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SUMMARY AND CONCLUSIONS

10.1 Relevance

This book consists of two main parts. The first part studies the impact of immigration on earnings in the Netherlands, UK and Norway, and covers Chapters 2 through 7. The second part examines wage differentials and employment states by gender and ethnicity in the Netherlands in Chapter 8 and the Amsterdam labour market in Chapter 9. The first part discusses the underlying determinants of international migration flows on a global scale. Conventional economic theories considering international trade and factor movements are critically reviewed and limitations on empirical research to study immigration phenomena are discussed. Surveying empirical research conducted mostly in the US and other traditional immigration countries, the scope of this book is determined on the basis of available data in the Netherlands.

It is noted that immigration flows from developing countries to developed countries draws particular attention from researchers and policy makers while immigration between developed countries is less likely subject to economic research. This is closely related to the fear that immigration from developing countries will possibly deteriorate the position of lower skilled native workers and immigrants will have large burdens on social welfare systems. Indeed, policy makers react to increasing immigration from developing countries by designing restrictive immigration policies to prevent 'undesirable immigration'. However, these restrictive immigration policies generate illegal immigrants who are often informally employed in low-paid, unattractive and manual jobs.

Theories of international economics suggest that 'undesired' immigration from developing countries arises from discrepancies in prices and wages on a global scale, implying the inevitability of such migratory movements. In that sense, this type of immigration cannot be viewed as a phenomenon isolated from international trade and

capital movements. However, studying immigration in such a broad scale has many limitations and is in effect too complex both theoretically and empirically. Therefore, empirical research conducted by labour economists has been focussed on the impact of immigration on outcomes in the host country's labour markets, and thus it is opportunistically oriented. This book follows this line by examining the impact of immigration on earnings in the Netherlands, UK and Norway.

Theoretically, the impact of immigration is expected to be different on labour market outcomes of various types of labour and capital depending on the substitutability of immigrants and other related production factors. The empirical methodology to measure the impact of immigration is derived from this theoretical framework and tries to infer wage elasticities with respect to increasing immigration. Wage elasticities are obtained in two main ways: 1) correlating wages and immigrant shares in local labour markets or industries by estimating conventional earnings functions; 2) estimating the elasticities of substitution and complementarity by estimating production functions.

In contrast to immigration research in the US, which has been conducted since the second half of the 1980s using rich data sets, immigration research in European countries is heavily underdeveloped, partly due to the lack of data in these relatively new immigration countries. With the exception of a few German studies repeatedly cited in this book, there is simply too little research concerning the effects of immigration on European labour markets. In that sense, this book fills a large gap in the literature.

10.2 Results

In the first part of this book, the impact of immigration on earnings is analysed. After discussing the determinants of international migration, we extend a frequently cited model suggested by Altonji and Card (1991) to simulate the effect of an immigration shock on the wages of various types of labour, decomposed by gender and alternatively by three skill categories. Next, the impact of immigration on earnings is empirically explored for three countries in a comparative perspective: the Netherlands, UK and Norway, using cross-sectional micro data in combination with regional data. Since only one large survey from 1997 has been available in the Netherlands, we conduct cross-sectional studies for three countries for the same year. As a direct consequence of these single cross-sectional analyses, the effect of increase in immigration can simply not be

estimated over a time interval. In other words, opportunities in the Netherlands have determined the scope of this book.

Our study on the impact of immigration for the three countries is conducted along two main lines: 1) native labour force is decomposed into gender categories and alternatively three skill categories while immigrants are defined as separate labour inputs on the basis of their country of origin; 2) two separate econometric techniques are applied to estimate the reaction of earnings on immigrants. The first technique is the estimation of standard Mincerian earnings functions by OLS and/or IV (when possible) methods controlling for the percentage of immigrants in local labour markets, which is called the *area approach*. The second technique, called the *factor proportion approach* is the estimation of translog production functions to obtain elasticities of complementarity and corresponding wage elasticities. Both techniques are chosen on the basis of their flexibility because they require relatively little or no restrictive assumptions, which cannot be verified.

The main conclusion of the empirical research is that immigrants have a very small effect on the wages of natives in the three countries considered and the effect of immigrants is sensitive to the way the labour force is decomposed. Both positive and negative effects of immigration on the earnings of natives are found, but are never larger than the wage effects found by earlier studies in the US, Germany, France and Canada. The extent of the effect varies according to the decomposition of the native labour force. When the gender decomposition is considered, the effect is smaller than when native labour is decomposed by skill level. The effect of immigrants on the wages of immigrants themselves is much larger than any effect on native earnings. Similarly, the impact of native labour on immigrant earnings is quite high in comparison to the reverse influence. However, even these effects are smaller compared to those found in the US.

Many irreconcilable differences arise with respect to the different data sets employed that seriously hinder an optimal comparison of our empirical results, such as the definitions of immigrants, the availability of comparable variables, differences in migration history of immigrant groups, and other differences caused by the various institutional structures of the labour markets across the countries. Although it is difficult to compare the effect of immigrants on earnings in the host country due to numerous cross-country differences, we may conclude that immigrants with poor human capital endowments have no systematic detrimental effect on the earnings of lower skilled

natives in any of the three countries. There is also no evidence for a strong correlation between higher skilled immigrant groups and the earnings of higher skilled natives, except in Norway. These results indicate a weak correlation between the skill distributions of natives and immigrants suggesting a limited explanatory power of formal skill levels in measuring the substitutability of immigrants and natives. The country of origin is often an important determinant in explaining the impact of immigration on the earnings of a native labour force¹. Possibly, other influential factors are at work, like immigrant proficiency of the local language, country-specific human capital and employers' perceptions of immigrant groups. In that sense, the opposite effect of two lower skilled immigrant groups, Turks and Moroccans, on earnings in the Netherlands is remarkable. Moroccans seem to be complementary to all types of Dutch workers distinguished while Turks are likely substitutes for native Dutch workers, similar to Pakistanis and Bangladeshis in the UK. On the other hand, we do uncover some novel evidence that both Turkish and Moroccan immigrants are substitutes for capital.

For the three countries, the largest immigration effect is estimated for Norway where the bulk of immigrants arrived relatively recently. Many of them are lower skilled and have a positive effect on the earnings of higher skilled Norwegian workers. This is in line with theoretical predictions. Our empirical evidence indicates that the effect of immigration is more visible in countries that have recently experienced immigration flows (Norway), compared to relatively older immigration countries in Europe like the Netherlands. It seems that the effect of immigration diffuses throughout the whole economy quickly. In the Netherlands, recent immigrants were more smoothly absorbed by the open-Dutch economy in the 1990s (although the unemployment rate among immigrants is disproportionately high) since the wage effect is economically negligible. This was fundamentally different in the 1960s. There is good reason to believe that the immigration of guest workers has effectively exerted downward pressure on unskilled male wages in the 1960s (Hartog and Vriend, 1989; Heijke, 1979). In later periods, this pressure may have been alleviated by the social minimum wage, thus pushing additional labour supply into the pool of unemployed. However, analytic empirical studies of this hypothesis are lacking.

¹ Because the evidence varies widely across the three countries a more detailed summary can be found in Chapter 7 where the estimation results are compared in depth.

Since our results are based on the correlation of wages and the presence of immigrants in regional labour markets within national borders, the estimations might be downward biased due to relatively easy inter-regional mobility of goods and production factors, as suggested by Borjas (1999). Perhaps that is why, similar a vast majority of studies, we find that the impact of immigrants is very small. This implies that the inflow of immigrants may have reduced the aggregate wage level together with an increase in female labour market participation.

In the second part of the book Chapter 8 analyses the wage differentials between the gender categories and ethnic groups in addition to the segregation of the labour force in part-time and flexible jobs. It is shown that the largest part of wage differentials is caused by differences in observable characteristics. However, still a significant part of gender and ethnic wage gaps cannot be explained by productive differences but is instead attributed to the discriminatory behaviour of employers. The largest gender wage gap due to wage discrimination is 18% of the total wage gap for Moroccan women, followed by Eastern European (17%), Turkish (14%) and women from EU-countries (11%). The discrimination component of wage differentials for Dutch and non-European women is quite small measuring only 7%. Gender wage discrimination is negligible for Caribbean and Indonesian women. Wage discrimination on the basis of ethnic origin especially hits women from non-European countries and both Moroccan women and men, accounting for 65, 42 and 34% of their total wage gaps, respectively. Differences in mean log offered wages are estimated between 6.5 and 8.7% for individuals (both women and men) from Eastern Europe and non-European countries as well as Caribbean men. Eastern European and Caribbean women experience a wage gap of 8.7 and 4.6% in terms of mean log offered wages although they possess higher productive characteristics. Turkish, EU and female Indonesian immigrants face the lowest degree of wage discrimination.

In the Netherlands part-time and, to a lesser degree, flexible jobs have increasingly gained importance at the expense of full-time jobs. Women especially are highly concentrated in part-time jobs. In contrast to the UK and Norway, part-time jobs in the Netherlands provide slightly higher wages than full-time jobs. Additionally, a slight concentration of part-time jobs for those with a higher education level is observed in particular among non-Dutch people while flexible jobs are concentrated at the lower end of the educational distribution. Our estimation for a hypothetical representative individual (i.e. 35 years old, medium education and occupation levels, married with two

children) shows that the probability of being employed part-time is higher than 90% for Dutch, EU and Indonesian women. In contrast, the representative Caribbean, Moroccan and Turkish woman is less likely to be employed in a part-time jobs with expected probabilities of 39.3, 46.7 and 58.4%, respectively. Turkish men have the highest probability to be employed in a full-time job (95.9%) while Eastern European, Caribbean and Moroccan men have lower probabilities to be employed full-time measuring 61.8, 66.9 and 78.6%, respectively. Flexible work is popular among Turkish women and Eastern European men and women with probabilities of being in these types of jobs equal to 11.7, 2.8 and 9.5%, respectively.

Chapter 9 studies the labour market in Amsterdam, the largest Dutch city, where approximately 36% of total population is comprised of ethnic minorities. Developments in the demand and supply of labour from three skill levels are analysed in a historical perspective. It is shown that the share of low skilled employment has drastically decreased in favour of high skilled employment between 1970 and 1996 due to skill upgrading within industries, rather than between industry shifts. In the same period, the share of low skilled labour decreased as well but not enough to prevent persistent high unemployment among lower skilled workers. This trend is even stronger for Amsterdam compared to the Netherlands, which may be explained by demand and supply factors. On the one hand, the decline of lower skilled employment was stronger in Amsterdam relative to the Netherlands. On the other hand, there was a relatively strong inflow of immigrants with a lower skill level. Although these developments in addition to typical large city characteristics partly explain a high unemployment rate in Amsterdam the low participation and employment rate among some ethnic minority groups is still unexplained.

Using micro data from 1990-92 (a period of economic recession) and 1999 (economic boom), we estimate participation and employment probabilities for various ethnic groups. During the economic recession, Turkish and Moroccan people (both men and women) and Caribbean men had more than a 20% lower employment probability compared to their Dutch counterparts, controlling for education level, age and family composition. The economic boom in the second half of the 1990s considerably improved the employment probabilities for all ethnic groups. However, first-generation women from the Caribbean, Morocco, South Europe and non-European countries in addition to first-generation Moroccan men still have lower employment probabilities, given their observable characteristics mentioned above. Employment and participation

probabilities for second-generation immigrants do not significantly differ from Dutch natives, except for Moroccan women. Moreover, there is some novel evidence that the fall of the Amsterdam clothing industry in the beginning of the 1990s had a significant negative effect on the employment and participation probabilities of Turkish immigrants.

A comparison of participation and employment probabilities in Amsterdam with the national level indicates that although participation probabilities are relatively higher in Amsterdam, the probability of employment in Amsterdam is slightly lower than in the country as a whole. The employment probability of men from most immigrant groups (except Moroccans) does not differ from Dutch men in Amsterdam, while on the national level, ethnic minority males are more likely unemployed (except for Western Europeans and Indonesians). However, ethnic minority women suffer lower employment probabilities (relative to their Dutch counterparts) in Amsterdam than in the Netherlands.

The relatively stronger wage discrimination and a lower employment probability may be seen as evidence that Moroccans suffer from a deteriorating image since Turks, who are closely comparable with Moroccans in terms of their human capital endowments and immigration history, do not share the same negative labour market experiences.

10.3 Limitations

From a theoretical point of view, the impact of immigration needs not be necessarily negative on the whole economy when job creation due to immigration is considered, even in an economy with equilibrium unemployment (Ortega, 2000; Smith et al., 1994). However, it is a highly plausible assumption that immigration will have an impact on income distribution; owners of certain production factors, which are complementary to immigrants, will gain while owners of other production factors that are substitutable for immigrants will lose. In host country labour markets the effect of immigration is expected to occur in three main areas: on earnings, employment probabilities and social welfare payments. The extent of the total impact is determined by the degree of substitutability between natives and immigrants and also by the institutional setting of the labour market. In countries like the US, where the labour market is relatively closer to being perfectly competitive, the main impact of immigration is expected to be on wages. On the contrary in the Western European countries, where wages are more rigid due to a high degree of unionisation and other labour market institutions, the impact is

thought to be on employment rates and welfare payments. Rather than exploring these intuitions, the emphasis of this book is mainly on the impact of immigrants on the wages and employment levels of natives and other immigrants. In turn, the impact of immigrants on the welfare of unemployed people and non-participants is beyond the scope of this research. At the same time, this suggests that the effect of immigrants on employment probabilities should still be explored.

Data on capital is either not available or suffers from large measurement error. Unfortunately, capital data are available only for the Netherlands, but not for the UK and Norway. Consequently, capital is only included in the production function for the Netherlands. Including capital generates different elasticities of complementarity for some types of labour (i.e. between high skilled labour and immigrant groups in the Netherlands). This suggests that one should be cautious in interpreting the technology coefficients obtained for the UK and Norway.

Another limitation is the information about immigrants across the countries. It is important to recognise that both first- and second-generation immigrants (and possibly third-generation as well) are included in the analyses. However, it was often impossible to distinguish foreign-born immigrants from other immigrants or ethnic minorities. Additionally, the number of recent immigrants was often too small to be completely disaggregated for statistical analysis.

The last important limitation of this study is again related to the availability of data. For the Netherlands, only one cross-sectional data set including information about earnings is available. For the UK, successive labour force surveys cover a relatively small number of observations, which requires the pooling of waves. Norway probably has the most suitable micro data, an administrative panel covering the period 1989 to 1996. However, a suitable definition of the local labour market and wage income is lacking. Since we take the Netherlands as a basis, the time-variation aspect of the Norwegian and British data are not explored although intuitively, measuring the impact of increasing immigration would have provided more relevant information. Additionally, a possible reaction of the native labour and capital markets to increasing immigration, which may lead to a diffusion of the effect throughout the national economy, is hard to estimate with the available Dutch data. In that sense, the empirical evidence provided here should be interpreted carefully since the economic impact of immigration varies by time and place, as observed by Borjas (1994).

10.4 How Robust Are the Results?

The key result of our study is that the effect of immigration on earnings is very small for all three countries considered. This outcome is convincingly plausible since studies for the US, where the wage structure is claimed to be more flexible than in European countries, have found a small impact of immigration on earnings (Card, 1990; Hunt, 1992; Friedberg and Hunt, 1995; Borjas 1999). However, empirical findings are not always unambiguous. Winkelmann and Zimmermann (1993) and De New and Zimmerman (1994) estimate the largest impact of immigrants on employment and earnings in Germany correlating the share of immigrants and the labour market outcomes of natives in industries using panel data from 1974-84 and 1984-1989, respectively. Pischke and Velling (1997) reject these results using regional data from 1985-85 and argue that the categorisation of labour is problematic. Additionally, they note a big shift in macro economic conditions: immigrants were recruited mainly for the booming manufacture sector of the 1960s while the same sectors declined in the period for which the model was estimated.

The structure of our results does not confirm expectations when the skill distribution of immigrant groups and natives are considered. This study indicates that results are sensitive to the decomposition of labour force by skill, gender and ethnic categories as well as to estimation methodology. Concerning the decomposition of labour, a couple of explanations may be relevant. Firstly, the structure of results may be related to the heterogeneity of labour sub-samples with respect to skill distribution and other demographic characteristics. By aggregating immigrants on the basis of their ethnic origin, especially the top and bottom of the skill distribution are in fact neutralised since a particular immigrant group covers workers from all skill categories. In addition, it is hard to believe that immigrants and natives with the same nominal level of schooling are perfect substitutes. The degree of the substitutability between natives and immigrants with the same education level may be reduced by discrimination and other unobserved frictions in productive capacities, like quality of education and motivation. An extensive literature shows that labour market discrimination leads to lower wages and employment probabilities for immigrants relative to natives. Labour market discrimination against particular immigrant groups, associated with employers' attitudes, may change over time. For example, Kee (1995) finds larger wage discrimination for Turkish men but no discrimination for Moroccan men in the mid-1980s while our results indicate the reverse situation (see Chapter 8).

Focussing on our results for the Netherlands gives seemingly remarkable correlations between native labour and various immigrant groups. Turks and Moroccans have a similar skill distribution but different effects on the wages of natives: Turks appear to be substitutes for Dutch while Moroccans are complements. These unexpected outcomes may be related to several reasons. The first argument is related to informal barriers, which have not received much attention in the literature. Moroccans may suffer from the discriminatory behaviour of employers, as mentioned above. They may have been denied access to competitive jobs that influence the earnings of natives, but rather find employment in complementary jobs in which native labour is not interested. On the other hand, Turks may not face the same degree of discrimination as Moroccans and are perhaps employed in jobs or act as self-employers in markets that do affect the earnings of natives, both directly and indirectly. This argument is supported by our results in Chapters 8 and 9 where lower wages and employment probabilities due to discrimination are estimated for Moroccans but to a much lesser extent for Turks. However, this is not the whole story. A second argument deals with statistical problems and methodological issues. In the Netherlands, we take the percentage of immigrant groups, implicitly assuming that the share of immigrant labour employed is similar across the regions for each group. This assumption may have a major impact on the results. For example, if a larger portion of Moroccans are aged outside potential labour force (15-64) and attend school in Amsterdam or a smaller share of Moroccan women is employed in the Northern Netherlands, the contribution of immigrant labour to the effective labour supply in these areas will be different, implying a different degree of pressure on earnings.

The large cities, where Moroccans are relatively more concentrated, may experience a substantially larger increase in the wage level than smaller cities where Turks are more concentrated (as measured in 1999), which is unrelated to the presence of these groups. This will give different picture than we have. Another misinterpretation may be manifested in reversed economic conditions in cities between the period in which Turks and Moroccans entered these cities and the year for which we have data (1999). It is known that both Turks and Moroccans were recruited for the booming manufacturing industries in the 1960s and early 1970s, and subsequently their location choices were no doubt determined by their work locations. We have argued in Chapter 4 that Turks are more often concentrated in regions where traditional industries are located while Moroccans are more often employed in service sector. Since manufacturing is a

declining industry while services have been booming in the 1990s, the negative (positive) wage effect of Turks (Moroccans) may be a result of this general trend.

Concerning the robustness of our results with respect to methodology, in the first approach (the area approach or reduced-form effect) the impact of immigration is estimated by correlating the wage *level* and immigrant intensity in a local labour market at a given point of time (1999) as opposed to the estimating the correlation between *changes* in the wage level and the share of immigrants over a given period. As mentioned above, this is imposed by the availability of data in the Netherlands. That means that the estimated wage elasticities with respect to various immigrant groups are conditional on the existing local labour market conditions and skill composition of the labour force. The structural relation of the impact of immigration may vary over time both due to (exogenous) changes in local labour market conditions in addition to changes in the relative skill distribution of immigrants and allocation of immigrant labour across spatial areas and industries. Moreover, native labour and capital may respond to increases in labour supply due to immigration. Although we control for many local labour market conditions, there may be still omitted area variables correlated with wages and immigration. Additionally, results for the UK and Norway are sensitive to the definition of geographical area.

The second methodology (the factor-proportion approach) takes a general equilibrium perspective, assuming that the effect of immigration is sufficiently diffused across areas due to the migratory behaviour of natives, trade and capital mobility. The results obtained from this methodology often differ from the results obtained, possibly due to two main issues. Firstly, some immigrant groups treated as a single labour input, imposed by estimation properties. Since two immigrants groups with a similar skill level (as the case of Turks and Moroccans) may have different effects, aggregating heterogeneous immigrant groups may have generated different results than had they been treated separately. Secondly, omitting capital in production functions may have generated biased technology coefficients. Secondly, since we have defined the regional employment level as the number of workers in a particular area and calculated factor shares using mean wages without adjusting for working hours, a non-randomly distribution of part-timers across regions may have influenced the results.

Summing up our estimation results categorising ethnic (and gender) groups as substitutes or complements, we conclude that much more research is needed. It is quite conceivable that categorisations are not stable over time. For example, discrimination

may push groups into jobs where they are forced operate as complements, whereas without discrimination they might function as substitutes. Heterogeneity, both of ethnic groups supplying their labour and of demand structures, with their particular regional concentrations, also makes it hard to identify the true underlying technologies. The international literature amply testifies to this problem.

10.5 Discussion and Avenues for Future Research

In 1950, the Netherlands had 10 million inhabitants and by 2000, almost 16 million. This marks a continuation of a tradition of high population growth by international standards. In the five centuries following 1500, the French population increased fourfold, the Belgian sixfold, and the Dutch by a factor of fifteen (De Vries and Van der Woude, 1995, p. 72). While the birth surplus dropped after the early 1960's from an annual average of 160,000 to 60,000 in the period 1976-1995, the migration surplus partly made up for this drop by growing from next to nothing to an annual average of 35,000 (Van Ours and Veenman, 1999). But remarkably, population growth itself has been taken for granted. While pressure on space for residential, recreational and productive purposes and traffic noise and congestion continue to create mounting problems and policy debates, the question of a desirable size of the population has never been explicitly posed. And it has taken a long time for economic and social policies to switch their policy orientation that of permanent rather than temporary settlement and to accept explicitly that the Netherlands had shifted from an emigration to an immigration country. Admittedly, this had not been the case since the seventeenth century. Only in 1998, a program for introducing immigrants to Dutch society got started, although the immigration surplus has been positive since 1962. The shift in policy from passive income support to active labour market programs has also come about quite slowly. Within the active programs ethnic minorities have been designated as special target groups, but the success of these programs is not evident except perhaps for direct public sector job creation (Salverda, 1998).

The strong performance of the Dutch economy in the second half of the 1990s has generated substantial labour shortages in some sectors such as ICT, Health, Education, Construction, Agriculture, etc. while the decrease in the numbers of unemployed workers seems to have reached its limit. Many unemployed people are considered unfit for the available jobs. The emerging labour shortage in addition to the ageing of the labour force has stimulated discussion as to the need for new immigrant labour in the

Netherlands. However, the focus is now on skilled rather than unskilled labour. Again, policy makers stress their preference for short-term contracts and an immigration policy to prevent the permanent settlement of contracted workers.

After the Second World War, immigration to the Netherlands came from three main sources. First, the decolonisation of Indonesia and Surinam generated sizeable immigration flows, concentrated in 1949-1957 for the former and peaking in 1975 and 1979-1980 for the latter. Second, the post-war economic growth attracted 'guest workers' from Mediterranean countries. The primary flow started with the first recruitment treaty in 1960 (with Italy) and tapered off in the slack labour market of the 1970's, but then was superseded by family reunion flows. Also, increasing EU integration shifted its origins from Italy, Spain and Portugal to Turkey and Morocco; as a large proportion of the South European immigrants have returned. Third, flows of applicants for refugee status became sizeable after the mid-1980s. After 1961, the Netherlands shifted to a positive immigration surplus. At that time, the sizeable emigration flows of the early 1950's to the traditional immigration countries dwindled to very modest levels. Economic integration through the EU has led to sizeable worker flows in both directions (about 30,000 annually, half a percent of the labour force), with an immigration surplus close to zero. In 2000, 17.5% of the population in the Netherlands was either is born abroad or had at least one parent who was born abroad.

The flow of immigrants from Indonesia with Dutch citizenship has been accommodated quite smoothly. However, Moluccan immigrants, who focussed for decades on a return to their islands, have faced poor labour market conditions during the 1970's and 1980's and have sought violent political confrontations. One might suspect this attitude to be responsible for their economic disadvantage. However, ethnic minorities that experienced economic success were not at all oriented towards the Dutch social environment (Van Ours and Veenman, 1999, p. 16).

Guest workers have not survived the economic restructuring and skill upgrading of the Dutch economy. Masses of them have ended up in unemployment, early retirement and disability benefit programs. Their children are still disadvantaged in terms of educational and labour market outcomes, especially second-generation Turks and Moroccans. Immigrants from Surinam and the Dutch Antilles have only modestly benefited from their acquaintance with the Dutch language and culture, Antilleans more so than Surinamese.

The refugees that succeeded the guest workers as the dominant immigrant group are more highly educated, have more human capital, and are expected to have better social and economic prospects than their predecessors. However, little is known about the actual economic integration. Little is also known about undocumented workers, a group that naturally grows as a consequence of tight migration rules. They may come directly or they may have been refused refugee status and not be effectively expelled. Whatever their origin we do not know much about their economic position.

Given the paucity of empirical economic research on the effect of immigration on the Dutch labour market, there are many avenues for further research that should be travelled. An important research topic is to study the impact of immigrants on the employment of natives and settled immigrants. As we have argued repeatedly, in the European context the impact of immigration is expected to be mainly on the (un)employment level, in particular in the Netherlands where wages are less flexible compared to the traditional immigration countries. However, immigration does not necessarily hurt native employment. Informal barriers such as discrimination in the labour market may act as a filter to allow the entrance of a selective group of immigrants who already crossed the border, similar to the dikes that regulate water levels in the Dutch polders. Moreover, the effect on native employment may be indirect as unemployed immigrants raise the tax burden and hence wage costs. In order to know the impact of various types of immigrants over time, the impact of immigration on employment probabilities must be investigated in relation to changing composition of immigration flows. Recently, immigration flows are increasingly being dominated by refugees, people entering on the basis of family reunification/formation, and high skilled workers filling internationally oriented positions. Which immigrant groups have an effect on the labour market outcomes of particular types of labour? How large is the effect of delay for adding to the supply of labour due to the period of time needed to learn language, get some host country-specific training etc.? These are some of the questions that would be relevant to future immigration policy.