

Jobs for Youth/Des emplois pour les jeunes

The Netherlands

Summary in English

The Netherlands has a dynamic youth labour market, but a large group is marginalised

The labour market performance of Dutch youth is among the best in OECD. The youth employment rate reached 64% in 2006, well above the OECD average of 43%, and the youth unemployment rate, at 7%, was almost half the OECD average.

Youth employment prospects could continue to improve in view of the expected pace of economic growth of over 2.5% in both 2007 and 2008. However, the generally positive picture should not mask the fact that a large number of young people are disengaged from the labour market. Estimates suggest that 6.5% of Dutch youth aged 15-24 were neither in education nor in employment in 2005. This proportion is almost half the OECD average but has increased by 1.4 percentage point since 1997, while decreasing on average elsewhere.

The fact that too many youth leave school *early* is perceived by all stakeholders in the Netherlands as the main problem in the school-to-work transition. There is awareness that school drop-outs are likely to face significant difficulties throughout their careers. In 2004, almost 13% of Dutch youth left school with less than upper secondary education, which is regarded as the minimum qualification to get a job in today's labour market and to support further acquisition of skills. The Dutch drop-out rate, though close to the OECD average, is above that in most neighbouring European countries. A particularly worrying fact in the Netherlands is that, contrary to most other OECD countries, the incidence of school drop-outs did not decrease over the past decade.

Likewise, though relatively low in number, youth unemployed in the Netherlands have a high risk of becoming long-term unemployed. Slightly more than 20% of unemployed people aged 15-24 had been looking for jobs for more than a year in 2006, a proportion

close to the OECD average, but much higher than in the Nordic countries or Canada. Long-term unemployment affects disproportionately disadvantaged youth, particularly youth with a non-European background and early school drop-outs. There is evidence that being unemployed just after leaving school usually acts as a trap and has lasting negative effects on career prospects. The likelihood of being unemployed later on is almost two times higher for school-leavers having started their career as unemployed than for their counterparts having worked in a non-standard contract as their first job.

Recent reforms go in the right direction

Providing young people with the education and skills needed in the labour market has long been a key policy goal in the Netherlands. In particular, to prevent early school-leaving, the programme “Blits on drop-outs” makes vocational schools more responsible regarding the destination of their former pupils around the age of 16, when compulsory school ends. The setting of an Early School-Leavers Regional Reporting and Co-ordination Centre in each municipality is also a promising initiative. And the decision to increase spending per student in upper secondary vocational schools is also important.

These initiatives, very often coming from the 2003-2007 Youth Unemployment Taskforce, were reinforced in August 2007 by the Qualification Law (*Kwalificatieplicht Wet*). Until they turn 18, young people who have not obtained a basic education (*startkwalificatie*, the equivalent of an upper secondary degree) must follow a full-time education programme. This reform goes in the right direction to ensure that the group of low achievers obtains a basic education. Moreover, for those aged 18-27 who have not successfully completed upper secondary education the intention of the government in place since February 2007 is to introduce mandatory study/work (*Leerwerkplicht Wet*) by 2009. The intention is to force the school drop-outs to opt for study, work or a combination of the two. They will be offered a training programme to help them to achieve attained upper secondary education or a job; should they reject such an offer, they can be subject to a benefit sanction.

The government appointed in February 2007 has decided to step up efforts to tackle early school-leaving. The objective is to cut it by half by 2012 through co-operation among government, parents, schools, the business community (via work placements and working and learning places), social workers, youth care, local authorities and the police. In addition, there will be significant investments in areas with disadvantaged neighbourhoods. In particular, Youth and Family Centers will be established to provide youth care and parenting support.

The major social security reforms implemented in the early 2000s also go in the direction of improving opportunities for youth who enter the labour market while tightening up their obligations to find work or improve their employability. The main actors are the Centre for Work and Income (CWI), which is the first contact for the jobseeker, the social insurance agency (UWV), which pays unemployment insurance and disability benefits, and the municipalities, which provide social assistance. These actors form the so-called “Chain for Work and Income” established in 2002 with the SUWI Law (Law on implementation structure for work and income). The 2006 tightening up of the eligibility to unemployment insurance benefits has made this benefit less accessible to young people, as unemployment benefit entitlements have to

be built up exclusively through work experience. Young people from the age of 18 can, however, apply for receiving social assistance from their municipality.

What remains to be done?

Even if the Netherlands has a relatively well-performing youth labour market and is well ahead of most other OECD countries in responding to the education and labour market challenges faced by youth, there is still a large unfinished agenda. In particular, it is essential to improve the situation of the core group of disadvantaged youth. The strategy for promoting more jobs for this latter group would ideally comprise three main components: ensuring that everyone leaves education with the skills required by the labour market; removing remaining barriers to promote better jobs for more youth; and implementing a comprehensive activation strategy to reach out effectively to the hard-core of disadvantaged youth.

Ensuring that youth leave education with the skills required in the labour market

The overall performance of the Dutch basic education system is good. Drawing on 2003 data from the OECD's Programme for International Student Assessment (PISA), scores measuring basic competencies of students aged 15 are above the OECD average. This performance is all the more remarkable because public spending on education, at 5.1% of GDP in 2004, is below the OECD average of 5.7%. Yet, the relative PISA performance of children with an immigration background is unsatisfactory. At the age of 15, they perform well below the level that would be expected given their socio-economic profile. More attention, resources and well-designed measures are needed to address this problem.

A key ingredient is *early intervention* to ensure that all children (particularly those with low-skilled immigrant parents or from low-income families) get a strong foundation of the Dutch language. Participation in early childhood education and care is currently limited in the Netherlands: only 37% of children aged 4 or less attended that form of education in 2004, compared to an OECD average of 68.5%.

Vocational education forms an important part of the Dutch education system. More than 60% of 15-year-olds attend programmes with a vocational orientation (VMBO). An early focus on vocational skill probably helps motivate young people and need not come at the expense of theoretical/basic learning. However, students aged 15 attending VMBO do not perform as well as their peers who follow the general track in mathematics, science and reading. And in PISA test scores the gap is higher in the Netherlands than elsewhere. There is also concern about the low number of classroom hours being taught in post-16 vocational secondary schools (MBO) for 16 to 18-year-olds. However, the new MBO curriculum introduced in August 2007 brings in extra requirements in Dutch and Mathematics.

Bringing in more continuity among vocational studies at the secondary and tertiary levels should be part of the strategy to meet the ambitious official target of 50% of a cohort at tertiary level by the year 2020. Tertiary educational attainment is relatively low in the Netherlands by international comparison: 34% of 25-34-year-olds held a tertiary degree in the Netherlands in 2004 against 37% on average in OECD countries and 53% in the top performer, Canada. Despite the recent expansion of the four-year

version of MBO – that should perhaps be assimilated to Tertiary education –, there are still concerns about the capacity of the country to further expand post-secondary education.

The Dutch labour market is currently facing labour shortages, particularly in the manufacturing sector. It is not unusual that jobs requiring advanced scientific and technical skills remain vacant. In addition, projections of future labour needs point towards rising demand for those skills. Graduation rates in sciences and engineering are *de facto* particularly low in the Netherlands, despite an above-average PISA score in mathematics and science. In particular, no other OECD country with such a good record in mathematics among its teenagers displays such a poor capacity to generate graduates with a scientific or engineering background. With approximately the same average level of mathematics literacy at the age of 15, Finland and Korea record much higher graduation rates of scientists and engineers. The Dutch government is well aware of this issue and has decided to set up a taskforce on Technology, Education and the Labour Market to make recommendations and take action to tackle the growing shortage of scientists and engineers.

To further improve the opportunities for youth to acquire the skills needed in the labour market, the following measures could be envisaged or reinforced when already in place:

- *Increase participation in early childhood education and care and ensure sustained intervention to prevent school failure.* Early childhood education and care could benefit from additional public support. Particular attention should be paid to ensure that childcare services reach children in low-income families, in particular those with an immigrant background. Sustained intervention targeted to low achievers and slow learners should be available in the newly created Youth and Family Centres.
- *Promote effective pathways between vocational secondary and tertiary education.* A condition necessary to reduce drop-out rates and meet the target of 50% of a cohort at tertiary level by the year 2020 is to keep focusing on core topics (mathematics, sciences and reading) within vocational or pre-vocational streams of secondary education and invest more on the quality of studies in upper secondary vocational schools (MBO). This would help students from vocational education successfully attend short-cycle tertiary degrees or attend the most advanced MBO programs lasting four years beyond age 16.
- *Further develop the offer of short-cycle (i.e. two-three year) tertiary degrees.* The current system is dominated by university (WO) and the higher vocational education system (HBO). But those deliver four to six year programmes beyond age 18. Average educational attainment at the tertiary level would probably be higher had the Netherlands developed earlier its offer of short-cycle tertiary programmes either within MBO or HBO. The recent initiative to develop short (i.e. two-year long) courses within HBO leading to an associate degree should be evaluated carefully. Short-cycle tertiary degrees could be created specially to provide advanced scientific and technical skills.

Removing remaining barriers to promote better jobs for more youth

Wages do not appear to be, *per se*, a barrier to the hiring of Dutch youth. Youth minimum wages range from 30% of the adult rate at the age of 15 to 85% at the age

of 22. There is, however, evidence of threshold effects as young people aged 22 tend to be replaced by younger ones. In addition, the existence of youth sub-minimum wages is compensated to some extent by specific clauses in collective agreements. Roughly half of all collective agreements set the age for receiving adult pay rates at below 23, varying from 18 to 22. Additionally, the collectively-agreed scales for youth wages are on average well above the statutory minimum wage for the relevant age group (between 13% and 21%). This may act as a barrier to hiring unskilled youth. In 2003, the Dutch government invited the social partners to consider in collective agreements the possibility of recruiting unskilled young people at the level of the statutory minimum youth wage. As a result, in several collective agreements, the lowest steps of the wage scale are now closer to the youth minimum wage than they used to be. It is important to pursue this trend in order to encourage the hiring of unskilled youth.

The Netherlands is well ahead of most other OECD countries in promoting “flexicurity” for all workers. Most forms of temporary employment in the Netherlands act as a stepping stone to permanent employment rather than a trap. Temporary contracts are particularly frequent among young people: more than 43% of workers aged 15-24 had a temporary contract in 2006, up from 30% in 1996. This compares to, respectively, 10% and 7% for workers aged 25-54. The proportion of youth in temporary contracts is 9 percentage points higher than the OECD average. The stepping-stone effect is even somewhat higher for those with a relatively weak labour market position, including workers with low education and ethnic minorities. But the latter often find it difficult to get into temporary contracts and do not therefore benefit from the stepping-stone effect these contracts offer. This calls for action to tackle potential discrimination against youth from ethnic minorities preventing them from being recruited on temporary contracts.

However, the length of time it takes on average for Dutch school-leavers to get a permanent job remains relatively long, lasting three and a half years. It takes less than two years in Denmark, the best-performing country in Europe in terms of this indicator. As a few cases of age discrimination against younger workers have recently been reported, it is important to control legal abuse of non-standard contracts. A better balance needs to be found between the very high protection granted to workers employed on standard contracts and the relative lack of security afforded to workers on non-standard contracts, many of whom are youth. One way to achieve this new balance could be to move towards a system along the lines of the Austrian individual saving accounts – a reform worth considering in line with the recommendations of the Reassessed OECD Jobs Strategy.

More than anywhere else, Dutch youth work part-time after leaving education. This is not surprising since the Netherlands is the OECD leader in part-time employment among all age groups and both genders. There is, however, a trend among youth towards shorter part-time work. The average number of hours worked per week by youth aged 15-24 fell from 31 in 1987 to 24 in 2005. Recent evidence suggests that young part-timers, more often than their older counterparts, want to work longer hours. At the same time, Dutch employers’ attitudes to part-time work are paradoxical: they keep hiring school-leavers, and particularly female school-leavers, on part-time jobs but they consider full-time work as the solution to increase labour supply to respond to the challenges of an ageing labour force and potential labour shortages. It is important to

ensure that youth have the opportunity to work more hours in their first job when they wish to do so.

Young workers in the Netherlands, as in Finland and in Denmark, are much more frequently absent from work for health-related reasons than their counterparts in Southern Europe. The Dutch government implemented in 2005 a “no-risk” policy targeted on unskilled youth. Under this policy, employers hiring young people without a basic qualification may be eligible for a refund of wages paid during absenteeism due to illness if they provide them with on-the-job training. It is important to monitor whether employers claim this subsidy and evaluate rigorously whether this policy is effective both to help unskilled youth to gain more qualifications and to reduce absenteeism.

The following reform suggestions could help reduce these remaining barriers:

- *Continue to recruit unskilled young people at the level of the statutory sub-minimum wage.* The government should continue to encourage the social partners to expand via collective agreements the possibility of recruiting unskilled young people at the level of the statutory sub-minimum wage.
- *Ensure that disadvantaged youth are given greater access to temporary contracts.* The PES should help disadvantaged youth, in particular youth from ethnic minorities, to get greater access to temporary contracts. Wage subsidies could be targeted to them in order to increase their access to such jobs.
- *Establish a rigorous evaluation of the “no-risk” policy.* Given the relatively high absenteeism of young Dutch due to illness, a rigorous evaluation of the “no-risk” policy is needed to assess its cost-effectiveness.

Implementing a comprehensive activation strategy to reach out effectively to the hard-core of disadvantaged youth

The Netherlands has devoted considerable attention to the interaction between activation and benefits, as part of a “mutual obligations” approach. Unemployment benefits are conditional to having worked at least six months and granted only during three months for recent workers with less than four years of work experience. Unemployment benefits are granted for longer only on the condition of having worked in four out of the five previous years, which is rarely the case for youth. Unemployed youth register first at the CWI where they can receive basic re-integration assistance. The CWI transfers its clients profiled as not job-ready to social insurance agencies (UWVs) and to municipalities which, in turn, usually contract out placement and re-integration services to private and community providers who are paid on the basis of outcomes.

There exists little rigorous evaluation of youth programmes provided by the PES, as well as of the services and programmes implemented by private agencies to which many employment services are outsourced. As an example, youth having received unemployment or social assistance benefits for more than six months can participate in a youth development and experience placement (JOP). A JOP is an internship of three months during which trainees keep their benefit and get a wage of EUR 450 per month from the employer. According to the Ministry of Social Affairs and Employment, this scheme is effective in helping long-term unemployed youth to integrate lasting employment. There is, however, no evidence available to assess whether young people are offered a new contract by their employers after their internships.

Young people from the age of 18 can receive social assistance from their municipality. Each municipality can put in place financial incentives to reduce caseload and is entirely responsible for deciding what mutual obligations to implement and to which target group. As a consequence, there are currently just over 2% of youth aged 15-29 who receive social assistance, most of whom are lone parents. Usually in most municipalities, youth applying for social assistance are first sent back to a training programme organised by local providers if they are judged to lack basic qualifications, or are otherwise placed in a Work-First process. Little is known about the programmes in place in each municipality, let alone their effectiveness. Some benchmark studies of Work-First projects at the local level are underway but much more should be done to identify which programmes work best and why, and to disseminate this information across municipalities.

The new government has decided, with the support of the social partners, that by 2009, school drop-outs up to the age of 27 will have to complete upper secondary education before receiving any income support. Well-designed “second-chance” education opportunities for school drop-outs are therefore crucial. Surveys of the evaluation literature conclude that training with little or no workplace content is often an ineffective instrument for the young unemployed, particularly for the most disadvantaged among them. These disappointing results may be due to the fact that school drop-outs are not motivated to go back to school where they expect to find the same type of education that made them leave school early. Training programmes are generally not successful in giving these disadvantaged youth a chance to return to mainstream education. However, vocational training programmes, designed in close connection with local and national labour market needs and embodying significant workplace experience, could provide a good framework for school drop-outs to develop the basic skills needed to gain access to the labour market.

Disability benefits are normally reserved to youth with a severe degree of disability. There has been, however, in the early 2000s a sharp increase in the number of young people entering into disability under the *Wajong* scheme, reflecting possible displacement effects, as other schemes have been tightening up in the same period. It is crucial to ensure that *Wajong* is used as originally intended, rather than as a way to support youth who cumulate psychological, educational and social problems when they move from school to work.

The Netherlands is going in the right direction by giving priority to work and study over benefits. Unintended consequences cannot be excluded, however. Relatively few young people register at the CWI, despite the central role ascribed to this institution. The same phenomenon also affects the municipal level, delivering social assistance. By multiplying the requirements to receive assistance, consecutive reforms may have increased the incidence of non take-up. This is a good thing if young people go back to school or directly enter the regular labour market. But the main problem might be with those youth who are neither in education nor in the labour force and are *a priori* out of reach from traditional activation strategies.

A lot of pressure is put in the Netherlands on the group of disengaged young people. Immigrants living in disadvantaged neighbourhoods are overrepresented in this group. With a too-strict activation policy towards this group, there is a high risk that those young people will not show up at the PES and opt for alternative lifestyles than work or study. They can have other sources of income which make the welfare benefit

unnecessary. These income sources can range from informal-market activities or even illegal activities to other family members or friends willing to financially support them.

More could be done to reach out effectively the hard-core of disadvantaged youth. Programmes that include close and intensive adult mentorship have proven to be effective to get to immigrant young women in Denmark. There is also evidence from other OECD countries that what works to help youth who cumulate multiple disadvantages is a comprehensive and well-targeted approach to overcome education, employment, housing and health difficulties. The project of campus for the most disadvantaged youth proposed by the Dutch Minister for Youth and Family could learn from the experience of the long-standing Job Corps in the United States. Some, but not all, evaluations of it have shown positive benefit-cost ratios for very disadvantaged youth.

It is acknowledged by Dutch commentators that the action of the Youth Unemployment Taskforce, even if not rigorously evaluated, was effective in stimulating and co-ordinating the activities of a range of actors at national, regional and local levels, given the highly decentralised system in the Netherlands. This action should continue and a new taskforce dedicated to Second-Chance Opportunities for Youth should be targeted on the most at-risk youth, especially on young immigrants living in disadvantaged neighbourhoods and lacking basic education. The new taskforce should work in close co-operation with the newly created Youth and Family Centres to stimulate the development of youth-friendly one-stop shops and innovative measures to effectively reach out to the most disadvantaged youth.

The following actions are recommended:

- *Set up rigorous evaluations of youth training and employment programmes at the municipal level.* The Ministry of Social Affairs and Employment should make arrangements for the collection of all necessary data for an ex-post evaluation of current policies at the municipal level. In particular, JOP should be evaluated rigorously to ensure that it enables long-term unemployed youth to integrate paid employment. Access to these data should be made available to all researchers, as it is the case in the United Kingdom, in order to validate the evaluation results. Finally, special studies at the local level would serve the objective of understanding what works in local projects before recommending their implementation in other municipalities. Rigorous evaluation needs to go hand-in-hand with an effective dissemination campaign in order to ensure that all municipalities are aware of what works and what does not and of who are the best performers in terms of provision of employment services.
- *Promote effective second-chance education opportunities for early school drop-outs within a “mutual obligations” approach.* Second-chance education opportunities are crucial for school drop-outs and practically compulsory for unemployed youth lacking basic education to get any social benefit. Young people who obtain a certificate from remedial second-chance programmes could also be provided with a study grant to go back to vocational or general education, with the grant enhanced if they acquire a qualification.
- *Develop more youth-friendly one-stop shops at the local level.* To avoid that disengaged youth are out of reach from activation strategies, more youth-friendly one-stop shops could be created at the regional/local level. The

comprehensive support should be “unbundled” from the rights to financial benefits and include guidance on labour market opportunities, help with finding training adapted to the young person’s needs, job-search training, information on labour rights and on special contract types available for the hiring of young people, liaising with employers and help with access to housing and healthcare.

- *Develop more radical measures to provide support for the hardest-to-place young people.* The hard-core group of at-risk youth is likely to include youth with complex needs who are very difficult to mobilise; such youth often cumulate a number of problems ranging from behavioural difficulties to alcohol and drug abuse. There could be a case for recommending for the most difficult group more radical measures, taking them out of their local neighbourhoods and putting them into a residential environment with a strong focus on remedial education and work experience and with much adult mentoring. The high cost of these intensive measures is an issue but should be evaluated taking into account the private and social returns to justify going down this route.
- *Ensure that the Wajong scheme is reserved to youth with a severe degree of disability and is implemented early following a “mutual obligations” approach.* Reasons of the sharp increase in the number of young people entering into disability under the *Wajong* scheme should be closely assessed. It is important to avoid displacement effects: the *Wajong* scheme should not become a way to support the hardest-to-place school leavers. It is also crucial to ensure that *Wajong* beneficiaries receive early and appropriate re-integration services.

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