



Does unemployment cause return migration?

To what extent does unemployment affect the decisions of migrants to return to their home country? Does unemployment lead immigrants to departure? Does re-employment increase the chance of immigrants to stay? How does the effect vary by the duration of unemployment and re-employment spell? This briefing summarises the effects of labour market dynamics on return migration from the Netherlands published in NORFACE MIGRATION Discussion Paper No. 2011-7.

Key Points

- The majority of recent labour immigration to the Netherlands is temporary.
- British immigrants are the largest recent labour immigrant group in the Netherlands.
- Across all labour immigrant groups, unemployment shortens the migration duration.
- Becoming employed after a spell of unemployment delays return migration for all migrants except for those from the new EU countries (mainly Poland).
- Length of unemployment has a substantial effect on the return decision, while the effect of immigrant characteristics is relatively small.

Immigration and the labour market

As immigration has become a core public concern in most developed economies, policy makers seek to manage immigrant stocks. Understanding the link between the labour market and migration processes is fundamental to this end. In particular, quantifying the effects of time spent unemployed

on the decision of migrants to return to their source country is relevant to current debates about the financial costs, in terms of the state's social welfare bill, of "failed" immigrants. Such debates also usually ignore that the labour market fortunes of these immigrants can be reversed; i.e. do not consider the effects of re-employment.

The Netherlands like many European countries has witnessed an increase in labour immigration flows – Figure 1. However, the majority of recent labour immigration to the Netherlands is temporary rather than permanent. A substantial proportion of immigrants leave the host country eventually, and many do so within 24 months. Between 1999 and 2007, 47% of all immigrants left the host country. In the meantime, around one third of all labour immigrants experienced a spell of unemployment.

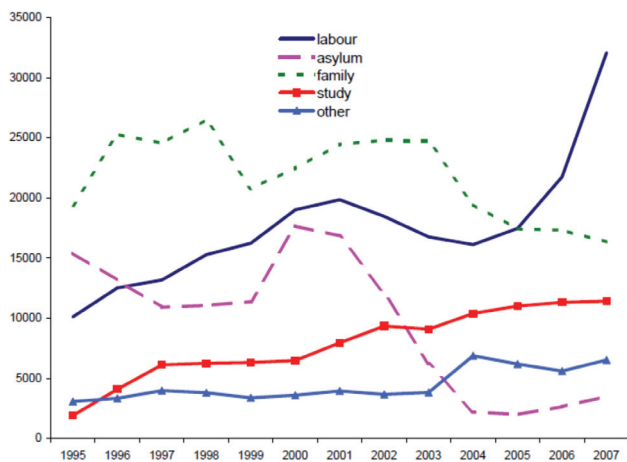


Figure 1: Immigrants by migration motive to The Netherlands

The study

This research investigates the relationship between experiencing unemployment and return migration, in particular, whether unemployment leads to departure. We use a unique administrative panel (government records over time) for the entire population of recent immigrants to the Netherlands covering the years 1999-2007. The Dutch immigrant register is based on the legal requirement for immigrants to register with the authorities upon arrival. EU-citizens are required to register in The Netherlands. Another important feature of those data is the motive for immigration is also recorded by the authorities upon arrival of the migrant. Statistics Netherlands distinguishes between the following motives: labour-migrants, family migrants, student immigrants, asylum seekers (and refugees), and immigrants for other reasons as shown in Figure 1. We focus only on labour immigrants since we are interested in the effect of labour market dynamics on return migration. About 23% of all

non-Dutch immigrants of working age (18-64) are labour migrants. Thus our sample of analysis is comprised of over 94,000 labour immigrants. We use this data to model the relationship between the time spent by immigrants in the Netherlands and individual labour market shocks (such as loss of a job). We take into account the reverse causation between unemployment and return migration, i.e. whether unemployment leads to departure or whether emigration plans lead to unemployment. In addition, we examine the time it takes for an immigrant who experienced unemployment to leave the host country.

Origin of immigrants living in the Netherlands

Given the size of the data we are able to differentiate among distinct immigrant groups defined in terms of their labour mobility at entry by immigration laws. In particular, we consider immigrants from sending countries in the EU15 ('old Europe'), the new EU (the majority of which are Polish and arrived after 2004); the countries outside Europe are grouped into developed (DCs) and less developed (LDCs) sending countries. As Figure 2 shows, the biggest labour immigrant group is from the UK (13%). Indeed 51% of labour immigrants to the Netherlands are from the old EU and 13.5% are from the new EU, whilst only 18% of all labour immigrants who entered during the period of study are from developing countries.

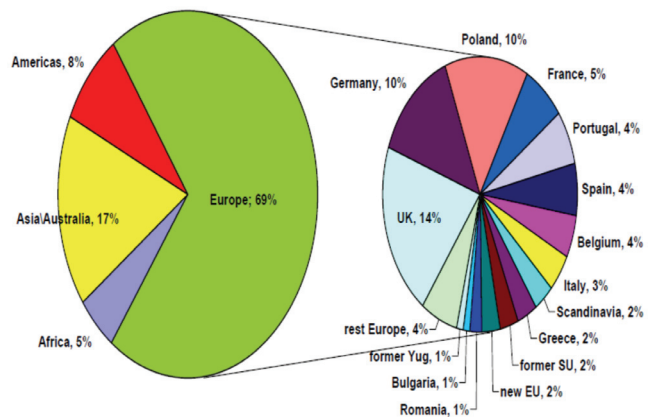


Figure 2: Where are the labour migrants born?

Who stays and who leaves?

Table 1 shows the share of stayers (immigrants who stayed in the Netherlands since their first entry). Note that the group of 'stayers' includes permanent immigrants, and temporary migrants who have not yet returned. Hence

immigrants from the new EU, having arrived predominantly in the second half of our observation window after 2004, are expected to exhibit a high proportion of right censored migration spells; i.e. since the majority of the new EU has only arrived after 2004, their migration spells have started but have not yet been completed. This is borne out in the data, since the share of stayers from the new EU is 71%. However, a large share of new EU movers (12.6%) leave the Netherlands after less than 6 months, which is considerably larger than for other immigrant groups. Among other immigrants, those from LDCs have the highest stay rate at 59%. These differences highlight already the importance of an analysis disaggregated by sending countries. Immigrants from the EU15 are more likely to stay than migrants from developed countries outside the EU, are less likely to stay than migrants from developing countries but more likely to be repeat migrants which reflects their unimpeded labour mobility.

	EU15	new EU	Non-EU DC	LDC
Stayers	48.2	70.9	40.9	58.6
Ever unemployed	50.5	36.8	35.8	37.7
Ever re-employed	22.4	17.0	7.3	14.1
Unemployed at emigration	53.8	44.0	40.7	48.4
Re-employed at emigration	7.5	9.9	2.8	4.8

Table 1: Unemployment, Re-Employment and Return Migration (%)

Turning to the labour market dynamics, Table 1 reveals that labour immigrants from the EU15 relative to the other groups, experience greater labour market volatility: they experience a higher incidence of unemployment spells, but also are more likely than the other groups to experience re-employment. It is also evident that between 41% and 54% of migrants tend to be unemployed at the time of emigration. In fact this suggests that there is a relationship between unemployment and return. However it is important to disentangle this effect; i.e. whether unemployment leads to out-migration or whether emigration plans lead to unemployment (non-employment).

Immigrants from the EU15 have a higher incidence of unemployment at the time of their departure (54%),

a higher incidence of repeated unemployment (21%), and are more likely on average to experience longer unemployment durations (15 months). By contrast immigrants from DCs outside the EU have, compared to Europeans, lower incidences of unemployment (41%) and of repeated unemployment (8%), while their preceding employment spells were longer on average (20 months).

Unsurprisingly, the incidence of immigrants who, after a period of unemployment, have found a job and subsequently leave, is low, ranging between 3 and 10%. Of the groups, immigrants from the new EU have the highest incidence of departure after experiencing positive labour market shock (employment, unemployment followed by re-employment) suggesting that they are more likely to be target savers; i.e. they migrate temporarily to accumulate savings.

Main Findings

We find that across all immigrant groups, unemployment shortens the migration duration. In other words, we find evidence that unemployment leads to return migration. Moreover, getting a job after a spell of unemployment delays the return of migrants back to the country of origin. This is true for migrants from all the groups of countries we looked at except for those from the new EU countries.

The longer the migrants are unemployed the higher the chance they leave. For migrants from non-EU DCs the effect of unemployment on the return decision is smaller and decreasing with the length of the unemployment spell. The impact of re-employment following an unemployment spell is larger for longer employment spells; i.e. the longer the re-employment spell the less likely recent labour immigrants would leave. The timing of the unemployment spell and immigrants' characteristics play a relatively small role in explaining the time a labour migrant remains in the Netherlands.

Policy Implications

Our findings challenge the perception that labour immigrants are attracted by the generosity of the welfare state in the Netherlands since almost half of recent labour immigrants leave if they experience unemployment. This suggests that voluntary return schemes might be more successful if they target recent immigrants as opposed to long established ones.

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