skill biased technological change" and a changing economy in the direction of more knowledge based innovation and a larger service sector. It is clear that most bottlenecks will emerge especially on the upper-medium skill level of vocational education and

high skill level which will lead to a shortage of higher educated personnel of 100,000 and of knowledge workers of 120,000 by 2012. Through access of the global labour market, foreign workers can nullify these shortages in numbers, but it will be more difficult to find workers that are capable for the shortages qualitative.

An important barrier of international migration is immigration policy, which is often put in place to restrict the mobility of international migrants. In addition, it will be difficult to move to other countries for foreign workers possessing skills that are specific to their location or country of origin with the assurance that their skills will not be devaluated. From a quantitative perspective it becomes clear that immigration will only to a limited extent be able to meet the demand on the labour market as it is not possible to use the flow of foreign workers as a stopgap for domestic problems. Dutch employers rather use other means than the recruitment of foreign workers. Increasing employability is an important measure to manage (future) demand on the labour market. Unfortunately, upgrading of skill levels cannot be expected to happen instantly, but takes time. Recruiting immigrants can form a good solution to ease the tension on the labour market. Immigration can also be a flexible way to alleviate pinpointed pressure of the labour market. Shortages on the broad middle of the skill spectrum will be more difficult to fill up with help of immigrants, as it is not likely that they will posses the country-specific skills which are often necessary.

Due to difficulties in assessing the qualifications and skills of immigrants, employers are more reluctant to recruit migrants, especially since they are unfamiliar with country specific skills and have difficulties with language skills. More or less fixed wages lead to higher reluctance from the side of employers, especially as employment protection restricts the flexibility of employers in firing workers when migrants do not fulfil the initial working criteria after all. These institutions form subsequent barriers for labour migration to work effectively. The system in which specific skills are asked obstructs migrants when it comes to specific skills based on that same national skill creation system. When on the other hand migrants are able to bring skills that are not formed through national education programmes, this offers a potential for them to be hired more quickly. This is also the case when companies start new strategies or innovations and need foreign workers for obtaining the knowledge to implement them. In all cases, the assessment of qualifications and skills obtained on-the-job will be problematic. To which extent this will be a problem depends on the employer who has to hire the foreign worker. An additional barrier is formed by the necessity of country specific skills. More regulated coordinated market economy sectors will have to deal

with transition periods in which immigrants have to adapt to country specific skills and tradition, as well as to the Dutch language.

The level of skills and the markets where migrants will work in determine to what extent migration will be a possible solution. The types of skills that are demanded in a country are leading when discussing migration. Highly flexible international professions therefore demand a different policy than migration of vocational trained workers who should be directly employable on the labour market. Institutional barriers are high for immigrants who would like to work in vocational occupations. National education systems develop these skills with a tight fit to needs on the labour market. A worker trained for demand on his domestic labour market might not fulfil all criteria for being employed in other countries, like the Netherlands. Although immigrants have a higher chance of being employed in the occupation qualified for after some years of experience on the host country's labour market, they will still have a higher chance of being unemployed because their skills do not perfectly match. A question not answered in this research, but relevant for future discussion, is the extent to which labour migrants obtain additional training for improvement of their employability and adaptability. Due to a temporary position of labour migrants, employers will be less willing to invest in education as much as they do with other, regular contract workers. Consequently, migrants slowly start lagging behind on qualifications. When an immigrant will stay in a country permanently, this will increase his chances of being unemployed. This happened after the guest worker period in the Netherlands of which integration problems are still visible.

From the research it can be concluded that flexibility and security on the labour market determine the chances of immigrants being hired. Due to their foreign qualifications, it is especially difficult for those not academically trained to prove that they are well qualified to do the job. Employers have difficulty in assessing foreign qualifications and due to rather rigid wage bargaining system in coordinated market economies, employers are more reluctant to hire foreign workers as they will need to be trained to country specific skills, but already demand a high wage. Inflexible labour markets can increase the doubts of employers. When it is difficult to fire an employee, employers will only hire those that will not form an immediate risk. As immigrants with more transferable skills are more likely to be hired, they also have a better chance on the labour market. Workers with academic education mostly posses general skills, while vocational skills depend very much on the needs of regional or national labour market. Still, a higher unemployment of all migrant workers compared to natives was visible. The feasibility of labour migration as solution

thus depends on the strictness of the labour market, with migrants being more easily employed in more flexible markets.

As a result of the existing institutional structures and the pressure on supply of workers due to demographic changes, it is unlikely that firms will stop cooperating in the skill creation system as they depend on the skills coming from that. Although the risk will be present on the background, the immediate threat of migration for skill creation has not been identified. The numbers of apprenticeships offered increased over the last years, while employers do not see skill import as solution to their problems. They argue that increased participation of the population and increasing employability must lead to more and better supply of labour. There might even be a possibility that current apprenticeship surpluses might be filled with study migrants. When a country would in addition retain these study migrants for the labour market, it is more likely for them to comply with the desired skill levels and have a domestic qualification, which increases their chances on the labour market. This may be a way to overcome replacement demand on a longer term. In order to profit from the advantages of migration, government and social partners should be aware that a change in setting, could lead to undermining of the skill creation system. Concluding on the desirability of skill importing, there has been not much evidence found to support the hypothesis that migration might undermine existing skill creation systems. Because the system of skill creation is locked into other complementary institutions, it is not likely for the system to be easily undermined. In addition, employers have shown that they cannot depend on foreigners all the time, as having country specific skills is very important for the functioning of the company. If migration affects the willingness of firms to educate workers through apprenticeships, less structured and more fluid and globalised economic sectors like IT are most likely to be faced with that problem first.

When discussing the consequences for migration policy, the European Union legal context shows the limits of Dutch discretionary powers over migration policy. The European Union has created an internal market that establishes free movement of persons. This limits the possibility for the Netherlands to make labour migration policies for European Economic Area citizens as well as those from Switzerland. In order to deal with the internal European labour market, guidelines have been designed as employment strategy that focuses on employability and adaptability of workers. One of the emphases is the recognition of all kinds of learning in order to stimulate mobility of workers, both occupational and geographical. Another goal is to create a Europe-wide immigration policy, but the political feasibility is not yet clear.

The Dutch labour market demand has been characterised on short and long term and by the concepts of replacement and expansion demand. The labour market problems identified are more structural, while its symptoms are related to specific events. Both medium and high skilled jobs are in need, with medium being mostly created by replacement demand. The expansion demand is caused by a change of economy and needs high skilled (knowledge) workers in the long term. It is difficult to determine the actual replacement demand and manage migration on the basis of those calculations. That is why a demand-driven system will work best. In this case, employers can search for a foreign worker and value him on his credentials and skills. This way a migrant only enters a country when the employer trusts his capabilities. A supply-driven system in this case might lead to wrong selection. For expansion demand, both the demand and supply-driven system are a good alternative. As it is known that for future high skilled jobs, especially workers with an innovating character are needed, migration through a demand-driven system can help to relieve the shortages on the labour market. A supply-driven system can however bring in skills that have not been necessary yet, but will be to accelerate economic developments due to more and different innovation.

In the long run, migration can serve in multiple ways: to contribute to the innovative character of the Dutch economy and to make the transition to other economy and production strategies possible. As the domestic skill profile determines the strategy companies follow, new strategies can be set up with help of different skills from abroad. It is questionable though how successful new strategies will be due to the complementary institutional settings in other spheres. In order to have a work force that is highly skilled, selecting immigrants for permanent stay on the basis of a point system can be both a feasible and desirable option for the Netherlands. The focus of such a point system need not be the actual demand on the labour market, as it is inflexible to respond to actual demand. This would also make it more difficult to assess the supply of specific skills and thus how many students to educate for the market. In addition, actual demand can be solved through selective migration policy, while the point system should select migrants that contribute to the general stock of workers. As long as current institutions adapt accordingly to events like globalisation and a more integrated European market, there is much chance that these institutions like skill creation will survive. Immigration can form a good supplement to the market economy as it has the potential to grease labour market wheels, bring knowledge that is not provided for by the system itself and introduce some flexibility to more rigid systems.

7.2 Recommendations

As could be seen during the course of this thesis, missing statistics on labour migrants makes it very difficult to assess the influence of other factors. This causes that the line of argument cannot always be supported with data. By conducting follow-up surveys to migrants that have entered the country, researchers and governments can obtain information on the effects of their policies. As many countries start new migration policies, it could be a good moment to start a policy on data collection on new coming immigrants. More research should also be done on the composition of both immigrants and emigrants to age, level of education and work experience. It is interesting to know what the characteristics are of emigrating skilled workers in order to develop policies to attract them to the Netherlands again after they have spent a few years abroad.

Immigration is a complex subject that is very difficult to describe or analyse from all the disciplines that are involved with the process. It is up to policy makers to bring the different lines together and start working on immigration policy, but it is doubtful if they can succeed. The complexity of migration is reinforced by the many actors that are involved in a process. Migration policy is result of compromises, which could lead to unexpected consequences. If the immigration process would be visualised as a machine, one could see different wheels that influence the flow of migration and the effect of immigrants within a country. In addition to the labour market institutional point of view that has been expressed in this research, elements like networks, economic attractiveness of a country, level of discrimination, income differences and so many other factors are working to deliver output from the machinery. As every country has slightly different configuration of those wheels, the same input will deliver a different output. Even the assumption that the input is equal is questionable. Different immigrants are attracted to different countries, which immediately leads to dissimilarity in outcomes. No country can really be compared to another looking from the migration perspective. Even if a few wheels will be similar, many differences still remain. Policy makers should be aware of the different configurations of systems when considering copying policies from other countries. In addition, actors trying to influence on migration policy have all different wheels they would like to configure to their own setting.

Additional research using varieties of capitalism literature should focus how similar countries in the European Union are and whether labour migration policies on European Union level can be designed and lead to same effects in coordinated market economies as in liberal market economies. Starting with the outcomes of this research, further research should focus on whether

this Dutch interest in migration policies can be better met at a European level. Lastly, it would be interesting to start a research whether a further integrating European labour market can have consequences for individual skill creation systems in the European Union Member States. When citizens are more mobile, this can lead to different supply of workers. Not only is it interesting to analyse how institutions will develop, but also to see how several ‘varieties’ of market economies respond to one another in a big market economy.

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Switzerland:

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European Union

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ec.europa.eu/employment_social/index_nl.html European Commission – Employment, Social Affairs and Equal Opportunities

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Vreemdelingenwet 2000 – Dutch Immigration Act

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Delegatie- en uitvoeringsbesluit Wet Arbeid Vreemdelingen – Delegation and execution decree Aliens Employment Act

Germany:

Gesetz zur Steuerung und Begrenzung der Zuwanderung und zur Regelung des Aufenthalts und der Integration von Unionbürgern und Ausländern (Zuwanderungsgesetz – ZuWG) – Residence Act

Entwurf eines Gesetzes zur Steuerung und Begrenzung der Zuwanderung und zur Regelung des Aufenthalts und der Integration von Unionsbürgern und Ausländern (Zuwanderungssteuerungs- und Integrationsgesetz – ZuWStG) – Draft Immigration Act (11-03-2003)

Beschäftigungsverordnung (BeschV) – Employment Ordinance

Denmark:

Aliens (Consolidation) Act

Executive Order on Aliens' Access to Denmark (Aliens Order)

Switzerland:

Bundesgesetz über die Ausländerinnen und Ausländer (AuG) – Immigration Act, in effect from 2008

Verordnung über die Begrenzung der Zahl der Ausländer (BVO) – Decree on restriction foreigners

Bundesgesetz über Aufenthalt und Niederlassung der Ausländer (ANAG) - Immigration Act (until 2008)

Vollziehungsverordnung zum Bundesgesetz über Aufenthalt und Niederlassung der Ausländer (ANAV) – Execution decree on Immigration Act (until 2008)

Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other, on the free movement of persons *Official Journal of the European Communities* L 114/6

Interviews

Netherlands

Mr. A.J.E.G. Renique, secretary educational affairs VNO-NCW (national employers' association) – 17th of January, 2007

Mr. B. Taselaar, operational director ICT~Office (employers' association IT sector) – 18th of January, 2007

Mr. K. Stephan, policy advisor employment affairs Bouwend Nederland (employers' association construction sector – 19th of January, 2007

Mr. M.S. Smit, policy advisor labour market and education FME-CMW (employers' association technological-industrial sector) – 1st of March, 2007

Mr. R. Blaakman, international legal advisor Algemene Werkgevers Vereniging Nederland (national employers' association) – 2nd of March, 2007

Mr. P. Koppe, policy advisor labour market and education FNV (national trade union) – 13th of March, 2007

Germany

Ms. S. Wittkämper, policy advisor labour market Bundesvereinigung der Deutschen Arbeitgeberverbände – 21st of February, 2007

Denmark

Mr. H.E. Gade, chief consultant Dansk Arbejdsgiverforening (DA) (Confederation of Danish employers) – 2nd of March, 2007

Switzerland

Ms. R. Derrer Balladore, member of management team Schweizerischer Arbeitgeberverband (national employers' association) – 1st of March, 2007

Mr. J.-P. Grossmann, head division employer policy, Schweizerischer Baumeisterverband (employers' association construction sector) – 2nd of March, 2007

Conference

Participated in conference *Migration of high-skilled workers to Europe: Can member states get the people they want?* organised by the Netherlands Bureau for Economic Policy Analysis (CPB) and Ministry of Social Affairs and Employment, Scheveningen, 25th of January 2007

Appendix A: Labour migration policies

This appendix discusses the different labour migration policies in successively the Netherlands, Germany, Denmark and Switzerland.

Netherlands labour migration regulations

Migration policies in the Netherlands are characterised by its restrictive policy towards labour migrants. This is mainly due to the bad experiences with uncontrolled labour migration. The Dutch Immigration Act (*Vreemdelingenwet 2000*) regulates the entrance and residence of all types of immigrants, both regular and asylum and does so since April 2001. In addition to that act, the Aliens Employment Act (*Wet Arbeid Vreemdelingen (WAV)*) regulates the rights for immigrants to enter the Dutch labour market. The WAV has as main objective to regulate the internal Dutch labour market and to combat illegal employment and unfair competition. The Minister of Social Affairs and Employment regulates the entrance of immigrants on the labour market by granting work permits. The Centre for Work and Income (CWI) executes this task and must give approval when employers want to hire a worker and issue a work permit (*tewerkstellingsvergunning*). Although WAV specifies the conditions by which the CWI can decide on a work permit, there are also many exceptions to the general rule. Successively, a broader explanation is given on the general rule and the exceptions for EEA citizens and other special categories with a special attention for knowledge workers. First, some additional information is provided on the conditions for residence²⁶.

To being able to enter the Netherlands, the immigrant either must be an EEA citizen, be permanent resident in one of the European Union countries or must apply for a visa. For visits less than three months, a regular Schengen-visa is required (non-EEA citizens from other western countries are exempted from this visa obligation). When a migrant wants to stay for a longer period than three months, a Permit for Temporary Stay (*Machtiging tot Voorlopig Verblijf (MVV)*) must be acquired for the specific reason of stay and only gives right to enter the Netherlands. After arrival, the immigrant should convert his MVV into a Residence Permit

²⁶ The following information is collected through information from the websites of the Immigration service (www.ind.nl), the Ministry of Social Affairs and Employment (www.minszw.nl), the Ministry of Foreign Affairs (www.minbuza.nl), from the Dutch Immigration Act, the WAV and lower regulations subject to the WAV (*Besluit uitvoering Wet arbeid vreemdelingen* and *Delegatie- en uitvoeringsbesluit Wet arbeid vreemdelingen*). Additionally, the Netherlands' country report of the Migration Policy Group is used (Marinelli, 2005). Unless there is a very specific case, no special reference is made to these sources.

(*Verblijfsvergunning Regulier* (VRR)), which is issued for maximum of one year or the duration of the working contract and can be renewed every year under the condition of that working contract. Immigrants that enter the Netherlands based on the knowledge worker regulation, obtain a valid permit for the duration of their work contract. Citizens of the European Union do not need to apply for a residence permit, but the IND recommends them to obtain a statement of registration. Nevertheless, citizens from the recently acceded countries²⁷ to the European Union must apply for a residence permit, which is valid for up to either one or five years. To protect labour markets from a rush of immigrants from these developing countries, the Netherlands decided to limit the access for this group of workers.

Obtaining a work permit applies to the employer instead of the immigrant, but if a migrant applies for a visa and subsequently a resident permit with the objective to work, they will be interconnected in order to check if the resident permit can be issued. The system is demand-driven and demands the migrant to have a concrete job offer before being able to come to the Netherlands. The rationale of the Aliens Employment Act is that only workers that are needed on the labour market and cannot be found within the Netherlands or the European Economic Area can be admitted. The Centre for Work and Income only grants a permit to an employer when that firm can provide proof of it having made every effort of finding personnel in the Netherlands or within the EEA (called an effort obligation) and CWI must be convinced that no workers will be available on short notice (labour market test). Firms have to report vacancies at least five weeks prior to hiring a third-country immigrant (vacancy obligation). In addition, the employer must hire the immigrant on the same conditions as other workers in that industry and is bound to the collective agreements made. There must be decent housing provided for or by the immigrant. Only when these conditions are met, CWI will issue a work permit. There are several types of work permits: a short-term, non-renewable permit for period up to 24 weeks, a short-term, renewable permit for duration of contract, maximum period 3 years and temporary, non-renewable permits for maximum period of 3 years. After a linked up period of 3 years of work allowances, the immigrant is entitled to a residence permit with right to work without the necessity of a work permit²⁸.

²⁷ When discussing recently acceded countries (EU10), this thesis refers to Bulgaria, Poland, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Romania, Slovenia and Slovakia. No transition period was introduced for Malta and Cyprus. EU17 refers to all Member States minus EU10.

²⁸ This is a residence permit with the entry *Arbeid vrij toegestaan*

As to many migration regulations, there are many exceptions to the rule. First, the Minister of Social Affairs and Employment has opened several sectors in which citizens from EU10 countries can work without a work permit. Second, intra-company transfers are not subject to the labour market test and vacancy obligation, but these workers must at least be high skilled (minimum requirement is HBO degree) and earn an annual gross income of €50.000. In addition, companies must have at least € 50 million turnover²⁹. Third, executives and specialists (experts) with a monthly gross income of €3.900 and sportsmen are exempted from the vacancy obligation, but a labour market test is still part of the procedure. Fourth, work permits are not necessary when employing a knowledge worker. Knowledge workers are defined as workers with a gross income of €45.495 for a knowledge migrants of 30 years and over and with an income of €33.363 when younger than 30. As work permits are granted to one specific employer for one specific position, migrant workers who require a work permit are not allowed to switch to a different position within firms or switch between firms. In all cases, employers must apply for a new work permit and migrants for a new residence permit.

The final development that should be mentioned is that of sector covenants (sector agreements). These are agreements made between CWI and the representative employers' associations within one specific sector with the objective to increase effectively the labour supply in that sector, by additional recruitment or education efforts. Other actors can be included in the covenants as well; trade unions are most likely additional party. The health sector is often referred to as example. Because of increasing labour market shortages, tripartite negotiations started to combat labour shortages. Foreign health care workers are admitted to the Netherlands, while more health care personnel are educated to fill the gaps on the long run, while migrants are not entitled to renewable work permits (de Lange, 2004). When employers from a sector that has implemented tripartite covenant apply for a work permit, CWI will also check the employer's compliance with that covenant. This may be an additional reason to reject the application.

Proposal for future Dutch immigration policy

In May 2006 the government announced a policy plan for a new migration policy which focuses on the regular entrance of immigrants to the Netherlands (not being EEA migration or asylum policy) (Minister voor vreemdelingenzaken en Integratie, 2006). Point of departure for this policy plan is the need for immigrants for the Dutch society in general and is based on selectivity next to

²⁹ Again, exceptions can be made to that turnover criterion.

the already applied principle of restrictiveness. In addition to change of policy in content, the government has also decided to introduce a new policy model, which entails five pillars: temporary labour and exchange, study and regular labour, knowledge and high skilled labour, family and last humanitarian grounds. As it is for now just a proposal, only a short summary is given on it.

The focus on labour migration in the new policies is laid down on acquiring a good base on the need for a dynamic knowledge economy and the ‘battle for brains’. It is therefore especially designed to attract the top workers at the labour market for whom the Netherlands should be an attractive country for all high skilled labour migrants to immigrate to, who can contribute on a positive way to economy and culture. The government plans to keep up the restricted admission policy for medium and low skilled labour migrants by the basis of a labour market test on preferred labour supply. In addition to the easier entrance of high skilled labour migrants, the government proposes a policy designed for talented persons through which it means to admit immigrants that have extraordinary talents and are not planning on working as employee. This policy will be implemented to potential self-employed migrants (business migrants) as already had been announced by the Ministry of Economic Affairs earlier that year. The government foresees that the talents’ policy could also admit other people to the Netherlands, such as academics with an international scholarship. This talents’ policy should regulate itself through a point system for which no criteria have been proposed so far. Including this supply-driven policy into the new immigration system, would mean a split with the past.

The new policy plan allows immigrants to switch between different employers after being allowed on the labour market at first through a labour market test. Functional mobility is still subject to a renewed labour market test. High skilled workers are admitted based on their high skills and are allowed to move functionally as well as geographically without restrictions as long as they fulfil the criteria of that pillar. Only family members of high skilled migrants are free on the labour market, family members of regular labour migrants must ‘pass’ the labour market test. Although the proposed migration policy is more structure than it was before, it changes not the real content of the policies. One major break with the past is the introduction of the supply-driven element through the talents’ policy, although for now that only applies to groups that operate as self-employed on the labour market.

German labour migration policy

In 2001, the Red-Green coalition government appointed the Süssmuth-Commission, which consisted out of experts on migration and members of interest groups of which the social partners, with the task to advise the government on a new immigration policy. The Commission had a rather liberal view on labour migration and proposed a path braking policy to admit labour migrants to Germany on the basis of a point system with the entitlement of a permanent residence permit. The point system based migration scheme is proposed from the notion that broad skills are more important than specific skills and high-skilled can trigger faster economic growth (Bug, 2006: 50). The German government decided to implement this advice in the new immigration law, which was approved by both chambers in parliament (*Bundestag* and *Bundesrat*). However, the federal constitutional court ruled that due to a procedural incorrectness the law should be subject to a revote in parliament. In this second round, the *Bundesrat* in new composition was only willing to vote upon the law if the point based migration legislation (§§ 20 of the proposed law) was removed. Instead of that, only a permanent residence permit was introduced for high skilled demand-driven migration. Although the new immigration law that came in effect on 1 January 2005 still holds granting of permanent residency as a new element, the law is not as progressive as it was meant to be.

Immigrants from countries outside the European Economic Area who want to work in Germany, require a visa to enter the country. Only citizens from other OECD countries, such as Australia, South Korea and Switzerland, are exempted from that obligation. The possibility to obtain a residence and work permit depends on the qualifications the immigrant possesses. The law differentiates to workers without qualifications, with qualifications (equivalent to vocational education) and with high qualifications. The procedure and limitations for unqualified and qualified workers are equal. Labour migrants to Germany, both (un)qualified as highly qualified, need a residence and work permit, but with the new migration law these permits are granted through a ‘one-stop-shop’ where immigrants apply at one office after which the application procedure is taken care off internally. The foreign office where the immigrant files its application, informs at the Federal Employment Agency whether a residence permit with the approval for work at a firm can be granted. A concrete work offer is still needed before being granted a work permit. The Employment Ordinance’s articles §§ 1 to 16 (*Beschäftigungsverordnung* (BeschV)) describe the cases in which the Federal Employment Agency needs not to be asked permission for granting a work permit. These articles outline several professions and categories, like intra-company transfers, for which it is easier to be granted a work permit.

In general, (un)qualified labour migrants who want to gain access to the German labour market, need to have a job offer which should comply with sector specific terms of employment and wage as is mostly set out in central bargaining agreements. Furthermore, a labour market test by the Federal Employment Office determines if the labour market within the European Economic Area already provides with enough labour force to fill the vacancy, as domestic and European workers have right to preferential treatment. In addition, employers need to report the vacancy at the Employment Office and should have made effort to find EU member state citizens. There is a restriction to geographical and functional mobility as the simultaneously granted temporary residence permit (*Aufenthaltserlaubnis*) and work permit is approved for one job within one firm only. If the immigrant wants to change jobs or employers, all conditions need to be met again and the immigrant must have fulfilled all other obligations. High skilled workers still need a job offer before being able to start coming to Germany, but if they are classified as high skilled worker according to the articles in the BeschV, no labour market test needs to be performed. The government acts from the principle that high skilled migrants are necessary anyway and that there is not much chance of shutting out domestic workers. Employers are furthermore not obliged to register their vacancy. When the high skilled migrants can be expected to become integrated well into German society, a permanent residence permit (*Niederlassungserlaubnis*) is granted upon arrival.

Danish labour migration policy

The Danish immigration policy is known to be restrictive for the entrance of foreigners to the country. That is also one of the reasons for Denmark to have an opt-out clause in the Treaty of the European Union on the third-pillar policies on immigration. This implies that Denmark is not bound to the agreements of the third pillar, but can participate if it wants. The Danish labour migration policy can be divided into a basic policy on salaried work, a specific easier entrance policy through the ‘positive list’, also called ‘job card scheme’, on which professions are enlisted through which immigrants have easier access to Denmark, and a researcher’s scheme. All third-country nationals need a visa to enter the country. The regular migration policy is restricted to workers with specific skills needed in the labour market: work permits are not granted to ordinary-skilled or unskilled positions. This limits the number of labour migrants entering the Danish labour market. Temporary residence permits with the purpose of work are issued for the duration of the working contract with a maximum of one year. Work permits are necessary in addition to the residence permit. Depending on the years and purpose in Denmark, the residence

permit can be extended with one, two, three or four years³⁰. Work permits are only granted after an intensive procedure. Not only is there a preferential treatment of domestic and European workers, the Employment Office will perform a labour market test and will judge whether the job for which a migrant will be hired, has a special character. In order to decide on this, the Employment Office may request the regional labour market council or a branch organisation to submit a statement on the necessity of the desired job. The migrant must be in possession of a concrete job offer that complies with all conditions of employment, as is also the case in Germany and the Netherlands. Professional mobility is not allowed on the permit, but a new one can be applied for. Labour migrants in some positions are eligible for longer work permits than regular. Researchers, teachers, administrators in managerial positions and specialists are eligible for permits up to three years with the possibility for renewal of four years, provided that the immigrant has a working contract for that period.

For professional fields that are lacking specially qualified manpower, the positive list is established to give immigrants filling up positions on this list an easier entrance to the country with more rights. Employers' associations, trade unions and government negotiate on the professions that are on that list after which it the list needs approval by parliament. Currently, the professional fields enlisted are engineers, scientists, doctors, nurses and information technology. For these positions, a work permit is necessary, although no request is made to the Labour Market Council on the emergence of this position. No labour market test will be performed and there is no vacancy duty. The permit will be granted for a period up to three years with possibility for extension of four years. If the labour migrant loses his job, he has to leave the country within one month or get re-employed somewhere else. A new application needs to be filed in that case. For researchers, the procedures are equal, although their work is seen as a personal matter. That is, for instance, the reason why no labour market test is done. If researchers come to Denmark for a period of less than three months, they are not required to have a residence permit; a visa that allows stay for work suffices.

For all labour migrants it is possible to convert their residence permit into a settlement permit when they have resided legally in Denmark for a period of at least seven years. There is no entitlement to this conversion, but immigrants need to apply for it. The research and positive list category are more likely to obtain such a permit as they only need a single renewal of their permit

³⁰ After one year, the permit can be renewed for one more year. After two years, the permit can be extended with another two years.

in contrary to the regular migrant workers. That increases their chances of still being in the country after seven years. In the special cases of positive list and researchers, direct family members can join them to the country and have the right to seek employment for the same period as the initial labour migrant. For regular workers, the right for family to join the immigrant a residence permit is granted or extended for a stay of three years or more.

Swiss labour migration policy

Switzerland has recently decided to open up its borders for European Union citizens according to the free movement of persons. The European Union negotiated a treaty with Switzerland that regulates several movements for the benefit of both Switzerland and the EU. EU citizens do not need a visa to travel to Switzerland but citizens of the EU17³¹, Iceland, Liechtenstein and Norway still need a residence permit until May 2007 and citizens of the EU10 until May 2011. Until then, quotas regulate the number of permits issued to EU workers up to June 2007. They can be re-established in the subsequent seven years if the government sees this necessary. As this now puts Switzerland in approximately the same position as other European Union countries, this section will have a closer look to the entrance of third country citizens only. The Swiss immigration regulations have recently changed. In the second half of 2006, the Swiss people decided to agree upon the new immigration law, which will enter into force in 2008. The new immigration act has been designed to alter the current legislation, since EU workers can enter the labour market under different conditions. That was a reason for the Swiss to restrict the entrance of third country nationals even more, but simultaneously make it easier for immigrants who have been admitted to Switzerland, to start building up a regular life. In both laws, there is attention for short-term residence permits, residence permits, commuter permits and settlement permits. The commuter permits apply to third-country nationals with a settlement permit (permanent residence permit) in EU countries surrounding Switzerland. It has enabled and will enable them to daily travel to Switzerland and work there, under certain conditions. This law has many similarities with the third-country EC directive and will therefore not be part of the outline.

To start with the old law, short-term residence permit for the purpose of work can be issued for a period of duration of the contract with a maximum of one year. In exceptional cases, extension is possible, but to a maximum of two years in total. For normal residence permits, a permit is issued for one year and is renewable every year, as long as there is a working contract of the initial

³¹ Please refer to footnote 27.

employer and there are no reasons against renewal, such as labour market or economic situation. After five years of residence permits, the labour migrant is issued with permits that are valid for two years. For employers, it is difficult to get the right to employ an immigrant. Domestic workers have preferential treatment with a labour market test at both Swiss and EEA-level and the employer must explain why the search for a suitable candidate was not successful. This includes an overview of applicants and reasons why they are not seen fit for the job vacancy. The employer must also report the vacancy to the Regional Employment Office (*Regionales Arbeitsverband*) and at EURES, the European Union employment agency. The immigrant must have a concrete job offer, social security contributions must be paid and the terms of employment must be in accordance with conditions to regions or sectors. This will be examined beforehand; otherwise no residence permit will be issued. As Switzerland is a federal state, the Cantons have great independence in the acceptance of immigrants. Both at Cantonal as federal level residence permits can be issued, but both have a limit of the quota set for the categories. Both the Canton and the state have a quota of 3500 respectively 2000 for short-term and regular residence permits. Residence and work permits are issued not only to one employer, but also to one place of residence. On both, there is a restriction of movement as is still the case in Switzerland. When an immigrant wants to change jobs, a new labour market test will be performed to check the necessity of the immigrant worker. This also applies when the immigrant would like to change Cantons. This makes mobility very difficult and generates much inflexibility. Labour migrants are only granted access to Switzerland if the demands are met, which implies that quotas have not been reached, that skills are urgently required and that the immigrant is well qualified. It is up to the employer to proof the applicant's qualifications. Well qualified is defined by law as degree from university or technical college or (in some cases) particular training and several years of work experience. Family can come to Switzerland in case of regular residents, but are not directly eligible. This changes when the immigrant has obtained a settlement permit after a period of ten years as family is then eligible to join the initial immigrant. Settlement permits grant the right to free movement on the labour market and in most of the cases throughout the country. Settlers need to renew their permit every five years, although this only becomes problematic when the settler is convicted for criminal actions.

The new law changes this to a certain extent. To start with the settlement permit, the immigration act (*Ausländergesetz* (AuG)) has not changed in this respect, although it gives the authorities a discretionary power to issue a settlement permit before the legal period of ten years on the grounds of a good integration process. The short-term residence permit is still issued for less than

one year for the duration of the contract and can be extended to two years in total followed by a compulsory period abroad. The regular residence permits are issued for one year, but for extension, no check labour market and terms of employment are performed and after a period of five years, the regular resident is directly eligible for extension, unless the immigrant is convicted for criminal misbehaviour. The preferential treatment of and labour market test to the European Economic Area and Switzerland must prevent suppression of workers on the labour market. There is also an obligation of employers to report vacancies and report on the attempts to recruit domestic and EEA workers. Although the previous does not seem different in comparison with the former law, following article 23 AuG, personal conditions may apply for being granted right to work. First, the permits are only issued to management workers, specialists and other qualified workers. Second, the immigrant's professional qualifications, capacity to adapt professionally and socially, language and age need to be considered for the integration on the labour market and within society. This only leaves those persons, who are high skilled and have much chance of integration to be likely to obtain a permit. Exempted from the first two conditions are investors, entrepreneurs and honourable persons (in research, culture or sports), workers with special skills in which proven shortages exists, inter-company management transfer and persons who are indispensable for economy and trade. It is not specified yet what determines special skills. While aforementioned conditions restrict immigrant entrance from outside the EEA, the restrictions on mobility have loosened for those that were able to enter Switzerland. As for short-term residence workers, jobs can be done throughout Switzerland, but no change of profession after consent of the employment office at which a justification of necessity must be given. Change of residence may only happen with the consent of the prospective Canton. This restriction also applies to regular residence workers, but there are no restrictions on professional mobility for that group of migrants. In the newest law, no quotas have been set, but there is a possibility for the federal government to do so. Regular residents may convert their title of residence to self-employment when the normal conditions are met. This was much more difficult in the previous act.

Appendix B: Leading questions for interviews

As the interviews were held semi-structured, the questions below formed as a guideline with key words for leading the interview. It depends on the course of the interviews what elements were inserted. Questions have been adjusted to respondent: country and sector specific elements were included in the interviews.

Gesprek in het kader van studie naar arbeidstekorten en de rol van migratie als oplossing – Nederland

A. Arbeidstekorten

Wat zijn de tekorten op de arbeidsmarkt?

- nu
- over 10 jaar

Zijn deze te differentiëren naar sector?

Zijn hierover cijfers beschikbaar bij de organisatie?

B. Opleiding en training

Hoe worden deze tekorten vanuit de sectoren opgelost?

Welke rol spelen beroepsopleiding en training hierin?

Wat is de bereidheid van werkgevers om stageplaatsen aan te bieden en te investeren in opleiding voor werknemers?

Wat wordt er gedaan tegen het wegkopen van getraind personeel?

C. Migratie

Wat willen bedrijven liever: zelf opleiden of van buiten halen (door weg te kopen of migratie)?

- Waarom?
- hoe wordt dit gefaciliteerd?

Welke rol spelen sociale partners in het proces van nieuwe arbeidsmigratiwetgeving?

Wat zijn de mogelijkheden voor werkgevers om benodigde arbeiders naar opleidings- en vaardighedenniveau binnen te halen?

- mogelijkheden met normale migratieregelgeving
- mogelijkheden met kennismigrantenregeling

Ideeën voor nieuwe migratiwetgeving:

- Permanente verblijfsvergunning kennismigranten
- puntensysteem voor aanbodsturing (incl. quotum?)
- sector based migration

Gespräch im Rahmen der Studie nach den Mangel der Arbeitskräfte und die Rolle der Zuwanderung als Lösung des Problems – Deutschland

A. Arbeitskräftemangel

Welche Defiziten vernehmen Sie jetzt auf die Arbeitsmarkt und welche erwarten Sie, sage, den nächsten zehn Jahre?

Können Sie diese Defiziten deuten nach Wirtschaftsbereich und Ausbildung?

Haben Sie Daten oder Studien die diese Arbeitskräftemangel nachweisen?

Wie werden diese Defizite gelöst durch den Arbeitgebern (in den Industrien)?

B. Ausbildung

Welche Rolle spielt Ausbildung in der Lösung dieser Defizite?

Was ist die Bereitschaft der Arbeitgeber um zu investieren in Praktikantenstellen und Ausbildung?

Was wird unternommen gegen das Abwerben von guten, ausgebildeten Mitarbeitern?

C. Zuwanderung

Wie hilft Zuwanderung bei der Lösung des Arbeitskräftemangels?

In den letzten Jahren war viel zu tun um das neue Zuwanderungsgesetz. Was war die Rolle der soziale Partner (Arbeitgeber und Gewerkschaften)?

Was halten Sie von das neues Gesetz?

Was sind die Möglichkeiten für Betrieben um ‚normales‘ Personal von außerhalb der EU zu erwerben? Reichen diese Möglichkeiten?

Was sind die Möglichkeiten für Betrieben um ‚hoch qualifiziertes‘ Personal von außerhalb der EU zu erwerben?

- Was sind die Bedingungen und was halten Sie von diese Bedingungen?
- Wie hat die Green Card Regelung funktioniert?

D. Bemerkungen

Haben Sie noch Bemerkungen die wichtig können sein für meine Studie?

Gespräch im Rahmen der Studie nach den Mangel der Arbeitskräfte und die Rolle der Zuwanderung als Lösung des Problems - Switzerland

A. Arbeitskräftemangel

Welche Defiziten vernehmen Sie jetzt auf die Arbeitsmarkt und welche erwarten Sie, sage, den nächsten zehn Jahre?

Können Sie diese Defiziten deuten nach Wirtschaftsbereich und Ausbildung?

Haben Sie Daten oder Studien die diese Arbeitskräftemangel nachweisen?

Wie werden diese Defizite gelöst durch den Arbeitgebern?

B. Ausbildung

Welche Rolle spielt Ausbildung in der Lösung dieser Defizite?

Was ist die Bereitschaft der Arbeitgeber um zu investieren in Praktikantenstellen und Ausbildung?

Was wird unternommen gegen das Abwerben von guten, ausgebildeten Mitarbeitern?

C. Zuwanderung

Wie hilft Zuwanderung bei der Lösung des Arbeitskräftemangels?

Was war die Rolle der soziale Partner (Arbeitgeber und Gewerkschaften) bei dem neuen Zuwanderungsgesetz?

Was halten Sie von das neues Gesetz?

Was sind die Möglichkeiten für Betrieben um ‚normales‘ Personal von außerhalb der EU zu erwerben? Die Möglichkeiten wurden mit dem neuen Gesetz eingeschränkt, reicht das neues Gesetz?

Was sind die Möglichkeiten für Betrieben um ‚hoch qualifiziertes‘ Personal von außerhalb der EU zu erwerben?

- Was sind die Bedingungen und was halten Sie von diese Bedingungen?
- Wäre das Punktesystem eine alternative Lösung? Können Sie erklären warum (nicht)?

D. Bemerkungen

Haben Sie noch Bemerkungen die wichtig können sein für meine Studie?

Interview in the framework of study on labour shortages and migration as solution

A. Labour shortages

What shortages are you experiencing on the labour market and what do you expect in the next ten years?

Can you differentiate these shortages to sector/industry and level of education?

Do you have data or studies that show the labour market expectations?

How do employers solve these shortages?

B. Education and Training

What is the role of education and training in the solution of the shortage problem?

To what extent are employers prepared to invest in apprenticeships and education for employees?

What do you do against poaching behaviour of well educated workers?

C. Immigration

How does immigration help in solving these problems?

What position do social partners (employers' associations and trade unions) have in the development of new migration policy?

What is your opinion on the migration regulations?

What alternatives do employers have to recruit regular workers from outside the EU?

What are the alternatives for employers to recruit high skilled workers from outside the EU?

- What are the conditions for that and what is your opinion on it?
- Would a point system be a good solution? Could you explain why (not)?
- Job card scheme – how does it function? How do negotiations on these go with trade unions and employers' associations? How are the professions defined?

D. Remarks

Appendix C: Interview questionnaire

This appendix provides some background statistics on migration movements to the Netherlands as well as to Denmark, Germany and Switzerland. As data is not complete and difficult to differentiate, no explanatory remarks are made, but descriptive only.

The Netherlands

To give an idea on the number of immigrants having arrived the last ten years, table 11 shows the number and the migration motive as a percentage of total number. It shows that the labour migration has steadily grown from 15% in 1995 to 24% in 2004, whereas especially asylum decreased spectacular, along with a fivefold increase in students.

Table 11: Migration motive as percentage of total from 1995 to 2004 (Source: CBS Statline, February 2007)

	Total	Labour	Family	Study	Asylum	Other
1995	66,760	15%	44%	3%	33%	5%
1998	81,628	19%	47%	7%	21%	7%
2001	94,506	21%	38%	8%	27%	6%
2004	65,108	24%	44%	16%	5%	12%

It is difficult to retrieve information that links immigrants who enter the country to the job position they enter for. The Immigration Service keeps record of immigrants entering the country, but they only collect data in their general accessible files that directly relate to the entrance of migrants such as number of permits issued, country of origin and migration motives. Interesting data such as level of education and age are not stored in order for analysing, which makes it difficult to analyse the effect of immigration policy on for instance, the level of education. The Centre for Work and Income keeps records of the number of work permits issued to sectors and functions, but since it does not deal with the residence permits, the data cannot be matched and no evaluation can be made whether immigrants who enter on for instance labour motive, have the potential to be successful. Although data cannot be compared, it is possible to present it separately to have some notion of the current migration flows. Subsequently, data is presented on recent MVV decisions, broken down to migration motive, number of residence permits, data on knowledge migrants and data on work permits. As can be observed in table 12, more than 40,000 applications were lodged for MVV in 2006, which is less than the number of applications in 2005.

Table 12: Number of MVV applications differentiated to procedure for 2005 and 2006 (Source: IND, 2007)

MVV applications	2006	2005
MVV dip(lomatic) ³²	6,677	-
MVV ref(erent)	22,703	-
MVV shortened	7,176	7,250
MVV knowledge	3,876	-
Total applications	40,432	46,250 ³³

When the decisions on immigrants are broken down to migration motives in table 13, one can see that labour migration (labour and knowledge) is approximately one fourth of the total number of MVV applications. For residence permits this percentage is lower, but that has to do with the category of ‘other motives’, which are the EEA citizens that need to apply for residence. In 2006, approximately 3,700 knowledge workers were approved for residence. The migration motive ‘family’ still counts for a large share in the total amount of immigrants.

Table 13: Decisions differentiated to motive and MVV and residence permit (Source: IND, 2007)

Decisions per motive of migration	MVV 2006 Number (%) positive) ³⁴	VVR 2006 Number (% positive)
Family	25,317 (51%)	27,354 (84%)
Labour	3,254 (78%)	4,637 (66%)
Study	7,724 (87%)	9,129 (88%)
Knowledge worker	3,917 (91%)	3,710 (97%)
Other motives	2,875 (67%)	32,433 (76%)
Total applications	40,432 (64%)	77,263 (81%)

Note: that number VVR residence permits are much higher. This is because citizens from recently acceded EU countries do not need MVV to enter the country, but do need VVR.

Table 14 shows the top 10 nationalities for work permits that have been granted to employers. The sudden rise of EU10³⁵ nationalities in this list can be attributed to the accession of these countries to the European Union and the slow opening up of certain sectors, mainly for seasonal or low-skilled work in 2005 and more in 2006. The number of Indians in the Netherlands has almost doubled, while ranks 3 to 10 only show a decline in work permits granted for workers with that nationality.

³² Diplomatic means that applicant has applied for MVV at diplomatic post, while MVV ref refers to referent in the Netherlands that started the procedure.

³³ Data was presented in different forms, so that only on total number comparison can be made. Data are cited from annual report of the Immigration Service, which rounds off application numbers (IND, 2006)

³⁴ Percentage of applications that has been approved.

³⁵ Acceded countries since 2004 minus Malta and Cyprus.

Table 14: Top 10 of nationalities to whom work permits were granted (Source: CWI, 2007)

Top 10 nationality work permits next to EU10 countries	2006	2005	2004	2003
Countries belonging to EU10	61,133	31,875	26,121	14,009
Chinese	2,536	2,494	2,401	2,248
Indian	1,572	1,279	1,050	845
American	1,178	1,234	2,024	2,564
Russian	973	949	863	1,283
Japanese	683	768	823	1,204
Indonesian	569	557	578	870
Turkish	289	369	478	1,276
Canadian	259	400	446	406
South-African	239	264	358	402

Table 15 on the number of work permits granted shows the same pattern as above. Because of relaxing the rules for EU10 citizens to work in the Netherlands, there is also a shift in labour market test performed. Still, more than sixteen thousand employers were granted work permit on the basis of a sustained shortage after comprehensive labour market test.

Table 15: Total number of work permits granted broken down to extensiveness of labour market test (Source: CWI, 2007)

Extensiveness of test	2006	2005	2004	2003
None (extensions)	1,077	1,527	1,029	1,238
Limited test	57,347	17,784	28,426	23,409
Comprehensive test	16,627	27,071	14,752	13,270
Totale number of work permits	75,051	46,382	44,207	37,917

Unfortunately for the overview, knowledge migrants are free on the labour market, which means that no permit needs to be applied for by employers and no information about their position on the labour market is precisely known. The only point of reference available is a monitor on knowledge migrants that has questioned some of the companies and institutions that participate in the knowledge workers' policy program (IND Informatie- en Analysecentrum, 2005). Of the 47 firms that participated in that research, 40% operates in IT-services, followed by industry, trade and education. Knowledge migrants in these companies fill positions as manager (42%) and IT-specialist (22%). Other positions are research and development personnel, consultants and scientific staff (IND Informatie- en Analysecentrum, 2005: 12-15).

Immigration to Denmark, Germany and Switzerland

Through the immigration entrance data from Denmark it can be noticed that there is a strong increase of immigrants, especially due to the accession of the new Member States to the European Union. It is further interesting that Denmark has a very low entrance of third-country immigrants with the purpose of work. Immigrants coming in on the family reunification (not included in table) have decreased from 10 thousand in 2000 to 3.5 thousand in 2005 (Danish Immigration Service, 2007c). This shows the restrictiveness of the Danish immigration policy.

Table 16: Positive residence permit decisions on work and study in Denmark (Source: Danish Immigration Service, 2007a)

Category	2004	2005	2006
Wage-earner and self-employed	1,469	1,513	1,850
Work permits to persons from the new EU Member States	2,097	4,923	10,360
Job-card scheme and specialists etc.	734	941	1,352
Education	6,221	6,854	5,032
Family ties to person granted a residence permit or work/educational grants	831	1,141	1,232
Humanitarian and religious work	1,102	1016	842
Other work related permits (au pairs, trainees and interns etc)	7,427	8,600	7,772
Total	19,881	24,988	28,449

Table 17 shows the number of immigrants entered Denmark through the job-card scheme, also known as ‘positive list’ and referred to as sector based scheme in table 1. There is an increase of immigrants that enter on basis of that, but it is still limited. IT specialists are best represented in this, with remarkably low number of nurses (only 6 in 2006).

Table 17: Residence permits given in accordance with job-card scheme (Source: Danish Immigration Service, 2007a)

Category	2005	2006
IT specialists	447	673
Engineers	60	108
Doctors	97	102
Nurses	2	6
Scientists in the natural sciences and the technology sector	3	13
Total	609	902

From the data of Germany it becomes clear that there is a decrease of immigrants, although the share of foreigners in those numbers is fairly equal as table 4 shows.

Table 18: Migration to Germany, percentage of foreigners in migration data (Source: BAMF, 2006a)

	Migration		
	Total	Of which foreigners	Percentage of total
2001	879,217	685,259	77.9%
2002	842,543	658,341	78.1%
2003	768,975	601,759	78.3%
2004	780,175	602,182	77.2%

Note: Other immigrants are Germans returning back to their country.

Immigration to Germany of medium and high skilled labour migrants is limited as before 2005 the law was very restrictive on this form of migration. Saison workers and special workers on *Werkvertrag* (employers outside Germany and European Union send workers for services) formed an important part of the migration to Germany. The following table shows the number of immigrants that are authorized to work in Germany. The number of work authorisations has dropped over the last ten years.

Table 19: Work authorisations to immigrants in Germany (Source: Fröhlich, 2007)

Year	Work authorisations	General work permit	Special work permit
1991	998,462	736,565	261,897
1995	1,365,365	955,093	410,272
1999	1,034,466	895,582	138,884
2002	945,073	763,875	140,223
2003	886,386	763,875	122,511
2004	873,470	749,328	124,142

Note: Work authorisations are split in general work permits and special work permits.

Finally, for Switzerland the following statistics are known. In 2006 2% more immigrants entered Switzerland for the purpose of work. Most of them were subject to the quota system.

Table 20: Immigration to Switzerland in 2005 and 2006 (Source: BFM, 2007)

	2006 data	% total	2005 data	% total
Total	102,657	100%	94,357	100%
Family reunification	37,601	36.6%	36,965	39.2%
Foreign workers on quota	38,386	37.4%	32,572	34.5%
Foreign workers not on quota	2,670	2.6%	2,794	3.0%
Foreigners without work	4,417	4.3%	4,529	4.8%
Educational purposes	13,623	13.3%	13,021	13.8%
Refugee category	4,237	4.2%	3,281	3.5%
Other	1687	1.7%	1,195	1.3%