

From Euro-positivist to Euro-sceptic?

An analysis of the Dutch measures to protect the Dutch labour market against labour migrants coming from the Eastern European member states of the EU after May 1st 2004

**Paper for the course
Inclusion and Exclusion in Contemporary European Societies**

**Tom Claassen
0048895
May 21, 2004**

Utrecht University

1. Introduction

In May 2004 ten countries will access the European Union. This enlargement operation will be the biggest in the history of the EU. In many aspects the enlargement will have major consequences for the EU and as a result of that the Union will face some challenges (cf. Nugent, 2003). One of the consequences of the enlargement is that the population of the EU will be increased by 30 percent. This means not only more people, but also more differences in culture, language, religion and habits. Another consequence is that the enlargement from 15 to 25 member states will put more pressure on the present institutional configuration and the decision-making process. The ten new member states need to get their place in the institutions of the EU and within the decision-making process there has to be taken account of the fact that there are more actors and more different interests. A third consequence is that the enlargement will create considerable economic difficulties. The majority of the new member states have a GDP per head lower than that of the poorest member state of the EU-15 (Greece) and their economies are based on large and inefficient agricultural sectors and outdated and inefficient industries which are expected to be uncompetitive. One of the questions will be how to cope with these big economic differences.

On the other hand the enlargement will also create considerable economic opportunities. The Single European Market will be extended. This means a bigger distribution area and more establishing possibilities for enterprises and a bigger labour market.

Despite to the economic opportunities for the incumbent member states as well as the new member states, the enlargement of the EU also creates threats for the incumbent member states. One of these threats is related to the increasing labour market. The incumbent member states fear that after the enlargement an enormous amount of migrants from Eastern-Europe will come to the incumbent member states in search for a job. As a consequence there will be too many workers available on the labour market. This will be at the cost of the native workers, Eastern-European workers are willing to work for lower wages than the native workers. The surplus of workers will also affect the expenses on social security.

Because of the uncertainty of the amount of people from Eastern-Europe that will come the incumbent member states in 2000 agreed that the member states have the right to take temporary measures in order to exclude labour migrants from their labour market. Each member state has the right to arrange a transition period which may last up to seven years. Transition measures effect migrants coming from the eight Eastern-European countries which will access the EU (Poland, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Slovakia and Slovenia), but do not effect migrants coming from Cyprus and Malta. In the joining treaties of the eight Eastern-European countries is stated that the incumbent member states individually can decide to take measures to exclude labour migrants. It is this provision that makes an exception possible to article 39 of the Treaty of Rome referring to the free movement of workers. Normally this article would be effective in all 25 member states right after the new member states accessed the European Union.

In the meantime almost every member state has decided to make use of the possibility to arrange a transition period, The Netherlands is one of them. This paper discusses the Dutch decision to exclude labour migrants coming from Eastern-Europe member states from the labour market after May 1st 2004. First the expected effects of the enlargement on labour market and labour migration will be described. Next the opinions of different relevant Dutch actors on the exclusion of Eastern-European labour migrants will be described as well as the precise Dutch measures. In the end we will search for possible explanations in order to understand why the Dutch government has decided to arrange a transition period.

2. Problem analysis

As described above the enlargement of the European Union will have significant consequences in many ways. A lot of authors have written about the effects of the enlargement on the labour market and about the prospective number of labour migrants coming from East-Europe after May 1st 2004. The publications mainly focus on two questions: what will be the effects of the enlargement on the labour market and how many Eastern-European migrants can we expect? These two questions are closely related. A higher amount of migrants will result in more substantial effects on the labour market. Furthermore not only the amount of migrants is important but also the education level of the migrants and the countries they will go to. Next, a short overview of the publications on the two central questions will be presented.

The European Commission published a comprehensive report on the prospective effects on the labour markets of the incumbent member states (Boeri and Brücker, 2000). First the report describes the situation of labour migration before enlargement. Now the member states individually can decide to allow labour migration from Eastern-European countries. Several member states allow temporary labour migration, which is sometimes based on bilateral agreements. Temporary labour migration includes guest workers, seasonal workers, project-tied workers and border commuters. Temporary labour migration is generally characterized by fixed-term contracts (mostly with a maximum of one year). The migrants are not entitled the right to seek a new job in the member state, also they don't have the right to family reunification.

These conditions will change when the Eastern-European candidate member states access the European Union. Then the new member states are joining the Single European Market and their citizens have the right to free movement. This is stated in article 48 of the Treaty of Rome. According to this article all citizens of EU member states have the right of free movement within the EU, the right to accept work and the right to live and work in a member state under the same conditions as native workers. The latter means that discrimination based on nationality with respect to employment, occupation, remuneration, dismissal and other work conditions is prohibited. Migrants are allowed to stay in a member state to search for a job during maximum six months. Migrants who have a job are entitled the right to a five year residence permit. The rights stated in article 48 are not applicable on the civil service sector. These provisions stimulate labour mobility for citizens of new member states and create new opportunities (Boeri and Brücker, 2000; CPB, 2004).

The authors of the report expect the labour migration to increase significantly after the enlargement because of the right to free movement and the income differential between East and West. This significant increase is not sensational, now labour migration is almost nil (0,2-0,3%). The number of migrants is estimated at 335,000 people directly after the enlargement. This number will halve in ten years because of the converging incomes in the EU. The structural number of migrants is estimated at 1% of the people living in the incumbent member states, this is 4% of the people living in the Eastern-European candidates. The report concludes that fears for enormous waves of migrants after the enlargements are ill-founded. The report states about the effects of the enlargement on the labour market that neither wages nor employment will be influenced significantly. This will even be the case in Germany and Austria who border the new member states. Finally the report states that arranging transition periods will not be very useful, it will postpone the migration wave but it will not prevent it (Boeri and Brücker, 2000).

Kohler and Keuschnigg present in their article *An incumbent country view on Eastern enlargement of the EU* (2001) an economical view on the consequences of the enlargement for the incumbent member states. They state that the enlargement asks for three types of changes of the European Union. First, institutional changes are needed in order to keep the Union manageable. Second, changes in the regional integration policy are needed and third the distribution of the EU-budget needs to be changed. The article focuses on the last two changes.

Kohler and Keuschnigg say that the enlargement of the EU with a number of significant poorer countries will lead to labour migration to the incumbent member states, because of the right to free movement and the expansion of the Single European Market. Income differentials are the strongest incentive for migration. The authors state that at the same time labour migration is closely related to trade and capital flows. Trade between East and West and investments in Eastern-European member states will decrease the income gap and thus also the migration incentive. As a consequence the number of migrants will also be smaller. Kohler and Keuschnigg make no statements about the prospective number of migrants nor do they discuss how long it will take to decrease the income gap.

Wood wonders in his article (2001) if the Eastern enlargement is beneficial for Germany. This article is of relevance for this paper because the Dutch economy is very similar to the German and because the Dutch economy is depends largely on the German one.

Wood shows by presenting work of various authors that there is a lot of uncertainty about the number of migrants coming to Germany. He also shows that the quantitative effects of the enlargement on the German labour market are hard to find. An important insight presented by Wood is that the enlargement also creates big opportunities for the German economy.

Germany can not cover the gaps in the labour market created by its aging population, nor can pensions be paid. Employees from the new member states can help to solve this problem and fill up the gaps.

In the Netherlands the Netherlands Bureau for Economic Policy Analysis (CPB) by order of the Ministry of Social Affairs and Employment has made an estimate (2004) of the number labour migrants from Eastern-Europe member states that will come to The Netherlands. The CPB bases its estimate on various researches on migration and labour market effects after enlargement. One of these researches is the report of Boeri and Brücker (2000), which is also used in this paper.

The main conclusions of the CPB-estimate are that between 2004 and 2006 5,000 to 10,000 migrants will stay in The Netherlands for a period longer than four months when the Dutch borders stay open. There is no clarity about the prospective number of temporary workers. At this moment yearly 10,000 temporary workers come to The Netherlands. When this number is stable the increase in the number of migrants then will be between 3,500 and 8,000 per year. The majority of these migrants will work in jobs which are refused by Dutch workers or they will compete with Dutch workers for low wage jobs.

3. Research question

The various publications on the prospective effects of the enlargement of the European Union on the labour market show that labour migration will increase but that it will not be as enormous as some fear. They also show that the enlargement will have no significant influence on wages and employment in the incumbent member states. In some cases the

enlargement even seems to create opportunities. In Germany aging costs can be paid and in The Netherlands migrants will work in jobs that otherwise wouldn't be done. During the decision-making on the enlargement The Netherlands always was in favour of free movement of workers for all 25 member states. Prime minister Wim Kok promised in 2000 that The Netherlands would not arrange a transition period. Now, in 2004, there will be a transition period after all. The question that will be answered in this paper concerns this new approach:

How can it be explained that The Netherlands has decided to exclude labour migrants coming from Eastern-European member states of the European Union from the Dutch labour market after May 1st 2004?

Sub questions to this research question are:

- What are the opinions of various relevant Dutch actors on the possibility to arrange a transition period?
- What do the measures of The Netherlands look like?

The answers to the sub questions have to show if the Dutch decision converges with the opinions of the various actors. When the opinions are very similar to the Dutch decision the explanation (and the answer to the research question) is to be found in that area. When the opinions differ from the decision other explanations have to be found.

4. Opinions of relevant Dutch actors

In the begin of the year 2004 the Dutch government has decided to exclude labour migrants coming from Eastern-European member states of the European Union from the Dutch labour market after May 1, 2004. In order to be able to explain this decision it is important to see who in the Dutch society supports the decision and who opposes it.

Because this paper discusses the Dutch labour market the opinions of employers and employees are relevant. It is also interesting to see what the Dutch people think of this issue. Next the opinions of these three actors will be presented.

Employers

In November 2003 the Dutch employers' organization VNO-NCW has written a letter to the Dutch parliament. In the press release of this letter¹ VNO-NCW says that the employers are against a transition period.

VNO-NCW states that labour mobility in the EU must be stimulated. Free movement of persons, goods and capital stimulates the Dutch economy and the economy of the European Union. According to VNO-NCW the enlargement also creates opportunities: jobs that will not be done by Dutch workers will be done by migrants.

Finally VNO-NCW points out to the problem of illegal employment. A transition period will increase the number of illegal workers instead of stopping it. This is not good for the Dutch competition position and for the economical growth in the Netherlands.

Employees

The most important employees' organizations in The Netherlands are FNV and CNV. FNV sees the enlargement of the EU as a positive development. In its standpoint on labour migration² FNV states that the enlargement and the free movement of workers will end illegal employment concerning Eastern-European workers. Free movement of workers is very important to FNV and FNV does not expect that enormous waves of migrants will come to the Netherlands because of the differences in language, culture and prices.

FNV strongly opposes a transition period after May 1, 2004 and presents alternative measures which are similar to the measures Kohler and Keuschnigg propose: more financial support to the new member states and to border regions. These investments have to lead to a quicker growth of the economy and welfare in the new member states and to less migration.

CNV also wrote a letter to the parliament in November 2003. In this letter³ CNV advises the members of parliament to arrange a transition period for at least two years. A transition period gives The Netherlands the time to prepare for the newcomers on the labour market and to solve the problem of illegal employment. CNV also argues that The Netherlands should arrange a transition period because all of the bordering countries do (at that moment Germany, France, Finland and Austria). When the Dutch borders stay open more migrants will come to The Netherlands.

According to CNV the promise of Wim Kok is not relevant anymore because when that promise was made that the economic conditions were very good. Under the present economic conditions the Dutch labour market can't cope with a wave of migrants.

¹ See www.vno-ncw.nl (d.d. March 19, 2004)

² See www.fnv.nl/europa (d.d. March 19, 2004)

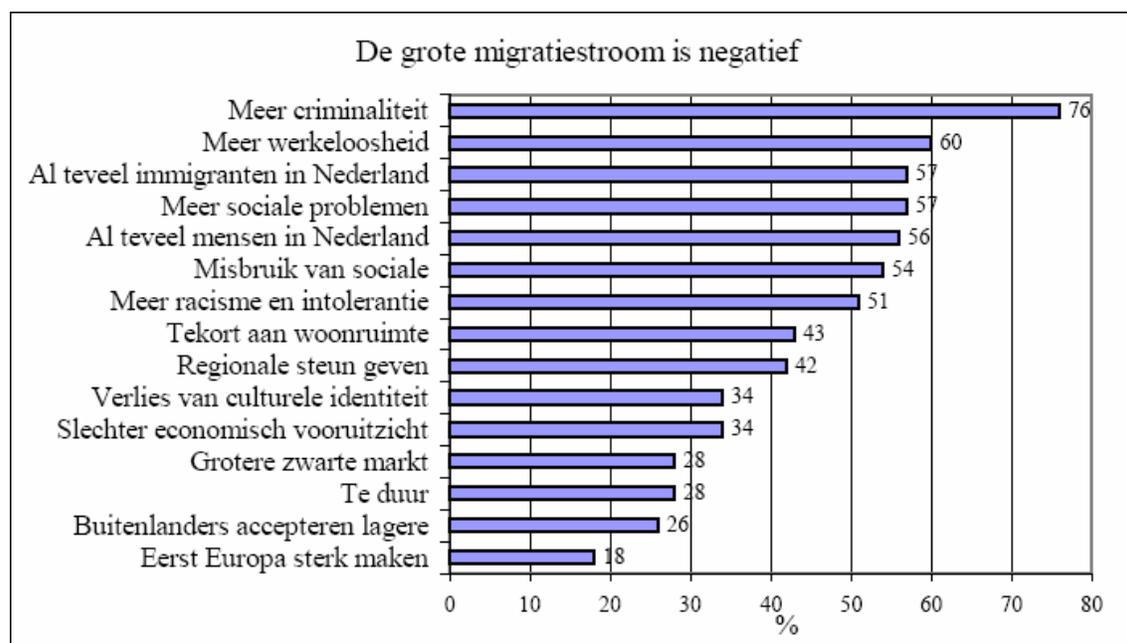
³ See www.cnv.nl (d.d. March 19, 2004)

The Dutch people

The opinion of the Dutch people on the arrangement of a transition period can not be easily found. Though it is possible to present some data from the Eurobarometer regarding to the enlargement of the EU and the migration resulting from that enlargement.

Eurobarometer 56.3 (2002) is an opinion poll on the enlargement of the EU. More than half of the Dutch people (57%) think that their lives will not change after the enlargement. The people who think that live will be better (19%) mainly think that there will be better economic conditions (67.3%), 35.8% thinks that employment will be better. The people who think that their lives will be worse (11%) mainly oppose to the financial aid to the new member states while 38% thinks that there will be more unemployment. 32% thinks that there will be more people searching for a job and 23% thinks that it will be harder to prevent migration.

There were also questions about migration. 45% of the Dutch people think that after the enlargement a significant migration wave will start, while 43% thinks there will be a small wave. From the people who think that there will be a significant wave a large group sees this as a negative consequence (85%). The reasons for seeing it as negative consequence are shown in the table below. More unemployment is one of the main reasons (60%).



Source: Eurobarometer 56.3 (2002)

It is difficult to determine the exact opinion of the Dutch people on the arrangement of a transition period out of these figures. Only a small part of the Dutch people thinks the enlargement is a threat to the quality of life. One third of these people think the employment will be threatened. The Dutch people don't seem to be very worried by the enlargement. However, when the people are questioned directly about their expectations of migration almost half of the people thinks that a significant wave of migration will start. Almost everyone of this group sees this as a negative aspect; unemployment is seen as one of the biggest threats.

We can conclude that, due to the fact that almost half of the Dutch people think negative about the prospective wave of migration, it will not be improbable that these people will support the measures to arrange a transition period.

So, the relevant actors in The Netherlands are not unanimous in their opinion on the decision of the Dutch government. The employers are against a transition period, the employees are divided: FNV is against it, CNV is in favour of it. A substantial part of the Dutch people sees labour migration as a negative aspect of enlargement and might support a transition period.

5. The Dutch decision

After the publication of the CPB-estimate (2004) the Dutch government in January 2004 decided to limit free movement of workers after May 1 to 22,000 workers during the first year after the enlargement. There was some disagreement about the decision in the government. The minister of finance was in favour of a transition period while the minister of economic affairs was against it. In the end the government decided to set the limit of workers at the average of the high estimate and the low estimate of the CPB, which is 22,000. This number includes the 10,000 temporary workers who yearly come to The Netherlands.

In February it became clear that the Dutch parliament would not agree with these measures. The parties CDA, VVD, LPF, SGP en SP asked for more strict measures. They wanted to make sure that low educated Dutch workers wouldn't have to compete with cheaper workers from Eastern-Europe.

The government had to prepare a new proposal. A couple of weeks later a new proposition was presented and this time the parliament agreed with it. This proposal contains the Dutch measures in order to exclude migrants coming from Eastern-Europe member states from the labour market after May 1 2004.

The measures are described by the government as a short-term and maximum flexible transition regime⁴. Workers from the new member states are only welcome when there are no Dutch workers available for the job. In sectors with a shortage of workers it will be easier to get a working permit. In these sectors migrants can get a permit in two weeks instead of the five weeks now used to first find a Dutch worker. The Dutch Centre for Work and Income (CWI) monitors the needs in the various sectors and decides when and where migrants are welcome.

The measures are in force until May 1, 2006. After one year the measures will be evaluated and then there is a possibility to make the measures less strict⁵.

The Dutch decision concerns a weak version of a transition period in which per sector measures can be taken. The maximum of 22,000 workers which was proposed in January is not used in the final proposal.

6. Possible explanations

How can the Dutch decision be explained? The various publications show that there will not be an enormous wave of migrants after May 1 and that the Dutch labour market will not be affected significant. We also have seen that the Dutch measures are not widely supported by the Dutch society. The employers as well as some of the employees disagree with the decision and according to a substantial part of the Dutch people it is not very important.

⁴ Letter of secretary of state Rutte on enlargement of the EU and free movement of workers, February 13, 2004

⁵ Press release 04/007, Ministry of Social Affairs and Employment, February 13, 2004

The first possible explanation is also one of the arguments used by CNV: most of the countries that surround The Netherlands also have a transition period. When CNV wrote the letter it was only Germany, France, Finland and Austria. Now, only the UK, Ireland and Sweden will have open borders after May 1. The Dutch government then is supported by the publications. In the report of the European Commission (Boeri and Brücker, 2000) is stated that the positive and negative effects of the enlargement will concentrate on the countries that border the new member states. In a way The Netherlands will (virtually) border the new member states when Germany has arranged a transition period. This would mean that The Netherlands would suffer from more negative effects than expected. At the same time this explanation is not totally valid because the CPB-estimate already has taken account of this fact.

Still, the fact that almost every EU-15 country will arrange a transition period is an explanation for the Dutch decision. The Netherlands is in a different geographic position than Sweden, the UK and Ireland. There are less (natural) barriers for migrants going to The Netherlands than for those going to for example the UK. Unintentional, The Netherlands are at the centre of Europe for migrants coming from Eastern-Europe.

Also, the Dutch government needs to be very sure about the estimates when it decides not to arrange a transition period. When the Dutch make the wrong decision it will have dramatic consequences for the Dutch economy.

The second possible explanation comes from the present composition of the Dutch government and the Dutch parliament. When Wim Kok promised to keep the borders open the Dutch government was a purple one (Liberals, Social Democrats and Democrats). This government was very pro Europe. Now 'The Hague' is not that enthusiastic for Europe. The Dutch ministers have criticized the enlargement of the EU several times during the last year because of the financial consequences for The Netherlands.

This Euro-scepticism is also found in the Dutch parliament where there is majority for the conservatives. During the decision-making on the transition period it was the parliament which asked for more strict measures and forced the government to revise its proposal.

This explanation is partly valid. The different composition of the government and the voting of the parliament show that things have changed in The Hague. At the same time things have also changed economically. In 2000 the economic conditions were good and there was a shortage on the Dutch labour market. Now unemployment is increasing and the economic conditions are not good.

The third possible explanation is to be found in the different opinions of the relevant actors with regard to arranging a transition period. The Dutch government seems to have searched for a decision which keeps everyone satisfied. The employees are protected in the sectors where they need protection and the employers are helped in the sectors where they need help. The government also seems to try to take away the fears of the Dutch people by showing that they are doing something to make sure that employment will not be threatened.

This explanation is, looking at the divided opinions of both the relevant actors and within the government, a good example of the Dutch consensus politics.

The conclusion is that the Dutch government has decided to take measures to exclude labour migrants coming from Eastern-European member states after May 1 because in a way it was forced by the other EU-15 member states who also have decided to take measures. Secondly, the composition of the Dutch government has affected this issue. During the past years The Netherlands always has profiled itself as Euro-positivist, but with this new government The

Netherlands profiles itself more like a Euro-sceptic. Finally the government has chosen an option which seems to suit all actors by exclude labour migrants per sector.

What should we think of the Dutch decision? The decision seems to suit all *Dutch* actors. The right to free movement for workers is of less importance when compared with the Dutch interests. The interests of the Eastern-European workers seem also not important enough. European citizens will be categorized in workers who are welcome and workers who are not welcome, depending on the country they come from and the sector they (want to) work in. Is this European integration? Are the Dutch interests more important than the European interests?

The reputation of The Netherlands being a Euro-positivist is stressed by the decision the Dutch government has made. The focus on only Dutch interests moves The Netherlands to a Euro-sceptic.

Literature

Boeri, T. and Brücker, H. (European Integration Consortium), 2000, *The impact of Eastern enlargement on employment and labour markets in the EU Member States*, Report for the European Commission, Berlin

CPB, 2004, *Arbeidsmigratie uit de Midden- en Oost-Europese toetredingslanden*, CPB Notitie, The Hague

European Opinion Research Group, 2002, *Eurobarometer 56.3 "special bureaux"*, European Coordination Office SA/NV, Brussels

Kohler, W. and Keuschnigg, C., 2000, *An Incumbent Country View on Eastern Enlargement of the EU, part I: A General Treatment*, uit *Empirica* 27 pp 325-351, Kluwer Academic

Nugent, N., 2003, *The government and politics of the European Union*, Palgrave Macmillan, Hampshire

Wood, S., 2003, *Is Eastern Enlargement of the European Union a Beneficial Investment for Germany?*, *Academy of Political Science Quarterly*

Other sources

Letter of secretary of state Rutte on enlargement of the EU and free movement of workers, February 13, 2004, see www.minszw.nl

Press release 04/007, Ministry of Social Affairs and Employment, February 13, 2004, see www.minszw.nl

Website CNV
www.cnv.nl, 19 maart 2004

Website FNV
www.fnv.nl/europa, 19 maart 2004

Website VNO-NCW
www.vno-ncw.nl, 19 maart 2004