The refugee crisis: a challenge but also an opportunity for improving policies to integrate immigrants into the Dutch labour market

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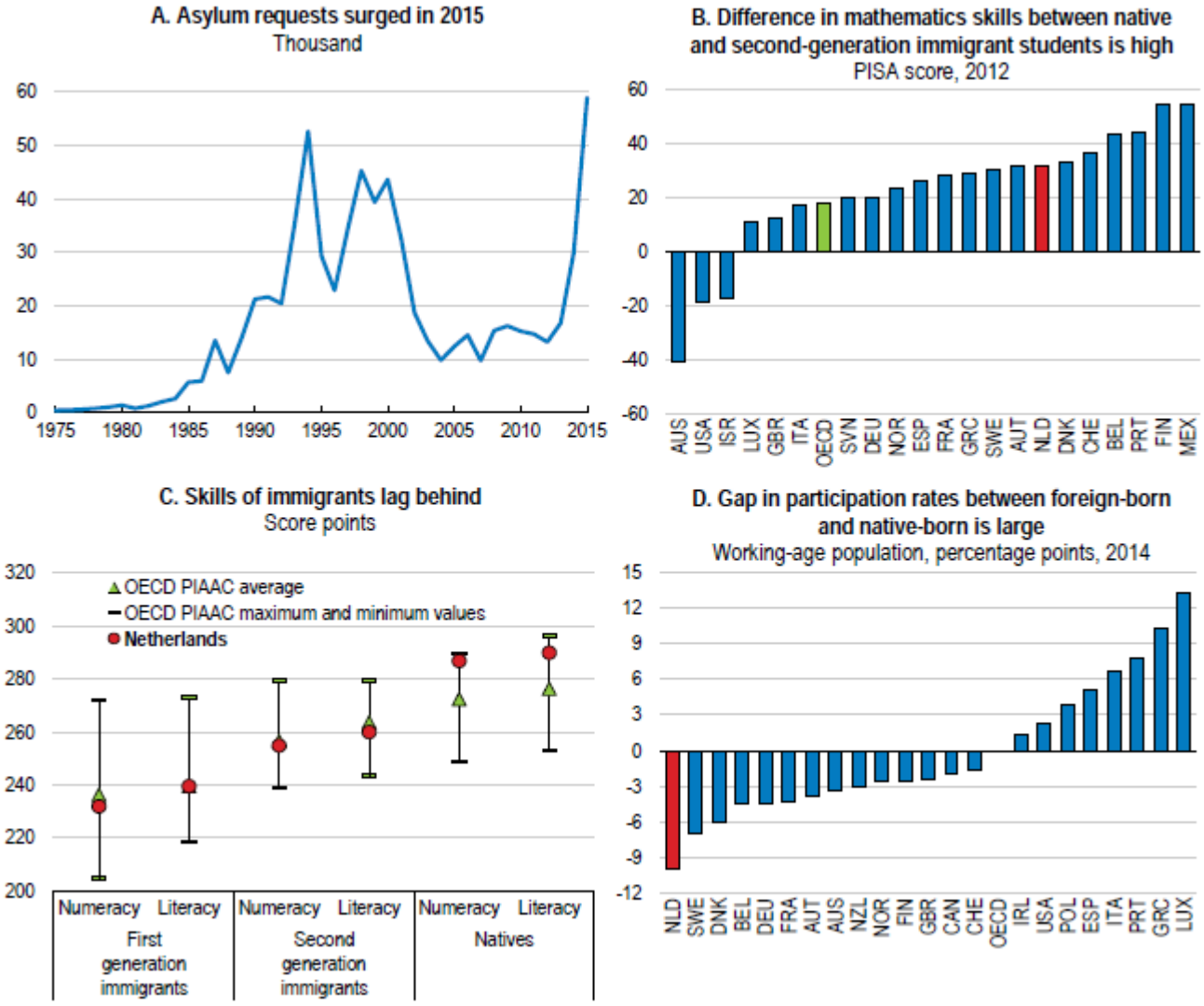
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The ongoing refugee crisis in Europe has particularly affected the Netherlands. Asylum requests surged in 2015 to nearly 60 000 (Panel A), more than three times the yearly average of 2010-14. This is a significant challenge for the authorities, who need to provide decent housing and help these people finding a job for the time they will stay in the Netherlands as refugees, which could be much longer than expected. Getting work is key for refugees to develop social contacts and economic independence, and acquiring new skills could be helpful for those refugees who eventually return to their own country. Therefore, good policies to facilitate the labour market integration for migrants are critical.

The past record of integrating immigrants is mixed. Although at about the OECD average, the skills of first- and second-generation immigrants are well below those of natives and below those of immigrants in the best performing OECD countries (Panels B and C). In parallel, the gap in labour

force participation—those who have jobs or are looking for a job—between first-generation immigrants and natives is the largest in the OECD (Panel D). Many policies that would support job prospects of immigrants would also benefit refugees. Studies of past inflows of refugees show that the proportion of those of working age participating in the labour market is around 45% after being five years in the Netherlands (Vluchtelingenwerk, 2014), which is much lower than the 80% of natives.

Skills and labour market outcomes of immigrants are weak



Source*: Statistics Netherlands (2016), "Asylum requests" in Population, *Statline*, January; OECD (2013), *PISA 2012

***Database*; OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*; and OECD (2015), "Employment, unemployment and participation rates by sex and place of birth", *OECD International Migration Statistics* (database), October.**

The 2016 *Economic Survey* of the Netherlands highlights the following reforms for improving the labour market integration of immigrants, which could also benefit refugees:

1. **Ensuring high equity of compulsory education**

Raising the quality of early childhood education and care would help immigrant children, including by improving language proficiency. Stepping up training would provide teachers with the tools to work with students with disadvantaged backgrounds, and reflecting such skills in wages would attract more qualified teachers. Raising student mobility between tracks at secondary schools would foster the development of skills, including for students with immigrant background, and would avoid those with low socio-economic background being trapped in low-qualified jobs.

2. **Recognising and upgrading skill sets**

Better recognition of foreign qualifications and informal skills would help immigrants to find work that matches their skills. Creating programmes that combine work experience and on-the-job training beyond formal education, especially for immigrants with low qualifications, would help them to demonstrate and upgrade their informal skills. Developing language courses would also support access to jobs.

3. **Promoting job search and recruitment**

Further lowering the cap on severance payments would make permanent contracts more attractive to employers, which would help refugees and immigrants to find jobs and to support their skills because permanent work tends to come with more skill development. The government has recently increased the earned

income tax credit for lower income-earners, which is welcome. Further reduction of effective tax rates on labour income would sharpen incentives to get a job. Reinstating an equal employment policy would help to overcome discrimination on the basis of race or ethnicity.

Whereas the refugee crisis poses an immediate challenge, it also provides an incentive to improve labour market integration policies of immigrants. This would result in better job prospects benefiting all parties involved, the migrants and the Netherlands.

References

Vluchtelingenwerk (2014), *IntegratieBarometer 2014* (Integration Barometer 2014).

OECD (2016), *OECD Economic Surveys: Netherlands 2016*, OECD Publishing.