

ARUBA: CAUSES AND EFFECTS OF EXCESSIVE IMMIGRATION

A summary of the research paper “Aruba: Causes and effects of excessive immigration, experiences and lessons from the recent past, and policy options for the future” by drs. J. Ridderstaat, Economist at the Economic Policy Department.*

The closure of the Exxon oil refinery in March 1985 caused a significant downturn in Aruba's economic development, and a large deficit in the government's budget. Following recommendations of inter alia the International Monetary Fund and the World Bank, the tourism sector was rapidly transformed into the mainstay of Aruba's economy. In a short time the depressed economy rebounded into an expeditiously growing economy.

However, the expansive growth process soon coincided with signs of overheating: the supply of local labor was far from enough to satisfy the huge demand in a double-digit growing economy. This situation led to inflationary pressures. By 1990 some 2,000 foreign workers were attracted to reinforce the labor supply. But the shortages persisted and were intensified by the reopening of the refinery by the Houston based Coastal Corporation in that same year.

Already at the beginnings of the 1990s it was becoming clear that the immigration led to shortages in other areas, particularly a lack of adequate housing, which was reflected in a surge in the rents and put further pressure on prices in the first half of that decade, when the average annual inflation fluctuated between 3.4 percent and 6.3 percent. In the course of the years that followed, it also became clear that additional social and economic costs should be added to the immigration bill.

Immigration in Aruba is a topic that has not been covered extensively in the recent past. The analysis in this report is primarily aimed at improving the knowledge on this matter. The study is based on a number of theoretical concepts found in literature. In general, a distinction is made between the causes and the effects of migration. Five major aspects of international migration may be detected, i.e.:

- 1) Political and economic conditions of the receiving country;
- 2) Conditions in the countries from where people migrate;
- 3) Relative deprivation in the sending countries;
- 4) Networking and linkages;
- 5) Iron law of immigration.

The major effects of immigration for the sending country are found in five major areas, i.e.: 1) Demographic area; 2) Economic area; 3) Social area; 4) Political area; and 5) Cultural area.

* The views expressed in this paper are exclusively those of the author and do not necessarily coincide with those of the Centrale Bank van Aruba. A full PDF version of this paper is available on the Bank's website (www.cbaruba.org).

Having defined the theoretical framework, an empirical examination of Aruba's latest immigration process was conducted. It should be noted that the lack of (timely available) statistics on the real economy of Aruba hampers an optimal analysis of the causes and effects of immigration. Therefore, the analysis is predominantly based on only the results of the two population census conducted by the Central Bureau of Statistics in the years 1991 and 2000.

The following major conclusions can be drawn from this analysis:

- 1) The imbalance between the macroeconomic development in Aruba and the available supply of labor was catalytic to the start of the process of mass immigration in the 1990s.
- 2) Policy leniency combined with institutional constraints hindered the adequate management of the immigration process. Furthermore, the labor market was (and still is) not transparent, which impedes an adequate monitoring of events.
- 3) The iron law of migration obstructs a natural (e.g., when migrants decide to leave on their own) or institutional (e.g., when the extension of permits are rejected and migrants are sent back) adjustment of the migrants' flows.
- 4) The low-skilled nature of the work performed by immigrants casts some doubt on whether it is realistic to assume that on the long run the foreign labor pool will be substituted by Arubans.

Based on the facts found and the lessons learned, the following policy recommendations are made:

- 1) Sustainable economic development, based on the available resources (mainly human and land), should have a pivotal focus in future economic policy-making.
- 2) The current immigration policy should be overhauled, if immigration is to be contained. Measures to be considered in this respect include:
 - a) The introduction of an adequate statistical system that monitors on a regular basis the demographic, economic, social, political, and cultural effects of immigration. In addition, (timely) statistics describing the situation on the labor market in Aruba are urgently needed.
 - b) Future immigration should be considered in the context of the Aruban national interest. This means that, beside the economic effects, the demographic, social, political, and cultural effects should be taken into account when considering immigration requests.
 - c) Macro sectoral, and regional quotas should be considered as a means of controlling the immigration flows. The government, the labor unions, and the employers, should agree on the quota levels. Also, these levels should have parliamentary approval.
 - d) An increase in the foreign labor deposit should be considered in order to make this type of labor less attractive. This measure should be accompanied by periodical checks on the adherence of employers to the legal minimum wage payments.

In addition, it should also be avoided that a temporary shortage in labor in a certain sector is permanently filled by foreign labor, i.e., by introducing strict criteria for the renewal of work permits.

- e) The integration of the current and future immigrants should receive proper attention. Integration does not only mean the right to participate in the Aruban society with the same virtues as the rest of the population. It means that the immigrant has also obligations, such as to speak Papiamentu (the native language) and to know the culture.
- f) The concept “family” in family reunions should be kept as narrow as possible. With some exceptions (e.g., a sick mother), only spouses and dependent children should be permitted to come over as part of the family reunion process. In addition, the time frame for family reunions should be set to coincide with the minimum period legally necessary to acquire the Dutch citizenship.
- g) Adequate control, for instance, visa requirements and sophisticated technical devices, should be considered as tools to deter unwanted visitors.
- h) The belief that *illegality does not pay in Aruba* should be further emphasized through, among others, local newspapers and other means of communication, while the general public should be motivated to denounce cases of illegality, and, malafide employers should be tackled accordingly.
- i) Institutions working on immigration issues should work together, while request from so-called immigration consultants should be categorically denied. Last, but not least, the authority to grant permits should be centralized and freed from political influence.

As is the case in other countries, immigration conveys effects that last longer than one generation. Therefore, further research in this area should be encouraged.