



India-EU Common Agenda on Migration and Mobility



▶ **The economic contribution of Indian migrants to the EU**

Two sector case studies



India-EU Cooperation and Dialogue on Migration and Mobility Project:



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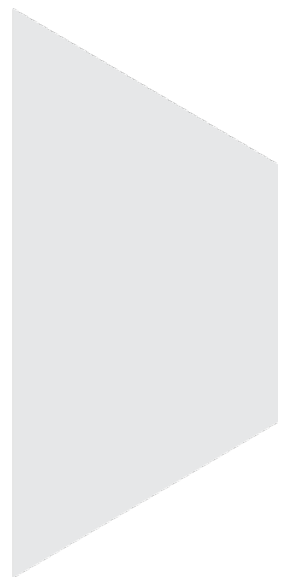


▶ **The economic contribution of Indian migrants to the EU**

Two sector case studies



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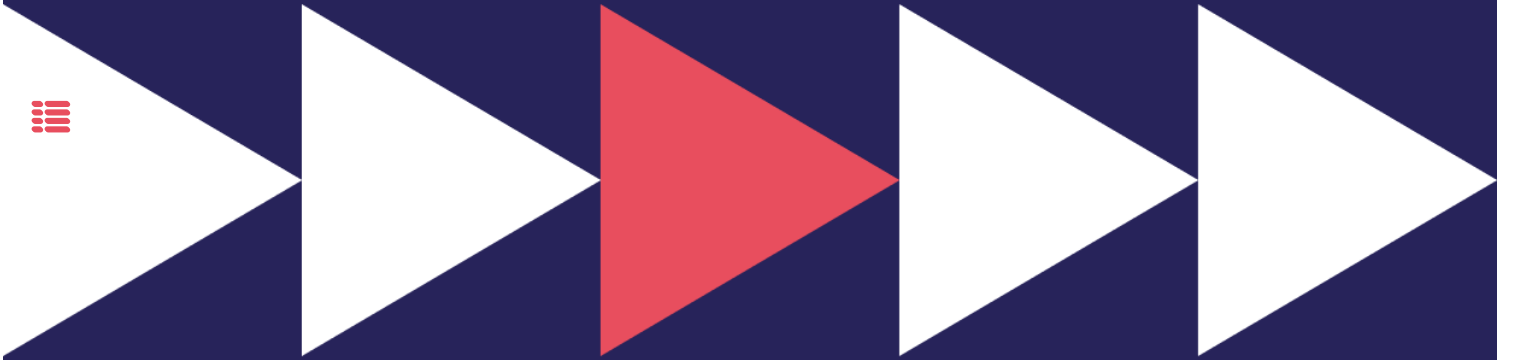




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EXECUTIVE SUMMARY

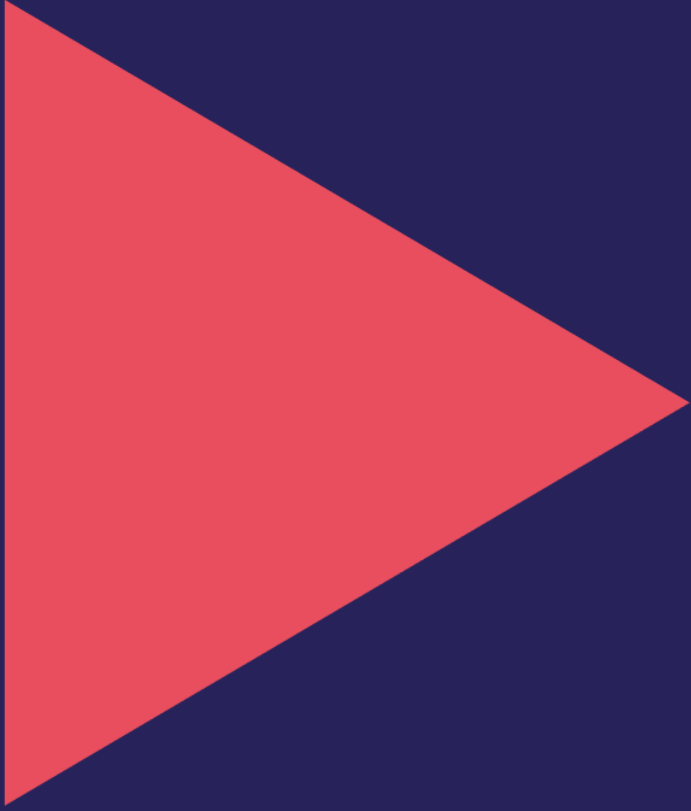
We examine the drivers and impacts of Indian immigration to the EU in two countries and sectors: the IT sector in The Netherlands, and the agricultural sector in Italy (in particular the dairy industry in the north of Italy). In The Netherlands, immigration policy has been reoriented to attract high-skilled migrants, particularly in the IT sector, and this has resulted in a substantial increase in Indian migration in this sector. This has enabled employers to fill labour shortages in a dynamic and expanding sector. The flexibility of the system, both with respect to entry requirements and to the roles filled by migrants and their dependents, has both increased migration flows and also facilitated the broader expansion of the sector; cost considerations and wage levels do not appear to have been a major driver.

In Italy, by contrast, the increase in the number of Indian migrants working in the agricultural sector was not driven by policy, except inadvertently. Despite the relatively poor performance of the Italian labour market, agricultural work has become steadily less attractive to young Italians; Indians, generally arriving by irregular means but subsequently the beneficiaries of regularisation programmes, filled these gaps, and network effects meant that their numbers expanded over time. Again, flexibility, this time on the part of the workers themselves, was key, first to their attractiveness to employer and then to their ability to adapt to the Italian labour market. Despite the secular decline of the agricultural sector, there is some evidence both qualitative and quantitative, that in our region of focus Indian migrants have helped stem the decline by boosting productivity and output. Again, we found little evidence of undercutting or downward pressure on wages.

In policy terms, we find that Dutch migration policy for skilled migrants promote labour market flexibility and mean that – in contrast to more restrictive schemes where skilled migrants may be tied to one particular job – migration may have spill over benefits beyond the company where the migrant is first employed to the wider sector. While individual country circumstances will of course differ, the general principles that flow from the above points – the emphasis on relative simplicity and allowing both skilled migrants and firms a high degree of flexibility – are likely to be of general applicability.

In Italy, regularisation and family reunification allowed migrants who would otherwise have remained in at best insecure and precarious conditions (and would mostly have been unaccompanied men) to establish themselves and their families and to be become gradually more integrated in the Italian economy and labour market. This has also allowed upward occupational and sectoral mobility. The contrast between the relatively positive experience of Indian migrants and some more recent migrant flows again suggests that there are lessons to be learned; regularisation programmes, particularly if they facilitate family reunification and labour market integration can allow groups of migrants who might otherwise be trapped more-or-less permanently in precarious working and living positions to have positive economic and social outcomes, both for themselves and for the host country.







1. INTRODUCTION

This paper examines the economic impacts of migration from India to the EU through the lens of two sector case studies: the information and technology (IT) sector in The Netherlands, and the agricultural sector in Italy (with a focus on the dairy sector in certain Northern regions). In both cases, Indian migrants have played a central role in the recent development of the sector, and, we might hypothesize, have enabled the expansion of output and productivity growth. The purpose of this paper is therefore to increase our understanding, at a micro level, of the specific mechanisms by which migration – both high and low skilled – may have potentially impacted economic outcomes.

These two sectors are very different, and the role of migration in facilitating their development is equally so. Our objective is therefore to cover two ends of the spectrum – high and low skilled, regular and irregular workers. Both stem from worker shortages at destination – by way of skills or willingness of nationals to do the job – and are sectors dominated by Indian migrant workers.

In the Italian dairy sector, most Indian migration was originally from the Punjab. Many migrants came by irregular means, with little knowledge of Italian labour markets or wider society; others joined family members already resident. On arrival, they gravitated to agricultural work, particular in areas of Northern Italy, since they typically came from rural and agricultural backgrounds, and the region faced labour and skills shortages. But this was a happy coincidence of supply and demand rather than reflecting either the normal operation of labour markets or the result of government policy or planning.

By contrast, while the migration of Indians to work in the Dutch IT sector also reflects demand (the rapid growth of the sector, far outstripping the growth of the native workforce with appropriate skills) and supply (the large number of qualified Indian IT specialists) it was clearly facilitated by the liberalisation of Dutch immigration policy, in particular towards skilled and highly paid workers, in the early 2000s. Comparing and contrasting these two very different experiences helps us shed light on the mechanisms at work by which migration interacts with the structure of sectors and labour markets at a local level, as well as government policy, to generate the gains in productivity that we observe at a macroeconomic level.

Therefore, while Italy proved to be the best example to study low skilled and irregular migrants, Netherlands was selected amongst other countries that attract high skilled Indian workers because of its growing importance as a country of destination for the high skilled Indian workers (numbers of Indian high skilled workers having more than doubled from 2012-2017). Additionally, as Indian workers in the Netherlands are mainly knowledge migrants (with three-quarters employed in IT and information services), this enabled the study to focus on their contribution to this specific industry⁴



The framework for the paper is as follows. We begin with a brief review of the general literature on the economic impacts of immigration, with a particular focus on the impact on productivity at a sectoral and regional level. This allows us to identify the key theoretical mechanisms by which immigration might have a positive (or negative) impact on a specific sector or region and the existing empirical evidence. These mechanisms are not limited simply to meeting labour shortages – although this clearly is relevant – but also relate to knowledge transfer, and to complementarities between migrants and native workers.

We then discuss our chosen sectors in detail, giving in both cases an overview, based on official statistics and the research literature, of the origin and trends of recent Indian immigration,

⁴ <https://www.cbs.nl/en-gb/news/2019/30/indian-knowledge-migration-has-doubled,25/07/19>

including both the economic and policy context. We present relevant descriptive statistics and relate recent trends in the development of the sectors to the role of immigrants in the workforce. In order to understand the mechanisms at a more granular level, we also undertook a small number of case-study interviews conducted with migrants in each of our chosen sectors.

Together, these sources enable us, amongst other topics, to further explore the recruitment channels by which migrants came to work in Europe; the interaction between demand-side and supply-side drivers; the specific nature of labour or skill shortages addressed by migration; the complementarities with native workers; and,

to a limited and speculative extent, the ways in which the sector might have developed, or might develop in future, in the absence of large immigration flows.

Given the methodological approach taken here – sector case studies combined with a limited number of qualitative interviews – we do not attempt formal quantitative or econometric analysis, except in one limited example, both for reasons of data availability and, more fundamentally, the inherent difficulties in properly specifying a counterfactual.

The paper concludes by discussing the implications for policy at a European, national and sectoral level.



▶ 2. LITERATURE REVIEW

Recent events, in particular the 2015-16 refugee crisis, have made immigration a central political issue in many if not most EU countries – including the two that are the focus of this study. Parties which favour a more restrictive approach to immigration have seen significant rises in support. Partly this reflects wider social and cultural attitudes. However, large proportions of the EU public see immigration as an economic negative: immigrants are seen as taking jobs from natives or depressing wages or as a drain on the welfare state.

Quantitative analysis suggests these fears are considerably unsubstantiated: a large body of evidence shows that any negative employment or wage impacts on nationals are small and short-term (Kerr and Kerr, 2011), and immigrants are, for demographic reasons, generally less likely to be in receipt of the most expensive aspects of most countries' social provision systems (pensions, health care and education). The overall fiscal impact of immigration varies by country but is rarely very large in macroeconomic terms (OECD, 2013). In other words, there is little evidence that immigration has the negative impacts that are often the subject of political debate.

But this does not in itself necessarily establish a strong positive case for relatively liberal immigration policies. Over the medium to long-term, the most important determinant by far of whether immigration is economically beneficial to EU countries, and in particular to their citizens, will be how it impacts on productivity. As Paul Krugman put it: "Productivity isn't everything, but in the long run it is almost everything." (Krugman, 1990)

However, the impact of immigration on productivity and hence (per capita) growth is methodologically harder to estimate than the impact on employment and wages. It has been argued that immigration to the EU is likely to have depressed productivity growth, either through a simple 'batting average' effect (since new migrants are on average paid less than the average of the current workforce, which may reflect lower productivity, at least initially) or, more tenuously, because the availability of relatively low-paid but flexible workers reduces the incentive to invest in labour-saving and/or productivity-enhancing equipment. There is however little evidence to substantiate these claims: poor productivity performance in most

EU countries over the last decade coincides with the financial crisis and its aftermath (which in turn led to a fall in migration in a number of EU countries) rather than changes in migration flows.

Equally, there are a number of mechanisms by which migration could increase productivity. Immigrants' skills may complement those of natives. A number of papers support this hypothesis: for example, Barone and Moretti (2011) found (in Italy) that low-skilled migration increased the labour force participation of highly skilled native women; Peri and Sparber (2009), using US data, and Foged and Peri (2016), looking at refugee settlement in Denmark, found that low-skilled migration increased the wages of native low skilled workers. In particular, they argue that natives may have a comparative advantage in jobs with more communication-intensive tasks with respect to foreign workers, and that immigration 'pushes' low-skilled natives to occupations with a higher intensity of such skills, increasing the level of specialization in the economy and hence productivity, as signalled by the corresponding increase in wages.

Immigration might also influence the level of human capital in the economy, either directly if immigrants have high educational attainment (Kerr and Lincoln 2010, Hunt and Gauthier-Loiselle 2010), or indirectly by increasing the incentive on natives to acquire human capital. Some evidence (Hunt 2017, McHenry 2015) suggests that increased low-skilled immigration increase school performance and educational outcomes.

Immigration may also influence the amount of innovation in an economy, and therefore indirectly boost productivity. Again, it is important to note that there are two possible mechanisms at work here. First, the direct



effect of immigrants, particularly highly skilled immigrants or those working in specific fields, who may contribute more to innovation. Second, harder to quantify, the indirect effects on a country, sector or region as a whole – including native workers – from greater diversity in workforces or teams, or of complementarities between immigrant and native workers. There is a considerable body of evidence that suggests that immigration is associated with increased innovation (for example, that immigrants are more likely to register patents, and that this, in turn, leads to an increase in patent activity on the part of natives) (Hunt and Gauthier-Loiselle, 2010). Immigration is also associated with international trade and knowledge transfer, particularly in high-tech industries.

At the aggregate level, recent literature uses cross-country evidence to estimate the impact of migration on growth and productivity in advanced economies, generally using an instrumental variable approach to establish that the impact is causal, not simply a correlation. Boubtane et al. (2016) find that migration in general boosts productivity in advanced economies, but by varying amounts; Jaumotte et al. (2016) find that a one per cent increase in the migrant share of the adult population results in an increase in GDP per capita and productivity of approximately two per cent. This result is consistent across a variety of empirical specifications. Perhaps surprisingly, the estimated aggregate impacts of high and low skilled migration are not significantly different (although the distributional implications are very different). In a within-country perspective, Peri (2012), with a state-based analysis in US, finds that a one per cent increase in immigration raises total factor productivity (TFP) by 0.5 per cent, mainly thanks to increased specialization induced by immigrants' inflows. In France, Mitaritonna et al (2017) find similar results looking at TFP in manufacturing at the level of Departments.

More recent UK evidence is also positive. Campo et al. (2018) exploit geographical variation in the migrant share of the workforce, again using an instrumental variable approach to deal with issues of reverse causality, to estimate the **impact** of immigration on productivity. It finds that a one percentage point increase in the share of immigrants within a UK local authority leads

to an almost three percentage point increase in productivity (measured as the growth in Gross Value Added (GVA) per head over the period considered). This result holds for both short- and long-term changes, and at different levels of geographic disaggregation. Similar results are obtained by Costas-Fernández (2018) and Smith (2018), looking at region-sector levels.

Two interesting elements emerge from the discussion above, found by different papers using different methodologies and different data, which inform the discussion below. First, it is not just that immigration appears to have a positive impact on productivity growth, but that this impact is large; indeed, some would argue implausibly large, reflecting perhaps that some of the estimated impact may incorporate region- or sector-specific trends. While we should therefore be cautious about assuming that these impacts are necessarily entirely causal, all these papers use some form of instrumental variable approach to address this objection, and the overall weigh of evidence appears strong.

Second, while both theory and casual intuition would suggest that the impact of high-skilled migration on productivity would be positive, while that of low-skilled migration would be negative or perhaps neutral, there is no clear evidence from these papers to make this distinction. Indeed, as noted above, a number of studies specifically find a positive impact on productivity from low-skilled migration, attributable to some of the spillover or complementarity mechanisms described above.

The implication is that simplistic models of migration that simply see migration as adding to aggregate labour supply, or aggregate human capital, are unlikely to be particularly useful in explaining the economic impacts of migration. Those impacts are likely to depend on which of the numerous specific causal mechanisms above are at work, and that in turn is likely to differ by geography and industry. In our discussion below, we therefore – recognizing the limitations of the data and of establishing causality - attempt to unpick the contributions of Indian migrants to the development of our chosen sectors.





3. INDIANS IN THE IT SECTOR IN THE NETHERLANDS

a. The growth of Indian-origin migration to The Netherlands

Indian immigration to The Netherlands is a relatively recent phenomenon. During the 1950s and 1960s, it ran at negligible levels, and even during the 1970s was only a few hundred per year (Engbersen et al, 2011:31). It began rising in the 1980s, with 1700 Indian nationals arriving in The Netherlands in 1984 (Bal, 2012: 10) over the past decade, however, there has been a sharp rise in Indian immigration, particularly of skilled workers, to The Netherlands. Bal (2012) notes there are about 22,000 Indians in The Netherlands, compared to a little over 9,000 in 1996.

The driving force behind this rise was the liberalisation, and increased skill orientation, of Dutch migration policy. Beginning in the mid-2000s, it became apparent that, over the medium and long term, The Netherlands faced skill shortages: the economy was becoming increasingly oriented towards high-value service industries, such as the IT sector, but the domestic supply of workers with the appropriate skills was inadequate.

This remains the case; it is estimated that by 2025, 1.3 million new jobs will be created in medium skill and 2.4 million jobs in the high-skill level, while labour supply is only expected to grow at 1 million at the high skill level, with an expected drop at the medium skill levels (OECD, 2016). Hence, absent (growing) migration levels, it is likely that there will be a steady increase in skill shortages at both medium and high skill levels in The Netherlands. Sleurink et al (2016) particularly identifies the shortage of skilled workers in Chemicals, Energy, High tech systems and materials (identified as 'beta-oriented' industries by the authors) of The Netherlands as contributing to the trend to recruit overseas knowledge workers (Sleurink et al, 2016). Short-term shortages are also experienced in the hospitality and construction sector amongst others. Overall, however, the Dutch distribution of total job opportunities is significantly skewed towards high-skilled occupations than that of the EU-28 (ten percent higher than EU average) for the forecast period of 2013-2025.

Recognizing these pressures, policy towards skilled immigration was liberalized significantly in the mid-2000s, paralleling similar liberalizations in other EU Member States (for example, the UK, somewhat earlier, and Germany, somewhat later). Bal (2012) identifies the introduction of special regulations for highly-skilled migrant workers (*kennismigrantenregeling*) in October 2004, as an important landmark in Indian highly-skilled migration to The Netherlands.

Unlike other countries, like the UK, which stipulates a list of job roles and salaries for prospective migrants to be considered as 'high-skilled', The Netherlands uses the sole criterion of salary to categorize highly skilled. For third country nationals from outside the EU and the EEA, a gross monthly salary of € 4,500 (or € 3,229 for those under 30) is considered as high-skilled (as of January 2019).⁵ These income criteria do not apply for researchers, doctors in training and guest lecturers, who must instead earn a minimum gross monthly salary of € 1,221⁶ similarly, a lower salary threshold (€ 2,364 per month) applies for recent graduates from a Dutch university. There is also a work permit system for "labour migrants" which is generally more restrictive, and requires a labour market test (that is, the employer needs to show that there is no suitable resident available for a specific post).

Once a company (from the list of officially recognized sponsors) decides to hire an employee as a highly skilled migrant, they apply for a residence permit at the Dutch Immigration and Naturalization Service (IND). Around 4730 companies are currently recognized by IND as sponsors for the highly skilled migrant visa, and almost 13,920 highly skilled migrant permits were granted in 2017.⁷ Highly skilled migrants from outside the EU require a temporary residence permit (MVV) to move to The Netherlands and can subsequently get a long-term residence permit to stay in the country for more than 3 months. The long-term residence permit is valid for the same length of time as the job contract with the employer, up to a maximum of five years in the case of *kennismigrants*, and can also

5 <https://ind.nl/en/news/pages/new-income-requirements-for-knowledge-migrants-and-blue-card-holders-.aspx>

6 <https://ind.nl/paginas/normbedragen-inkomenseis.aspx>

7 <https://ind.nl/en/news/Pages/Employers-punished-for-fiddling-with-highly-skilled-migrants-24-October-2018-.aspx>



be extended.⁸ Highly skilled migrants are also eligible for a single residence permit (GVVA) which gives them rights to live and work in The Netherlands, without having to take a separate work permit.⁹

Highly skilled migrants were also encouraged to move to The Netherlands due to a particularly favourable tax reimbursement ruling, effectively a tax subsidy - commonly known as the 30% ruling - available to overseas employees with 'specific expertise' most commonly measured by high salary rates.¹⁰ For instance, any foreign migrant worker earning a minimum of € 37,296 and have previously lived at least 150 km away from the Dutch border qualifies for the 30% ruling¹¹, in which 30% of the annual earnings are tax-free. This tax break was previously available for a period of 8 years from the time a migrant employee moves to The Netherlands. However, in 2018, the overall duration of this tax break has been reduced (retrospectively) from 8 to 5 years, initially with no transition period.¹² This was revised in 2019 to include a transitional period of 2 years for expatriates who were using the 30% facility prior to 2019.

The introduction of highly skilled migrant visas stimulated a significant increase in Indian migration in particular; Indian migrants make up the largest single component of skilled migration, representing about a quarter of the total.¹³ In total, 20,000 Indian workers received a first residence permit during the period of 2005-14, and in 93% of cases this was a permit for skilled workers.¹⁴ Bal (2012) found that the majority of Indian immigrants in The Netherlands are highly qualified employees with a background in IT, consultancy, engineering, management etc. This is not surprising, given that the skilled migration route (or university study, leading to a skilled job) is the main route

open to Indian migrants to The Netherlands, in contrast to the UK, where significant Indian migration also takes place by the family route (secondary, or chain, migration).

In 2016, 7555 Indians migrated to The Netherlands. 3630 migrants came for work, and 2730 for family reasons.¹⁵ A substantial majority were male.

Table 1. Indian immigration to The Netherlands

Years	Men	Women	Total
2006	1450	700	2150
2007	1840	850	2690
2008	2425	1215	3640
2009	2080	1220	3300
2010	2105	1255	3360
2011	2500	1485	3985
2012	2500	1660	4160
2013	2900	1780	4680
2014	3230	2050	5280
2015	3840	2555	6395
2016	4425	3130	7555

Source: Netherlands Central Bureau of Statistics

Taken together with qualitative research described below, this suggests that a significant proportion, perhaps the majority, of skilled Indian migrants were married and came with their spouses and, perhaps, children. This may reflect that the salary threshold favours those with relatively established careers, rather than new entrants. Family migrants have full working rights and thereby can work without any restrictions on hours or sectors in which they can work. Additionally, favourable living conditions, high quality of life, widespread use of English and a generally welcoming environment towards expatriates are other reasons why Netherlands is chosen over other countries by the Indian expats for working in the IT sector.

8 https://www.expatica.com/nl/visas-and-permits/Dutch-residence-permit-for-highly-skilled-migrants_104381.html

9 <https://ind.nl/en/work/Pages/Highly-skilled-migrant.aspx>

10 https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belastingdienst/individuals/living_and_working/working_in_another_country_temporarily/you_are_coming_to_work_in_the_netherlands/30_facility_for_incoming_employees/conditions_30_p_facility/you_possess_a_specific_expertise

11 https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belastingdienst/individuals/living_and_working/working_in_another_country_temporarily/you_are_coming_to_work_in_the_netherlands/30_facility_for_incoming_employees/conditions_30_p_facility/

12 <https://www.dutchnews.nl/news/2018/04/no-transition-period-for-expats-hit-by-30-ruling-cuts-ministry-says/>

13 <https://ind.nl/nieuws/paginas/nieuwe-inkomenseisen-kennismigranten-en-blauwe-kaarhouders-gepubliceerd.aspx>

14 https://read.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-the-netherlands-2016_9789264259249-en#page73

15 <https://opendata.cbs.nl/statline/#/CBS/nl/dataset/84140NED/table?dl=127BC> [Accessed on 29 Oct, 2018]



b. The growth of the IT sector and Indian migration

The IT sector in the EU has grown rapidly in recent years, with employment growth of more than 36% in the 2007-17 period (compared to only about 3% overall). The Dutch IT sector accounts for nearly 5% of GDP, as shown in Table 2, and has expanded considerably faster than the overall economy in recent years.

Employment in the IT sector currently stands at about 432,000, as shown in Figure 1.^{16 17}

Most IT businesses in The Netherlands (about 95%) are relatively small, employing less than 10 employees, with only 200 companies that employ more than 200 staff members. Rapid

Table 2. Netherlands, growth in Gross Value Added (GVA), IT, 2012-2017

Gross value added (basic prices) for all sectors and IT (2012-2017)					
Sector	2013	2014	2015	2016	2017
% change all sectors	0.3	1.4	1.7	2.0	2.9
% change IT	2.0	3.6	4.9	5.8	3.7

Source: Netherlands Central Bureau of Statistics

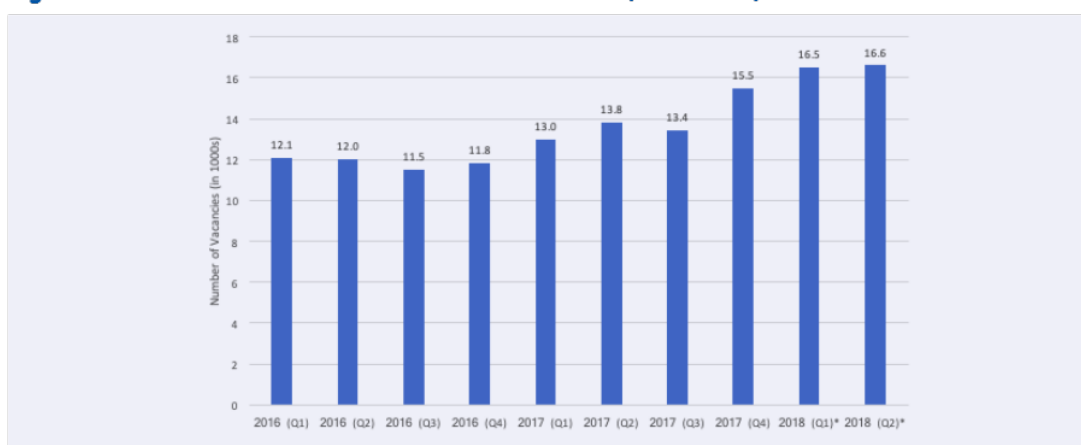
employment growth has also been reflected in high levels of labour shortages in the sector, with more than 16,000 job vacancies projected in the second quarter of 2018.¹⁷

Figure 1. Employment of IT specialists in The Netherlands (2008-2017)



Source: Eurostat (2018)¹⁶

Figure 2. Vacancies in the IT sector in The Netherlands (thousands)



Source: Netherlands Central Bureau of Statistics¹⁸

¹⁶ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_sks_itsps&lang=en

¹⁷ <https://www.cbs.nl/en-gb/news/2017/26/ict-sector-growth-above-average>

¹⁸ Seasonally adjusted data: <https://opendata.cbs.nl/statline/#/CBS/en/dataset/80474eng/table>

c. Migration routes and recruitment channels

Given the rapid growth of the sector and the shortages of national (Dutch born or resident) with the appropriate skills, it is not surprising that the liberalization of the rules governing skilled migration to The Netherlands described above resulted in a rapid rise in the number of migrants working in this sector. And, as in some other countries (in particular the UK), Indians represent by far the largest single source country.

By 2016, Indians constituted the majority of those issued with work permits in the IT sector (including IT development and technical advice), with 910 permits out of 1583 in this sector being issued to Indian nationals (China was the second largest source country); and, conversely, the majority of work permits issued to Indians were in this sector (out of a total of 1562 permits issued to Indians in all sectors).¹⁹

Indians also dominated the broader and larger highly skilled migrant category described above, with 3,605 permits issued, 40% of the total, far exceeding the second largest source country, the US, with only 10% of the total. This trend has, if anything, intensified in recent years (in 2008 Indians constituted 33% of the considerably lower total knowledge worker permits that were granted). Kirk et al (2017) found that highly qualified, young Indians with backgrounds in information technology, consulting, engineering and management are the fastest growing group of Indian expats in The Netherlands.

Table 3. Highly skilled migrants granted a first residence permit by nationality in 2016

Top 5 countries	2016
India	3,605
USA	969
China (incl Hong Kong)	520
Turkey	466
Russia	440

Source: Dutch-SOPEMI report, 2017 ²⁰

¹⁹ Dutch-SOPEMI report (2017) https://www.regioplan.nl/publicaties/rapporten/dutch_sopemi_report_2017_migration_statistics_and_migration_policies_in_the_netherlands, p.48

²⁰ https://www.regioplan.nl/publicaties/rapporten/dutch_sopemi_report_2017_migration_statistics_and_migration_policies_in_the_netherlands p.44

One important question for the purposes of this paper is the routes by which Indian IT workers are recruited – in particular, is the key driver the individual worker who chooses to apply for a job in The Netherlands, or it is the increasing presence of Indian IT companies, who either choose to recruit Indians or simply to move them from India to The Netherlands as an intra-company transfer? Bal (2012: 13) attributes the increasing immigration of Indians to The Netherlands (and particularly to Amsterdam) to the latter, relating it to rapid growth in the number of Indian companies in The Netherlands. This is clearly an important finding and would seem to argue for the latter explanation.

Currently, more than 200 Indian companies have their presence in The Netherlands, alongside the emergence of India as a pivotal business process offshoring base for Dutch companies with skills shortages in the IT sector.²¹ The Indian IT sector has been a key driver of India's economic growth, employing 3.7 million people, in which the sector contributes to more than 45% of the country's total service exports.²² Significantly, the rising number of Indian IT firms who are looking for increased local presence in the western markets, such as The Netherlands, demonstrates their increasing role in shaping the output and growth of IT sectors in the respective countries (Beerepoort & Roodhevel, 2016).

However, the findings from the case studies conducted as part of the qualitative input of this project, detailed below, suggest an alternative, or at least complementary, driver: a growing proportion of Indians who are directly applying to international companies based in The Netherlands. This in turn appears likely to have been driven by the rapid growth of the sector, which has continued to outpace the availability of skills in the domestic labour market, leading to Dutch and multinational companies, as well as Indian companies, looking to India as a source of skilled labour.

Our case study research provided us with further evidence on migration methods and recruitment channels and motivations. Out of the four participants who moved as knowledge workers, only one was “on deputation” (that is, an intra-company transfer) from the company that he was previously working for in India. This company uses intra-company transferees

²¹ <https://www.thehindubusinessline.com/economy/netherlands-emerging-hub-for-indian-firms-in-europe/article10048530.ece>

²² <https://atradius.nl/rapport/market-monitor-ict-india-2017.html>

extensively, both in The Netherlands and elsewhere (particularly in the UK). However, three other participants applied directly to a specific company. One of these subsequently shifted to another employer. The ability to shift employers (which is generally not available to transferees, and not always to those on work permits, except under certain conditions) is an important aspect of labour market flexibility, both for the migrants themselves and their employers. In particular, it means that there is a positive externality to the broader sector that accrues when an individual employer recruits abroad – it widens the overall talent pool available to the sector. Another participant was referred for the job through an indirect acquaintance. Again, this illustrates that – surprisingly – recruitment takes place not only via the established intra-company transfer route (which is obviously demand-driven), but also via supply-driven routes, which can be informal and personal.


A further participant had migrated on a dependent visa, and found that she was at an advantage in directly applying to companies, who saw her application favourably, since they were not bound by government stipulated knowledge worker salary requirements in her case. Again, this is a further example of the labour market flexibility resulting from the relatively liberal regime adopted by the Dutch government, which benefits not only individual migrants and their employers (obviously, the willingness of her husband to migrate was in part influenced by the fact that his wife would also be able to work) but also the wider IT sector and perhaps the wider economy.

Given the available migration routes and the data above, we can conclude that the vast majority of current Indian migrants to The Netherlands fill skilled jobs roles, primarily in the IT sector; this is further supported by the salary data presented below. However, this leaves open a number of questions: are the skills general IT skills or specific skills relevant to individual jobs, and to what extent do attitudes to work or motivation play a role? Aggregate data shed little light on these questions, particularly since the majority of Indian migrants do not come through the work permit route, which requires a labour market test (indicating, at least in theory, that there is no resident worker available for the role) but rather through the highly skilled route which requires no such test.

Our case study participants indicated that Indian highly skilled workers occupied a niche in the IT

based job roles, where they mostly fill technical roles like developers. Their view was that if Indian skilled migrants were not available for these roles, then most of the companies would struggle to expand their IT operations in The Netherlands, which would in turn impact their global position and growth; they would either grow more slowly, or choose other locations in which to expand; in other words, the growth and expansion of the sector is in part driven by the availability of skilled Indian workers.

However, beyond these specific skills, more general attitudes and aptitudes were also seen as important. One participant noted:

 **'Some of these roles require availability anytime of the day. To take an example, if the IT application that support the plant [to] run goes wrong in the midnight or wee hours, someone needs to get up and fix it. Until then there will be a production loss. Many local employees remain averse to taking up such roles.'**



This suggests that work attitudes and motivation may be a relevant consideration, in that even some high skilled and highly remunerated jobs may not be popular among native workers.

d. Wages, taxes and social benefits

It is often asserted that IT firms with operations in the EU seek to recruit Indian workers (either EU-based firms employing Indians, or Indian firms with IT operations in the EU using intra-company transfers) for cost reasons; that is, they can use Indian staff to do work which could otherwise be performed by native-born staff, but choose not to do so because they would have to pay higher wages. However, the available evidence does not seem to support this hypothesis.

Burgers & Touburg (2013) argue that the main reason that Indians get recruited to The Netherlands is because they possess skills that are not available locally. They agree with the findings of Millar & Salt (2008) that, although there is a cost perspective to labour mobility, in that it is cheaper to recruit Indians to work in the firms than to recruit the native workforce, recruitment and employment decisions are not primarily based on labour cost considerations.

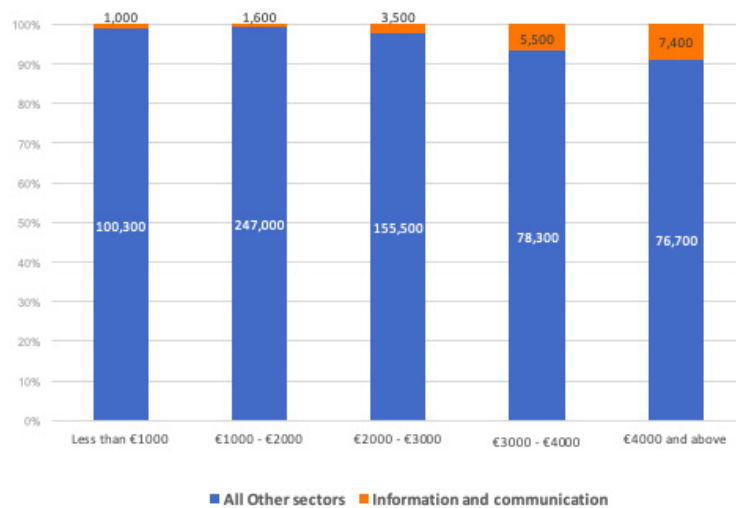
Burgers & Touburg (2013:523) conclude that 'skills are more important than labour costs when it comes to recruiting Indian software specialists' in the Netherlands. This should not be surprising: although the Dutch visa scheme for highly skilled workers is relatively efficient and less bureaucratic than in many other countries, it nevertheless requires some investment of time and money on the part of the employers, as well as the necessary costs of relocation and so on, so it would not in general be rational for employers to employ migrants if similarly skilled domestic residents were easily available.

Given both the skill and wage levels of the sector, and the migration routes and channels

described above, it would be expected that Indian migrants in the IT sector would be a relatively high earning group. The available data support this. While the median foreign-born employee in the Netherlands earns under 2,000 euros/months, the median foreign-born employee in the IT sector earns between 3,000 and 4,000 euros/month, with a large proportion earning more than 4,000 euros/months (the median wage in the Netherlands is just under 3,000 euros/month).

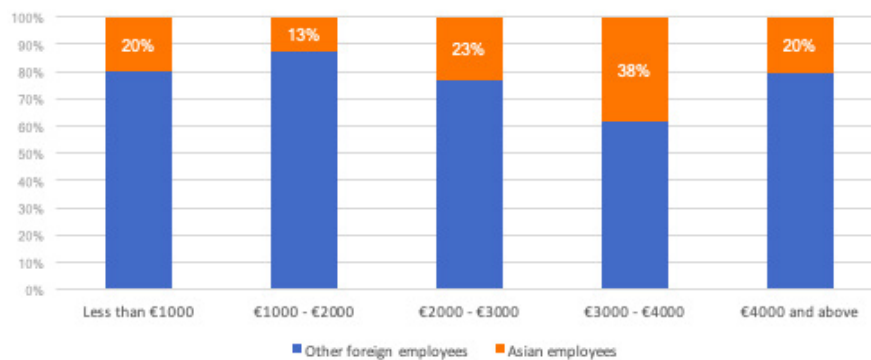
This described all foreign workers in the IT sector; but within this Asian workers (the majority of whom are likely to be Indian, as discussed above), earn somewhat more than average foreign employees.

Figure 3. Monthly wages of employees born abroad, in 1000s (as on Sept 2014)



Source: Netherlands Central Bureau of Statistics

Figure 4. Monthly wages of foreign employees in the IT sector



Source: Netherlands Central Bureau of Statistics