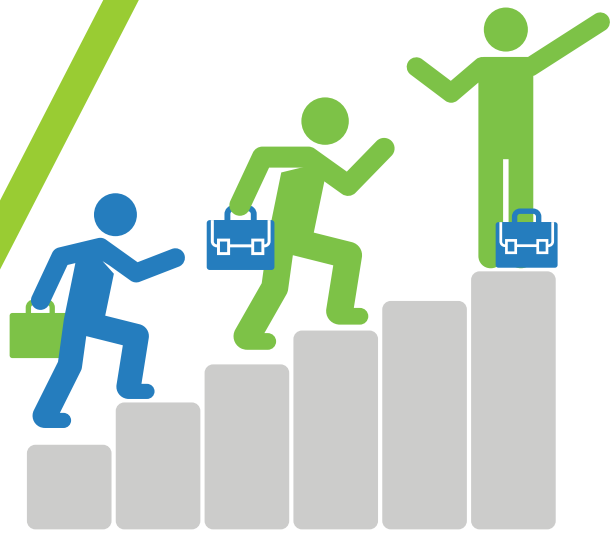
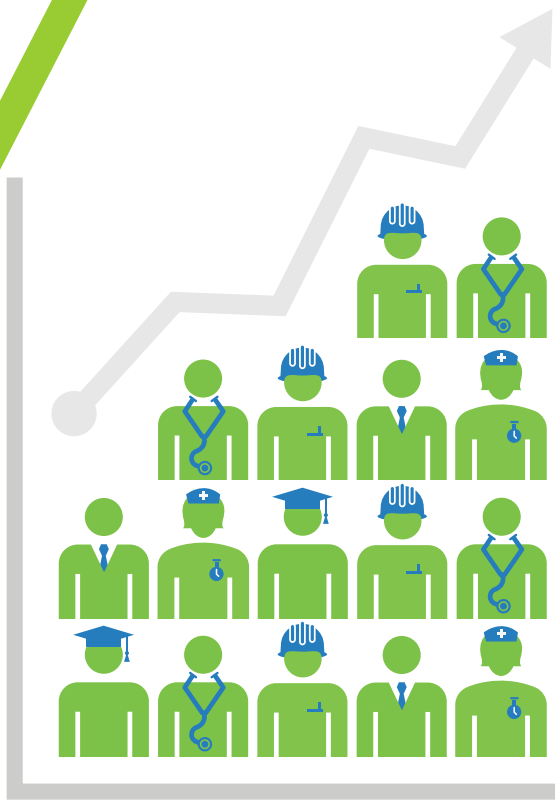
OECD Skills Strategy Diagnostic Report

Netherlands

2017





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BETTER POLICIES FOR BETTER LIVES

OECD Skills Strategy

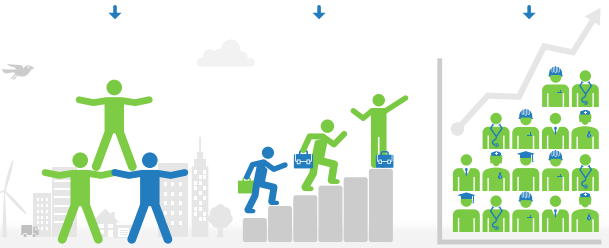
Building the right skills can help countries improve economic prosperity and social cohesion

In what way?

By contributing to social outcomes such as health, civil and social engagement.

By supporting improvement in productivity and growth.

By supporting high levels of employment in good quality jobs.



How is this achieved?

By strengthening skills systems

Designing and implementing an evidence-based national skills strategy.

Funding skills through public and private sources and designing effective incentives for employers and individuals.

Providing good information for the public, businesses and policy makers.

Contributes to economic prosperity

Contributes to social cohesion

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OECD SKILLS STRATEGY DIAGNOSTIC REPORT: THE NETHERLANDS

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FOREWORD

Skills are the foundation upon which the Netherlands must continue to build its growth and prosperity. Following an extended slowdown in the wake of the global economic crisis, the Netherlands has returned to growth. Employment and labour market participation are both strong, and the Netherlands continues to enjoy a good quality of life with a comparatively wealthy society and comparatively low income inequality. Despite this success, the Netherlands cannot afford to be complacent. Ensuring that the Netherlands continues to be a prosperous and inclusive society in the future will mean ensuring that the Netherlands has a highly skilled population that engages in continuous skills development in adulthood, and finds ways to put those skills to effective use in the economy and society.

The Netherlands is currently undergoing a profound economic and social transformation that will create new opportunities for those with the right skills. More and more production is fragmented across countries, and trade is increasingly organised around global value chains. Technological advances in areas such as digitalisation, robotics and nanotechnology are reshaping how people communicate, consume and work, and are creating new possibilities for growing economies and strengthening societies. At the same time, the population is ageing, and a growing immigrant population is changing the face of Dutch society. The Netherlands is also facing the challenges presented by climate change, both in terms of the need to lessen its dependence on fossil fuels and to prepare for environmental impacts. A highly skilled population with the opportunities, incentives and motivation to develop and use their skills fully and effectively will be essential for confronting the challenges and seizing the opportunities of the future.

The Dutch education system and the skills of the Dutch population are very strong overall. Therefore, opportunities to further improve the skills outcomes of the Netherlands may increasingly be found in areas where government has more limited influence, such as the workplace and community.

In this context, perhaps the greatest challenge facing the Netherlands is one of collective action. Further improving the skills outcomes of the Netherlands will require that governments, individuals, employers, trade unions, education and training providers and others take collective responsibility and joint action. Stakeholders in the Netherlands are generally in agreement that no single action taken by government, social partners or others will be sufficient to significantly improve the skills performance of the country. However, there are numerous actions that each partner can take that, collectively, could significantly improve the Netherlands' skills performance. Examples of these actions are outlined throughout this report. The roles and responsibilities of government and stakeholders should be guided by a shared vision that is made concrete in a Dutch skills strategy that sketches out the many different actions that will need to be taken in the years to come to remain a prosperous and inclusive society, and realise the country's ambitions of becoming a learning economy.

The OECD stands ready to contribute to the Netherlands' continuing efforts to design and implement better skills policies for better jobs and better lives.

Andreas Schleicher

Director for the OECD Directorate for Education and Skills and Special Advisor to the Secretary-General on Education Policy

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While the diagnostic report draws upon data and analysis from the OECD, Dutch authorities and other published sources, any errors or misinterpretations remain the responsibility of the OECD team.

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ACRONYMS AND ABBREVIATIONS

ALMP	Active labour market programmes
CBS	Centraal Bureau voor de Statistiek in Dutch or Statistics Netherlands in English
CEDEFOP	European Centre for the Development of Vocational Training
CPB	Centraal PlanBureau in Dutch or Netherlands Bureau for Economic Policy Advice in English
ECEC	early childhood education and care
EPL	Employment protection legislation
EU	European Union
EVC	Erkenning van Verworven Competenties in Dutch or Recognition of Prior Learning in English
GDP	Gross domestic product
GVC	Global value chain
HAVO	Hoger algemeen voortgezet onderwijs in Dutch or Senior secondary general education in English
HBO	Hoger beroepsonderwijs in Dutch or university of applied sciences in English
HPWP	High performance workplace practices
HR	Human resource
ICT	Information and communication technology
ILA	Individual learning account
ILO	International Labour Organisation
MBO	Middelbaar beroepsonderwijs in Dutch or upper secondary vocational education in English
MoECS	Ministry of Education, Culture and Science
MoSAE	Ministry of Social Affairs and Employment
MOOC	massive open online courses
NEET	Not in employment, education or training
NJR	Nationale Jeugdraad in Dutch or National Youth Council in English
NT2	Dutch as a second language

O&O	Opleiding en Ontwikkeling fondsen in Dutch or O&O-fondsen in Dutch or Sector training and development funds in English
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
PIAAC	Programme for the International Assessment of Adult Competencies (Survey of Adult Skills)
PISA	Programme for International Student Assessment
R&D	Research and development
ROA	Research Centre for Education and the Labour Market (ROA
ROC	Regional training centres
SAA	Skills assessment and anticipation
SER	The Social and Economic Council of the Netherlands
SME	Small and medium-sized enterprise
SSC	Social security contributions
STEM	Science, technology, engineering and mathematics
STPS	Ministry of Labour and Social Protection
TIMMS	Trends in International Mathematics and Science Study
ULC	Unit labour costs
UWV	Uitvoering WerknemersVerzekeringen in Dutch or The Dutch Public Employment Service in English
VAT	Value added tax
VAVO	Voortgezet algemeen volwassenen onderwijse in Dutch or Adult general secondary education in English
VET	Vocational education and training
VMBO	Voorbereidend middelbaar beroepsonderwijsin Dutch or The programme of pre-vocational secondary education in English
VPL	Validation of prior learning
VWO	Voorbereidend wetenschappelijk onderwijs in Dutch or pre-university education in English
WO	Wetenschappelijk onderwijs in Dutch or university in English
WPS	Wage peak system

EXECUTIVE SUMMARY

POLICY PRIORITIES

The Netherlands today is prosperous, but its future success is not assured

The Netherlands enjoys a strong economy and a good standard of living. Following an extended slowdown in the wake of the global economic crisis, growth in the Netherlands has picked up, and gross domestic product has recently overtaken its pre-crisis peak. In international comparison, employment and participation rates are high and unemployment is low. The Dutch also enjoy a good quality of life, with comparatively low rates of poverty and income inequality.

Despite its success, the Netherlands cannot afford to be complacent. The Netherlands owes its success in no small part to actions it has taken in the past to develop a highly skilled population. Given the profound economic and social transformation that the Netherlands is currently undergoing, skills will be even more important for success in the future. More and more production is fragmented across countries, and trade is increasingly organised around global value chains. Technological advances in areas such as digitalisation, robotics and nanotechnology are reshaping how people communicate, consume and work. At the same time, population ageing and a growing immigrant population are changing the face of Dutch society. The Netherlands is also facing the challenge of climate change, both in terms of the need to lessen its dependence on fossil fuels and to better prepare for environmental impacts. There are further challenges on the horizon, the implications of which are not yet clear, such as the potential rise in protectionist sentiment in other countries. A highly skilled population with the opportunities, incentives and motivation to develop and use their skills fully and effectively will be essential for confronting the challenges and seizing the opportunities of the future.

The Netherlands' own economic and social ambitions must be the benchmark by which the Dutch people assess the country's performance in developing and using the skills of its people. The Netherlands' ambitions are not limited by the performance of other nations, so it cannot afford to be satisfied with its strong skills performance relative to other countries. National self-satisfaction is also not an option, as other countries are learning from the good example of the Netherlands, and other strong performers are catching up. Being a strong performer internationally means that inspiration for doing even better will come as much from looking at good practice within the country, as from looking elsewhere.

Skills are central to the capacity of the Netherlands and Dutch people to thrive in an increasingly interconnected and rapidly changing world

Higher levels of skills will be increasingly important for seizing the opportunities of tomorrow's economy. Consistent with trends seen in many other OECD countries, the share of employment in middle-skilled occupations – those characterised by the performance of routine and easily codified tasks that can be easily replicated by machines or offshored – has been in decline. At the same time, rising investments in intangible assets such as research and development (R&D), data and software mean that those with the skills to perform abstract tasks are in increasing demand. In the future, however, even higher skilled work may be vulnerable to technological displacement. It is estimated that between 35% and 60% of all jobs in the Netherlands are currently or potentially vulnerable in the near future to automation in whole or in part (i.e., certain works performed on the job, but not the entire job). At the same time, there are great rewards for those with the skills to take advantage of the opportunities that a global and technologically advanced world offers. Together, these

trends are contributing to the growing importance of higher levels of skills and education for success in the labour market. The European Centre for the Development of Vocational Training (CEDEFOP) projects that employment growth to 2025 in the Netherlands will be heavily concentrated in occupations that typically require a tertiary education. For countries that seize the opportunity, investing in the right skills will create opportunities to capitalise on the possibilities of new technologies and actively shape their contributions to global value chains.

Skills are also critical for bolstering social participation and inclusion. Less highly skilled people have lower levels of trust, participate less actively in the democratic process and in community life, and have poorer health. When poor outcomes are concentrated among certain population groups – such are those from low-socio-economic backgrounds and immigrants – they can lead to social marginalisation and, eventually, social tension. As a consequence, having high average levels of skills is not in itself "good enough". It is essential to actively pursue greater equity in educational and skills achievement to ensure that everyone can participate fully in society. Given the recent large inflow of refugees into the Netherlands, and concerns about the economic and social integration of the existing immigrant population, skills investments will be increasingly central to strengthening their social participation and inclusion.

Many Dutch stakeholders are concerned that the Netherlands does not have the skills it will need to confront the challenges and seize the opportunities of an increasingly interconnected and rapidly changing world. Participants in skills strategy workshops expressed concern that too many people in the Netherlands were neither developing the "right" skills to succeed, nor taking sufficient responsibility for maintaining and further developing their skills in adulthood. They also argued that firms are not doing enough to develop and use the skills of their workers. They voiced concerns, too, that the Netherlands was failing to develop the learning culture that so many people in the Netherlands perceive to be important for the success of both individuals and the country.

The OECD has identified the following priority areas for action in the Netherlands

The following priorities were identified through the analysis of common themes that emerged from stakeholder perspectives on the most important skills challenges facing the Netherlands, and through the OECD's analysis of the nine skills challenges identified and examined in the report:

1. **Fostering more equitable skills outcomes**: The skills system in the Netherlands works well to ensure that most people develop strong cognitive, social and emotional and job-specific skills. Nonetheless, a sizable number of adults still have very low levels of basic skills. Moreover, certain groups have more limited opportunities to develop and fully use their skills. The Netherlands should strive to ensure that skills outcomes better reflect individuals' abilities and efforts, rather than their personal circumstances.
2. **Creating skills-intensive workplaces**: Developing and using skills fully and effectively in workplaces is critical for increasing the productivity and competitiveness of firms, as well as for improving the earnings and job satisfaction of workers. Skills-intensive workplaces are particularly important for creating opportunities for adults to use and further develop their skills, especially those from groups that may be lagging behind (priority 1) and who may be reluctant to return to formal schooling, such as low-skilled adults.
3. **Promoting a learning culture**: In a world where people are not only competing with increasingly highly skilled people in low-wage countries, but also with increasingly cheap labour saving technologies, it is more important than ever for adults to engage in continuous skills development so that they can adapt to change and seize new opportunities as they arise. Promoting a culture of learning in the Netherlands is not only an important goal in its own right, but could also help to foster more equitable skills outcomes (priority 1) and encourage the formation of skills-intensive workplaces (priority 2).

These priority areas are explored below:

1. Fostering more equitable skills outcomes

The Netherlands does a good job of ensuring high average levels of skills proficiency. The skills of Dutch adults are very strong in international comparison. For example, literacy proficiency of Dutch adults lags behind only Japan and Finland among the 34 countries participating in the OECD Survey of Adult Skills (PIAAC). Furthermore, some 18% of adults were high performers (Level 4 or 5 in literacy), compared with an average of 12% in all participating countries. In addition, almost two out of three of today's young people are expected to enter tertiary education at least once during their lifetime.

While the Netherlands can be proud of this performance, it must not be complacent. Although it has a highly skilled population compared to most other countries, lower wage countries are catching up. Furthermore, computers, robots and other labour displacing technologies are increasingly replacing old and creating new jobs, for which Dutch workers need to be prepared. Many people in the future will be employed in jobs that do not yet exist today. In this context, high relative scores may not be enough to secure success. Countries should be aiming for steady improvements in the skills of their people. Therefore, it is worrying that the average scores of Dutch youth on all three Programme for International Student Assessment (PISA) test subjects (mathematics, reading and science) have been declining since the start of the century, and that the share of low performing students has been increasing. Also worrying is that Dutch employees are more likely to report having a skills gap than their peers in most other European Union (EU) countries, particularly regarding social and emotional skills. A number of policy measures introduced to improve the quality of education in recent years may reverse this trend, but it is too early to assess their impact.

Although they represent a small share of the population in international comparison, a sizable number of Dutch people lack the most basic levels of skills. According to the Adult Survey of Skills, more than 1.7 million people over the age of 16 have levels of literacy and/or numeracy skills (Level 1 or below on either literacy or numeracy in PIAAC) that mean they will have trouble extracting information from longer and more complex texts or performing numerical tasks involving several steps. As a result they will struggle to cope in a world where the skills performance of other countries is improving, and the skills requirements of jobs are regularly changing and increasing. Around 65% are these low-skilled adults are of prime working age. Immigrants also comprise a large share of low-skilled adults (35%). Although these "vulnerable" groups still perform better than their counterparts in most other OECD countries, their comparatively poor performance relative to their Dutch peers means that they will struggle to find work and participate fully in society. With the costs of marginalisation so high, and with an ageing population, the Netherlands cannot afford to waste its precious human capital.

2. Creating skills-intensive workplaces

Many Dutch firms are succeeding in developing the conditions for a thriving organisational learning culture, but they could be more ambitious still. Work is the most important place of learning for many adults as it is where skills are applied and improved. For this reason, social partners play very important roles in developing the skills of adults. Despite the slow progress the Netherlands has made towards realising its ambitions for a learning society, Dutch firms generally perform better than their counterparts in most EU countries in creating the organisational conditions needed for a learning culture to thrive. These conditions include work characterised by opportunities to learn, teamwork, experimentation and innovation, supportive and open management, and respect and trust. However, Dutch firms could arguably be more ambitious in adopting the behaviours of learning organisations in order to match, or even surpass, firms in leading countries, such as Norway. In addition, while the tools for recognising and validating the skills of workers are abundant, many employers remain reluctant to use them.

Dutch firms use the skills of their workers more than their counterparts in most other OECD countries, but skills use could be further strengthened, especially among small and medium-sized firms. Dutch workers use their numeracy skills much less intensively than workers in most other OECD countries. Furthermore, the gap in numeracy proficiency and use is among the highest in the OECD. While Dutch firms use their literacy skills more than their counterparts in most other OECD countries, there is still room for improvement. The

increased use of certain high performance workplace practices (HPWPs) in particular can foster greater skills use at work. HPWPs, such as good work organisation and management practices, can improve skills use by increasing workers' performance and motivation, as well as firms' flexibility to adapt job content to employees' skills. While HPWPs are relatively widespread in the Netherlands compared to other countries, even greater adoption of these practices can improve outcomes for individuals and firms. There is considerable room for improvement in the adoption of these practices among small and medium-sized firms in particular. Better facilitates to develop the human resource capacity of small firms, and to transfer knowledge about good practice to them, are especially needed.

A large and growing number of workers in the Netherlands find themselves in jobs that are not rich in opportunities to develop and effectively use their skills. For adults to maintain and develop their skills, they need to find employment where they have incentives to fully use and invest in their skills. A comparatively large and growing share of workers are employed in flexible work arrangements, such as temporary contracts, which provide little incentive for workers to apply their skills fully or for their employers to invest further in developing their skills. The growing number of workers employed in flexible work is heightening concerns about whether sectoral training funds – the dominant mode of financing for workers' skills development in the Netherlands – are an effective means to support skills development, especially among those most in need

3. Promoting a learning culture

Continuous skills development in adulthood can strengthen the capacity of individuals to adapt to changes in the economy and society. The vast majority of stakeholders who participated in Skills Strategy workshops were convinced that learning throughout adulthood is critical to success. Given that globalisation and technological advances are rapidly reshaping the skills needed for success in work and life, continuous learning in adulthood is seen as increasingly important for the adaptability and resilience of both individuals and the Netherlands.

Dutch adults participate in formal and informal learning more than their peers in most other OECD countries, but they still lag behind peers in the top-performing countries. Adults in the Netherlands participate in formal education at a similar rate as their peers in the United States and the United Kingdom, but not as much as their peers in top-performing countries such as most of the Nordics, Australia and New Zealand. Adult participation in non-formal and informal learning in the Netherlands is significantly higher than the OECD average, but still lags behind many of the same top-performing countries. Of particular concern is the low participation of low-skilled adults in formal, non-formal and informal learning. Low-skilled adults particularly risk job loss and marginalisation if they do not take steps to upskill or develop new skills. However, these individuals are much less likely, on average, than their more highly skilled peers to participate in learning.

While the Netherlands has a well-established network of schools offering adult general secondary education or "second chance" education, courses targeted at upskilling the least skilled adults, including ethnic minorities, have been found to be too few, too modest in ambition, have unclear objectives and lack adequate budget and oversight. Both upper secondary vocational education (MBO - *middelbaar beroepsonderwijs*) and tertiary education, both vocationally oriented universities of applied sciences (HBO - *hoger beroepsonderwijs*) and universities (WO - *wetenschappelijk onderwijs*), are not sufficiently flexible and responsive to the learning needs of adults in the Netherlands. In addition, the worlds of education and work continue to be separate and distinct. Although the government is actively incentivising institutions to make tertiary education more flexible and tailored to the learning needs of adults, not all sectors are on board, and unnecessary regulatory barriers could be removed. More could be done to stimulate the expanded use of dual work and learning arrangements (*duale leerwegen* in Dutch). Furthermore, institutions of tertiary education – both tertiary vocational education and training (VET) and universities – could make greater use of tools for recognising and validating skills developed outside of school.

Of great concern is that the Netherlands is failing to realise its ambitions to develop a learning culture. Many in the Netherlands believe that the development of a strong learning culture is an essential condition for realising the country's ambitions for transforming itself into a learning economy. However, despite many years of talking about the importance of developing a learning culture and the introduction of a series of policy

measures aimed at making it a reality, the country is still far from realising this aim, as evidenced by the low "readiness to learn" of Dutch adults when compared with their peers in other OECD countries. Many stakeholders confirm this assessment, finding that the Netherlands has much more to do in order to transform itself into a learning economy.

Government, social partners and stakeholders will need to act together to meet these challenges

The Dutch education system and the skills of the Dutch population are strong overall. Therefore many of the opportunities for further improving the skills outcomes of the Netherlands are to be found in areas of society where the government has more limited influence, such as the workplace and community. As a consequence, achieving the Netherlands' skills ambitions will require a whole-of-society approach.

In this context, perhaps the greatest challenge facing the Netherlands is one of collective action. Further improving the skills outcomes of the Netherlands will require that governments, individuals, social partners, education and training providers and others take collective responsibility and action. Stakeholders are generally in agreement that no single action that might be taken by government, social partners or others will be sufficient to make significant progress in the three priority areas. However, there are numerous actions that each partner can take that collectively could significantly improve the Netherlands' skills performance. Examples of these actions are outlined throughout this report. The roles and responsibilities of stakeholders should be guided by a shared vision made concrete in a Dutch skills strategy that sketches out the many different actions that will need to be taken in the years to come to remain a prosperous and inclusive society and realise the country's ambitions for becoming a learning economy.

A social pact could serve as the foundation for building a Skills Strategy for the Netherlands founded on a commitment to collective responsibility and action – but only if there are clear accountabilities. Stakeholders participating in Skills Strategy workshops noted that a key reason for the lack of progress on developing a learning culture and other skills priorities has been the absence of clear accountability. A social pact can help bring all of these together and co-ordinate the efforts of all those with an interest in improving the skills outcomes of the Netherlands. However, a "national skills pact" must go beyond a virtuous "statement of intent" with no measurable commitments to action. As a minimum, the pact should:

- Be guided by a shared vision that is made concrete in a national Skills Strategy for the Netherlands.
- Specify the concrete actions that each partner needs to take – including who is responsible for paying for different elements.
- Establish performance measures for each partner.
- Set out clear public reporting requirements for all partners.

In achieving this, partners should lay the foundation for a prosperous and inclusive society – one that also realises the country's economic and social ambitions.

A neutral third party could take a leadership role in convening partners to develop and sign this social pact. This convenor should be a recognised, neutral third party that has the confidence of government, social partners and other stakeholders. It should take steps to ensure that it engages with society widely to ensure that the interest of all people in the Netherlands, including those groups falling behind in learning and in the labour market, are well represented and can influence outcomes.

The OECD stands ready to support the Netherlands in its ongoing efforts to design and implement better skills policies for better jobs and better lives.

CHALLENGES AND RECOMMENDATIONS

Why a skills strategy? Better skills, better jobs, better lives

Skills have become the key drivers of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries can no longer compete in increasingly knowledge-based economies. The more that countries strive to achieve the highest levels of innovation and competitiveness in their economies, the more they must focus on generating the right skills mix, making sure that these skills are fully activated in the labour market, and maximising their use in workplaces.

e OECD Skills Strategy provides countries with a framework to analyse their strengths and weaknesses as a basis for taking concrete actions relating to the three pillars that comprise a national skills system:

1. Developing relevant skills from childhood to adulthood.
2. Activating the supply of skills in the labour market.
3. Putting skills to effective use in the economy and society.

In addition to these three interrelated policy areas, the OECD Skills Strategy examines how well countries facilitate policy collaboration and coherence across these three pillars for the purposes of strengthening the skills systems, and thereby building the right skills and turning them into better jobs and better lives.

Box 1. The OECD Skills Strategy: Defining the concept of "skills

The OECD Skills Strategy defines skills (or competences) as the bundle of knowledge, attributes and capacities that can be learnt, that enable individuals to successfully and consistently perform an activity or task, and that can be built upon and extended through learning. This definition includes the full range of cognitive, technical and socio-emotional skills. The concepts of "skill" and "competence" are used interchangeably in this report. The sum of all skills available to the economy at a given point in time forms the human capital of a country.

The OECD Skills Strategy shifts the focus from traditional proxies of skills, such as years of formal education and training or qualifications/diplomas attained, to a much broader perspective that includes the skills people acquire, use and maintain – and also lose – over the course of a lifetime. People need skills to help them succeed in the labour market, contribute to better social outcomes, and build more cohesive and tolerant societies.

Source: OECD (2012), Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264177338-en.

The objective of this joint project between the OECD and the Government of the Netherlands on Building an effective Skills Strategy for the Netherlands

The main objective of this joint project between the OECD and the Government of the Netherlands on Building an Effective Skills Strategy for the Netherlands was to provide a strategic assessment of the Netherland's performance in developing, activating and using skills. This diagnostic report achieves that goal by bringing together insights from a wide range of stakeholders in the Netherlands with the best available

internationally comparative evidence on the country's skills outcomes. The report can be used in many ways, including as a basis for raising public awareness, fostering broader public dialogue, and encouraging social partners and national and municipal governments to work together to address these challenges.

Box 2. Applying the OECD Skills Strategy in practice: Building a whole-of-government team and engaging stakeholders

The OECD Skills Strategy is designed to be applied in practice. It has proved to be remarkably effective as a clear and useful framework for supporting countries seeking to build bridges across relevant policy areas and engaging all interested parties: national, local and regional government, employers, employees, and learners.

Maximising a country's skills potential requires a co-ordinated effort across ministries. A whole-of-government approach to skills means recognising and integrating the diverse perspectives and policy initiatives of ministries responsible for education and training, labour, economy, tax, local economic development, research and innovation. Each national skills strategy project starts with the country's decision to establish an inter-ministerial National Project Team by appointing representatives from key ministries and designating a National Project Co-ordinator. Much of the project work is designed to foster greater interaction and exchange among relevant ministries in order to forge a common understanding of the skills challenges at stake as a basis for co-ordinated action.

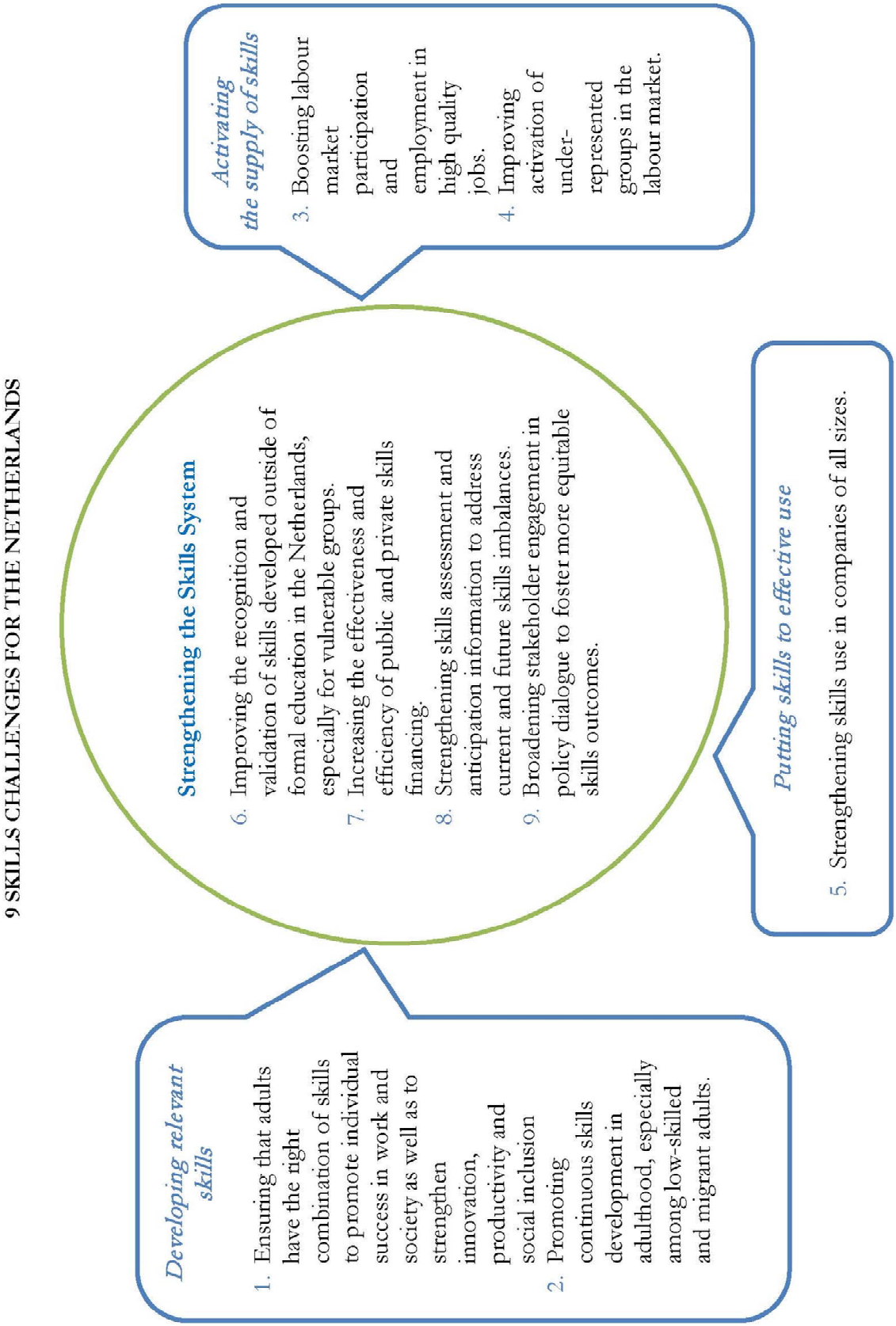
Engaging stakeholders in strengthening the skills system is critical to success. Effective skills policy design and implementation requires a broad and shared understanding of the need to enhance skills, the current strengths and challenges facing a country's skills system, and priorities for action. This entails looking beyond government to build strong partnerships with all actors involved, such as employers, trade unions, training institutions, students and other stakeholders. Each national skills strategy project is designed to ensure stakeholder engagement and ownership, and to build a shared commitment for concrete action. This is achieved through a series of highly interactive workshops consisting of structured small group discussions among participants speaking in their native language to facilitate interactions. In each workshop, members of the National Project Team serve as group moderators, and the OECD team as the lead facilitator.

Ensuring political commitment to building a whole-of-government approach to skills and engaging stakeholders is essential. Policy makers play a key role in establishing clear expectations and accountability for shared results when tackling skills challenges across ministries and with stakeholders. Each national skills strategy project devotes considerable attention to ensuring that ministers, undersecretaries and senior civil servants are regularly briefed and play a visible leadership role in co-ordination meetings and stakeholder workshops.

Fostering a whole-of-government approach to skills in the Netherlands: In the Netherlands, the National Project Team includes representatives from the Ministry of Education, Culture and Science; the Ministry of Social Affairs and Employment; the Ministry of Economic Affairs; the Ministry of Finance; and the Social and Economic Council (SER). The Netherlands is the first country to include a non-governmental body in its National Project Team, which testifies to the country's highly inclusive and consultative approach to strategic policy making. The National Project Team was responsible for setting the strategic direction for the project, liaising with the OECD team, co-designing stakeholder workshops and ensuring that the diagnostic phase covered all relevant aspects of the national skills system.

Stakeholders play an active role in the Netherlands' skills system: Thanks to the strong impetus provided by the National Project Team – and the SER in particular as hosts of the three workshops – stakeholders have played a central role in identifying the main skills challenges facing the Netherlands set out in this report. More than 80 people, including representatives of business, labour, the education sector, research institutes, and government, took part in each of the three workshops held at the SER in The Hague. They helped identify the main skills challenges facing the country at the scoping workshop (21 March 2016), the underlying factors causing them during the diagnostic workshop (12 May 2016), and reviewed national and international good practices at the skills challenges workshop (8 September 2016). The workshops were designed to encourage all stakeholders to express their diverse views and generate useful qualitative evidence and insights on the main skills challenges facing the Netherlands. While many of these skills challenges are long standing and well known to all participants, they acknowledged that this exercise also generated new insights and understanding as to how different stakeholders perceived or formulated challenges. Through their active participation in these events, stakeholder input has helped to shape this diagnostic report.

The OECD Skills Strategy Diagnostic Report: Netherlands presents nine skills challenges identified through workshops with stakeholders, experts and government representatives, and through analysis of the OECD, the European Commission and national data. In this report, the skills performance of the Netherlands is assessed not only against that of other OECD countries, but also against its own aspirations to leverage skills investments to adapt and thrive in an a world characterised by increasing economic competition and technological and social change. The nine challenges are described under each of the main pillars of the OECD Skills Strategy and are framed as outcome statements:


9 SKILLS CHALLENGES FOR THE NETHERLANDS
Developing relevant skills
1. Ensuring that adults have the right combination of skills to promote individual success in work and society as well as to strengthen innovation, productivity and social inclusion
2. Promoting continuous skills development in adulthood, especially among low-skilled and migrant adults.
Strengthening the Skills System
6. Improving the recognition and validation of skills developed outside of formal education in the Netherlands, especially for vulnerable groups.
7. Increasing the effectiveness and efficiency of public and private skills financing.
8. Strengthening skills assessment and anticipation information to address current and future skills imbalances.
9. Broadening stakeholder engagement in policy dialogue to foster more equitable skills outcomes.
Activating the supply of skills
3. Boosting labour market participation and employment in high quality jobs.
4. Improving activation of under-represented groups in the labour market.
Putting skills to effective use
5. Strengthening skills use in companies of all sizes.

Developing relevant skills from childhood to adulthood

Skills are critical to the success of people and society. When people have strong skills they are better equipped to succeed in higher education, adapt to the evolving skills needs of workplaces, and participate fully in society. For countries, skills are a key driver of innovation, productivity and, ultimately, economic growth and higher living standards.

Challenge 1: Ensuring adults have the right combination of skills to promote success in work and society, and strengthen productivity, innovation and social inclusion

Having the right mix of skills is critical for the economic prosperity and social well-being of the Netherlands, both now and in the future. However, given uncertainty about the precise skills needed in the future, the best risk mitigation strategy for individuals and society is to develop a balanced portfolio of skills. High levels of cognitive skills, social and emotional skills and job-specific skills are needed to ensure that individuals and society are resilient and adaptable in the context of change.

While the Netherlands has a highly skilled population, on average, it cannot afford to be complacent. Challenges and opportunities resulting from increasing technological change and participation in global value chains, and the need to bolster social cohesion in the context of economic and social pressures, including large inflows of migrants, underscore the importance for the Netherlands to aim for steady improvements in the skills of its people. Already, Dutch employees report greater skills gaps than their counterparts in most other European Union countries, particularly regarding social and emotional skills. While a comparatively high share of Dutch people complete tertiary education, historical trends and projections into the future suggest that an even higher share will need to complete tertiary studies in the years to come.

Of great concern are the more than 1.7 million adults with very low levels of skills. This includes a large group of 45 to 54 year-olds (25% of low-skilled adults), many of whom will continue to be part of the Dutch labour force during the next two decades. Improving the learning experience in the early years of life when these skills deficits first emerge will be important. However, improving equity in skills outcomes is not only about improving schools, it requires sustained efforts from all of society. Since individuals, firms, and society at large benefit when individuals develop strong skills, they all share responsibility for ensuring that adults acquire the right combination of skills.

Many stakeholders participating in the Skills Strategy workshops worried that not enough people in the Netherlands are entering the labour market with the skills needed to adapt to economic and social changes and seize new opportunities in the future. Many argued that these skills deficiencies are related to the quality of learning in the early years in the home and community and in initial education, but also to insufficient opportunities and incentives for informal learning in adulthood.

Recommendations:

- Government should continue to carefully monitor whether its policies are having the desired effect of expanding access to, and improving the quality of, VET and tertiary education, and providing individuals with a balanced portfolio of skills that include strong cognitive, social and emotional and job-specific skills.
- Employers should be more proactive in supporting students from lower socio-economic backgrounds and migrants to succeed by offering them work-based learning opportunities.
- Government, employers, and trade unions should engage better with vulnerable groups to ensure that their voices are heard in the policy development process (see recommendations in Challenge 9).
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to ensure that people in the Netherlands develop the "right" skills.

Challenge 2: Promoting continuous skills development in adulthood, especially among low-skilled adults

Participation in continuous skills development in adulthood can strengthen the capacity of individuals to adapt to changes in the economy and society, and take advantage of the new opportunities afforded by technological change and participation in global value chains. While adult participation in skills development is strong overall, the Netherlands is not fully realising its ambition of developing a learning culture for all. Of particular concern is the low participation of low-skilled adults in all forms of learning. Low-skilled adults are also less likely than their more highly skilled peers to receive financial support from their employers to participate in education and training.

Given that the more highly skilled are more likely to be continuous learners in adulthood, part of the solution lies in ensuring that there are, in the future, fewer low-skilled adults. However, even with the best initial education system, some people will enter adulthood without strong skills. For these people, the workplace may be the single most important place of learning in adulthood. While Dutch firms score well, on average, in their functioning as learning organisations, they are not top performers, and many Dutch stakeholders perceive that firms could do more to develop the skills of their workers. Furthermore, many Dutch firms, especially small and medium-sized firms, are not making full use of the skills of the workers they have (see Challenge 5 for more information on skills use). It is also important that individuals take responsibility for their own skills development throughout life. In this context, the generally low state of readiness to learn of many Dutch adults should be of great concern, and evidence that the Netherlands is not achieving its ambitions of becoming a learning culture.

Stakeholders worry that the Netherlands' current skills performance may not be sufficient to secure a future as bright as that enjoyed in the past. Stakeholders participating in Skills Strategy workshops expressed concerns that too many adults are not continuing to develop their skills in adulthood, and will be vulnerable in the context of economic and social change. Some noted that the current skills system of the Netherlands works well for the average person, but much less so for those on the margins of society. They commented that low-skilled adults in particular are not engaging sufficiently in, and benefitting from, continuous skills development. Others noted that despite many years of talking about the importance of developing a learning culture, the Netherlands still has not achieved this goal.

Recommendations:

- Government and employers should improve the financial incentives for firms and individuals to invest in their skills development (for more information, see the recommendations in Challenge 7).
- Employers, employer associations and government should jointly develop a pilot programme that includes research-based investigations, and networking and dissemination of good (and bad) learning practices between firms and sectors to encourage and guide them in their efforts to create thriving learning cultures. Based on the findings of this pilot, the government could consider providing targeted financial support to firms for the development of their human resources and for reforming their modes of operation towards becoming learning organisations.
- The Social and Economic Council (SER) of the Netherlands, or other social partners, could publically recognise (e.g. an award of recognition) top learning organisations, such as those that, among other things, invest in the skills of their workers.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to promote adult learning and the development of a strong learning culture in society and firms.

Activating the supply of skills in the labour market

To realise the full economic and social benefits of skill investments, countries must ensure that individuals develop relevant skills, and that they supply these skills to the full extent possible in the labour market. If the labour market does not provide sufficient opportunities for gainful employment, people may lack incentives to develop relevant skills in the first place and then supply them to the labour market. This results in people's skills lying idle and eventually atrophying.

Challenge 3: Boosting labour market participation and employment in high-quality jobs

Despite the strong overall performance of the Dutch labour market, the skills of many people continue to not be fully activated in the labour market. A comparatively large share of Dutch adults work part time. This is a concern, as for adults the workplace is one of the most important places where skills are used, maintained and further developed. Additionally, the composition of the Dutch labour market has undergone noticeable changes over the past decade, with an increasing share of workers employed on temporary contacts, which provide fewer opportunities and incentives to use and further develop their skills. In practice, these workers may also be receiving a lower level of social protection. From a skills perspective, high taxes on labour and wage rigidities, coupled with large labour market duality between permanent and temporary contracts, may be creating incentives for firms to offer flexible job opportunities to workers, which raises barriers to activating skills.

Stakeholders participating in Skills Strategy workshops generally agreed that the labour market was performing well, but voiced concerns that skills activation could be improved further among certain groups, and that high employment may have come at the cost of an increasing number of people employed in flexible forms of employment, such as temporary contracts and self-employment. Some also expressed concerns that this expanded use of flexible contracts might be adversely impacting skills development activity.

Recommendations:

- Government should shift away from taxes that decrease incentives for employers to hire workers, such as taxes on labour income and social contributions, towards taxes that are less detrimental for skills activation, such as taxes on consumption and property, and taxes that address negative externalities, such as taxes on carbon.
- Government and social partners should agree on how to close the gap in employment protection legislation between permanent and temporary contracts to promote greater hiring on regular contacts, which provide workers with more security and better opportunities to use, maintain and further develop their skills.
- Social partners should adopt wage-setting mechanisms based on performance rather than seniority and tenure to increase wage flexibility and promote hiring, especially on permanent contracts.
- Government should review its social protection systems to ensure that they provide sufficient protection to those employed in flexible work arrangements.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to more fully activate the skills of people in the labour market.

Challenge 4: Improving the activation of under-represented groups in the labour market

Despite high rates of labour market participation and employment in the Netherlands, certain population groups face difficulties in accessing the labour market. Older workers in the Netherlands experience great difficulties in (re)activating their skills in the labour market. Although the share of youth neither in employment, education or training (NEET) is comparatively small in the Netherlands, they face specific challenges to access the world of work and need targeted support. Also worrying is that a large share of employed youth seems to be trapped in temporary jobs with limited opportunity to advance their careers. Immigrants are facing significant challenges to entering the labour market compared to native-born Dutch people. For each of these groups, there are targeted policies that government could pursue to strengthen their activation. However, improving the activation of these under-represented groups is not the sole responsibility of government. The private sector can hire more people from among these vulnerable groups and undertake other efforts to support their participation in the economy. In many countries, social enterprises play an important role in promoting the labour market integration of under-represented populations.

Stakeholders in the Netherlands expressed concerns that the skills of certain groups are not being fully employed in the labour market. Many stakeholders participating in Skills Strategy workshops suggested that the low participation of certain groups in the labour market – especially older workers, certain categories of youth, and immigrants – was due to insufficient incentives and help for them to work.

Recommendations:

- Government should strengthen the outreach of the public employment service (PES) to vulnerable populations and design active labour market policies (ALMPs) that better respond to their unique needs, such as early and high-intensity personalised counselling, and work experience and labour market training programmes. Together with employers, PES can improve the matching of jobs with skills.
- Government should reduce the long duration of unemployment insurance benefits to strengthen the activation of older workers.
- The private sector and government should encourage the formation of social enterprises that help vulnerable groups find employment.
- Employer associations and trade unions should work together to collect and disseminate information about the business case for hiring people from under-represented groups, such as immigrants, as well as about good practices for recruiting and hiring among these groups.
- Government and social partners should increase opportunities and incentives for disadvantaged groups to continue to develop their skills in adulthood (see recommendations in Challenges 2 and 7), recognise and validate the skills they have developed non-formally and informally (see recommendations in Challenge 6), and engage vulnerable groups in the policy development process (see recommendations in Challenge 9).
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to improve the activation of under-represented groups.

Putting skills to effective use in the economy and society

Developing and activating skills is necessary, but not sufficient, for improving productivity and economic growth. A country can have great success in developing and activating skills, but fail to realise the full benefits of those skills for individuals and societies if they are not used effectively in workplaces.

Challenge 5: Strengthening skills use within companies of all sizes

Encouraging the more effective use of skills at work in the Netherlands should be a policy priority. Failure to fully use skills in the workplace can result in their depreciation – thereby wasting the initial investment in development – and missed opportunities to enhance productivity and economic growth. The extent to which workers' skills are used can matter as much or more than their skills proficiency for productivity, wages, and job satisfaction, which suggests that policies and measures aimed at strengthening the use of skills at work are as important as those aimed at strengthening skills development.

Despite having high levels of skills proficiency, the Netherlands could make more intensive use of skills at work. In particular, skills use could be strengthened among temporary workers – who represent a large and rapidly growing share of the workforce – and those working in small and medium-sized firms. Increasing the adoption of high performance workplace practices (HPWPs) among films can be an effective way of fostering greater skills use at work. In the Netherlands, there is room in particular to increase the adoption of work organisation practices in small and medium-sized firms, such as increased worker flexibility in the sequencing of tasks and in determining how work is performed and organised, as well as increased workplace co-operation and information sharing. In OECD countries, labour market institutions, such as employment protection legislation, minimum wages, tax wedges, and collective bargaining, are also found to impact on the extent to which skills are used, but more research would be needed to determine whether and to what extent these institutions impact skills use in the Netherlands.

While stakeholders participating in Skills Strategy workshops assessed that the Netherlands was doing a good job of developing skills, they were less convinced that Dutch firms were fully and effectively using the skills of their workers. Some argued that employers were not taking sufficient leadership in ensuring that the skills of workers were being effectively deployed.

Recommendations:

- Employer and sector associations should establish knowledge brokerage services to collect and distribute information on good practices for improving the skills use of workers and to advise firms on how to implement these practices.
- The Social and Economic Council of the Netherlands and/or sector associations should establish a dialogue among employers, unions and workers on the mutual benefits of implementing these practices.
- The Social and Economic Council of the Netherlands and/or employer associations could publically recognise (e.g. an award of recognition) top employers, such as those that, among other things, design and organise their workplaces to make the best use of the skills of their workers.
- Government, employer associations and trade unions should assess whether Dutch labour market institutions are encouraging firms to make full use of their employees' skills and, if not, take corrective action.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to promote the more effective use of skills at work.

Strengthening the skills system

Improving the skills performance of countries requires that all actors and institutions with an interest in and impact on skills work together to improve policy coherence. A number of transversal policy areas are important for strengthening performance in the development, activation, and use of skills. These areas include skills recognition and validation, skills financing, skills assessment and anticipation information, as well as broadening engagement in the policy development and implementation process.

Challenge 6: Improving the recognition and validation of skills developed outside of formal education, especially for the vulnerable groups in Dutch society

Effective systems for recognising and validating skills developed non-formally and informally help countries activate and use available skills more effectively, while fostering skills development in adulthood. Although the Dutch system for the validation of prior learning (VPL) is working well for the average person, it is, at least until recently, failing to serve the needs of many of those who have the most to gain from the system. While the average person in the Netherlands may be able to navigate the system and find ways to fund a VPL procedure to showcase his/her skills, this is not necessarily the case for all. Low-skilled individuals, immigrants and those with weaker labour market positions, such as the unemployed and those employed on temporary contracts, are less likely to take part in a VPL procedure. There are a number of reasons for this, including: financing arrangements that do not support those with weaker labour market positions; a complex and fragmented system that is difficult for many users to navigate; and low take-up rates among employers and some tertiary education institutions, especially universities.

Stakeholders claim that too many people, especially the more vulnerable groups in Dutch society, face challenges in having the skills they have developed non-formally, informally or abroad recognised and validated. Participants of the Skills Strategy workshops noted that this provides a barrier to the Netherlands' ambitions for a socially cohesive society, and for realising the country's ambitions to become a learning economy.

Recommendations:

- Employers should make greater efforts to recognise skills developed informally by their workers as part of their contribution to making continuous adult skills development a reality for all in the Netherlands.
- Government, VPL providers and employers should work together to simplify and clarify the VPL system to make it more easily navigable to those most in need, such as low-skilled adults, immigrants and the unemployed.
- Government should consider introducing stronger and more targeted public investments to boost participation in VPL, including instruments such as vouchers. The government could also consider introducing an unlimited right to VPL to incentivise both citizens and institutions to use and accept vouchers for career development.
- The Social and Economic Council of the Netherlands and/or employer associations should publically recognise (e.g. an award of recognition) top employers, such as those that, among other things, actively use VPL.
- Government should carefully monitor its efforts to incentivise greater uptake of VPL by VET and tertiary education institutions to determine whether they have been effective, and take further action to increase uptake if necessary. It could also consider raising the visibility of participating institutions to incentivise greater take-up.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve the recognition and validation of skills.

Challenge 7: Increasing the effectiveness and efficiency of public and private skills financing

Government and social partners can reform their adult skills financing arrangements to encourage greater private investment in skills development, especially among those most in need. The skills of tertiary graduates – both university (WO) and university of applied sciences (HBO) – are increasingly in high demand in the labour market. The high returns to tertiary studies for both individuals and the government suggest that there is a good case for expanding participation in tertiary studies. The costs and benefits to completing tertiary education could be altered by government to increase incentives to enrol and complete tertiary education. However, expansion should be undertaken in a gradual and measured way so as not to undermine the quality of skills developed in those studies.

For adults, skills development is financed through a number of arrangements, including sectoral training funds, direct employer investment, government tax incentives and, more recently, through a pilot programme of voucher funding. The heavy reliance on sectoral training funds to support adult skills development in the Netherlands means that the rapidly growing share of workers in flexible work arrangements – such as those employed on temporary contracts and the self-employed – may have inadequate access to financing for training. Furthermore, sectoral training funds do not incentivise employers to support training that does not meet the specific needs of the firm, but which may be needed in the economy and may advance the career prospects of workers. Since sectoral training funds do not support the reallocation of labour across sectors, they may dampen productivity growth. Also of concern are current tax measures to support adult skills development, which do not effectively support the training needs people on low income who are typically more likely to have lower levels of skills.

Stakeholders in Skills Strategy workshops raised a range of concerns regarding current financing arrangements. With respect to the financing of tertiary education, some emphasised the importance of individuals taking greater responsibility for the costs of education, while others raised concerns that increased reliance on private financing might penalise certain vulnerable groups. Regarding financing for adult skills development, many argued that there was sufficient funding in the system, but that funds were not being spent effectively. Many expressed the importance of sharing costs between the parties that benefit from skills investment, including individuals, employers, and government.

Recommendations:

- Government could increase the incentives for individuals to enrol in tertiary education by some combination of increasing targeted direct financial support for tertiary education and reducing the tax and social security contributions of individuals. Reforms would need to be designed carefully to minimise potential unintended consequences for other policy objectives.
- Government should replace the existing tax deduction for adult skills development with a refundable credit or vouchers to make financing more accessible to those on low incomes and with low skills.
- Government, with the support of social partners, could encourage greater investment in skills development in adulthood by introducing vouchers or adult learning accounts. These programmes should be rigorously evaluated with control groups, and focus on general as well as firm-specific skills.
- Social partners should reform sectoral training funds so that they cover a wider variety of sectors, better facilitate worker transition from job to job and industry to industry, and encourage greater investment in the development of general as well as job-specific skills.
- Employer associations and trade unions should work together to collect and disseminate information about the business case for investing in the skills of workers, as well as information on good training practices.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve skills financing.

Challenge 8: Strengthening skills assessment and anticipation information to address current and future skills imbalances

Skill assessment and anticipation (SAA) information is needed to ensure that individuals, social partners and policy makers make choices that bring skills supply and demand into alignment. While skills shortages and mismatches are low in the Netherlands, evidence shows that reducing them will still reap considerable economic benefits. Moreover, the skills demanded in the labour market are changing rapidly, which is putting additional pressures on labour markets and education systems. A large number of SAA exercises are carried out in the Netherlands. Despite the wealth of information available, some information gaps remain, such as on employers' perspectives. In addition, the dissemination of existing information could be strengthened. Considering that SAA exercises are typically led and carried out by different agencies, co-ordination across different stakeholders, including local and regional actors, is very important.

Stakeholders participating in Skills Strategy workshops agreed that a lot of information and data are currently available about current and future skills needs in the Netherlands, but remarked that much of it was not easily accessible or tailored to the unique needs of different kinds of users. Social partners are often unable to find the information they need to support informed human resource planning choices, including decisions about recruitment, training and setting pay and benefit levels.

Recommendations:

- Government should map out the data it collects against the needs of users to identify and fill information gaps.
- Government and other information providers should better tailor information to users with different needs and levels of understanding.
- Government and/or other information providers should create a unique platform that brings together all information in one place and that provides entranceways for users with different needs, e.g. students, jobseekers, and employers.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve skills information, including information about emerging skills needs and shortages, where and how to access skills development opportunities, and good employer practices for developing and using the skills of their workers.

Challenge 9: Broadening stakeholder engagement in policy dialogue to foster more equitable skills outcomes

Stakeholder engagement is important for designing and implementing effective skills policies that deliver better skills outcomes for all. All actors with a stake in, and an influence on, skills outcomes should be encouraged to collaborate with government as part of a society that values and makes good use of its skills. Government, social partners and civil society in the Netherlands all need to broaden participation in skills policy dialogue to reflect the increasing diversity of society. Particular effort is needed to ensure the engagement of groups in society that are underperforming in the development, activation and use of skills. These groups include people with low levels of education and skills, migrants, students, and people with disabilities, as well as those who are unemployed, employed on temporary contracts, or self-employed.

Stakeholders participating in Skills Strategy workshops held in the Netherlands commented that stakeholder engagement in post-initial education and labour market policies is underdeveloped, and that certain population groups are not being effectively consulted. These include immigrants, refugees, and labour market "outsiders", such as the self-employed and temporary workers. Stakeholders also noted that the absence of these groups from the process could mean that their needs are not being adequately met.

Recommendations:

- Traditional civil society organisations should broaden their membership to encompass those who are not well represented in public policy discussions.
- Government and social partners should reach out to groups not represented in public policy dialogue by making a greater effort to encourage them (and make them feel welcome) to participate in established policy forums, as well as by undertaking targeted focus groups.
- National and local governments and social partners should be required to report on their efforts to engage under-represented groups in the policy development process.
- Government should evaluate its stakeholder engagement practices to learn from experience and improve future practice.

Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve engagement, especially of under-represented groups, in the development of skills policies.

INTRODUCTION

Skills have become the key drivers of individual well-being and economic success in the 21st century. Without proper investment in skills, people languish on the margins of society, technological progress does not translate into growth, and countries can no longer compete in increasingly knowledge-based economies. The more countries strive to achieve the highest levels of innovation and competitiveness in their economies, the more they have to focus on generating the right skills mix, making sure that those skills are fully activated in the labour market, and maximising their use in workplaces.

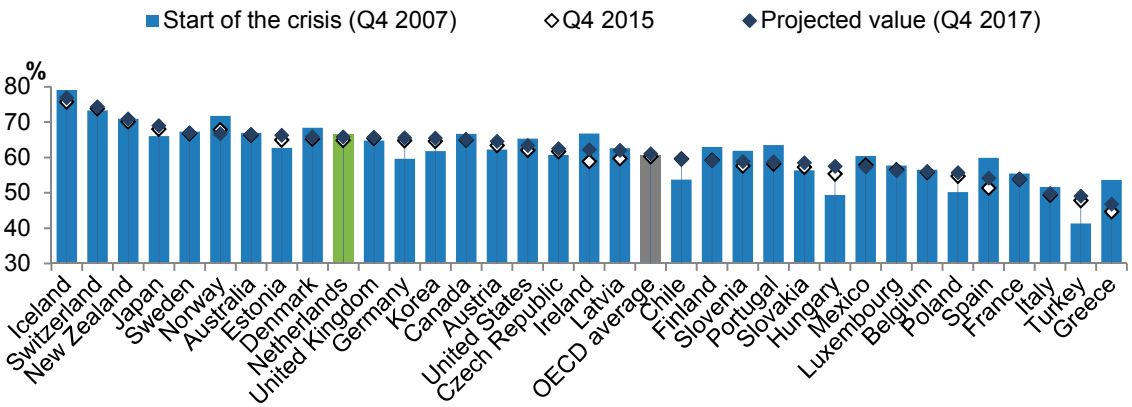
The Netherlands' economy and labour market show signs of growing strength, and social well-being remains strong

The economy is picking up steam. Following an extended period of slow growth following the global downturn, growth picked up in 2014, and gross domestic product (GDP) has recently overtaken its pre-crisis peak. Growth reached nearly 2.1% in 2016, and is projected to grow by a similar rate in 2017 and 2018 (around 2%). Growth has mainly been driven by domestic demand. The trade surplus is high and rising, driven mainly by goods (OECD, 2016a).

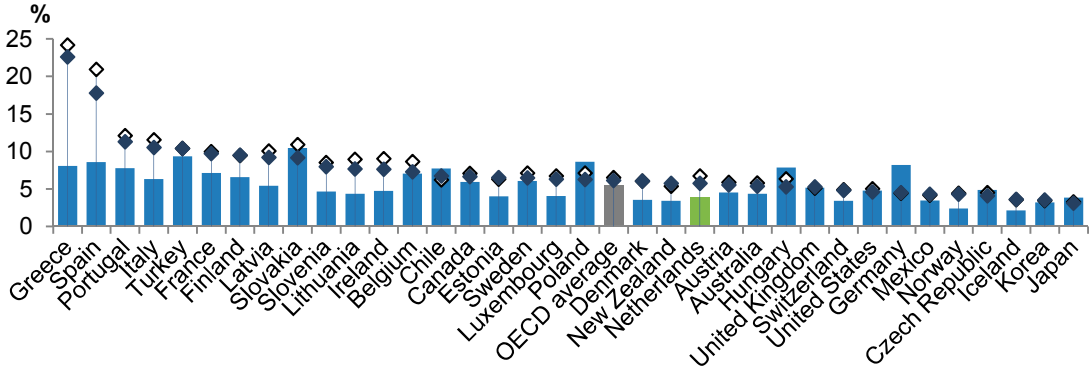
The Dutch labour market is comparatively strong. The employment rate in the Netherlands (64.8% in quarter (Q)4 2015) is considerably higher than the OECD average (60.2%), and is expected to reach 65.8% in Q4 2017. The unemployment rate in the Netherlands was 6.7% in Q4 2015, which is close to the OECD average (6.5%). The unemployment rate is expected to fall to 5.8% in 2017. However, the long-term unemployment rate in Q4 2015 of 44.2% is considerably higher than the OECD average of 36.2%. While long-term unemployment is expected to decline somewhat by 2017, it is still forecast to exceed the OECD average. (OECD, 2016a; 2016b)

Figure 1. The jobs recovery continues, but remains incomplete in the majority of OECD countries

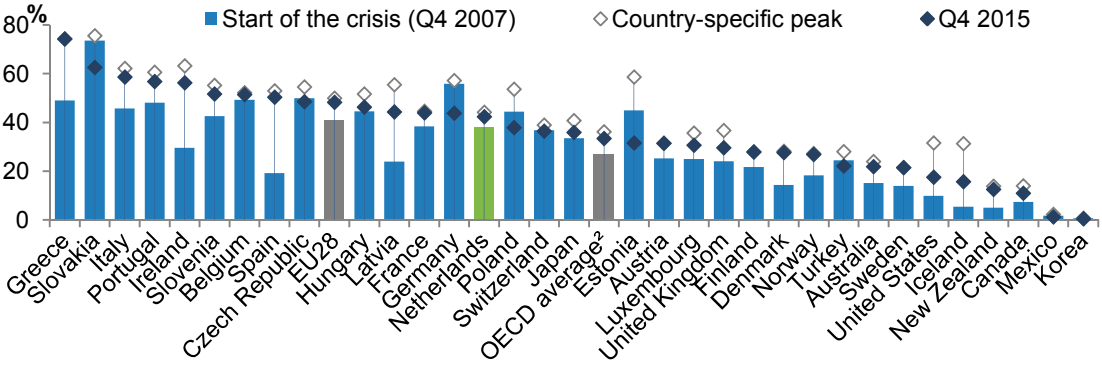
A Evolution of the employment-to-population ratio, Q4 2007-Q4 2017
Percentage of the population aged 15-74



B Evolution of the unemployment rate, Q4 2007-Q4 2017
Percentage of the labour force



C Long-term unemployment has fallen more slowly than total unemployment
Long-term unemployed (more than one year) as a percentage of total unemployed,[1] Q4 2007 and Q4 2015

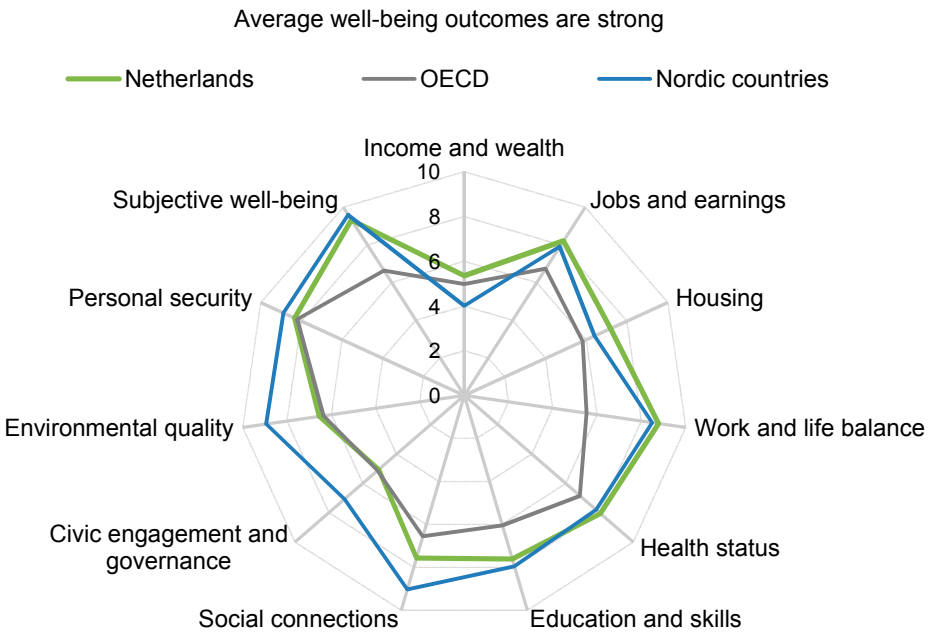


Notes: In Figure C, country-specific peak is defined as the maximum value of the incidence of long-term unemployment since the start of the crisis (Q4 2007). OECD (in Figure C) is the weighted average of 33 OECD countries excluding Chile.
1. Data are not seasonally adjusted but smoothed using three-quarter moving averages.

Sources: For Figure A: OECD calculations based on OECD (2017) Economic Outlook No. 100, Nov. 2016 database (*http://stats.oecd.org/Index.aspx?DataSetCode=EO*); and UN (2017) World Population Prospects, the 2015 revision (https://esa.un.org/unpd/wpp/Download/Standard/ASCII/); for Figure B: OECD calculations based on OECD (2017) Economic Outlook No. 100, Nov. 2016 database (http://stats.oecd.org/Index.aspx?DataSetCode=EO); for Figure C: OECD calculations based on data from national Labour Force Surveys in OECD (2017) Labour Force Statistics Database (http://stats.oecd.org/Index.aspx?DataSetCode=DUR_D).

The Netherlands is also performing well on a number of indicators of well-being. Well-being outcomes in the Netherlands are above or equal to the OECD average, but still lag behind those of the Nordic countries (Figure 2). Poverty is among the lowest in the OECD, and income inequality is below the OECD average, although nearly 25% of total income in concentrated among the richest 10%, which is close to the OECD average. Wealth concentration – measured as a share of the top 10% of households' net wealth in 2012 – exceeds the OECD average (OECD, 2016a).

Figure 2. Social indicators are relatively good overall



Notes: [1]Each well-being dimension is measured by one to four indicators from the OECD Better Life Index set. Normalised indicators are averaged with equal weights. Indicators are normalised to range between 10 (best) and 0 (worst) according to the following formula: (indicator value - minimum value) / (maximum value - minimum value) x 10. The aggregate for Nordic countries (i.e. Denmark, Finland, Norway and Sweden) is calculated as an unweighted average.

Source: OECD (2015), OECD Better Life Index in OECD (2016), OECD Economic Surveys: Netherlands 2016, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-nld-2016-en.

Skills are critical to the economic and social success of individuals

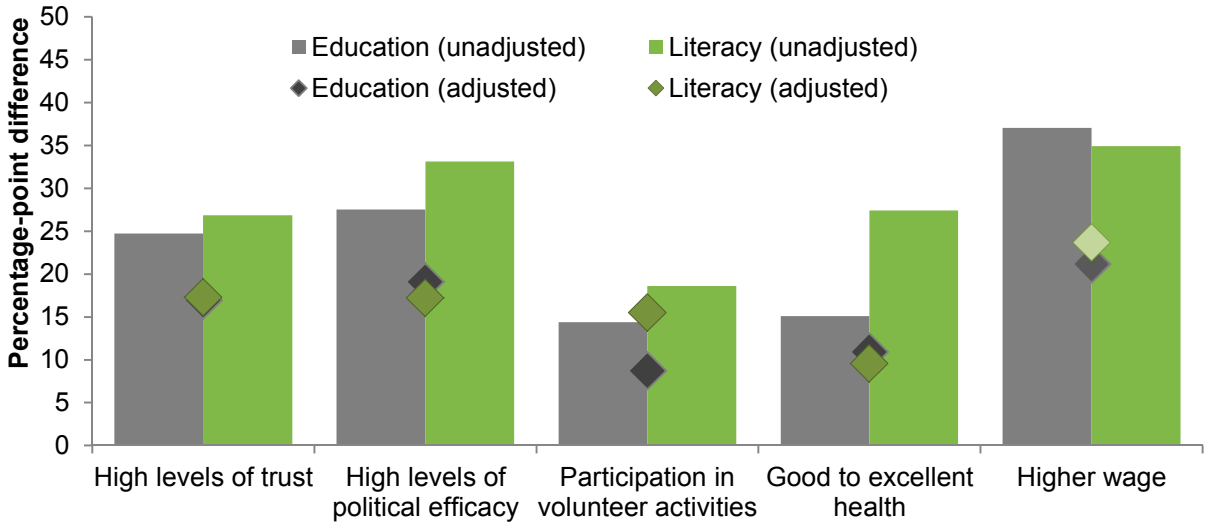
For individuals, higher levels of skills are key to success in work and life. In the context of ongoing economic and social change, such as the pressures associated with demographic change, globalisation and technology advance, as well as those associated with large migration flows, skills are key to the success of individuals. The Survey of Adult Skills (PIAAC) shows that people with higher levels of education and skills are more likely to be employed and earn more than their less well-educated and less-skilled peers (OECD, 2016b; 2016c). More highly skilled people also have higher levels of trust, participate more actively in the democratic process and in community life, and enjoy better health (OECD, 2016c).

Unequal skills outcomes across the population are an important driver of inequality. Since basic skills are the building blocks for learning more advanced skills, people who do not develop strong skills early in life face disadvantages that tend to persist throughout life. These individuals are less likely to access education and training opportunities, less likely to engage in continuous learning in adulthood, and more likely to become unemployed and have low earnings (OECD, 2016b; 2016c; 2013). When poor outcomes are concentrated among certain population groups, such are those from low socio-economic backgrounds and immigrants, they

can lead to social marginalisation and tension. As a consequence, having high average levels of skills is not in itself "good enough". It is essential to actively pursue equity in educational and skills achievement to ensure that everyone can participate fully in the economy and society.

Figure 3. Literacy proficiency/education and positive social outcomes

Adjusted and unadjusted difference between the percentage of adults with high proficiency/tertiary and the percentage of adults with low proficiency/below upper secondary who reported high levels of trust and political efficacy, good to excellent health, or participating in volunteer activities, being employed or earning higher wages



How to read this chart: Higher proficiency in literacy is associated with a greater likelihood of engaging in voluntary work. On average chances of participating in volunteer activities are 22 percentage points higher among people who scored 4 or 5 then among those who scored at or below level 1 in literacy.

Notes: Statistically significant differences are marked in a darker tone. Adjusted differences are based on a regression model and take account of differences associated with the following variables: age, gender, education, immigrant and language background and parents' educational attainment. Higher wage is defined as worker's hourly earnings that are above country's median

Source: OECD calculations based on the OECD Survey of Adult Skills (PIAAC) (2012, 2015) (database).

Box 3. The OECD Skills Strategy: Defining the concept of "skills

The OECD Skills Strategy defines skills (or competences) as the bundle of knowledge, attributes and capacities that can be learnt and that enable individuals to successfully and consistently perform an activity or task, and that can be built upon and extended through learning. The concepts of "skill" and "competence" are used interchangeably in this report. The sum of all skills available to the economy at a given point in time forms the human capital of a country.

The OECD Skills Strategy shifts the focus from traditional proxies of skills, such as years of formal education and training or qualifications/diplomas attained, to a much broader perspective that includes the skills people acquire, use and maintain – and also lose – over the course of a whole lifetime. People need both hard and soft skills to help them succeed in the labour market, and a range of skills that help them to contribute to better social outcomes and build more cohesive and tolerant societies

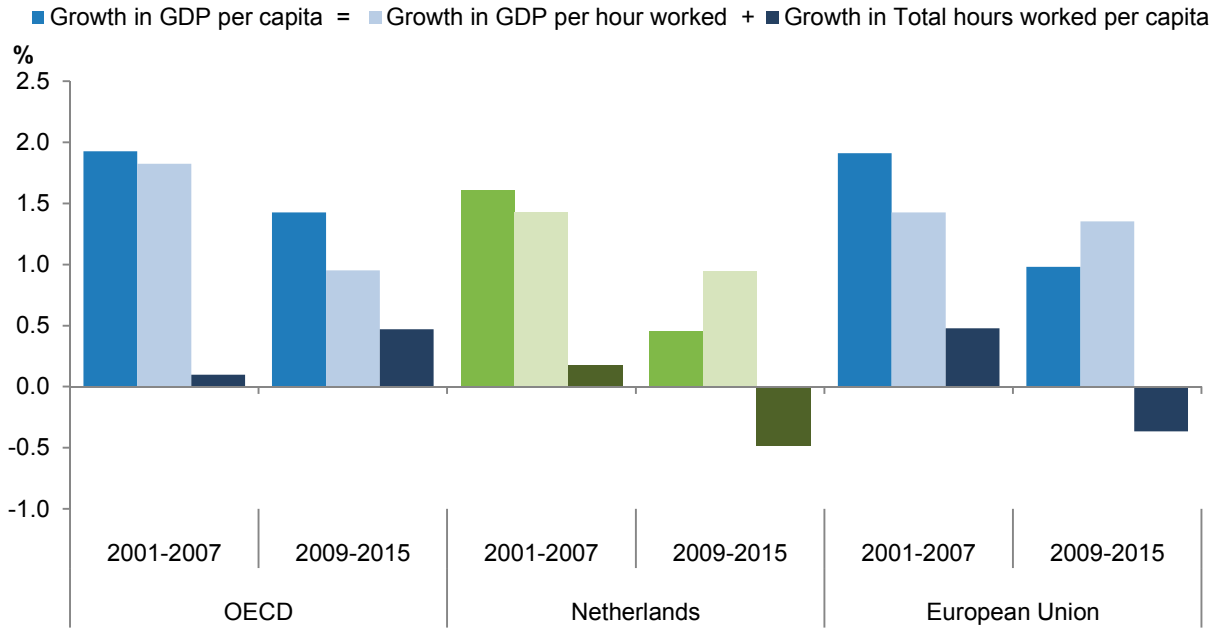
Source: OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies,* OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264177338-en.

Skills are critical to the economic and social success of countries

Skills are also critical to the economic prosperity and social well-being of countries. A country can grow its economy through a combination of increasing the number of its people working and the number of hours those people work (labour utilisation), and increasing the amount of economic output per hour worked (labour productivity). Despite recent gains, economic growth in the Netherlands has been weak since the onset of the global downturn, with declining growth in labour utilisation and productivity constraining economic prosperity. Low rates of labour utilisation – as measured by the total number of hours worked per capita – in particular have adversely impacted growth since the downturn. However, productivity growth has also been weak in comparison with OECD and European Union (EU) averages, as well as with historical growth in the Netherlands.

Figure 4. Decomposition of growth in GDP per capita, 2001-07 and 2009-15

Total economy, annual average growth (in %)

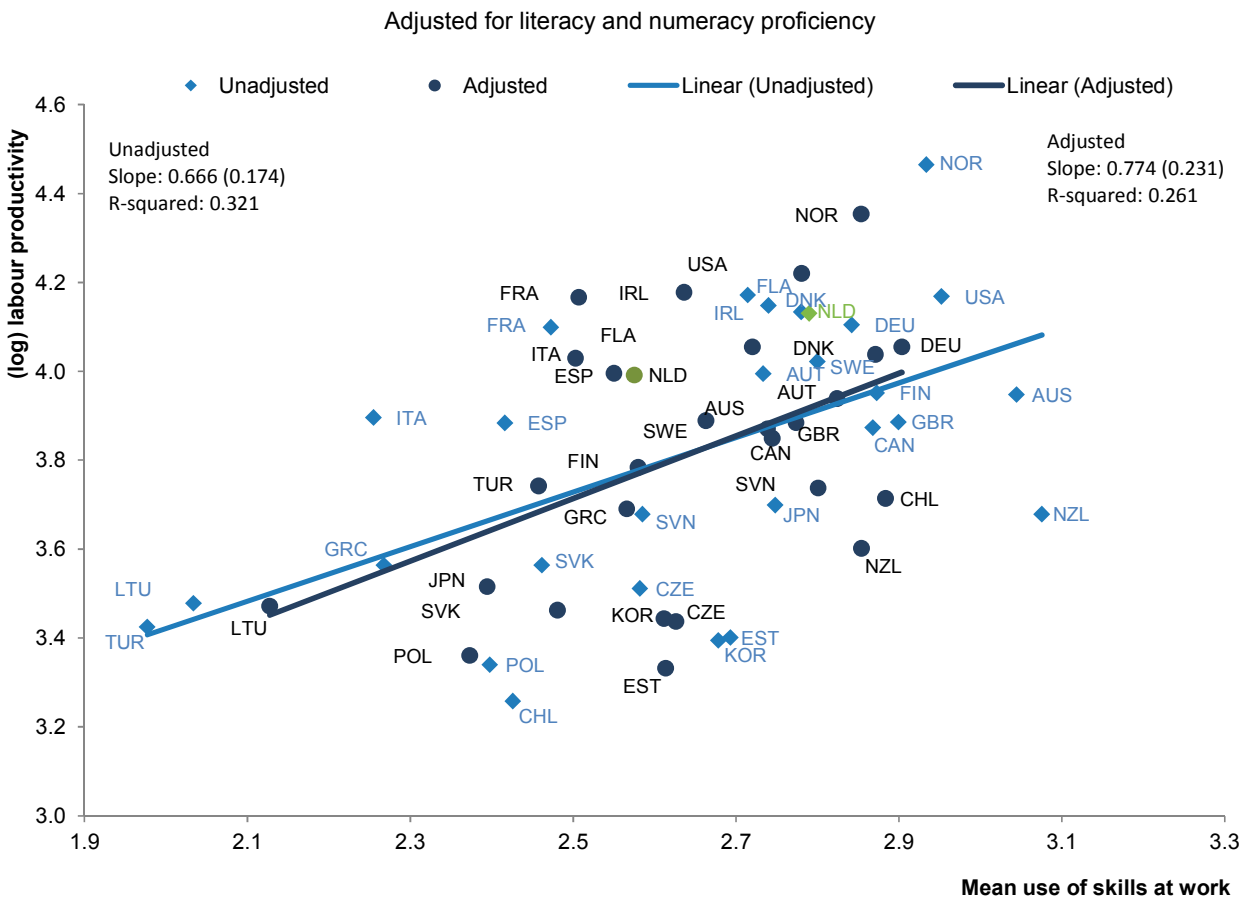


Source: OECD calculations based on data from OECD (2017) Productivity Database (http://dotstat.oecd.org/Index.aspx?DataSetCode=PDB_LV).

Developing high-quality and relevant skills is critical for productivity growth. Sources of productivity growth include the human capital of labour, innovation and technological advances, as well as the diffusion and transmission of knowledge, all of which are the products of human knowledge and skills (Hanushek and Woessmann, 2015). International variation in cognitive skills, as measured by the Programme for International Student Assessment (PISA), the Survey of Adult Skills (PIAAC), and other skills assessments, are associated with country-level differences in productivity and economic growth (e.g. OECD, 2016c; Hanushek and Woessmann, 2015; 2012; 2010). For example, Hanushek and Woessmann (2012) estimate, using PIAAC data, that raising cognitive skills by one-quarter of a standard deviation (the sort of improvement observed in Poland over the past decade) would boost growth rates by about half a percentage point. Using PISA test scores, Balart et al. (2015) find evidence of a positive association between both cognitive and non-cognitive skills and economic growth. A large body of literature shows evidence of a positive relationship between on-the-job training and productivity (Paccagnella, 2016; Konings and Vanormelingen, 2010; OECD, 2004).

Making more effective use of available skills can also boost productivity growth. For example, even after accounting for differences in skills proficiency, the use of reading skills explains a considerable share (26%) of the variation in labour productivity across countries participating in PIAAC (Figure 5). Recent OECD research found that the Netherlands could boost its level of labour productivity by close to 4% if it reduced its level of mismatch within each industry to that corresponding OECD best practice (Adalet et al., 2015). Mahy, François and Guillaume (2015) provide evidence that firms can increase their productivity by making better use of the skills of workers whose qualifications exceed the skill requirements of their jobs.

Figure 5. Labour productivity and the use of reading skills at work



Notes: Lines are best linear predictions. Labour productivity is equal to the GDP per hour worked, in USD current prices 2012 for round-1 and 2014 for round-2 countries/economies. Adjusted estimates are based on OLS regressions including controls for literacy and numeracy proficiency scores.

Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies, (Figure 4.3), OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264258051-en.

Skills policies can boost skills proficiency and labour utilisation. To realise the full benefits of investments in skills, working-age adults must be fully activated in the labour market. Developing relevant skills in initial education, and maintaining and upgrading those skills in adulthood, is critical for activating skills, as is evidenced by the positive relationship between education and skills and labour market participation and employment. However, sometimes the labour market does not provide sufficient opportunities for gainful employment. Across OECD countries, certain groups are under-represented in the labour market as they face unique barriers that prevent them from making full and effective use of their skills. In some cases, public policies do not create sufficient incentives or, worse, create disincentives for individuals to supply their skills in the labour market.

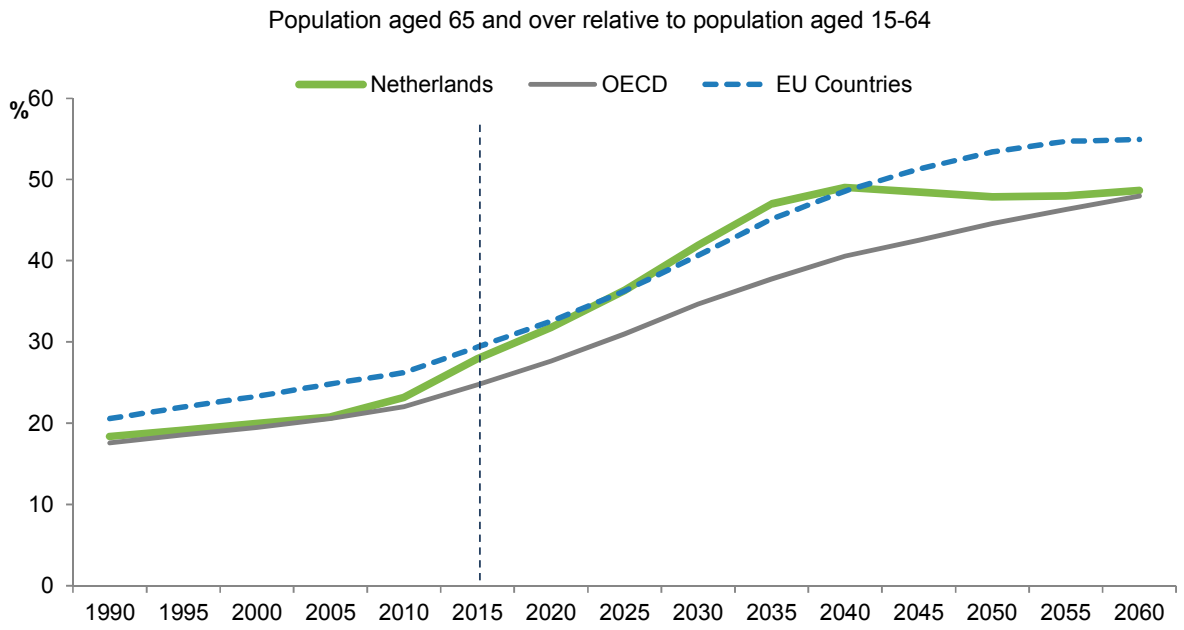
Skills will be critical for responding to the ongoing and emerging challenges facing the Netherlands

Population ageing means that the Netherlands needs to make the best use of the skills it has, and that it will need to rely more on productivity as a source of growth

Population ageing and a structural decline in labour supply mean that productivity growth will be an increasingly important driver of economic growth in the Netherlands in the medium to long term. In the last half of the 20th century, a massive inflow of new labour – specifically baby boomers and women – into the economy was an important driver of economic growth. However, in the Netherlands, as in many other OECD countries, the prime working-age population is now shrinking (Figure 6). This explains, in part, the recent trend of slow economic growth in many advanced economies. Productivity growth and innovation are now the primary engines of economic growth. Population ageing adds to the fiscal burden of countries, as expenditures rise on age-related services such as health care, as well as increasing pensions. To manage these fiscal pressures, many governments are searching for innovative approaches to finance and deliver major public services, including education and training, more efficiently.

As in many other OECD countries, changing demographics provide an important incentive for investing in the skills of the present and future workforce. As in other European countries, the Dutch population is ageing rapidly. Job opportunities as a result of replacement demands are likely to the main source of job opportunities in the Netherlands in the next decade due to the large cohort of baby boomers retiring. The decrease in the total size of the labour force from 2020 onwards will not only require an increase in productivity, but is also expected to lead to labour market pressures, in particular in the education and health care sectors. In these sectors, the average age of workers is higher than in the private sector, and a large proportion of jobs require highly skilled individuals (Scientific Council for Government Policy, 2013). This provides further impetus for ensuring that enough people develop the high levels of skills required to fill certain occupations, as well as for promoting productivity and innovation.

Figure 6. The population in the Netherlands is ageing more rapidly than in most other OECD countries



Note: Population projections start in 2015.

Source: OECD calculations based on UN World Population Prospects (2015 revision) data (https://esa.un.org/unpd/wpp/Download/Standard/ASCII/).

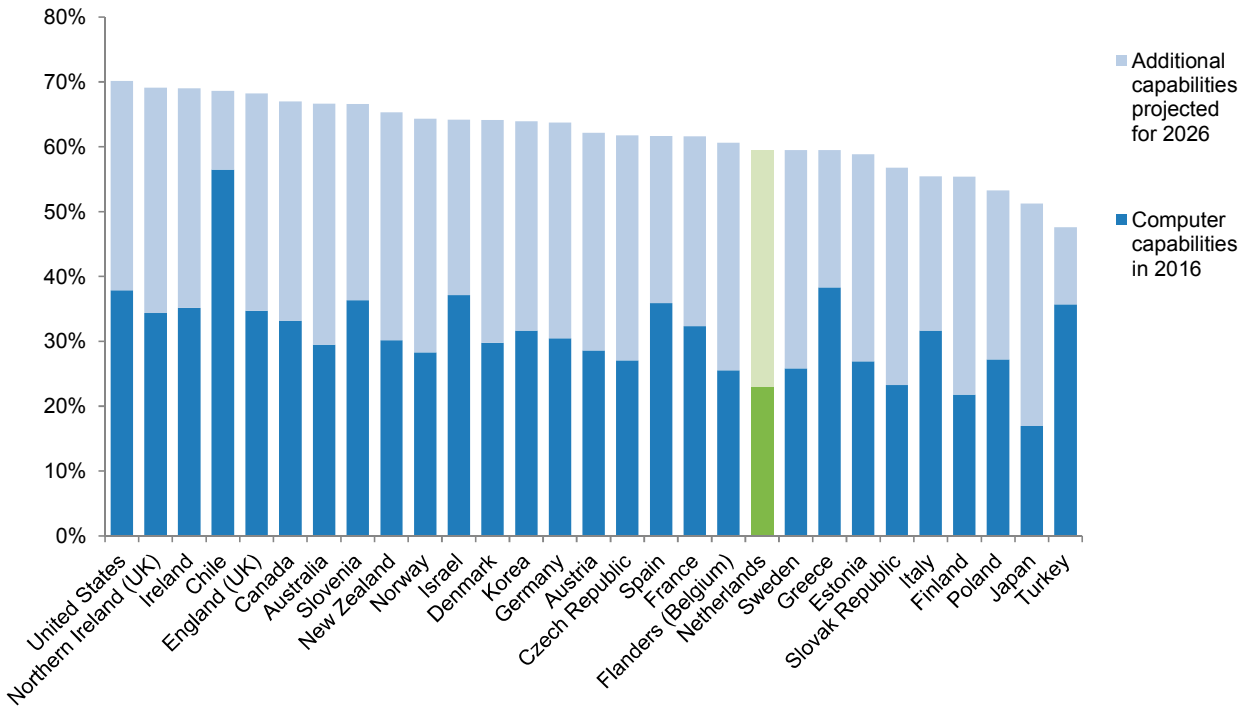
Countries that invest in the right skills will create opportunities to actively shape their contributions to global value chains and capitalise on the possibilities of new technologies

As global value chains (GVCs) expand, skills will be an increasingly important determinant of countries' specialisation and productivity. Over the last two decades, the patterns of production and international trade have changed, leading to a new phase of globalisation. Production has become increasingly fragmented across countries, and a large part of trade has become organised around GVCs. Countries now specialise in tasks rather than in specific products, and trade in intermediate goods and services have developed. New OECD research (OECD, forthcoming) suggests that participation in global value chains can lead to productivity gains, and that these gains are dependent on a country's skills endowment. In addition, investing in skills can safeguard against the potential negative impact of global value chains on employment and inequality for at least three reasons: 1) high-skilled jobs are less exposed to the risk of offshoring, although this is becoming increasingly less the case; 2) using certain types of skills on the job (e.g. those associated with non-routine tasks and tasks involving face-to-face contact) makes these jobs less likely to be offshored; and 3) developing the skills of workers in small and medium-sized enterprises helps these firms to connect with multinationals and benefit from global value chains. Furthermore, countries' skills endowments and skills-related policies can shape their specialisation in GVCs and their opportunities to specialise in sophisticated industries, such as complex business services and high-tech manufacturing industries.

Robots, artificial intelligence, the internet of things, 3D printers, nanotechnology and other technological advances are transforming the world of work. Technology is replacing tasks that can be easily codified and automated, thereby displacing workers with those skills (Autor et al., 2013, 2008, 2006, 2003; Goos et al., 2014, 2007). At the same time, technological change creates new employment opportunities in different industries and newly created markets. Most importantly, the increasing use of digital technologies at work raises the demand for cognitive skills (Berger and Frey, 2016), such as information-processing and problem-solving skills, but also social and emotional skills (Deming, 2015).

Technology will destroy certain jobs, but create new and rewarding opportunities in others. Estimates of the share of jobs in the Netherlands that is currently or potentially vulnerable in the near future to automation in whole or in part (i.e. certain works tasks performed on the job are vulnerable, but not the entire job) range from 35% (Arntz and Zirahn, 2016) to around 67% (Elliot, forthcoming 2017). Despite the considerable variation in these estimates, they are consistent in finding that a large share of the workforce is potentially vulnerable to displacement by technology, or will experience significant changes in the skill requirements of their work due to technological change. Vulnerability does not imply that workers will be displaced, as this depends on the relative costs of labour and technology. However, as the cost of technology continues to fall, the risk that the vulnerable will be displaced increases. At the same time, technological change will allow for the creation of new and better products and services more efficiently. Many people in the future will be employed in jobs that do not yet even exist. People with the skills to harness this potential will reap significant economic rewards.

Figure 7. Proportion of workforce using general cognitive skills at or below level of computer capabilities, historical and projected



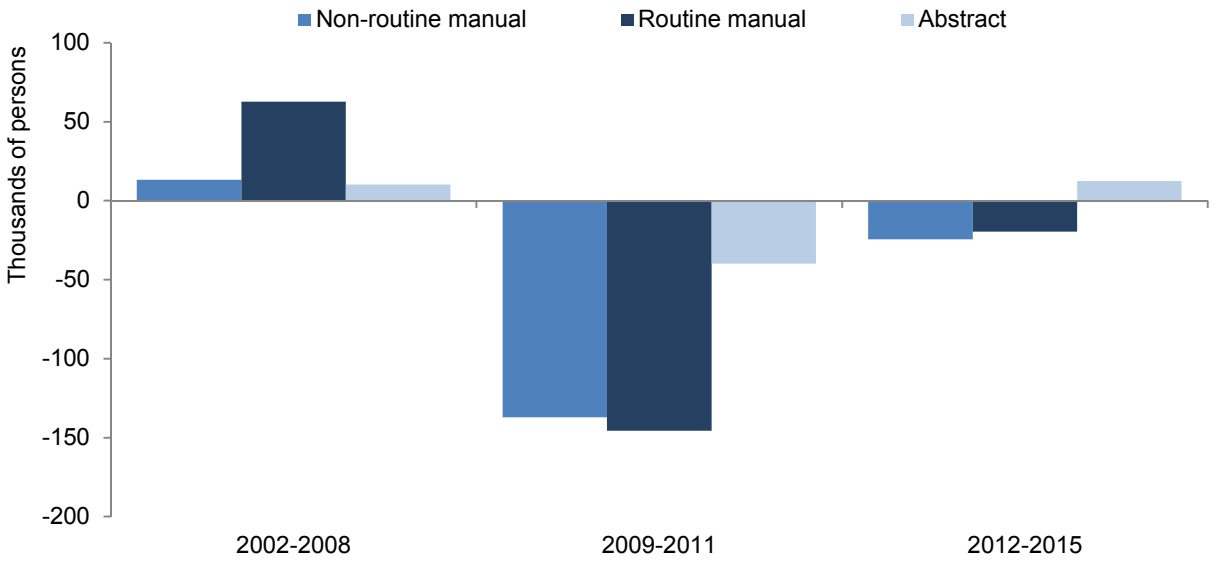
Source: Elliott, S. (forthcoming), "Computers and the future of skill demand", OECD Publishing, Paris.

These pressures are combining to reshape the skills needed for success in the Dutch economy and society

Consistent with the trends seen in many other OECD countries, the share of employment in middle-skilled occupations, which are characterised by the performance of routine and easily codified tasks that can be easily replicated by machines or offshored, has been declining (Figure 8). Many of the people employed in these jobs will need to be retrained for new work in new industries. At the same time, rising investments in intangible assets, such as research and development (R&D), workplace organisation, data and software, mean that those with the skills to perform abstract tasks are in increasing demand. All net growth in employment in the Netherlands between 2012 and 2015 was in occupations characterised by the performance of abstract tasks. Consistent with these findings, Hanushek et al. (2016) provide evidence that returns to skills are larger in countries with faster economic growth, suggesting that skills are an important mechanism for facilitating adjustment to economic change.

Figure 8. Changing demand for skills in the Netherlands

Average annual change in total employment in the Netherlands by occupation categories requiring different tasks, thousand employed persons1

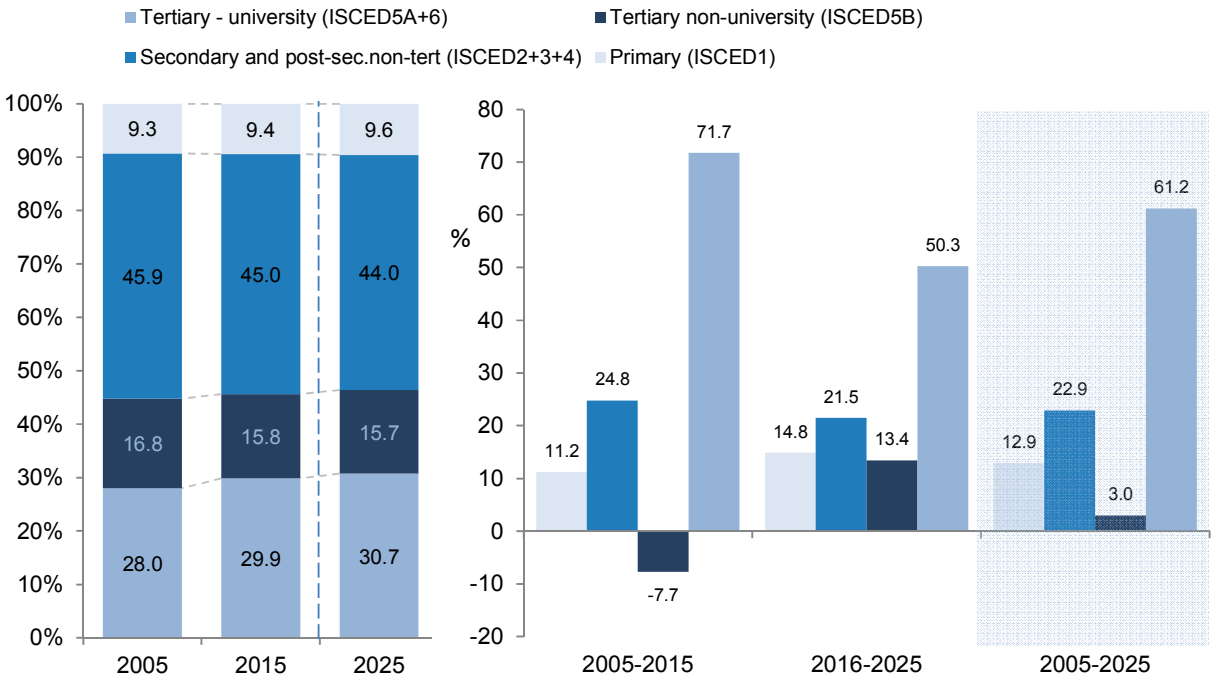


Note: 1. Refers to population aged between 15 and 64. Abstract tasks refer to problem solving, intuition, persuasion and creativity. Occupations attached to abstract tasks include managers, professionals, technicians and associate professionals. Routine manual tasks refer to well-understood procedures such as book-keeping, clerical and administrative work, repetitive production or monitoring. Occupations attached to routine tasks include clerical support workers, craft and related trades workers and plant and machine operators and assemblers. Although plant and machine operators and assemblers also include occupations such as drivers that should be classified as non-routine manual occupations, it is classified under routine manual occupations due to lack of data at 2-digit levels. Non-routine manual tasks refer to those requiring adaptability, visual and language recognition, and personal interactions. Occupations attached to non-routine tasks include service and sales workers. Occupations such as skilled agricultural, forestry and fishery workers, elementary occupations, armed forces occupations and those with no responses are not included. There is a structural break in the data due to change in classification in 2010/11. ISCO 08 classification 1-digit level.

Source: OECD calculations based on Eurostat (2016), Labour Force Survey database - detailed annual survey results (http://ec.europa.eu/eurostat/data/database).

While the precise skills needs of the future are by definition uncertain, past trends and forecasts suggest that higher levels of skills will continue to be the key to success in the labour market. Figure 9a shows that by 2025 almost half of all employment is forecasted to be in occupations that typically require some form of tertiary education. Figure 9b shows that, historically, employment growth has been heavily concentrated in occupations typically requiring a university education, and that this trend is expected to continue into the future. It is important to keep in mind that forecasts typically do not account adequately for the potential impact of globalisation and technological change on skills needs. Therefore, future skills needs may differ substantially from these forecasts.

Figure 9. Netherlands: Employment trends by typical education requirements of ocupations,historical and projected



Note: Education level requirements have been estimated by using the International Standard Classification of Education 1997 (ISCED97).

Source: OECD calculations based on EU-CEDEFOP data (www.cedefop.europa.eu/en/publications-and-resources/data-visualisations /employment-trends).

To meet the challenges of today and tomorrow, the Netherlands needs to place skills at the centre of the policy agenda, and ensure it remains fixed there

Whether the Netherlands continues to be a talent leader in 2025 and beyond depends on the choices it makes today. The Netherlands' strong economic and social performance is due in no small part to the quality of its human capital. However, this talent advantage is founded on choices it has made in the past. Ensuring that the Netherlands will be equally well positioned in the future will require making choices in how best to invest in skills today.

Successfully placing skills at the centre of national policy agendas requires that governments and stakeholders generate a compelling vision for how everyone benefits from investments in skills. It means making a strong case for how skills can help to resolve the challenges of today and tomorrow. Putting skills on the agenda also means making the case for how skills investments can help to positively reshape economies and societies. The future may be uncertain, but skilled and resilient individuals and societies can help to give shape to that future. Governments, social partners and other stakeholders need to provide strong leadership in these issues.

Achieving this vision for a highly skilled future is a shared responsibility. All those who benefit from investments in skills – whether government, employers, trade unions, non-profit organisations or individuals – have a responsibility to improve skills outcomes. In some areas, such as education, government has a lead role, whereas in others, such as adult continuous skills development, it is individuals and firms that

shoulder the greatest responsibility. Therefore, achieving the vision of a highly skilled future will require that all parties take action.

Fostering and sustaining a national dialogue on the importance of skills is important for building widespread support for investment in skills. In recent years, many countries have developed national skills strategies. A national skills strategy is an instrument for engaging in society-wide discussions about the skills needed to respond to current and future challenges, and to reshape economies and societies to achieve higher levels of prosperity and social well-being. They are also tools for assessing whether skills performance is sufficient for achieving economic and social ambitions. Where performance lags behind these ambitions, national skills strategies provide a focus for analysing what more can be done to improve performance to ensure that the future is one of greater economic prosperity and social well-being.

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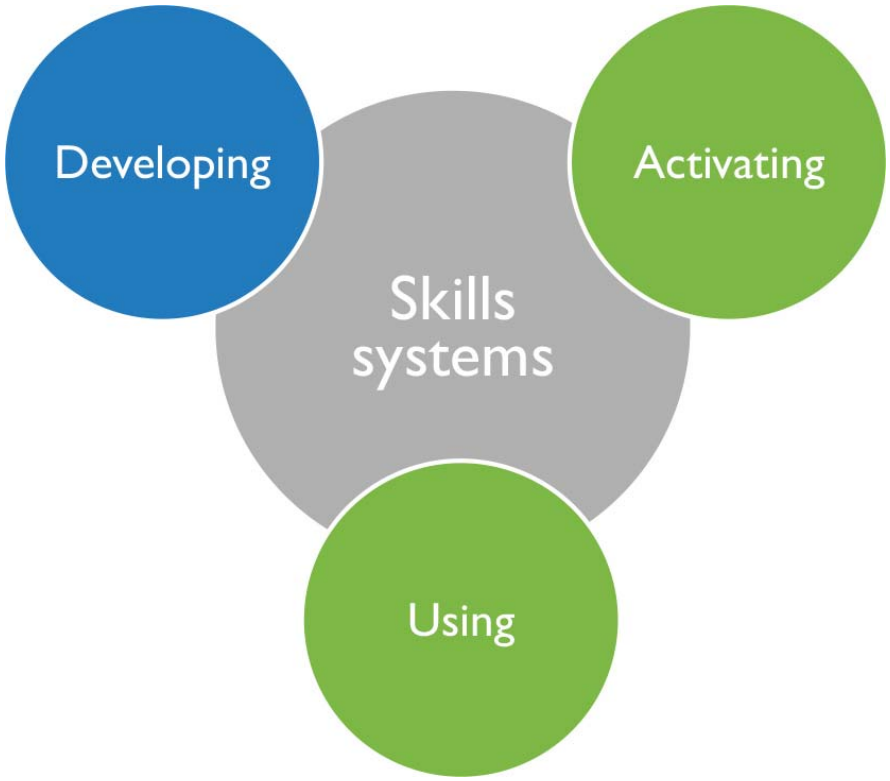
DEVELOPING SKILLS



CHALLENGE 1: ENSURING ADULTS HAVE THE RIGHT COMBINATION OF SKILLS TO PROMOTE SUCCESS IN WORK AND SOCIETY, AND STRENGTHEN PRODUCTIVITY, INNOVATION AND SOCIAL INCLUSION

HIGHLIGHTS

Having the right mix of skills is critical for the economic prosperity and social well-being of the Netherlands, both now and in the future. However, given uncertainty about the precise skills needed in the future, the best risk mitigation strategy for individuals and society is to develop a balanced portfolio of skills. High levels of cognitive skills, social and emotional skills and job-specific skills are all needed to ensure that individuals and society are resilient and adaptable in the context of change.

While the Netherlands has, on average, a highly skilled population, it cannot afford to be complacent. Challenges and opportunities resulting from increasing technological change and participation in global value chains, and the need to bolster social cohesion in the context of economic and social pressures, including large inflows of migrants, underscore the importance for the Netherlands to aim for steady improvements in the skills of its people. Dutch employees already report greater skills gaps than their counterparts in most other European Union (EU) countries, particularly regarding social and emotional skills. While a comparatively high share of Dutch people currently complete tertiary education, historical trends and forward projections suggest that an even a higher share will need to complete tertiary studies in the future.

Of great concern are the more than 1.7 million adults with very low levels of skills. This includes a large group of 45-54 year-olds (25% of low-skilled adults), many of whom will continue to be part of the Dutch labour force during the next two decades. Improving the learning experience in the early years of life when these skills deficits first emerge will be important. However, improving equity in skills outcomes is not only about improving schools – it requires sustained efforts from all of society. Since individuals, firms, and society at large benefit when individuals develop strong skills, they all share responsibility for ensuring that adults acquire the right combination of skills.

Stakeholder perspectives:

Many stakeholders participating in the Skills Strategy workshops worried that not enough people in the Netherlands are entering the labour market with the skills needed to adapt to economic and social changes and seize new opportunities in the future. Many argued that these skills deficiencies are related to the quality of learning in the early years in the home and community and in initial education, but also to insufficient opportunities and incentives for informal learning in adulthood.

Recommendations:

- Government should continue to carefully monitor whether its policies are having the desired effect of expanding access to, and improving the quality of, vocational education and training (VET) and tertiary education, and providing individuals with a balanced portfolio of skills that include strong cognitive, social and emotional and job-specific skills.
- Employers should be more proactive in supporting students from lower socio-economic backgrounds and migrants to succeed by offering them work-based learning opportunities.
- Government, employers, and trade unions should engage better with vulnerable groups to ensure that their voices are heard in the policy development process (see recommendations in Challenge 9).
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to ensure that people in the Netherlands develop the "right" skills.

Introduction

Having the right mix of skills is critical for the economic prosperity and social well-being of the Netherlands, both now and in the future. Higher levels of education and skills are associated with improved employment and earnings prospects, active participation in the democratic process and in community life, and better health outcomes. Skills are also critical for strengthening innovation, productivity and growth of the Dutch economy. The success of the Dutch people, their economy and society at large will depend on ensuring that people develop strong cognitive skills and social and emotional skills, as well as the specialised skills required to fill certain occupations and promote productivity and innovation.

Ensuring greater equity in skills outcomes is important for social cohesion. Basic foundation skills are the building blocks for learning more advanced skills. Consequently, early disadvantages tend to persist throughout life, with long-term consequences for individuals. When poor outcomes are concentrated among certain groups in society – such as the low-skilled (see Box 4), those from low socio-economic backgrounds and immigrants – they can lead to social marginalisation and tensions in Dutch society. It is therefore essential to actively pursue equity in learning opportunities and skills achievement to ensure that everyone can participate fully in the economy and society.

Ensuring that adults have the right skills is a shared responsibility. Since individuals, firms, and society at large benefit when individuals develop skills that promote positive economic and social outcomes, they and the government share responsibility for ensuring that adults acquire the right combination of skills.

Stakeholders in the Netherlands expressed concern that many adults are not developing the skills they need to succeed. Many stakeholders participating in Skills Strategy workshops worried that not enough people in the Netherlands enter the labour market with the skills needed to succeed in work and life – and especially with the skills that will be needed to adapt to economic and social changes and seize new opportunities in the future. They noted that these skills deficiencies are related to the quality of learning in the early years in the home and community and in initial education, as well as to opportunities and incentives for informal learning in adulthood (see Challenge 2 for further discussion on this topic).

This chapter is structured as follows: 1) it discusses evidence about the skills needed for success in work and life; 2) it analyses Dutch performance in developing these skills; and 3) it identifies the various places and ways in which skills are developed over a lifetime, and highlights some areas where skills development can be improved in the Netherlands.

A wide range of skills are needed for success in the economy and society

Demand for skills in the Dutch economy is changing constantly, but a clear trend is the growing demand for highly educated and skilled individuals

The demand for skills is always changing, but a constant during the last decade has been the growing demand for tertiary educated individuals. When considering the change in employment by educational requirements during the last decade, a clear trend emerges: employment growth has been concentrated in occupations typically requiring tertiary education (Figure 9 in the Introduction). Conversely, the share of jobs requiring secondary and post-secondary non-tertiary education has declined during this period.

The jobs of the future will require higher levels of qualification than those required today. The European Centre for the Development of Vocational Training (CEDEFOP) forecasts that between 2013 and 2025, job opportunities in the Netherlands will be concentrated in high and medium-skilled occupations, with 2.4 million (high skilled) and 1.3 million (medium skilled) new job opportunities created in this period. Expansion demand is forecasted to be concentrated in occupations requiring high levels of skill Conversely, little growth is expected for low-skilled jobs, which will be exclusively driven by replacement demand (CEDEFOP, 2016a).

Since future skills needs cannot be predicted with any certainty, it is prudent to adopt a balanced skills portfolio strategy

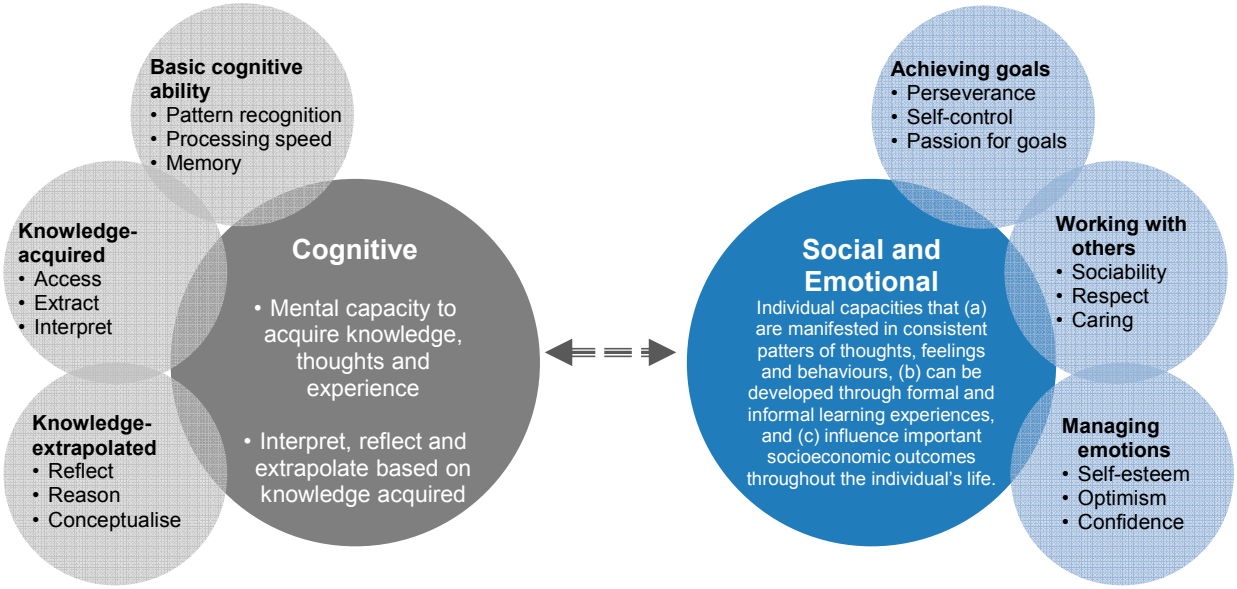
In today's globalised world, which is characterised by rapid technological change and increasing economic and social uncertainty, citizens must possess the skills needed to be resilient and promote innovation, productivity and social inclusion. The Netherlands - as well as its individuals - should consider adopting a balanced skills portfolio strategy that provides the economy with the ability to exploit future opportunities and cope with future threats. Investment in skills (human capital) in the Netherlands is considered as the best strategy to respond to changing circumstances and improve the country's "earning potential" (Scientific Council for Government Policy, 2013) – as was also confirmed by the participants of the Netherlands' Skills Strategy workshops. Such a strategy should aim for a good distribution of attainment by levels of education and fields of study, and for people to develop strong portfolios of skills, such as those associated with study at advanced levels. Above all, the Netherlands should aim to have as many people as possible developing a balanced set of cognitive and social and emotional skills in order to achieve an adaptable and resilient work force, as well as other positive life outcomes (Squicciarini et al., 2016; OECD, 2015a). The adoption of a balanced skills portfolio is a matter not only for the nation, but also for the individual, as it is crucial for success in work and life in the 21st century. A positive development in this respect is the steps being taken towards developing a 21st century school curriculum that balances cognitive and social and emotional skills.

Cognitive skills and social and emotional skills are important, interrelated and mutually reinforcing

Cognitive skills are highly predictive of success in many aspects of life. Cognitive skills imply the mental capacity to acquire knowledge, thoughts and experience, and interpret and reflect and extrapolate these based on the knowledge acquired (OECD, 2015a; Figure 2). An increase in cognitive skills increases the probability of a number of positive economic and social outcomes, such as completing tertiary education, finding a job, earning a good salary, better health-related outcomes and higher levels of political efficacy (OECD, 2015a). This is shown in Figure 3 in the Introduction, which shows the positive impact of having a tertiary education and being highly literate (as measured during the OECD's 2012 Survey of Adult Skills, PIAAC) on a range of social and economic outcomes at the level of the individual. For example, Figure 3 shows that, on average, the chance of having good to excellent health is 27 percentage points higher among adults who scored Level 4 or 5 on the literacy test, compared to those who scored at or below Level 1.[1] Similarly, highly literate adults have significantly higher wages (35% on average) than those with low literacy levels (OECD, 2013).

Higher cognitive skills are also associated with increased public economic and social benefits. This includes gains in productivity, higher tax revenues, and lower public social expenditures (OECD, 2015b; Hanushek and Woessmann, 2012). For example, those adults scoring at Level 4 or 5 in literacy on the 2012 OECD Survey of Adult Skills were much more positive about their health situation, and reported significantly higher wages (which means higher tax revenues for the state) and political efficacy, than those scoring at Level 1 or below (see Figure 3 in the Introduction).

Figure 10. A framework for cognitive, social and emotional skills



Source: OECD (2015a), Skills for Social Progress: The Power of Social and Emotional Skills, OECD Skills Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226159-en.

Cognitive skills are important for economic and social success, as are social and emotional skills. While cognitive skills are highly predictive of some positive economic and social outcomes, social and emotional skills have a higher predictive power for a broader range of economic and social outcomes (Balart, Oosterveen and Webbink, 2015; Heckman, Stixrud and Urzua, 2006; Kautz et al., 2014; see Table 1). Social and emotional skills, also known as non-cognitive skills or transversal or "soft skills", involve individual capacities that are manifested in consistent patterns of thoughts, feelings and behaviours. They can be developed through formal learning and informal learning experiences, and influence important socio-economic outcomes throughout an individual's life. These skills are applied in countless everyday situations and are important at all stages of life. They play a key role when individuals work with others, achieve goals and manage emotions. Empirical studies suggest that conscientiousness, sociability and emotional coping are among the most important social and emotional skills that children and society would benefit from developing (OECD, 2015a).

Table 1. Cognitive, social and emotional skills contribute to children's lifetime success

	Returns on skills		
	Education	**Labour market**	**Social**
Cognitive skills	High	High	Medium
Social emotional skills	Low-Medium	Medium	High

Source: OECD (2015a), Skills for Social Progress: The Power of Social and Emotional Skills, OECD Skills Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226159-en .

Strong social and emotional skills can also support success among disadvantaged groups. In light of the growing equity concerns and importance placed on social cohesion in the Netherlands, it is important to note that social and emotional skills are also found to raise the long-term life prospects of disadvantaged

children and adolescents for a variety of labour market and social outcomes (OECD, 2015a). In addition, evidence suggests that the importance of such skills has increased in the workplace during the last decade due to technological and organisational changes (Borghans, ter Weel and Weinberg, 2006), a trend that is likely to continue in the years to come.

Social and emotional skills are interrelated and cross-fertilised with cognitive skills. Those with higher levels of social and emotional skills are likely to benefit more from further investment in cognitive skills (e.g. maths and science classes). Factors such as self-control and school engagement are also found to be correlated with academic outcomes, financial stability in adulthood, and reduced crime (Gutman and Schoon, 2013). Raising levels of social and emotional skills, such as perseverance, self-esteem and sociability, can also have a particularly strong effect on improving health-related outcomes and subjective well-being, as well as reducing anti-social behaviour (OECD, 2015a). As such, social and emotional skills and cognitive skills are interrelated and mutually supportive. People who have both skills well developed will be able to face the challenges of the 21st century – a time when having the right set of skills has become the new global currency (Horvathova, 2015). Given the large numbers of people completing vocational education in the Netherlands, it is important that students can also develop strong cognitive and social and emotional skills in this environment.

Higher levels of cognitive and social and emotional skills are important together for productivity growth and participation in global value chains. Over the last two decades, the patterns of production and international trade have changed. Production has become increasingly fragmented across countries, and a large part of trade has become organised around global value chains (GVCs). Countries now specialise in tasks rather than in specific products, and trade in intermediate goods and services has developed. Participation in global value chains can lead to productivity gains. These can be exacerbated when participation goes hand in hand with skills endowment. Investing in skills can be a bolster against the potential negative impact of global value chains on employment and inequality for at least three reasons: 1) high-skilled jobs are less exposed to the risk of offshoring, although this is becoming increasingly less the case; 2) using specific skills on the job (e.g. those associated with non-routine tasks and tasks involving face-to-face contact) makes these jobs less likely to be moved offshore; and 3) developing the skills of workers in small and medium-sized enterprises will help them connect to multinationals and benefit from global value chains (OECD, forthcoming).

Countries' skills characteristics and skills-related policies can shape their specialisation in GVCs and their opportunities to specialise in sophisticated industries, such as complex business services and high-tech manufacturing industries. Policies supporting a specific industry can lead to a misallocation of skills and can lower countries' comparative advantage in other industries, generating costs for the economy and individuals. Comparative advantages in industries within GVCs emerge from the adequacy between industry skills requirements and country skills characteristics. First, workers need to have a mix of skills – cognitive, social emotional and job-specific – to fulfil industry requirements and perform in an internationally competitive environment. For example, strong problem-solving skills in technology-rich environments alone are not sufficient to gain a comparative advantage in GVCs; these skills need to be associated with strong literacy and/or numeracy skills. Policies should therefore aim to develop a mix of skills among students and workers. Second, countries need to have pools of workers with reliable and easily observable skills to specialise in sophisticated industries. This can be achieved by developing education and training programmes with a high and uniform quality across programmes (OECD, forthcoming). It also underscores the importance of recognising and validating workers' skills (see Challenge 6).

Occupations - both traditional and new - often require job-specific knowledge and skills

Job-specific knowledge and skills reflect a solid theoretical and/or practical understanding of the subject matter. At the tertiary education level, job-specific or technical skills are typically codified in academic disciplines or fields of study; they are not developed solely to meet labour market ends. Some disciplines develop technical skills that do not have an obvious labour market match. However, many kinds of academic and professional qualifications do send a signal to employers that a given individual could have the skills, interest and aptitude to engage in specific types of work. Employers often use these credentials – which will

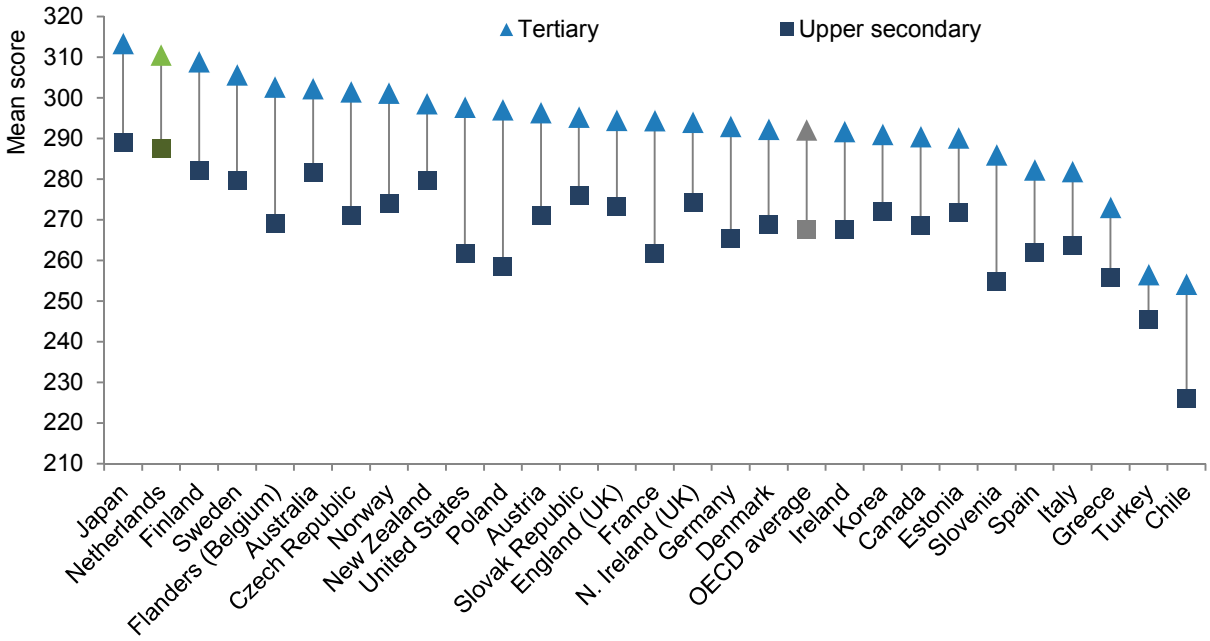
vary widely in different contexts – as a first lens to screen individuals for jobs. For many jobs, a given level of a concrete set of technical skills is an essential requirement (OECD, 2014). As such, having an adequate supply and mix of individuals with these technical skills, in addition to strong cognitive and social and emotional skills, is an important precondition for economic growth.

Most Dutch adults develop strong skills, but a substantial number do not

The cognitive skills of Dutch adults are strong on average, but notably less well developed among some groups in society; students' skills have declined since the start of the century

Regarding adult skills development, the Netherlands is one of the top performers. The 2012 OECD Survey of Adult Skills shows that Dutch adults have above-average proficiency in literacy, numeracy and problem solving in technology-rich environments, compared with adults in the other participating countries. Some 18% of adults had the two highest levels of proficiency in literacy (Level 4 or 5), compared with an average of 12% of adults in all participating countries. Figure 11 shows that among participating countries, tertiary educated and upper-secondary educated adults in the Netherlands were outperformed only by their peers in Japan (OECD, 2013). The 2012 Survey for Adults Skills further shows that younger adults in the Netherlands particularly stand out in terms of problem-solving skills in technology-rich environments, with 58% of young adults in the Netherlands attaining Level 2 or 3,[2] compared with 52% of young adults across all participating countries.

Figure 11. Mean literacy score of adults by educational attainment, 25-65 year olds, PIAAC 2012, 2015

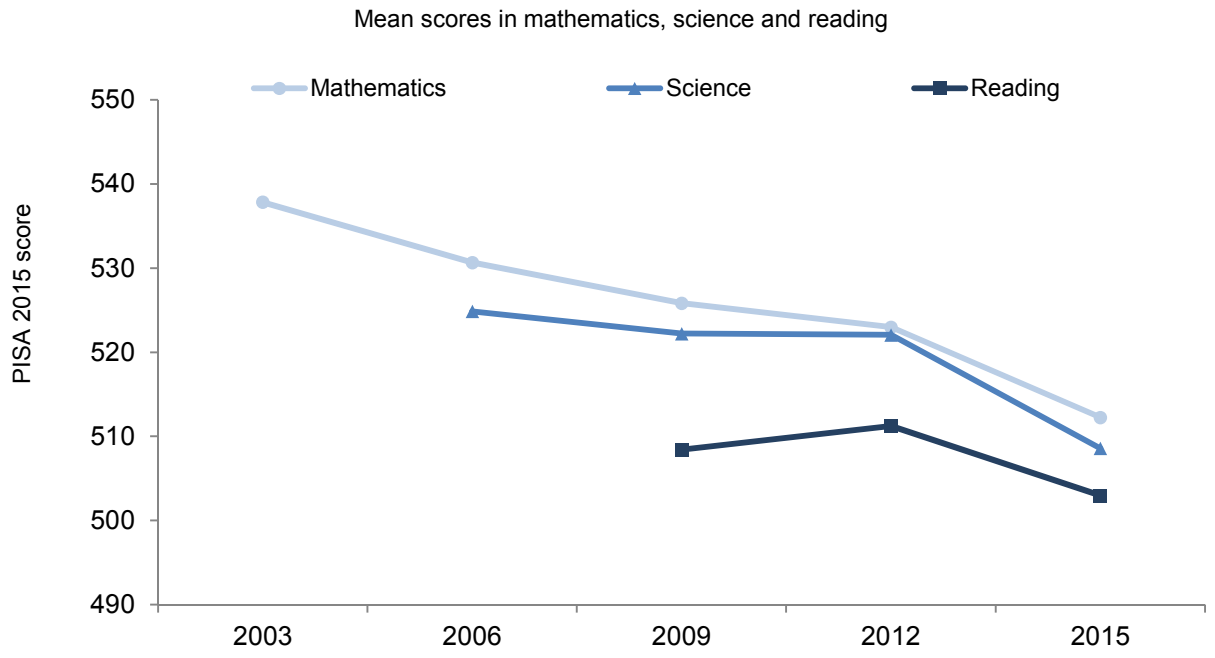


Source: OECD calculations based on OECD (2012, 2015) Survey of Adults Skills (PIAAC) (database), www.oecd.org/skills/piaac/.

However, the worsening skills performance of Dutch students is concerning, and could point to a decline in adults' skills performance in the future. The cognitive skill levels of Dutch students are still higher than many OECD countries, but have significantly declined during the last 15 years. Results from international tests, such as the OECD's Programme for International Student Assessment (PISA), show that the performance of 15-year-olds in the Netherlands in literacy, numeracy and science is good on average. However, Figure 12 shows that the performance of Dutch students has declined significantly since the start of

the century. The decline is particularly large in mathematics and science when comparing PISA 2015 results to three years before; a period when (other) strong performing education systems, such as Estonia, Japan and Singapore, managed to improve their student performance in these two subjects (OECD, 2016a). The further decline in these two subjects is also concerning considering the present and likely future demands by the economy for more people with strong science, technology, engineering and mathematics (STEM) skills. The Trends in International Mathematics and Science Study (TIMMS) shows a similar downward trend in student performance among primary students (in group 6, age 10) in the Netherlands (Meelissen and Punter, 2016). Many different policy measures have been initiated in recent years to improve the quality of school education in the Netherlands. Considering the significance of the decline in student performance, especially during the last three years, the question should be raised as to whether these measures will suffice in reversing the downward trend in student performance, and allow the country to reclaim its place among the top-performing education systems in the world.

Figure 12. Performance of Dutch students in PISA 2003-2015



Source: OECD (2016), PISA 2015 Results (Volume I): Excellence and Equity in Education, PISA, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266490-en.

Already, many adults lack the skills needed to adequately adapt to economic change, and they will be part of the workforce for many years to come. Data from the 2012 OECD Survey of Adults Skills suggest that the number of adults with low levels of foundation skills (i.e. Level 1 or below) in literacy, numeracy or both was over 1.7 million in 2012 (OECD, 2013). These individuals will have trouble extracting information from longer and more complex texts or performing numerical tasks involving several steps. As the skill requirements of jobs are likely to continue to rise in the future, these individuals may find it increasingly difficult to earn higher wages, maintain their current jobs, and, if they lose their jobs, to find and/or reskill for new employment.

Box 4. How low basic skills are measured in the Survey of Adult Skills (PIAAC)

Individuals are classified at different levels of numeracy and literacy based on their probability of responding to tasks of different difficulty levels. At each point of the scale, an individual with a score of that particular value has a 67% chance of successfully completing items located at that point. Low-skilled (below Level 2 with our definition) adults would, more often than not, be unable to perform these tasks.

MEDCO ASPIRIN 500

INDICATIONS: Headaches, muscle pains, rheumatic pains, toothaches, earaches. RELIEVES COMMON COLD SYMPTOMS.

DOSAGE: ORAL. 1 or 2 tablets every 6 hours, preferably accompanied by food, for not longer than 7 days. Store in a cool, dry place.

CAUTION: Do not use for gastritis or peptic ulcer. Do not use if taking anticoagulant drugs. Do not use for serious liver illness or bronchial asthma. If taken in large doses and for an extended period, may cause harm to kidneys. Before using this medication for chicken pox or influenza in children, consult with a doctor about Reyes Syndrome, a rare but serious illness. During lactation and pregnancy, consult with a doctor before using this product, especially in the last trimester of pregnancy. If symptoms persist, or in case of an accidental overdose, consult a doctor. Keep out of reach of children.

INGREDIENTS: Each tablet contains
500 mg acetylsalicicylic acid.
Excipient c.b.p. 1 tablet.
Reg. No. 88246

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Literacy level 2/3

Q: What is the maximum number of days you should take this medicine? List three situations for which you should consult a doctor.

Numeracy level 2

Q: The petrol tank in this truck holds 48 gallons. About how many gallons of petrol remain in the tank? (Assume the gauge is accurate.)

Source: OECD (2016b), *Technical Report of the Survey of Adult Skills*, OECD Publishing, Paris, www.oecd.org/skills/piaac/_Technical%20Report_17OCT13.pdf.

Most low-skilled adults in the Netherlands are 45 years and older, but many will continue to form a sizable part of the labour force for years to come

Older adults have notably lower skills proficiency than younger adults, and will continue to form a sizable part of the labour force in the years to come. The 2012 OECD Survey for Adults Skills shows that the difference in literacy proficiency between Dutch youth (16-24 year-olds) and older adults (55-65 year-olds) is 34 score points, compared to the average of 24 score points. This difference partly stems from the on average high-skill levels among Dutch youth, which are higher than those of many of their peers in other OECD countries. However, the data also show that more than a third of low-skilled adults (35%) are between the ages of 55 and 64. Although this cohort will soon be leaving the labour market due to retirement, the data still show that some 65% of low-skilled adults are of prime working age (16 to 54 year-olds). This includes a large group of 45-54 year-olds (25% of total low-skilled adults), many of whom will continue to be part of the Dutch labour force during the next two decades. The recent economic crisis has shown this group to be vulnerable to job loss and long-term unemployment.

The decline of skills as a result of ageing starts at around age 40, is stronger for women than for men, but can be prevented by regular skills use. The 2012 OECD Survey of Adult Skills shows a parabolic pattern in proficiency levels for literacy, numeracy and problem solving in technology-rich environments of Dutch adults, with a growth in proficiency levels up to the age of 24. After this age, the pattern remains more or less stable until 40, after which proficiency levels start to decline. This trend is found among adults along the whole range of the proficiency distribution (i.e. high, average and low proficiency levels), but is stronger for

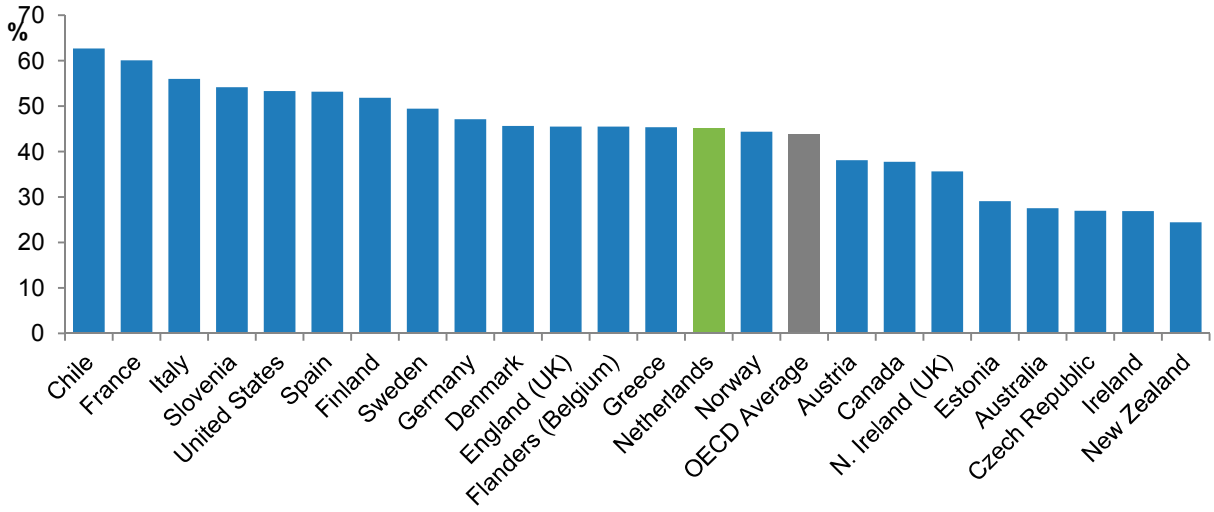
women than for men. The data also show a positive relationship between the use and the level of skills among older workers (40-65 years). By using skills regularly, the negative effect of ageing on an older worker's skill levels can be prevented (Buisman et al., 2013). These findings put further impetus on the need for continued investment in skills development in adulthood (see Challenge 2), and on creating a challenging and motivating working environment that makes effective use of skills (see Challenge 5).

Many immigrants have comparatively low levels of skills proficiency

The cognitive skills of students with an immigrant background are less well developed than their native peers. Despite the good performance of Dutch students on average, the performance of migrant students remains an area of concern for the Netherlands. Fifteen-year-olds with an immigrant background scored 60 points less on average than their native peers on the PISA 2015 science test. This gap is significantly larger than in many other OECD countries (OECD average of 43 points), and equates to two years of schooling. Even after controlling for socio-economic differences, both first and second-generation immigrant students still score far behind non-immigrant students, with 50 and 28 point differences, respectively (OECD, 2016a). Other international assessments and national data show that these gaps are visible from the earliest years. **Trends in International Mathematics and Science Study** (TIMSS 2015), for example, shows that primary students in group 6 (age 10), who rarely or never speak Dutch at home, on average score 29 points lower on science and 19 points lower on mathematics than their peers who (almost) always speak Dutch at home (Meelissen and Punter, 2016).

This trend persists in adulthood, with adults from immigrant backgrounds in the Netherlands having comparatively low proficiency in literacy, numeracy and problem solving. Immigrants account for about 35% of all low-skilled people aged 16 or older. Among first-generation immigrants, 45% are low skilled (i.e. they have low literacy or numeracy skills, or both), which is similar to the OECD average (44%). Among second-generation immigrants, about one in five (18%) is low skilled. For this group, the Netherlands scores better than many other OECD countries (Figure 13). However, there is a particularly large performance gap in literacy proficiency between native-born adults whose first language is Dutch and foreign language immigrants (nearly 51 score points compared to a PIAAC country average of 37 points). This difference largely reflects the high overall literacy proficiency of native-born, native language speakers in the Netherlands, rather than low proficiency among immigrants. However, it is concerning that the relationship with immigration status is stronger among younger adults than among older adults, with differences between natives and immigrants greater in the group aged up to 35 years. This is especially true for second-generation non-Western immigrants (Buisman et al., 2013).

Figure 13. Percentage of low-skilled among first-generation immigrants, PIAAC 2012, 2015



Source: OECD calculations based on OECD (2017), Survey of Adult Skills database (PIAAC*) (2012, 2015),* www.oecd.org/skills/piaac/ *(accessed March 2017).*

There are considerable gender differences in cognitive skills in the Netherlands

Dutch girls are significantly better at reading than boys. As in many other countries, in PISA 2015, Dutch girls performed significantly better than boys at reading (by 24 points) (OECD, 2016a). The 2011 Progress in International Reading Literacy Study (PIRLS) also showed that Dutch girls in group 6 in primary school outperformed boys by 7 points in reading, which is far below the international average of 16 points (OECD, 2016c). The 2015 TIMMS found that boys outperformed girls in mathematics by 8 points. For science, there was no significant difference (Meelissen and Punter, 2016).

Although Dutch women perform well when compared internationally, they have notably lower cognitive skills scores than Dutch men. The 2012 OECD Survey of Adult Skills shows that, on average, men performed better than women in literacy, numeracy and problem solving in technology-rich environments, with a particularly large different in numeracy. This applies to most countries, but the disadvantage of women compared to men in the Netherlands is among the largest across all countries surveyed (OECD, 2013). Part of the explanation – from the perspective of an international comparison – may lie in the unique pattern of female labour force participation in the Netherlands. While female labour force participation is high (at around 80%), more than three-quarters of women work part time, which, together with Switzerland, is the highest among OECD countries (OECD, 2016c). Apart from the fact that women are paid less and have fewer opportunities for promotion, this may also contribute to a less frequent use of foundation skills among women, and research evidence suggests that there is the risk that "if you don't use it you may lose". The fact that women tend to lose their foundation skills at a faster rate than men after the age of 40 suggests that this may be factor in explaining the significant differences in cognitive skills between men and women in the Netherlands (Buisman et al., 2013; see Challenge 4). However, this does not mean that the skills performance of Dutch women is low in international comparison; on the contrary, they perform well compared to women in other countries, and score significantly higher on literacy and numeracy than the OECD average. Still, given the considerable investment made in developing their skills in childhood and youth, and the importance of skills for good outcomes outside of the workplace, more should be done to ensure that woman are able to retain and further build upon these skills in adulthood.

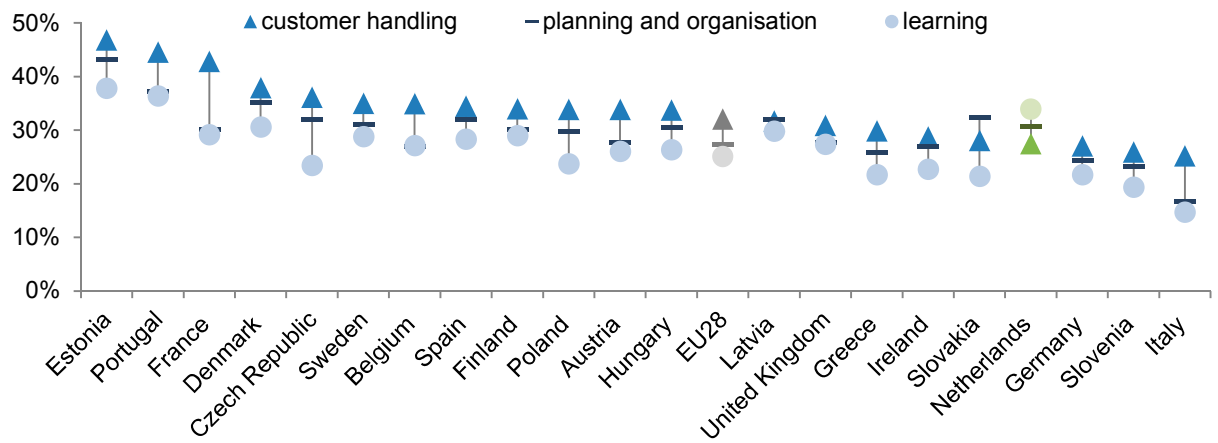
Scope for improving the social and emotional skills of Dutch students and adults

Many Dutch students seem to have low motivation for learning, perseverance and openness to problem-solving skills. PISA 2015 showed that many 15-year-old students in the Netherlands are not intrinsically motivated to learn science. Only 50% of students indicated that they enjoyed acquiring new

knowledge in science (compared to an OECD average of 66%), and an even smaller proportion (45%) are interested in learning about science (OECD average 64%) (OECD, 2016a). However, this low motivation for learning is not limited to science (Inspectorate of Education, 2015; OECD, 2016c). The lack of motivation for learning and readiness to work hard among many students – exemplified by the Dutch term the "*zesjes-cultuur*" – are worrying findings, particularly considering how the influence of peer groups becomes increasingly influential in middle and late childhood and adolescence (OECD, 2015a). There is a clear challenge for the Dutch school system to challenge and motivate students in their learning, which includes being more responsive to their learning interests and needs (OECD, 2016c).

Dutch employees report significantly lower planning, organisation and learning skills compared to their peers in other EU countries. CEDEFOP's European skills and jobs survey asks employees about their skill levels on a range of social and emotional skills ("transversal skills"), and how these compare to what is required for doing their job. Although there is a need for some caution in interpreting these self-reported data – Dutch employees may, for example, have a tendency to be more self-critical than employees in some other EU countries, or the Dutch economy may require higher levels of these skills than many other economies – it is nonetheless informative that a significantly higher proportion of Dutch employees than in other EU countries think that their planning and organisation skills, as well as their learning skills, are too low or barely match the level needed to perform their job (CEDEFOP, 2016b; Figure 5). For example, among 24-39 year-olds, more than a third (34%) report a gap in their learning skills, compared to an average of almost one in every four (24%) in EU countries (Figure 14).

Figure 14. Perceived social and emotional skills gaps of employees, 2014

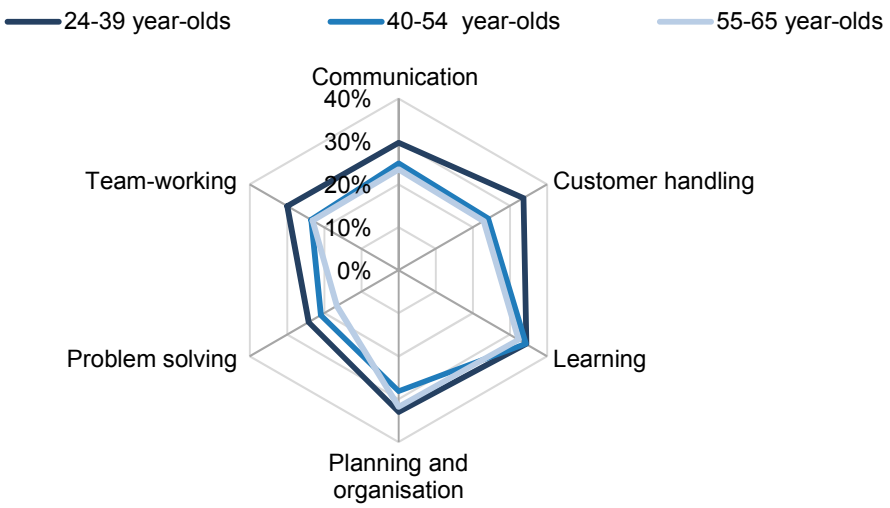


Note: Countries are ranked in descending order by "customer handling".

Source: OECD calculations based on CEDEFOP (2016b), CEDEFOP's European skills and jobs survey, CEDEFOP, Thessaloniki.

Many young Dutch employees report gaps in their social and emotional skills. The evidence available suggests that the customer handling, communication, problem solving, and team-working skills of 24-39 year-olds are significantly less developed then those of their older colleagues (Figure 15). Formal and informal learning on the job and in other parts of life may explain the higher skills of older adults. Figure 15 leads to two considerations: the first is whether or not skills gains through time are too small, as found to be the case by participants of the Skills Strategy workshops. The fact that about a third of employees think that their learning skills are not sufficiently developed stand at odds with the Netherlands' ambitions for developing into a learning economy. This challenge will be further explored in Challenge 2. The second consideration is whether or not the Dutch education system adequately supports the development of social and emotional skills. This issue will be further discussed below.

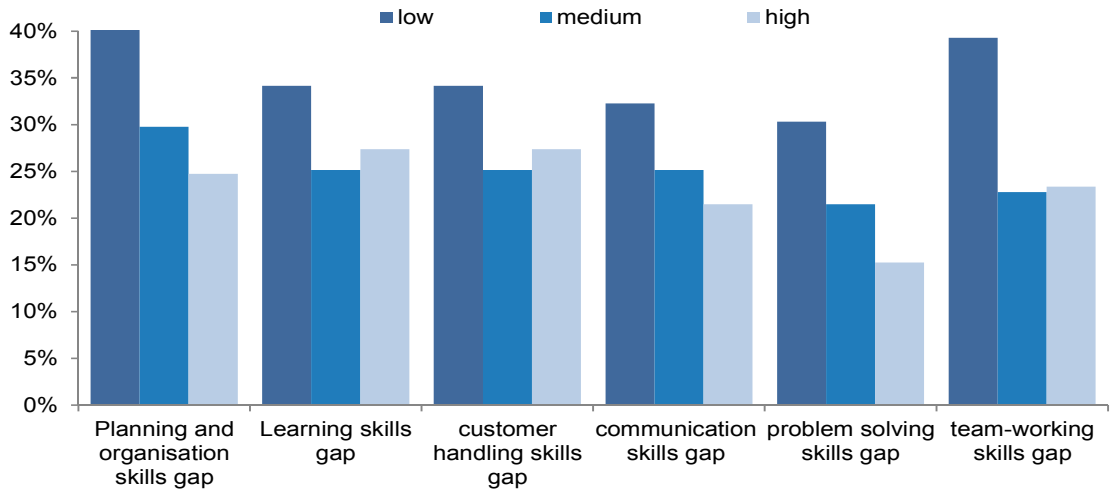
Figure 15. Perceived social and emotional skills gaps of employees in the Netherlands, by age group, 2014



Source: OECD calculations based on CEDEFOP (2016b), CEDEFOP's European skills and jobs survey, CEDEFOP, Thessaloniki.

Highly educated individuals report having notably better social and emotional skills than lower educated individuals. CEDEFOP's European skills and jobs survey allows for the comparing of perceived skill levels of employees of different educational backgrounds. The data suggest that the social and emotional skills of lower educated employees are significantly less developed than their higher educated peers in the Netherlands. For example, 16% of tertiary educated employees report a shortcoming in their problem-solving skills for the job they had (in 2014), while for lower educated employees, this proportion is twice as large (33%) (Figure 16).

Figure 16. Perceived social and emotional skills gaps of employees in the Netherlands, by level of education, 2014



Note: Education levels are defined as Low (ISCED 0-2), Medium (ISCED 3-4), and High (ISCED 5-6), based on ISCED97.

Source: OECD calculations based on CEDEFOP (2016b), CEDEFOP's European skills and jobs survey, CEDEFOP, Thessaloniki.

Dutch employees report larger job-specific skill gaps than most other EU countries, as there are shortages of certain skills that seem difficult to resolve

Dutch employees report larger job-specific skill gaps than most other EU countries. Although there is a need for some caution in interpreting these self-reported data, it is an important finding for policy makers, employers, social partners and other stakeholders that Dutch employees report, on average, larger job-specific skill gaps than their peers in other EU countries, regardless of their level of education. The skills gap, as may be expected, is largest for those employees with only a lower secondary education qualification, 42% of whom think that their job-specific/technical skills are too low and/or barely match the level needed to do their job, compared to an EU average of 34%. Among employees with an upper secondary or post-secondary qualification – many of whom have received upper secondary vocational education (MBO) – a third (33%) reported a gap in their job-specific skills in 2014 (EU average of 28%).

The Netherlands may face shortages in certain occupations in the future, mostly due to a low inflow of graduates with the requisite skills. Table 2 shows the CEDEFOP assessment of the occupations for which there is likely to be an oversupply of qualified people up to the year 2020 (right side column), and those occupations for which there are likely to be too few qualified people to respond to the growing number of jobs in these occupations and/or replacement demands due to retirements (left side column). The shortages for qualified people in STEM fields are not new to the Netherlands and have proven difficult to resolve, despite the often significantly higher wage premiums for occupations in these fields. In response, in 2013 the Netherlands initiated the "National Technology Pact" (*Nationaal Techniek Pact*). Over 60 signatories from the fields of education, business, employers, employees, the regions and central government signed a pact to structurally improve the connection between education and the labour market in the technology sector, and thereby to reduce the shortage of technical personnel. Good results have been achieved to date, including an increase in the proportion of universities of applied sciences (HBO) tertiary students starting a science programme from 18% in 2004/05 to 22% in 2014/15, and an increase from 26% to 35% in the same period for university tertiary students. Another example are the more transparent and broader range of the number of bachelor programmes in HBO; the number has been reduced from 65 to 36 broader programmes that better fit labour market realities (Ministry of Economic Affairs and Platform Bèta Techniek, 2015). Despite progress made, the continued concern about potential shortages of graduates in STEM fields shows the need to continue these efforts, which is why the pact has been extended with the National Science Pact 2016-2020.

Table 2. Projected shortage and surplus occupations in the Netherlands up to 2020

Shortage occupations	Surplus occupations
Science and engineering professionals	Personal care workers in health services
Architects, planners, surveyors and designers	Nursing and midwifery and other health professionals
Science technicians	Legal, social and religious professionals
ICT professionals	Childcare workers and teachers' aides
Installers and repairers	Secretaries and keyboard operators
Teachers	

Source: CEDEFOP (2016c), Analytical highlights, The Netherlands: Mismatch priority occupations, CEDEFOP, http://skillspanorama.cedefop.europa.eu/en/analytical_highligths/netherlands-mismatch-priority-occupations.

The Netherlands cannot afford – socially and economically – to leave groups of people behind

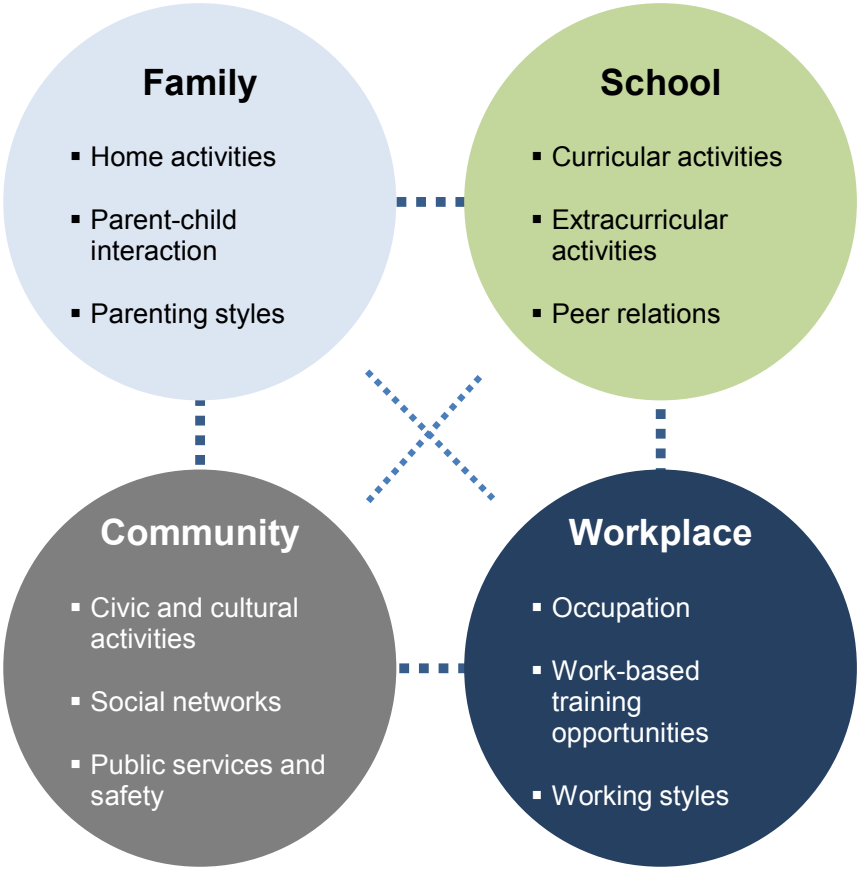
Sustained investment in the development of skills will be needed if the country is to keep thriving in an increasingly competitive global economy. This includes and depends on making sure that those groups currently left behind are able to develop their cognitive, social and emotional, and job-related skills to their full potential. The analysis above suggests that more needs to be done to realise this goal. Given that "skills beget skills", education and training and other social policies and programmes need to support and empower children and adults to take responsibility for their learning by ensuring coherence across learning contexts (i.e. family, school and the community) and stages of school progression (i.e. across early childhood to upper secondary or tertiary education) into work. This is essential for maximising the returns to skills investment over the life cycle for both individuals and society as a whole.

Ensuring that adults have the right skills means examining the performance of the Dutch skills system across their lifetime and in all contexts

Learning takes place in many different places and social contexts, which points to the value of formal, non-formal and informal learning. Formal learning involves institutionalised, curriculum-based learning and teaching, for example, learning that occurs within the education system, or workplace learning (Werquin, 2010). Informal learning is not structured, has no set objective in terms of learning outcomes and is more unintentional from the learner's perspective (CEDEFOP, 2008). The idea is that the simple fact of existing constantly exposes the individual to learning situations (Werquin, 2010). This type of learning can therefore take place within work, family or community contexts, for example, when people work together or when children play and discover new things. Non-formal learning is situated between formal and informal learning. It is structured, can have learning objectives and is intentional. However, it is not regulated or accredited. For example, teaching oneself how to build a website is intentional, but not funded or accredited (OECD, 2015a).

Skills formation takes place in a variety of social settings, and each form fertile feeding grounds for fostering a "learning culture" within all aspects of Dutch society. Realising a learning culture within all aspects of Dutch society was almost universally identified by participants in the Skills Strategy workshops as a very important goal to be achieved in the Netherlands. Although realising a change in culture is a complex process, the learning contexts presented below (see Figure 17) can help develop a set of shared beliefs, values and attitudes favourable to learning, i.e. a learning culture (OECD, 2010), among the people of the Netherlands. In these contexts, cognitive, social and emotional skills are developed, although their relative importance will change depending on an individual's stage in life.

Figure 17. A framework of learning contexts



Source: OECD (2015a), Skills for Social Progress: The Power of Social and Emotional Skills, OECD Skills Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226159-en.

The first years of a person's life matter tremendously as they lay the foundations for future skill development and positive adult outcomes

Parents play a central nurturing and educational role in their children's lives, particularly in early childhood. The close interaction and care provided by parents to their children are important factors to their success later in life. Children who lack stimulating learning environments and those who are exposed to stressful situations are more likely to lose out in their skill development in relation to their better-off peers. Parents also assume a great responsibility for their children's skill formation as they shape many of the environmental factors that will influence their development, for example, through their choice of neighbourhood, educational programme and household characteristics (OECD, 2006, 2015a; UNICEF, 2008). Furthermore, parents are instrumental in instilling positive attitudes towards learning in their children. The practices, attitudes and behaviours of parents help to shape those of their children and, as such, are instrumental in fostering the positive attitudes towards learning needed to establish a learning culture in all aspects of Dutch society.

The Dutch government supports disadvantaged families in their child rearing and educational role, with some noteworthy successes. The Dutch government has a long tradition of supporting families in the education and care of their children through a range of social policies. One such example is the programme "BookStart" that aims to help young families understand the importance of reading and books for the development of young children. Another long-running example is a special early childhood education and care programme for disadvantaged children between the ages of 2.5 and 6 years old, the VVE (*voor en vroeg schoolse*

educatie) programme. This programme has a structured curriculum that focuses on the holistic development of the child, but with an emphasis on Dutch language development. Recent studies suggest VVE programmes have positive effects on the emotional and educational development of children, and have also led to a reduction of repetition rates in primary schools (Slot, 2014; Akgunduz and Heijnen, 2016). This is important, as repetition during the first two years of primary education (at age four or five) is high and heavily biased towards children from socio-economically disadvantaged and immigrant backgrounds (OECD, 2016c).

Despite these efforts, there are growing concerns about inequality in skills development opportunities and social cohesion in Dutch society

Dutch parents could be more involved in the learning of their children. Family and home factors contribute significantly to the success of school children, and parents can help enormously when they encourage and support their children in their learning. A recent OECD report (OECD, 2016c) found that Dutch parents are less engaged in their children's education than in the highest performing education systems. The report also concluded that schools in the Netherlands could play a more active role in strengthening the partnership between parents and the school. Without the positive co-operation of family and schools, it is unlikely that all students will reach the high expectations in terms of educational outcomes set by a demanding society (Avvisati et al., 2013; Castro et al., 2015).

Parents with lower levels of education and immigrant parents tend to invest less in the skills development of their children than highly educated and native-born parents (Social and Economic Council, 2016; Veen, Roeleveld and Heurter, 2010). The evidence shows that, for example, parents' efforts to read a story with and to their children vary among different groups in society. Table 3 shows the results of a large-scale longitudinal cohort study in the Netherlands (COOL) in which parents of children in group 2 in primary school (around the age of 5) were asked how often they read together with and read a story to their children. The data confirm the finding of earlier studies (e.g. Duursma, Pan and Raikes, 2008; Duursma, 2011) that more highly educated parents read more often with and to their children than less well-educated parents. Similarly, native parents tend to read more with and to their children than parents with an immigrant background (Veen, Roeleveld and Heurter, 2010).

Table 3. Frequency of reading together and being read to by parents, by socio-ethnic background

	Reading together		Reading a story to their child	
	A few times a week	Less often	A few times a week	Less often
Total	**81.8%**	**18.2%**	**79.7%**	**20.3%**
Lower secondary vocational education (ISCED 2) as highest level of attainment – immigrant	71.1%	28.9%	61.6%	38.4%
Lower vocational education as highest level of attainment – native	75.2%	24.8%	67.7%	32.3%
Upper secondary vocational education (ISCED 3) as highest level of attainment – immigrant	77.8%	22.2%	67.3%	32.7%
Upper secondary vocational education as highest level of attainment – native	82.4%	17.6%	82.2%	17.8%
Tertiary education (ISCED 5-8) – immigrant	82.6%	17.4%	76.2%	23.8%
Tertiary education – native	88.3%	11.7%	89.9%	10.1%

Source: Veen, A., J. Roeleveld and A. Heurter (2010), "Onderwijs en opvang voor jonge kinderen" [Education and care for young children], Education Council, The Hague.

The number of families living in poverty has risen rapidly in recent years, which is not just a concern for today, but may affect individuals' skills formation and job prospects in the future. As a result of the economic crisis, the number of people living in poverty rose to more than 1.25 million in 2013 (up from just under 850 000 in 2007) of which almost half (595 000) lived at least three years below the poverty threshold, the definition of long-term poverty. Retired elderly and non-western immigrants with minor children are particularly vulnerable to long-term poverty (Wildeboer Schutt and Hoff, 2016). These developments have rightfully received the necessary policy attention in the Netherlands, as investing in cognitive, social and emotional skills, especially among the disadvantaged population during early childhood, is one of the best ways to reduce social and economic inequalities. However, sustained efforts will be needed to break the vicious cycle of poverty for these people. The country should continue to carefully monitor whether policy measures succeed in reducing the number of families living in poverty and inequality in educational outcomes, while enhancing social cohesion in society.

High-quality early education and care services can help children develop strong cognitive skills and improve life chances, especially for children from disadvantaged or immigrant backgrounds

Participation in early childhood education and care is high, but intensity is low. The early childhood education and care (ECEC) system in the Netherlands refers to all settings that provide care and early education to children under the age of 4. Participation is high for 3-year-olds: 83% participated in 2013, which is above the OECD average of 74%. In the same year, 0 to 2 year-olds attended ECEC on average 17 hours per week, against an OECD average of 30 hours. Participation in ECEC is high, but the average number of hours is low (OECD, 2016c).

Participation is strongly determined by socio-economic status, which risks reinforcing social disadvantage. About 40% of children under 3 from the lowest income group (20th percentile) attend no form of ECEC provision, compared with 8% for the highest income group. There is also a strong socio-economic dimension in the choice of ECEC facility, with private day care centres typically catering for dual-earner, mainly wealthier, households, and with pre-kindergartens typically serving children from low-income families and minority backgrounds. Some reports, (e.g. Education Council, 2015; Social and Economic Council, 2016), as well as a number of participants in the Netherlands Skills Strategy workshops, have warned of the ensuing risks of social segregation.

There are concerns about the quality of general ECEC services in the Netherlands. High-quality ECEC is positively associated with the cognitive, social and emotional development, and educational achievement of children, especially among those of disadvantaged backgrounds (OECD, 2006; Heckmann and Masterov, 2007). While VVE programmes seem to positively impact children's development, there is evidence of quality problems among general ECEC services in the Netherlands. Several reports have therefore argued for improving the qualification levels of ECEC staff, as well-educated, well-trained professionals are key for providing high-quality ECEC that has the most favourable cognitive and social and emotional outcomes for children. The development of a curriculum framework and a shift towards a more integrated ECEC system have also been proposed in this context (OECD, 2016c).

School and the community become increasingly important for the development of skills as a child enters formal education and develops more diverse social networks

The Dutch school system has managed to diminish the impact of disadvantage on student outcomes. Through such measures as the school funding system, which favours disadvantaged students, the Netherlands has to some extent succeeded in diminishing the impact of socio-economic disadvantage on student performance, and therefore enhancing children's chances in life (OECD, 2016c).

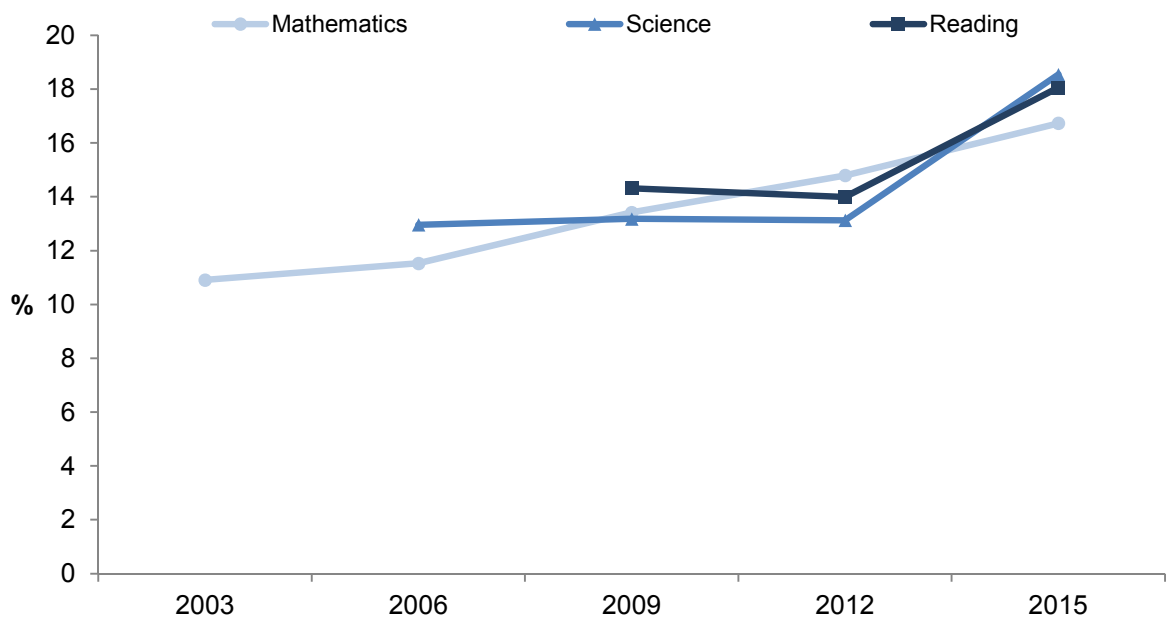
However, there are growing concerns about the quality of school education and the inequality of educational opportunities of students in the Netherlands; there is a risk that those falling behind will fall behind even further. As discussed, student performance has declined significantly since the start of the century. In addition, PISA 2015 showed that the proportion of low performers for all three test subjects

(mathematics, reading and science) has steadily risen during the last decade. For example, in mathematics, the proportion rose from 11% in 2003 to 17% in 2015 (Figure 18). In science, almost one in every five students is a low performer. Furthermore, the performance difference of the 10% best and lowest performing students increased significantly in reading and science between the 2006 and 2015 PISA tests (by 28 points and 15 points respectively). An earlier OECD report (OECD, 2016c) found large performance differences between schools and growing inequities in educational opportunities of students from different socio-economic backgrounds. The lack of rigour and fairness of the current student selection system (from primary into secondary), the subsequent permeability of the system, and firms less often offering work-based learning opportunities to students from lower socio-economic backgrounds and migrants, were specifically mentioned by Skills Strategy workshop participants. In response to these worrying developments, the Ministry of Education, Culture and Science (MoECS) recently presented a number of measures, including the "Action Equal Opportunities in Education" (MoECS, 2016a). MoECS should (as it intends to) carefully monitor whether the proposed policy measures suffice for reversing the downward trend in student performance and making the school system more equitable again.

High-level skills are important for the advanced Dutch economy, but the evidence suggests that some of the most promising students are not reaching their full potential. PISA showed that many students in the Netherlands, including top performers, are not well motivated. Top performers also perform poorly on important social and emotional skills, such as perseverance and openness to problem solving. The Netherlands is well aware of the situation, and for several years has been promoting student excellence through a range of policy initiatives. It should continue exploring the most effective approaches for promoting student motivation and challenging students to reach their potential. Further policy efforts should focus on building teacher's capacity to differentiate their teaching, setting high expectations through a relevant curriculum, and fostering parental engagement in education (OECD, 2016c).

Figure 18. Percentage of low performers in the Netherlands, PISA 2003-2015

Percentage of students performing below Level 2 in mathematics, science and reading



Source: OECD (2016a), PISA 2015 Results (Volume I): Excellence and Equity in Education, PISA, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266490-en.

Important steps have been taken towards developing a 21st century school curriculum that balances cognitive, and social and emotional skills. Responding to a rapidly changing society and uncertain labour market demands of the future, the Netherlands, at the end of 2014, embarked on a public dialogue to review the primary and secondary education curriculum. It invited all interested parties and stakeholders, including teachers, students and parents, but also the world of business and science, to share their views on what a future-oriented curriculum should entail. One of the main conclusions of this large-scale exercise was to better balance cognitive skills with social and emotional skills in the new curriculum. Five cross-curricular skills were also identified: working together, critical thinking, learning to learn, creativity and problem solving (MoECS, 2016b). The Netherlands has started the development of the new curriculum and is planning for its implementation, which it recognises is a complex undertaking that will take some time to complete. As also noted in Challenge 2, it is essential that the Netherlands succeeds in this endeavour, which is aimed to provide its students with a solid foundation and set of skills and a "learning culture mindset" to thrive in the 21st century.

As children enter middle and late childhood and adolescence, the community and peer groups become increasingly important for their skill development

The community and peer groups become increasingly important in the skills development of children as they enter middle and late childhood and adolescence. In addition to schools and parents, community and peer groups become increasingly important in the cognitive and social emotional development of children in middle and late childhood and adolescence (OECD, 2015a). Activities offered in the community, such as by sports association, allow children to practice their interpersonal and communication skills.

Learning contexts can complement each other when enhancing children's skills. For example, a child's mathematics and language skills can be enhanced when school lessons are reinforced by related activities at home or in the community. Likewise, a child's self-esteem and sense of respect towards others are best nurtured when school, home and the community work together towards the same goal. International research also underscores the importance of implementing social and emotional skills programmes within the context of a whole school approach that embraces the wider school, family and community context (Clark et al., 2015).

Environmental factors, such as peer groups, social media or participation in sports, have the potential for good, but can also harm the skill development of children. Peer influence on a child's cognitive and social and emotional development can be substantial, especially during adolescence. Acceptable social customs are taught and fostered, so improving the attitudes of some can positively influence those of many others. Without positive peer group interactions, serious social problems may develop (OECD, 2015a; Wentzel, 2012; You, 2011). Social media is playing an increasingly large role in the lives and skill development of children today, sometimes in negative ways. For example, in a recent study, almost 47% of 12 to 18 year-olds said that social media has a negative impact on one or more parts of their lives. Many children report cases of cyberbullying, but social media can also cause children to concentrate less well, not sleep well or perform worse in school. Girls are more likely to be negatively affected than boys (Kloosterman and Van Beuningen, 2015). Through measures such as "Action plan social security in school" the Dutch government, together with social partners, have been working with schools to ensure that all children have a safe learning environment, inside and outside of school. However, success ultimately depends on connecting learning contexts and parents, schools and the local community working in partnership, and the government playing a pivotal facilitating role and monitoring the impact of efforts.

Vocational upper secondary education is of good quality with strong connections to the labour market, but the number of students continuing to higher levels of education has dropped recently

In the Netherlands, upper secondary vocational education schools (MBO) are well-resourced and perform well, with strong links to the labour market. This link is mediated through extensive work-

based learning. School-to-work transition is also smoother in the Netherlands than in most other countries with a low NEET[3] rate (Fazekas and Litjens, 2014).

The transition from upper secondary vocational education to higher vocational education has become more difficult in recent years. The evidence suggests that increased entry requirements of some higher vocational education programmes (at universities of applied sciences), and the change to a loan system for tertiary students, have made tertiary education a less attractive and/or less accessible study option, especially among upper secondary vocational education graduates (Inspectorate of Education, 2016). Although there are no exact figures, according to MoECS, a large group of students are not well informed of the rules (see also Challenge 8 on skills information). Although the basic grant no longer exists, students can still borrow and receive an additional scholarship, which they do not have to repay.

The growing demand for tertiary graduates may not be met in the future, as is there scope for further enhancing the quality and "future proofness" of tertiary education

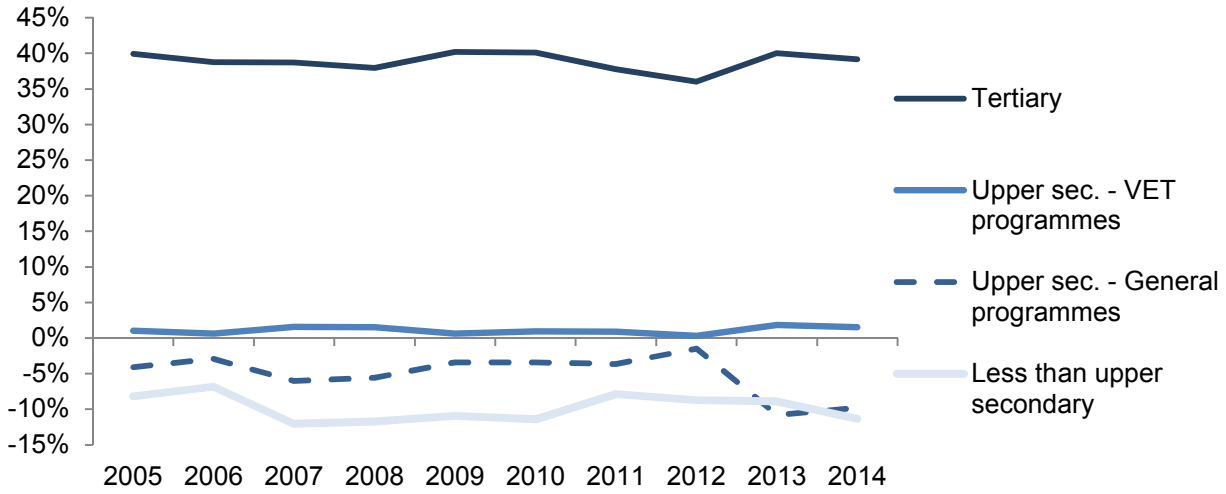
An increasing share of occupations in the Netherlands requires high levels of education and skills. Higher level skills are critical for spurring innovation and productivity, thereby supporting economic growth and higher standards of living in the Netherlands (see the Introduction to this report).

As in many countries, attainment at the tertiary level has risen in recent decades. The share of 25-34 year-olds holding a tertiary degree stood at 44% in 2014, which was 17% higher than among 55-64 year-olds. Tertiary attainment in the Netherlands is currently equivalent to the OECD average (34% in 2014), and almost two out of three of today's young people (65%) are expected to enter tertiary education at least once during their lifetime (67% OECD average) (OECD, 2016d).

The skills of tertiary graduates are highly valued in the Netherlands. The relative earnings and employment associated with different levels are an important measure of the alignment between skills supply and demand (Machin and McNally, 2007). Employers signal their preferences for different levels and fields of study by their offer of employment and compensation. Given the steady increase in tertiary attainment growth (supply) in the Netherlands during the last decade, wage premiums (earnings relative to those of upper secondary graduates) would be expected to have declined if employer demand for their skills had not also increased. Figure 19 shows that apart from a small dip in 2011 and 2012 for tertiary university graduates, and a dip in 2012 for tertiary HBO graduates, this did not happen. Wage premiums have been relatively stable between 2005 and 2014 for both groups of tertiary graduates. So while the supply of tertiary graduates increased during this period, it only kept pace with growing demand for high-level skills.

However, there are concerns about the quality and "future proofness" of tertiary education. The Dutch tertiary education system is performing well on average, but there is scope for improvement, and it is not yet ready for the 21st century. Apart from needing financing for quality improvements, one of the concerns about the quality of tertiary education – also mentioned by participants in the Skills Strategy workshops – is that tertiary education is still too focused on knowledge acquisition, rather than on gaining skills. The underdeveloped link of study programmes to the labour market and students' diverse learning needs are other concerns consistently pointed out by participants of the Skills Strategy workshops. The Dutch government aims to respond to these and other concerns about the quality and "future proofness" of tertiary education in the Netherlands through its Strategic Agenda Tertiary Education and Research 2015-2025. It should continue to carefully monitor whether policy measures are having the desired effect.

Figure 19. Wage premium for 25-34 year-olds relative to upper secondary education (ISCED 3 Total) by educational attainment, 2005-14



Note: Upper secondary includes data on post-secondary non-tertiary, which is in most cases not significant or zero.

Source: OECD calculations based on data from Statistics Netherlands (CBS).

The growing demand for tertiary educated people may not be met in the future. Projections show that the number of tertiary students is likely to increase slightly the coming years until around 2022 when, like for other levels of education, a decline in student numbers is expected (MoECS, 2016c). Data show that the number of students who enrolled in tertiary education in 2015 dropped by 7%, both in universities of applied sciences (HBO) and universities, compared to the previous year. Among students with low-educated parents, first year enrolments fell by around 15%, and the proportion of students with disabilities decreased by roughly 20% in HBO and at least 5% in universities (Van den Broek et al., 2016). Especially striking was the decline in the number of students starting teacher training for primary education (PABO). Mathematics and language test requirements and an end of training test have been implemented in recent years. The quality of new teachers is considered to have improved partly due to this measure (Inspectorate of Education, 2015). Further subject knowledge requirements have been imposed on those wanting to enter teacher training for primary education from 2015/16 onwards, causing first year enrolments to drop by 32% in 2015 compared to the previous year (Inspectorate for Education, 2016). Participants of the Skills Strategy workshops suggested that changes to a student loan system and stricter entry requirements may have made tertiary education a less attractive and/or less accessible study option. However, more recent data showed a recovery in tertiary enrolments of 5% for HBO and 8% for universities, compared to the previous year. The Netherlands should continue to carefully monitor tertiary enrolments to safeguard the emancipatory function of education and ensure that the growing need for highly qualified people by the Dutch economy is met.

The workplace is the focal point for skill development in adulthood

The workplace can be a very powerful learning environment for adults to maintain and further develop workers' skills, but, in practice, is often an underutilised place of learning in the Netherlands. The workplace provides a (potentially) strong learning environment because it offers real on-the-job experience that makes it easier to acquire job-specific skills, as well as other important skills, such as problem solving, conflict management and entrepreneurship, which arguably may be more effectively learnt in workplaces than in classrooms and simulated work environments. Informal learning in particular is increasingly seen in the Netherlands as an essential, but often underutilised resource for enhancing the skills of workers and increasing productivity and innovation (Echtelt et al., 2016; De Grip, 2015). Participants in the Skills Strategy workshops were generally in agreement that the challenges of greatest concern are the need to increase learning

in adulthood and improving skills use in workplaces. These challenges are therefore further discussed in detail in Challenges 2 (on continuous skills development in adulthood) and 5 (on skills use in workplaces). Because of the relative importance given to these challenges by stakeholders, they have also served as a lens for the analysis of the other challenges in this report.

Summary and policy recommendations

A wide range of skills is needed to ensure that individuals and society are resilient and adaptable in the context of rapid change. Higher levels of cognitive skills, social and emotional skills and job-specific skills all provide important economic and social benefits for individuals and society. Many stakeholders participating in Skills Strategy workshops worried that not enough people in the Netherlands were developing the right skills needed to succeed in work and life.

In the context of uncertainty, developing a balanced portfolio of skills will be important for the success of individuals and society. A balanced skills portfolio will be the best risk mitigation strategy for individuals and society. For individuals, this means developing the strong basic cognitive and social and emotional skills needed to learn new and more advanced skills. For society, it means ensuring enough people develop the job-specific skills – often associated with the completion of fields of education at the tertiary level – needed to fill specific occupations, as well as equip the country to overcome threats and seize opportunities as they arise. Being prepared for tomorrow also means providing people with the best information available about current and anticipated skills needs (see Challenge 8 on skills information).

While the Netherlands has a highly skilled population compared to most other countries, it cannot afford to be complacent. Competition from skilled workers in other countries and the ongoing "robotisation" of jobs add to a context in which the high relative skill levels of the Dutch population are not enough to secure success in the future. Countries should be aiming for steady improvements in the skills of their people. Therefore, it is worrying that average scores of Dutch youth on all three PISA test subjects (mathematics, reading and science), as well as on TIMMS, have been declining since the start of the century. Of equal concern is the increase in the share of low performing students. A number of policy measures have been introduced to improve the quality of education in recent years, but considering the significance of the decline in student performance, the question should be raised as to whether these measures will suffice in reversing the downward trend in student performance.

The demand of the economy for tertiary graduates is likely to continue to grow in the future. While a comparatively high share of Dutch people already complete tertiary education, an even higher share will need to pursue tertiary studies in the future to meet labour market demands. The government should continue to carefully monitor tertiary enrolments given its emancipatory function and the growing demand for tertiary graduates by the Dutch economy. Given the high private returns to investment in tertiary studies, there is a good argument for substantial private investment in tertiary education, and financing mechanisms can be improved to provide better incentives for pursuing tertiary education (see Challenge 7 on skills financing). In addition, individuals should be provided with more accessible and user-friendly information about current and future skills needs to allow them to make informed education and skills choices (see Challenge 8 on skills information). However, it is important to improve the skills of youth before they enter tertiary education, as well as to improve the quality of tertiary education itself.

The skills of some groups are significantly less well developed; a wealthy and inclusive country such as the Netherlands cannot afford – socially and economically – to leave these groups behind. More than 1.7 million people over the age of 16 are low skilled, of which two-thirds are of prime working age. Immigrants also comprise a large share of low-skilled adults (35%). Although these "vulnerable" groups still perform better than their counterparts in most other OECD countries, their comparatively poor performance relative to their Dutch peers means that they will struggle to find work and integrate successfully into society. With an ageing population, the Netherlands can ill afford to waste its human capital (see Challenge 2 on continuous skills development). Additionally, Dutch employees report greater skills gaps than their peers in most other EU countries, particularly when it comes to social and emotional skills.

Improving equity in skills outcomes is about more than schools – it requires sustained efforts from all of society. While appreciating the importance placed on taking "individual responsibility" in the Netherlands, some groups are less capable of taking advantage of the skills policies that work so well for many others. Therefore, targeted policies are needed to respond to the unique needs of these groups. Parents play a central nurturing and educational role in their children's lives, particularly in early childhood, and this is where children of lower educated and immigrant parents need targeted support by government. The government should also improve the quality of general ECEC services through the development of a curriculum framework, and by improving and standardising the qualifications and training of ECEC staff (OECD, 2016c). In addition, the government should carefully monitor whether its policy measures suffice in reversing the downward trend in student performance and making the school system more equitable again. Schools should take a more proactive role in strengthening the partnership between parents and the larger school community, and further encouragement through, for example, education inspections should be considered. However, improving equity in skills outcomes is not only about schools; parents, the community, firms and Dutch society at large all have to do their part to foster children's interest for learning as they develop into adulthood. Firms should be more proactive in supporting students from lower socio-economic backgrounds and migrants to succeed by offering them work-based learning opportunities. Schools need to be more alert for and report discrimination cases. Developing policies to better meet the needs of vulnerable groups will also require engaging them to better understand their unique needs (see Challenge 9 on stakeholder engagement).

NOTES

1 At Level 1 in literacy, adults can read brief texts on familiar topics and locate a single piece of specific information identical in form to information in the question or directive.

2 Adults at Level 3 can complete tasks involving multiple computer applications, a large number of steps, and the discovery and use of ad hoc commands in a novel environment. At Level 2, adults can complete problems that involve a small number of computer applications, and require completing several steps and operations to reach a solution.

3 Youth not in education or employment.

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CHALLENGE 2: PROMOTING CONTINUOUS SKILLS DEVELOPMENT IN ADULTHOOD, ESPECIALLY AMONG LOW-SKILLED ADULTS

HIGHLIGHTS

Participation in continuous skills development in adulthood can strengthen the capacity of individuals to adapt to changes in the economy and society and take advantage of the new opportunities afforded by technological change and participation in global value chains. While adult participation in skills development is strong overall, the Netherlands is not fully realising its ambition of developing a learning culture for everyone. Of particular concern is the low participation of low-skilled adults in all forms of learning. Low-skilled adults are also less likely than their more highly skilled peers to receive financial support from their employers to participate in education and training.

Given that the highly skilled are more likely to be continuous learners in adulthood, part of the solution lies in ensuring that there are, in the future, fewer low-skilled adults. However, even with the best initial education system, some people will enter adulthood without strong skills. For these people, the workplace may be the single most important place of learning in adulthood. While Dutch firms score well, on average, in their functioning as learning organisations, they are not top performers, and many Dutch stakeholders perceive that firms could do more to develop the skills of their workers. Furthermore, many Dutch firms, especially small and medium-sized firms, are not making full use of the skills of the workers they have (see Challenge 5 for more information on skills use). It is important that individuals take responsibility for their own skills development throughout life. In this context, the generally low state of readiness to learn of many Dutch adults should be of great concern, and evidence that the Netherlands is not achieving its ambitions for becoming a learning culture.

Stakeholder Perspectives:

Stakeholders worry that the Netherlands' current skills performance may not be sufficient to secure a future as bright as that enjoyed in the past. Stakeholders participating in Skills Strategy workshops expressed concern that too many adults are not continuing to develop their skills in adulthood and will be vulnerable in the context of economic and social change. Some noted that the current skills system of the Netherlands works well for the average person, but much less so for those on the margins of society. They commented that low-skilled adults in particular are not engaging sufficiently in, and benefitting from, continuous skills development. Others noted that despite many years of talking about the importance of developing a learning culture, the Netherlands still has not achieved this goal.

Recommendations:

- Government and employers should improve the financial incentives for firms and individuals to invest in their skills development (for more information, see the recommendations in Challenge 7).
- Employers, employer associations and government should jointly develop a pilot programme that includes research-based investigations, and networking and dissemination of good (and bad) learning practices between firms and sectors to encourage and guide them in their efforts to create thriving learning cultures. Based on the findings of this pilot, the government could consider providing targeted financial support to firms for the development of their human resources and for reforming their modes of operation towards becoming learning organisations.
- The Social and Economic Council (SER) of the Netherlands, or other social partners, could publically recognise (e.g. an award of recognition) top learning organisations, such as those that, among other things, invest in the skills of their workers.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to promote adult learning and the development of a strong learning culture in society and firms.

Introduction

Continuous skills development in adulthood can strengthen the capacity of individuals and society to adapt to economic and social change and seize new opportunities. Given that globalisation and technological change are increasing the skill requirements of jobs in the Netherlands, and that people are likely to perform multiple functions in the labour market in their lives (Pleiers and Hartgers, 2016; MoECS, 2015a), participation in formal education and non-formal and informal learning will likely become increasingly important for adapting to the changing demands of the workplace (not to mention of society), maintaining employment and advancing careers, and taking advantage of the opportunities afforded by new technologies and global value chains. This is particularly important for the large share of the workforce currently or potentially vulnerable to displacement (Figure 7 in the Introduction). For immigrants, refugees and other newcomers, the development of skills, including mastering the Dutch language, and the recognition and validation of these skills (see Challenge 6 on skills recognition) will be critical to their successful integration into Dutch society (Leerkes and Scholten, 2016).

Stakeholders expressed concern that the Netherlands' current skills performance may not be sufficient to secure a future as bright as that enjoyed in the past. Most stakeholders participating in Skills Strategy workshops in the Netherlands were unwavering in their view that learning throughout adulthood is key to success in a complex and rapidly changing world. However, many expressed concern that too few adults were taking sufficient responsibility for ensuring that they have the skills needed for success now and in the future. Many noted that the low skilled in particular are not engaging sufficiently in and benefitting from continuous skills development. They also voiced concern that firms were not doing enough to develop (the subject of this section) and use (see Challenge 5 on skills use) the skills of (all) their workers fully and effectively to boost productivity and growth. Others noted that despite many years of talking about the importance of developing a learning culture, the Netherlands still has not achieved this goal.

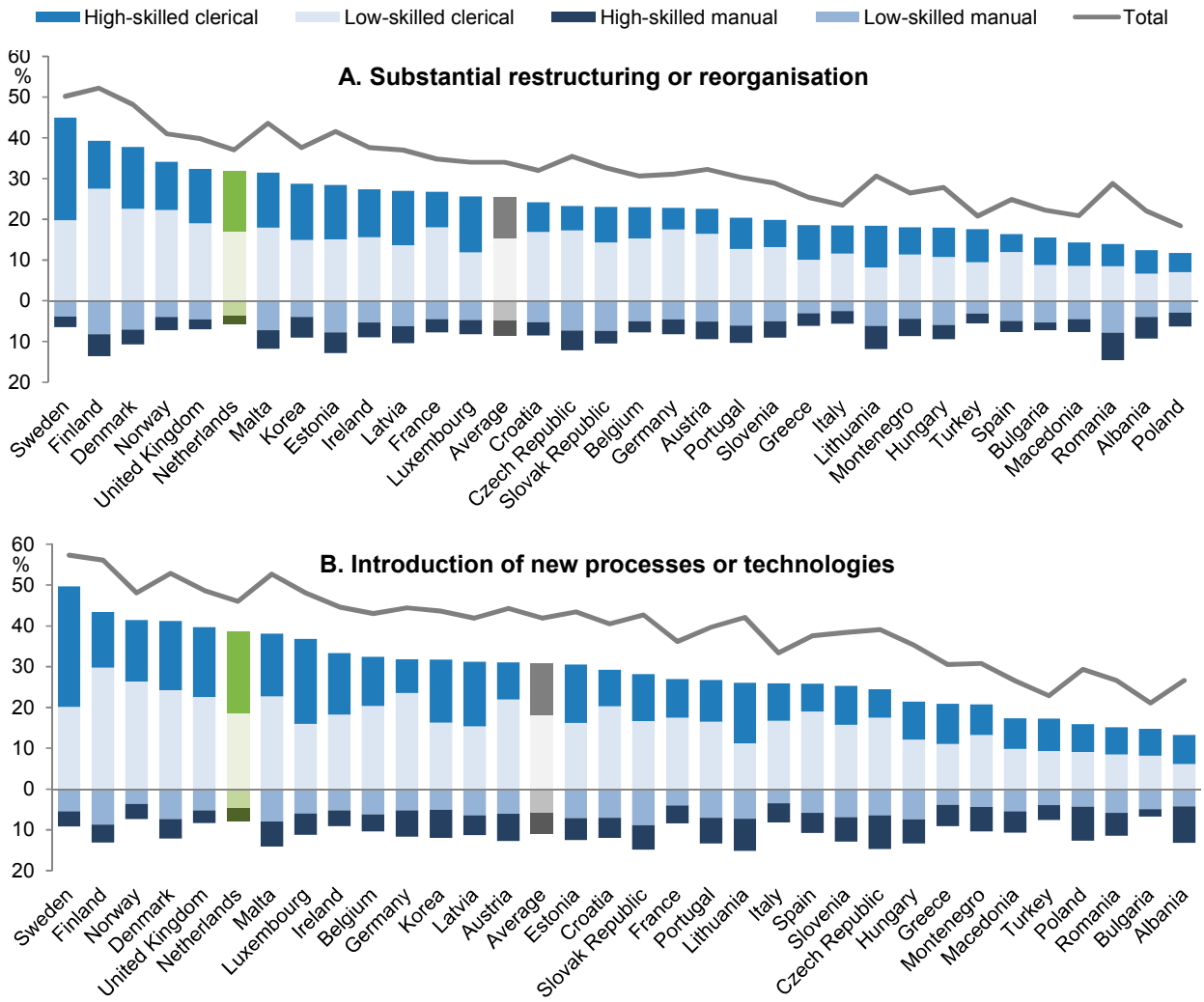
This chapter is structured as follows: 1) it discusses the trends impacting skills needs and evidence that many adults do not have the skills to cope with these pressures; 2) it analyses evidence about patterns of skills development in adulthood in the Netherlands, highlighting groups that are participating less in learning; 3) it highlights concerns about the responsiveness of post-secondary and tertiary education to the needs of adults; 4) it assesses the performance of the Netherlands in developing a learning culture; and 5) it discusses what individuals, employers, social partners, the government and others need to do to make the promise of a learning culture a reality for all in the Netherlands.

The world of work is changing rapidly, and many people do not have the skills to take advantage of its opportunities

The Netherlands needs to further improve its skills performance to be competitive in an increasingly interconnected and rapidly changing world. The Netherlands ranks highly on the adoption of organisational changes, which is found to be associated with increased firm-level innovation and productivity (Figure 20). Given that globalisation and technological are reshaping the types of skills demanded in the labour market (see Figure 8 in the Introduction) and are contributing to the increase in the share of jobs requiring higher levels of skills an education (see Figure 9 in the Introduction), and that a large share of the workforce are currently or potentially vulnerable to technological displacement (Figure 7 in the Introduction), formal education and non-formal and informal learning will likely become increasingly important for adapting to the changing demands of the workplace (not to mention of society), as well as for maintaining employment. Further learning in adulthood will also allow people and firms to seize the opportunities afforded by new technologies and global value chains.

Figure 20. Organisational change at the workplace, 2010

Percentage of workers who reported changes in their current workplace during the previous three years that affected their work environment



Note: Countries are ranked in descending order of the percentage of workers with low and high clerical related skills who report changes.

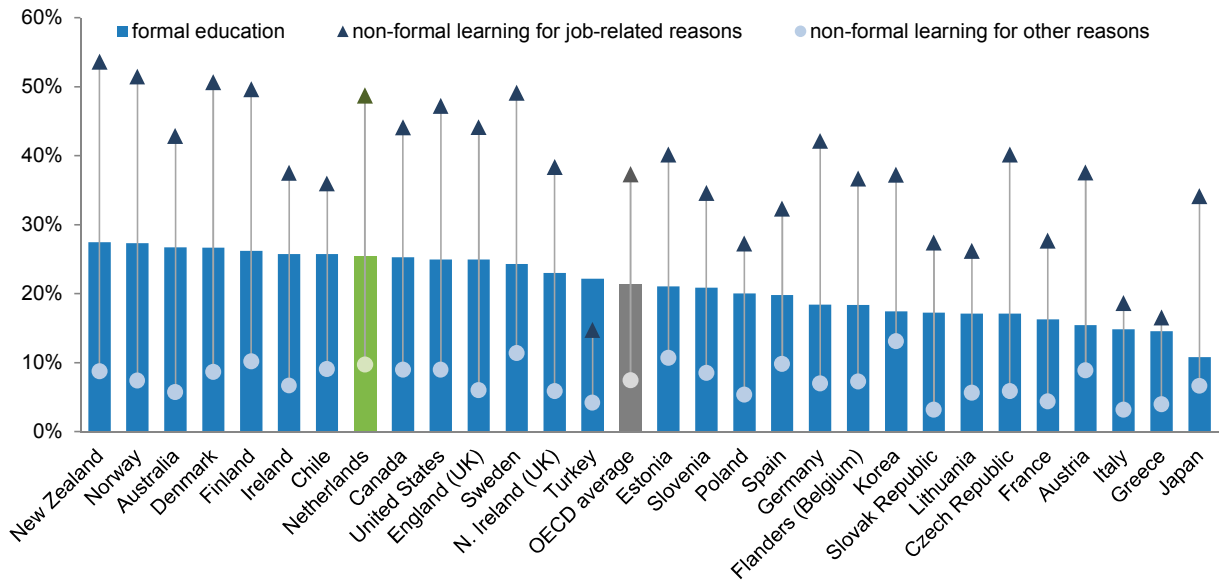
Source: OECD calculations based on Eurofound (2010), European Working Conditions Survey (2010), European Foundation for the Improvement of Living and Working Conditions, Dublin, www.eurofound.europa.eu/surveys/european-working-conditions-surveys/fifth-european-working-conditions-survey-2010.

There are 1.7 million working-age adults in the Netherlands with low levels of basic foundation skills who are particularly vulnerable (see Challenge 1 on developing the right skills). According to the 2012 OECD Survey for Adult Skills (PIAAC), approximately one-third of low-skilled adults (35%) are between the ages of 55 and 65, and will soon be leaving the labour force. However, some 65% are of prime working age (16-54), and as such will be part of the labour force for many years to come. These individuals are at a disadvantage for adequately responding to changes in their current jobs, and in the case of job loss, finding and/or reskilling for new ones. It is, therefore, particularly worrying that such a large share of low-skilled adults are not participating in continuous skills development (Figure 24).

Participation in skills development in adulthood is strong overall, but the Netherlands still lags behind a number of other countries

Participation in adult formal education in the Netherlands is strong overall, but falls behind the level of top-performing countries. Adult participation in formal education in the Netherlands (25%) is similar to that in Canada, the United States and the United Kingdom, and exceeds the OECD average (21%) (Figure 21). However, it falls below top-performing countries, such as Australia, Israel, most of the Nordics and New Zealand.

Figure 21. Participation in formal and non-formal education and training, 25 to 65 year-olds, PIAAC 2012, 2015



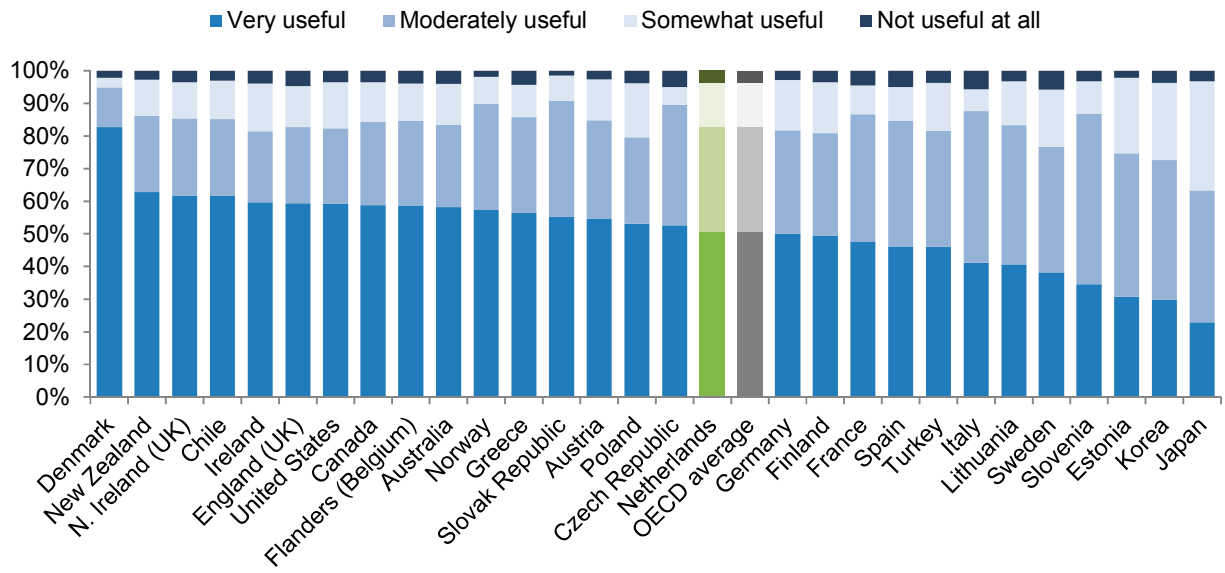
Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Adult participation in non-formal learning in the Netherlands is significantly higher than most OECD countries, but still lags behind many top-performing countries. Figure 21 shows that while the gap between the Netherlands and the top-performing country in participation in formal education and in non-formal learning for jobs-related reasons (2.5 and 5 percentage points respectively) is not particularly large, it does suggest scope for improvement, especially considering the country's ambitions for becoming a learning economy.

Dutch adults are no more likely than adults in most other countries to find that their education and training are relevant to their job. Figure 22 shows that about half of adults (aged 25-65) who participated in informal or non-formal education and training for job-related reasons found that it was useful for their job, which was virtually identical to the average for OECD-PIAAC countries.

Figure 22. Percentage who found education and training useful for their job, PIAAC 2012, 2015

25-65 year-olds participating in formal or non-formal education and training for job-related reasons



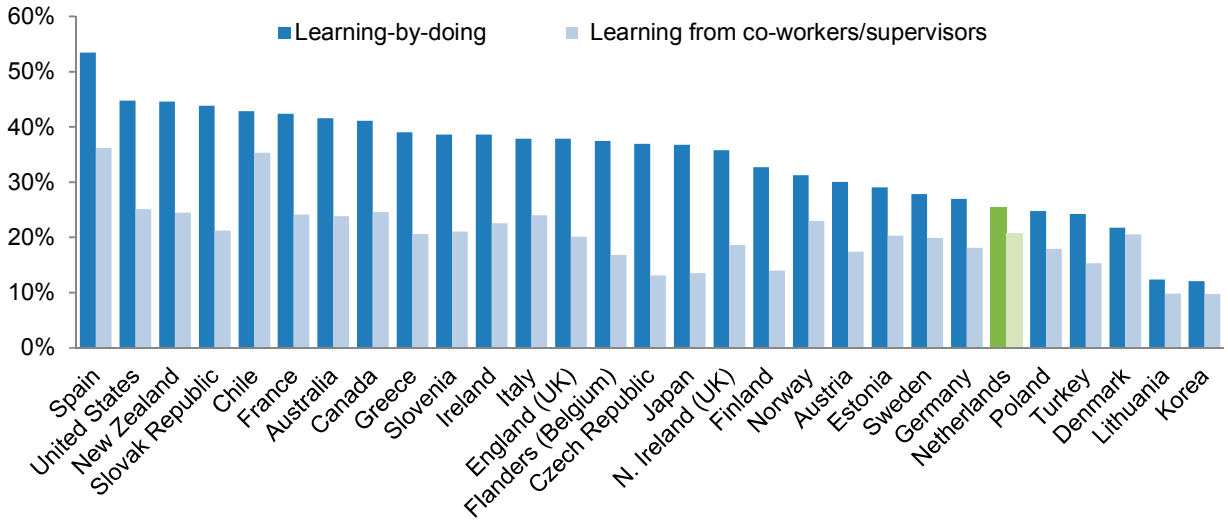
Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Informal learning in workplaces is less common than may be expected for a country that aspires to have a learning economy

In adulthood, informal learning in the workplace is arguably the most important mode of skills development. Adults learn through work tasks, from colleagues and work mentors, through trial and error, by solving challenges and changing job positions, as well as through the continuing training that employers may provide (CEDEFOP, 2011). Several studies have shown that most learning takes place informally, and is important for realising knowledge spill overs among co-workers (e.g. Borghans et al., 2014; De Grip, 2015). Borghans et al. (2014), for example, showed that informal learning activities accounted for 96% of the time in which Dutch workers were engaged in activities from which they learnt. Their study also showed that the learning intensity of an hour of informal learning is, on average, as high as an hour of formal education. As such, informal learning is significantly more important for workers' performance and skills development than formal education (De Grip, 2015).

Dutch workers are not as actively involved in informal learning as their peers in other countries. Although participation in informal learning on the job has increased in recent years, evidence suggests that Dutch workers in 2013 spent, on average, less than 40% of their work time performing tasks from which they learnt (Borghans et al., 2014). Similarly, the 2012 OECD Survey for Adults Skills showed that 25.4% of Dutch workers reported being involved in informal learning on a daily basis – less than half that of their peers in Spain. Another 20.7% reported learning new things from supervisors or co-workers, which again is much lower than many other OECD countries (Figure 23).

Figure 23. Percentage of workers who engage in informal learning at work on a daily basis

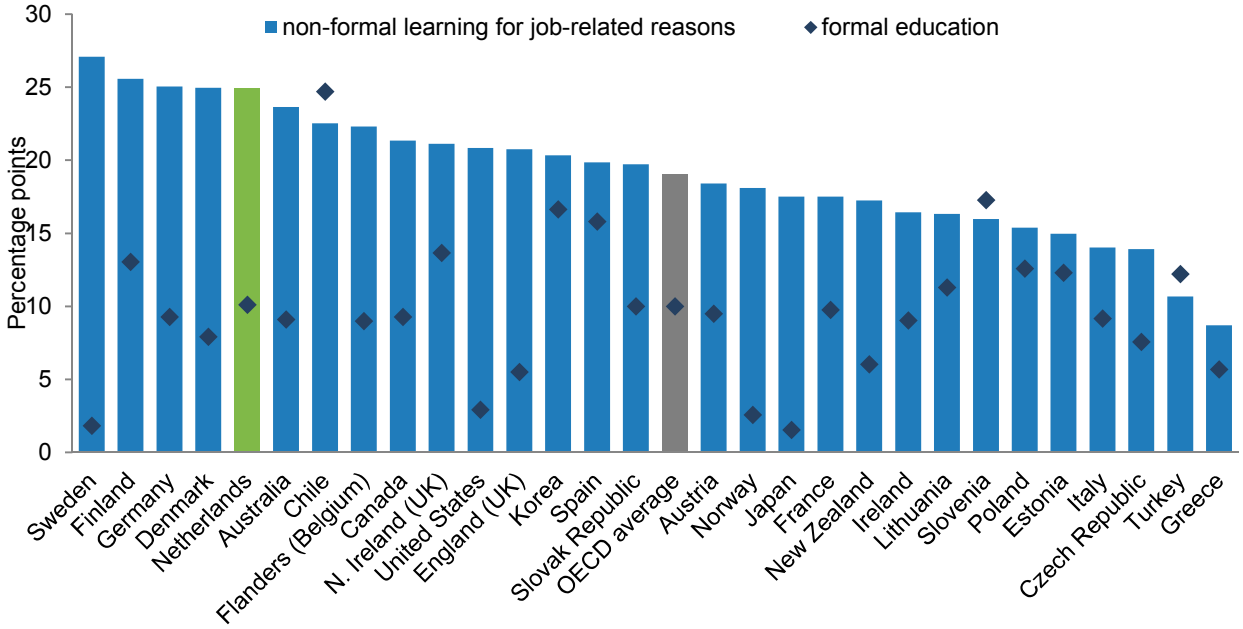


Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Vulnerable groups and those employed in flexible work arrangements participate significantly less in skills development activities

Of particular concern is the low participation of low-skilled adults in formal education and non-formal learning. Given the trend towards a growing share of jobs requiring higher levels of skills, low-skilled adults are particularly at risk of losing their jobs and marginalisation if they do not take steps to upskill and/or develop new skills. The 2012 OECD Survey for Adults Skills shows that these individuals are much less likely, on average, than their more highly skilled peers to participate in learning of all forms. The participation gap between high-skilled and low-skilled adults in formal education and training in the Netherlands is identical to the OECD average (10 percentage points in favour of the high skilled). However, the gap in participation in non-formal learning for job-related reasons is very large (25 percentage points) compared to the OECD average (19 percentage points). This gap is larger in only four other participating countries (Figure 24). This difference partly stems from the fact that the more specialised occupations, and those requiring higher skills levels (e.g. medical doctors, lawyers, ICT professionals), are also those where many changes occur that make further investments in skills development throughout the career a necessity (Pleiers and Hartgers, 2016). The 2015 European Labour Force Survey shows that even among adults who indicate that further skills development is a necessity for their job, those with higher levels of education are more likely to participate in education and training (57%) than those with low levels of education (24%) (Echtelt et al., 2016).

Figure 24. Participation gap in formal and non-formal learning for job-related reasons, high-skilled and low-skilled adults, PIAAC 2012, 2015

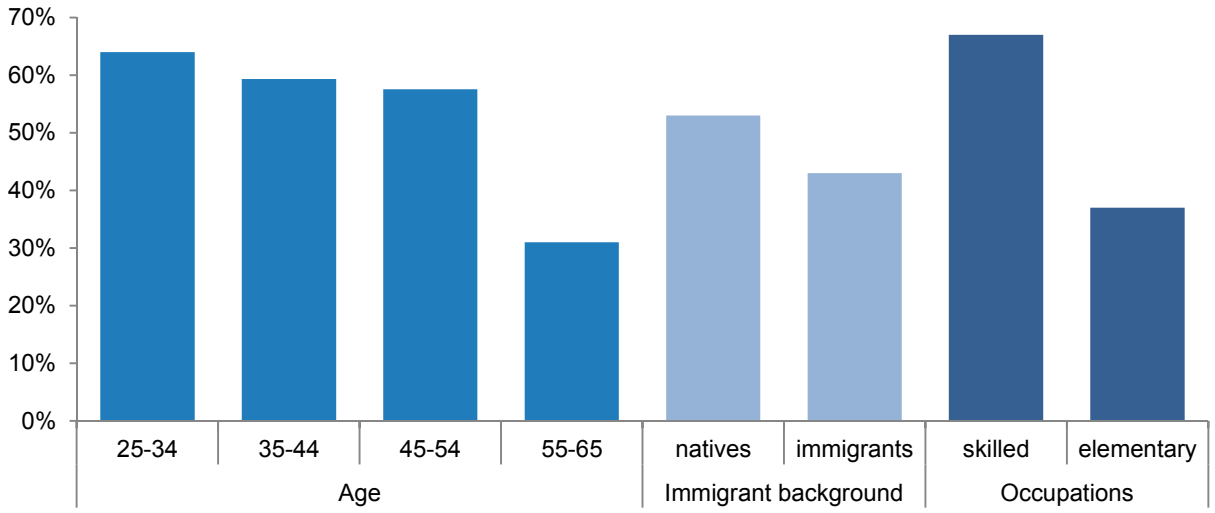


Note: The participation gap is calculated as the participation rate of high-skilled adults (literacy or numeracy at level 5 or above) minus the participation rate of low-skilled adults (literacy or numeracy below level 2), in percentage points.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Older Dutch adults participate significantly less in continuous skills development for job-related reasons than younger Dutch adults, as well as less than their peers in top-performing countries. In 2012, almost two-thirds of 24 to 35 year-olds (64%) participated in formal or non-formal education and training. This was among the highest across OECD countries, with participation rates higher in only Denmark (70%), New Zealand (65%) and Norway (65%). Participation rates steadily decline as adults get older, dropping to around one-third (31%) for those aged 55-65 (Figure 25). Although participation rates are above the OECD average of 24%, they are significantly lower than countries such as New Zealand (47%) and Sweden (38%). More recent data from the 2015 European Labour Force Survey reveal a similar picture. The evidence suggests that as long as low-skilled and older workers are employed they face few problems as a result of their low participation in continuous skills development. Problems arise, however, when these people become unemployed, as became painfully clear to many when the Netherlands was struck by the economic crisis. These groups found it considerably more difficult to find a new job (Ministry of Social Affairs and Employability, 2016).

Figure 25. Share of adults participating in formal and non-formal adult education and training for job-related reasons, PIAAC 2012, 2015



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Native-born adults participate more in skills development than immigrant adults, and patterns of participation differ. The 2012 OECD Survey for Adult Skills, for example, showed that 54% of native-born adults participated in formal or non-formal adult education and training for job-related reasons in the Netherlands, compared to just 43% of foreign-born adults (Figure 25). This difference in participation rates between native-born adults and immigrant adults is found in many OECD countries, but there is a need for some caution in making cross-country comparisons considering the different compositions of immigrant populations. The lower education and skill levels of children and adults with an immigrant background relative to their native-born peers (see Challenge 1 on developing the right skills) disadvantages them in sustaining their employability and progressing upwards in their careers, which will have implications for social participation and cohesion. The patterns of participation among native-born adults and foreign-born adults also differ. For example, immigrants of non-western origin are more likely to participate in integration programmes. Native-born adults, on the other hand, tend to participate more frequently in shorter courses (Pleiers and Hartgers, 2016; Hartgers and Pleiers, 2010).

People in occupations requiring higher levels of skills, or that are more specialised, participate more in skills development. Figure 25 further shows that people in elementary occupations,[4] such as sales and service occupations or agricultural and fishery labourers, participate significantly less in formal and non-formal education for job-related reasons (37%) than those in occupations requiring the highest level of skills and specialisation, such as managers, professionals (e.g. medical doctors, lawyers, ICT professionals) and technicians and associate professionals (e.g. pharmaceutical technicians, and construction supervisors) (67%). This difference partly stems from the fact that the more specialised occupations and those requiring higher skills levels are also those where many changes occur that make further investments in skills development throughout the career a necessity (Pleiers and Hartgers, 2016).

People employed in flexible employment arrangements also participate less in skills development. The growth in the use of more flexible forms of employment – e.g. temporary contacts and self-employment – may have negative consequences on the use of workers and on the type of tasks performed at work and their skills development (see Challenge 3 on boosting employment and Challenge 5 on skills use). The 2012 OECD Survey of Adult Skills, for example, showed that workers on temporary contracts in the Netherlands have lower cognitive skills in reading, writing and ICT than workers covered by permanent contracts. They also engage less, on average, in skills development activities. Temporary workers also less often

receive employer-sponsored training than permanent workers: only 51% of temporary workers received non-formal learning for job-related reasons (in the 12 months preceding the survey), compared to 66.8% of permanent workers. This is the largest gap between temporary and permanent workers observed among OECD-PIAAC countries, and is of particular concern given that the Netherlands has seen a large increase in both temporary employment and self-employment during the last decade. In 2015, the share of self-employed workers (15 to 75 year-olds) had risen to more than 12% of the active labour force from 8% in 2003 (Kösters, van den Brakel and Loog; see Challenge 3 on boosting employment). According to the OECD Survey of Adults Skills, some 26% of employed adults in the Netherlands reported participating in formal education during the 12 months before the survey, compared to 10% of self-employed adults. The Survey of Adults Skills data also shows that participation rates in non-formal learning were still 10% lower for self-employed than for employed adults, 60% and 70% respectively. Research by Fouarge et al. (2014) showed that those self-employed participate less in education and training, but also found that they spend significantly more time on (self) study and maintaining their knowledge and skills in practice. Whether or not the investment in skills development by self-employed and those employed on temporary contacts is sufficient to ensure that their skills meet labour market needs in the long term is unknown. The Netherlands should carefully monitor this issue.

Adults who are not active in the labour market participate less in skills development activities, thereby challenging their opportunities for re-entry. According to the 2012 OECD Survey for Adult Skills, some 64% of employed adults in the Netherlands participated in formal or non-formal education and training for job-related purposes, compared to 39% of those unemployed. When compared internationally, participation rates among unemployed adults in the Netherlands are above the OECD average (32%), but they are also significantly lower than those of countries such as Denmark (50%), Finland (48%) and New Zealand (45%). Furthermore, data from the European Labour Force survey show that before 2009, employed and unemployed adults participated equally in education and training. Since that year, participation rates among unemployed adults declined, which was partially the result of the increase in the number of those employed. Although 2015 showed an increase in participation rates among those unemployed, participation rates among those employed were still higher (Education in Numbers, 2016; Echtelt et al., 2016).

Those least likely to participate in formal education are also least likely to participate in informal learning in the workplace. The evidence suggests that low participation rates in formal education are not offset by informal learning in the workplace. Instead, those who participate more in formal education are also more likely to gain in skills through informal learning (Echtelt et al., 2016). This provides those not participating in formal education with a double disadvantage.

These findings suggest that continuous skills development is still far from a reality for all in the Netherlands, however, the government has recently taken action to promote adult skills development. Incentivised by the impact of the economic crisis, the government has taken a range of important measures to promote continuous skills development and enhance the employability of the Dutch workforce in recent years. Examples are the action programme "*Tel mee met Taal* 2016-2018" that targets low literacy proficiency among adults (see below), or the programme "*Duurzame Inzetbaarheid*" that aims to stimulate employers and employees to take timely action to stay employable throughout life (Ministry of Social Affairs and Employability, 2016). The latest evidence suggests that there is a great deal of need for such measures, which will continue in the coming years. However, as clearly articulated by the participants of the Skills Strategy workshops, more needs to be done by various parties to make continuous skills development a reality for all in the Netherlands, and evidence suggests that there is scope for optimising (organisational) learning within firms (see also below). The text below will look at some of the reasons behind the suboptimal skills development to identify areas where further action could be taken.

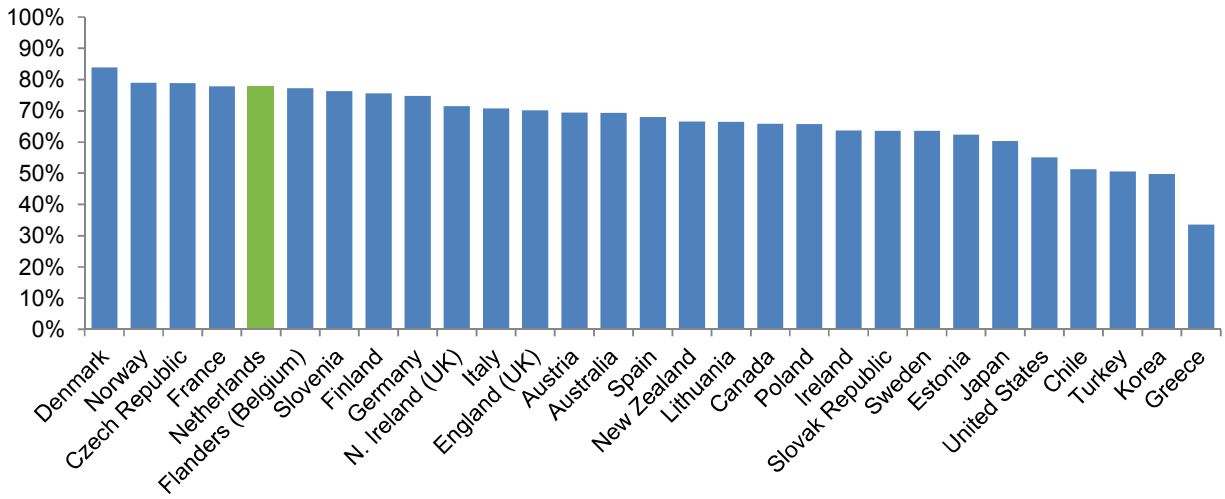
Employer financial support for skills development is relatively high, but unequal

Firms are by far the most significant sponsors of the skills development of workers in the Netherlands. Firms finance most adult skills investment in the Netherlands (Van der Meijden and van der Meer, 2013; Ministry of Social Affairs and Employability, 2016; Borghans et al., 2014). One study estimated

that firms made as much as 85% of total investment in education and training (Van der Meijden and van der Meer, 2013).

Employer financial support for continuous skills development is relatively high in the Netherlands, but again it is not the leading country. The 2012 OECD Survey for Adult Skills showed that more than three-quarters (78%) of Dutch employees received a grant for participating in education and training during the last 12 months; a proportion similar to leading countries such as France, the Czech Republic and Norway, with Denmark topping the list (Figure 26). Although this is a relatively high proportion, it also suggests that there is scope for further improvement. For example, more than one in five employees in the Netherlands did not receive financial support for their skills development in the year before the survey. This is a large proportion for a country that aspires to create a learning economy – a goal that participants of the Skills Strategy workshops noted should be extended to the whole of Dutch society. The text below explores who these employees are and why they are missing out on financial support for their learning.

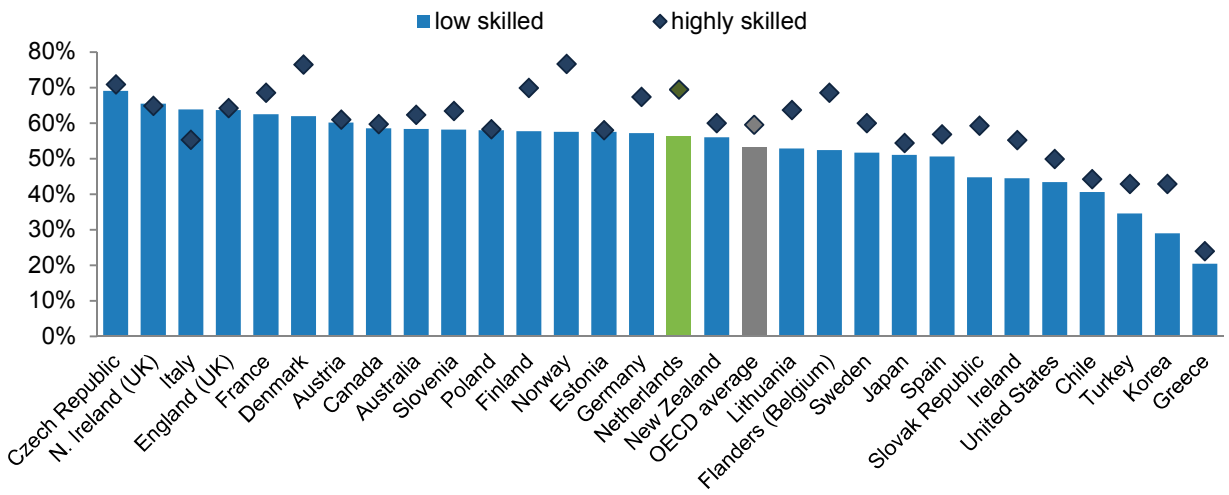
Figure 26. Percentage of employees receiving employer financial support for participation in formal and non-formal education and training, PIAAC 2012, 2015



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Employers are less likely to invest in low-skilled workers and in those whose jobs are less demanding in terms of their skills requirements and work pressure. The 2012 OECD Survey of Adult Skills showed that 56% of all low-skilled adults (aged 25-64) received financial support for participating in adult education or training in the Netherlands. Although above the OECD average, this percentage is lower than many OECD countries, as well as lower than the percentage for high-skilled employees in the Netherlands (69%) (Figure 27). There are also significant differences between sectors in prioritising the skills development of employees. For example, while 91% of employers in the education sector consider education and training of employees a priority, their peers in the industrial and agricultural sector, and the construction sector, report much lower proportions (50% and 55% respectively) (Echtelt, Schellingerhout and de Voogd-Hamelink, 2015). The evidence also shows firms are more likely to invest in skills development of employees when there are higher demands in terms of the skills of employees and work pressure (OECD, 2013; Pleijers and Hartgers, 2016; Panteia, 2016).

Figure 27. Percentage of employees receiving employer financial support for education or training, by skill level, 25 to 64 year-olds, PIAAC 2012, 2015

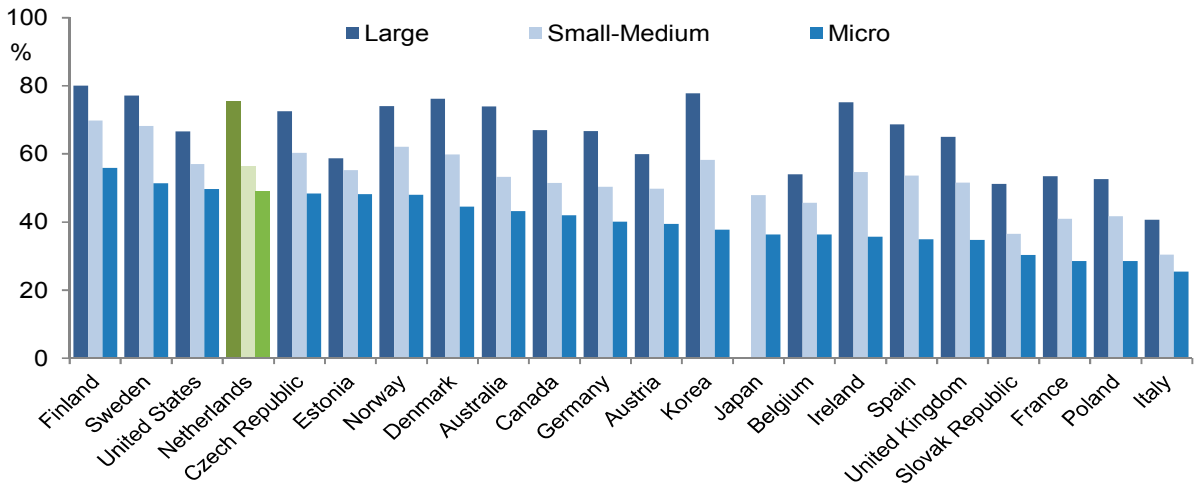


Note: The participation gap is calculated as the participation rate of high-skilled adults (literacy or numeracy at level 5 or above) minus the participation rate of low-skilled adults (literacy or numeracy below level 2), in percentage points. The OECD average includes only OECD countries in PIAAC.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Larger firms in the Netherlands invest more in the skills development of their employees. For example, according to the 2012 OECD Survey of Adult Skills, employees of large firms are considerably more likely to participate in on-the-job training than those in smaller firms (Figure 28). Large firms often have greater financial capacity to invest in education and training and offer more career advancement opportunities to employees after participating in education and training (Panteia, 2016).

Figure 28. Percentage of employed people receiving on-the-job-training, by firm size, 2012



Notes: Micro-firms employ 1-10 workers, small and medium-sized firms employ 11-250 workers, and large firms employ more than 250 workers. Figures refer to the market sector and exclude agriculture, constructions and finance, because of data availability issues.

Source: OECD (2015), OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society, Figure 1.29, OECD Publishing, Paris, http://dx.doi.org/10.1787/sti_scoreboard-2015-en.

The Netherlands has a relatively well-developed adult learning infrastructure, but post-secondary and tertiary education are not sufficiently responsive to the learning needs of adults

The Netherlands has well-developed "learning infrastructure". This includes a relatively strong education system – although there are clear challenges in terms of the quality of the school system - a well-developed network of libraries and museums, and almost universal internet access in households (96% in 2015) (Eurostat, 2016a). The text below looks at parts of the adult learning infrastructure to explore its strengths and areas for further improvement.

Schools and tertiary education institutions are important places of adult learning in the Netherlands, play a major role in integration, and contribute to social cohesion

The Netherlands has a well-established network of schools offering adult general secondary education, or "second chance" education. Adult general secondary education (VAVO) is publicly funded (by municipalities) for learners who are generally 18 years or older. It is offered at three levels: the theoretical programme of pre-vocational secondary education (VMBO-t), senior secondary general education (HAVO) and pre-university education (VWO). These are one and two-year programmes and may include evening classes. The different schools, which until recently primarily consisted of regional training centres (ROCs), often offer accelerated pathways where it is possible to obtain exemptions for previous results. The method of examination and the certificates are similar to those of mainstream secondary education and hold the same value. In 2015, a total of 1 332 students took their VAVO exam, which is a slight increase (of 45 students) compared to the year before (Inspectorate of Education, 2016).

Dutch as a second language programmes are considered effective for the civic integration and social inclusion of immigrants. Children usually receive Dutch as a second language in primary and secondary schools in the so-called bridge classes. Dutch as a second language, known in the Netherlands as "NT2", is also part of the compulsory integration programme of newcomers. For adults, there are two programmes that are offered by ROCs: Programme I leads to a diploma at level B1 of the Common European Framework of Reference for Languages in writing, listening, speaking and reading; Programme II leads to a diploma at B2-level. The exam aims to test whether the student is sufficiently fluent in Dutch. A critical note expressed by stakeholders, however, was that the exam level of the Dutch language is too low to be of significance to the labour market and/or to engage in formal education and training. Furthermore, the influx of many newcomers in recent years has put pressure on NT2 providers, although evidence suggests that increased demand and the consequent expansion of programmes has not negatively affected their quality.

Adult Dutch language and mathematics programmes may not be sufficiently flexible and attractive for their main target group. Various participants of the Skills Strategy workshops noted that the current offer of programmes is sometimes insufficiently flexible as it is primarily aimed at obtaining a certificate or diploma, or because the content of programmes is determined by nationally set standards. This makes the offer not always sufficiently attractive for people with low literacy skills, some of whom have negative school experiences and are therefore less inclined to engage again in formal education (MoECS, 2016; Fouarge, Schils and De Grip, 2013; De Graaf-Zijl et al., 2015). The report of the Dutch Court of Audit on Tackling Functional Literacy (Algemene Rekenkamer, 2016) finds that despite the large number of Dutch adults with very low levels of literacy and numeracy skills, government policy to date has been almost singularly focused on addressing literacy deficiencies (i.e. limited support for improving numeracy performance), and that the ambitions of this policy have been too modest or, worse, the objectives have been vague. Furthermore, it notes that there are too few courses to support skills improvement among the least skilled, with typically long waiting lists to access them, and that courses are often not reaching ethnic minority groups in particular. The report recommends, among other things, that objectives should be clarified, targets should be established with commensurate budgets, and courses should be evaluated to ensure that they are having their intended impact.

Many national and local organisations are involved in the fight against low literacy in the Netherlands. Reaching people with low levels of literacy skills and responding to their learning and other needs is a complex, multifaceted challenge that calls for a co-ordinated approach at the local level. Building on

the experiences of successful programmes from the past, and aiming to draw from the local expertise in dealing with low literacy, the action programme Count Along with Language (*Tel Mee met Taal*) aims to establish local partnerships (Box 5).

Box 5. Action Programme: Count Along with Language

Low literacy proficiency is a social problem in the Netherlands that is still often a taboo. About 1.3 million people in the Netherlands between the ages of 16 and 65 have difficulty with reading, writing and communicating in the Dutch language. Despite efforts, the number of people with low levels of literacy skills has not declined in recent years, and has even increased among some groups.

With the national action programme, Count Along with Language (2016-2018), the government aims to provide an additional impetus to the fight against and the prevention of illiteracy. The programme sets out to tackle low literacy skills among adults, in combination with promoting reading among young children. Building on the experiences of successful programmes and drawing on local expertise, Foundation Reading and Writing (*Stichting Lezen en Schrijven*) is tasked by the government to stimulate the establishment of regional networks to arrive at "joint language agreements". A regional language agreement is an agreement between the various parties involved at promoting reading and dealing with language deficiencies and illiteracy locally. They can, for example, include schools, libraries, community centres, social neighbourhood teams, the (re)integration office (UWV) and employers. The aim is that together they formulate ambitions and explore ways of co-operating to combat illiteracy. Nationally developed courses and recruitment materials for people with low literacy are to support local partners in their efforts.

The programme is supported by the Ministries of Education, Culture and Science, Social Affairs and Employability, and Health, Well-being and Sports through a yearly amount of about EUR 18 million. It aims to reach the following main objectives during the period 2016-2018:

- Improve the Dutch language proficiency of at least 45 000 people. Apart from enhanced language proficiency, their participation in society, including employment, is also an objective.
- A total of one million young children (0 to 4 years old) reached with reading promotion activities in order to increase their language skills and joy for reading.

The government recognises that low literacy proficiency is a long-term challenge that requires the continued commitment of many parties. The objectives of this programme are thus not an end, but a milestone on the way to a structural decline in the number of illiterate people in the Netherlands.

Source: MoECS (2015b), Actieprogramma Tel mee met Taal [Action programme Count Along with Language], Letter to the chair of parliament, MoECS, The Hague, www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2015/03/06/actieprogramma-tel-mee-met-taal/actieprogramma-tel-mee-met-taal.pdf

Post-secondary and tertiary education for adults may not be sufficiently flexible and responsive to the learning needs of adults, but the government has recently taken a number of positive steps

Post-secondary and tertiary education for adults is not sufficiently flexible and responsive to the learning needs of adults in the Netherlands. Several studies have identified a number of causes behind the decrease in participation in education at the post-secondary and tertiary education level among adults (e.g. Van Casteren et al., 2012; Rinnooy Kan et al., 2014). These include the inadequate public provision of part-time and modular programmes that might meet the needs of (working) adults. Also, in too many cases the existing knowledge and skills of learners were found to be insufficiently taken into consideration. There are relatively few options for upper secondary vocational education graduates (MBO) to upskill other than the academic route or enrolment in a bachelor programme. While many short private courses aim to address this gap in provision, they lack visibility (see Challenge 8 on skills information). In summary, as also noted by the participants of the Skills Strategy workshops, post-secondary and tertiary education is not sufficiently flexible and demand-driven in the Netherlands.

Several important steps have been taken to improve the flexibility, attractiveness and relevance of post-secondary and tertiary education for adults. Following many intensive discussions among key stakeholders in the Netherlands in recent years, several steps have been taken recently to increase the flexibility

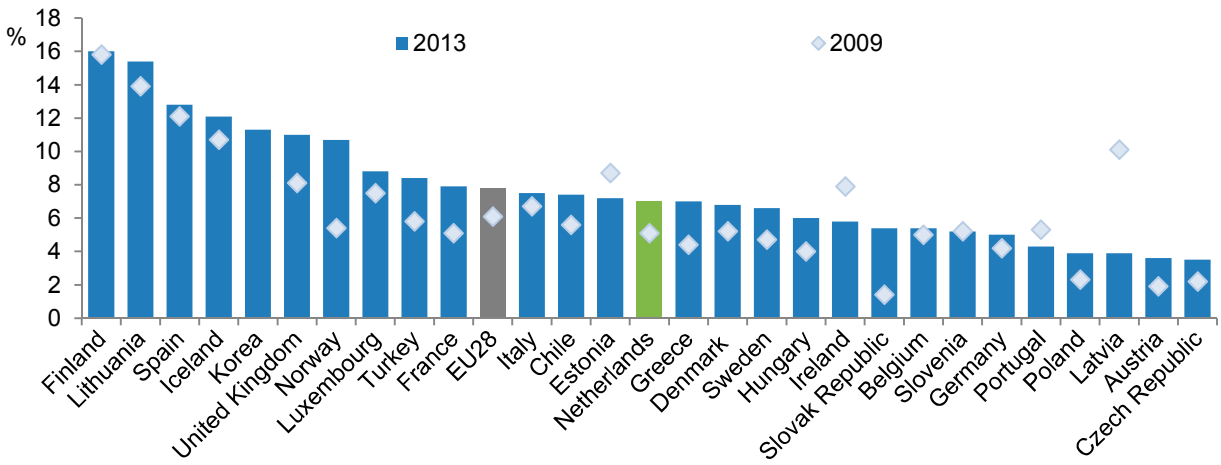
and responsiveness of post-secondary and tertiary education for adults to learning needs. For example, the Ministry of Education, Culture and Science (MoECS) is supporting experiments and pilot projects to provide more room for adapting and tailoring study programmes. Under these "flexibility" pilots (*flexibilisering*), institutions are allowed to diverge from regular programmes, and learning agreements are established between the student and institution in which the learning outcomes of the students are defined. These form the basis for the development of a tailored study programme. The recent recognition of the two-year associate degree as a part of the tertiary education system is also expected to make it more attractive for upper secondary vocational education (MBO) students and working people to continue their studies without (at once) having to commit to a full bachelor programme. MoECS encourages institutions to expand their offer of associate degree programmes. Another example is the experiment "demand-side financing", through which students of some technical and ICT programmes can register for modules rather than a full programme. Those that never obtained a bachelor degree can also receive a voucher to pay for part of the module costs. There are plans to extend the experiment to other programmes in 2017. The establishment of a "lifelong learning credit" that will support adults up to 55 years old in gaining (another) vocational upper secondary education or tertiary education qualification is also scheduled for 2017 (MoECS, 2015a). These are promising measures for promoting continuous skills development in the Netherlands. The country should continue to carefully monitor the impact of these measures and make adjustments where needed.

ICT increasingly provides a wide array of learning opportunities, but participation in online courses is lower in the Netherlands than in many other OECD countries

Participation in online learning is lower in the Netherlands than in many OECD countries. Over the last few years, ICT has contributed increasingly to a wide array of learning opportunities through the development of online courses, such as massive open online courses (MOOCs) (OECD, 2015). In 2013, 7% of people (aged 16 to 74) in the Netherlands followed an online course. Although almost two percentage points higher than four years earlier, participation rates still lag behind those of many OECD countries (Figure 29). Recognising the importance of ICT enabled and/or online education, the MoECS is subsidising the development and integration of open and online education resources in tertiary education. Through this measure, the government aims to increase participation in online learning in the Netherlands in the coming years. However, more innovative and ambitious approaches – not necessarily with government support – may be needed to realise this objective. Box 6 provides an example in this regard.

Figure 29. Individuals who participated in an online course, 2009 and 2013

As a percentage of individuals who used the Internet in the last three months



Notes: For Chile, data refer to 2012 and 2014 with a recall period of 12 months. For Korea, data refer to 2014. For Poland, data refer to 2008 and 2011.

Source: OECD (2015), OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society, Fig.6.3.3, OECD Publishing, Paris, http://dx.doi.org/10.1787/sti_scoreboard-2015-en.

Box 6. Future learn: An open online (MOOC) learning platform

Future Learn is a social learning platform and private company that was founded by the Open University UK in 2012. Benefitting from the university's over 40 years of experience in distance learning and online education, this UK-led MOOC learning platform offers learners free online courses from world-leading universities, business schools and specialist organisations, such as the British Museum, European Space Agency, the United Nations Educational Scientific and Cultural Organization (UNESCO), Cancer Research UK and the American Association of Colleges for Teacher Education. Future Learn offers a wide range of courses targeted at a diverse population, including: school leavers; university leavers; professionals in business, healthcare, and teaching; international learners who want to develop their English skills; general interest learners; and those who want to get back to studying. Ages of learners range from 13 to 93 year-olds.

Every course on offer is designed according to principles of effective learning, through storytelling, discussion, visible learning, and using community support to celebrate progress. People go through the courses with a cohort, with the aim of learners encouraging and motivating each other to continue in their learning. Courses are also accessible on mobile, tablet and desktop, so that learners can study when and where they want to.

In 2016, Future Learn launched its first programme that allowed students to earn credits towards a university degree. The initiative is designed to allow learners to sample higher education courses on a "try before you buy" basis, with individuals who go on to sign up for a full degree being entitled to skip part of their first year, and potentially receive a discount on tuition fees.

Part of the reason for the creation of Future Learn was to provide a space for UK institutions to engage in the MOOC space; it has clearly succeeded in this aim. Since launching its first courses in September 2013, more than five million people have joined Future Learn, with over 75% of its learners living outside the United Kingdom – thereby making an important contribution to advancing people's continuous skills development around the globe.

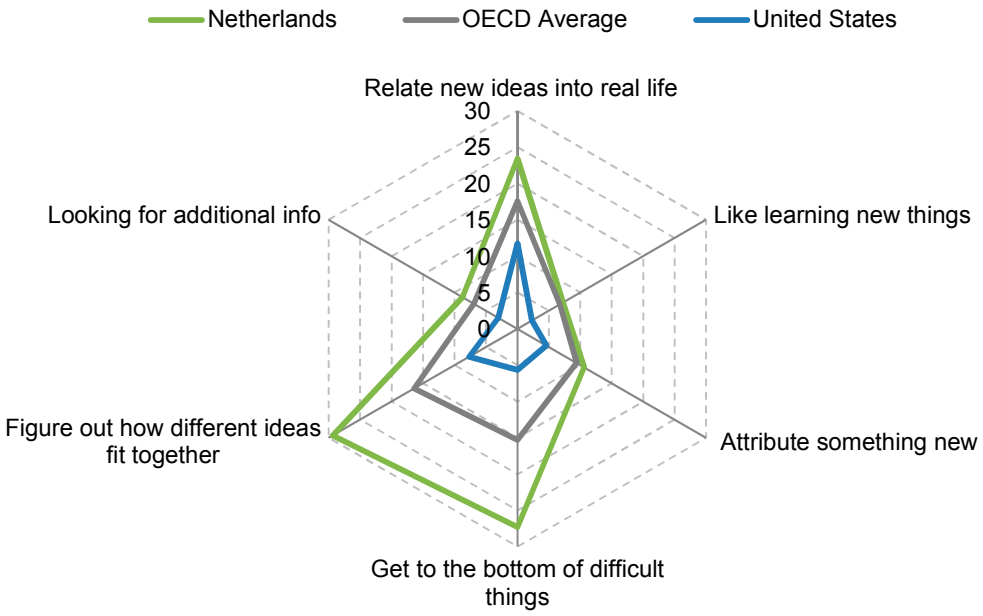
Source: Future Learn (2017), Future Learn website, Future Learn, London, www.futurelearn.com/ (Accessed March 2017).

The Netherlands is not fully realising its ambitions of fostering a strong learning culture

The Netherlands is so far not realising its ambitions to create a learning culture among its people, with fewer adults reporting that they are "ready to learn" than in most other OECD countries. A learning culture can be understood as a set of beliefs, values and attitudes favourable to learning (OECD, 2010). The development of a learning culture in the Netherlands is rightfully considered as a condition for realising the country's lifelong learning ambitions and for developing into a learning economy (MoECS, 2016). The stakeholders participating in Skills Strategy workshops, however, noted that despite many years of talking about this goal, and a series of policy measures aimed at developing a learning culture among the people of the Netherlands, the country is still far removed from achieving this aim. Figure 30 would seem to corroborate this view. It shows a "readiness to learn" index which is made up of people's responses to six questions in the OECD's Survey of Adult Skills that provide insight into people's beliefs, values and attitudes towards learning – i.e. their learning culture. This proxy-measure of a learning culture at the individual level shows that the Netherlands performs poorly in this regard, lagging behind almost all PIAAC countries. A more in-depth analysis of the data shows that Dutch adults are particularly less inclined to "get to the bottom of difficult things", "figure out how different ideas fit together" and "relate new ideas into real life". For example, 29% of Dutch adults reported to not or very rarely figuring out how different ideas fit together, compared to an OECD average of 16% and 8% in the United States. While the low score of Dutch adults on this index may relate, in part, to differences in how people across different countries respond to these questions, the results are nonetheless striking. In particular, the low ranking for the Netherlands point to the formidable challenge ahead for realising the country's ambitions for a learning economy in which adults feel ready and motivated to learn.

Figure 30. Readiness to learn, PIAAC 2012, 2015

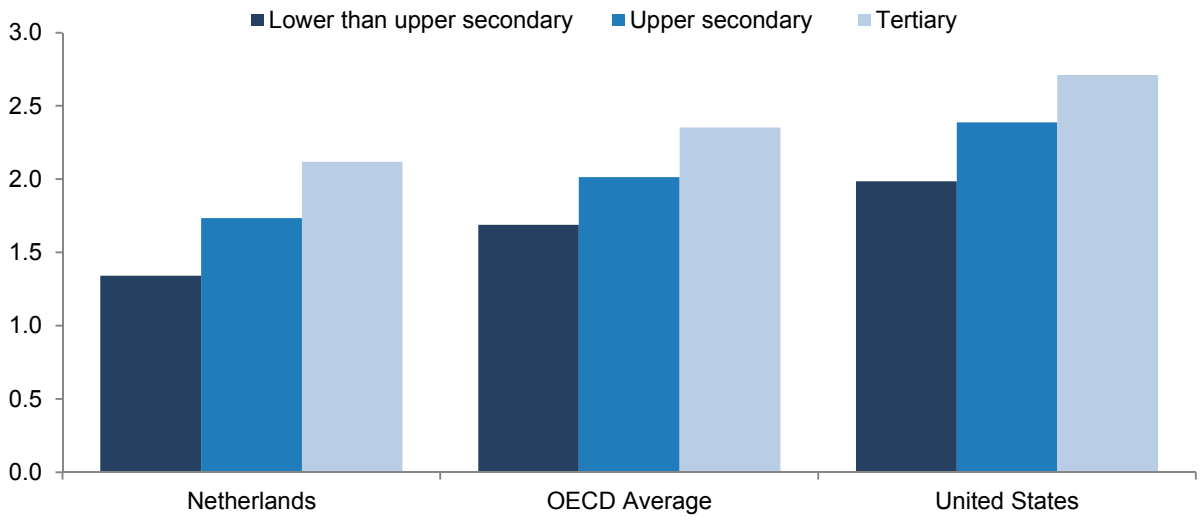
Percentage of adults answering using the learning strategy very little or not at all



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

There are significant differences in the "readiness to learn" of different groups in the Netherlands. A more in-depth analysis of the data suggests that native-born adults are more ready to learn than foreign-born adults, though the difference is relatively minor (index of 1.74 and 1.67 respectively). Furthermore, as may be expected, lower educated adults are significantly less ready to learn than more highly educated adults, as evidenced by the readiness to learn index scores of 1.34 and 2.12 respectively (Figure 31). It is striking to find, however, that for all levels of education, Dutch adults score lower than their peers in almost all PIAAC countries. The data also suggest that unemployed adults (index of 1.93) who are more ready to learn are employed adults in the Netherlands (index 1.80), which may say something about the impact of people's "need to learn" on their "readiness to learn". However, this relationship is reversed in most other PIAAC countries. Many participants in the Skills Strategy workshops argued that Dutch firms should do more to transform themselves into learning organisations – this issue is explored further below.

Figure 31. Readiness to learn of adults by educational attainment, PIAAC 2012, 2015



Notes: The "readiness to learn" index is made up of six Likert-type items of the OECD Survey of Adult Skills using item response theory method that allow for getting an insight into people's learning cultures: 1) When I hear or read about new ideas, I try to relate them to real-life situations to which they might apply; 2) I like learning new things; 3) When I come across something new, I try to relate it to what I already know; 4) I like to get to the bottom of difficult things; 5) I like to figure out how different ideas fit together; and 6) If I don't understand something, I look for additional information to make it clearer. For more information please see www.oecd.org/skills/piaac/PIAAC_Technical_Report_2nd_Edition_Full_Report.pdf.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Individuals, employers, social partners, the government and other actors have to do their part in making the promise of a learning culture a reality for all in the Netherlands

The participants of the Skills Strategy workshops agreed almost unanimously on the importance of making continuous skills development a reality for all in the Netherlands. They recognised that success will ultimately depend on individuals taking primary responsibility for their own skills development, and through this taking control over their employability throughout life. For many people in the Netherlands this will require a change in mindset. The seeds for developing such a change – i.e. a move towards adopting a learning culture and developing the corresponding skill set – should, as argued in Challenge 1, be sown in early childhood and nurtured progressively throughout life. For many, however, developing this mindset in adulthood will be challenging. Therefore, individuals, employers, social partners, education providers, government and Dutch society at large all have their roles to play in empowering people to make this transformation and adopt a learning culture in their hearts and minds.

The primary responsibility for skills development lies with individuals, but they must be empowered to take this responsibility

While the primary responsibility for learning throughout life and from life lies with individuals, many adults are either unprepared or unmotivated to take this responsibility. It is widely accepted that to succeed in work and life, people must increasingly become lifelong learners, a concept that puts the primary responsibility for learning throughout their lives with individuals (Education Council, 2016). However, a large share of adults in the Netherlands do not learn throughout their lives. In addition to the seemingly limited "readiness to learn" of Dutch adults presented above, the 2011 Adult Education Survey showed that more than half of Dutch adults (52%) believed they had "no need" for further education and training. "No time due to family responsibilities" was also noted as an obstacle for participation in education and training by 37% of

Dutch adults (Eurostat, 2016b). Interviews with stakeholders in the Netherlands corroborate these findings and suggest that more needs to be done to realise a change in mindset and instil a learning culture among the people of the Netherlands.

Instilling a learning culture from the early years onwards is the best way to ensure that people take full advantage of educational opportunities later in life. As also noted in Challenge 1 (developing the right skills), the early years are critical for fostering positive attitudes towards learning and making children aware of the necessity of learning and the importance of self-management (Education Council, 2016; Van Damme, 2014). Parents, quality early childhood education and care (ECEC) and school education, the community and Dutch society at large all are essential for fostering children's interest and capabilities for learning as they develop into adulthood. The successful implementation of the 21st century school curriculum that is under development, and that will promote learning-to-learn and problem-solving skills, is particularly important in this regard. In addition, targeted support across various areas of policy should be provided, when needed, to respond to the learning and other needs of those children and their parents who need it most.

A sizable proportion of the Dutch adult population will need to be "empowered" to take responsibility for their skills development. As noted by the participants of the Skills Strategy workshops, the current skills system of the Netherlands works well for the average person, but much less so for those on the margins of society. Those with relatively weak labour market positions participate significantly less in continuous skills development (see above). Of particular concern is the low participation of low-skilled adults in formal education and non-formal and informal learning. These individuals will need to be encouraged and supported to take charge of their own skills development. Government measures such as financial support through loans or grants may be cost-effective ways of stimulating their skill development (see Challenge 7 on skills financing). Employers also play an important facilitating role in this regard (see below).

Dutch employers play a pivotal role in supporting the skills development of employees, but not all employees are benefitting equally

Firms are by far the most important sponsors of the skills development of workers in the Netherlands. Firms finance most adult skills investment in the Netherlands (Van der Meijden and van der Meer, 2013; Ministry of Social Affairs and Employability, 2016; Borghans et al., 2014). One study estimated that firms made as much as 85% of total investment in education and training (Van der Meijden and van der Meer, 2013).

There are significant differences in the support employees receive for their skills development from their employers in the Netherlands. As discussed above, larger firms tend to invest more in the skills development of their employees. Dutch employers are also less likely to invest in the skills development of workers whose jobs are less demanding in terms of their skills requirements and work pressure. However, the evidence shows that when employers feel responsible for their employees and are driven by moral considerations, rather than only economical motivations, they are also more willing to invest in the skills development of lower educated workers (Panteia, 2016). As noted by Skills Strategy workshop participants, and evidenced by some good practices shared by them (see Box 7), it is of great relevance for Dutch firms, their employees and society at large to ensure that employers take responsibility and support the skills development of all their employees, in particular the low skilled. The recognition of skills – beyond qualifications – and identification of those needing further development is a condition for making this happen (see Challenge 6 on skills recognition).

Box 7. Supporting continuous skills development in the workplace: Two examples

Promoting employee employability through personal training budgets

Since 2010, the international insurance company, Achmea, has chosen to divide its annual budget line for the skills development of its employees into two strands: one for compulsory professional development and one for discretionary professional development. The objective of this policy is to promote employees' responsibility for and autonomy in ensuring their sustained employability and career prospects.

Employees are assigned a personal company fund to spend on education or training activities. This personal fund comes on top of the management's budget for compulsory professional development. Employees can use their personal fund to pay for the time and fees that are needed for training activities. If their personal fund is insufficient for the course or training they have chosen, they can opt to delay it and carry over their budget to the next year, request a top-up from the management budget, or make a personal financial contribution.

The right to employer support for continuous skills development is embedded in the collective labour agreement for Achmea employees. Despite the wide use of the personal fund, the company finds it challenging to promote active participation of all its employees in non-compulsory training.

Work-based professional learning programme for health care professionals

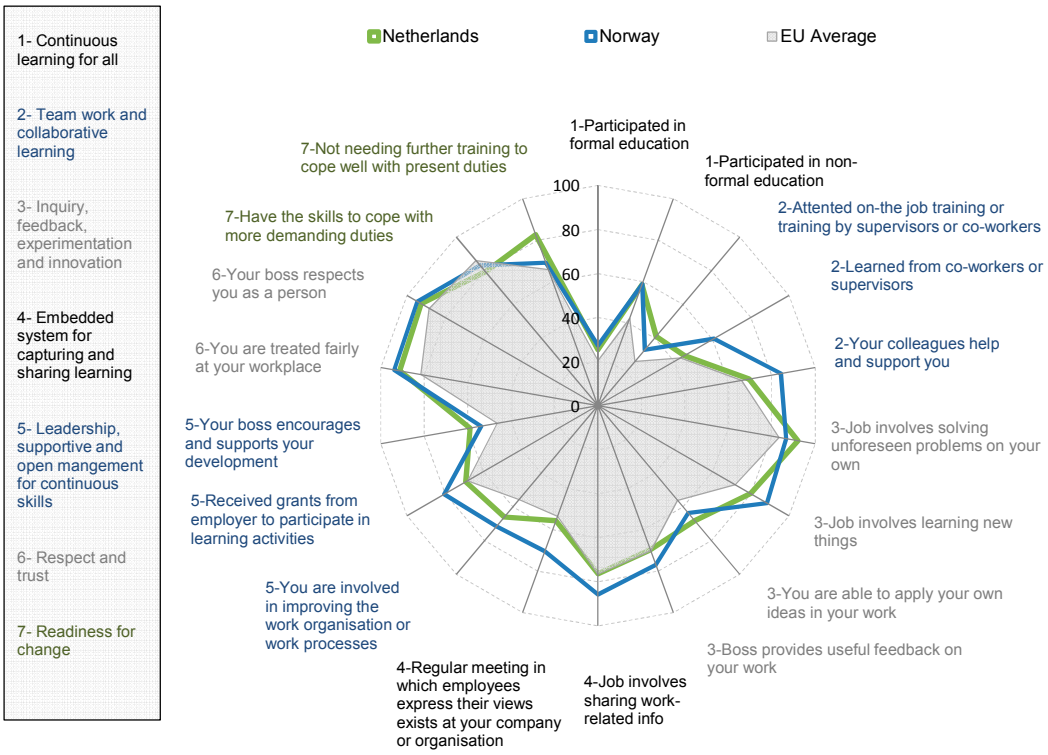
Sint Jacob is a regional health care organisation for long-term care. It provides services for over 800 elderly clients in the Haarlem area, and has approximately 800 employees and 600 volunteers. The complexity of elderly health care is increasing due to the rising numbers of seniors with one or more chronic illnesses. In order to upskill its employees to be able to cope with the rising demand for complex care, Sint Jacob has commissioned STOC, a private training provider in the health care sector, to develop a work-based training programme for its employees.

The training programme is adapted to specific skills requirements of the Sint Jacob organisation, and is in line with its appraisal system for employees. The benefit of providing a customised programme is that it offers employees a context that is relatable to their work environment. The programme combines dual learning (i.e. both work-based learning and classes by internal and external specialists) with individual coaching (informal learning) to further support the achievement of learning objectives. The training programme enables health care workers to attain a nursing qualification at upper secondary vocational education (MBO) levels 3 or 4.

Source: Case studies submitted by participants of the Skills Strategy workshops.

Although doing relatively well on several measures of what constitutes a "learning organisation", Dutch firms should be more ambitious in what they are doing to establish learning cultures within their organisations. The idea of a learning culture as a key factor impacting the ability of firms to achieve higher rates of learning – and ultimately competitiveness – raises the issue of the strategic use of (human) resources, and how to promote the strategies, processes and structures for a learning culture to flourish in their firms, i.e. for them to become "learning organisations". Figure 32 shows some of these strategies, processes and structures that are often attributed to learning organisations (Yang, Watkins and Marsick, 2004; OECD, 2010; Kools and Stoll, 2016). Employee responses suggests that Dutch firms generally perform better than their counterparts in most European Union (EU) countries in creating the organisational conditions needed for a learning culture to thrive, including work characterised by opportunities to learn, teamwork, experimentation and innovation, supportive and open management, and respect and trust. The evidence, however, also suggests that Dutch firms, on average, are not top performers, and many Dutch stakeholders perceive that firms could do more to develop the skills of their workers. Therefore, to match or surpass the practices of firms in countries such as Norway, Dutch employers may, for example, need to better promote team working and collaborative learning, establish systems for sharing and capturing knowledge and learning, and be more supportive of employee's skills development (Figure 32). The latter is particularly an issue for low-educated workers, as mentioned above. Additionally, many Dutch firms, especially small and medium-sized firms, are not making full use of the skills of the workers they have (see Challenge 5 for more information on skills use). The Dutch could profit from a coherent and sustainable research and development approach that includes the sharing of good practices to advance the shift to learning organisations (see below).

Figure 32. Selection of strategies, processes and structures for creating a learning culture in firms



Note: Indicators are expressed in percent and reflect the percentage of adults answering affirmatively to the question. EU average includes the European countries that participated in the Survey of Adults Skills (PIAAC) and is calculated as an unweighted average.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017); and Eurofound (2015), European Working Conditions Survey (2015), European Foundation for the Improvement of Living and Working Conditions, Dublin, www.eurofound.europa.eu/surveys/european-working-conditions-surveys/sixth-european-working-conditions-survey-2015.

There is a need to consolidate and more effectively use sectoral training and development funds

Sectoral funds increase incentives for firms to invest in the skills development of their employees. Sectoral education and development funds (*Opleiding en Ontwikkeling fondsen*, O&O-fondsen) play a key role in the skills development of workers in sectors. There are approximately 140 sectoral funds that cover about 85% of the Dutch labour force. Firms that are member of a sector fund deposit up to 2% of the annual salary of a person in the sector fund (Netherlands Bureau for Economic Policy Analysis, 2016). The evidence shows that when firms are members of a sector fund they are more inclined to invest in skills development, including of low-skilled employees (Panteia, 2016).

Stakeholders, however, question the effectiveness and reach of existing sectoral training funds (see Challenge 7 on skills financing). The downside of the current sector funds is that they are often used solely for education and training within the sector, thereby limiting cross-sectoral mobility (Netherlands Bureau for Economic Policy Analysis, 2016; Ministry of Social Affairs and Employment, 2016). In response, the Dutch government has been encouraging consolidation and stronger collaboration among sectoral funds. Stakeholders participating in skills strategy workshops, including representatives from several sector funds, agreed that this is the way forward for promoting their use and for enhancing workers' skills development and inter-sectoral mobility.

Realising the Netherlands' ambition for a learning culture will require better co-ordination and a more sustained, strategic effort from government, social partners and all other actors involved

Government and social partners should improve the accessibility of the information they make available on skills needs, as well as their engagement of certain groups to support greater skills investment in adulthood, especially among vulnerable groups and labour market "outsiders". Governments, social partners and stakeholders could better collaborate to ensure that adults – but especially vulnerable adults and labour market outsiders – have better access to user-friendly information about current and future skills needs, as well as about where and how they can develop these skills (see Challenge 8 on skills assessment). Furthermore, by engaging more effectively with vulnerable populations, the government and stakeholders can design skills financing incentives that better meet their specific needs (see Challenge 9 on stakeholder engagement).

The government should consider incentivising and supporting employers to establish learning cultures in their firms. Targeted support to Dutch firms appears to be in great need, given that many could do more to establish thriving learning cultures in their organisations, and some are struggling to make better use of employees' skills (see Challenge 5 on skills use). In recognising the complexity of these issues, and the potential gains for individuals, the economy and society at large, the Netherlands should further investigate the organisational strategies, processes and structures that bring about these desired outcomes. Following the example of Finland (see Box 8), the Netherlands should consider developing a pilot programme that includes research-based investigations and the networking and dissemination of good (and bad) practices between firms and sectors to encourage and guide them in their efforts to create thriving learning cultures. Social partners are particularly well placed to co-ordinate and serve as a knowledge broker. Based on the findings of the pilot programme, the government could consider providing financial support to firms for the development of their human resources and for reforming their modes of operation towards becoming learning organisations.

Box 8. Finland's Workplace Development Programme

The Finish National Workplace Development Programme was launched by the new government on its accession to power in 1995. The aim of the programme was to boost productivity and the quality of working life by developing and making full use of staff know-how and innovative power in Finnish workplaces. Through public funding and expert input, risks of innovation were lowered, and a facilitative learning infrastructure was developed.

The programme was run on a tripartite basis between the government, employers and trade unions. The programme was particularly significant because no previous government in Finland had assigned such great national importance to the research-assisted development of working life. A novel feature of the programme was that workplace development was seen as an integral component of the Finnish national system of innovation. The programme supported the development of human resources and helped organisations to reform their modes of operation by:

- Supporting workplace-initiated projects.
- Creating and maintaining co-operation networks to disseminate and build up knowledge and competence.
- Increasing international information exchange.
- Accelerating initiatives at the workplace level.
- Boosting the use of research in improving the quality of working life.

The programme ran until 2010 (a new programme was initiated in 2004) and was found to have been successful on many counts: sustainable results were achieved at the company and organisational level, learning networks were enhanced between different institutions related to innovation and workplace development, and the programme enjoyed a very high legitimacy among key stakeholders, including social partners.

Sources: Arnkil (2001), Discussion Paper from Finland on The Finnish National Workplace Development Programme (FINWDP), http://pdf.mutual-learning-employment.net/pdf/ind-exp-paper-Finland-sep01.pdf.
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Summary and policy recommendations

Continuous skills development in adulthood can strengthen the capacity of individuals to adapt to the changes in the economy and society. Most stakeholders participating in the Skills Strategy workshops were unwavering in their view that learning throughout adulthood is key to success in a complex and rapidly changing world. Given that globalisation and technological advances are rapidly reshaping the skills needed for success in work and life, continuous learning in adulthood is likely to become increasingly important for adaptability and resilience.

The Netherlands' performance in adult continuous skills development is strong overall, but it is not a leading country. While the Netherlands has a well-established adult learning infrastructure, post-secondary and tertiary education are not sufficiently responsive to the learning needs of adults. The Netherlands should continue to carefully monitor whether the recently initiated policy measures to change this situation suffice. However, employers, government, social partners and other actors need to do their part to make continued skills development a reality for all in the Netherlands (see below).

Dutch firms should do more to establish thriving learning cultures in their organisations. Work is the most important place of learning for many adults; it is where skills are applied and improved. Employers also need to do their part through a more strategic use of (human) resources, including greater support for formal, non-formal and informal learning, and the recognition and validation of earlier learning. The latter will be particularly important for bridging the gap between education and work for low-skilled employees (see Challenge 6 on skills recognition). Recognising the complexity of these issues, and the potential gains for individuals, the economy and society at large, the Netherlands should consider developing a pilot programme that includes research-based investigations and the networking and dissemination of good (and bad) practices between firms and sectors to encourage and guide them in their efforts to create thriving learning cultures and make better use of the skills in their firms. Social partners are particularly well placed to co-ordinate and serve as a knowledge broker. Although the primary responsibility lies with employers, based on the findings of the pilot programme, the government could consider providing financial support to firms for the development of their human resources and for reforming their modes of operation towards becoming a learning organisation. This targeted support appears to be in great need given the country's ambitions for a learning economy, as well as the realisation that many Dutch firms could do more to establish thriving learning cultures in their organisations, and that some are struggling to make better use of employees' skills (see Challenge 5 on skills use). Employer and employee associations, and/or the Social and Economic Council (SER), could publically recognise (e.g. an award of recognition) top learning organisations, such as those that, among other things, invest in the skills of their workers. Finally, there are concerns about the effectiveness and reach of existing sectoral training funds that need to be resolved (see Challenge 7 on skills financing).

Of particular concern is the low participation of low-skilled adults in formal, non-formal and informal learning - boosting their participation will require efforts in youth and adulthood. Given that the more highly skilled are more likely to be continuous learners in adulthood, part of the solution lays in ensuring that there are, in the future, fewer low-skilled adults, and ensuring people take responsibility for their own skills development throughout life. The seeds for such a "learning mindset" and corresponding skillset should be sown in early childhood, and nurtured carefully onwards (see Challenge 1 on developing the right skills). However, even with the best efforts of parents, schools and civil society, some people will not develop strong skills and will need to be encouraged to continue learning in adulthood. In addition to the factors that influence adult participation in skills development generally – which are discussed further in Challenges 3, 5, 7, 8 – there are some additional factors that are particularly relevant to low-skilled and vulnerable adults. First, while work is a key place of learning for adults generally, it is especially important for those who may not have had positive initial experiences in education. In this context, employment measures targeted and tailored to the needs of these groups are important (see Challenge 4 on boosting employment for vulnerable groups). Second, more direct forms of financial support by government, such as loans or grants (rather than tax deductions), may be more effective for stimulating low-skilled adults to develop their skills (see Challenge 7 on skills financing). Third, given that low-skilled adults typically do not hold high credentials, systems for recognising and validating skills acquired non-formally and informally are needed to help them find work and advance in

their careers (see Challenge 6 on skills recognition). Finally, by engaging low-skilled and other vulnerable people more effectively in policy making, governments and social partners can design policies and practices that better meet their needs (see Challenge 9 on stakeholder engagement).

The Netherlands aspires to have a learning culture, but achieving this ambitious aim will require a more co-ordinated and sustained effort from government, social partners and all other actors involved. Given that all of these partners have an interest in, and an impact on, skills performance, there is a need to co-ordinate their efforts to ensure that they are aligned and mutually reinforcing. Despite having among the most consultative public policy traditions across OECD countries, Dutch stakeholders continue to be perplexed by their inability to achieve an aim that they almost universally share – a learning culture across all aspects of Dutch society. An important factor raised by stakeholders in the Skills Strategy workshops that may help explain the lack of progress is the seeming lack of common understanding of what realising such a learning culture entails and requires from all actors involved. The absence of a governance structure that brings partners together to forge agreement on roles and responsibilities (including who pays for what), performance measures, and reporting requirements has played a role in limiting progress. A few countries confronting similar challenges have introduced skills agreements or "pacts" that bring together government, social partners and stakeholders to promote skills development. In the Netherlands, too, a number of "social agreements" have been concluded between the government, social partners, public institutions and private companies in order to implement public policy. These may be useful models for developing a whole-of-society strategy for realising a learning culture across all of Dutch society.

NOTE

4 Classification based on the International Classification Standard of Occupations.

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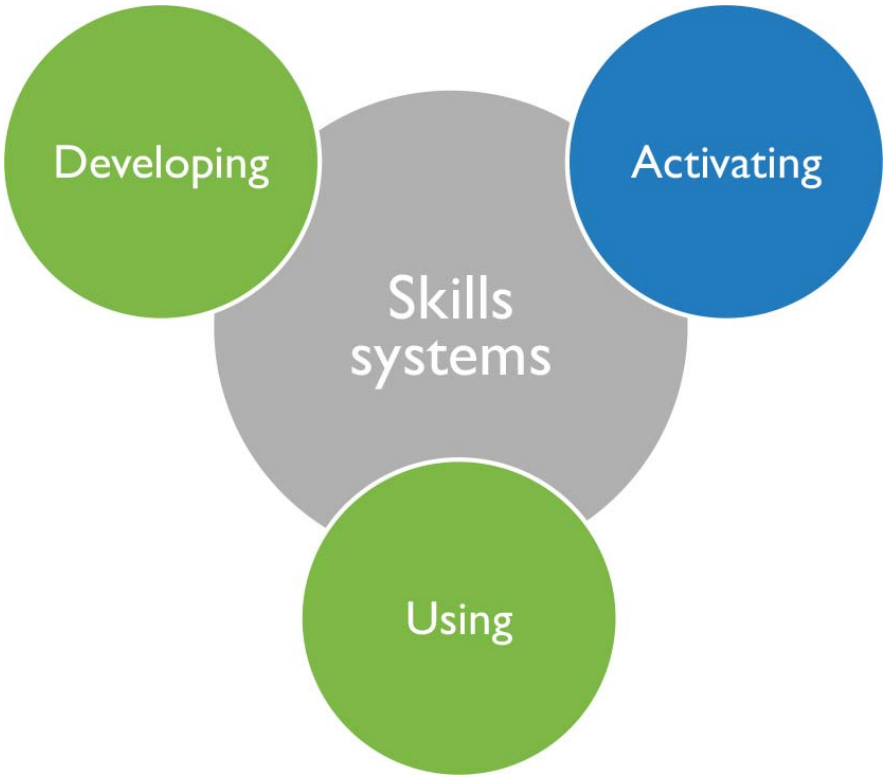
ACTIVATING SKILLS



CHALLENGE 3: BOOSTING LABOUR MARKET PARTICIPATION AND EMPLOYMENT IN HIGH-QUALITY JOBS

HIGHLIGHTS

Despite the strong overall performance of the Dutch labour market, the skills of many people continue not to be fully activated. A comparatively large share of Dutch adults work part time. This is a concern, as for adults the workplace is one of the most important places where skills are used, maintained and further developed. Additionally, the composition of the Dutch labour market has undergone noticeable changes over the past decade, with an increasing share of workers employed on temporary contacts that provide fewer opportunities and incentives to use and further develop their skills. In practice, too, these workers may be receiving a lower level of social protection. From a skills perspective, high taxes on labour and wage rigidities, coupled with large labour market duality between permanent and temporary contracts, may be creating incentives for firms to offer flexible job opportunities to workers, which raises barriers to activating skills.

Stakeholder perspectives:

Stakeholders participating in Skills Strategy workshops generally agreed that the labour market was performing well, but voiced concerns that skills activation could be improved further among certain groups, and that high employment may have come at the cost of an increasing number of people employed in flexible forms of employment, such as temporary contracts and self-employment. Some also expressed concerns that the increased use of flexible contracts might be adversely impacting skills development activity.

Recommendations:

- Government should shift away from taxes that decrease incentives for employers to hire workers, such as taxes on labour income and social contributions, towards taxes that are less detrimental for skills activation, such as taxes on consumption, taxes on property, and taxes that address negative externalities, such as taxes on carbon.
- Government and social partners should agree on how to close the gap in employment protection legislation between permanent and temporary contracts to promote greater hiring on regular contacts. This would provide workers with more security and better opportunities to use, maintain and further develop their skills.
- Social partners should adopt wage-setting mechanisms based on performance, rather than seniority and tenure, to increase wage flexibility and promote hiring, especially on permanent contracts.
- Government should review its social protection systems to ensure that they provide sufficient protection to those employed in flexible work arrangements.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to more fully activate the skills of people in the labour market.

Introduction

The performance of the Dutch labour market is strong, showing overall high participation and employment rates. However, there is room to further activate people's skills in the labour market. Some vulnerable groups are still struggling to fully activate their skills in the labour market (see Challenge 4), and many of those in employment often do not activate their skills fully because they work part time. This is a concern, as in adulthood the workplace is one of the most important places where skills are used, maintained and further developed. Moreover, the proliferation of flexible forms of employment, such as temporary contracts and self-employment, is raising concerns, as workers employed under these contracts are less likely than those employed on regular contracts to use and develop their skills at work, and may have more limited opportunities for advancement into more stable positions. High taxes on labour and wage rigidities, coupled with large labour market duality between permanent and temporary contracts, may highlight the fact that firms often prefer to opt for less standard forms of labour to minimise costs.

This chapter is structured as follows: 1) it discusses Dutch performance in the activation of skills in the labour market; 2) it analyses the ongoing shift towards more flexible forms of employment (i.e. temporary contracts and self-employment) and its implications for skills; and analyses how 3) labour taxes; 4) wage rigidities, and 5) employment protection legislation may affect the activation of skills in the labour market.

The Dutch labour market is characterised by high participation and employment rates, however, there is still room to further activate people's skills

The Dutch labour market is performing well on average. The Netherlands is among the top preforming OECD and European Union (EU) countries on a number of labour market measures. For instance, in 2015, employment rates were 74.1% (versus an OECD average of 66.3%), participation rates were 79.6% (versus an OECD average of 71.3%), and unemployment rates were 6.9% (versus an OECD average of 7%).

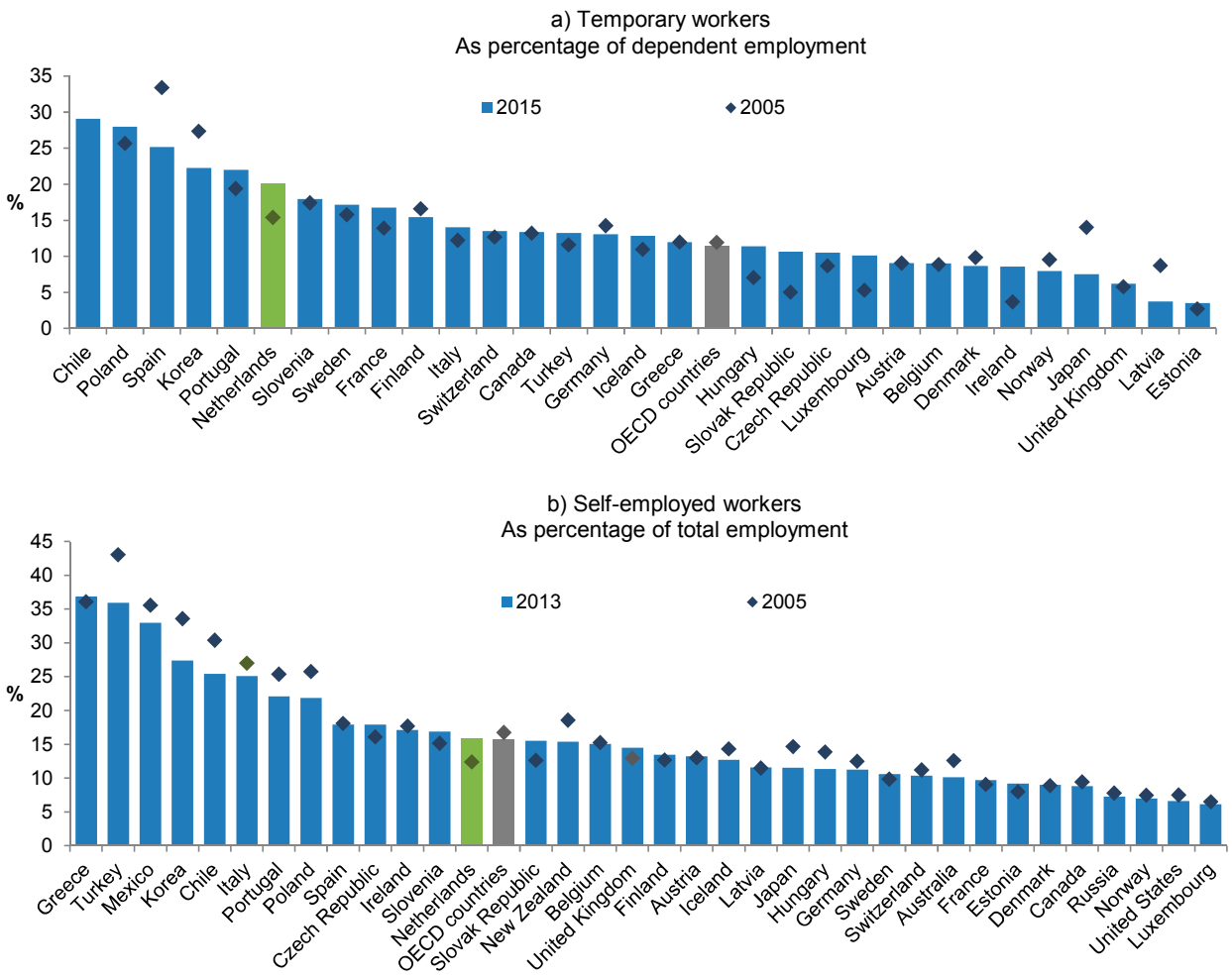
However, some vulnerable groups are struggling to activate their skills in the labour market. In particular, older people, certain disadvantaged youth, and immigrants are finding it difficult to (re-)integrate into the world of work, and may face a high risk of social exclusion (see Challenge 4 for a discussion). Low-skilled adults are also facing particular challenges in finding productive employment opportunities (see Challenge 2), and will likely continue to struggle in the future considering that, as highlighted by CEDEFOP (2015) (see also Figure 9 in the Introduction), the jobs of the future will increasingly demand highly qualified and skilled labour. Today, more than 40% of unemployed persons in the Netherlands have been out of work for 12 months or more, and the number of long-term unemployed has almost doubled since the beginning of the crisis (OECD, 2016a). Those who are long-term unemployed may see their skills depreciate over time; moreover, they risk becoming the so-called NUGers – i.e. the unemployed not receiving social assistance – and being permanently left behind in the labour market and society.

Even those in employment often work part time, suggesting that there is room to further activate the skills of certain workers. The Netherlands has the highest share of part-time jobs among OECD countries: in 2015, about 40% of those in dependent employment worked part time, compared to an OECD average of around 15%. This rate has been increasing considerably in recent years for both men and women. While part time, in many cases, represents a choice of the worker – and often a useful channel for people to balance family life and work (European Commission, 2016) – not all part-time workers are satisfied with their working hours, even when their choice of working part time is voluntary, and many part-time workers would be willing to work more. A recent survey found that 84% of part-time workers wanted to work more hours (DN Bulletin, 2016).

There is a progressive shift towards flexible forms of employment, which has several implications for skills

The Netherlands is one of the OECD countries where the share of temporary workers and self-employed people have risen considerably in recent years. Figure 33 shows that the share of temporary workers (as a percentage of dependent employment) increased from 15.5% to 20.2% in ten years (from 2005 to 2015). Similarly, self-employment has also increased considerably in the same period, from 12.4% of total employment in 2005 to 15.9% in 2013 (see OECD, 2016a).

Figure 33. Share of temporary workers and self-employed, 2005 and 2015



Sources: OECD calculations based on OECD (2017) Labour Force Statistics Database, http://stats.oecd.org/Index.aspx?DataSetCode=TEMP_D, and OECD (2017), "Self-employment rate" (indicator), OECD, Paris, http//dx.doi.org/10.1787/fb58715e-en (Accessed on 19 January 2017).

The shift towards non-regular contracts has given firms the flexibility to adjust to changing economic circumstances, while enabling many workers to continue working despite economic downturns. In an effort to reduce labour costs, Dutch firms have increased their use of self-employed and independent contractors, and replaced permanent positions with flexible fixed-term temporary contracts. The rise of less standard forms of labour (notably temporary workers and self-employed) partly reflects firms' efforts to avoid the high protection granted to permanent contracts, as well as benefits from substantial fiscal reliefs accorded to self-employed people relative to employers (OECD, 2016b). The increased use of temporary contracts and self-employment has also provided firms with the opportunity to test whether a worker is a good fit before offering him/her a regular contract, and has provided them with greater flexibility to lay off workers at a lower cost. From the point of view of workers, this shift towards less standard forms of labour has enabled many to continue working in spite of economic slowdowns (van den Berg et al, 2014.

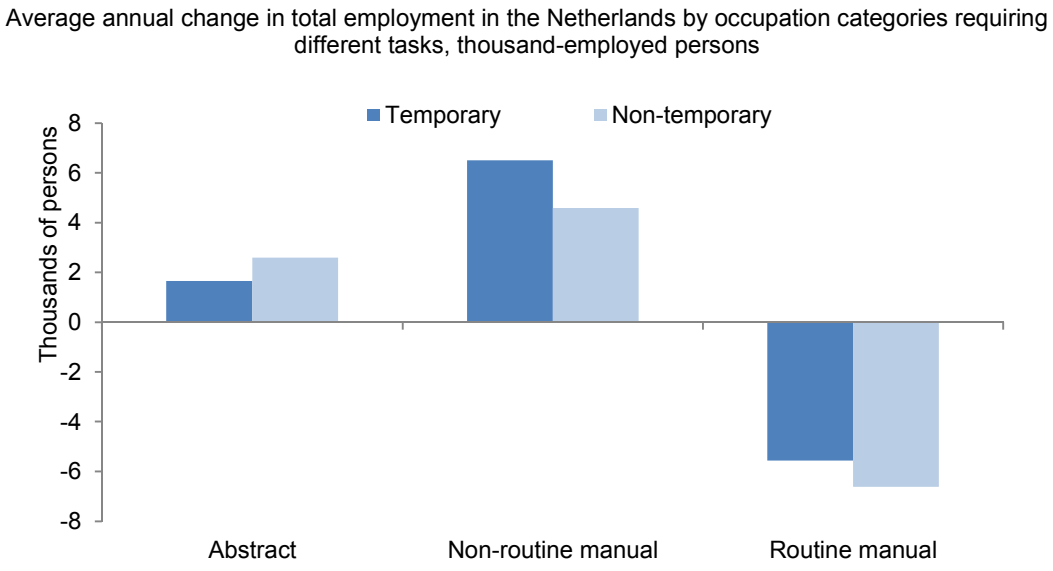
However, the rise of less standard forms of labour may have negative consequences on workers' skills development and use and on the type of tasks performed at work. For instance, in the Netherlands:

- **Temporary workers typically have lower levels of cognitive skills**. Analysis of the OECD's Survey of Adult Skills (PIAAC) data shows that workers on temporary contracts appear to have lower cognitive skills in reading, writing and ICT than workers covered by permanent contracts. While this may partly reflect the fact that people with lower cognitive skills may have lower chances to get a permanent contract in the first place, it may also reflect the fact that temporary jobs provide fewer opportunities to develop and upgrade skills through training (OECD, 2016b). Research using PIAAC data shows that (everything else equal) workers employed under temporary contracts receive less employer-sponsored training than workers under permanent contracts, which reduces the cognitive abilities of temporary employees relative to those who are permanent (Cabrales, Dolado and Mora, 2014). For example, in the Netherlands, temporary workers less often receive employer-sponsored training than permanent workers: only 51% of temporary workers received non-formal learning for job-related reasons (in the 12 months preceding the survey), compared to 66.8% of permanent workers. This is the largest gap between temporary and permanent workers observed among OECD-PIAAC countries. Among all temporary workers participating in training/education, only 67.4% received a grant from the employer, against 80.4% of permanent workers (OECD, 2017a).

- **Temporary workers are also less likely to use their skills at work**. Workers employed under temporary contracts use their skills between 7% and 24% less than their peers employed under permanent contracts – depending on the set of skills considered (see Challenge 5 on skills use in workplaces for more information) (OECD, 2004: 200; OECD, 2016b: 41). Lower use of skills at work is associated with lower worker productivity, wages, and job satisfaction (see Challenge 5).

- **Temporary workers are increasingly employed in occupations that require performing non-routine manual tasks (which are typically middle-skilled)**. Figure 34 shows that, compared to 2005, in 2015 temporary workers in the Netherlands are more likely to perform non-routine manual tasks (which are typically performed by middle-skilled workers), are less likely to perform routine manual tasks (which are typically performed by low-skilled workers), and are more likely to perform abstract tasks (which are typically performed by high-skilled workers, although this increase is rather modest). While this shift towards non-routine manual tasks is also visible for other categories of workers (e.g. permanent workers), it is particularly marked for temporary workers.

Figure 34. Change in the demand for skills by contract duration in the Netherlands, 2005-2015



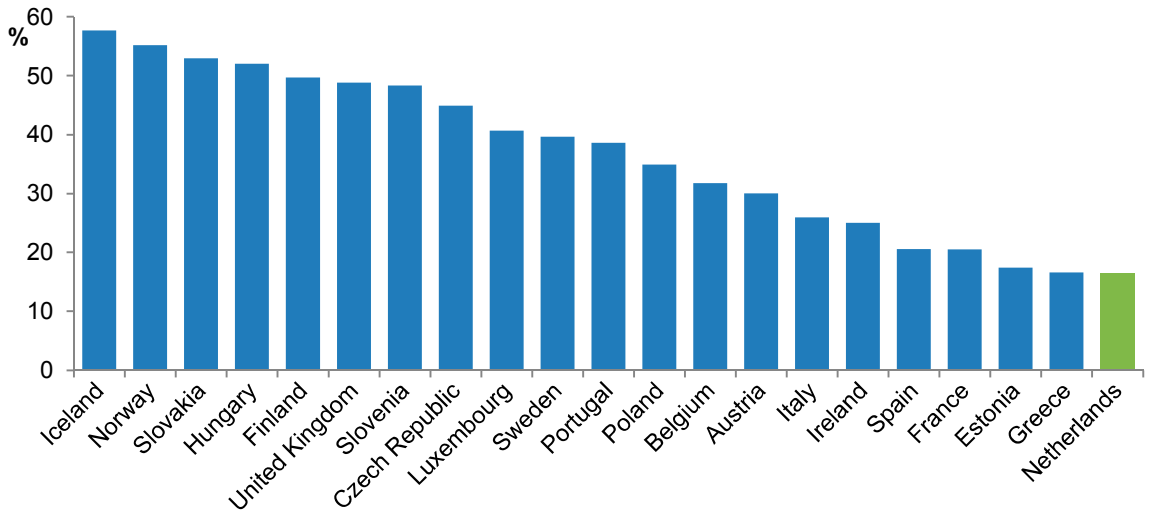
Note: Data refers to population aged between 15 and 64. Occupations such as skilled agricultural, forestry and fishery workers, elementary occupations, armed forces occupations and no responses have not been included. ISCO 08 classification 1-digit level.

Source: OECD calculations based on Eurostat (2016) Labour Force Surveys database - detailed quarterly survey results (http://ec.europa.eu/eurostat/data/database).

It is of great concern that temporary contracts are often a trap rather than a stepping stone towards a more stable position. While in some OECD countries firms may use temporary employment to test workers before offering them a more stable employment position, this is rarely the case in the Netherlands. Less than a fifth of Dutch workers on temporary contracts move on to a full-time permanent contract three years later, the lowest transition rate in the EU (Figure 35) (OECD, 2016b). The result is that a large group of people are left moving between temporary contracts with typically low skills development and use opportunities, and poor career advancement opportunities. However, it is worth noting that the situation in the Netherlands is gradually improving, and transition rates into permanent jobs have significantly improved in recent years (see for example OECD, 2017b).

Figure 35. Few temporary workers move to permanent full-time jobs

Percentage of temporary employees in 2008 that were employed as full-time permanent employees in 2011[1]



Note: [1] 2007-2010 for the Czech Republic, France, Greece, Sweden and the United Kingdom; 2006-2009 for Norway and the Slovak Republic; 2005-2008 for Ireland.

Source: OECD (2016b), *OECD Economic Surveys: Netherlands 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-nld-2016-en.

The Netherlands will need to adapt its employment and social policies to ensure that workers in flexible employment arrangements have adequate protection. The trend towards an increased use of flexible employment arrangements is found across OECD countries. There are several actions, some of which are discussed below, that countries can take to increase incentives for employers to hire workers in more standard forms of employment arrangements, such as permanent contracts. Notwithstanding these actions, it is likely that that more flexible forms for employment will continue to be prevalent in the Netherlands and other countries. In this context, countries will need to adapt their social protection systems in response to these challenges. Box 9 highlights work currently being undertaken by the OECD to assist countries in developing policies that help ensure that workers in flexible work arrangements continue to benefit from adequate social protection. Given that higher levels of skills and education are strongly associated with higher rates of employment, ensuring that people develop the right skills (Challenge 1) and continue to improve their skills in adulthood (Challenge 2) is perhaps the best form of social protection.

Box 9. Adapting social protection systems to rapidly changing labour markets

Trends such as demographic change, globalisation and digitalisation, are radically reshaping the labour market, with many OECD countries facing a shift towards less standards forms of employment. Growing numbers of individual work or task contracts are challenging traditional labour market and social institutions (e.g. unemployment insurance, taxes, and benefit systems). As independent work becomes more common, and workers have multiple jobs and rely on different sources of income, the role of traditional labour market and social institutions is changing. For example, compared to workers in more traditional forms of employment, workers in more flexible forms of employment generally have fewer rights to social protection, as an increasing number of workers may not be eligible for (or may be entitled to less generous) unemployment benefits, pension, and/or health schemes.

Within this context, traditional social protection systems – which were built on traditional employment, family, and living arrangements – may no longer be suitable to provide adequate security to workers, and may need rethinking. Policy options that are currently being experimented in OECD countries to address this challenge range from the implementation of universal basic income models; to the set-up of "individual accounts" (which limit the total amount of available support but move towards greater individual autonomy on when to draw on support); to the integration of non-standard workers into the existing systems; and/or the development of completely new schemes or policy mixes for such workers.

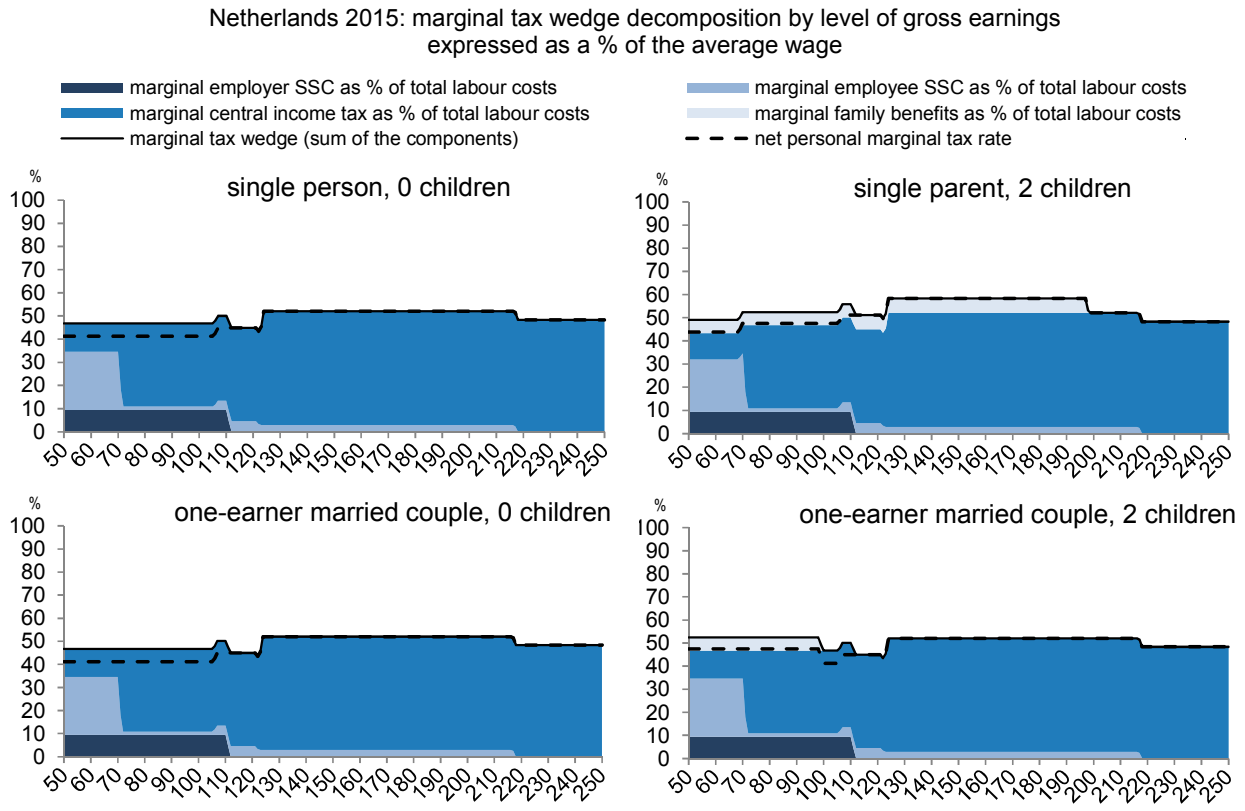
Discussions on the effectiveness of such models are still ongoing. In view of a better understanding of what countries are doing and what is proving successful, the OECD is currently undertaking a project named "The Future of Social Protection". This project aims to analyse how OECD countries are responding to the pressing challenge of adapting social protection systems to rapidly changing labour markets.

Source: Preliminary findings from OECD project "The Future of Social Protection".

High taxes on labour can undermine the activation of skills in the labour market

High taxes on labour can introduce barriers to the activation of skills in the labour market by reducing the returns to work and the returns to hiring new workers. Some groups of low-income workers (such as the low skilled, and/or the young) can be priced-out of employment by high taxes. These groups are more likely to respond to taxation by working less or not at all (OECD, 2011). Figure 36 shows tax rates at various income levels for a variety of family types in the Netherlands. Of key concern is the high tax burden faced by those on low incomes, i.e. those earning between 50% to 67% of the average wage (OECD, 2016c). These rates are among the highest in the OECD, and are quickly rising as income increases (OECD, 2016c). This means that the tax system may not provide sufficient incentives for inactive groups to work. These tax induced disincentives to participate in the formal labour market also significantly reduce the incentives to develop skills, as additional skills may not be used in the labour market (see Challenge 1 on developing the right skills and Challenge 2 on continuous skills development in adulthood). High taxes on labour also sharply tax away the returns to skills investments. However, higher tax costs can encourage firms to use employees' skills more efficiently to cope with higher wage and non-wage costs. This suggests a potentially interesting policy trade-off: specifically, while high labour costs can reduce employers' incentives to hire workers, they may at the same time increase employers' incentives to make effective use of the skills of those they do employ (see Challenge 5).

Figure 36. Tax wedges decomposition by family type



Source: OECD (2016c), *Taxing Wages 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/tax_wages-2016-en.

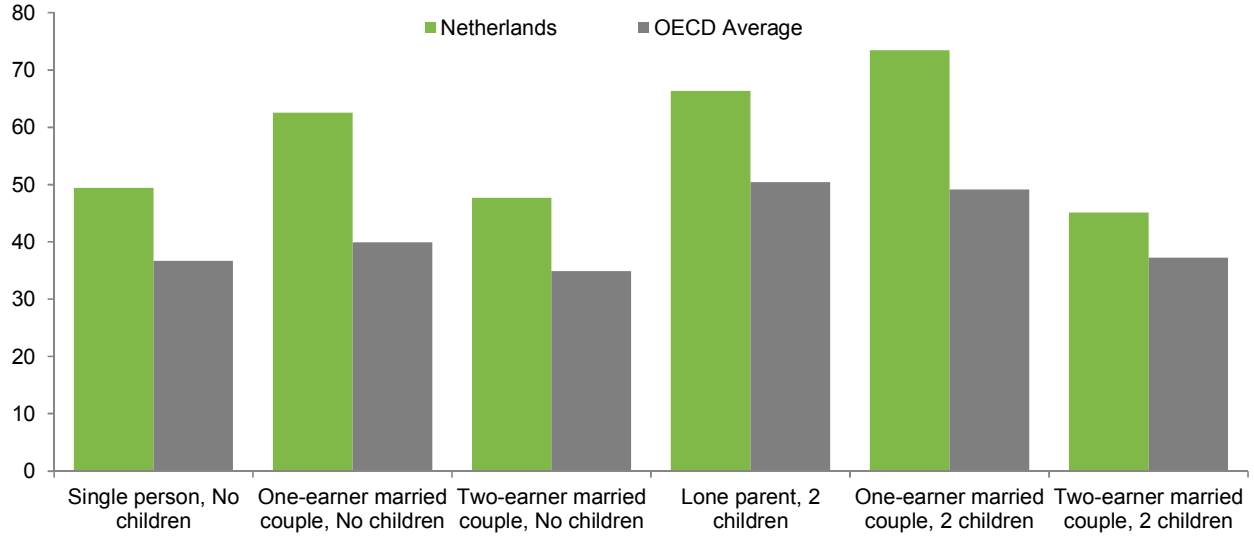
Taxes on labour may discourage hiring, including from multinational companies active in the Netherlands. High taxes on labour may also imply that the after-tax cost of labour, especially low-income (hence often low skilled) labour, is high. Figure 36 highlights how a large portion of total labour costs are made up by employer social security contributions (SSCs) at different income levels. The fact that employers' SSCs represent a large share of total labour costs, especially at low-income levels, may discourage employers from increasing their hiring, especially of low-skilled labour. High after-tax labour costs may also discourage multinational companies from investing in the Netherlands, or may discourage multinational companies with an existing footprint in the Netherlands from expanding their hiring.

In addition to depressing activation, the tax burden can also negatively impact on the number of hours worked in the labour market. This can be particularly important for second earners, who are often women. Figure 37 shows the marginal tax rates for a variety of family types where the worker moves from part-time to full-time work at the average wage. For all family types, the tax burden in increasing hours worked is above the OECD average in the Netherlands. The high rates for married couples are particularly concerning, as second-earners' hours are typically more likely to be sensitive to taxation (OECD, 2011).

Many of the challenges regarding labour taxation in the Netherlands stem from high levels of social contributions. These contributions form a particularly high barrier to low-income work in the Netherlands. High social contributions are an important part of the Dutch social contract, and play a key role in financing the welfare state. Figure 38 shows that the share of social contributions in the Netherlands is well above the OECD average. This is potentially problematic as it means that a large part of the tax burden of funding the welfare state falls directly on labour as opposed to other tax bases.

Figure 37.Marginal effective tax rates on the shift from part-time to full-time work

2014, for a worker at the average wage, moving from half-time to full-time



Source: OECD (2016c), *Taxing Wages 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/tax_wages-2016-en; OECD Social and Welfare Statistics database. http://dx.doi.org/10.1787/b4196a16-en (accessed on 22 March 2017).

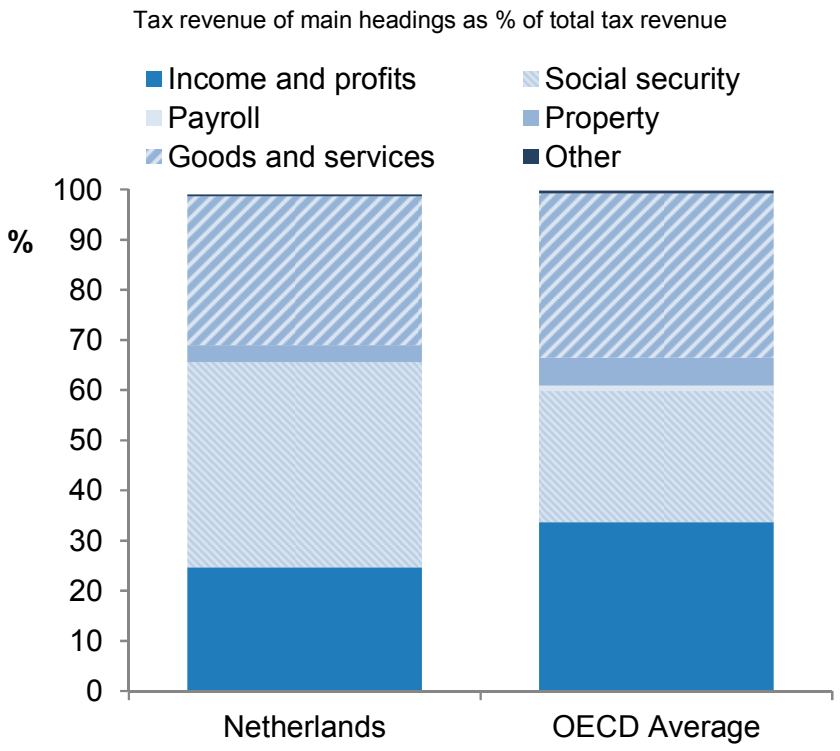
OECD research has highlighted the importance of shifting the tax mix towards tax bases that are more friendly to growth and employment (OECD, 2010). Because they form such a key part of the revenue mix in the Netherlands, reducing social contributions is challenging. Nonetheless, welfare states and government expenditure more broadly need to not be financed through taxes on labour income and through social contributions. These taxes have negative impacts on employment and growth compared to financing through other more employment-friendly taxes. These include taxes on consumption such as VAT, taxes on property, and taxes that address negative externalities, such as taxes on carbon. Figure 38 indicates that there may be some scope for a shift in the tax mix away from labour, which could help to reduce the burden on activating skills in the Netherlands.

The example of OECD countries in this respect could be valuable to the Netherlands. For example, in 2007, Germany increased the value added tax (VAT) rate by three percentage points to finance the reduction of contributions to the unemployment insurance scheme. France in 2012 proposed to increase the standard VAT rate by 1.6 percentage points to co-finance a cut in employers' social contribution (Puglisi, 2013; European Commission, 2013). A well-known example of a country that has shifted towards taxes on carbon is the German "Ecological Tax Reform" of 1999, which shifted from social security contributions to green taxes (see Kohlhaas, 2000 for more details). Other early examples include Denmark in 1988, and Sweden in 1993.

Recent tax reforms in the Netherlands have gone some way towards shifting the tax burden in a skills-friendly direction, but the tax base could be further shifted away from reliance on social security contributions. A tax reform package implemented in 2016 raised VAT rates on some goods to the standard rate and expanded their earned income tax credit, which is a good means of encouraging labour market

activation (OECD, 2016d). Reduced taxes were provided for firms hiring unemployed workers. The earned income tax credit was expanded, as was a tax credit for combining work and childcare. The rate at which taxes rise over the lower part of the income distribution was also reduced, improving low-income workers' incentives to invest in skills and to work longer hours in the labour market. These reforms do not alter the significant SSC burden that raises the costs of hiring at low income levels. In addition, tax credits in the Netherlands are non-refundable, which limits their effectiveness in getting low-skilled workers with low potential earnings to activate their skills. Nonetheless, these reforms are an important step in the right direction.

Figure 38. Tax mix in the Netherlands compared to OECD average



Source: OECD (2015), *Revenue Statistics 2015*, Chart 2, OECD Publishing, Paris, http://dx.doi.org/10.1787/10.1787/.

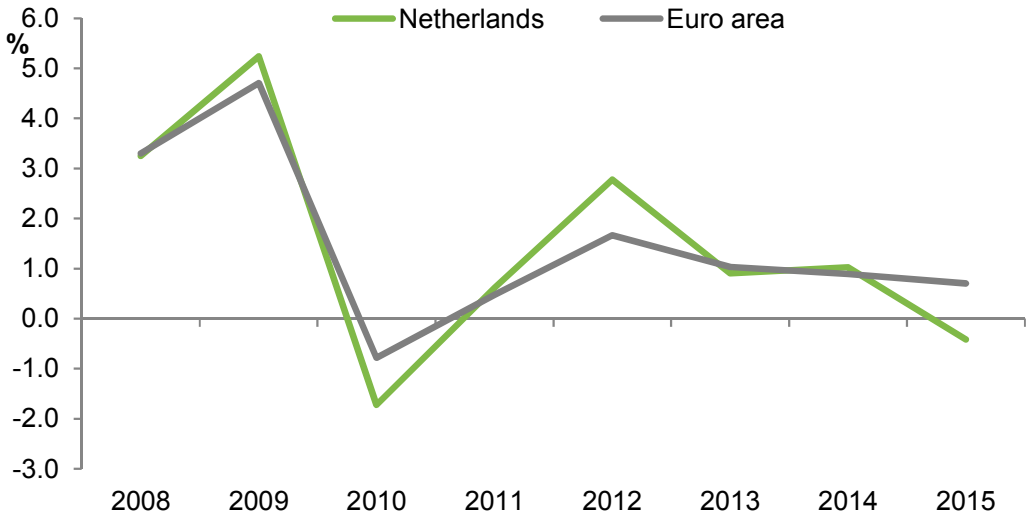
Wage rigidities in the Netherlands may be dampening the activation of skills in the labour market

Wage rigidities can dampen the activation of skills in the labour market. During economic downturns, wage rigidities (i.e. wages that do not adjust to changing economic circumstance) may result in high labour costs. In the absence of mechanisms to lower/maintain wages, firms will tend to adjust to economic downturns by shedding labour. Hence, job losses under conditions of wage inflexibility may be larger than if wages were freer to adjust to changing economic circumstance. Consequently, wage rigidities create disincentives and cause employers to be neutral to hiring during economic upturns.

Wages appear to be more rigid in the Netherlands than in the EU overall. Figure 39 compares patterns in unit labour costs (ULC)[5] in the Netherlands with that of the average for EU countries over the business cycles. In the period 2008-2015,[6] ULCs for both the Netherlands and Euro area exhibited counter-cycle patterns: they rose in economic downturns and declined in upturns (Figure 39). The difference between the pattern observed for the Netherlands and that observed for the Euro area is that the ULC for the Netherlands appears somewhat more volatile, suggesting greater wage inflexibility.

Figure 39. Unit labour cost over business cycle 2008-2015

Percent change of unit labour costs over the previous year



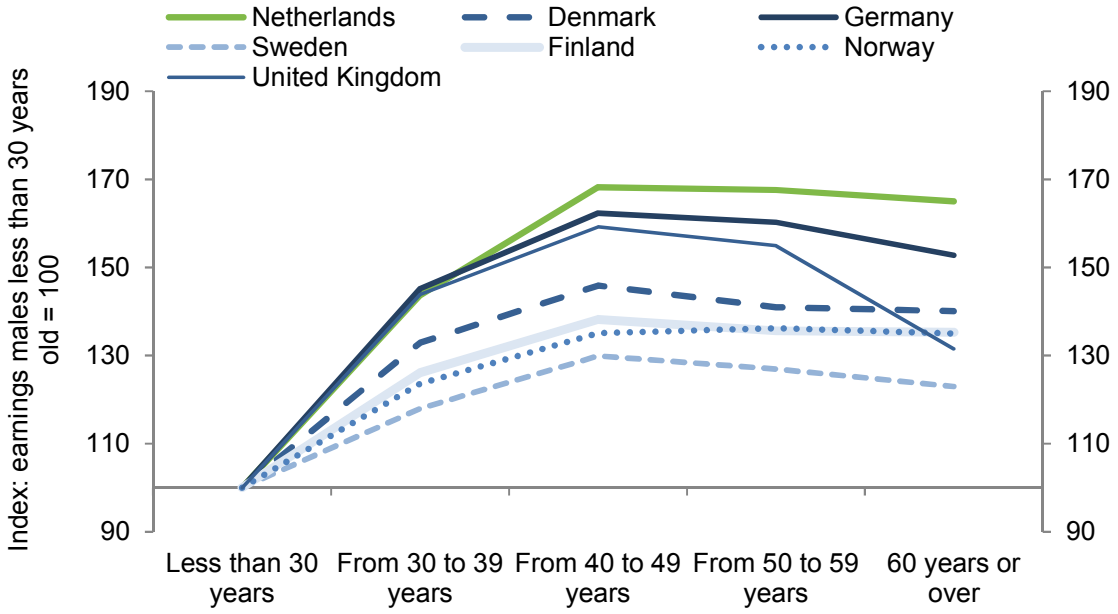
Sources: OECD calculations based on OECD (2016b), *OECD Economic Surveys: Netherlands 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-nld-2016-en.

Wage rigidity in the Netherlands may be partly explained by the extensive use of seniority wages. Figure 40 plots the average wage of workers of different age groups (the wage for those less than 30 years old is indexed at 100) among the selected countries. Like other countries, the Netherlands shows a wage-age profile that rises to a certain age. What is distinctive about the pattern in the Netherlands is that wages increase more progressively with age compared to other countries. For example, the wage of those aged 50 to 59 is about twice as high as that of the youngest age group (less than 30 years old). However, in many other countries, including Denmark, Norway, and United Kingdom, the wage ratios of those aged 50 to 59 to the youngest (less than 30 years old) are in the rage of 1.4-1.6. In addition, while in other countries, wages tend to decline noticeably after people reach their 40s, wages in the Netherlands continue to grow until around the 50s, and then decline less precipitously. Human capital theory predicts that wages should decline after reaching a peak since human capital depreciates in the later stages of a working life. Moreover, older workers in the Netherlands (as in other OECD countries) seem to use their skills less compared to prime-age workers (aged 26-54) (see OECD, 2016e), which may be associated with lower productivity. Therefore, the wage pattern observed in the Netherlands suggests that wages are being driven not by workers' productivity, but by their seniority.

International experience suggests that wages should be based on performance and job category, rather than age and/or seniority. Recognising these challenges, many OECD countries are moving away from a system of seniority wages towards a system whereby wages are linked to performance and types of jobs performed. One example is Korea, which in order to overcome the seniority wage system has implemented a wage peak system (WPS) whereby wages decline gradually after a certain specified age (see Box 10). However, it is worth noting that while the WPS in Korea is a good short-term response to seniority wages, the long-term strategy should be to base wages on performance and job category (as opposed to age) (OECD, 2016f). Another example is Germany, where data suggest that due to the more flexible wage-setting schemes in place, wages decline after the age of 50, and therefore productivity and wage profiles are more aligned. In Germany, trade unions are also more concerned about employment than wage goals. The Hartz reform contained a great deal in terms of wage flexibility. In the Netherlands, as in other OECD countries, a shift towards wage-setting mechanisms based on performance rather than seniority and tenure is something that social partners – i.e. employers' organisations and trade unions – need to decide and agree upon.

Figure 40. Wage profile by various age groups

Median annual earnings of males less than 30 years old in 2014 = 100 In the industry, construction and services (except public administration, defence, compulsory social security) sector



Source: OECD calculations based on Eurostat (2016) Structure of earnings survey: annual earnings database, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses_annual&lang=en, (accessed on 23 November 2016).

Box 10. Wage Peak System (WPS) in Korea

seniority-based wage in Korea has been identified as a primary reason for the high labour costs and early retirement (average age to leave a lifetime job is 53) of older workers (OECD, 2016f). Facing a projected decline in the labour force in near future due to rapid population ageing and rising labour costs of older workers, the Korean government has introduced a non-mandatory wage peak system (WPS) with the aim of extending the effective working life to 60 years of age.

Specifically, the government has proposed two types of wage peak schemes for employers and workers to choose from. In type 1, the wages of older workers decline gradually until they reach 60 years of age. In type 2, wages are cut at the age of 56 and remain unchanged until 60 years of age. In either case, the government provides a fee-free consulting services on how to implement a WPS, and a subsidy to partially compensate workers for the reduction in their wages (Ministry of Employment and Labour, 2016).

In 2014, 9.4% of firms of all sizes introduced the WPS, with large firms (1 000 workers or more) more actively participating in the WPS (21.4%). A recent report found that a smaller share of older workers (over 50 years old) left jobs in firms participating in the WPS (16.1%) than jobs in firms not participating in the WPS (39.1%) (Ministry of Employment and Labour, 2015).

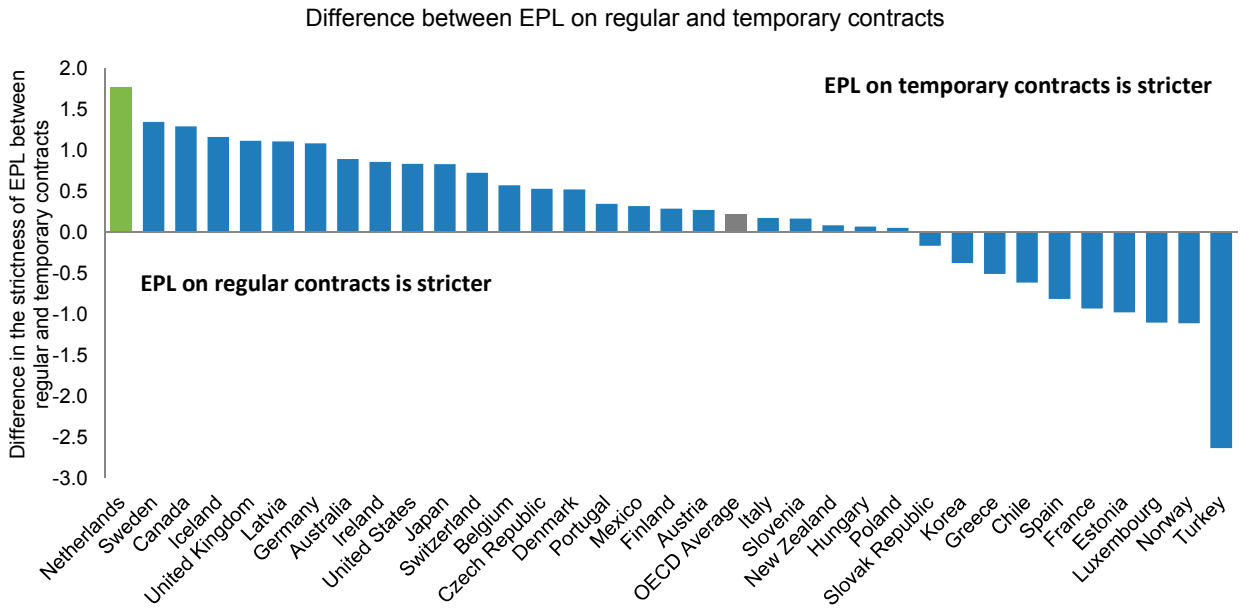
Sources:OECD (2016f), *OECD Economic Surveys: Korea 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-kor-2016-en. Ministry of Employment and Labour (2016), *Guidebook for wage Peak and extension of working life*, www.moel.go.kr/view.jsp?cate=7&sec=4&smenu=null&mode=view&state=A&bbs_cd=105&idx=1464252547635&seq=1464252547635.
Ministry of Employment and labour (2015), "Positive Effects of wage Peek on primary-age and youth labour market in Korea, *Brief on Wage information*, Vol. 1/7, Korea Labour Institute, www.moel.go.kr/view.jsp?cate=7&sec=4&mode=view&bbs_cd=105&state=A&seq=1430374526746.

Large differences in employment protection between permanent and temporary contracts have important implications for whether and how skills are activated

Employment protection legislation (EPL) governs the hiring and firing of workers, and therefore has implications for skills activation. The purpose of EPL is to protect the individual worker and the country as a whole from the costs associated with job displacement (OECD, 2013a). However, when overly strict, EPL may impose excessive constraints on firms and discourage job creation and needed reallocation, which can hamper the full activation of skills in the labour market.

The Netherlands' EPL is characterised by strong duality between permanent and temporary contracts. Figure 41 illustrates that the gap in the strictness of the EPL between permanent and temporary contracts was larger in 2013 (the latest year for which we have data) in the Netherlands than in any other OECD country: the OECD indicator on the strictness of EPL for permanent contracts is 1.77 points higher (stricter) than the OECD indicator on the strictness of EPL for temporary contracts. This large gap in regulation between permanent and temporary contracts is often referred to as labour market duality – a situation whereby some workers enjoy the benefits and security of regular contracts, while others move between temporary contracts in precarious jobs.[7]

Figure 41. Strictness of employment protection legislation on regular and temporary contracts, 2013



Source: OECD (2016), Employment protection database, http://stats.oecd.org/Index.aspx?DataSetCode=EPL_OV, (accessed on 23 November 2016).

Labour market duality may encourage firms to hire under temporary (rather than regular) contracts in order to reduce costs. Because labour market duality results in sizable differences between the cost of hiring/firing a permanent or a temporary worker, it may encourage firms to hire temporary workers in order to minimise costs – especially during economic downturns. For these reasons, labour market duality may make the hiring and firing of workers the dominant mechanism for adjusting to the business cycle, as opposed to wages (see earlier section). This may also explain why the share of temporary employment in the Netherlands is among the highest in the OECD area (in the Netherlands, around 20.2% of people in dependent employment have a temporary contract, almost double the OECD average of 11.4% - see Figure 33), why it has increased considerably during the economic crisis, and why it particularly affects new labour market entrants, such as youth (see Challenge 4).

As in other OECD countries, the Netherlands has made efforts to close the gap in EPL between permanent and temporary contracts. Through the Work and Security Act of 2015 (*Wet Werk en Zekerheid*), the maximum duration of a temporary contract was reduced from three to two years, and the minimum interval period between two consecutive contracts increased from three to six months. However, the Work and Security Act of 2015 lowered employment protection for permanent workers by introducing a cap on severance payments (at EUR 75 000 or a year's salary, whichever is higher) and linking them to tenure rather than age. In addition, the dismissal system was also simplified (OECD, 2016b; Eichhorst, Paul and Wehner, 2016). While these measures aim to reduce labour market duality, and are therefore a step in the right direction, it is too early to assess their impact on the labour market. Other OECD countries have been taking steps to reduce labour market duality. One example is the recently implemented Jobs Act in Italy (see Box 11).

Box 11.Reducing labour market duality: The example of the Jobs Act in Italy

Temporary employment is common in Italy compared to other OECD countries, particularly among young people. The majority of young people – including the high skilled – hold temporary contracts, and the vast majority (60%) of all temporary contracts are held by young workers (aged 15-24). Of particular concern is that temporary contracts are not used as a stepping stone towards permanent contracts, but are a cheaper form of employment used by employers to increase flexibility. The vast majority (70%) of new jobs in 2014 were temporary contracts (according to data from the Istituto Nazionale della Previdenza Sociale – INPS, see also OECD, 2017b), and transitions from temporary to permanent contracts are very limited.

Labour market duality – i.e. stringent employment protection for permanent jobs coupled with low protection for temporary jobs – as well as the high legal risk and costs associated with dismissals, were identified as the major obstacle to (permanent) job creation in Italy.

Recognising these challenges, the government has taken steps to reduce labour market duality. The recent labour market reform, the Jobs Act, has implemented a new single open-ended contract with increasing levels of protection with job tenure. In addition, during 2015, new permanent contracts were exempted from social security contributions (capped at EUR 8 000 annually for the first three years); but were reduced in 2016 (to EUR 3 250 for two years). The combined effort to ease dismissal procedures and reduce social security contributions has contributed to drastically increasing new permanent contracts.

Source: OECD (2017b), *OECD Economic Surveys: Italy 2017*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-ita-2017-en.

Summary and policy recommendations

The Dutch labour market is performing well overall, but there is room for further skills activation. The performance of the Dutch labour market is strong, showing overall high participation and employment rates. However, some vulnerable groups, such as older people, certain disadvantaged youth, immigrants, the low skilled, and long-term unemployed, are still struggling to fully activate their skills in the labour market. Even when in employment, many workers often do not activate their skills fully because they work part time.

Despite strong overall labour market performance, the composition of the Dutch labour market has undergone noticeable changes, with an increasing share of workers in less standard forms of contracts in which workers are less likely to have opportunities to use and further develop their skills. An increasing share of workers is employed in non-regular forms of labour, such as temporary contracts or self-employment. These flexible forms of employment arrangements have helped to ensure high rates of activation, especially during economic downturns. However, there are increasing concerns about their negative implications on workers' skills development and use, about the type of tasks performed at work, and the lack of career advancement opportunities towards more stable employment opportunities.

Taxes on labour are high, which may present a barrier to workers supplying their skills and employers hiring. Of particular concern is the high tax burden faced by those on low incomes, who are typically the low skilled, and who are likely to respond to taxation by working less or not at all. Another issue of concern is that the tax burden on increasing hours worked is also very high, especially for second earners, which suggests that the financial incentives to move from part-time to full-time work are very low. On the side of employers, high taxes on labour (e.g. employers' social security contributions), particularly on low-income earners, may discourage firms from hiring.

Wages appear to be more rigid in the Netherlands than in the EU overall, which may have negative implications for employment. Evidence suggests that wage adjustments are often driven by seniority rather than productivity. In the absence of flexible wage-setting mechanisms, firms will tend to adjust to economic downturns by shedding labour. Therefore, job losses under conditions of wage inflexibility may be larger than would be the case if wages were freer to adjust to changing economic circumstances.

The Dutch labour market is characterised by a strong dualism in employment protection legislation, which may push many employers to hire under temporary contracts in order to reduce costs. Temporary work is a form of employment where workers typically have fewer opportunities to develop and use their skills. The most recent comparable data show that among OECD countries, the Netherlands has the widest gap in the strictness of EPL between permanent and temporary contracts. This large gap may discourage firms from hiring regular workers in order to reduce costs and be able to cope with changing economic situations. The result is a dual labour market where some workers enjoy the benefits and security of regular contracts, while others move between temporary contracts in precarious jobs.

There are several actions that government and social partners can take to boost the activation of skills. Government should shift away from taxes that decrease incentives for employers to hire workers, such as taxes on labour income and social contributions, towards taxes that are less detrimental to skills activation, such as taxes on consumption, taxes on property, and taxes that address negative externalities, such as taxes on carbon. In addition, government and social partners – i.e. employer organisations and trade unions – should together come to an agreement on how to close the gap in employment protection legislation between regular and temporary contracts to promote greater hiring on regular contacts, which provide workers with more security and better opportunities to use, maintain and further develop their skills. Social partners need to decide and agree upon a shift towards wage-setting mechanisms based on performance rather than seniority and tenure to increase wage flexibility and promote hiring, especially on regular contracts. Finally, given that more flexible forms of employment will likely continue to be prevalent in the Netherlands, the government should review its social protection systems to ensure that they provide sufficient protection to those employed in flexible work arrangements.

NOTES

5 Cyclical patterns in unit labour costs (ULC) can help to assess the extent of wage rigidity. The ULC, the ratio of labour compensation (wages) to productivity, fluctuate over business cycles because labour productivity is sensitive to market conditions. That is to say, productivity will typically be high (low) in an economic expansion (contraction). Therefore, when wages are allowed to adjust with labour productivity (i.e. when they are flexible), one would expect the ULC to exhibit greater stability over the business cycle. Conversely, when wages are not allowed to adjust with productivity, the ULC should rise (fall) as labour productivity declines (increases), showing a counter-cyclical pattern. In summary, a relatively stable ULC over a business cycle suggests wages are flexible, whereas a counter-cyclical wage pattern over a business cycle suggests that wages are rigid.

6 The period of 2008-2015 was selected as it is relatively short (so effects of other factors, such as technological progress, on productivity should be minimal), and it contains two business cycles dips in 2008 and 2012), which should be sufficient for identifying the cyclical variation in ULCs.

7 According to the OECD indicator on the strictness of the EPL on permanent contracts, on a scale that spans between 0 (least strict) and 6 (most strict), the Netherlands scores 2.9 in 2013, which is above the OECD average of 2.3 and stricter than many OECD countries. On the other hand, EPL on temporary contracts in the Netherlands is comparatively lenient: the EPL indicator for temporary contracts is 1.2 for the Netherlands, well below the OECD average of 2.1.

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CHALLENGE 4: IMPROVING THE ACTIVATION OF UNDER-REPRESENTED GROUPS IN THE LABOUR MARKET

HIGHLIGHTS

Despite high rates of labour market participation and employment in the Netherlands, certain population groups face difficulties in accessing the labour market. For example, older workers in the Netherlands experience great difficulties in (re-)activating their skills in the labour market. Although the share of youth neither in employment, education or training (NEET) is comparatively small in the Netherlands, they face specific challenges to access the world of work and need targeted support. Also worrying is that a large share of employed youth seem to be trapped in temporary jobs with limited opportunities to advance their careers. Immigrants are facing significant challenges to entering the labour market compared to native-born Dutch people. For each of these groups, there are targeted policies that government could pursue to strengthen their activation. However, improving the activation of these under-represented groups is not the sole responsibility of government. The private sector could hire more people from among these vulnerable groups, and undertake other efforts to support their participation in the economy. In many countries, social enterprises play an important role in promoting the labour market integration of under-represented populations.

Stakeholder perspectives:

Stakeholders in the Netherlands expressed concerns that the skills of certain groups are not being fully employed in the labour market. Many stakeholders participating in Skills Strategy workshops suggested that the low participation of certain groups in the labour market – especially older workers, certain categories of youth, and immigrants – was due to insufficient incentives and help for them to work.

Recommendations:

- Government should strengthen the outreach of the public employment service (PES) to vulnerable populations and design active labour market policies (ALMPS) that better respond to their unique needs, such as early and high-intensity personalised counselling, and work experience and labour market training programmes. Together with employers, the PES can improve the matching of jobs with skills.
- Government should reduce the long duration of unemployment insurance benefits to strengthen the activation of older workers.
- The private sector and government should encourage the formation of social enterprises that help vulnerable groups find employment.
- Employer associations and trade unions should work together to collect and disseminate information about the business case for hiring people from under-represented groups, such as immigrants, as well as about good practices for recruiting and hiring among these groups.
- Government and social partners should increase opportunities and incentives for disadvantaged groups to continue to develop their skills in adulthood (see recommendations in Challenges 2 and 7), recognise and validate skills they have developed non-formally and informally (see recommendations in Challenge 6), and engage vulnerable groups in the policy development process (see recommendations in Challenge 9).
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to improve the activation of under-represented groups.

Introduction

Although the labour market in the Netherlands performs relatively well by international standards (see Challenge 3 on boosting labour market participation and employment), certain population groups are still struggling to fully activate their skills in the labour market. In particular, there is room to further boost the labour market activation of older workers, certain vulnerable youth, and immigrants. The PES and ALMPs are a particularly important instrument for achieving this goal.

Stakeholders in the Netherlands expressed concerns that the skills of certain groups are not being fully employed in the labour market. Many stakeholders participating in Skills Strategy workshops suggested that the low participation of certain groups in the labour market – especially older workers, certain categories of youth, and immigrants – was due to insufficient incentives and help for them to work.

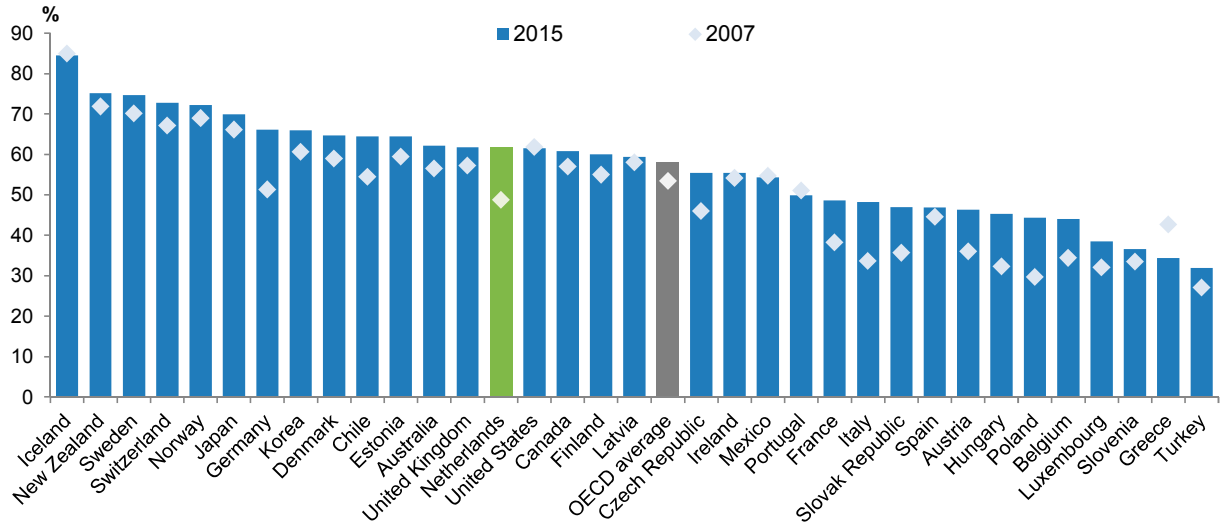
This chapter provides a brief overview of how: 1) older workers; 2) youth; and 3) immigrants fare in the labour market in the Netherlands from an international comparative perspective; and 4) analyses the role of the PES and ALMPs in bringing these vulnerable groups closer to the labour market.

Many older workers are struggling to (re-)integrate into the labour market

Providing older people with more and better employment opportunities is crucial, both for individuals and societies. Working later in life is important for ensuring that people have the income they need to lead full and healthy lives in retirement. For example, a recent study on the Dutch labour market finds that those who extend their work life appear to have better health outcomes and greater life satisfaction (Van Echtelt et al., 2016). Boosting the activation of older workers in the labour market may also help promote economic growth and sustain public expenditure, which is crucial in the Netherlands, especially in the context of rapid population ageing (see for example OECD, 2014). The old-age dependency ratio – i.e. the ratio of the population aged 65 and over to the population aged 20-64 – was 30.7% in 2015, and is expected to double to 53% by 2050.[8]

Despite recent improvements, the Netherlands remains only an above-average performing country in terms of older workers' skills activation. In 2015, the employment rate of older people (55 to 64 year-olds) was 61.7% (an increase of 12.9 percentage points from 2007), which exceeds the OECD average (58.1%) (Figure 42), but remains below one-third of OECD countries. In 2014, the average effective age of retirement (i.e. the average effective age at which older workers withdraw from the labour force) in the Netherlands was 62.9 for men and 61.9 for women, similar to the European Union (EU) average (62.9 for men and 61.7 for women), although just below the OECD average (64.6 for men and 63.2 for women) (OECD database).

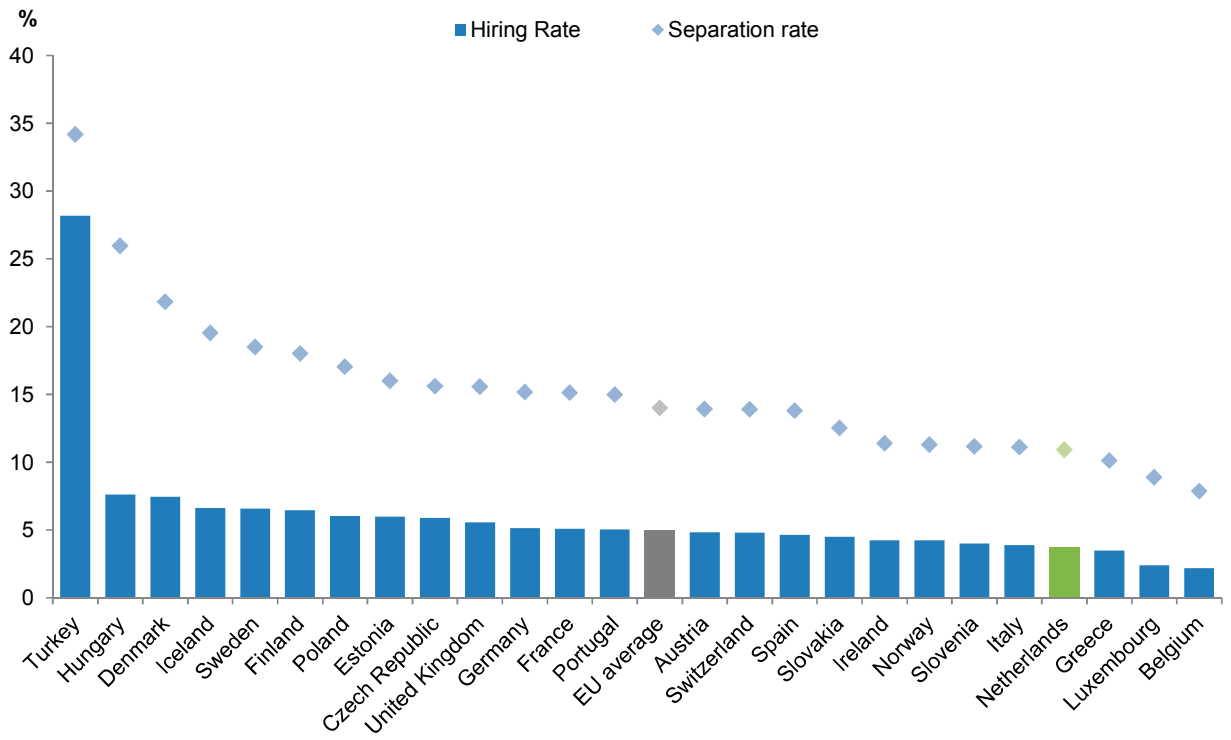
Figure 42. Employment rates of population aged 55-64, selected OECD countries, 2007 and 2015



Source: OECD calculations based on data from OECD (2016), Labour Force Statistics database, http://stats.oecd.org/Index.aspx?DataSetCode=LFS_D, (accessed on Nov. 23 2016).

A particular challenge in the Netherlands is low labour mobility, which makes it difficult for older people to find a job once out of employment. One way to measure labour mobility is to look at labour market transition into (hiring rate) and out of (separation rate) jobs over a period of a year (see OECD, 2014). The frequency of transition (i.e. the hiring and separation rate) is an indication of how easy it is for older workers to enter or leave a job (compared to older workers in other countries and/or to adults aged 25-54 within the same country). As shown in Figure 43, the Dutch labour market for older workers (55-64 year-olds) is characterised by low hiring and separation rates by international standards – suggesting that although older people are less likely to lose their job (as suggested by the low separation rates), they are also less likely to find a new one (as suggested by the low hiring rates). New hires correspond to only 3.8% of older workers (compared with a 5% EU average), and separation rates are also low (11% compared to an EU average of 12.3%), which places the Netherlands at the bottom of the EU distribution just after Greece, Luxembourg and Belgium (see Figure 43). Older people in the Netherlands are faring less well compared to older people in other OECD countries, as well as compared to Dutch adults: for example, the age gap in recruitment (i.e. the gap between the hiring rate of older people and that of adults aged 25-53) is among the largest in the OECD area (see OECD, 2014), suggesting that older workers in the Netherlands may face specific (and higher) barriers when attempting to find a new job compared to younger peers (OECD, 2014).

Figure 43. Hiring and separation rates for aged workers (55-64 years old), European countries, 2012



Notes:
The hiring rate is the ratio between all employees aged 55-64 with tenure of less than one year and the total number of employees aged 54-63 the year before.

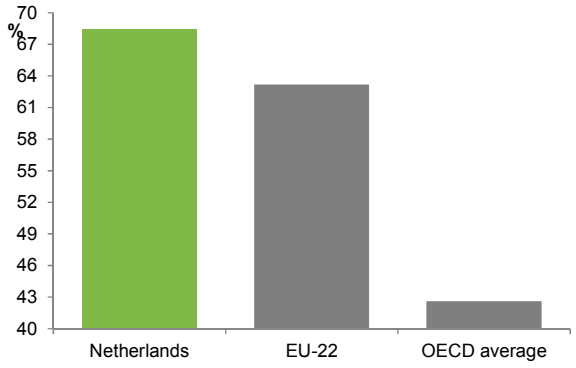
The separation rate is the difference between the net employment change rate and the hiring rate (net employment change in year t = hiring in year t – separations in year t).

Source: OECD (2014), *Ageing and Employment Policies: Netherlands 2014: Working Better with Age*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264208155-en.

When out of employment, older people face high barriers in (re-)entering the labour market, and many become long-term unemployed or discouraged. In 2015, 68.4% of unemployed people in the Netherlands aged 55 years or over were long-term unemployed (i.e. they had been unemployed for more than 12 months), compared to an OECD average of 42.6% and an EU average of 63.2% (Figure 44, Panel A). This suggests that once unemployed, older workers in the Netherlands face great difficulties re-integrating into the labour market, and risk remaining in unemployment for a long time. Older people in the Netherlands are not only likely to become long-term unemployed, they also constitute a large share of the long-term unemployed. In 2015, long-term unemployed people aged 55 and above represented 33% of the long-term unemployed population in the Netherlands, compared to an OECD average of 17% (see also de Graaf-Zijl et al., 2015). This suggests that older people are among the population groups struggling the most to re-integrate into the labour market. After repeated job-search failures, many older people – especially those with low levels of skills – may cease to seek employment, believing that no work is available to them. This may lead many of them to become discouraged[9]: in 2013, 1.7% of the older population (aged 55 and above) in the Netherlands was discouraged, well above the OECD average of 0.6% and the EU average of 0.9% (Figure 44, Panel B) (see also van den Berge et al., 2014).

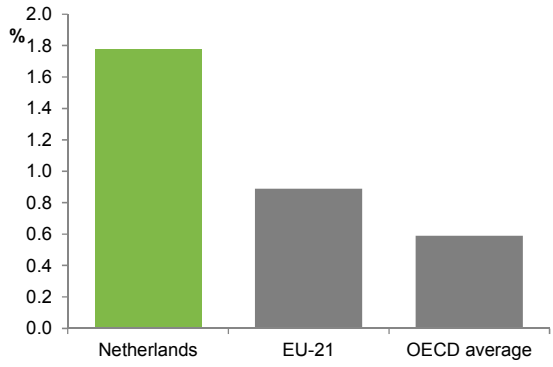
Figure 44. Incidence of long-term unemployment and discouraged workers among the older population (55 and over)

a) Incidence of long-term unemployment as % of unemployed aged 55 and over, 2015



Source: OECD stat

b) Discouraged older workers (55 years and over) as % of older population, 2013



Source: OECD calculations with data from OECD.Stat (Labor force statistics database).

Notes:

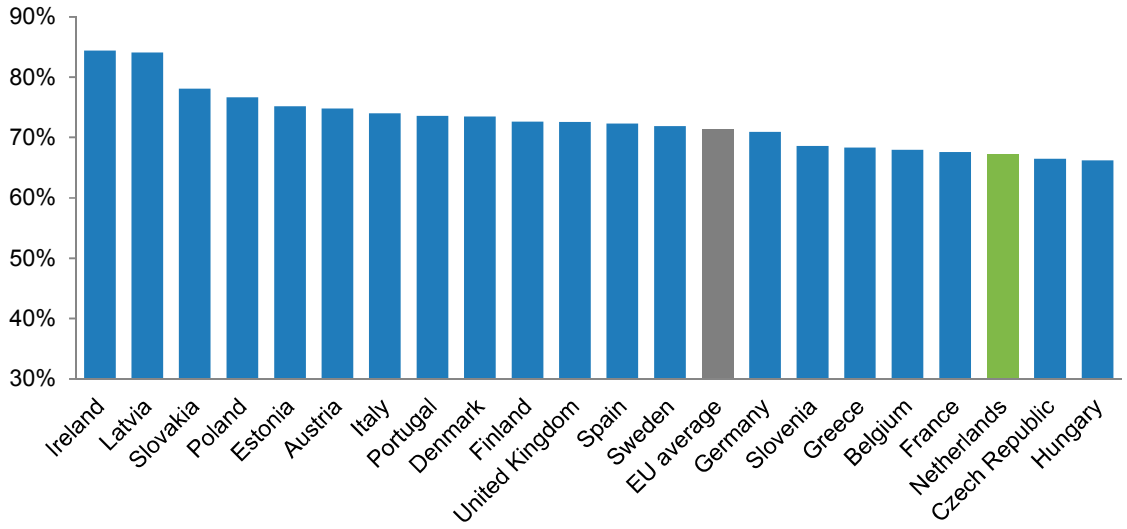
a) Long-term unemployment refers to people who have been unemployed for 12 months or more.

b) Discouraged workers refers to persons who are not seeking employment because they believe that there is no work available, but who nevertheless like to have work.

Source: OECD (2014*), Ageing and Employment Policies: Netherlands 2014: Working Better with Age*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264208155-en; and* OECD calculations based on OECD (2016), Labour Force Statistics database *(unemployment by duration)*, http://stats.oecd.org/Index.aspx?DataSetCode=DUR_I, (accessed on Nov. 23 2016).

Older workers typically have low skills and receive few training opportunities to face the changing demands of their jobs. In the Netherlands, older workers are less skilled on average than other demographic groups, such as youth for example (see Figure 50). This reflects the fact that – as in many OECD countries – older people typically have lower levels of education compared to younger peers. In addition, many older workers do not receive the training they need to adjust to the changing demands of their jobs. Recent research shows that older workers in the Netherlands are less likely to receive training when their work tasks change compared to their peers in other European countries (67.2% in the Netherlands versus 71.4% in the European Union, on average) (see also Van Echtelt et al., 2016) (see Figure 45). See Challenge 2 on continuous skills development in adulthood for a discussion of incentives to increase skills development for adults.

Figure 45. Percentage of workers (50-64 years old) receiving training support changes in workplace



Source: CEDEFOP (2014), European Skills and Jobs Survey (ESJS), European Centre for the Development of Vocational Training, Thessaloniki, www.cedefop.europa.eu/en/events-and-projects/projects/european-skills-and-jobs-esj-survey (accessed March 2017).

The Netherlands has implemented a series of reforms to encourage older workers to stay in work longer, and results are already visible. These measures include, for example, raising the statutory retirement age, discouraging early retirement, enhancing incentives to work, and making the eligibility of disability benefits stricter[10] (OECD, 2014). These measures are in line with recent OECD policy guidelines for encouraging and supporting employment at an older age (see OECD, 2016a, and have likely helped to increase the employment rates of older people in recent years (see Figure 42).

However, further efforts to encourage more people to work longer are still necessary (OECD, 2014). The Netherlands still does not provide enough incentives to continue working at an older age. The lack of flexibility in the withdrawal of pension entitlements, few financial incentives to continue contributing in second-pillar pension schemes, as well as the long duration of unemployment insurance benefits and weak activation principles applied to older people, help explain why incentives to continue working are low (OECD, 2014). Employers are willing to retain older workers, but the hiring rate for older workers is still low. Wage-setting procedures in the Netherlands are often based on tenure and seniority, rather than productivity (see Challenge 3), which may discourage employers from hiring/retaining older workers. Strict employment protection legislation on dismissal may create another disincentive for Dutch employers who are concerned about a gap between wage and productivity that would grow with age (OECD, 2014).

While Dutch youth are faring well overall in the labour market, some vulnerable young people are struggling to find productive employment opportunities

Dutch youth are performing better overall in the labour market than their counterparts in most other OECD countries. For instance, the employment rate for Dutch youth (15-24 year-olds) was 60.8% in 2015 (well above the OECD average of 40.2%), and labour force participation was 68.5% (again considerably above the OECD average of 47.1%), which suggests that overall, young people in the Netherlands do not face high barriers in activating their skills in the labour market. The unemployment rate for Dutch youth is also very low at 11.3%, well below the OECD average of 13.9%.

However, some Dutch youth face considerable obstacles to gainful and rewarding employment. In the Netherlands, the share of youth (aged 15 to 29) not in employment, education or training (NEET) is

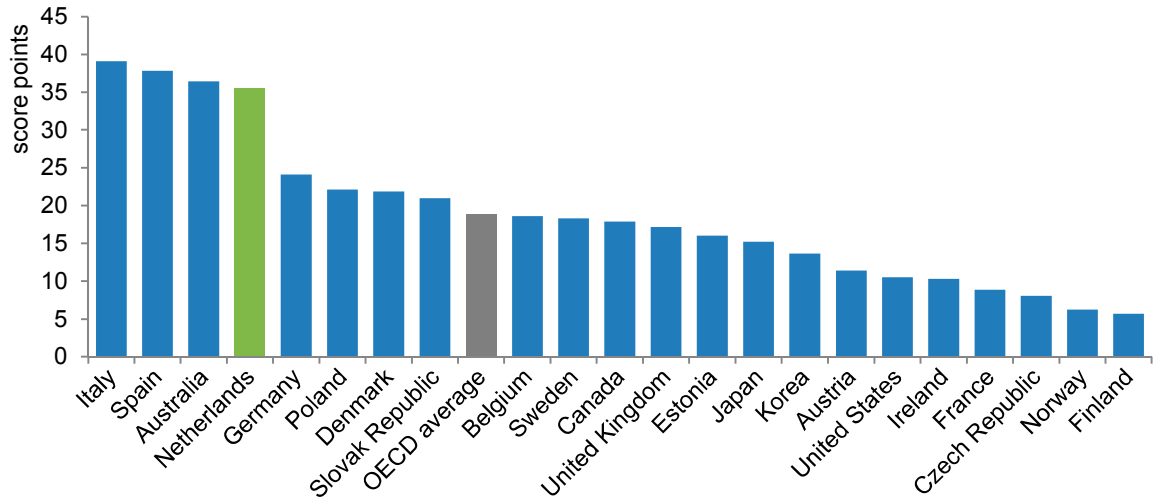
considerably below the OECD average (7.7% versus 14.6%), and even below all OECD countries with the exception of Iceland (see OECD, 2016b).[11] Despite these low NEET rates, young people who are NEET face specific barriers in accessing the labour market, and may need targeted support:

- **The vast majority of young NEETs (around 60%) in the Netherlands are inactive, and therefore not looking for employment**. These young people may be particularly hard to reach and may need targeted support and tailored outreach strategies (see for example OECD, 2016c).
- **Young NEETs often have low levels of skills, and can be particularly difficult to place in the labour market**. Around half of all NEETs in the Netherlands are low skilled, i.e. they have not finished upper secondary schooling. Considering the decreasing share of jobs that require lower levels of skills (see Figure 9 in the Introduction), these individuals will face great challenges finding gainful and rewarding work in the future unless they are able to access opportunities to develop and enhance their skills (see Challenge 2 for a discussion of continuous skills development in adulthood).
- **Another key concern is that the skills of young NEETs depreciate quickly relative to those who receive training**. Figure 46 shows that NEETs who participated in education or training in the 12 months prior to the OECD's Survey of Adult Skills (PIAAC) had significantly higher literacy skills than those who did not, and this gap was much larger than that observed in other OECD countries (with the only exception of Italy, Spain, and Austria). Given that skills erode quickly with unemployment or inactivity, these skill gaps may grow over time if these NEETs are not activated in a timely manner.

Foreign-born youth in the Netherlands are particularly at risk of becoming NEET. Foreign-born youth (aged 15-24) are more than twice as likely as native-born youth to be NEET (OECD, 2016b). They are at serious risk of economic and social exclusion, with potentially harmful effects for all of society (OECD 2016d). This is especially challenging given the recent rising trend in migration inflows (see next section).

Figure 46. Skills of young NEETs are responsive to training, 2012

Gap between average literacy skill scores of NEETs aged 16-29 who did and did not participate in education or training in the 12 months prior to the survey

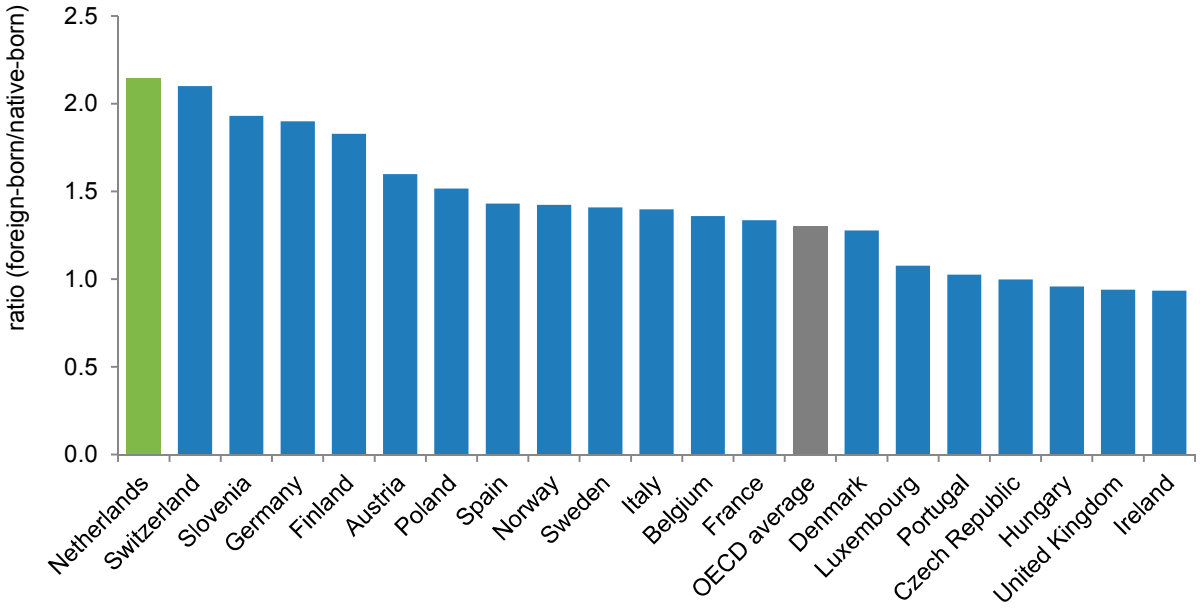


Notes: NEET: not in employment, education or training. Data for Belgium refers to Flanders. Data for the United Kingdom refer to England and Northern Ireland. The OECD aggregate is calculated as the unweighted average of the data shown.

Source: OECD (2015a), OECD Skills Outlook 2015: Youth, Skills and Employability, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264234178-en.

Figure 47. Immigrant youth are more likely to be NEET than native-born youth

The ratio of NEET rates of foreign-born relative to native-born youth aged 15-24, 2014

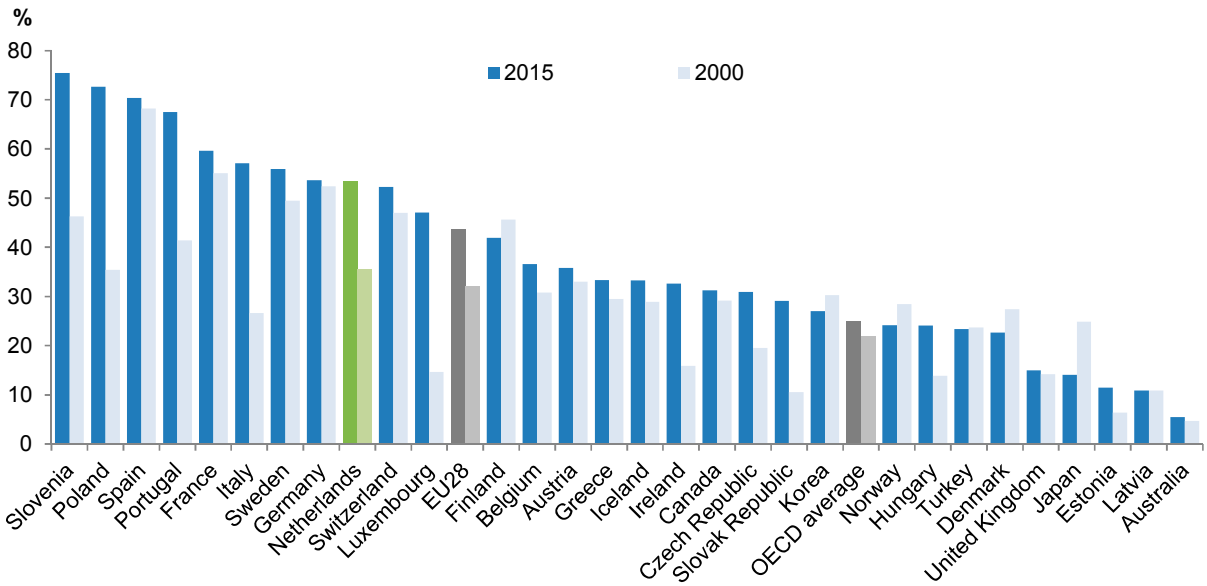


Source: OECD calculations based on OECD (2015b), International Migration Outlook 2015, OECD Publishing, Paris, http://dx.doi.org/10.1787/migr_outlook-2015-en.

Even when employed, a large and increasing share of youth in the Netherlands are being trapped in jobs that provide limited opportunities to develop skills and advance in their careers. Figure 48 shows that a comparatively large and growing share of Dutch youth are employed with a temporary contract. In 2015, 53.3% of employed youth (ages 15-24) in the Netherlands had a temporary contract – higher than the EU average of 43.5% - which represents an increase of around 18 percentage points from the year 2000. When youth are employed in temporary work, they and their employers have fewer incentives to invest in skills development (see Challenge 3). Moreover, these youth risk finding that their temporary job is a trap and not a stepping stone to high-quality and rewarding careers in which they can further develop and use their skills (OECD, 2015c). While this is a challenge in all OECD countries, it is particularly problematic in the Netherlands, where transitions from temporary towards permanent contracts are relatively infrequent (see Challenge 3).

Figure 48. Share of temporary employment among youth, 2000-2015

As percentage of total employment for 15-24 year-olds



Note: Data for Australia refers to 2001 instead of 2000, and 2013 instead of 2015; data for Korea refers to 2004 instead of 2000; data for Poland refers to 2001 instead of 2000.

Source: OECD calculations based on data from OECD (2016), Labour Force Statistics database, http://stats.oecd.org/Index .aspx?DataSetCode=TEMP_D, (accessed on Nov. 23 2016).

Policies targeted at the most vulnerable youth are needed to facilitate their transition into the labour market. Government and public policies have a major role to play in helping disadvantaged youth to enter the world of work, for example, through preventing early school leaving, identifying youth at risk of being NEET, providing educational and career guidance, as well as customised counselling and ALMPs to address specific labour market barriers (OECD, 2016c). In particular, international evidence shows that important components of successful outreach strategies to young NEET include implementing collaboration strategies between schools and the PES (for example, those implemented in Japan and Norway, see Box 12).

Social enterprises and other non-governmental actors can play an important role in reaching out to and supporting the labour market integration of under-represented groups, such as disengaged youth. These approaches have been successfully adopted in countries such as Australia, Canada, Japan, Norway and Sweden (see OECD, 2016c). Some countries have devolved outreach to a single actor who screens all early school leavers, such as Norway and Sweden (see also OECD, 2016c). One example of a private initiative to help vulnerable youth to fully activate their skills in the labour market is Mozaik RH in France, whose experience was shared during the Skills Challenges workshop. Mozaik RH is a private social enterprise that specialises in recruitment and human resource (HR) consultancy on promoting the diversity of workers within firms (see Box 13). Many other similar initiatives exist in other countries. For example, Consorzio ELIS in Italy works with youth, professionals and firms with the objective of closing the gap between schools and the world of work and reducing youth unemployment. Consorzio ELIS is currently helping firms to cope with the administrative burdens associated with the implementation of the *Alternanza Scuola-Lavoro*, a programme implemented under the *Buona Scuola* reform whereby all upper secondary students must alternate between school and learning at the workplace.

Box 12. Implementing collaboration strategies between schools and PES: Japan and Norway

The successful collaboration between schools and PES can help reach out to the most disengaged youth. With the help of teachers and school management, PES have the potential to give early career advice to youth, raise youth's awareness of the services it provides, and identify youth who are at high risk of becoming NEET after leaving school. In many OECD countries, there is a long way to go to integrate PES and schools. However, Japan and Norway provide a successful example of co-operation.

The Japanese PES, "HelloWork", collaborates with high schools and universities through targeted youth services, the so-called "Hello Work for New Graduates". This service offers counselling, job-search assistance (e.g. training and preparation for interviews and student job fairs) and placements. It also informs schools about existing vacancies, offers on-site counselling in schools, and helps schools provide career guidance to students. The collaboration between schools and the PES has proved successful so far, in particular by helping students who do not wish to pursue tertiary education to find a job after high school. Norway's PES (National Welfare and Employment Agency, NAV) is currently running a pilot project that places youth into upper secondary schools for four days a week. The aim of the project is to prevent school dropout by providing career guidance, helping students find work experience opportunities and supporting school-to-work transition, as well as identifying and supporting young people with multiple barriers.

Source: OECD (2016e), *Society at a Glance 2016: OECD Social Indicators*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264261488-en.

Box 13. The experience of Mozaik RH in France

Mozaik RH is a private social enterprise in France that specialises in recruitment and HR consultancy on promoting diversity of workers within firms. Created in 2007, Mozaik RH originated from the need of higher education graduates from migrant communities to find suitable employment. Despite having a nationally recognised higher education diploma in a relevant field, these young graduates often lack the know-how or network to secure a job position in accordance with their capacities with a French firm.

Mozaik RH addresses the needs of graduates by matchmaking with companies that seek to diversify their pool of employees. For these companies, having a labour force that represents their customer base is relevant for generating profit and fostering product innovation. They actively seek support from Mozaik RH to be able to attract graduates from different socio-demographic backgrounds.

The recruitment agency not only matches potential applicants with job vacancies, but also assists the graduates in preparing for the labour market. Mozaik RH Campus offers the young graduates training on self-confidence and formulating ambitions, recognising skills and potential, and understanding the business world.

Since its creation in 2007, Mozaik RH has guided 11 000 candidates and worked with over 150 firms in facilitating over 10 000 job interviews. These activities have resulted in 3 000 successful placements of young graduates. On the basis of its successful matchmaking in the Paris region, the agency is opening several branch offices in other parts of France.

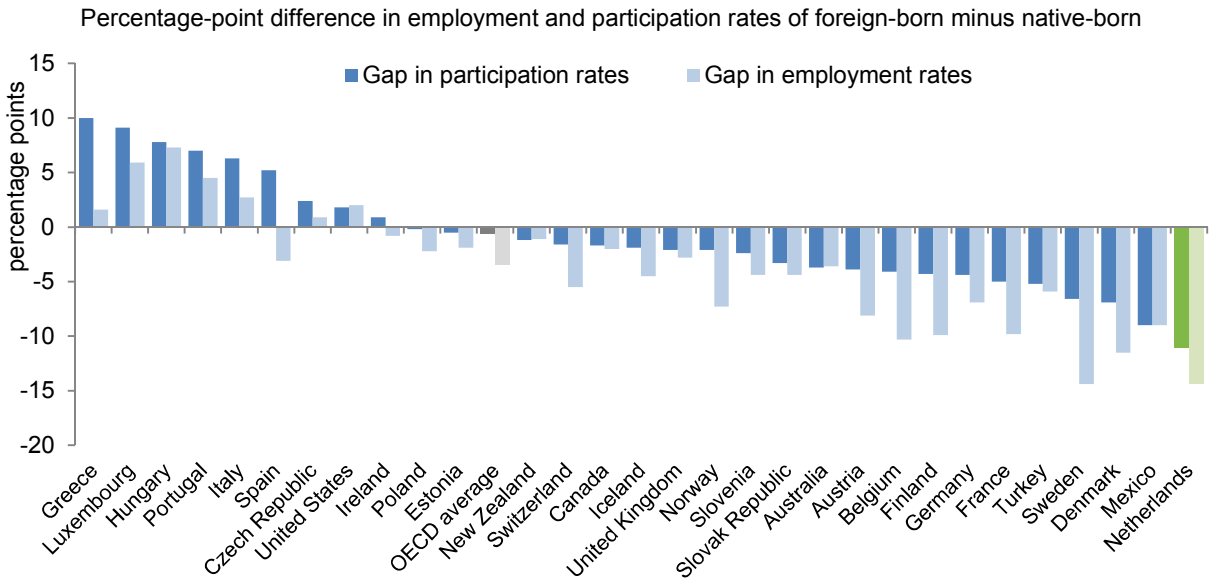
The skills of immigrants are not being fully tapped

Immigrants represent a significant and growing segment of the population in the Netherlands. In 2014, the foreign-born population accounted for 12% of the total population, which is close to the average of OECD countries (13%) and the EU (12%) (OECD, 2016e). In recent years, migration inflows have been rising fairly steadily – passing from 37 457 in 2000 to 139 348 in 2015 (OECD Migration Statistics database). This rise may be partly attributed to the fact that the Netherlands began introducing programmes to specifically attract more high-skilled people from outside the European Union over a decade ago. For example,

the larger scheme for highly skilled migrants, "knowledge migrants" (*kennismigranten*), successfully attracts around 7 000 skilled non-EU migrants every year (see OECD, 2016e). More recently, the Netherlands has been confronted with a large inflow of asylum seekers from Syria and other war zones, which explains the most recent increases in migration inflows.

The gap in labour market outcomes between native and foreign-born people is the highest in the OECD. In 2015, the gap in employment rate between native and foreign-born people was 14.4 percentage points, which is (together with Sweden) the highest in the OECD, and much larger than the OECD average of 3.4. Similarly, the gap in participation rate between native and foreign-born people was 11.1 percentage points in 2015, by far the highest in the OECD, and well above the OECD average of 0.6 (Figure 49). This suggests that, compared to natives, foreign-born people face particular challenges in activating their skills in the labour market.

Figure 49. Gap in employment and participation rates between native and foreign-born people, 2015

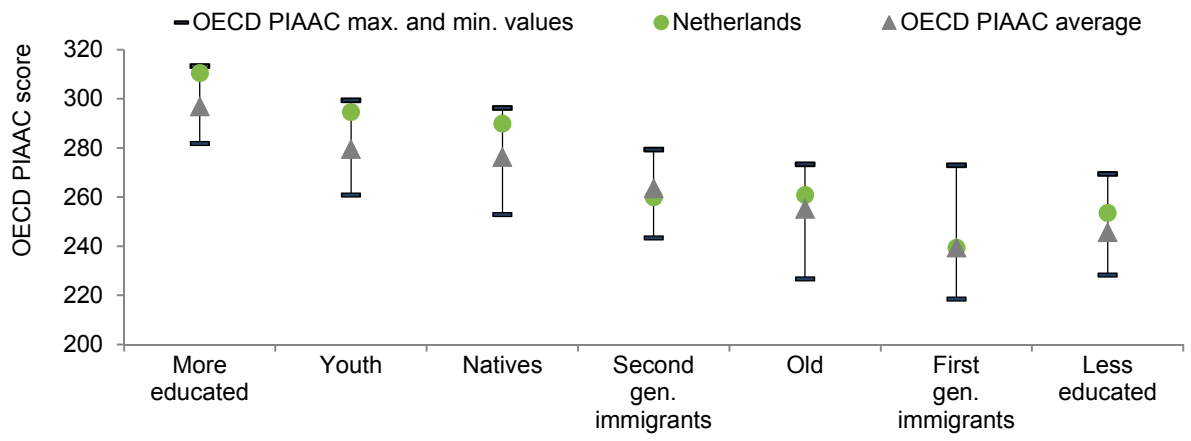


Note: Countries are ranked in descending order of the gap in employment rate.

Source: OECD calculations based on data from OECD (2016), Migration statistics database, http://stats.oecd.org/Index.aspx?DataSetCode=MIG_NUP_RATES_GENDER, (accessed 21 November 2016).

The large skills gap between natives and immigrants may help explain the variation in labour market outcomes, but other factors are also at play. The OECD Survey of Adult Skills reveals that, similar to what is observed in other OECD countries, both first and second-generation immigrants in the Netherlands have, on average, lower levels of literacy proficiency than natives (see Figure 50). This may undermine their ability to access the labour market compared to natives. However, even after the skills difference between immigrants and the natives are accounted for, immigrants have considerably poorer labour market outcomes than their native-born Dutch peers (OECD, 2015b; Falcke, Meng and Nollen, 2016). Figure 51 shows that even within the same level of education, employment rate gaps between foreign-born and native-born are substantially larger in the Netherlands than in the OECD, on average. This suggests that other factors – such as discrimination, difficulties in the recognition and validation of immigrants' credentials and skills (see Challenge 6 for a more detailed discussion of the recognition and validation of skills), and/or the lack of social and economic networks in the Netherlands – could also be behind the relatively poorer labour market performance of immigrants in the Dutch economy.

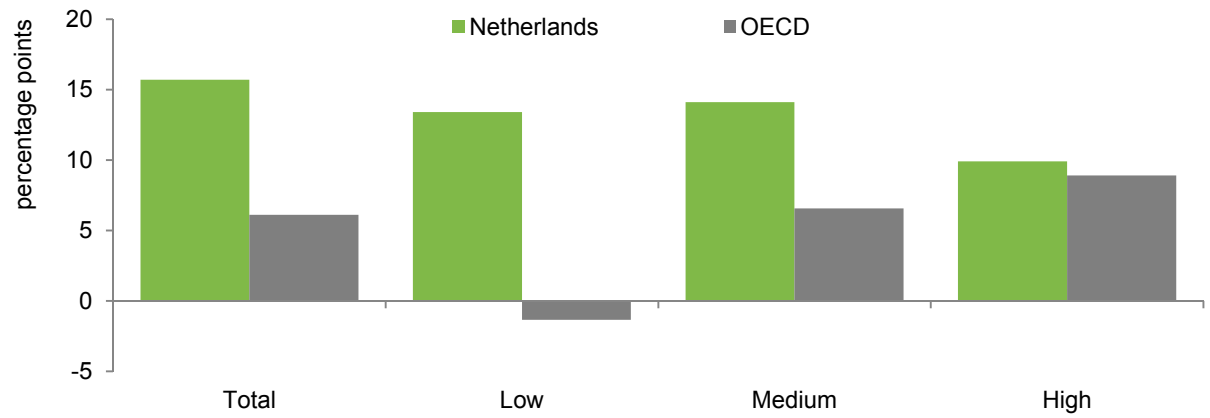
Figure 50. Skills (literacy) by socio-demographic groups, 2012



Source: OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills in OECD Economic Surveys: Netherlands 2016, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-nld-2016-en.

Figure 51. Employment rate gap between native-born and foreign-born, by education, 2015

Native employment rate minus foreign-born employment rate, difference in percentage points



Notes:

Employment rate is the percentage of those who are employed among population age 25-64.

Employment rate gap = native-born – foreign-born.

"Low-education" denotes lower secondary school and lower (Levels 0-2 in the International Standard Classification of Education [ISCED]); "medium education" refers to upper- or post-secondary education (ISCED Levels 3-4); and "high education" means higher, or tertiary education (ISCED Levels 5-6).

Source: OECD calculations based on data from OECD (2016), Migration statistics database, http://stats.oecd.org/Index.aspx ?DataSetCode=MIG_EMP_EDUCATION, (accessed on 9 November 2016).

Closing the gap in labour market outcomes between immigrants and native-born individuals could bring double dividends to the Netherlands. Mobilising immigrants would boost growth and reduce welfare expenditures on immigrant (Zorlu, 2011). Integrating immigrants more effectively into the Dutch labour market could also facilitate social integration and reduce the social costs of exclusion. International experience suggests that strengthening social connections and improving language proficiency have been found to have strong positive effect on immigrants' labour market outcomes in terms of employment, earnings, and occupational status (see Chiswick and Wang, 2016). One good practice example from international experience is the job-related language courses provided to immigrants in Germany (see Box 14).

Box 14. Job-related language courses for migrants in Germany

As part of a key policy concept to integrate migrants into society, the German government initiated job-related language courses for migrants in July 2016. A distinctive feature of this programme is the combination of language courses with employment, vocational and educational training and active labour market programmes. The courses provide German lessons and skills buildings with employment services. They start by checking how proficient the participant is in German, what kind of professional qualifications they hold, and what they need to lean more on the courses.

German lessons cover general language skills (vocabulary and grammar) and workplace language skills. For skills building, participants learn about general and specialised career-related knowledge, job application training, and mathematics and IT. The seamless connection of the modules guides migrants smoothly to the German labour market. This programme will replace the current ESF BAMF-programmes by the end of 2017.

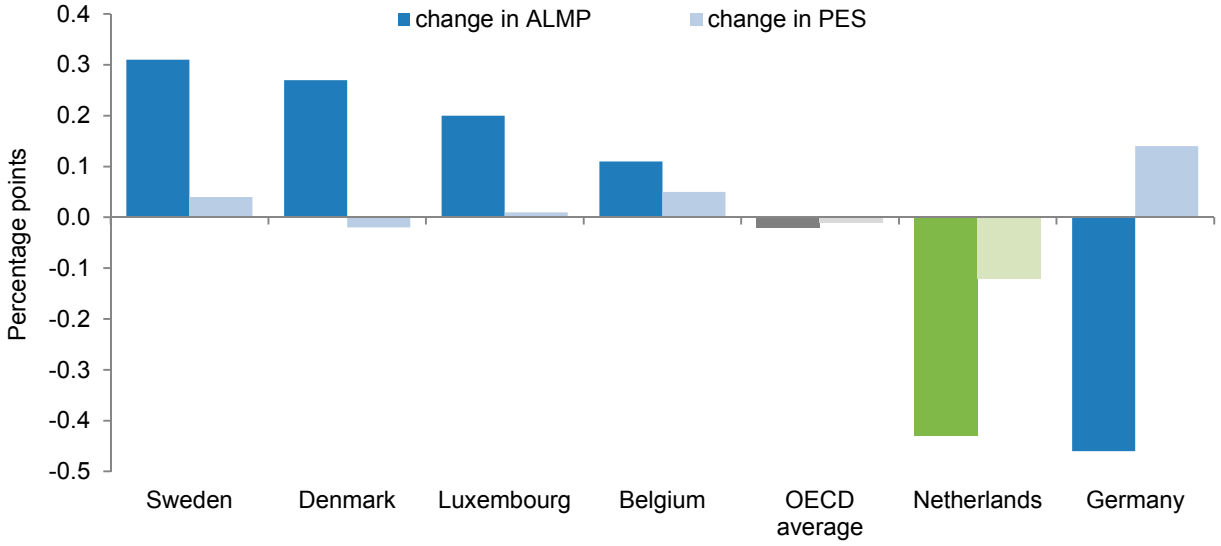
Source: European Commission (2016), ESF Success story: Job-related language courses for migrants in Germany go national, news story from 05/07/2016, http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2570&furtherNews=yes.

The public employment service and active labour market programmes in the Netherlands could respond better to the challenges facing under-represented groups

The PES and ALMPs have received growing attention as effective policy tools for encouraging jobseekers to participate in the labour market. The public employment service, including counselling and job-search assistance services, have been found to be particularly effective in facilitating the labour market activation of disadvantaged groups (Card et al., 2015). When well-designed and targeted, ALMPs – such as employment services, training, employment incentives, supported employment, start-up incentives, and direct job creation – have also proved effective in helping people gain access to productive employment. High-quality and accessible information on job vacancies and future skills needs are also important for activating adults in the labour market (see Challenge 8 on skills information for more on this topic)

The 2011-2015 Dutch reforms[12] to consolidate the budget have resulted in substantially reduced spending on the PES and ALMPs. Figure 52 presents changes in the shares of expenditure on the PES and ALMP as percentage of GDP for the Netherlands, the OECD average and a number of selected OECD countries for the period 2004-2014. Data show that PES expenditure declined in the Netherlands from 0.40% to 0.28% of GDP during the period 2004-2014. In contrast, OECD countries such as Germany, Belgium, Luxembourg and Sweden increased the share of PES expenditure as percentage of GDP in the same period. Similarly, expenditure on ALMPs declined in the Netherlands from 1.26% of GDP in 2004 to 0.83% in 2014. While modest declines were recorded across OECD countries on average, these shares have increased in other OECD countries (e.g. Belgium, Luxembourg, Denmark and Sweden).

Figure 52. Changes in spending on the PES and ALMP, as percentage of GDP, 2004-2014



Source: OECD calculations based on data from OECD (2016), Labour Market Programmes database, http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP, (accessed on 28 September 2016).

Reduced spending on the PES and ALMPs should not come at the cost of reduced programme efficacy, especially for the most disadvantaged groups. A reduction in spending on the PES and ALMPs may reflect efforts to improve efficiency in service provision. For example, the current digitalisation of the Dutch PES has decreased costs while improving performance (see OECD, 2015c). However, the drawback of this (less expensive) approach is that it could undermine outreach to the most vulnerable and "hard-to-place" groups, such as older workers, some disadvantaged youth, and immigrants, who typically have few ICT skills and thus poor access to digital services (see also Challenge 8).

The heavy workload of PES staff may undermine the efficacy of service provision to vulnerable groups. Adequate PES staffing is a necessary condition for effective personalised services to jobseekers, such as consulting, coaching and career-guidance services (Eichhorst et al., 2016), especially for those who are "hard-to-place". In this regard, the experience from OECD countries on successful counselling strategies could be useful for the Netherlands (see Box 15). Currently, the ratio of the unemployed to a PES staff member in the Netherlands is 125, which is much higher than the 20-55 range typically found in other countries, such as the United Kingdom, Denmark, Austria and Germany (OECD, 2016b). The heavy workload of PES staff may have negative influences on PES outcomes by reducing the time staff can spend providing customised services to those who are in greatest need, such as older workers, disadvantaged youth, and immigrants.

Box 15. Which are the most successful counselling strategies?

Competent and motivated employment counsellors are the centrepiece of the public employment service's role in activating jobseekers and facilitating the transition to employment. Counsellors need a broad range of competencies combining "hard" skills (e.g. performing administrative tasks and using IT systems) with "soft" skills such as job broking, counselling and social work to improve outcomes for the unemployed. Several recent studies have focused on which counselling strategies and caseworker characteristics are associated with positive impacts on employment. In Switzerland, periodic evaluations are required under the 1996 unemployment insurance legislation. Aeberhardt (2014) summarises a number of recent studies focusing on jobseeker expectations; search resources and methods, and measures aimed at enhancing them; and the management of counselling services.

Work-first strategies

Many European studies have shown that "work-first" strategies, where caseworkers concentrate on supporting and guiding clients in their search for work and rapid job placement rather than placement into training measures, can be successful in improving employment outcomes (Boockmann et al., 2014a; Egger and Lenz, 2006; Frölich et al., 2007; Lagerström, 2011). Targeted training within a "mixed" strategy is often effective and it may be important in a recession to make increased use of training. One study for Denmark estimated that when a series of meetings were held, the later meetings (typically after six or more months of unemployment) had a greater proportional impact on the rate of exit to employment (Van den Berg et al., 2012).

Caseworker characteristics and attitudes

A Swiss study found that a similar social background between caseworkers and jobseekers – as measured by nationality, gender, educational level and a similar age – can have a positive impact on employment and job stability. This may be due to motivation, trust and communication, and may imply the need for a diverse PES workforce to facilitate the allocation of jobseekers to caseworkers with a similar social background (Behncke et al., 2010a). Another Swiss study found that high staff to client ratios, and the recruitment of motivated and highly trained personnel, were important factors in reducing the average duration of unemployment spells and the percentage of jobseekers entering long-term unemployment (Egger and Lenz, 2006). Caseworker attitudes towards their clients may also play an important role in re-employment success. Several studies from Switzerland and Germany found that caseworkers who apply more co-operative attitudes towards their clients may be more successful (Behncke et al., 2010b; Frölich et al., 2007; and Boockmann et al., 2014a; the latter find positive impacts for flows off benefit but not for flows into employment). One study (Egger and Lenz, 2006) finds that contacts with employers by all job counsellors are a major success factor. Another study (Frölich et al., 2007) finds a positive impact on employment rates in PES offices where the staff have good relationships with employers and, in particular, know employer needs, rapidly react to vacancies and make targeted use of direct referrals after a careful pre-selection of candidates. This study also find a clear positive correlation between jobseeker outcomes and PES office co-operation with private placement agencies, which may be complementary to direct employer contacts.

Case management to tackle exclusion

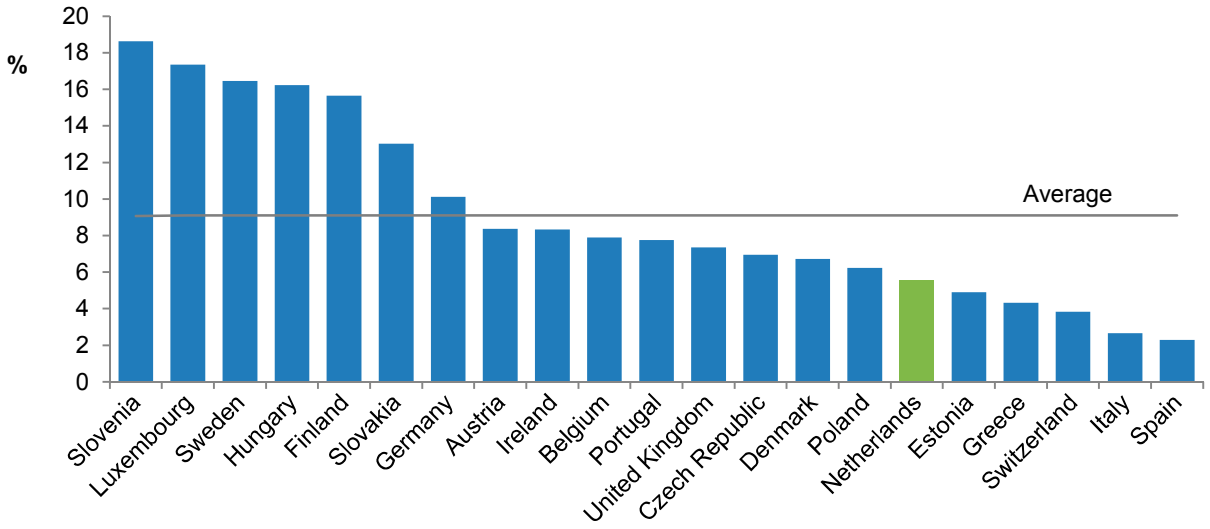
Multi-disciplinary teamwork is a recommended response to social exclusion when individuals and families need assistance in several areas of life. Health specialists, psychologists, social insurance caseworkers and other professionals may similarly co-ordinate their responses to individual sickness absence. Watt (1998) lists good practices in employment counselling and guidance with a focus on networking between local actors and outreach to different unemployed client groups. As the full co-ordination or integration of diverse interventions is difficult and potentially costly, these approaches have sometimes been experimental, and often dependent on project funding. In several countries, national programmes have partly integrated the delivery of employment and social services (Taylor, 2009). In Norway, the new national service NAV in 2007 introduced the Qualification Programme, which offers selected hard to employ people (on social assistance and at risk of permanent exclusion) a standardised payment which is not means tested, typically increasing their net income by about 50%, in return for full engagement in an individualised qualification and activation plan. Markussen and Roed (2014) suggest that this programme associates activation with generosity to a unique extent. They estimate that it raises the employment rate of its participants by about 18 percentage points. The jobs are often part time or poorly paid, but if the employment impacts are maintained for five years or more, the programme's benefits are likely to exceed its costs.

Source: OECD (2015), *OECD Employment Outlook 2015*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2015-en.

The reach of the PES is another area for potential improvement. In 2012, only half of the unemployed population in the Netherlands made use of PES services, against an average of two-thirds in OECD countries overall (OECD, 2016b. Figure 53 shows that in 2012 in the Netherlands, only 5.5% of those who were recently hired found work with the help of the PES. This is considerably lower than the OECD-EU average (9%), and only ahead of the countries at the bottom of the distribution, notably the Czech Republic, Estonia, Greece, Italy and Spain (OECD 2016b). This evidence suggests that jobseekers in the Netherlands often find jobs through channels other than the PES (e.g. networks or online research), and that PES could do a better job at reaching out to the unemployed population.

International experience suggests that there are some effective policy channels through which the PES can help vulnerable groups gain access to the labour market. Best-practice PES include job-search verification, early and high-intensity personalised counselling interventions, programmes developing work experience and labour market training for the long-term unemployed, liaising with employers to both fill vacancies and improve the matching of jobs with skills, and performance management and evaluation of instruments to ensure that PES interventions are cost effective (OECD, 2016b; 2015c).

Figure 53. Involvement of the PES at any moment in finding present job



Source: OECD (2015), *OECD Employment Outlook 2015*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2015-en.

Summary and policy recommendations

Despite high rates of labour market participation and employment in the Netherlands, certain population groups face difficulties in accessing the labour market. Among the groups that are struggling the most are older workers, certain young people, and immigrants.

Older workers in the Netherlands experience great difficulties in (re-)activating their skills in the labour market. Low labour mobility among older workers is hampering their full activation in the labour market. Once out of employment, it is very hard for them to get back into employment, and many become long-term unemployed or discouraged. They are typically less skilled on average than other demographic groups and, in addition, have limited access at work to training to upgrade their skills.

Some youth are facing specific challenges to enter the world of work and, even when employed, the quality of their jobs is often poor. Although the share of NEET is comparatively small in the Netherlands, these youth face specific challenges to access the world of work and may need targeted support. Most are inactive (and therefore hard to reach); they are typically low skilled and therefore may be (and will

likely continue to be in the future) particularly hard to employ; and their skills depreciate quickly relative to those who receive training. Of particular concern is that even when employed, large shares of youth are trapped in precarious jobs with limited opportunities to develop their skills and advance their careers.

Immigrants are facing particular challenges to entering the labour market compared to natives. The gap in labour market performance (as measured by employment and participation rates) between immigrants and natives is the largest in the OECD area. Part of the gap may be attributed to the fact that the literacy skills of immigrants are typically lower than that of natives. However, other factors are probably also involved, such as discrimination, difficulties in the recognition and validation of immigrants' credentials and skills (see Challenge 6), and the lack of social and economic networks.

Government and social partners should increase the activation of these groups. Government can increase incentives for hiring, especially in jobs where there are good opportunities to use and develop skills (see Challenge 3 on boosting labour market participation and employment), and provide increased support for language training for immigrants (see Box 13). To increase activation among older workers, government could reduce the long duration of unemployment insurance benefits. Together, government and social partners can increase opportunities and incentives for disadvantaged groups to continue skills development in adulthood (see Challenge 2), and recognise and validate the skills they have developed non-formally and informally (see Challenge 6). The government and social partners could also actively encourage private sector initiatives to improve the skills development and job placement of disadvantaged groups by disseminating and recognising good practices. (see Box 13 for an example).

The government can strengthen the PES and ALMPs in the Netherlands to help vulnerable groups access the labour market. The PES and ALMPs have been found to be particularly effective for facilitating the labour transition from unemployment to employment for the "hard-to-place". However, recent budget cuts and high caseloads may have weakened PES' ability to reach out and support those most in need. The government should strengthen the outreach of the PES to vulnerable populations, and design ALMPS that better respond to their unique needs. The motivation of employment counsellors and the quality of counselling is crucial for successful activation.

NOTES

8 Projections refer to a constant-fertility scenario (UN, 2015).

9 Discouraged people are individuals not in the labour force who believe that there is no work available due to various reasons and who desire to work.

10 For reforms in details see de Vos et al., 2011.

11 As a consequence of low NEET rates, the "NEET cost" – i.e. the gross labour income NEETs could command if they were employed, measured as the gross labour cost (including social security contributions) – represents only 0.4% of GDP in the Netherlands, less than half the OECD average of 0.9% (see OECD, 2016d).

12 In aiming at structural budget balance in 2015, the Dutch government implemented the budget consolidation package, amounting to EUR 18 billion in 2011. It focused on the spending side rather than tax increases, including the reduction of programme expenditures, cuts in public administration (EUR 6 billion by 2015), pension reform (increase in retirement age) and other various measures (de Geus and Kraan, 2012).

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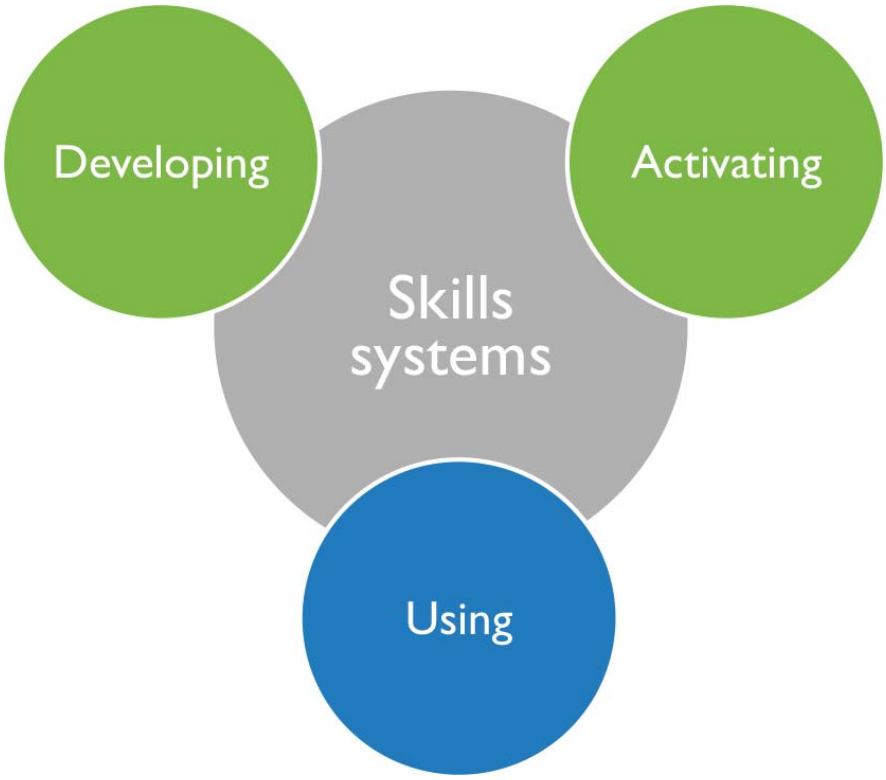
USING SKILLS



CHALLENGE 5: STRENGTHENING SKILLS USE WITHIN COMPANIES OF ALL SIZE

HIGHLIGHTS

Encouraging the more effective use of skills at work in the Netherlands should be a policy priority. The failure to fully use skills in the workplace can result in their depreciation – thereby wasting the initial investment in development – and missed opportunities to enhance productivity and economic growth. The extent to which workers' skills are used can matter as much or more than their skills proficiency for productivity, wages, and job satisfaction, suggesting that policies and measures aimed at strengthening the use of skills at work are as important as those aimed at strengthening skills development.

Despite having high levels of skills proficiency, the Netherlands could make more intensive use of skills at work. In particular, skills use could be strengthened among temporary workers – who represent a large and rapidly growing share of the workforce – and those working in small and medium-sized firms. Increasing the adoption of high performance workplace practices (HPWP) among firms can be an effective means of fostering greater skills use at work. In the Netherlands, there is particularly room to increase the adoption of work organisation practices among small and medium-sized firms, such as increased worker flexibility in the sequencing of tasks and in determining how work is performed and organised, as well as increased workplace co-operation and information sharing. In OECD countries, labour market institutions – such as employment protection legislation, minimum wages, tax wedges, and collective bargaining – are also found to impact on the extent to which skills are used, however, more research would be needed to determine whether and to what extent these institutions impact on skills use in the Netherlands.

Stakeholder perspectives:

While stakeholders participating in Skills Strategy workshops assessed that the Netherlands was doing a good job of developing skills, they were less convinced that Dutch firms were fully and effectively using the skills of their workers. Some argued that employers were not taking sufficient leadership in ensuring that the skills of workers were being effectively deployed.

Recommendations:

- Employer and sector associations should establish knowledge brokerage services to collect and distribute information on good practices for improving the skills use of workers, and to advise firms on how to implement these practices.
- The Social and Economic Council (SER) of the Netherlands and/or sector associations should establish a dialogue among employers, unions and workers on the mutual benefits of implementing these practices.
- The Social and Economic Council (SER) of the Netherlands and/or employer associations could publically recognise (e.g. an award of recognition) top employers, such as those that, among other things, design and organise their workplaces to make the best use of the skills of their workers.
- Government, employer associations and trade unions should assess whether Dutch labour market institutions are encouraging firms to make full use of employees' skills and, if not, take corrective action.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to take specific actions to promote the more effective use of skills at work.

Introduction

Developing and activating skills is necessary, but not sufficient to improve productivity and economic growth. A country can have great success in developing and activating skills, but then fail to realise the full benefits of those skills if they are not used effectively in workplaces. The failure to fully use skills in the workplace can result in skills depreciation, and may present a waste of initial investment in human capital, as well as missed opportunities to enhance productivity and economic growth.

While stakeholders participating in Skills Strategy workshops assessed that the Netherlands was doing a good job of developing skills, they were less convinced that Dutch firms were fully and effectively using the skills of their workers. Some argued that employers were not taking sufficient leadership in ensuring that the skills of workers were being effectively deployed.

This chapter is organised as follows: 1) it highlights why skills use matters for firms and workers; 2) it discusses differences in skills use across different socio-demographic and firm characteristics, placing the Netherlands in the international context; and 3) it identifies the key policies and practices (both internal and external to the firm) that could help foster the better use of skills at work.

The extent to which skills are used in the workplace is important for both firms and individuals

Firms and workers have good reasons to invest in policies and measures that favour a more effective use of skills at work. First, using skills at work (see Box 16 for a description of how skills use at work is measured by the Survey of Adult Skills, PIAAC) represents a win-win situation for firms and workers. Greater skills use at work is associated with higher labour productivity, which is beneficial to firms and societies at large, as well as with higher wages and higher job satisfaction among workers (see below). Second, the extent to which skills are used at work can matter (e.g. for productivity, wages, and job satisfaction) as much as or more than skills proficiency – suggesting that policies and measures aimed at strengthening the use of skills at work require policy attention at least as much as policies and measures aimed at strengthening skills development. Third, in the context of increasing international economic competition, and with low performing countries in skills development catching up with the high performing, making better use of the skills of workers than other countries is one way for the Netherlands to maintain a competitive advantage.

Box 16. Measuring skills use at work using the Survey of Adult Skills (PIAAC)

Skills use at work can be defined as "the level of skills that is observed in a worker's current job within a given skills domain" (OECD, 2016a;b). This definition stems from sociological theory and makes the distinction between "own skills", i.e. skills that individuals have – and "job skills", i.e. skills as defined by jobs. Skills use is affected by both the extent to which workers are motivated to use the skills they possess, and the skills required to carry out the job.

The Survey of Adult Skills (PIAAC) is a useful tool to measure skills use at work. It collects information on the use of five information-processing skills: reading, writing, numeracy, ICT and problem solving. The survey collects information on the frequency with which respondents carry out the tasks in their job (a complete list is provided in Table 4).

Table 4. Tasks performed at work by each information-processing skills

Skills use construct	Set of measured tasks
Reading	Reading documents (directions, instructions, letters, memos, e-mails, articles, books, manuals, diagrams, maps).
Writing	Writing documents (letters, memos, e-mails, reports, forms).
Numeracy	Calculating prices, costs or budgets; use of fractions, decimals or percentages; use of calculators; preparing graphs or tables; algebra or formulas; use of advanced maths or statistics (calculus, trigonometry, regressions).
ICT skills	Using e-mail, Internet, spreadsheets, word processors, programming languages; conducting transactions on line; participating in online discussions (conferences, chats).
Problem solving	Facing hard problems (at least 30 minutes of thinking to find a solution).

Frequency is measured as follows: a value of 1 indicates that the skill is never used; a value of 2 indicates that it is used less than once a month; a value of 3 indicates that it is used less than once a week but at least once a month; a value of 4 indicates that it is used at least once a week but not every day; and a value of 5 indicates that it is used every day. For most skills use constructs, information is collected for a large number of tasks. The only exception is problem-solving skills, the use of which is measured through a single question asking: "How often are you usually confronted with more complex problems that take at least 30 minutes to find a good solution?"

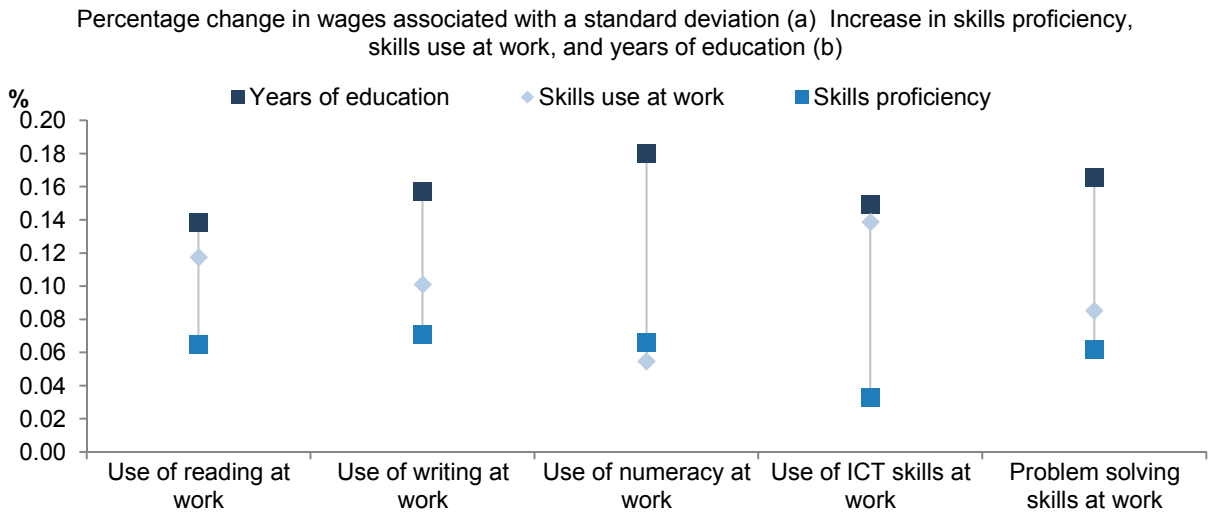
More information on the skills use module of the Survey of Adult Skills and its development is available in its technical report; the specific questions used in the PIAAC background questionnaire are available online at www.oecd.org/site/piaac/publicdataandanalysis.htm.

Sources: OECD (2016a), *OECD Employment Outlook 2016*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2016-en.OECD (2016b), *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264258051-en.

From the point of view of firms, better skills use in the workplace is typically associated with higher labour productivity. For example, the use of reading skills explains a considerable share (26%) of the variation in labour productivity across countries participating in PIAAC, after adjusting for average proficiency scores in literacy and numeracy (see Introduction, Figure 5). In other words, how skills are used at work can have an important impact on productivity, even above and beyond that of proficiency (Quintini, 2014; OECD, 2013; 2016a;b). Compared to other countries, the Netherlands displays a relatively high level of productivity, and only an average level of skills use at work.

More effective use of skills in the workplace could also be beneficial for workers. OECD elaborations of PIAAC data suggest that in the Netherlands, workers who use their skills more also tend to earn higher wages (Figure 54). Skills use at work is even more important than skills proficiency for explaining wage differences (the only exception is the use of numeracy at work, which is less important than proficiency to explain wages). Apart from being related to higher wages, greater skills use in the Netherlands is also generally associated with higher levels of job satisfaction. Analysis of PIAAC data suggests that the impact of skills use in the workplace on job satisfaction is higher than the effect of workers' actual skills proficiency and years of education – at least regarding the use of reading, writing and ICT skills (Figure 55).[13] Overall, these data suggest that in all types of skills-use dimensions (except for the use of numeracy at work), increasing workers' skills use seems to lead to higher wages and job satisfaction than increasing their skills proficiency, i.e. the returns to putting skills to use are higher than the returns to skills proficiency. Results for the Netherlands show similar patterns to those emerging among OECD-PIAAC countries on average (OECD, 2016a).

Figure 54. Wage returns to education, skills proficiency and skills use in the Netherlands; PIAAC 2012, 2015



Notes:

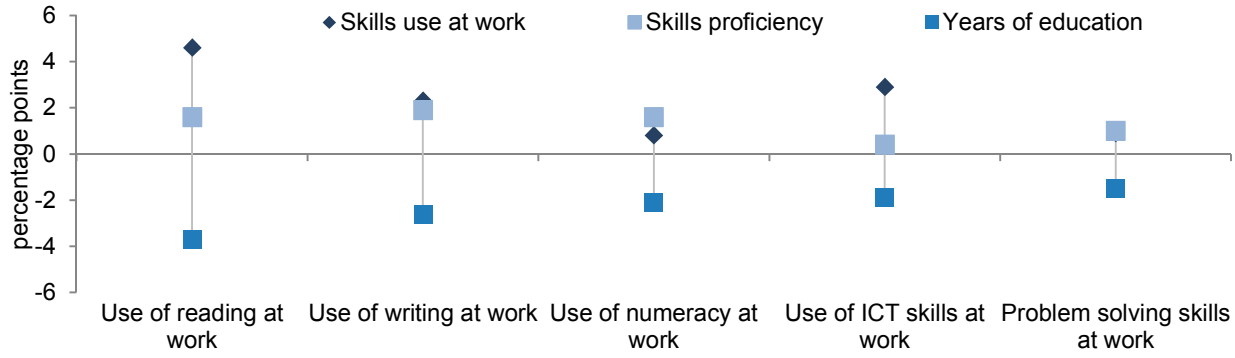
a) One standard deviation corresponds to the following: 2.9 years of education; 47 points on the literacy scale; 53 points on the numeracy scale; 44 points on the problem solving in technology-rich environments scale; 1 for reading use at work; 1.2 for writing and numeracy use at work; 1.1 for ICT use at work; and 1.3 for problem solving at work.

b) Estimates from OLS regressions with log wages as the dependent variable. Wages were converted into USD Purchasing Price Parities (PPP) using 2012 USD PPP for private consumption. The wage distribution was trimmed to eliminate the 1st and 99th percentiles. All values are statistically significant. The regression sample includes only employees. Other controls included in the regressions are: age, age squared, gender, and whether foreign-born. Skill proficiency controls are the following: literacy for reading and writing at work, numeracy for numeracy at work, and problem solving in technology-rich environments for ICT and problem solving.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Figure 55. How education, skills and skills use affect job satisfaction in the Netherlands, PIAAC 2012, 2015

Percentage-point change in job satisfaction associated with a standard deviation (a) Increase in skills proficiency, skills use at work and years of education (b)



Notes:

a) See note (a) in Figure 54.

b) Marginal probability estimates from probit regressions with individuals' reporting being extremely satisfied in their current job as the dependent variables. One model is estimated for each skills use variable, with years of education and the corresponding skills use and proficiency as independent variables (literacy scores for reading and writing use at work, numeracy scores for numeracy use at work and problem solving in technology-rich environment scores for ICT and problem-solving use at work). All models include controls for age, age squared, gender, foreign-born status, tenure and gross hourly wages.

Source: OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

The skills of workers could be more fully used in the Netherlands

Higher skills proficiency enables, but does not guarantee, the greater use of skills in workplaces. While skills proficiency and skills use are somewhat correlated – i.e. OECD countries with higher skills proficiency tend to show more frequent skills use – most countries rank differently on the two dimensions (OECD, 2016a;b). This suggests that skills proficiency and use are two different, although related, concepts, and that high skills proficiency does not necessary translate into high skills use.

The Netherlands is not making full use of the skills of its highly skilled workforce. The skills proficiency of Dutch adults is high when compared internationally, but this is not the case for the intensity of skills use. As shown in Figure 56, Dutch workers use their numeracy skills much less intensively than workers in most other OECD countries. Furthermore, the gap in numeracy proficiency and use is among the highest in the OECD. While Dutch firms use their literacy skills more than their counterparts in most other OECD countries, there is still room for improvement. The Netherlands may forfeit higher productivity, wages and job satisfaction if the use of skills in the workplace cannot be increased. In particular, there is considerable room for improvement for workers and firms that typically seem to use skills the least:

- **Women are generally less likely than men to use skills at work**. In particular, women use their skills at work between 6.7% and 27.5% less than men, depending on the types of skills considered. However, the gap between men and women reduces, or even reverts, when adjusting for literacy and numeracy proficiency scores, hours worked, and occupation (see OECD, 2016b). This suggests that differences between men and women in the use of skills in the workplace may be attributed to gender discrimination or other biases towards women only to a limited extent, while most of the gap can be explained by differences in skills proficiency and/or in the nature of the job itself (part-time versus full-time; and occupation).

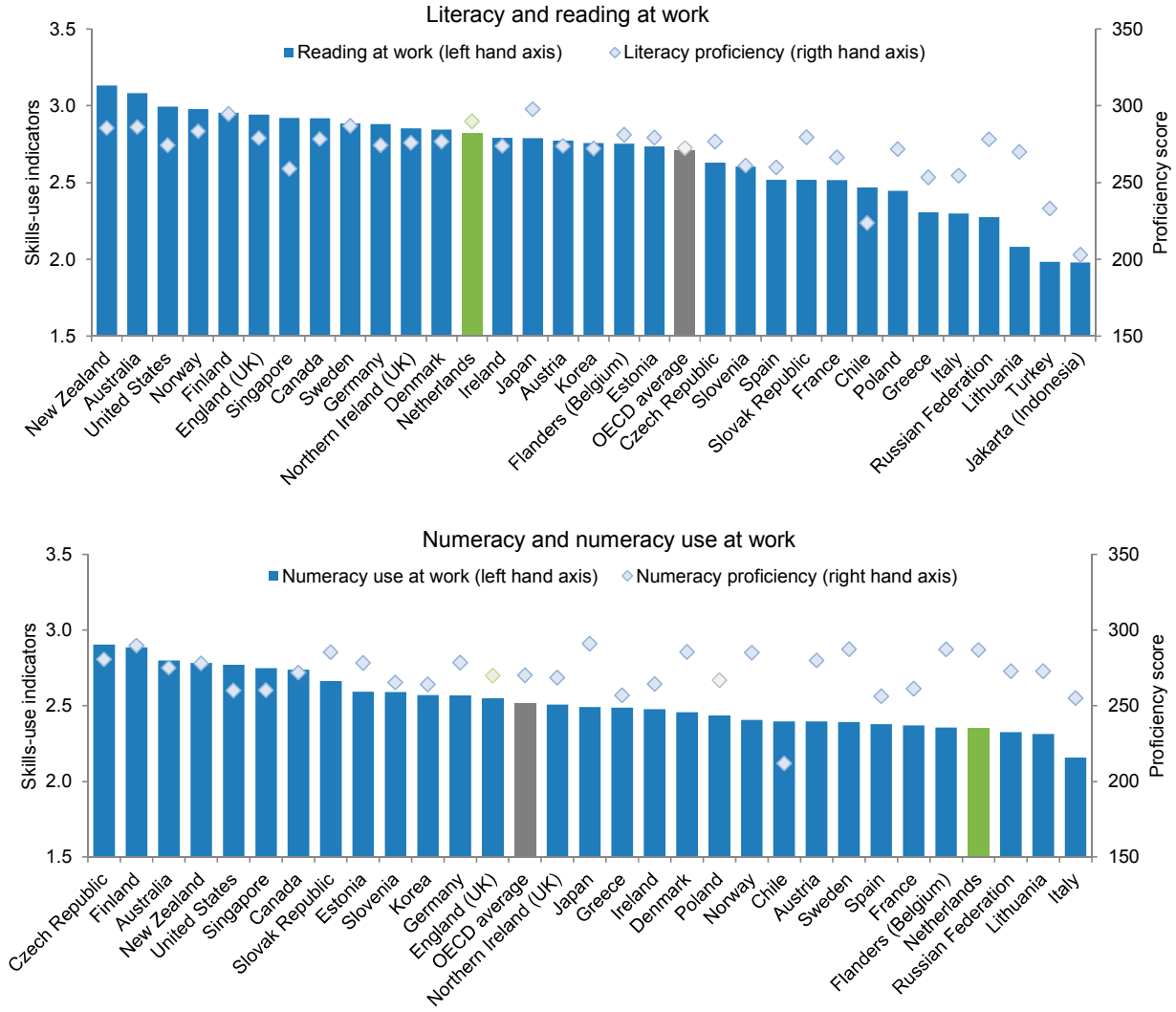
- **Younger people are less likely to use their skills at work compared to prime-age workers**. For example, in the Netherlands, youth (aged 15-24) use their skills between 23% and 34% less than prime-age (aged 25-53) workers, depending on the types of skills considered (see OECD, 2016b). The gap in skills use between Dutch youth and prime-age workers is consistently higher than the OECD average for all types of skills considered. There may be several reasons as to why youth tend to use their skills less in the workplace. First, it is possible that they often start in less demanding, entry-level positions, but later, after they have gained more experience and have had the opportunity to find a job well matched with their skills, find themselves in more demanding positions that make greater use of their skills (OECD, 2016b). Moreover, the fact that youth are generally employed on temporary contracts (53.4% of youth in dependent employment have a temporary contract), where the use of skills is typically lower (see below), may also explain part of the gap.

- **Temporary workers are less likely to use their skills than permanent workers.** Dutch temporary workers use their skills between 7% and 14.6% less than permanent workers (after controlling for literacy and numeracy proficiency scores, hours worked and occupation), depending on the types of skills considered (see OECD, 2016b). The gap in skills use between temporary and permanent workers in the Netherlands is consistently higher than the OECD average for all types of skills considered (with the exception of numeracy). This is particularly problematic as in the Netherlands, the share of temporary employment is very high by international standards: around 20.5% of people in dependent employment have a temporary contract, almost double the OECD average of 11.1% (see Challenge 3), which suggests that low skills use affects a large share of the employed population. Moreover, temporary contracts are often more a dead end than a stepping stone to permanent contracts: less than a fifth of Dutch workers on temporary contracts move on to a full-time permanent contract three years later (OECD, 2014; 2016c; see also Challenge 3), which suggests that for many workers, the low utilisation of skills at work is likely to become a long-standing condition. The low intensity of skills use among workers on temporary contracts may reflect, in part, their lack of incentives and motivation to do more. Workers employed on temporary contracts are less likely to see an intersection between their interests and those of their firm. Consequently, they are less likely to proactively look for ways to innovate and find efficiencies that improve firm performance. Similarly, employers are unlikely to invest in developing job-related skills if employee tenure at the firm is uncertain.

- **Over-skilled and overqualified workers seem to use skills less than their well-matched peers, while the opposite is true for under-skilled workers**. In the Netherlands – as in most OECD countries for which PIAAC data is available (OECD, 2016a; Quintini, 2014) – workers who are overqualified and over-skilled (see Challenge 8 for a discussion on skills and qualification mismatches) use their skills considerably less than their well-matched counterparts with the same level of proficiency – a gap that is among the highest internationally. The Netherlands is among the OECD-PIAAC countries with the largest "waste" of human capital resulting from over-qualification and over-skilling (Quintini, 2014). By contrast, and as in most OECD countries, the under-skilled or under-qualified in the Netherlands typically use their skills more at work than their well-matched counterparts with the same level of proficiency. This may be because these workers need to exert extra effort to perform their tasks (see Challenge 8).

- **Small and medium-sized firms use the skills of their workers less than micro and large firms.** Regarding reading and numeracy skills in the Netherlands, similar to what is observed in OECD-PIAAC countries on average, skill use at work follows a U shape pattern, with micro-firms (1-10 employees) using their skills less than large firms (250 employees or more), but more than small (11-50 employees) and medium-sized (51-250 employees) firms (Figure 57). One possible explanation for the U shape is that large and micro-firms – as opposed to small and medium-sized firms – tend to more often use high performance workplace practices[14] (HPWP), which are associated with better use of skills at work (see later sections of this chapter). In the case of ICT skills, skill use at work increases progressively with firm size in the Netherlands – a pattern that is also found across OECD-PIAAC countries on average (Figure 57).
- **Workers in some (often low skilled) occupations typically use their skills less.** Unsurprisingly, in the Netherlands – as in many OECD countries (OECD, 2016a) – skills use is lowest among workers employed in elementary occupations (such as labourers and production workers), and highest among managers and professionals (Figure 58). This strong relationship between skills use and occupation can be explained, at least partly, by differences in job skill requirements across different occupations.

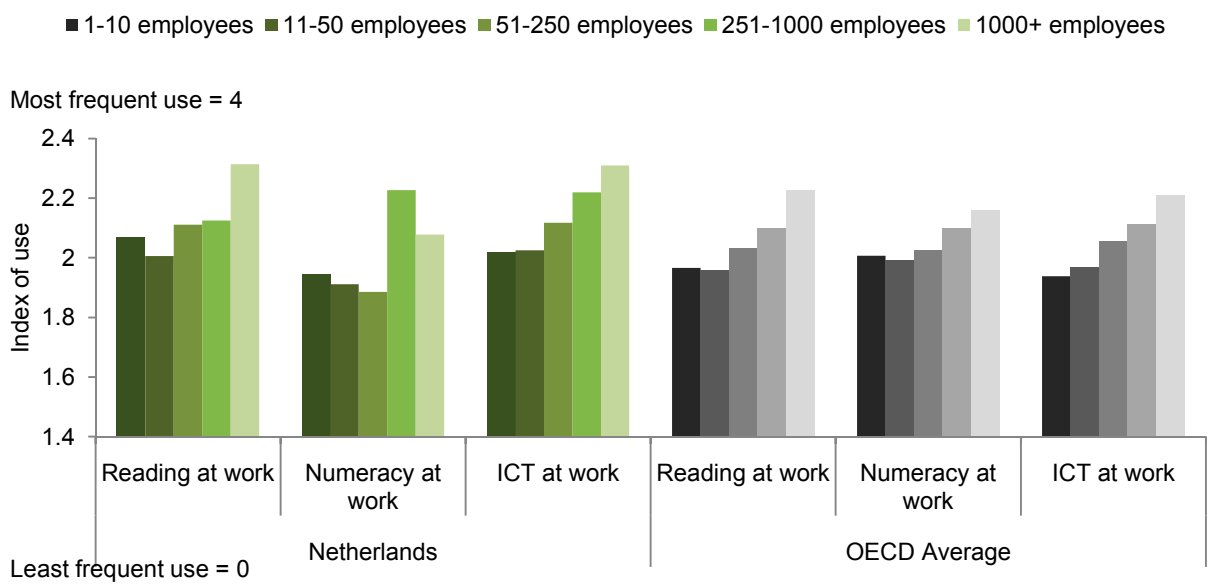
Figure 56. Skills use at work and skills proficiency of working population, PIAAC 2012, 2015



Notes: For reading, writing, numeracy and ICT skills, skills use indicators are scales between 1 "Never" and 5 "Every day". Problem-solving skills use refers to respondents' answers to "How often are you usually confronted with more complex problems that take at least 30 minutes to find a good solution?". The set of possible answers also ranges between 1 "Never" and 5 "Every day". Proficiency scores range from 0 to 500.

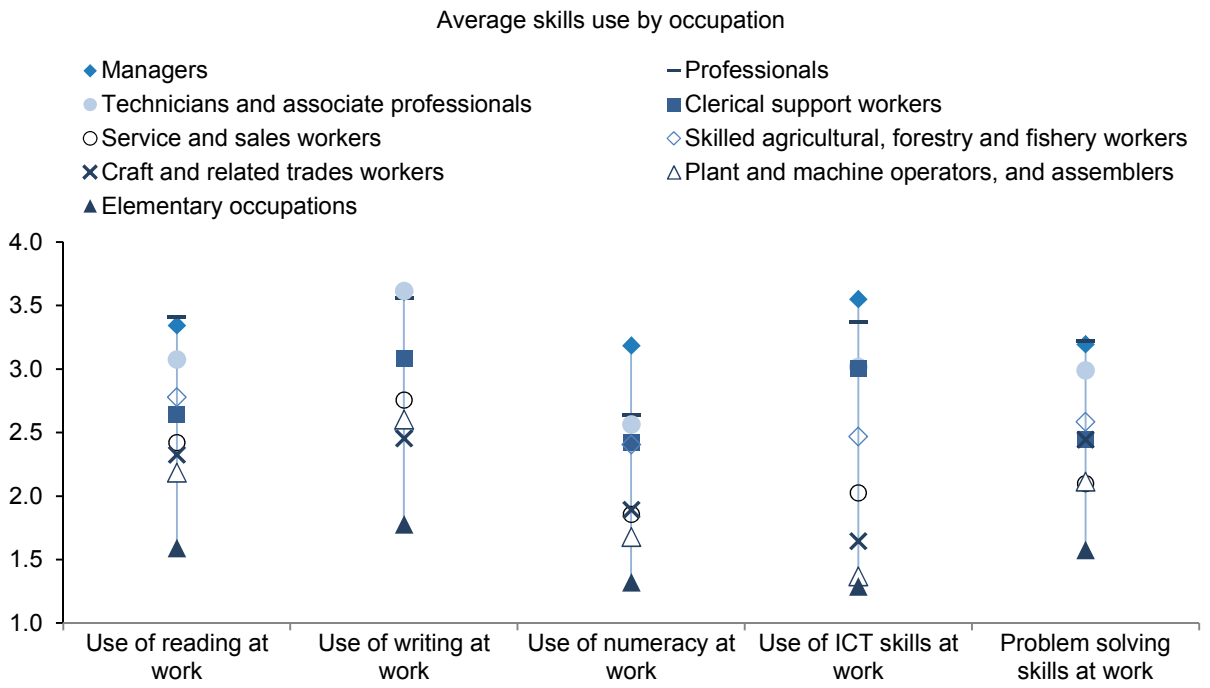
Source: OECD (2016b), Skills Matter: Further Results from the Survey of Adult Skills, Fig. 4.4, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264258051-en.

Figure 57. Use of information-processing skills at work, by firm size



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Figure 58. Skills use at work by occupation in the Netherlands, PIAAC 2012, 2015



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

What practices and policies could foster better use of skills at work?

There are many factors (both internal and external to the firm) that can foster skills use at work. Factors internal to the firm can have a direct impact on skills use at work and can include, for example, the implementation of high performance work practices. However, factors external to the firm can also have an impact on skills use at work, although often only indirectly. For example, labour market institutions can have an (indirect) impact on skills use by influencing the cost of labour and therefore the incentives of firms to exploit workers' skills. Skills use is also evolving in response to global pressures, such as the offshoring of production. A plethora of other external factors can have an indirect impact on skills use at work in the Netherlands. These include the availability of good information on current and future skills needs (see Challenge 8), and the existence of effective mechanisms for the recognition of prior learning and of skills acquired outside formal education (see Challenge 6). The reminder of this section briefly elaborates on some possible determinants of skills use in the Netherlands. This is not meant to be an exhaustive set of determinants, and more empirical research is needed to investigate the extent of the link between these factors and skills use in the Netherlands.

Factors internal to the firm: High performance work practices

What happens inside firms is a key determinant of how skills are used at work. In particular, better skills use can be achieved by adopting high performance work practices. HPWPs include both organisation factors (i.e. teamwork, autonomy, task discretion, mentoring, job rotation, applying new learning) and management practices (i.e. employee participation, incentive pay, training practices, and flexibility in working hours) (see Box 17 for a more detailed discussion on how HPWPs are defined and measured with PIAAC data). International experience shows that these factors are likely to affect workers' performance and motivation, as well as firms' flexibility to adapt job content to employees' skills. In particular, organisation factors are typically associated with higher job satisfaction, higher wages, and lower job-related stress, which can potentially have an impact on workers' productivity and skills use (for example, see Appelbaum et al., 2000). On the other hand, management practices can be seen as incentive mechanisms that firms use to encourage workers to invest in their skills and be more productive. This is particularly the case for annual bonus payments, training activities, and flexible working hours.

Box 17. High performance work practices: How they are defined and measured

High performance workplaces are thought to increase firm profits, sales and productivity by providing workers with greater autonomy and responsibility, and encouraging greater identification with the firm (Belt and Giles, 2009). A considerable body of research demonstrates that high performance workplaces increase worker job satisfaction and worker loyalty to, and sense of identity with, firms (Bauer 2004; Belt and Giles, 2009; Cristini, 2011). Management practices a are type of HPWP that employers use to incentivise workers to deploy their skills fully at work. These mechanisms include bonus payments, support for training and flexible working hours (OECD, 2016a).

The Survey of Adult Skills (PIAAC) is a useful tool to measure HPWP. PIAAC collects information on a number of job aspects often associated with HPWP, including: whether workers have any flexibility in deciding on the sequence of tasks they perform, how they do the work, the speed of the work, and working time; how often they organise their own time and plan their own activities; how often they co-operate or share information with others; how often they instruct, teach or train other people; whether they received education/training in the past 12 months; and whether they received a bonus payment.

Source: Bauer, Thomas K. (2004), "High performance workplace practices and job satisfaction: evidence from Europe", IZA Discussion Paper, No. 1265, August 2004 IZA, Bonn.

While robust evidence of the impact of HPWPs on skills use is rare in the Netherlands, several domestic studies have investigated the link between HPWPs and firms' performance and innovation, as well as workers' productivity and motivation – all of which are relevant for skills use at work. For example, studies show that the high workload and job stress of physicians – driven by poor management practices – are associated with lower performance among general practices in the Netherlands (Van den Hombergh et al., 2009). Other research shows that small and medium-size enterprises (SMEs) that adopt HPWPs in the Netherlands have higher labour productivity and are more innovative than those that do not (de Kok and den Hartog, 2006). Sectoral studies show that workers' development (e.g. through training) and involvement (e.g. through job autonomy, and participation in decision making) are important practices for affective commitment (defined as "the identification with, involvement in, and emotional attachment to the organisation" – see Allen and Meyer, 1996) and organisational citizenship behaviour (defined as the "employee behaviour that is above and beyond the call of duty and is therefore discretionary" – see Konovsky and Pugh, 1995) in the Dutch healthcare sector (Boselie, 2010). Other research confirms that HPWPs influence workers' affective commitment in the Dutch public sector (Van der Kruijs, n.d.).

Econometric analysis exploiting PIAAC data confirms that in the Netherlands, the adoption of HPWPs contributes substantially to the variation of skills use across individuals. Table 5 shows the change in skills use resulting from a unit change in the overall HPWP score, controlling for a number of variables such as age, gender, years of education, skills proficiency, occupation, industry firm size and country fixed effects. Results show that in the Netherlands, a unit change in HPWPs (i.e. one standard deviation) results in a change in the various indices of skills use of between 0.49 points for reading and 0.63 points for ICT skills (across OECD-PIAAC countries on average, this value spans from 0.58 points for numeracy to 0.68 points for writing and problem solving at work – OECD, 2016a).[15] This shows that workers who work in firms that adopt HPWPs are more likely to use their skills at work than workers who work in firms that do not (even after controlling for a number of factors). While the results should not be interpreted as evidence of a causal relationship between HPWPs and skills use in the Netherlands.[16] they still provide evidence that a strong positive relationship exists between the two.

Table 5. Adjusted relationship between high performance work practices and skills use at work in the Netherlands

OLS regression coefficients, including controls for individual, job and firm characteristics

	Reading at work	Writing at work	Numeracy at work	ICT at work	Problem solving at work
High-Performance Work Practices (HPWP)	0.49 ***	0.61 ***	0.54 ***	0.63 ***	0.58 ***
Age (Ref: 16 to 29 years old)					
30-49	0.11 ***	0.15 ***	0.09 *	0.22 ***	-0.04
50-65	0.12 ***	0.11 **	0.02	0.25 ***	-0.10
Female (Ref: Male)	-0.12 ***	-0.07 *	-0.20 ***	-0.02	-0.08 *
Proficiency					
Literacy	0.08 **	0.11 **			
Numeracy			0.38 ***		
Problem solving in technology-rich enviroments				0.36 ***	0.11 ***
Years of education	0.06 ***	0.04 ***	0.04 ***	0.04 ***	0.06 ***
Contract type (Ref: Indefinite)					
Fixed term contract	-0.07 *	-0.15 ***	-0.02	-0.15 ***	-0.12 **
Temporary employment agency contract	-0.10	-0.18	-0.10	-0.24 ***	-0.25
Apprenticeship or other training scheme	0.22 *	-0.09	0.20	-0.11	0.04
No contract	-0.24 ***	-0.51 ***	-0.15	-0.09	-0.48 ***
Part-time (Ref: Full-time)	-0.20 ***	-0.17 ***	-0.23 ***	-0.25 ***	-0.27 ***
Occupation fixed effects	yes	yes	yes	yes	yes
Industry fixed effects	yes	yes	yes	yes	yes
Country fixed effects	yes	yes	yes	yes	yes
Constant	2.34 ***	2.32 ***	0.66 **	0.67 **	2.46 ***
Number of observations	3835	3835	3835	3565	3562

Notes: Estimates from OLS regression models with each skills use as the dependent variable. Occupation and industry fixed effects included as 1-digit ISCO and ISIC Rev.4 codes, respectively. ***, **, * statistically significant at 1%, 5% and 10% levels respectively.

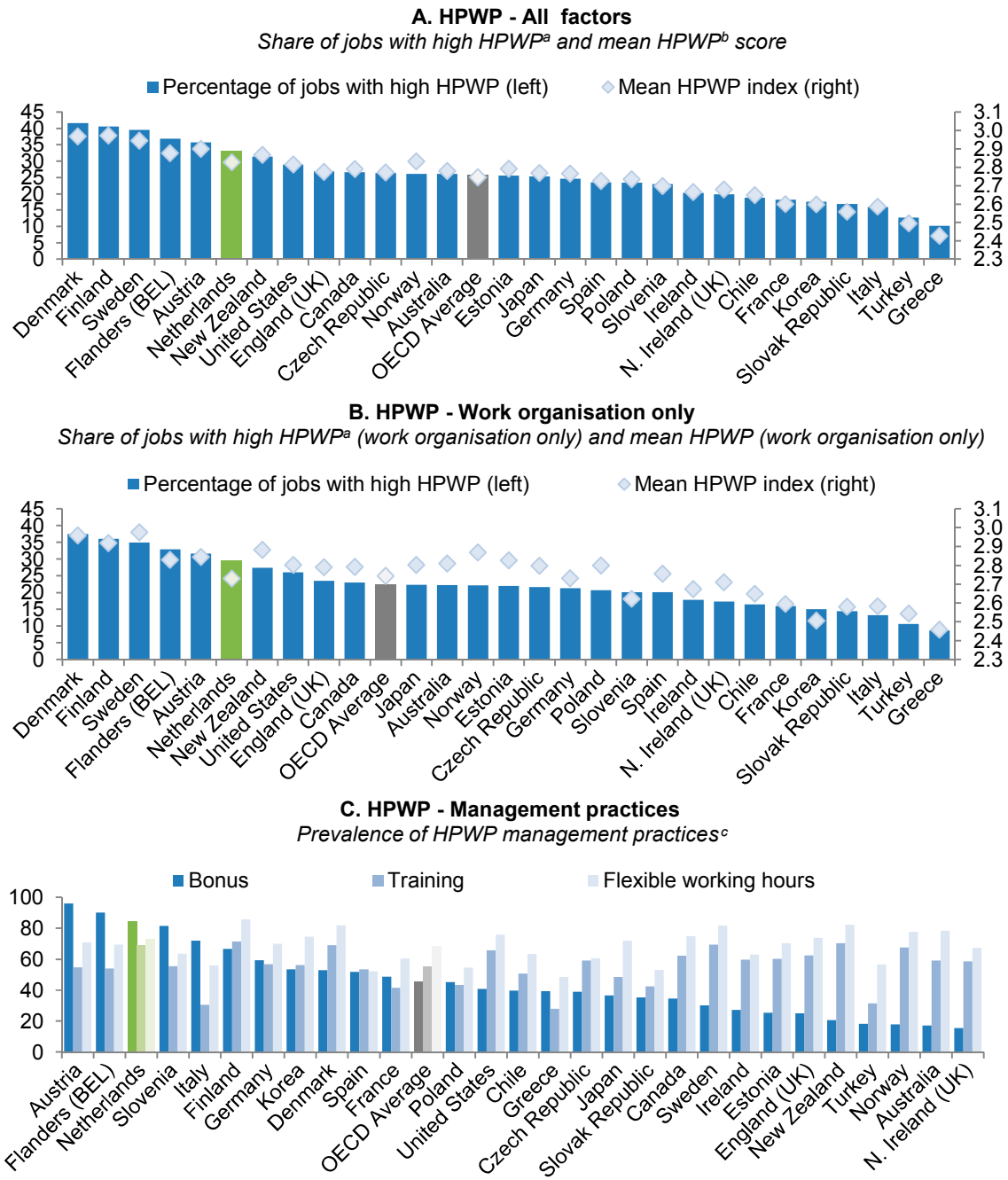
Source: OECD (2017), *OECD Survey of Adult Skills database (PIAAC) (2012, 2015),* OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

The Netherlands performs highly overall on the adoption of HPWPs compared to other countries. Figure 59 (Panel A) highlights the intensity of HPWPs in the Netherlands and other OECD countries for which data is available. Two measures of the overall prevalence of HPWPs are shown in the figure: the average HPWP score (which is the sum scale of all subcomponents shown in Figure 58) and the share of jobs applying HPWP at least once a week. Results show that overall, 33.1% of jobs adopt HPWPs at least once a week in the Netherlands, which is above the OECD average of 25.7%, but below countries such as Austria, Belgium, Denmark, Finland and Sweden. The mean HPWP index for the Netherlands is also above OECD average levels.

When considering the two components of HPWPs separately, the Netherlands stands out as a strong performer overall in terms of work organisation and the use of management practices; however, there is room for improvement in the area of work organisation (Figure 59, Panel B and C). Specifically, 29.4% of jobs in the Netherlands adopt work organisation practices (such as those described in Box 17), which is above the OECD average of 22.4%, and just below the best-performing countries such as Austria, Belgium (Flanders), Denmark, Finland, and Sweden. Concerning management practices, 84.5% of workers in the Netherlands receive bonuses, 69.3% have participated in training over the previous year, and 73.3% enjoy flexibility in working hours (compared to – respectively – 45.5%, 55.4% and 68.4% of workers across the OECD countries on average). Some concrete examples of how firms adopt HPWPs in the Netherlands were highlighted in the context of the Skills Challenges workshops and are presented in Box 18.

Even in countries with high rates of adoption of HPWPs, such as the Netherlands, the expanded use of these practices by firms should result in better outcomes for individuals, firms and society. This is because the benefits of HPWPs are not conditional on comparative ranking.

Figure 59. High performance work practices



Notes: a) Share of workers in jobs where the summary HPWP is above the top 25th percentile of the pooled distribution.

b) Average value, across jobs, of the HPWP index. The HPWP index is a sum scale of all subcomponents shown in Panel A or summing the scales of the work organisation subcomponents only (Panel B).

c) Share of workers receiving bonuses (bonus), having participated in training over the previous year (training) or enjoying flexibility in working hours (flexible working hours).

Source: OECD (2016a), *OECD Employment Outlook 2016*, OECD Publishing, http://dx.doi.org/10.1787/empl_outlook-2016-en.

Box 18. Examples of the use of HPWPs in the Netherlands

There are many examples of the implementation of HPWPs in firms that can be highlighted in the Netherlands. In particular, various initiatives have been undertaken by the national government, regions, and companies to increase the awareness around and use of HPWP. Some examples are highlighted below.

Initiatives undertaken in the Noord-Brabant region

In the Dutch region of Noord-Brabant, the regional administration is collaborating with various stakeholders to stimulate HPWPs and increase collaboration among various initiatives in the area. For example, the regional government has recently introduced subsidies for firms adopting HPWPs. Companies in that region also have the opportunity to win a Social Innovation Award acknowledging good HPWP initiatives. Acknowledging these innovative initiatives, the Research for Innovation from the Erasmus University Rotterdam (INSCOPE) has recently identified Noord-Brabant as being one of the leading regions of the Netherlands on various types of innovation programmes (OECD, 2016a).

Expedition Social Innovation

The Dutch government has funded the Expedition Social Innovation, an initiative whereby entrepreneurs and managers meet and discuss how they can introduce and adapt HPWPs into their firms (OECD, 2016a).

My Enterprise 2.0

My Enterprise 2.0 is a regional workplace innovation project implemented in Utrecht. An impact evaluation study on the effectiveness of such programmes shows that participating in them increased a firm's workplace innovation capability significantly (Oeij, De Vroome, Van Teeffele, 2014).

N. V. NUON Energy

N. V. NUON Energy – a firm that provides electricity, gas and heat in the Netherlands and other countries – has implemented a number of programmes (such as "flowmotion" and the "talent platform") to encourage employees to invest in their skills and to promote internal mobility.

O&O-fondsen

Dutch sectoral training and development funds (O&O-fondsen) facilitate investment in continuous skills development at a sectoral level. Building services engineering is one of the largest sectors in the Netherlands, with almost 10 000 employers and 120 000 employees. As it is a sector that experiences rapid technological developments, continuous skills development for professionals working in the sector is important. OTIB, its sectoral training fund, supports employers to strengthen the skills and career prospects of their employees by offering a platform with online HR-tools: the OTIB-skillsmanager.

Many employers in the sector are SMEs that do not yet have managerial experience in offering meaningful guidance to employees on performance appraisal, skills development and career advancement. The OTIB-skillsmanager provides them with a framework for defining job profiles, scanning employees' skills in relation to job requirements, and addressing skills development in line with the organisation's need for innovation. The online platform offers practical guidance on preparing for appraisals, for both employers and individual employees.

Koninklijke Metaalunie and the sectoral training fund OOM

The Netherlands' VET school system offers initial education to VET students on the basis of a national qualifications framework. The qualifications framework details the knowledge and skills that students need to acquire to obtain a qualification and enter a profession. In 2015, the sectoral organisation, Koninklijke Metaalunie, and the sectoral training fund OOM started to build on this framework by defining the continuous learning needs of professionals in the metal industry.

The new sectoral professional structure for the metal industry is based on validated in-company research, detailing the professions in the sector and specific professional requirements for in-service workers. The framework acts as a reference for monitoring, measuring and developing professional skills. Ownership of the structure is with the employers that are a member of the sectoral organisation. This allows the instrument to have a civil effect. With this instrument, the sector has defined the continuous skills development for professionals in the metal industry, on the basis of company practices.

Box 18 . Examples of the use of HPWPs in the Netherlands*(cont.)*

Companies can use the structure in their appraisal and career guidance of employees. Private in-service training institutes can use the structure to develop their training programmes and course materials. For individual employees, the structure offers a roadmap for the development of their professional career. The sectoral organisation and the sectoral training fund can continue their development of the structure, adding skills requirements that follow from innovation in the metal industry and funding training opportunities to meet those new requirements.

Sources: Case studies submitted by the participants of the OECD Netherlands Skills Strategy Workshops.
OECD (2016a), OECD Employment Outlook 2016, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2016-en.
Oeij, P., E. De Vroome, L. Van Teeffele (2014), "Investing in workplace innovation pays off for SMEs: a Regional Innovation Initiative for the Netherlands", International Journal of Social Quality Volume 4, Number 2, Winter 2014.

Work organisation and management practices are associated with the higher use of workers' skills at work. Singling out through regression analysis the key subcomponents of HPWPs that most impact skills use at work is difficult, however, descriptive (unadjusted) statistics can help shed light on how the use of information-processing skills at work varies with HPWP intensity. What emerges[17] is:

- **Work organisation practices:** Dutch workers who benefit from any degree of work organisation factor (e.g. work flexibility in the sequence of tasks performed, in the speed of work, and on how to do work; co-operating with co-workers; instructing, teaching and training others; sharing information with co-workers; organising own time and planning own activities) make greater use of numeracy, writing, reading, ICT and problem-solving skills than those who do not (Figure 60). The only exception is co-operation with co-workers: while individuals working in teams use all five information-processing skills more often than those who never work in teams, skills use is somewhat lower for workers engaging in teamwork more than half of the time than for those engaging in teamwork up to half of the time. Some observations can be made when comparing the Netherlands with the OECD average, and with the best-performing country regarding HPWPs, Denmark. First, results for the OECD countries on average and Denmark confirm that, as in the Netherlands, workers who benefit from any degree of work organisation factor (except for co-operation with co-workers) make greater use of all information-processing skills than those who do not. Second, with very few exceptions, in the Netherlands low degrees of work organisation factors are associated with poor use of numeracy and problem-solving skills compared to OECD and Danish counterparts. For instance, Dutch workers who never instruct, teach and train others are over 15% less likely to use numeracy and problem-solving skills compared to their OECD and Danish counterparts. Similarly, Dutch workers who have no work flexibility in the speed of work performed use numeracy and problem-solving skills over 10% less than their OECD and Danish counterparts.
- **Management practices:** Management practices also show consistent relationships with skills use at work. Figure 60 shows that flexible working hours, training provision and bonus payments are all associated with higher skills use at work. The association with training is strongest with writing and (to a lesser extent) reading on the job, and weakest with using numeracy skills intensively. Workers who make heavy use of ICT and numeracy skills are particularly likely to be offered flexible working hours. When comparing the Netherlands with the OECD average for which PIAAC data is available and Denmark, what emerges is that, compared to both Denmark and the OECD, skills use at work in the Netherlands is particularly reactive to bonus payments, and only marginally reactive to flexible working hours.

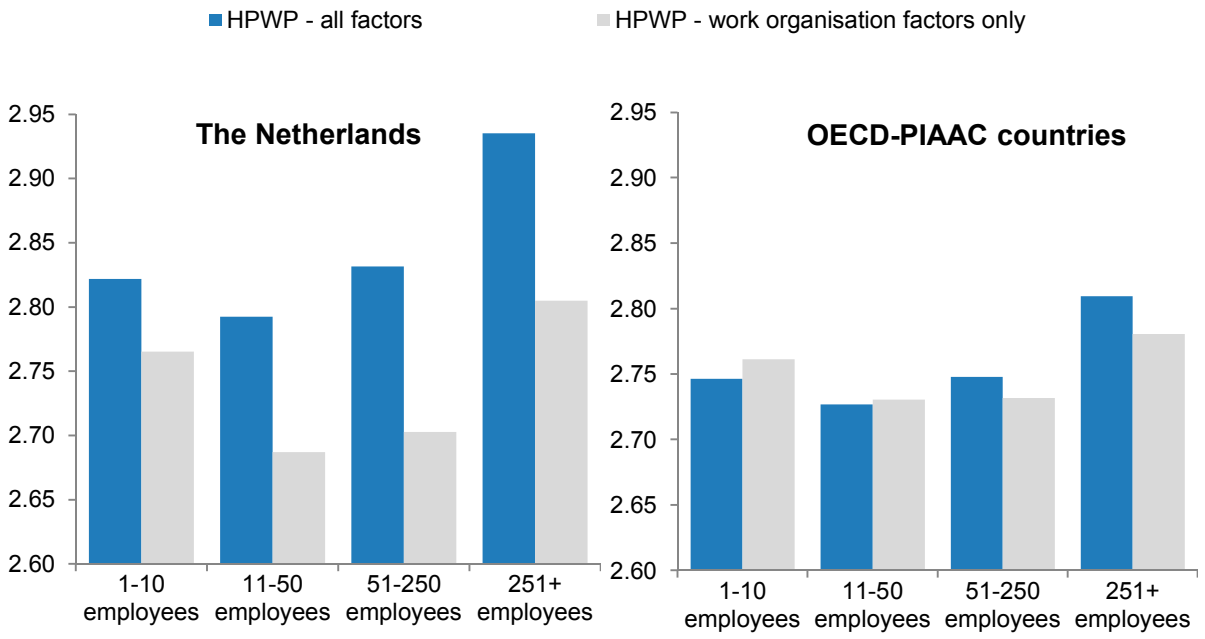
Figure 60. Skills use at work and high performance workplace practices in the Netherlands, Denmark and OECD average

Average skills use at work by HPWP intensity (a) (b)

Notes: a) OECD average refers to unweighted cross-country averages of OECD countries for which data is available.
b) Estimates for "Management practices" show the difference in average skills use between: workers who have flexibility in working hours and those who do not; workers who participated in training over the previous year and those who did not; workers who receive an annual bonus and those who do not.
Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Small and medium-sized companies in the Netherlands could benefit the most from the increased adoption of HPWPs. As shown in Figure 61, the distribution of HPWPs by firm size shows a U shape: HPWPs are most widespread in large firms (more than 251 employees) and medium-sized enterprises (51-250 employees); but micro-firms (1-10 employees) are more likely to adopt HPWPs than small firms (11-50 employees). The adoption of HPWPs in micro-firms may reflect a deliberate choice of small start-ups in the high-tech sector, or, in more traditional sectors, a necessity of workers to remain flexible in what tasks to carry out and with what frequency. This U shape pattern is even more pronounced when focusing on work organisation only, without considering management practices. Small and medium-sized firms are particularly lagging behind regarding work organisation (compared to micro and large firms in the Netherlands as well as small and medium-sized firms in OECD-PIAAC countries on average). This can be explained by the fact that small and medium-sized firms often do not have the financial resources to invest in performance pay systems and/or provide training opportunities to their employees (see also Kroon, Van de Voorde, Timmers, 2012; OECD, 2016a). Overall, this U shape pattern is also found across OECD-PIAAC countries on average, although it is less accentuated than in the Netherlands (see Figure 61; OECD, 2016a).

Figure 61. High Performance work practice by firm size in the Netherlands and OECD-PIAAC countries, PIAAC 2012, 2015



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

Many firms – but small firms in particular – lack good information about which workplace organisation and management practices work best. Smaller firms often lack dedicated human resource personnel and may be run by people who lack knowledge and skills in the design and organisation of workplaces and the effective deployment of the skills of workers. Therefore, facilitates are needed to develop the human resource capacities of small firms and to transfer them knowledge about good practices. The government's Sustainable Employability programme (*Programma Duurzame Inzetbaarheid*) is an example of such an initiative. The aim of this programme is to mobilise employers, their managers and employees to promote healthy and productive workplaces.

Other strategies for broadening the adoption of HPWPs include: disseminating information about the returns on investment from implementing HPWPs, and what implementing HPWPs means in concrete terms for firms; establishing knowledge brokers, established and funded by sectors to collect and distribute

information on HPWPs and to guide firms in how to implement these practices; and establishing a dialogue among employers, unions and workers on the mutual benefits of implementing these practices. Box 19 provides good practice examples from Australia and Finland, from which the Netherlands can learn.

Box 19. What practices promote more effective skills use? The experience of Finland and Australia

The Finnish National Workplace Development Programme was launched by the new government on its accession to power in 1995. The aim of the programme was to boost productivity and the quality of working life by developing and making full use of staff know-how and innovative power in Finnish workplaces. Through public funding and expert input, risks of innovation are lowered, and a facilitative learning infrastructure is developed.

The programme was run on a tripartite basis between the government, employers and trade unions. The programme was particularly significant because no previous government in Finland had assigned such great national importance to the research-assisted development of working life. A novel feature of the programme was that workplace development was seen as an integral component of the Finnish national system of innovation. The programme supported the development of human resources and helped organisations to reform their modes of operation by:

- Supporting workplace-initiated projects.
- Creating and maintains co-operation networks to disseminate and build up knowledge and competence.
- Increasing international information exchange.
- Accelerating initiatives at the workplace level.
- Boosting the use of research in improving the quality of working life.

The programme continued until 2010 (a new programme was initiated in 2004) and was found to have been successful on many counts: sustainable results were achieved at the company and organisational level, learning networks were enhanced between different institutions related to innovation and workplace development, and the programme enjoyed a very high legitimacy among key stakeholders, including social partners.

Australia

The Australian Workforce and Productivity Agency (now mainstreamed within the Department of Industry) has outlined the following types of initiatives designed to make the use of skills more effective:

- **Job redesign**: involves changing the role or description of a job so that the skills of the employee are put to better use. This can include teamwork and flexibility in job descriptions, and work arrangements with colleagues.
- **Employee participation**: includes involving employees in discussions on business strategy to more effectively use employees' knowledge and experience.
- **Autonomy:** includes giving employees more freedom and autonomy to make decisions on how they perform their job.
- **Job rotation**: involves facilitating the learning of new skills by shifting employees into different jobs and positions within the company.
- **Skills audit** (training needs assessment): aims to identify the skills that employees currently have and identify which skills are most needed.
- **Multi-skilling**: is related to job rotation and involves training employees in multiple skill sets, which enables them to perform other tasks not included in their job description.
- **Knowledge transfer**: these types of initiatives can include developing new skills and training related to work, or working with experienced workers to develop mentorship opportunities for younger staff.

Source: Arnkil (2001), Discussion Paper from Finland on The Finnish National Workplace Development Programme (FINWDP), http://pdf.mutual-learning-employment.net/pdf/ind-exp-paper-Finland-sep01.pdf.
Eurofound (1997), The Finnish National Workplace Development Programme, European Foundation for the Improvement of Living and Working Conditions, Dublin, www.eurofound.europa.eu/observatories/eurwork/articles/business-labour-market-working-conditions/the-finnish-national-workplace-development-programme.
Payne (2004), "Re-Evaluating the Finnish Workplace Development Programme: Evidence from Two Projects in the Municipal Sector", *Economic and Industrial Democracy,* SAGE, London, Thousand Oaks and New Delhi, Vol. 25/4, pp. 485–524.
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Factors external to the firm: evidence from OECD countries

The degree to which skills are used can be affected by factors external to the firm. Analysing all the possible external determinants of skills use goes beyond the scope of this section, and therefore only a selection of factors are discussed based on the evidence available from OECD countries. International experience shows that:

- **The extent to which skills are used in the workplace can be (indirectly) affected by labour market institutions, however, current research does not allow for firm conclusions to be drawn regarding their impact on skills use in the Netherlands**. For example, stringent employment protection legislation (EPL) increases the cost of labour and tenure, which may push firms to make the most of their workers' human capital. Similarly, higher minimum wages and tax wedges could encourage firms to use employees' skills more efficiently to cope with higher wage and non-wage costs. This suggests a potential policy trade-off: while high labour costs can reduce employers' incentives to hire workers (see Challenge 3 for a more detailed discussion of this issue), they may also increase employers' incentives to make effective use of the skills of those they do employ. Policies promoting collective bargaining typically facilitate the adoption of HPWPs, which, as discussed earlier in this chapter, can promote skills use in the workplace. Econometric analysis conducted by the OECD (2016a) tends to corroborate this theory, and shows that labour market institutions that increase the cost of labour and promote collective bargaining are typically positively associated with skills use at work across OECD-PIAAC countries.
- **Offshoring can also have implications for skills use**. Because offshoring is shifting the occupational structure of the economy and the skills requirements of jobs, it is also likely to have an impact on the extent to which skills are used in the workplace (OECD, 2016a). Recent research conducted by the OECD using the OECD-WTO Trade in Value-Added (TiVA) database and PIAAC data shows that the relationship between offshoring and skills use, in OECD-PIAAC countries on average, depends on the nature of offshoring itself (OECD, 2016a). Low-technology offshoring (i.e. when low-skilled tasks are being offshored) is positively associated with the higher use of information-processing skills at work, while the opposite is true for high-technology offshoring (i.e. when high-skilled tasks are being offshored).
- **A plethora of other external factors could influence the extent to which skills are used at work**. For example, supplying students, firms, and policy makers with good information on skills needs could support more informed skills choices, thereby helping to reduce saturation in some fields/occupations and, by extension, enhancing skills use in the workplace (see also Quintini, 2011; OECD, 2016a; see Challenge 8 for a discussion). The recognition of prior learning and of skills acquired outside formal education could also strengthen skills use at work by informing firms about the actual skills possessed by workers and reducing mismatch and inefficient use of available skills (see Challenge 6 for a discussion).

However caution should be taken when interpreting these considerations. First, while these results apply to OECD-PIAAC countries on average, and are drawn from the international literature, further empirical research is needed to analyse whether these findings also hold true for the Netherlands. For example, while it is possible that relatively strict EPL on permanent contracts, high labour costs (i.e. employers' social security contributions) as well as rigid wage-setting mechanisms (all discussed in Challenge 3) may push employers to encourage workers to use their skills effectively at work, these observations are clearly tentative and highly speculative, and empirical evidence is needed to shed more light on this issue. Second, the possible drawbacks of such policies need to be carefully considered by policy makers. For example, although labour market policies that increase the cost of labour may have positive effects on skills use at work, they could also have dis-employment effects (see for example Hamermesh, 2014) and, in the case of overly stringent EPL,

could undermine the efficient allocation of workers to jobs and increase labour market segmentation (see Adalet McGowan and Andrews, 2015; OECD, 2014) (see Challenge 3 for a discussion).

Summary and policy recommendations

Encouraging the more effective use of skills at work in the Netherlands should be a policy priority. Using skills fully and effectively in workplaces supports better outcomes for individuals, firms and countries. For individuals, greater skills use at work is associated with higher wages and job satisfaction. For countries, better use of skills at work is typically associated with higher labour productivity. In other words, how skills are used at work can have an important impact on productivity above and beyond that of skills proficiency. Furthermore, in the context of increasing international economic competition, and with low performing countries in skills development catching up with those that are high performing, making better use of the skills of workers than other countries is one way to maintain a competitive advantage.

The Netherlands is a top performer in skills proficiency, but could make better use of the skills of its workers. Skills use could be particularly strengthened among certain population groups, such as women, youth, and temporary workers. The extent of skills use at work also depends on the size of the firm, the occupation, and on whether workers are well matched or over/under-qualified for the job they are performing.

Practices internal to the firm can foster skills use at work. Econometrics analysis exploiting PIAAC data shows that HPWPs in the Netherlands are highly correlated with skills use at work. HPWPs can provide the right incentives to firms and workers to make the best use of the skills available. Overall, HPWPs are relatively widespread in the Netherlands compared to other countries, and good practice initiatives can be highlighted at the government, regional and firm level. However, there remains some room for improvement regarding work organisation, especially in small and medium-sized firms.

Factors external to the firm can also drive the better use of skills in the workplace. International experience shows that labour market policies, such as EPL, minimum wages, tax systems, and collective bargaining can have an (indirect) impact on skills use at work by influencing the cost of labour and industrial relations. Other factors, such as the offshoring of production, the availability of good information on current and future skills needs (Challenge 8), and the existence of effective recognition and validation of skills acquired outside formal education (Challenge 6) may also (indirectly) influence the extent to which skills are used at work. However, while this evidence is drawn from international experience, more research is needed to investigate whether and to what extent these findings also apply to the Netherlands.

There are several actions that sector organisations, social partners and the government can take to boost and improve the use of skills at work. Sector associations should establish knowledge brokers to collect and distribute information on HPWPs and guide firms in how to implement these practices. Sector associations and social partner intermediates should establish a dialogue among employers, unions and workers on the mutual benefits of implementing these practices. The government and social partners should assess whether Dutch labour market institutions, such as EPL, minimum wages, tax wedges, and collective bargaining, are encouraging firms to make full use of employees' skills and, if not, take corrective action. Employer associations and/or the SER could publically recognise (e.g. an award of recognition) top learning organisations, such as those that, among other things, design and organise their workplaces to make the best use of the skills of their workers.

NOTES

13 The correlations shown in Figure 55 and 56 are robust even after controlling for age, gender, foreign-born status, and tenure (as well as – in the case of job satisfaction – gross hourly wages).

14 HPWP differs from the concept of "learning organisation", which is discussed in Chapter 2. There are overlaps and differences between these two concepts. For a definition of "learning organisation", see Chapter 2.

15 The coefficients are large and statistically significant.

16 The relationships observed in the regression analysis should not be considered evidence of a causal link between HPWPs and skills use. For example, models do not account for other simultaneous processes that could be driving skills use (e.g. HPWP-firms' ability to recruit high-skilled workers in domains not assessed in PIAAC). Also, adopting HPWPs may not necessarily bring about increases in skills use if other attributes – non-measured in the regression model – need to be in place for HPWPs to translate to higher skills use. This includes, for example, managerial quality.

17 Results for other OECD-PIAAC countries follow similar patterns (see OECD, 2016a).

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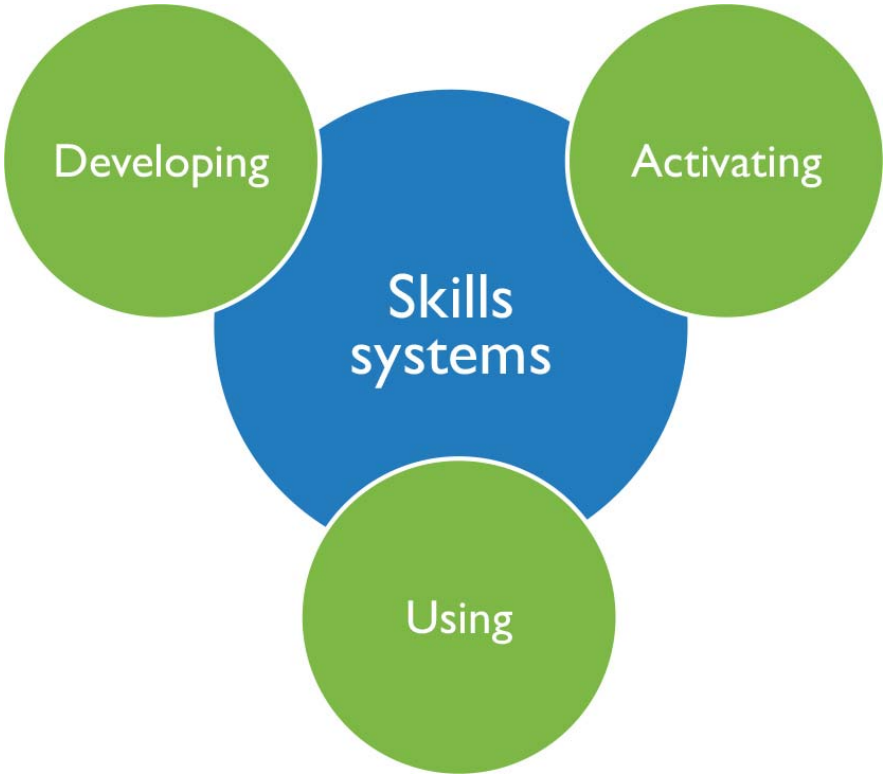
STRENGTHENING THE NETHERLANDS' SKILLS SYSTEM



CHALLENGE 6: IMPROVING THE RECOGNITION AND VALIDATION OF SKILLS DEVELOPED OUTSIDE OF FORMAL EDUCATION, ESPECIALLY FOR THE VULNERABLE GROUPS IN DUTCH SOCIETY

HIGHLIGHTS

Effective systems for recognising and validating skills developed non-formally and informally help countries activate and use available skills more effectively, while fostering skills development in adulthood. Although the Dutch system for the validation of prior learning (VPL) is working well for the average person, it is, at least until recently, failing to serve the needs of many of those who have the most to gain from the system. While the average person in the Netherlands may be able to navigate the system and find ways to fund a VPL procedure to showcase his/her skills, this is not necessarily the case for all. Low-skilled individuals, immigrants and those with weaker labour market positions, such as the unemployed and those employed on temporary contracts, are less likely to take part in a VPL procedure. There are a number of reasons for this, including: financing arrangements that do not support those with weaker labour market positions; a complex and fragmented system that is difficult for many users to navigate; and low take-up rates among employers and some tertiary education institutions, especially universities.

Stakeholder perspectives:

Stakeholders claim that too many people, especially the more vulnerable groups in Dutch society, face challenges in having the skills they developed non-formally, informally or abroad recognised and validated. Participants of the Skills Strategy workshops noted that this creates a barrier to the Netherlands' ambitions for a socially cohesive society, and for realising the country's ambitions for developing into a learning economy.

Recommendations:

- Employers should make greater efforts to recognise skills developed informally by their workers as part of their contribution to making continuous adult skills development a reality for all in the Netherlands.
- Government, VPL providers and employers should work together to simplify and clarify the VPL system to make it more easily navigable to those most in need, such as low-skilled adults, immigrants and the unemployed.
- Government should consider introducing stronger and more targeted public investments to boost participation in VPL, including instruments such as vouchers. The government could also consider introducing an unlimited right to VPL to incentivise both citizens and institutions to use and accept vouchers for career development.
- The Social and Economic Council (SER) of the Netherlands and/or employer associations should publically recognise (e.g. an award of recognition) top employers, such as those that, among other things, actively use VPL.
- Government should carefully monitor its efforts to incentivise a greater uptake of VPL by vocational education and training (VET) and tertiary education institutions to determine whether they have been effective, and take further action to increase uptake if necessary. It might also consider raising the visibility of participating institutions to incentivise greater take-up.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve the recognition and validation of skills.

Introduction

Recognising and validating skills wherever and however they are acquired allows them to be more fully activated and put to more effective use, while at the same time increasing engagement in continuous skills development. Non-formal and informal learning are pervasive, especially in adulthood when they become perhaps the most important mode of skills development. Adults learn in all settings: the workplace, the community, and the home. The combined forces of technological change and globalisation will make continuous skills development in adulthood critical for coping with the changing and increasing skills needs of the economy and society (OECD, 2012). At the same time, increased migration to the Netherlands is bringing new pools of talented individuals whose skills, qualified or not, may not be easily identified and recognised. By making skills visible, effective systems for identifying, recognising and validating skills pay a triple divided: 1) they improve opportunities to use skills more fully effectively in workplaces and society, while at the same time reducing skills mismatches (see Challenge 5 of using skills in the workplace); 2) they boost labour market activation (see Challenge 4 on boosting labour market participation and employment); and 3) they create incentives for adults to engage in continuous skills development (see Challenge 2 on continuous skills development in adulthood).

Stakeholders claim that too many people, especially the more vulnerable groups in Dutch society, face challenges in having the skills they developed non-formally, informally or abroad recognised and validated. Participants of the Skills Strategy workshops noted that this creates a barrier to the Netherlands' ambitions for a socially cohesive society, and for realising the country's ambitions for developing into learning economy.

This chapter: 1) investigates the importance of non-formal and informal learning for adults, especially low-skilled adults; 2) describes the Dutch system for the VPL; and 3) assesses the strengths and weaknesses of the system.

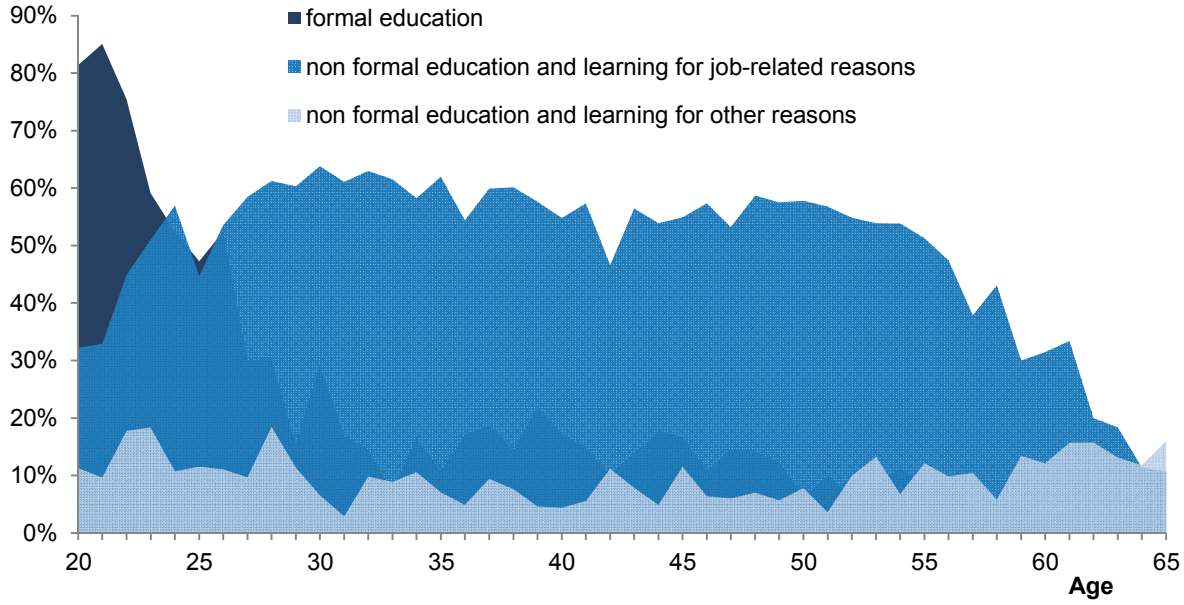
For adults, non-formal and informal learning are the dominant modes of skills accumulation

Non-formal and informal learning are important modes of skills accumulation that do not lead to a formal qualification. In the Netherlands, non-formal learning is understood to refer to education that does not lead to a nationally recognised diploma or certificate but, rather, to a diploma or certificate that is recognised by a sector or a professional body. Informal learning refers to learning "by doing" and learning from others (Gaylor et al., 2015; see Challenge 1 on developing the right skills).

Non-formal job-related training and informal learning are the most important forms of learning in adulthood. People develop their skills not only formally in schools and tertiary education institutions, but also through non-formal or informal learning in workplaces, homes, and the community. The workplace is a particularly important place of learning in adulthood (Figure 62). In the Netherlands, as in all countries, informal on-the-job learning is the dominant type of learning after the age of 25. It is estimated that informal on-the-job learning could represent as much as 95% of the total learning undertaken by a person in employment in a given year (Borghans et al., 2014). Over years of working, individuals can accumulate a wide range of skills that they are not easily able to demonstrate. This highlights the importance of the workplace not only as a place where skills are deployed, but also as a place where they are developed and maintained (see Challenge 2 on continuous skills development in adulthood and Challenge 5 on using skills in the workplace).

Figure 62. Non-formal education and learning is dominant in the Netherlands after the age of 25

Percentage of adults who participated in formal/non-formal education in the 12 months preceding survey



Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

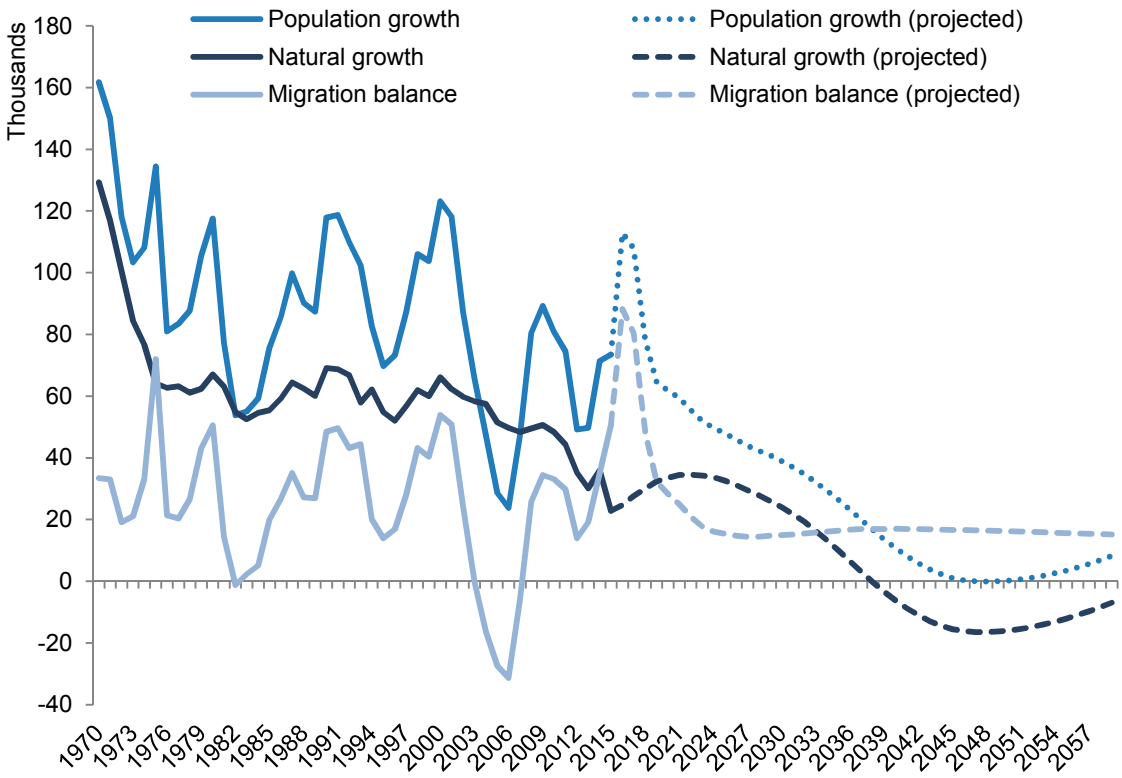
The importance of non-formal and informal learning will undoubtedly continue to rise in the context of ongoing technological and organisational change. The Netherlands ranks highly on the adoption of organisational changes and new technologies (see Figure 20 in Challenge 2). These changes will require many workers to upskill and reskill. Globalisation and technological change are making a large share of the workforce vulnerable to displacement (Figure 7 in the Introduction) and increasing the skill requirements of jobs in the Netherlands (see Figure 9 in the Introduction), As a result, non-formal and informal learning are likely to become increasingly important for adapting to the changing demands of the workplace (not to mention of society), as well as for maintaining employment.

Non-formal and informal learning are particularly important for the development of skills among the least skilled, the unemployed and those on temporary contracts. Individuals with lower levels of education and skills are the least likely to engage in formal education and training in adulthood (see Challenge 2 on developing the right skills). These individuals, however, are also the most vulnerable to displacement by technological and organisational changes. Non-formal and informal learning are therefore especially important to enable them to cope with changes in the work place and maintaining employment. For individuals who are not working or are working on temporary contracts, non-formal and informal learning are valuable sources of skills development (Ferreira Sequeda et al., 2015; Werquin, 2010).

Migration continues to bring new pools of talented individuals to the Netherlands, but their skills are not being fully tapped. The migration balance has been positive in recent years – a trend that is likely to continue in the coming decades (Figure 63). During the last decade, most immigrants to the Netherlands came from the new European Union (EU) countries. In 2015, for example, 9 600 Poles came to the Netherlands, the year before this number was over 12 000. Since 2014, the number of refugees that applied for asylum has surged. Syria and Eritrea are the main countries of origin, followed by Afghanistan, Iraq, Iran and Somalia. However, various studies show that immigrants and refugees have difficulties finding a job at their level of education, even when they have tertiary qualifications. Diplomas are often not recognised or are at a lower level (e.g. Bakker, 2016; Refugee Work Netherlands, 2014). These findings underscore the

importance of having a good system for recognising skills (and not just validating qualifications) acquired abroad. Identifying and validating the skills gained through prior learning and/or work experience can speed up inclusion and the social integration of immigrants and refugees, and at the same help boost economic growth in the Netherlands.

Figure 63. Population growth in the Netherlands



Source: Statistics Netherlands (2015), "Bijna kwart miljoen immigranten verwacht in 2016" [Almost a quarter of a million immigrants expected in 2016], Statistics Netherlands, www.cbs.nl/nl-nl/nieuws/2015/51/bijna-kwart-miljoen-immigranten-verwacht-in-2016

The lack of visibility of skills acquired non-formally or informally is a significant barrier to the continuous skills development of workers. Skills that are not demonstrated in the form of qualifications are not easily identifiable. As a result, employers are often unaware of the full range of skills that their employees possess, and do not make full use of, or provide rewards for, their skills. When individuals are not recognised or rewarded for the skills that they have taken great effort to acquire, they have little incentive to further engage in such learning, apart from their own intrinsic motivation, which may have suffered in the process. This represents a lost opportunity for increasing the productivity of firms, and the wages, job satisfaction and further skills development of workers. This is a major impediment to the Netherlands' ambition of becoming a learning economy.

Many OECD countries, including the Netherlands, have developed systems to recognise and validate skills acquired through non-formal and informal learning. Individuals and their employers benefit when their skills are fully recognised and validated. For individuals, the recognition and validation of their skills means being able to make fuller and more effective use of these skills, leading to greater job satisfaction, higher wages and better career prospects (OECD, 2016a; 2016b). Effective systems for the recognition and validation of skills are particularly important for the career prospects of low-skilled adults who do not possess formal qualifications. For these individuals, such a recognition and validation system is the only means of demonstrating the skills that they have acquired in work and life. For employers, a better

understanding of the skills that their employees possess leads to the fuller use of these skills, which leads to increased productivity and growth (see Challenge 5 on using skills in the workplace). For the labour market as a whole, validation of prior learning will assist countries in addressing skills mismatches (European Commission/CEDEFOP/ICF International, 2014a).

The Dutch system for the validation of non-formal and informal learning supports both educational and labour market objectives and is characterised by the strong involvement of social partners

The Dutch system for the validation of prior learning has been recently reformed

The Dutch national system for the validation of non-formal and informal learning was reformed in January 2016. The new system for the validation of prior learning offers two tracks with different objectives (Duvekot, 2015; CEDEFOP, 2016; Dutch Knowledge Centre, 2015a). Individuals can choose to either apply for an assessment of their prior learning in order to fast-track the attainment of a formal secondary or tertiary VET or university diploma (MBO, HBO or WO), or in order to promote career opportunities, i.e., the education track or the labour market track. In the previous system, only one instrument existed to validate prior learning, the EVC procedure (*Erkenning van Verworven Competenties* in Dutch or Recognition of Prior Learning in English), leading to a Certificate of Experience (*Ervaringscertificaat*) to accredit or an Experience Profile (*Ervaringsprofiel*) to recognise prior learning. In the new system, more instruments are available to validate prior learning., such as intake assessments, e-portfolios, and "regular" exemption procedures.

- **The labour market track:** Via the labour market track, candidates apply for a Certificate of Experience (*Ervaringscertificaat*) as the preferred option to validate prior learning – which includes knowledge, skills and competences – with a view to promoting career mobility or advancement. Depending on the specific goal, other instruments can also be used. Individuals wanting to pursue the labour market track can apply for an assessment at a private EVC-agency. The agency issues a certificate that the employee can use to demonstrate skills developed informally for job interviews or as the basis for a career development plan.
- **The education track:** In the education track, several instruments are available to validate prior learning, with a view to obtaining exemptions for part of their formal studies, and leading to a qualification. Compared to the previous system, the most significant change is that education institutions are now responsible for validating learning outcomes in the education track. Individuals can apply for an assessment with the education institution where they would like to take their studies. This ensures that the validation of prior learning suits the learning provision at the education institution and can lead to an exemption. Education institutions can choose how to organise these assessments, either with or without an external private EVC-agency. When an individual wants to use the assessment of his/her prior learning by a private EVC-agency to attain a formal diploma, the private EVC-agency and the education institution set up an agreement in advance. The agreement states how they will assure transferability and acceptance of the Certificate of Experience.

The decentralised validation system aims to emphasise shared responsibility for the recognition and validation of skills. The Dutch government and social partners share responsibility for the EVC system and for promoting its use through collective labour agreements (European Commission/CEDEFOP/ICF International, 2014a). This reflects the value Dutch society places on harmonising the interests of the government and social partners, i.e. employers and trade unions (known as the "poldermodel"). The introduction of the new system reflects the government's drive towards "a participation society" in which all stakeholders take ownership and responsibility for their own role in lifelong learning (Dutch Knowledge Centre EVC, 2015a, b). With the reform in January 2016, the Ministry of Education, Culture and Sports and social partners effectively further decentralised the system by devolving responsibility for quality assurance in the labour market track to two independent institutions nominated by social partners, one of which, Servicepunt Examinering, was also nominated by the Ministry of Education. The social partners intend to agree on a single quality regime for the labour market track certificates, which will be financed by the private EVC agencies. At the request of the social partners, Stichting Examenkamer performs the quality assurance of

the labour market track, including the register of accredited EVC procedures and the register for Certificates of Experience issued by the accredited EVC agencies. Ownership in the educational track is with the educational institutions. The government stimulates and facilitates educational institutions to develop and use their own procedures and instruments for validation. Servicepunt Examinering provides information to MBO education institutions, including knowledge sharing and good practice examples of instruments for validating prior learning in the education track. In tertiary education, a large number of universities of applied science (21 higher education institutions, HEIs, with over 500 programmes) gain experience in using instruments for the validation of prior learning in the pilots for flexible higher education for adult learners. The quality assurance of validation in education is integrated in the regular quality assurance arrangements in education, under responsibility of the Ministry of Education, Culture and Science (MoECS).

The Netherlands should safeguard the transferability of the Certificates of Experience provided through the labour market track for those wanting to pursue formal education at a later stage. As the government and social partners are already aware, a challenge exists in the dual track system as labour market track validation certificates will also have to be recognised by education institutions in case an individual decides to pursue a formal qualification at some point. In an agreement signed in November 2016, the government and social partners made further arrangements for implementing the new system of the two tracks, including the improvement of the connection between the two tracks (Staatscourant, 2016). Learning from past experience, however, it would seem of great importance for the government, social partners and others to carefully monitor whether education institutions recognise Certificates of Experience from the labour market path as intended, and offer individuals tailored education programmes. If this is not the case, the success of the new VPL system will depend on swift policy responses.

The expansion of EVC use has slowed following the transfer of greater responsibility for the costs to stakeholders

Public subsidies for EVC have helped build and grow the EVC system. Between 2006 and 2010, greater public sector involvement in the EVC process helped to raise the public profile of the system. For example, government subsidies were made available to support the development of infrastructure for the provision of EVC, including the costs associated with developing procedures, promoting the system and undertaking the EVC process. Additionally, between 2009 and 2010, following the economic crisis, public support was provided to unemployed people and people at risk of unemployment. At the same time, a project directorate was established to facilitate collaboration between the ministries of employment and education (CEDEFOP, 2016).

However, EVC procedures declined after government subsidies to promote their use were discontinued. Public subsidies were ended in 2010 after it was decided that the provision was sufficient and the number of providers exceeded demand. When the subsidies were available, EVC procedures had increased, reaching around 22 000 in 2010 (CEDEFOP, 2016). After public subsidies were discontinued, participation dropped to around 17 000 per year in 2011. The economic crisis also played a part as it caused many firms to decrease spending on training and development (CEDEFOP, 2016). Since 2011, complete and reliable data on participation in EVC procedures have been lacking. A quick survey among EVC providers showed an erratic pattern in participation rates (Dutch Knowledge Centre EVC, 2014). EVC providers expected that the number of EVC procedures would stabilise at the 2011 level. In 2015, a relatively small number of EVC providers executed alternative validation procedures, but complete data on the total number of these procedures were lacking. Data were also missing for participation in tailor-made programmes in education (Dutch Knowledge Centre EVC, 2015b). Careful monitoring will be needed to tell if the new validation system will bring change. The decline in EVC procedures from 2011, and the relatively small number of validation procedures in general when compared to the size of the Dutch labour force, may also relate to certain aspects of the EVC system that make it less accessible to some of the populations with the greatest need for such a service, including the low-skilled, unemployed, self-employed and part-time workers. These are discussed in greater detail below.

Some other EU countries have had greater success in encouraging individuals to have their skills recognised or validated. Skills recognition and validation systems vary considerably across countries and are,

therefore, difficult to compare. However, it is notable that a number of other EU countries have higher take-up rates than the Netherlands. Portugal reported 69 000 and Finland 100 000 recognition procedures in 2012 – both countries with significantly smaller populations than the Netherlands. In Finland, the most extensive developments in recent years have taken place in higher education institutions; a sector that shows a more limited uptake in the Netherlands (European Commission/CEDEFOP/ICF International, 2014b, 2014c), which is a significant challenge for advancing the validation of skills, according to the participants of the Skills Strategy workshop (European Commission/CEDEFOP/ICF International, 2014b, 2014c). More information on the Portuguese and Finnish systems can be found in Boxes 20 and 21 respectively.

Box 20. Recognition and validation of prior learning in Portugal targets a substantial group of low-educated adults

Portugal began implementing its National System for the Recognition, Validation and Certification of Competences (RVCC) in 2001. Between 2001 and 2010/2011, validation practices were gradually and widely implemented at the national level. During this period, adult education and training programmes, and the validation of non-formal and informal learning, were considered central issues in the national educational agenda under the New Opportunities Governmental Action Plan 2005-2010. The policy agenda was implemented locally by 450 New Opportunities Centres (*Centros de Novas Oportunidades*/CNO). Following a change in government policy, the CNOs were replaced by new centres in charge of validation processes from 2013.

The most recent data available show that more than one million people were enrolled within the activity of the former CNO centres in validation processes and formal training paths between 2006 and 2012. The 2012 report on POPH (*Programa Operacional Potencial Humano*) shows that the majority of adults enrolled in centres were between 25 and 44 years old, and increasingly included unemployed people. In 2012, a total of 69 915 adults were certified in the RVCC academic process, and 1 346 people were certified in the RVCC vocational process. The academic process leads to a basic level certification (a qualification certificate corresponding to the 1st, 2nd or 3rd cycle of basic education — i.e. 4, 6 or 9 years of schooling — and a basic education diploma), or a secondary level certification (corresponding to the secondary education level — 12 years of schooling — and a diploma at secondary education level). The vocational process leads to a vocational qualification from the national catalogue of qualifications (*Catálogo Nacional de Qualificações*) that, in 2014, included about 280 qualifications from 39 education and training areas.

One major evaluation of the New Opportunities Initiative (Carneiro, 2011) highlighted four potential factors contributing to the high participation rates in the programme: 1) political thrust and personal commitment from the centre of government executed by a single government agency, the former National Agency for Qualification (ANQ), now the National Agency for Qualification and Vocational Education and Training (ANQEP); 2) the rising financial resources allocated to adult education; 3) an increasing and more diverse education offer; and 4) the ambitious goal of raising educational attainment for all adults to upper secondary education and including a joint professional certification. The progamme resulted in unprecedented growth in the participation of low-skilled adults in adult learning activities, and met some success in terms of improving participants' basic competence levels, self-esteem, employment prospects, and motivation to continue learning.

Sources:
Carneiro, R. (2011), "Accreditation of prior learning as a lever for lifelong learning. Lessons learnt from the New Opportunities Initiative, Portugal", CEPCEP, Lisbon.
European Commission (2015), An in-depth analysis of adult learning policies and their effectiveness in Europe, http://ec.europa.eu/epale/sites/epale/files/all_in-depth_analysis_of_adult_learning_policies_and_their_effectiveness_in_europe_12.11.2015_pdf.pdf.
European Commission/CEDEFOP/ICF International (2014b), European inventory on validation of non-formal and informal learning 2014: country report Portugal, http://libserver.cedefop.europa.eu/vetelib/2014/87073_PT.pdf.

Box 21. Finland's next frontier: Improving the recognition and validation of prior learning in higher education

In Finland, the most extensive development in validation over the past few years has taken place in higher education institutions (HEIs). Until 2010, activities focused on awareness raising and taking the first steps towards establishing validation procedures in HEIs. The development gained momentum after 2010 through the realisation of concrete and more systematic approaches to validation in HEIs. Guidelines for the validation of prior learning in formal, non-formal and informal contexts were developed in higher education. Furthermore, there is a concerted programme of activity to raise awareness in the higher education sector: student guidebooks refer to validation opportunities, and HEIs have improved guidance and invested in staff competences for those involved in validation.

Finland has a relatively high take-up of validation overall, due to several contributing factors. Validation relates to the national culture for learning and has a relatively long history in Finland. The procedures for validation are embedded in the formal qualification structures in vocational education and training (VET) and higher education (HE). In HE, there is a direct link between validation and credits (European Credit Transfer and Accumulation System equivalent). Unlike other countries that have this link set up, there is no limit to the amount of credits that can be obtained via validation.

Validation procedures are practically free for the individual. This applies to students at all levels of education, from general to vocational and higher education. The only exception relates to participants in the Competence Based Qualifications (CBQ) system in VET. CBQs in Finland embed the validation of non-formal and informal learning as an integral part of the entire qualifications system. The system has been in place since 1994 and was further strengthened in 2007 by the Decree on Individualisation. Students pay a small fee to take a competence test for all parts of the qualification, which at one go validates their prior learning. As validation procedures are an integral part of the formal training systems, there is no earmarked funding for validation.

Finland is also more prescriptive than other EU countries on the role of education providers in providing information, advice and guidance. Many European countries rely primarily on individual education and training providers or validation agencies for the provision of information and guidance on validation procedures. In Finland, there is a legal obligation for providers of initial VET to include guidance and counselling in their programmes. This may be part of the reason that it is the only country to report a high level of awareness of validation procedures among the general public.

Sources:
European Commission/CEDEFOP/ICF International (2014a), European inventory on validation of non-formal and informal learning 2014. Final synthesis report, http://libserver.cedefop.europa.eu/vetelib/2014/87244.pdf.

European Commission/CEDEFOP/ICF International (2014c), European inventory on validation of non-formal and informal learning 2014: country report Finland, http://libserver.cedefop.europa.eu/vetelib/2014/87057_FI.pdf.

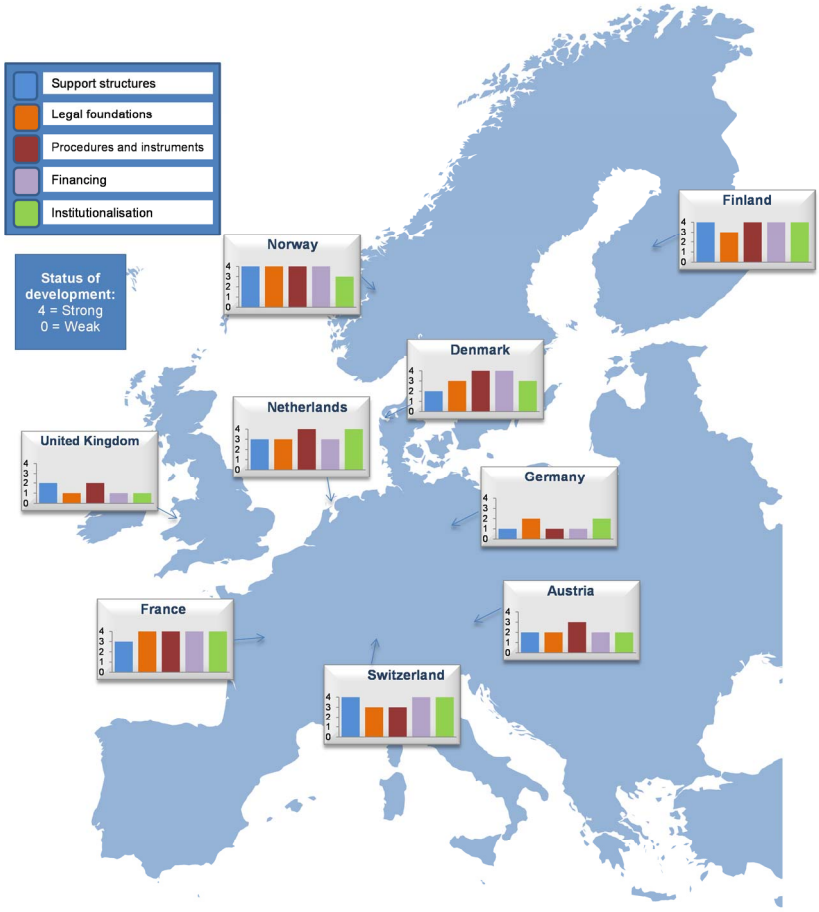
The Dutch VPL system is strong overall, but parts are underdeveloped

This section further explores the strengths and challenges of the Dutch VPL system from an internationally comparative perspective. It draws from information on the previous EVC system collected by the Bertelsmann Foundation project entitled "Continuing training for all", which assessed and compared the systems for the validation of informal and non-formal learning across nine European countries, including the Netherlands, against five core dimensions aligned with the 11 principles of the "European Guidelines on validation of non-formal and informal learning" (CEDEFOP, 2015). These dimensions are:

- Legal foundations: existence and scope of application of statutory regulations for validation.
- Procedures and instruments: process of validation, access to validation procedures, acceptance of results on the labour market, target group-specific or overarching approaches.
- Financing: legal and conceptual opportunities in place, particularly with a view to certain target groups.
- Institutionalisation: role of the stakeholders involved and regulation of areas of responsibility.
- Support structures: existence of information and guidance provision and support structures for the validation procedure.

Overall, the Dutch strategy for the validation of skills acquired informally and non-formally is considered as strong, but certain elements are under developed compared to other European countries. The Dutch EVC system is less developed than countries such as Finland, France and Spain, which have implemented comprehensive validation strategies where both validation procedures and relevant support measures are established on a statutory basis (Gaylor et al., 2015a).

Figure 64. International comparison of selected European systems for validating skills



Source: Adapted from Gaylor et al. (2015), *How informal and non-formal learning can be recognised and used in Europe*, Bertelsmann Foundation, http://lllplatform.eu/lll/wp-content/uploads/2015/09/When-competences-become-occupational-opportunities-1.pdf.

Legal foundation

The Dutch system does not provide an unlimited legal right to the validation of skills, unlike countries such as France and Norway (see Box 22). The legal foundation for the validation of non-formal and informal learning in the Netherlands is found in laws relating to vocational education and training and tertiary education. These legal provisions allow validation procedures to be used to both acquire exemptions for and gain admittance to education programmes. Individuals, however, have limited legal rights to the validation of their skills. While there are measures in place (mentioned below) to help those who are unemployed, employed on temporary contacts, or who do not have support from their firm or sector to participate in EVC, this support has certain limitations and is not an individual right. This means that many of those individuals who may benefit most from having their skills validated have more limited access (Gaylor et al., 2015; Duvekot, 2015).

Box 22. The Norwegian system for validating non-formal and informal learning

Non-formal and informal learning has deep historic roots in Norway, and is highly recognised in civil society and for skills formation in the Norwegian economy. There is a comprehensive legal framework in place covering the different sectors of learning.

Primary education: Adults who are entitled to primary education have a statutory right to have their prior learning validated. Their skills are assessed against national curricula and approved subjects are certified in their final primary education diploma.

Lower and upper secondary education: Adults who are entitled to lower and upper secondary education also have a statutory right to have their prior learning validated. This applies both to adults wishing to enter lower and upper secondary education and to those who want to have their skills certified. In the validation process, the candidates' skills are assessed against national curricula. Afterwards, candidates may obtain a diploma or competence certificate stating which topics from the curriculum have been approved.

Tertiary vocational education: Normally, enrolment in tertiary vocational education is based on upper secondary education. However, it is possible to apply for enrolment without an upper secondary diploma if the candidate can prove equivalent non-formal or informal competence from elsewhere.

Higher education: Adults (25 or above) without general college and university admissions certification can apply for enrolment on a specific study programme on the basis of documented prior learning. Documentation of informal and non-formal learning may also provide a basis for exemption from certain modules in the programme.

Documentation of prior learning in working life: The Basic Agreement for 2009–2013 between the Confederation of Norwegian Business and Industry and the Norwegian Confederation of Trade Unions emphasises the importance of making prior learning visible, stating: "It is important that the enterprise has a system for documenting the individual's experience, courses and practice related to the employment relationship".

While the recognition of prior learning in Norway is based on a national approach, with national laws and common principles, there is a certain degree of institutional autonomy, particularly at the higher education level. The opportunities, rights and benefits conferred by the validation process are promoted by various stakeholders both locally and nationally. Vox, the Norwegian agency for lifelong learning (affiliated to the Norwegian Ministry of Education and Research), annually publishes statistics on validation practice in The Vox Mirror. These data show that validation in Norway is often geared towards obtaining a trade certificate, as many adults have worked in a trade for years without much schooling and with no certificate.

Many people also take the opportunity to have their skills validated in connection with upper secondary education. Vox estimates that a total of 55% of all adults completing their upper secondary education (including VET) in 2008 had undergone validation of their prior learning, and 86% of these were granted exemption from at least one module. Validation and recognition of non-formal and informal learning often results in shorter educational timespans, which brings adults faster through the educational process and into working life with formal qualifications.

Validation of prior learning in Norway is considered to have contributed to greater flexibility in working life and improved standing in the job market (e.g. more interesting tasks, better wages), but can also improve social integration by facilitating access to the labour market for those previously excluded.

Source: Jang, J. (2015), *Recognition, Validation and Accreditation of Non-formal and Informal Learning in UNESCO Member States*, UNESCO Institute for Lifelong Learning, Hamburg, http://unesdoc.unesco.org/images/0023/002326/232656e.pdf

Procedures and instruments

The Netherlands has strong procedures and instruments for validation. The overall procedures and instruments used in the Netherlands rank it among the top-performing countries on this dimension (Gaylor et al., 2015). In particular, the EVC process is a well-established procedure that consist of five phases: 1) raising awareness and commitment among individuals and organisations on the use and goals of EVC; 2) recognising the skills needs of the organisation and building a portfolio of evidence of skills acquired in the past; 3) assessing skills against a qualification or standard, and having that validated by an assessor; 4) developing a plan that matches the individual's and organisation's goals and commencing the learning plan; and 5) implementing

the strategy for updating the individual's portfolio and/or the organisation's human resource management plan (Gaylor et al., 2015; Duvekot, 2015).

However, procedures and instruments are only binding when individuals pursue formal qualifications; not when they are pursuing employment or advancement in their careers. Procedures are binding when linked with plans to access or apply for exemptions for qualification programmes. Workers wanting to participate in the EVC process for other purposes than pursuing a formal education programme must have between three and five years of experience in their sector of work. Though some collective labour agreements provide workers with the right to participate in EVC in order to obtain a Certificate of Experience (e.g. metal industry), not all do so.

Financing

EVC financing arrangements emphasise shared responsibility, but lead to disparities in access to funding and provide little incentive for vulnerable groups to validate their skills. Overall, financing arrangements for validation are assessed as falling below the standard of countries such as Denmark, Finland, France, Norway and Switzerland, where public funding for the validation of skills predominates and is a right (Gaylor et al., 2015). In the Netherlands, validation is financed in different ways and by different stakeholders, both public and private (CEDEFOP, 2016). Consistent with the government's emphasis on shared responsibility, those that benefit from the process are expected to make a contribution to the cost. In the education path, EVC is embedded in upper secondary vocational education schools, universities of applied science and some programmes of the Open University for the purposes of awarding exemptions towards qualifications for skills already acquired. Publicly financed education providers can use public funding. Private education providers can require individual contributions.

In the labour market track, validation is financed by individual employees and/or sector training and development funds (the O&O funds, see Challenge 2 on continuous skills development in adulthood). Some collective labour agreements provide employees with the right to an EVC procedure paid for by the employer; others require that employees and employers make a contribution. For individuals who are not supported through sector training funds, costs are tax deductible above EUR 250. Public funds are only made available to support EVC in the case of the unemployment or for those on a low income. However, unemployed individuals need to first obtain the recommendation from a public employment service counsellor (Duvekot, 2015; CEDEFOP, 2016).

Reliance on sector funds mean that those with weaker labour market positions, such as the unemployed, workers on temporary contracts and some self-employed workers, receive limited government support or incentives for the validation of their skills. For example, while there is tax deductibility for individual expenditures of validation above EUR 250, this may not help low-income individuals who are likely to find it challenging to meet the costs of a validation procedure. The low number of validation procedures (compared to the size of the labour market) and overall limited investment in the skills development of low-skilled workers and others with weaker labour market positions suggests that the tax deduction is not working adequately. Recently, a similar conclusion was reached for the tax deduction for participation in adult education and training, as it was found to hardly be used by low-skilled adults (see Challenge 7). Furthermore, low-skilled individuals may find it a challenge or simply too much work to convince their employers to cover the costs for EVC, even though these are tax deductible. As discussed in Challenge 2, low-skilled people are less inclined to invest in the development of their skills, and this often also applies to their employers.

Stronger public and targeted investments could boost participation in EVC, especially among the more vulnerable groups. For the more vulnerable groups, direct government support that also minimises the administrative burden on individuals (which many are likely to consider an extra hurdle) would likely be more effective in incentivising participation in EVC. This is in line with the intention of the government to replace tax deductibility by a voucher scheme in the near future as part of a broader arrangement for the funding of training vouchers for adults (MoECS, 2016). To this end, the Ministry of Social Affairs has introduced a temporary measure (in effect from June 2016 to December 2017) to financially support people (both with or without a current job) who are willing to return to school to prepare for occupations with good

labour market prospects, or who want to follow a procedure leading to an EVC-type certificate. Increased government funding could also help to raise the profile of the validation of competences and strengthen the system by, for example, funding quality assurance mechanisms to increase the portability and recognition of Certificates of Experience across sectors, industries and educational institutions. A comparatively small share of the Dutch public is aware of the VPL system and its opportunities (European Commission/CEDEFOP/ICF International, 2014a). This is a message that was reiterated repeatedly by participants of the Skills Strategy workshops.

Increased public investment in EVC can be justified on the basis of the broader returns to society when people's skills are recognised. Left to individuals and organisations, participation in EVC may be suboptimal as they will not internalise the broader benefits that accrue to society in the form of reduced public expenditure and increased tax revenues. Individuals can acquire exemptions allowing them to expedite the educational process, thereby reducing the costs of education. For those who only want their skills recognised for the purposes of job promotion or mobility, a Certificate of Experience can meet their needs without needing to go through the costly process of obtaining a qualification. Government and society may also benefit through higher tax revenues when such procedures result in more unemployed individuals returning to work, or when people start further developing their skills and/or using them more effectively in the workplace. This raises productivity and innovation and, for the individual, opens up chances for career advancement and raising of wages, which again leads to higher tax revenues (CEDEFOP, 2016).

Institutionalisation

The validation process is well-regulated and stands out for the close involvement of social partners. The former Dutch EVC system was ranked among the best-performing systems on the dimension of institutionalisation, with well-regulated areas of responsibility (Gaylor et al., 2015). The new system seems to match this assessment. Responsibility for the validation of non-formal and informal learning is, as mentioned, relatively decentralised in the Netherlands. Any organisation can become a provider, as long as they adhere to an EVC Quality Code. Under the code, EVC providers are certified and must be evaluated regularly to ensure that quality standards are upheld (Staatscourant, 2016). This involves, among other things, evaluating whether procedures and instruments are reliable, and whether assessors are competent, impartial and independent. Most providers of EVC services are private education institutions, sector organisations and career management organisations (Duvekot, 2015; Dutch Knowledge Centre EVC, 2015a). The new system also allows education institutions to organise VPL services, i.e., it is not necessary to be a provider of EVC services to organise VPL services.

Support structures

The Netherlands provides a wide range of support structures for the recognition and validation of skills, but these are fragmented and difficult to navigate for potential users. The Netherlands ranks relatively high in the provision of support structures, but falls short of Finland, Norway and Switzerland, where the structures are more centralised and connected under a national strategy (Gaylor et al., 2015). EVC providers in the Netherlands are generally obliged to provide information and guidance on the aim of how the validation process works. However, this is done in different ways. Services are fragmented across a number of actors, including government ministries, social partners, individual companies and organisations (and their human resource departments), and registered EVC providers. There are 35 *Leer Werk Loketten* (career, training and work information and counselling centres) across the country that facilitate the use of EVC as a career-guidance tool, which is an important and much needed service. However, as also noted by the participants of the Skills Strategy workshops, the sheer number of actors involved, the variability of the information available, and bureaucratic procedures make the system difficult to navigate, especially for groups such as the low skilled, unemployed, immigrants and others that are likely to benefit most from having their informal and non-formal learning recognised and validated. This issue will be further elaborated upon on below. For good practices on recognising the skills of immigrants, see Box 23.

Box 23. Recognising the skills of migrants, not only their qualifications

Migrants have considerably poorer labour market outcomes than their native-born Dutch peers, even after the skills difference between migrants and natives is accounted for. The gap in labour market outcomes between native and foreign-born is the highest in the OECD area (see Challenge 4 for a full discussion of the issue). One of the factors contributing to this employment gap is the difficulty in recognising and validating the full extent of migrants' skills, including those unaccounted for by a formal credential. A literature review concluded that, overall, evidence on return to skills of immigrants remains limited and quite dispersed, notably for European countries, and partly because of the lack of objective measurement (Damas de Matos, 2014). The Netherlands is therefore not alone in attempting to make better use of the skills that migrants bring to its society and labour market. The following case studies illustrate ways of more fully validating migrants' skills.

Using skills anticipation and assessment information to improve migrants' skills validation (Sweden)

Skills mismatch and shortages are widespread in Sweden. In order to tackle these challenges, Sweden has become a leader among OECD countries in the development of skills assessment and anticipation (SAA) exercises to collect timely and robust information on current and future skill needs. Using SAA information is also considered key to improving the country's programmes to put the skills of migrants to better use.

In 2012, Sweden established a national structure for the validation of "real competence" (*Nationella kriterier och riktlinjer för validering av reell kompetens*), based partly on the notion that recognising actual skills would lead to a better inclusion of migrants in the labour market. Although the Swedish system for validation of prior learning has been in development since the 1990s, it is still considered inadequate due to its highly technical nature, fragmentation, and the mistrust of employers in the actual professional competence of migrants, irrespective of their origin and/or the origin of their education. A more proactive involvement of employers in the identification of criteria for the validation of foreign competences is considered the solution to improve their trust in the validation system.

The size and nature of current migration into Sweden puts substantial pressure on available resources for the validation of migrants' skills and their upgrading to meet the needs of the Swedish economy. SAA information has fed into the design of several recent government initiatives to improve the fragmented system for the recognition of foreign credentials and validation of skills. For example, the government has earmarked financial resources for the development of bridging programmes and complementary education that target migrants possessing skills that are in shortage in the Swedish labour market (e.g. higher education degrees in law, medicine, nursing dentistry and teaching).

Empowering women by means of EVC (Netherlands)

The pilot project, Empowering women by means of EVC, ran from 2007 to 2009 and aimed to support foreign-born women in recognising their skills and strengths by using the recognition of informal skills acquired through volunteering, thereby promoting their participation in society. The Dutch EVC method was used to help recognise competences by means of a personal portfolio that detailed skills and competences and ambitions. By benchmarking the results regarding an educational or sector-specific norm, the candidate becomes aware of their development needs in order to attain their ambition. The recognition trajectory was completed by 180 women, most with a refugee status, in six local refugee centres in the Netherlands, and was co-ordinated on a national level by Movisie, Vluchtelingenwerk Nederland and Stichting Empowerment Centre EVC. The evaluation report of the project shows that many women acquired a better suited position after the project, either in volunteer organisations or paid work, or considered pursuing formal training.

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Education institutions have been slow, some even reluctant to embrace the validation of prior learning

In the previous system, education institutions have been reluctant to accept the assessments of third-party providers. Until recently, EVC providers had been required to be independent of educational institutions. The aim was to increase attractiveness for people who may be reluctant to return to school, as well as to avoid situations in which institutions might steer individuals directly into formal education. However, the unintended consequence was that some institutions were reluctant to accept the assessments of other organisations, often requiring that individuals undergo a separate assessment with the institution. Additionally, concerns were expressed that certificates issued by other organisations did not meet national quality standards (CEDEFOP, 2016). The new system therefore allows education institutes to organise VPL, either alone or in co-operation with EVC providers.

Until recently, many education institutions have been slow to adopt EVC procedures. While education institutions can now provide VPL services, tertiary education institutions are not required to do so. The uptake of EVC procedures at universities of applied sciences (HBO) was much lower than for upper secondary vocational education schools. A survey from 2012 shows that an estimated 80% of EVC procedures related to one of the four upper secondary vocational education programmes (MBO-level) or branch-specific qualifications. Only 10-15% related to HBO-level qualifications. Not only is this a relatively small share, but the percentage declined from 2009 to 2011. The slow take-up of EVC in tertiary education has been raised as an issue of particular concern (Ecorys, 2012). In response, MoECS has taken steps to stimulate greater provision of validation procedures with the aim of encouraging tertiary education to also become institutions of lifelong learning. More specifically, the institutions that offer EVC and support the creation of tailor-made education programmes for adults are eligible for funding for lifelong learning activities (CEDEFOP, 2016). The "flexibility" pilots (*pilots flexibilisering*) mentioned in Challenge 2 (on continuous skills development in adulthood) are examples of this. MoECS should carefully monitor whether these and other measures are having the desired effect in promoting the acceptance of EVC by tertiary education institutions. The government could consider raising the visibility of participating institutions to incentivise greater take-up. Government could also consider granting a right to adults to unlimited access to VPL.

Box 24. Flexibility pilots: Higher education for adult learners

In 2015, the Dutch government started a subsidised programme of flexible pilots in higher education for adult learners. Applications were received from 32 institutes for higher education (universities of applied sciences and research universities, and public and private institutions). The plans of 21 institutes were approved, and the government granted EUR 25 million to the 14 institutions highest in the ranking. The other 7 institutions took part without additional government funding. The 21 institutions for higher education are all universities of applied sciences (UAS), the plans of the research universities did not meet the requirements. All the bigger and middle sized UAS are taking part in the pilots. In total, the institutions are taking part with over 500 programmes for adult learners (part-time HE as well as work-based learning HE programmes).

In these pilots, the educational institutions are stimulated to realise flexible, tailor-made programmes for individual (or different groups of) adult learners. They no longer have to formulate and publish their curriculum in advance and work from these fixed curricula. Instead, each programme consists of units of learning outcomes. And within these units of learning outcomes they can realise a variety of flexible programmes for adult learners. The learning outcomes approach gives room to validate and build upon what adults already know and are capable of, and to realise learning trajectories using work-based learning tailored to the needs and possibilities in the workplace.

Validation of prior learning (formal, non-formal and informal) is a crucial and compulsory element in the flexible pilots, as well as the use of work-based learning and online learning. The objective is to attract more adult learners through flexible, efficient and attractive programmes. The pilots are supported and facilitated by the Ministry of Education, Culture and Science, NVAO (Dutch Flemish Accreditation Authority) and Inspectie van het Onderwijs (the Dutch Educational Inspection Authority).

Source: Information provided by Ministry of Education, Culture and Science.

Until now, the Dutch VPL system has lacked the confidence of many stakeholders, and failed to meet the needs of those who have most to benefit

While the previous Dutch VPL system appeared to lack the confidence and support of many stakeholders, it is not yet clear if the new system will gain trust. Stakeholders who participated in the OECD Skills Strategy workshops agreed that a system to recognise skills acquired non-formally and informally was needed to promote lifelong leaning in the Netherlands. While recent reforms may boost stakeholder support in the future, currently, many stakeholders express concerns that the system is not meeting the needs of many in the Netherlands.

While complexity and fragmentation allegedly limited the expanded use of the EVC system, it is unclear if the new system will diminish these issues. Many workshop stakeholders claimed that the system is overly complex and bureaucratic. This is consistent with earlier expressed concerns by EVC-certifying bodies, which noted the complexity of the system as a main limiting factor in demand (Ecorys, 2012). The EVC system was decentralised to encourage greater private responsibility for learning. However, it may be having the opposite impact. If individuals and institutions lack confidence and trust in the assessment of third-party assessors, then the EVC system will fail in its goal of making skills acquired non-formally and informally visible and portable. A number of stakeholders mentioned that assessments in one firm, sector, or institution were often not recognised in others. If the system fails to make skills visible and portable, then it will not achieve its objective of encouraging more individuals to take responsibility for their own learning. The new system is deliberately meant to promote trust and transferability by increasing education institutions' and employers' responsibility for validation. However, it remains to be seen if the recent reforms will meet the challenges. Transferability of the validation of skills over the borders of sectors and institutions should be a priority in the implementation of the new system.

Lack of confidence in the system is reinforced by the greater trust that many employers continue to place in qualifications over Certificates of Experience. While, in theory, the Certificates of Experience can help individuals to change or find new jobs, one study (Stoel and Wenztel, 2011) found that many individuals were only able to benefit from other positive outcomes (such as mobility or income) once they had succeeded in obtaining a formal qualification after undertaking an EVC procedure. Participants of the Skills Strategy workshops provided similar anecdotal examples. This suggests that many employers continue to place greater trust in formal qualifications over Certificates of Experience. It is yet unclear if the artefacts of alternative forms of validation will change this tendency. In this sense, the Dutch VPL system, until now, works better for those using validation as a means to pursuing further education than as a means to understand skill development needs, facilitate career advancement and/or support firms in their efforts to develop a learning culture in their organisation. This situation stands at odds with the goals of the new VPL system. There are, however, good examples in the Netherlands of employers launching initiatives to improve the recognition of skills (Box 25).

Box 25. Dutch carpentry sector enables validation of professional skills developed on the job

Sectoral carpentry fund SSWT (*Stichting Sociaal en Werkgelegenheidsfonds Timmerindustrie*) formed its sector-wide training and development plan on the basis of several national trends. The economic downturn halved the sector in the Netherlands and left many carpenters unemployed. At present, demand for carpenters is at 12% and is again outweighing supply; but it is also more complex in terms of operating machinery and engineering skills than before. Taking into account that many carpenters dislike school-based learning, and that the vocational education and training offer in schools is increasingly teaching more general skills, SSWT has developed a framework for cross-training employees in branch-specific professional skills at work.

Cross-training carpenters in the workplace enables them to develop more advanced professional skills at work, while obtaining sectoral certification of those skills, and with the option of pursuing a national qualification. SSWT supports employers to create a competence matrix for their employees, based on the firm's job descriptions. In this matrix, the employer defines the competences most important to the firm. By means of task rotation with colleagues, employees learn about their colleagues' work and note their progress on the competence matrix.

SSWT's advisors monitor the progress of employees regarding the overall sectoral qualification structure, and issue an official declaration when employees prove their competences in a specific field. Several declarations lead to a modular certificate, and several modular certificates entitle the holder to a sectorally recognised diploma. On the basis of the branch-specific certificates and diplomas obtained, a carpenter can enter the education track of an EVC procedure in order to validate their informal, work-based learning and pursue a national qualification at secondary VET level (MBO).

Source: Case study presented by SSWT during the Skills Strategy workshop (2016).

Employers should take responsibility for their role in making the EVC system work for all in the Netherlands. Consistent with the value the Dutch place on shared responsibility, employers also need to do their part. As mentioned in Challenges 2 and 5, further professionalisation and a more strategic use of human resource (HR) policies by firms will be needed to support the skills development of all workers, and for creating the conditions for a learning culture to thrive. Recognition of workers' skills - beyond qualifications - is essential for this to happen. This requires a change in mindset and sustained efforts to change the policies and organisational structures in Dutch firms. A change in mindset could be promoted by making visible the achievements of employers in providing opportunities for the validation and training of skills by, for example, introducing a specific recognition. Recognised firms could then market themselves to prospective workers as good employers. Organisations of employers and employees or the Social and Economic Council (SER) could take the lead.

The current complex and bureaucratic EVC system disadvantages those who need it most. Individuals with low levels of education and skills are less likely than their more skilled and qualified counterparts to engage in learning activities in adulthood (see Challenge 2 on continuous skills development in adulthood). For these individuals – given their generally less positive experience with formal education – informal learning, especially in workplaces, may be their primary mode of skills accumulation. However, as mentioned, the financing and support structures of the system are not always well aligned with the needs of the low skilled and those with more marginal attachment to the labour market (i.e. self-employed, unemployed, temporary employed). These labour market "outsiders" receive limited or no government financial support for the validation of their skills, and those who are unemployed do not have an automatic right to financial support. The exception would be the previously mentioned temporary measure to financially support people willing to return to school to prepare for occupations with good labour market prospects, and who may need to follow a procedure leading to an EVC-type certificate. In addition, some stakeholders commented that information on the validation system is not always transparent and clear, particularly for vulnerable groups. Furthermore, support structures are considered too complex and fragmented to attract the low skilled, migrants or people with a more marginal attachment to the labour market.

As became very clear from the various Skills Strategy workshops, there are many initiatives and good practices in the Netherlands that offer practical solutions to some of these challenges, and provide individuals with the opportunity to have their skills recognised and validated to help them in their professional development and next steps in their careers (see Box 26).

Box 26. Using EVC and tailor-made programmes for upskilling personnel

In 2010, the international insurance company, Achmea, started a co-operation with NCOI Education Group, a private education provider that offers courses and programmes from upper secondary education to masters level, for upskilling its personnel who were at risk of redundancy due to increasing automation of the work. Many of Achmea's administrative workers at the time did not have a formal upper secondary vocational education diploma (MBO) that would qualify them for the labour market. Therefore, the company decided to offer its employees the opportunity to undertake a validation of prior learning assessment at NCOI. This assessment was to inform the development of tailored education programmes at vocational upper secondary education level. Each personalised programme provided a shortened route to a formal upper secondary vocational education qualification. Where work-based training was required of an employee's learning programme, Achmea facilitated this within the company. Through this initiative, Achmea greatly enhanced the employability of these employees, placing them in a much stronger position in the labour market, and thus improving their chances for finding a new job that responded to their skills, experience and personal interests.

In several ECVET (European Credit System for Vocational Education and Training) projects studied in the Netherlands, ECVET units (parts of qualifications) can be used to help people move efficiently from job to job. An important aspect is that the skills people have acquired in many ways are identified and then recognised and validated. The employer is in a leading position, and is the "ruler" along which the workers' skills are tested. An ECVET yardstick, for example, consists of parts of several upper secondary vocational education qualification files supplemented by the requirements the employer sets for a job profile. Workers in this way get the chance to map their skills in relation to (parts of) a qualification, and show that they possess the skills of parts of a qualification and/or customised in the form of a certificate.

An example - ECVET pilot in the healthcare sector:

ECVET projects in the healthcare sector showed the potential of making education and training programmes more tailored, and therefore also shorter. In one of the projects at ASVZ, a healthcare organisation specialising in small-scale care and services to people with intellectual disabilities and mental health problems, it has been found that by using the EVC procedure it is possible to reduce the period of education and training for social care workers for some participants from three years to nine months. The successful implementation phase was achieved by ASVZ spending time carefully assessing the skills of their employees at the start, as well as spending time on preparation and co-ordination with the relevant partners, including an upper secondary vocational education school, its assessors, the EVC provider and a team of the Lifelong Learning Partnership.

Lessons from this and other ECVET projects in the Netherlands:

The experiences with ECVET in the Netherlands confirm the benefits employees have when their skills are recognised and validated in terms of their employability and opportunities for career advancements. The ECVET approach was also found to allow employees to efficiently transition from one job to another. Furthermore, the most successful projects were those that resulted from a good chain of co-operation between employers, educational and EVC providers that facilitated the process of credit exemptions and personalisation of education and training programmes.

Summary and policy recommendations

Effective systems for recognising and validating skills help countries activate and utilise available skills more effectively, while fostering skills development in adulthood. Non-formal and informal learning are pervasive, especially in adulthood when it becomes perhaps the most important mode of skills development. Rapid technological change and globalisation will make learning outside of formal education even more important in the future for keeping pace with the changing skill needs of the economy and society.

The validation and recognition of skills can be particularly beneficial for those with weaker labour market positions. For workers with low levels of skills who are less inclined to participate in formal learning, non-formal and informal leaning are key to adapting to socio-economic and technological change in and beyond the workplace. A strong recognition and validation system permits them to be rewarded, and, as such, provides further incentives to engage in this sort of learning and boost their employability and/or career advancements. The same applies for individuals who are currently unemployed, self-employed or employed on temporary contracts. For immigrants and refugees, such a system could speed up their social integration in Dutch society.

Although the Dutch VPL system is working well for the average person, it is, at least until recently, failing to serve the needs of those who have most to gain from it. While the average person in the Netherlands may be able to navigate the system and find ways to fund a VPL procedure to showcase his/her skills, this is not necessarily the case for all. Low-skilled individuals, immigrants and those with weaker labour market positions, such as the unemployed and those employed on temporary contracts, are less likely to take part in a VPL procedure. There are a number of reasons for this, including: financing arrangements that do not support those with weaker labour market positions, a complex and fragmented system that is difficult for many users to navigate, and low take-up rates among employers and some tertiary education institutions.

Financing arrangements cause disparities in access to funding and provide few incentives for individuals with weaker labour market positions to validate their skills. While appreciating the value placed on "shared responsibility" in the Netherlands, which results in cost sharing among those that benefit from a VPL procedure, current financing arrangements cause disparities in access to funding and provide few incentives for vulnerable groups to validate their skills. Individuals are, to an extent, dependent on the willingness of firms to invest in a VPL procedure - while the evidence shows that low-skilled people are less inclined to invest in the development of their skills, as is often also the case for their employers (see Challenge 2 on continuous skills development in adulthood) – and on the arrangements made in collective labour agreements, which vary by sector. Tax deductions may not help low-income individuals (who are often also low skilled) who are likely to find it challenging to cover the costs of an EVC procedure. In sum, especially when compared to other EU countries with strong and more equitable validation and recognition systems, in the Netherlands, individuals with weaker labour market positions receive only limited or no government support for the validation of their skills. This stands at odds with the country's ambitions for social cohesion and having education serve as an "emancipator" of Dutch society.

The Netherlands should therefore consider stronger and more targeted public investments to boost participation in VPL. Direct government support (rather than tax deductions) would minimise the administrative burden on people and is likely to be more effective in incentivising participation in EVC. The intended voucher scheme for lifelong learning seems to be a promising avenue to promote participation in VPL among vulnerable groups. The government could consider introducing an unlimited right to VPL to incentivise both citizens and institutions to use and accept vouchers for career development.

Furthermore, the decentralised VPL system is considered too complex and fragmented, making it difficult to navigate for (potential) users. The sheer number of actors involved, the variability of the information available and bureaucratic procedures make the system difficult to navigate. This, again, is of particular disadvantage to those groups of individuals, such as the low skilled, unemployed, immigrants and others, who are likely to benefit most from VPL.

Key stakeholders, such as employers and tertiary education institutions, should do more and take responsibility for their role in making the VPL system work for all in the Netherlands. Tertiary education institutions have been slow, some even reluctant, to adopt EVC procedures. MoECS is incentivising the greater utilisation of VPL and should carefully monitor whether these measures are having the desired effect. Possible barriers for flexibilisation should be removed from regulation. MoECS could also consider raising the visibility of participating institutions to incentivise greater take-up among those institutions that remain unwilling to make their programmes more flexible by adopting VPL procedures. Employers also need to do their part through a more strategic use of HR policies and greater investments in the skills of low-skilled employees if adult continuous skills development is to become a reality for all in the Netherlands. The recognition of skills - beyond qualifications – is a condition for making this happen, even more so if all involved stakeholders are to be convinced and active contributors to the establishment of an ambitious learning culture.

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CHALLENGE 7: INCREASING THE EFFECTIVENESS AND EFFICIENCY OF PUBLIC AND PRIVATE SKILLS FINANCING

HIGHLIGHTS

Government and social partners can reform their adult skills financing arrangements to encourage greater private investment in skills development, especially among those most in need. The skills of tertiary graduates – both university (WO) and university of applied sciences (HBO) – are increasingly in high demand in the labour market. The high returns to tertiary studies for both individuals and the government suggest that there is a good case for expanding participation in tertiary studies. The costs and benefits to completing tertiary education could be altered by government to increase incentives to enrol and complete tertiary education. However, expansion should be undertaken in a gradual and measured way so as not to undermine the quality of skills developed during studies.

For adults, skills development is financed through a number of arrangements, including sectoral training funds, direct employer investment, government tax incentives and, more recently, a pilot programme of voucher funding. The heavy reliance on sectoral training funds to support adult skills development in the Netherlands means that the rapidly growing share of workers in flexible work arrangements – such as those employed on temporary contracts and the self-employed – may have inadequate access to financing for training. Furthermore, sectoral training funds do not incentivise employers to support training that does not meet the specific needs of the firm, but which may be needed in the economy and may advance the career prospects of workers. Finally, since sectoral training funds do not support the reallocation of labour across sectors, they may dampen productivity growth. Current tax measures to support adult skills development are also of concern as they do not effectively support the training needs people on low income, who are typically more likely to have lower levels of skills.

Stakeholder perspectives:

Stakeholders in Skills Strategy workshops raised a range of concerns about current financing arrangements. Regarding the financing of tertiary education, some emphasised the importance of individuals taking greater responsibility for the costs of education, while others raised concerns that increased reliance on private financing might penalise certain vulnerable groups. Regarding financing for adult skills development, many argued that there was sufficient funding in the system, but that funds were not being spent effectively. Many expressed the importance of sharing costs between the parties that benefit from the skills investment, including individuals, employers, and the government.

Recommendations:

- Government could increase the incentives for individuals to enrol in tertiary education by some combination of increasing targeted direct financial support for tertiary education and generally reducing the tax and social security contributions of individuals. Reforms would need to be designed carefully to minimise potential unintended consequences for other policy objectives.
- Government should replace the existing tax deduction for adult skills development with a refundable credit or vouchers to make financing more accessible to those on low incomes and with low skills.
- Government, with the support of social partners, could encourage greater investment in skills development in adulthood by introducing vouchers or adult learning accounts. These programmes should be rigorously evaluated with control groups and focus on general and firm-specific skills.
- Social partners should reform sectoral training funds so that they cover a wider variety of sectors, better facilitate workers' transitions from job to job and industry to industry, and encourage greater investment in the development of general as well as job-specific skills.
- Employer associations and trade unions should work together to collect and disseminate information about the business case for investing in the skills of workers, as well as about good training practices.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve skills financing.

Introduction

To increase skills development and activation in the Netherlands, it is important to enhance financial incentives in the skills system, especially for adults. Government spending and taxation policies can create incentives or disincentives for the development and activation of skills. For example, higher government spending can make skills investments cheaper for individuals, causing them to invest more in skills. Higher taxes on wages can reduce the benefits of investment in skills for individuals and employers, which may cause them to invest less. Reducing taxes can reduce the government's own returns to its skills spending. Similarly, raising taxes on labour income can reduce the returns to skills investments and discourage labour market activation (see Challenge 3 on continuous skills development in adulthood for more on this). These costs and returns to skills investments should be examined when assessing whether the net returns to skills investments are sufficiently high to incentivise investment. While in the Netherlands the financial incentives to invest in skills at the tertiary level are strong, relative to some competitor countries, more could be done to ensure that financing at the adult level is comprehensive across all members of society, and is also flexible given the changing demand for skills.

Stakeholders in Skills Strategy workshops raised a range of concerns about current financing arrangements. Regarding the financing of tertiary education, some emphasised the importance of individuals taking greater responsibility for the costs of education, while others raised concerns that increased reliance on private financing for tertiary education may penalise certain vulnerable groups. Regarding financing for adult skills development, many argued that there was sufficient funding in the system, but that funds were not being spent effectively. Many expressed the importance of financing instruments on the basis of shared costs between the parties that benefit from the skills investment, including individuals, employers, and the government.

This chapter assesses the current picture of skills financing in the Netherlands, focusing on how the financing mix and tax mix affect financial incentives to invest in skills. The chapter is structured as follows: 1) it discusses the distribution of benefits and responsibilities for investing in skills; 2) it analyses public financing of skills from primary to tertiary level, with special emphasis on tertiary education; and 3) it analyses skills financing arrangement for adults. While the Netherlands has undertaken important reforms in financing and taxing skills in recent years, some barriers to skills investment and activation remain.

The benefits of investing in skills are shared broadly, as is the responsibility

As beneficiaries of investments in skills, individuals, employers and social partners all have a key role to play in the financing of skills investments. Table 6 outlines how the costs and benefits of skills investments are shared between governments, firms, and individuals. Considering the relatively high unemployment rate among certain population groups, the large share of the workforce employed in flexible work arrangements, such as temporary contracts and self-employment, (see Challenge 3 on boosting labour market participation and employment), population ageing and the inflow of low-skilled immigrants (see Introduction), there is more pressure than ever to distribute the opportunities to invest in skills widely across society. At the same time, it is important to ensure that individuals and firms have the right financial incentives to invest in skills. The overall incentives for each party to invest in skills are partially a result of how the costs of skills are shared, but also of how the returns to skills are shared through wages, taxes and possibly foregone unemployment or other benefits (OECD, 2017).

Providing the right financial incentives to invest in skills is an objective that cuts across the entire skills system; financing skills requires the co-ordinated use of multiple policy tools including loans, grants, education spending, and the tax system. Different actors, such as public sector ministries and agencies, engage in skills spending, as do individuals and businesses. Incentives to invest in skills are also heavily influenced by the tax system: how skills are taxed matters as much as how skills are financed in correctly calibrating the overall financial incentives to invest in skills. This means that building a coherent set of financial incentives for individuals and firms to invest in skills requires co-ordination across a wide variety of actors in the skills system.

Table 6. How the financial costs and returns to skills are apportioned

	Government	Individuals	Firms
Costs	Foregone taxes Education spending Costs of scholarships and grants to students Cost of skills tax expenditures for individuals and businesses	Foregone after-tax earnings during education Direct costs, such as fees	Payments into training funds Direct costs, such as fees Reduced employee work time during training
Benefits	Higher taxes after education Reduced spending on social benefits, including unemployment benefits Higher economic growth	Higher after-tax wages Better employment prospects Better social and health outcomes	More productive workforce and higher profits Potentially reduced social and health expenditure

Public financing for education

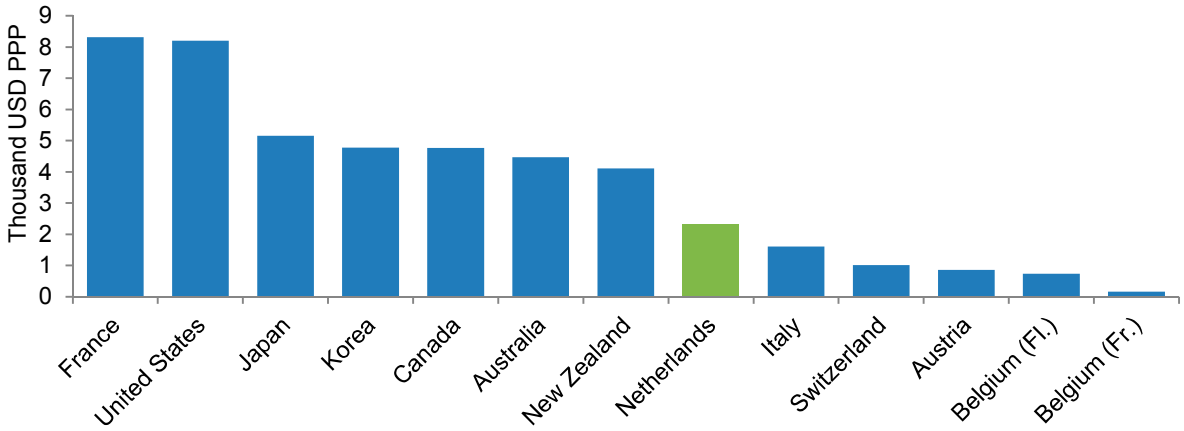
Tertiary education is increasingly in demand in the labour market, and financing arrangements could be better calibrated to increase incentives to attain tertiary credentials

The skills financing mix at the tertiary level has important implications for the overall financial incentives to invest in skills in the Netherlands. Challenge 1 highlighted the importance of developing the right kinds of skills that are in demand in the economy and society – an effort which starts in early childhood and continuous throughout life (see Challenge 1 on developing the right skills). This means that assessing the balance of costs and benefits of skills investments for households and for the government is particularly important in this area. In the Netherlands, while tertiary education may not be very costly upfront for students compared to other OECD countries (see below), the tax burden placed on the returns to skills means that, overall, the financial cost-benefit decisions facing prospective tertiary students – those continuing their studies after competing secondary education and adults wanting to further develop their skills – could be made more favourable.

In the Netherlands, direct public support for those undertaking tertiary education is at or near the OECD average. Figure 65 shows that average tuition fees in the Netherlands are USD 2 300, compared to an average of USD 2 246 in the countries with available data. The most recent data suggest that 71% of total direct public spending on tertiary education is paid direct to university institutions, while 13% is spent on scholarships and grants to students. The remaining 15% is spent on subsidised student loans (see Figure 66).

Figure 65. Tuition fees in comparative perspective

Estimated annual average tuition fees charged by educational institutions (Bachelor, Master's, Doctorate or equivalent level) (2013-14), for National students, in equivalent USD converted using PPPs, based on full-time students, academic year 2013-14



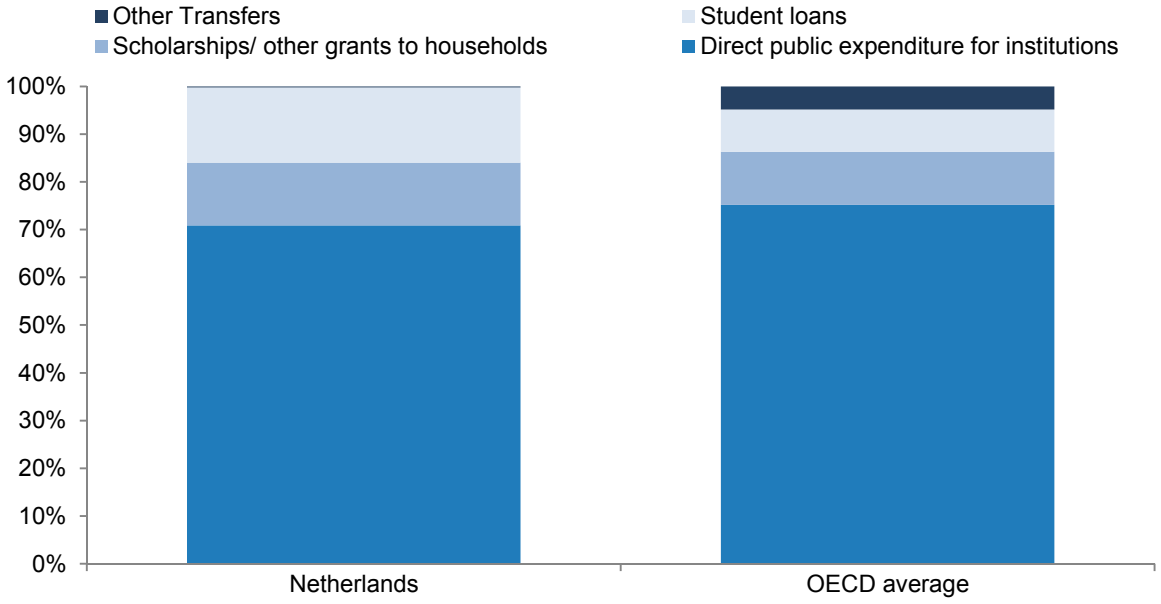
Source: OECD (2016), Education at a Glance 2016: OECD Indicators, OECD Publishing, Paris, http://dx.doi.org/10.187/eag-2016-en.

Spending on scholarships and subsidised loans has historically been well above the OECD average in the Netherlands, although new developments may have changed this. In 2015, an education finance reform removed the "basic grant" provided to tertiary students and replaced it with expanded access to student loans.[18] It remains to be seen whether the removal of this grant will negatively impact the tertiary participation decisions of low-income students, although tertiary enrolment has fallen in 2015 relative to previous years (see Challenge 1 on developing the right skills).

While tertiary education may be costly for students, credit constraints may not be a significant barrier to skills investment at the tertiary level in the Netherlands. Take-up of student loans is high, with an estimated 67% of students indebted at graduation. The interest rates on student loans are low compared to other OECD countries, at 0.12%. Ensuring widespread access to loans is crucial for ensuring that profitable skills investments are undertaken where students might otherwise face credit constraints (Carneiro and Heckman, 2002; Lochner and Monge-Naranjo, 2003; Popov, 2014). The low interest rates and high take-up of student loans in the Netherlands suggests that despite the high cost of tertiary education, credit constraints may not be a significant restriction to skills investment.

Figure 66. Public support for households and other private entities for tertiary education, 2011

In percentage of total public expenditure on education and GDP

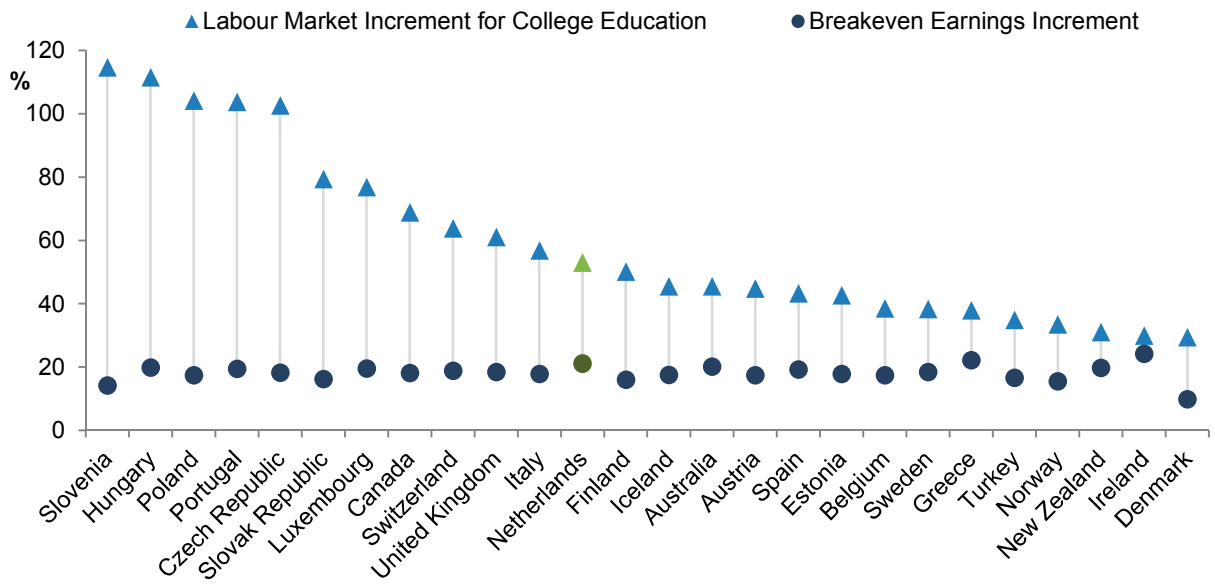


Source: OECD (2016), Education at a Glance 2016: OECD Indicators, OECD Publishing, Paris, http://dx.doi.org/10.187/eag-2016-en.

OECD measurements of the overall financial incentives to invest in tertiary education show that the costs of skills investments are comparatively high for individuals in the Netherlands. The overall financial incentives to invest in skills are not just about factors such as tuition fees and scholarship income, other factors are also important, such as foregone earnings and the returns to skills after tertiary education. An overall assessment of the financial incentives to invest in education can be made by considering how much earnings need to rise after education for a student to cover increased taxes, recover any tuition fees and recover foregone earnings. Figure 67 shows the breakeven earnings increment for a stylised college student. At 21%, the increment in the Netherlands is the fifth highest in the OECD. This means that the combined impacts of direct costs, foregone earnings, and extra taxes after education result in one of the highest cost burdens on tertiary education in the OECD.

Despite these high costs, education is profitable for students due to the high labour market premium that tertiary students will earn over their lifetimes. Figure 67 shows the gap between the extra earnings needed to break even and the earnings premium that is currently available for tertiary educated students over non-tertiary educated students in the Netherlands. The average student "makes a profit on tertiary education". This means that while their earnings need to rise by 21% to recoup the costs of their tertiary education, the earnings premium that the student will earn in the labour market after having finalised a tertiary degree will be 37% higher than for those who do not earn a tertiary degree. The remaining 16% of the extra earnings is pure return on a skills investment for a typical tertiary student. This gap means that education pays for the average student in the Netherlands. However, this is not the case for all students, and those who may not expect as high a return from tertiary education may not be sufficiently incentivised to invest in education. These returns are particularly worth considering since numbers graduating from tertiary education fell in 2015 (see Challenge 1 on developing the right skills for further discussion).

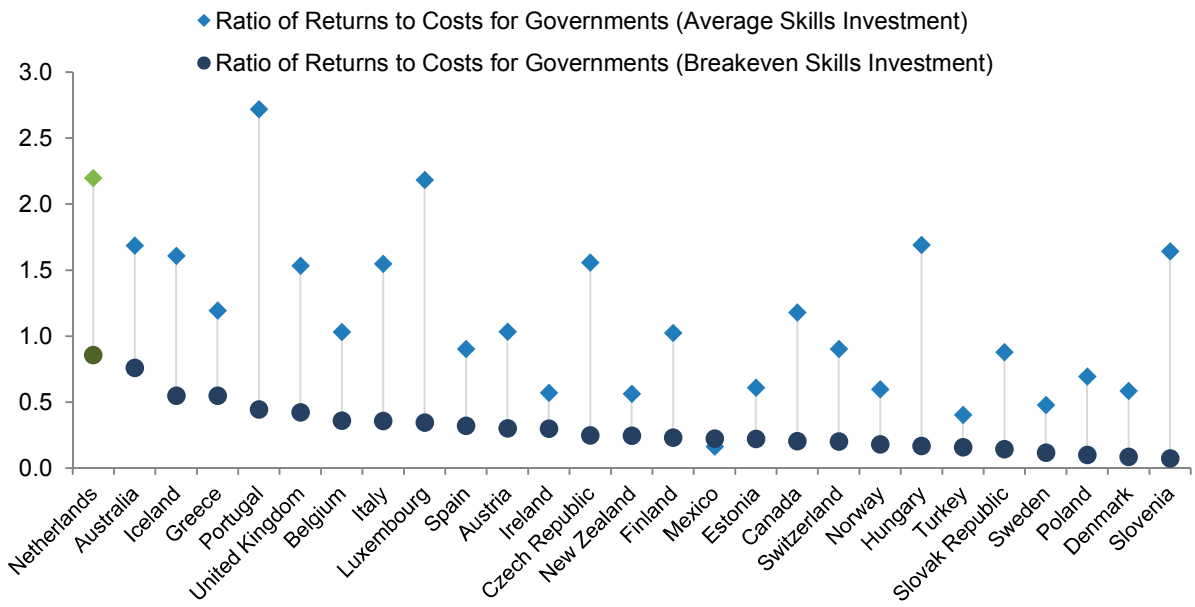
Figure 67. Tertiary education earnings premium in the Netherlands



Note: Data are for a 17-year-old single taxpayer with no children, who undertakes a four-year course of non-job-related education, earning 25% of the average wage during schooling. The breakeven earnings increment (BEI) is expressed as a percentage of the income before education. This figure shows results that incorporate tax deductions for direct costs, tax exemptions for scholarship income, and reduced taxes on student wage income. Tax incentives in the personal income tax system are incorporated, but not the social security contribution system. They do not incorporate skills tax expenditures that subsidise parental spending on education or that subsidise firm spending on education. Labour market data are based on the tertiary education premium earned by 15-64-year-olds for tertiary education (ISCED 2011 levels 5, 6, 7 and 8) compared to upper secondary education (ISCED 2011 levels 3 and 4).

Source: OECD (2017), Taxation and Skills, OECD Tax Policy Study, Issue 24, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264269385-en.

Figure 68. Returns to cost ratio for college education

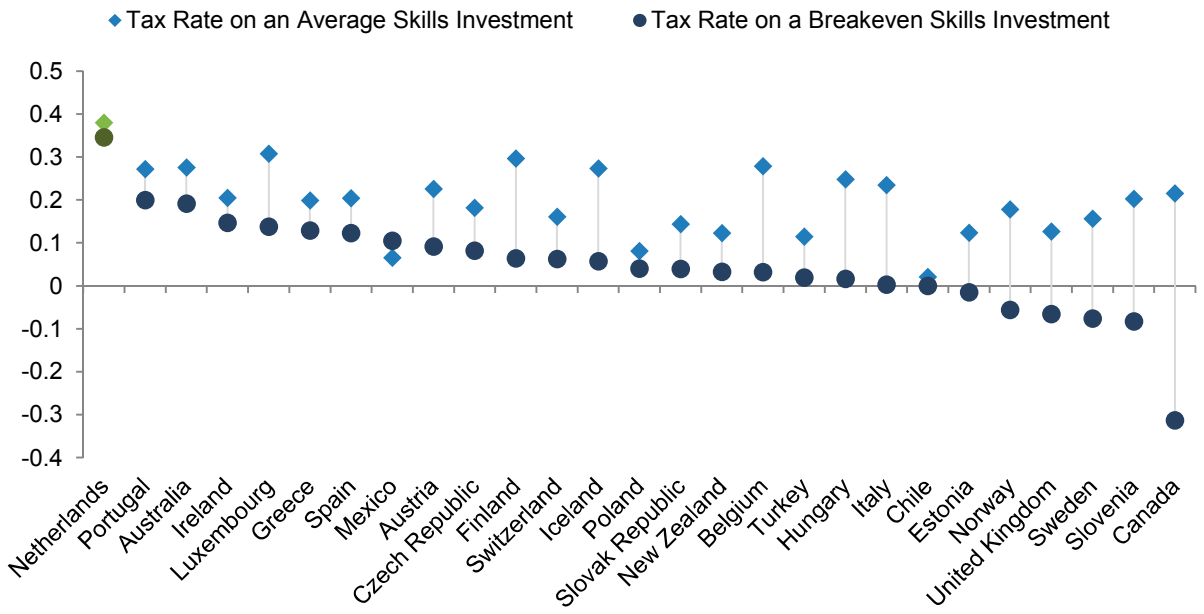


Note: Data are for a 17-year-old single taxpayer with no children, who undertakes a four-year course of non-job-related education, earning 25% of the average wage during schooling. This figure shows results that incorporate tax deductions for direct costs, tax exemptions for scholarship income, and reduced taxes on student wage income. Tax incentives in the personal income tax system are incorporated, but not the social security contribution system. They do not incorporate skills tax expenditures (STEs) that subsidise parental spending on education or that subsidise firm spending on education. Labour market data are based on the tertiary education premium earned by 15-64-year-olds. Labour market data are based on the tertiary education premium earned by 15-64-year-olds for tertiary education (ISCED 2011 levels 5, 6, 7 and 8) compared to upper secondary education (ISCED 2011 levels 3 and 4).

Source: OECD (2017), Taxation and Skills, OECD Tax Policy Study, Issue 24, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264269385-en.

Since the returns to skills investments in education in the Netherlands are taxed at a high rate for individuals, these returns accrue to the public sector. The amount that the government spends on a typical tertiary skills investment is substantially less than what it earns back in income tax revenue. Figure 69 compares the ratio of returns to costs for governments. In a typical tertiary education scenario in the Netherlands, the government captures one of the highest ratios of returns over costs in the OECD.

Figure 69. Effective tax rates on college education



Notes: Data are for a 17-year-old single taxpayer with no children, who undertakes a four-year course of non-job-related education, earning 25% of the average wage during schooling. This figure shows results that incorporate tax deductions for direct costs, tax exemptions for scholarship income, and reduced taxes on student wage income. Tax incentives in the personal income tax system are incorporated, but not the social security contribution system. They do not incorporate STEs that subsidise parental spending on education or that subsidise firm spending on education. Labour market data are based on the tertiary education premium earned by 15-64 year-olds. Labour market data are based on the tertiary education premium earned by 15-64-year-olds for tertiary education (ISCED 2011 levels 5, 6, 7 and 8) compared to upper secondary education (ISCED 2011 levels 3 and 4).

Source: OECD (2017), Taxation and Skills, OECD Tax Policy Study, Issue 24, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264269385-en.

The high tax burden on skills in the Netherlands may result in workers choosing to move where labour taxation is low, which deprives governments of the returns on their skills investments. Because tuition fees in the Netherlands are close to OECD average levels, and student loans have relatively low interest rates, the Netherlands is an attractive place to study. However, the relatively high tax burden in the Netherlands may not make it an attractive place to work after studying (see Figure 70). This may lead to students studying in the Netherlands but choosing to leave afterwards. This means that efforts to recoup the costs of skills by governments may lead to the amount of skills revenue accruing to the government being reduced. The impact of tax on the migration and location decisions of highly skilled individuals is the subject of increasing study across the OECD (Esteller and Rablen, 2016; Jacobsen Kleven et al., 2013).

OECD estimates suggest that the Dutch government captures a large share of the returns relative to its share of costs in most cases. These estimates of the impact of financial incentives to invest in skills are for an average student only; education will be costlier for some students than others, and will yield higher returns for some students than others. The average student in the Netherlands more than breaks even on a tertiary skills investment over their lifetime, but this may not be the case for all students. However, the Dutch government almost earns back its financial investment in a student who just breaks even on its skills investment. No other government in the OECD earns such a high net return on students who break even than the Netherlands. In addition, even if governments do not break even on skills investments in terms of extra income tax revenue alone, the broader financial benefits of skills investments are also substantial in terms of increased revenue from other taxes, reduced social spending, and other factors (OECD, 2016).

The financial returns to education depend on the field of study chosen by the student; this means that student choice of skills investment is important for returns for them, for firms and for the wider society. It is important that students have the right information available to inform their choice of skills (Challenge 8 on skills assessment and anticipation discusses this topic further). Government funding should provide support where skills investments are costlier and where the returns to society are higher (i.e. where skills investments are in short supply). Of 18 countries that charged tuition fees for tertiary education in a recent OECD survey, the Netherlands was one of only four that did not differentiate fees across fields of study (OECD, 2015). Differentiating funding and scholarships based on the costs and the expected returns to skills could incentivise students to make better investment decisions.

The high returns to government suggest that the Netherlands can afford to increase incentives to complete tertiary studies – skills that are increasingly in demand in the labour market and society. Government should consider improving the incentives for individuals to enrol in tertiary education by some combination of increasing targeted direct financial support (to individuals or institutions) for tertiary education and shifting the tax base away from personal income taxes and social security contributions of individuals towards more skills-friendly taxes, such as taxes on consumption, taxes on property, and taxes that address negative externalities, such as taxes on carbon. Reducing personal income taxes and social security contributions at the lower end of the income distribution is also conducive to improving the income distribution, as is raising tertiary education attainment for those on lower incomes. Reforms should be implemented gradually to ensure that increased attainment does not come at the cost of diminished quality – steps would need to be taken to ensure that quality is maintained.

Financing for adult skills development

The skills financing arrangement for adults in the Netherlands could be improved

For most workers, the financial incentives to participate in adult training are high in the Netherlands. Financing responsibilities for continuous skills development in adulthood is shared between the government, firms, individuals, and social partners. The share of total spending on skills development in adulthood carried out by the government is lower than for primary to tertiary education; more financing is carried out by employers and individuals. In general, the high participation rates in adult learning (see Challenge 2 on continuous skills development in adulthood) would suggest that for most workers, the incentives to invest in training are high.

Nonetheless, there is a danger that certain groups of adults, or certain types of skills investments, "fall through the cracks" of the adult skills financing system in the Netherlands. There is substantial diversity in the target populations of different programmes and actors in the skills financing system at the adult level. Those who are unemployed may benefit from active labour market policies. Those in large firms may be trained by those firms. Self-employed professionals may be able to use tax deductions to reduce the costs of skills. However, this diversity of provision may still leave gaps in skills financing for some adults. For example, a low-skilled adult in insecure employment who wants to change career may not receive support from a sectoral fund, may not benefit from a tax deduction and may not be trained by their employer. Co-ordination is needed to ensure that financing for training is going where it is most needed, and that it is providing support for all workers (for further discussion on stakeholder engagement in the skills system, see Challenge 9 on broadening stakeholder engagement). Moreover, financial support for adult skills development should be assessed against how much they encourage additional training: are they supporting skills investments that would not have taken place otherwise?

Firm investment in adult skills development is generally high, but the prevalence of flexible work arrangements in the Netherlands may be dampening investment. Most adult skills investments in the Netherlands are financed by firms. One study estimated that 85% of total adult training was financed by firms (van der Meer and van der Meijden, 2013). As firms share in the returns to skills, they also share in the costs. However, firms may underinvest in training due to concerns that highly skilled workers may be poached by other firms after they have invested in their training. In addition, small and medium-sized enterprises (SMEs)

may not invest in formal training as much as would be most efficient due to the high sunk costs of training, and difficulty in replacing workers during training absences. In 2011, 72% of employers noted investment in the skills of their employees as a priority, but in 2013, this proportion had dropped to 66% (van Echtelt et al., 2015). This is partly due to the impacts of the financial crisis, but the prevalence of temporary contracts is also having an effect; poaching concerns are even more salient when the attachment between employer and employee is comparatively low (see for example Cabrales et al., 2014 using Spanish data, and Guidetti and Pedrini 2015 using Italian data).

Sectoral training funds are a key pillar of the financing system for adult skills development in the Netherlands and can overcome many barriers to firm training, however, they also have some significant limitations

Sectoral level training funds (O&O-fondsen) provide a crucial part of the adult skills system in the Netherlands. They are financed by a levy on payroll, with nearly EUR 600 million being spent on training and other purposes in 2009 (van der Meijden and van der Meer, 2013). The main purpose of these funds is to facilitate investment in continuous skills development, and to help small firms finance training by acting as a conduit for firms' training spending at the sectoral level. Many funds also play a role in the development of training, knowledge and productivity. This can include attracting new talent into a sector; developing new training programmes, either sponsored directly by the fund or in co-operation with other training providers; or sharing knowledge between firms in a sector.

The use of sectoral level funds can resolve many market externalities regarding adult training provided by employers and increase available training financing, which can benefit employers, workers, and the broader society. The activities of the funds are beneficial for several reasons: they reduce the sunk costs of training for each individual firm, which is especially beneficial for smaller firms; they reduce poaching concerns; and they allow employers to participate in the design of the kind of training they want employees in their sector to undertake. Close co-operation between employers on curriculum development is important for maintaining the relevance of training for workers' jobs. It is this relevance that justifies employers partly financing worker training.

The reliance on firms to finance training during adulthood may not fully address adult skills investment financing needs as not all firms will invest in training as much as is socially optimal. There is evidence that SMEs are less likely to invest in training their workers than larger firms (Müller and Behringer, 2012; Stone, et al., 2008). This is the case even for training financing through sectoral training funds, which sees a lower take-up of training by SMEs (van der Meijden and van der Meer, 2013). Only some training funds cover lost earnings (most funds only cover the direct costs of training), which shifts these costs onto employers and employees directly. This can exacerbate the disparity between the training opportunities available to SME employees relative to employees of larger firms (Nestler and Kailis, 2002).

Few sectoral training funds in the Netherlands are designed to support skills development among vulnerable groups. It is important that the role of firms in skills financing does not lead to distortions in skills outcomes – i.e., that they decrease skills financing for some workers relative to others. The literature suggests that those with low skills are less likely to be trained by their employers (Hansson, 2008). There is also evidence that women and older workers are less likely to receive employer training, and that women and low-educated workers are more likely to self-finance their worker training (see Challenge 2 on continuous skills development in adulthood and Bassanini et al., 2007). Sectoral training funds in the Netherlands may also suffer from these problems as only some funds have targeted objectives regarding groups such as young people, women, and the unemployed.

Sectoral funds are not well suited to addressing the skills needs of the increasing share of workers employed on temporary contacts. Challenge 3 on boosting labour market participation and employment notes that a large and increasing share of workers in the Netherlands are employed in flexible employment arrangements, i.e. self-employed or employed on temporary contracts. These workers have limited access to training from sectoral training funds, which means that the funds may increasingly become an

ineffective way to target training at this growing sector of the Dutch economy (Cabrales et al., 2014; CEDEFOP, 2008; Guidetti and Pedrini, 2015).

Sectoral funds do not sufficiently support the reallocation of skilled workers across sectors. While sectoral funds provide support for skills development within certain sectors, they do not support cross-sectoral skills development. It is also unclear whether the system of sectoral funds ensures that training will be targeted towards those sectors of the Dutch economy that are growing fastest, or towards those parts of the labour force most in need of skills investments. Some of the funds are in surplus and not utilising their full resources, while other sectors are short of the necessary resources for skills investments. In addition, the funds do not provide support for workers seeking to invest in skills to move to a different sector. This may reduce labour mobility from a skills perspective and dampen productivity growth.

The increasing use of payback clauses in labour contracts in the Netherlands may increase incentives for firms to invest in training. Poaching can reduce employer incentives to invest in skills development. Increasing numbers of employees report the existence of payback clauses in labour contracts in the Netherlands, which means that if employees receive training and then leave the firm within a specific period of time, they must pay back some fraction of the cost of their training to the employer. In 2010, 47% of employees in the Netherlands reported being subject to payback clauses (van der Meer and van der Meijden, 2013). This is compared to 28% in 2005, and 10% in 1999.

Reform of adult skills financing in the Netherlands should focus on those who do not benefit from existing provisions. This includes workers employed on temporary contracts and other sorts of flexible employment arrangements who are less likely to be trained by their employers, workers with low skills and low incomes who may not benefit from tax credits, and workers wishing to move careers who may not benefit from sectoral funds. Reform of the funds, or shifting some of the contributions currently being utilised at the sectoral level to other forms of skills financing, such as individual learning accounts (ILAs) (discussed below), could be a positive reform option. More attention should be paid to merging smaller or underperforming funds to take advantages of economies of scale. It is also important to align funds' financial resources with the need for skills investment in various sectors; for example, the funds with the most resources may be in areas of the economy that may be stagnating in relative terms.

Tax measures are an important measure of adult skills development in the Netherlands, but to be effective they need to be designed carefully

Tax measures to support skills development in the Netherlands are typical of OECD countries. The Netherlands has provided some tax support for individuals who want to invest in their skills. Scholarship income is tax exempt; the costs of training are tax deductible under certain circumstances, as is interest on student loans. These provisions make the Netherlands a typical country in terms of the kind of tax support offered to skills investments by adults (see Table 7).

Table 7. Tax incentives for adult skills investment in the Netherlands

	Tax allowance for skills direct costs	Tax credit for direct skills costs	Student debt relief	Student wage income tax/SSC relief	Scholarship income tax relief
Provision exists in the Netherlands	Yes	No	Yes	No	Yes
Number of OECD countries with provision	21	7	5	3	28

Source: OECD (2017), Taxation and Skills, *OECD Tax Policy Study*, Issue 24, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264269385-en.

Box 27. Tax incentives for skills investments

Different OECD countries provide different tax incentives for adult skills investment. As outlined in Table 7, 21 countries allow the costs of adult skills investment to be deducted from personal income tax liability. Many countries also provide skills investment incentives in the corporate income tax system. Skills investments by employers are usually deductible from the corporate income tax base (as they are in the Netherlands), but some countries provide further incentives. For example, Luxembourg directly pays for a share (14.5%) of a firm's investments in vocational training. Spain has allowed extra deductibility for skills expenditures for ICT-related investment.

Tax deductions for skills expenses may not be an effective way of targeting support for adult skills investments, especially towards the low skilled. Figure 70 shows the value of tax expenditures for a typical mid-career worker in the Netherlands, compared to the OECD average. While, historically, tax expenditures in the Netherlands may have been more valuable than in the average OECD country, their value also rises with income. In a recent study, the Centraal Planbureau (CPB) evaluated the effectiveness of the deduction of schooling expenditures from taxable personal income. The study found that only 2.6% of taxpayers aged between 25 and 60 use the deduction; the average value of the deduction is EUR 1 700 per year and mainly covers costs of books and tuition fees. Taxpayers who use this skills tax expenditure are typically the highly skilled and/or working as an employee; 75% of the training expenditure corresponds to costs linked to private and/or non-publicly funded education institutions. The study found that the marginal deadweight loss of the tax deduction ranges between 73% and 100%, implying that 73% or more of an additional Euro of tax deduction does not lead to additional training. The study concludes that the overall effect of the tax deduction can be expected to be modest. The tax deduction for skills investments in the Netherlands could be made more efficient and equitable as a way of providing financial support for adult skills investments.[19]

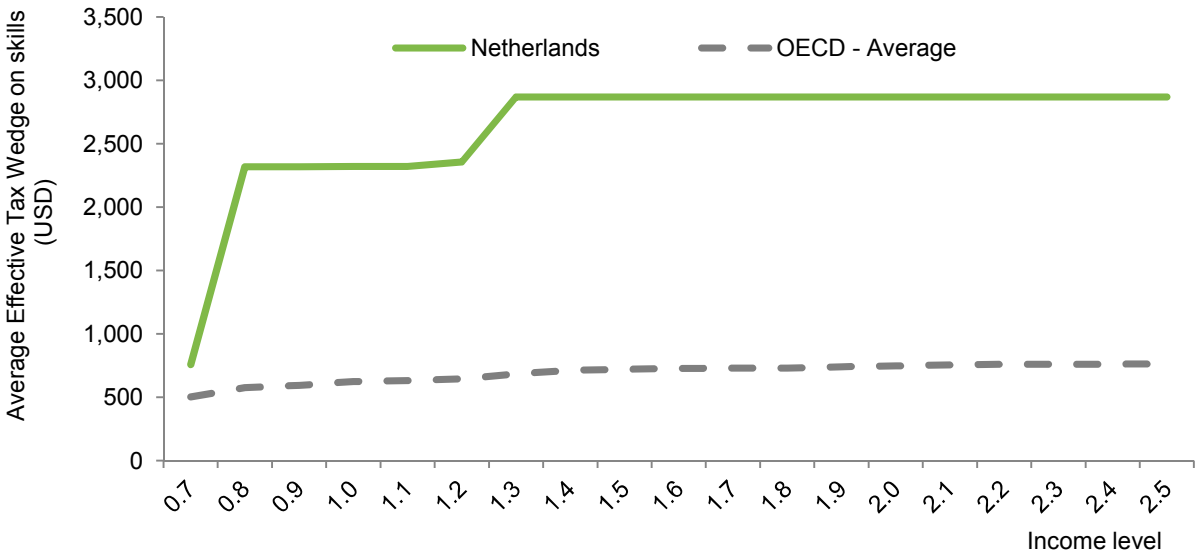
Proposed reforms to tax expenditures for skills investments should address previous issues with the Dutch scheme. As part of a reform of the financing of adult education in the Netherlands, it has been proposed to phase out the tax deduction for skills investments. Replacing the tax deduction with a refundable credit would improve equity by making financing more accessible to those on low incomes, who also typically have low skills.

Expanded use of learning accounts and training vouchers could complement other adult skills financing arrangements and empower adults to take greater responsibility for their own skills development

The proposal to replace the tax deduction with a system of training vouchers targeted at low-skilled groups should have several benefits. First, unlike a tax deduction, a voucher system will provide financial benefits to those without any income tax liability. Second, targeting a voucher at those with low skills may mean that the deadweight losses involved may be lower as the system will not subsidise the training of highly skilled, high-income workers who would have invested in training anyway. Third, the use of vouchers instead of tax deductions may mean that the administrative costs of getting government support will be lower for individuals, although this will depend on ensuring that the vouchers are easily accessible for individuals.

Figure 70. Value of tax expenditure of skills

Tax expenditures for adult training across income levels



Note: Data are for a 32-year-old single taxpayer with no children, who undertakes a short course of job-related education, earning 95% of the average wage during schooling. This figure shows results that incorporate tax deductions for direct costs, tax exemptions for scholarship income, and reduced taxes on student wage income. Tax incentives in the personal income tax system, but not the social security contribution system, are incorporated. The results do not incorporate STEs that subsidise parental spending on education or that subsidise firm spending on education. It is assumed that the skills investment is financed wholly with savings: students do not incur any debt to make a skills investment.

Source: OECD (2017), Taxation and Skills, OECD Tax Policy Study, Issue 24, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264269385-en.

ILAs or voucher-based approaches can have some advantages over employer-financed training (see Box 28). They allow more flexibility for adults in choosing their own path of training, which allows adults to choose forms of training that firms might not pay for and that may lead to a change in career path. Funding for more general forms of training may not have been available through a sectoral training fund. Existing evidence suggests that those in receipt of vouchers for training or ILAs invest more in general training and less in firm-specific training (Falch and Oosterbeek, 2011; Hidalgo et al., 2014). In addition, while training is supported by tax deductions, they may not provide significant value to those with little or no tax liability. Learning vouchers, if properly designed, can allow the government to provide more support to vulnerable groups while encouraging flexibility in the labour market through training policies. They can also be an effective complement to employer-financed training.

Box 28. Individual learning accounts

Individual learning accounts (ILAs) are savings accounts that can be opened by individuals to fund future learning activities. They are often tax-sheltered. The purpose of these accounts is to provide individuals with the resources to invest in education, while at the same time maintaining allowing them to maintain choice over the kind of training undertaken. ILAs can also provide incentives for other actors in the skills system to contribute; so, employers and the government can both contribute to an ILA, but an individual will usually retain control over the type and timing of training, training provider and amount invested. Such schemes exist in several OECD and partner countries, including the Skills Future programme in Singapore (www.skillsfuture.sg) and the French learning account programme (www.moncompteformation.gouv.fr/).

The Netherlands has previously experimented with pilot schemes for training vouchers in a limited number of sectors (Hidalgo et al., 2014). Evaluations of this scheme suggested that the vouchers increased training participation by almost 20 percentage points in two years, relative to a base rate of 0.45. There was a deadweight loss of 60% (which means that some of the vouchers funded training that would have taken place anyway). These losses could be reduced by better targeting voucher use towards demographics where training is currently low (i.e. those without easy access to sectoral training funds, such as those not attached the labour market or those in insecure employment).

Further pilots could also experiment with variation in the size of the vouchers, as well as with combined voucher and career advice and support services. Training vouchers could also accompany state funded training days, where employers are subsidised to provide leave to their workers who then undergo training. OECD research suggests that lost earnings are a key barrier to skills investments for adults (OECD, 2017).

Source: Hidalgo, D., H. Oosterbeek and D. Webbink (2014), "The impact of training vouchers on low-skilled workers", *Labour Economics,* http://doi.org/10.1016/j.labeco.2014.09.002.

OECD (2017), "Taxation and Skills", *OECD Tax Policy Study*, Issue 24, OECD Publishing, Paris.

Although they can encourage skills investments and address some of the disadvantages of sector-level funds, ILAs can also have drawbacks, especially if they are not carefully designed. The use of ILAs is dependent on ensuring that administrative costs are kept low for students, training providers and government. At the same time, careful monitoring is required to address two key issues. First, the quality and affordability of training must be monitored, including by encouraging competition in the training sector. Second, users and training providers should be monitored to prevent abuse and fraud. Initial reports from pilot schemes in the Netherlands have been positive, although there have been some deadweight losses (Hidalgo et al., 2014). Nonetheless, adult training schemes are too often not rigorously evaluated. Previous evaluations in the Netherlands have been among the best undertaken, but have only focused on a small number of sectors, often those already in receipt of training from sectoral training funds. This does not allow for an assessment of the impact on those who might benefit most from vouchers or ILAs. Such evaluation should also focus not just on uptake of training, but also on future impacts of the training on employment and wages. It should compare results to a comparable subgroup that did not receive financial support. Such evaluations are rare in adult education (European Centre for the Development of Vocational Training, 2009).

Box 29. Adult learning loans

The UK Government implemented a scheme of income contingent loans to finance adult learning. These loans exist in many OECD countries for tertiary education, but in fewer countries for adult education. The goals of the UK scheme were to:

- Provide a source of finance for learners to pay for the course fees if they need to.
- Increase the level of private investment in learning to replace funding previously provided by the government.
- Empower learners to become more informed customers, with the purchasing power to choose the course of the highest benefit to them.
- Encourage providers to become more responsive to learner needs and ensure high-quality provision.
- Improve learners' motivation to study and maintain or improve the proportion achieving their qualification.

Loans cover fees only, and are income contingent. Students make monthly repayments on the loan, which are based on their income as opposed to the amount of money that was borrowed. Students only begin the repayments once they are earning GBP 21 000 (EUR 24 000 approximately) a year. Learners only pay 9% of any income above this repayment threshold. An empirically rigorous evaluation of the progamme has not been undertaken, but in a survey, 76% of students stated they would not have been able to undertake their studies in the absence of a loan (Department for Business Innovation and Skills, 2016).

Source: Department for Business Innovation and Skills (2016), Evaluation of 24 + Advanced Learning Loans: An assessment of the First Year, *Research Paper*, (263).

Summary and policy recommendations

As beneficiaries of investments in skills, individuals, employers and social partners all have a key role to play in the financing of skills investments. The overall incentives for each party to invest in skills are partially a result of how the costs of skills are shared, but also of how the returns to skills are shared through wages, taxes and possibly foregone unemployment or other benefits. Providing the right financial incentives to invest in skills is an objective that cuts across the entire skills system; financing skills requires the co-ordinated use of multiple policy tools, including loans, grants, education spending, and the tax system.

The costs and benefits to those completing tertiary education could be altered to increase tertiary attainment. The strong reduction in after-tax returns to skills for private individuals means that the Dutch tax system lowers incentives to invest in skills. The high tax revenues accruing to governments from highly skilled, better-paid workers means that skills investments offer high returns to governments relative to costs. Altering the distribution of costs and benefits between students and the government may be particularly necessary considering recent declines in tertiary participation. Reducing the tax and, especially, the social contribution burden would encourage more people to invest in their skills development. As reducing labour taxes is expensive, however, financial support through loans or grants could be the most cost-effective way to stimulate skill development.

Skills financing arrangements for adults should be reformed to incentivise increased skills development and encourage greater public and private investment in skills development. Adult skills development is financed through sectoral training funds, direct employer investment, government tax system incentives and, more recently, through individual learning accounts. These measures may not be providing optimal levels of support where the labour market needs it most. The heavy reliance on sectoral training funds for financing adult skills development in the Netherlands means that the increasing number of adults employed in flexible work arrangements – such as self-employment and temporary contracts – may have limited access to financing for skills development. These individuals are more likely to be low skilled. In addition, even among those who can access these funds, there is little incentive for employers to support training that does not meet

the specific needs of the firm, but which may be needed in the economy and may advance the career prospects of individuals. Since sectoral training funds do not support the reallocation of labour across sectors, they may dampen productivity growth. Social partners should reform sectoral training funds so that a wider variety of sectors are covered by the funds, and so that funds better facilitate workers shifting from job to job and industry to industry. Furthermore, the expanded use of financing arrangements that empower individuals to make their own training decisions, such as individual learning accounts, would be a useful complement to sectoral funding. Current tax measures to support adult skills development do not effectively support the training needs of those on low incomes, who are typically also lower skilled. Government should replace the existing tax deduction for adult skills development with a refundable credit to make financing more accessible to those on low incomes and with lower levels of skills.

NOTES

18 OECD data on education spending is published with a time lag; the most recent OECD survey contains data from 2013 and 2014 and so does not cover the most recent policy changes in the Netherlands.

19 Evaluatie aftrekpost scholingsuitgaven, CPB Notitie, 1 juli 2016.

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CHALLENGE 8: STRENGTHENING SKILLS ASSESSMENT AND ANTICIPATION INFORMATION TO ADDRESS CURRENT AND FUTURE SKILLS IMBALANCES

HIGHLIGHTS

Skill assessment and anticipation information is needed to ensure that individuals, social partners and policy makers make choices that bring skills supply and demand into alignment. While skills shortages and mismatches are low in the Netherlands, evidence shows that reducing them will still reap considerable economic benefits. Moreover, the skills demanded in the labour market are changing rapidly, which is putting additional pressures on labour markets and education systems. A large number of SAA exercises are carried out in the Netherlands. Despite the wealth of information available, some information gaps remain, such as on employers' perspectives. In addition, the dissemination of existing information could be strengthened. Considering that SAA exercises are typically led and carried out by different agencies, co-ordination across different stakeholders, including local and regional actors, is very important.

Stakeholder perspectives:

Stakeholders participating in Skills Strategy workshops agreed that a lot of information and data are currently available about current and future skills needs in Netherlands, but remarked that much of it was not easily accessible or tailored to the unique needs of different kinds of users. Social partners are often unable to find the information they need to support informed human resource planning choices, including decisions about recruitment, training and setting pay and benefit levels.

Recommendations:

- Government should map out the data it collects against the needs of users to identify and fill information gaps.
- Government and other information providers should better tailor information to users with different needs and levels of understanding.
- Government and/or other information providers should create a unique platform that brings all information together in one place and that provides entranceways for users with different needs, e.g. students, jobseekers, and employers.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve skills information, including information about emerging skills needs and shortages, where and how to access skills development opportunities, and good employer practices for developing and using the skills of their workers.

Introduction

In the context of technological advances, globalisation, and demographic changes, aligning education with labour market needs is becoming a priority for the Netherlands. While the extent of skills shortages and mismatches are below the OECD average, reducing them will still reap considerable economic benefits for individuals, firms and the country at large. The types of skills demanded in the labour market are changing rapidly, and the demand for high-skilled workers is expected to increase in the future. Within this context, high-quality, timely, and accessible skills assessment and anticipation (SAA) information is needed to ensure that individuals develop the right skills (Challenge 1) and continue learning in adulthood (Challenge 2). Additionally, SAA information can help firms make informed human resource planning choices that lead to increased training (Challenge 2) and a better use of skills at work (Challenge 5).

Stakeholders have commented that while there is a lot of information and data available about current and future skills needs in the Netherlands, much of it is not easily accessible or tailored to the unique needs of different kinds of users. The Netherlands has a very well-developed and long-established SAA information system, and a broad range of data on learning and labour market outcomes is available to policy makers. However, many individuals still lack the information they need to make informed decisions about their career, education, and training paths. Social partners are often unable to find the information they need to support informed human resource planning choices, including decisions about recruitment, training and setting pay and benefit levels.

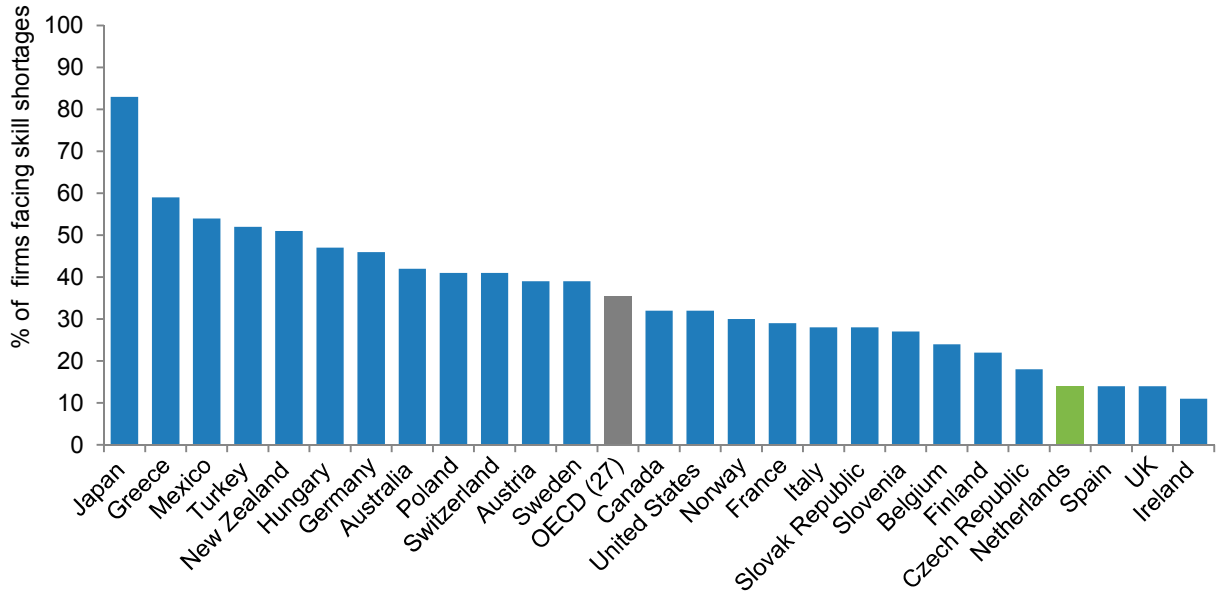
This chapter is structured as follows: 1) it provides an overview of skills shortages and mismatches in the Netherlands from an international comparative perspective; 2) it analyses how the Netherlands collects information on skills needs; 3) it highlights the dissemination practices used to make information accessible to a wide audience; 4) it identifies the strategies used for turning qualitative and quantitative information on skills needs into relevant policy actions and practice; and 5) it investigates how governance arrangements ensure good co-ordination across the key stakeholders in this area.

Skills shortages and mismatches are not particularly high in the Netherlands, but uncertainty about future skills needs may pose a challenge

Skills shortages are low in the Netherlands by international standards. Recent data from the Manpower Talent Shortage Survey (Manpower Group, 2015) finds that 14% of firms report difficulties in filling job vacancies. This is well below the OECD average of 35%, and six times lower than the worst-performing country, Japan (Figure 71). These results are consistent with the findings of the Hays Global Skills index (2015), which provides additional cross-country information on the magnitude of skills shortages by combining data on wage pressures with indicators on education and labour market flexibility, as well as talent mismatch. Results of the index show that skills shortages are lower in the Netherlands than in any other OECD country (with the exception of Belgium, Italy, and Switzerland).

Figure 71. Skills shortage in selected countries, 2015

As a percentage of all firms with ten or more employees



Note: Firms are classified as facing a skill shortage if they report having difficulties filling jobs.

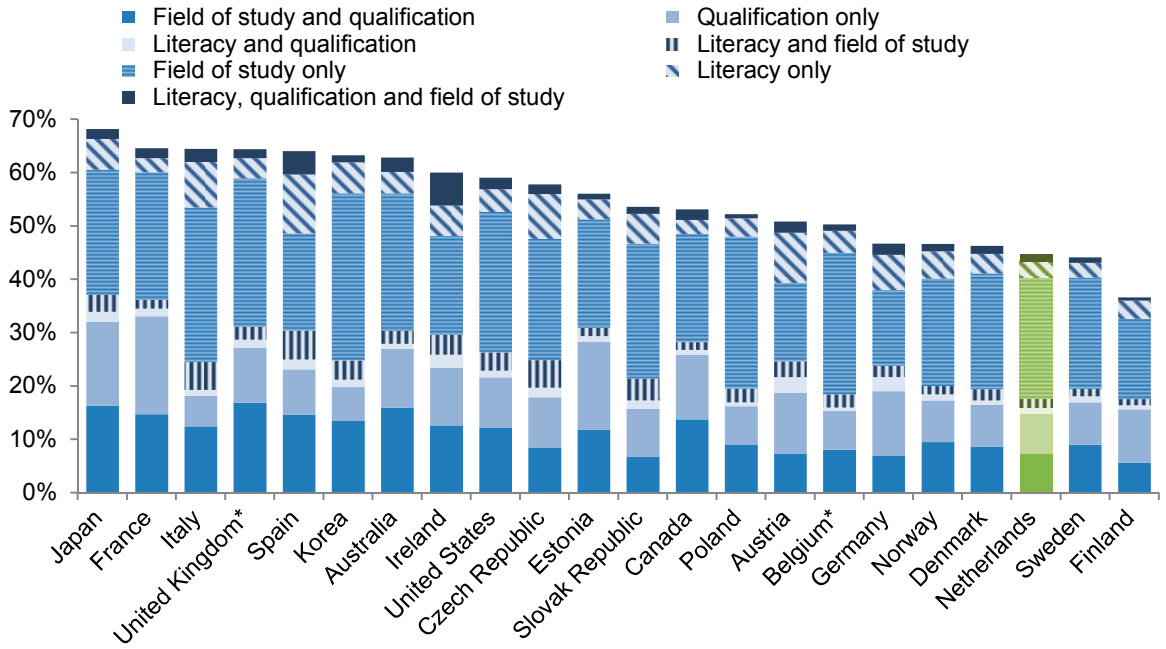
Source: Manpower Group (2015), Talent Shortage Survey 2015, www.manpowergroup.com/wps/wcm/connect/db23c560-08b6-485f-9bf6-f5f38a43c76a/2015_Talent_Shortage_Survey_US-lo_res.pdf?MOD=AJPERES.

Skills shortages are concentrated in specific sectors. According to data published by the Dutch Public Employment Service (*Uitvoeringsinstituut Werknemersverzekeringen*, UWV), the sectors facing the deepest skills shortages are manufacturing, construction, business services (IT, technical consultancy), healthcare and, to a lesser extent, education (European Commission, 2014; EMN, 2015). In these sectors, a growing demand for skills is not matched by available supply. Many technical occupations suffer a profound social stigma, which leads to low enrolment rates in related fields of study. In the healthcare sector, unattractive working conditions (e.g. long working hours and relatively low wages) help to explain low enrolment rates in related fields of study and persistent skills shortages (European Commission, 2014). Some skills shortages can also reflect limited geographical mobility. For instance, findings from the Netherlands show that mobile graduates are more likely to find jobs that match their skill levels (Hensen, De Vries and Cörvers, 2009).

Skill mismatch is low by international standards. Results from the OECD Survey of Adult Skills (PIAAC) show that nearly 45% of employees in the Netherlands are mismatched by skills, qualifications and/or field of study (see Box 27 for a definition of these types of mismatches). The extent of total mismatch in the Netherlands is lower than in other countries such as Japan (68%) or France (65%), but around 8 percentage points higher than the best-performing country (Finland, 37%). These results suggest some room for improvement (Figure 72) (see also OECD, 2016a).

Figure 72. Total skill mismatch, by type of mismatch

As a percentage of all employment



Notes:

a) Workers are classified as mismatched by qualification if they have higher or lower qualifications than required by their job; workers are classified as mismatched in terms of literacy skills if they have literacy proficiency exceeding or below that required in their job; workers are classified as mismatched by field of study if they are working in an occupation that is not related to their field of study.

b) Occupation is only available at the 2-digit level in the ISCO-08 classification for Australia. It is not possible to assess the extent of field of study mismatch using the same definition used for the other countries.

* The OECD Survey of Adult Skills only covered Flanders (BEL) and England/N. Ireland (GBR).

Source: OECD (2016b), Getting Skills Right: Assessing and Anticipating Changing Skill Needs, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264252073-en.

Box 30. Measuring qualification, skills and field of study mismatch in the Survey of Adult Skills

Qualification mismatch arises when workers have an educational attainment that is higher or lower than that required by their job. If their education level is higher than that required by their job, workers are classified as overqualified; if the opposite is true, they are classified as under-qualified. In the OECD Survey of Adult Skills, workers are asked what would be the usual qualifications, if any, "that someone would need to GET (their) type of job if applying today". The answer to this question is used as each worker's qualification requirement and compared to their actual qualification to identify mismatch. While biased by individual perceptions and period or cohort effects, self-reported qualification requirements along these lines have the advantage of being job-specific rather than assuming that all jobs with the same occupational code require the same level of qualification.

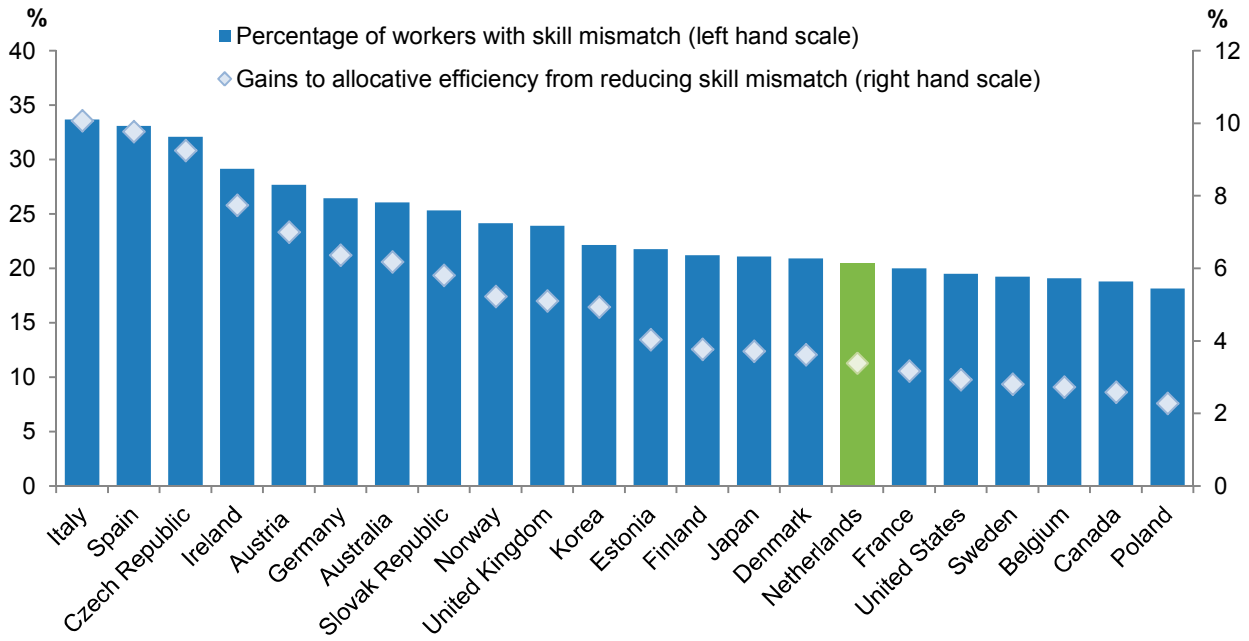
Skills mismatch arises when workers have a level of skills that is higher or lower than that required by their job. If their skill level is higher than that required by their job, workers are classified as over-skilled; if the opposite is true, they are classified as under-skilled.

Field of study mismatch arises when workers are employed in a different field from what they have specialised in. The matching is based on a list of occupations (at 3-digit of the ISCO – i.e. the International Standard Classification of Occupations – classification) that are considered as an appropriate match for each field of study. Workers who are not employed in an occupation that is considered a good match for their field are counted as mismatched (see OECD, 2016b for further information on the methodology used to calculate mismatches.

Source: OECD (2016b), *Getting Skills Right: Assessing and Anticipating Changing Skill Needs*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264252073-en.

Although the Netherlands has a comparatively low rate of skills mismatch, it could reap positive gains from reducing it further. Recent OECD research illustrates that the Netherlands could boost its level of labour productivity by close to 4% if it were to reduce its level of mismatch within each industry to that corresponding to OECD best practice (Adalet McGowan and Andrews, 2015; Figure 73). Although low in relative terms – especially when compared to countries such as Italy and Spain, where potential gains reach around 10% – results show that there is substantial room for allocative efficiency improvements in the Netherlands. Reducing mismatches can also be beneficial for individuals as it would entail higher wages and job satisfaction. Results from the OECD Survey of Adults Skills (Montt, 2105) show that in the Netherlands, workers who are mismatched by field and overqualified suffer a wage penalty of 10% when compared to well-matched workers. This is high compared to PIAAC participating countries, and places the Netherlands only after Estonia (19%) and Germany (15%). In the Netherlands, overqualified workers are more likely to be dissatisfied with their jobs compared to well-matched workers: the share of mismatched workers by field of study who report being dissatisfied with their job is almost four percentage points lower than that of matched workers (Montt, 2015).

Figure 73. Potential gains from reducing skill mismatch

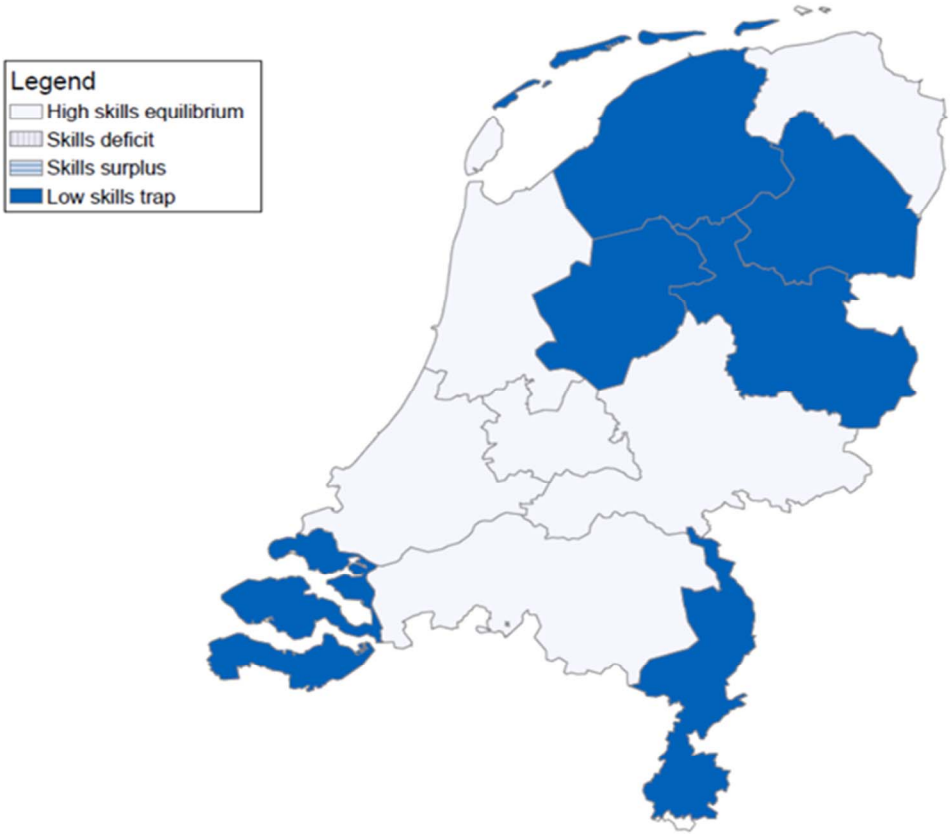


Note: The figure shows the percentage of workers who are either over or under-skilled and the simulated gains to allocative efficiency from reducing skill mismatch in each country to the best practice level of mismatch. The figures are based on OECD calculations using the OECD Survey of Adult Skills (2012).

Source: Adalet McGowan, M. and D. Andrews (2015), "Labour Market Mismatch and Labour Productivity: Evidence from PIAAC Data", OECD Economics Department Working Paper No. 1209, OECD Publishing, Paris, http://dx.doi.org/10.1787/5js1pzx1r2kb-en.

The alignment between skills supply and demand varies across regions. None of the regions in the Netherlands show signs of a skills deficit (i.e. a shortage of skilled individuals) or skills surplus (i.e. skills supply exceeds demand), and half of the regions (i.e. Gerderland, Groningen, North Brabant, North Holland, South Holland and Utrecht) can be classified as being in a high-skill equilibrium (i.e. demand for high skilled workers is met by supply[20]); however, half of the regions are lagging behind. These regions (i.e. Drenthe, Flevoland, Friesland, Limburg, Overijssel and Zeeland) are in a low-skill equilibrium (i.e. demand for low-skilled workers is met by supply) (OECD, 2016c) and face the risk of being trapped into low-productivity, low-wages jobs and sluggish growth (Figure 74).[21]

Figure 74. Skills supply and demand, Dutch regions, 2014

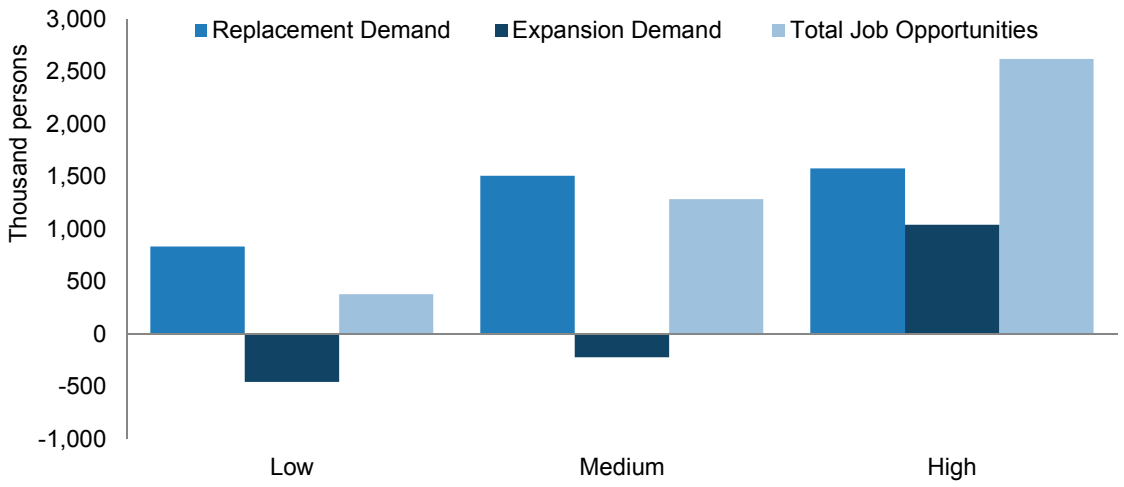


Source: OECD (2016c), Job Creation and Local Economic Development 2016, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264261976-en

Although skills shortages and mismatches are not particularly high, the types of skills demanded in the labour market are changing rapidly, which can represent a challenge. In the past 20 years, the skills demanded in the labour market have shifted away from routine manual tasks towards abstract and non-routine manual tasks (OECD, 2016a). The latter both expanded before the global downturn and have since remained comparatively strong (Figure 8 in the Introduction). Conversely, occupations relying mainly on the performance of routine manual tasks showed the weakest growth before 2008, and have been heavily hit by the crisis. Demand in these occupations could fall further as the tasks performed are vulnerable to displacement by technology or outsourcing to countries with cheaper labour (OECD, 2016a).

The jobs of the future will require higher levels of qualification than those required today. The European Centre for the Development of Vocational Training (CEDEFOP) forecasts that between 2013 and 2025, job opportunities in the Netherlands will be concentrated in high and medium-skilled occupations, with 2.4 million (high skilled) and 1.3 million (medium skilled) new job opportunities created in this period. All expansion demand is found in occupations requiring high levels of skill (Figure 75). Conversely, little growth is expected for low-skilled jobs, which will be exclusively driven by replacement demand. The issue of key concern is that, in the same period, labour supply is expected to grow by only one million at high-skill levels, and to fall at medium-skill levels, suggesting that the demand for skilled workers is expected to substantially exceed supply (see also OECD, 2016d).

Figure 75. Forecast of job opportunities in the Netherlands by qualification level requirements, 2013-25



Source: OECD (2016c), Job Creation and Local Economic Development 2016, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264261976-en.

Addressing skills imbalances (at least partly) relies on having good information on current and future skills needs. The production, dissemination, and use of skills assessment and anticipation (SAA) information, can help different stakeholders – such as individuals, social partners, and policy makers – to make more informed skills choices, thereby improving the alignment of skills demand and supply. While factors other than the availability of SAA information can influence individuals' choices, good quality information on current and future skills needs remains one of the important channels through which choices can be influenced. The remainder of this chapter presents an overview of how the Netherlands collects, disseminates, and uses information on current and future skills needs, and investigates how governance arrangements ensure good co-ordination across the key stakeholders in this area.

Various skills assessment and anticipation exercises exist in the Netherlands to help align skills demand and supply

Skills assessment and anticipation exercises are tools used to generate information on current and future skills needs of the labour market (skills demand) and the available skills supply. Typically, the results of SAA are used to inform different stakeholders (e.g. policy makers, social partners, and the general public, such as students, parents, and jobseekers) on where (i.e. in what sectors, specific occupations, or areas) and when (i.e. now, in the future, or both) the demand and the supply of skills is misaligned.

Several exercises are carried out at the same time in the Netherlands to assess current and future skills needs. Some existing exercises have the explicit purpose to collect data on existing and future skill needs. For example, the Education and Labour Market project, conducted by the Research Centre for Education and the Labour Market (ROA), focuses explicitly on the match between education and occupation and the labour market perspectives for more than 100 educational programmes and occupations. Similarly, the Tension Meter, developed by the Dutch Public Employment Service, provides an overview of "tensions" in the labour market by measuring the ratio of open job vacancies to the number of registered unemployed. Other exercises have more general purposes, but can be, and are often, used to derive information on skills needs. For example, the general purpose of the Dutch Labour Force Survey is to provide information on

labour market outcomes of the population, but the high level of granularity of information also allows for substantial analysis on the Dutch skills needs.

Many actors are involved in the development of skills assessment and anticipation information. The Netherlands has several national institutions that provide data on skills needs, such as Statistics Netherlands (CBS), the Netherlands Bureau for Economic Policy Advice (CPB), and the Netherlands Institute for Social Research (SCP). The Dutch Public Employment Service (UWV) regularly publishes an overview of shortage and surplus occupations. These data are supplemented by research undertaken by independent (academic) research institutes, such as the ROA, which provide current skills assessments and forecasts on how employment will develop in different sectors, occupations, and regions. The Co-operation Organisation for Vocational Education, Training and the Labour Market (SBB) conducts research focused on further developing the structure of qualifications in upper secondary vocational education and training (VET) (CEDEFOP, 2016a; 2016b).

The frequency with which skills needs information is collected varies across different exercises. Some exercises are conducted on a quarterly basis (e.g. Tension Meter), while others are carried out once a year (e.g. School leaver survey), every second year (e.g. ROA's forecasts), or on an ad hoc basis (e.g. UWV's Promising Occupations project).

Information varies in terms of the time span covered. While most information available in the Netherlands aims to assess current skill needs, there are also forecasting exercises aimed at anticipating future skill needs. The ROA has a key role in the Netherlands in this area, and has conducted long-term forecasts (i.e. six years) on the supply and demand of skills for over 30 years. CPB conducts forecasts on how the labour market will evolve in the short term (i.e. one year).

Information differs in terms of geographic coverage and occupational and educational specificity. Some SAA information is available only at the national level, or can be disaggregated by regions or sectors. For example, CPB forecasts provide labour market forecasts on aggregated indicators at the national level, while the ROA's forecasts provide a much higher level of disaggregation, covering 100 educational programmes and occupations, 35 labour market regions, and 21 industry sectors. Differences in the level of disaggregation affect how the information can be used. For instance, national-level information is important for broad training policy and labour market monitoring, but typically overlooks specific skill needs emerging in particular regions or sectors. By contrast, regional and sector-specific information can facilitate the creation of more targeted policies, but is not able to inform a nationwide policy agenda.

The Netherlands combines different (qualitative and quantitative) methods and data sources to assess current and future skills needs. These include employer surveys, quantitative forecasting models, sector studies, qualitative methods, and education and labour market information systems (OECD, 2016b; ILO, 2015). For example, the ROA's forecasts use a variety of data and econometric models to forecast labour demand (i.e. expansion, replacement and substitution demand) and supply (i.e. influx of graduates into the labour market). While the ROA's forecasts are primarily quantitative, they rely on qualitative data sources to validate the quantitative forecasts (OECD, 2016b; CEDEFOP, 2008). Considering that each method has its strengths and weaknesses, and that there is no single ideal model, international experience suggests that combining different (both quantitative and qualitative) methods, as is being done in the Netherlands, is a good approach to achieve reliable and meaningful results and a robust assessment and anticipation of skills needs (ILO, 2015; OECD, 2016b; CEDEFOP, 2008).

In addition to domestic initiatives, many international institutions carry out skills assessment and anticipation exercises in the Netherlands. For example, the OECD, in partnership with J.P. Morgan, is currently embarking on a challenging project that will produce new indicators that measure skill shortages and mismatch in a comparable way across European Union (EU) countries. The Talent Shortage Survey (Manpower Group, 2015) identifies the proportion of employers having difficulty filling positions, which jobs are difficult to fill, and why. Skills forecasts are carried out in the context of pan-European project systems. CEDEFOP's skills supply and demand forecasts typically anticipate long-term forecasts (up to 2050), and disaggregate the information by sectors (6), major occupational groups (9), and qualifications (3). CEDEFOP

has also already recently launched the European Skills and Jobs (ESJ) survey, which aims to measure skills mismatches in Europe (see Box 28 for a description of some international approaches). The advantage of these international surveys is that because they adopt a standardised methodology and common definitions, they provide information that is comparable across countries. These efforts help place the country in an international context. However, the information produced through these exercises often comes with a high level of aggregation, and sometimes overlooks differences between regions, occupations, or sectors.

Box 31. Skills assessment and anticipation: Examples of international exercises

Adapting to Changing Skills Needs (OECD in partnership with J.P. Morgan foundation): this ongoing project aims to fill knowledge gaps in the assessment of skill mismatches and to identify international best practices in addressing these gaps. It will build an online statistical tool with indicators for some European countries and South Africa of the specific skills and knowledge types required in each country's labour market, as well as the extent of skill shortages and mismatch.

Talent Shortage Survey (Manpower): ManpowerGroup surveyed more than 41 700 hiring managers in 42 countries to identify the proportion of employers having difficulty filling positions, which jobs are difficult to fill, and why. Employers were also asked about the impact talent shortages have on their organisations and what steps they are taking to address them. The survey is conducted on an annual basis.

Skill supply and demand forecasts (CEDEFOP): CEDEFOP's skill supply and demand forecasts provide comprehensive information on the future labour market trends in Europe. Forecasts provide a concise outlook on employment trends for sectors, major occupational groups and qualifications. They also show labour force trends for age groups and qualifications up to 2025. The forecasts act as an early warning mechanism to help alleviate potential labour market imbalances and support different labour market actors in making informed decisions.

European Skills and Jobs (ESJ) survey (CEDEFOP): The CEDEFOP ESJ survey is a state-of-the-art survey of adult employees (aged 24-65) in all 28 Member States of the European Union that collects information on the skills match of EU workers with the skill needs of their jobs. The survey was carried out using quota sampling by the survey company Ipsos and network partners in the EU28 Member States between 7 March and 26 June 2014. In total, 48 676 respondents from different demographic groups took part either by telephone (9 154 employees) or online (39 522 employees). The survey asked respondents a series of questions designed to assess the extent to which skills are seen to be important, and also the extent to which their skills (as a whole, but also focused on 11 specific skills, including foundation, technical and generic skills) are at the level needed to do their job. The key contribution of the survey is that it takes a longitudinal perspective, with some questions asked several times, referring to different time periods, which enables the dynamic analysis of skill mismatch of EU employees.

Despite the wealth of exercises carried out, the available information often does not answer the relevant questions, and various information gaps remain. Information is often uneven in the Netherlands. For example, different stakeholders[22] report that too much focus is put on skills supply rather than demand, i.e. there is a plethora of information on what concerns the education outcomes of individuals, but too little is known about employers' needs. Moreover, much more information is available for vocational than for academic streams of education, and on public rather than private schools and institutions.

Data are often not sufficiently disaggregated, and more detail is needed by occupation, field of study or regional/sub-regional levels. For example, ROA forecasts are typically done by broad fields of study, and stakeholders have often claimed that more disaggregated fields of study are needed to make meaningful forecasts. Typically, new fields of study are not included in the forecasts because data are not available.

Effective production of skills assessment and anticipation information needs to be complemented with good dissemination practices

Skills assessment and anticipation information needs to be tailored to the specific needs of different users. Final users include, among others, individuals, social partners and policy makers, each valuing information differently and each expecting it to serve different uses. To make the highest value use of the

information available, it is important that information is easily accessible and tailored to different users' needs and interests.

Skills information is made available in several ways. In the Netherlands, as well as in many OECD countries, results from skills assessment and anticipation exercises are shared to a wider non-specialist audience through reports, websites, public media (TV, radio, newspapers, magazines) and education guides.[23] The Netherlands is among the few OECD countries that use social media (e.g. Twitter; Facebook) to disseminate the findings from their skills assessment and anticipation exercises (OECD, 2016b; CEDEFOP, 2016b). Some good practice examples can be highlighted in the Netherlands on how skills assessment and anticipation information is disseminated and tailored to the needs of final users (see Box 32).

Box 32. Tailoring skills assessment and anticipation information to the needs of final users: Good practice examples from the Netherlands

Brainport Network developed an online platform (www.arbeidsmarktdashboard.nl) that offers labour market information to the public. The "Labour market dashboard" customises data on regional skills demand in Noord-Brabant and Limburg, as well as neighbouring regions in Belgium and Germany. Different official data sources have been combined to make SAA information accessible for governments, employers, education providers and job seekers.

The sectoral fund for the metal industry (OOM: *Opleidings- en Ontwikkelingsfonds voor de Metaalbewerking*) organises regional informative sessions for employees in the sector. These sessions address the issues of innovation in the metal industry, such as digitalisation, and include demonstrations of new techniques and machines. Guidance is provided on how firms can develop professional skills in order to satisfy the industry's skills needs. SAA knowledge accessible at the level of the sectoral fund is interpreted on a practical level for individual employees so that they are equipped to make informed decisions on their own continuous learning.

Source: Information submitted by stakeholders during the National Skills Strategy Scoping Workshop.

The digitalisation of the public employment service (PES) may jeopardise the effectiveness of counselling services, and thus undermine the dissemination of skills needs information. The recent reduction in public spending allocated to the Dutch Public Employment Service has caused a reduction in the number of caseworkers and in the number of local offices, with a view to shifting the role of the PES towards more digitalised services (OECD, 2015a; see Challenge 3 for further information). Interaction with jobseekers is almost exclusively through online channels for the first three months of unemployment, while face-to-face or telephone interviews with caseworkers take place only from the fourth month of unemployment onwards (OECD, 2015a). Digitalisation of PES services has several advantages as it increases performance while keeping costs down, but it could also undermine the effectiveness of counselling services and thus the dissemination of (and access to) skills needs information. This is particularly true for disadvantaged population groups, such as older workers or poorer people, who typically have few ICT skills and thus poor access to digital services.

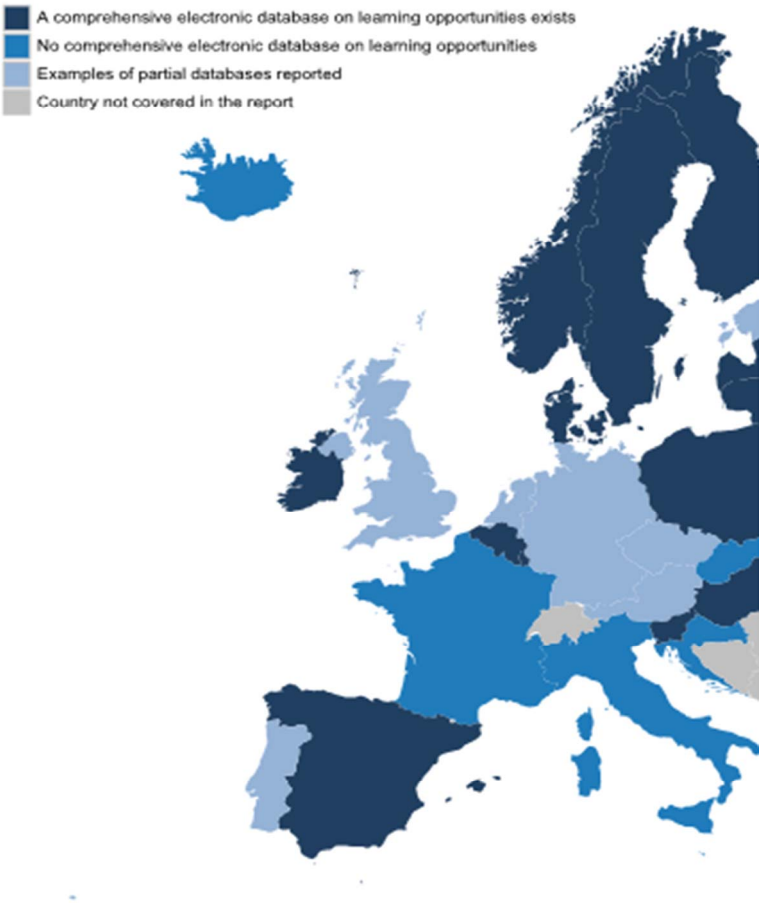
Career orientation and guidance to students could be improved as it pays little attention to labour market information by fields of studies/qualifications. A recent study published by the ROA (School leavers between education and labour market 2014) shows that less than half of school leavers were satisfied with the career orientation and guidance provided by their former school. Within vocational education institutions, students can obtain information from *Beroepen in beeld*. However, for other education sectors, structured career orientation and guidance is often lacking and is limited to a website containing some information (CEDEFOP, 2016a).

Information available often remains overly technical or not user-friendly. Information is often in the form of ad hoc and/or technical reports, which are not easy to find. These reports often use technical language, which makes them difficult to understand by laypersons. Moreover, information is often available in Dutch only, rather than in English, making it difficult for foreigners and immigrants to access.

Various efforts often take place in parallel without being linked. Because various exercises are carried out by different institutions at the same time, information is dispersed across multiple sources, and

there is no unique platform that brings all information together in one place (Kriechel, Corvers, and Heijke, 2008; CEDEFOP, 2016a). Generally, this challenge is also common to other OECD countries (CEDEFOP, 2008; OECD, 2016b). For example, data from Eurydice show that in the Netherlands – as well as in countries such as Austria, Estonia, Germany, Slovenia, and Portugal – there are only examples of partial databases with information on learning opportunities. In other countries, (e.g. Italy, France, Croatia), no comprehensive electronic database exists. At the same time, the Netherlands could learn from the experience of some European countries (e.g. Finland, Sweden, Norway), where comprehensive electronic databases put together available information on learning opportunities (Figure 76). Box 30 provides some examples of a "one-stop-shop" where different stakeholders can find skills needs information in Finland, Canada, and Texas. Other best practices examples can be highlighted in other countries, such as Eduscopio in Italy (https://eduscopio.it/), Skills Route in the United Kingdom (www.skillsroute.com), Pathsource www.pathsource.com/start) and Uvisor (www.uvisor.com) in the United States, and Career Crushing in North America (https://public.careercruising.com/en/).

Figure 76. Availability of comprehensive electronic databases with information on learning opportunities



Note: Includes basic skills programmes and programmes leading to medium-level qualifications (ISCED 3-4), 2013/14.

Source: OECD elaboration based on the European Commission/EACEA/Eurydice (2015), *Adult Education and Training in Europe: Widening Access to Learning Opportunities*, Eurydice Report, Publications Office of the European Union, Luxembourg, http://eacea.ec.europa.eu/education/eurydice.

Box 33. Examples of labour market information tools in Finland, Canada and the United States

Finland Forenmatti

Foreanmatti (www.foreammatti.fi) is an online web portal where jobseekers can find up-to-date information on the number of open vacancies per profession, where those jobs are located, what skills employers demand and how intense the competition is today and will be in the future. There is labour information on around 200 professions regionally, the number of vacancies in the past 12 months, average salary of the profession, the number of unemployed per profession per region, as well as a forecast of the labour market situation (currently up to 2017). It also shows the number of unemployed per profession.

Canada Job Bank

The Canadian job bank website (www.jobbank.gc.ca) is administered by the Government of Canada and provides information in French and English on jobs, career paths, employer resources and job market trends nationally and provincially. The homepage interface provides a search function to look for jobs in specific locations, functions to set up job alerts, analysis of top advertised jobs, and job-search safety tips. Employers and jobseekers can create a personal account that keeps track of their postings or searches. Career paths can be explored according to occupation, education programme, wages, outlook and skills. The job market trends are updated constantly with news feeds

Texas Workforce Commission

The Texas Workforce Commission website (www.twc.state.tx.us) is a one-stop, interactive information portal segmented by the needs of different users; specifically, jobseekers and employees, businesses and employees, and community and workforce partners. It is in English, Spanish and Vietnamese. Jobseekers can apply for unemployment benefits, post their curriculum vitae, search for job vacancies, explore careers, link to online courses, and find out about employment support resources and training opportunities. People can explore specific occupations of interest and learn about their educational requirements, the knowledge, skills and abilities needed for work in that occupation, typical tasks performed in that occupation, and work values. They can also access a wide range of labour market indicators, including state and national employment levels, annual average job openings, projected job opportunities to 2022, percentage and absolute changes in projected job opportunities between 2012 and 2022, hourly wages, gender distribution, turnover rate, average time in occupation and current job, as well as the sorts of enterprises where these occupations are typically found. The website even provides a tool for evaluating expenses against careers. The "Reality Check" is an interactive tool that permits individuals to estimate their costs relating to housing, transportation, clothing, healthcare, and entertainment, and then explore which careers would pay for these needs and their education requirements.

Prospective students can search fields of study at different levels of education and investigate where these programmes can be found and which occupations they lead to. They can also search and compare specific educational institutions on the basis of their application deadlines, admissions requirements, degree offerings, competitiveness, extracurricular activities available, resources, tuition fees, percentage of graduates with full-time job offers six months after graduation, and a host of other variables. Users can also access a variety of online courses and videos relating to job searches and education. Employers can access information and resources relating to recruiting and hiring, training, social security contributions, labour laws, as well as avoiding and managing layoffs. They can also access labour market information targeted at their specific needs. For community and workforce partners, information and resources are available relating to training provision, education, childcare, workforce development, civil rights and discrimination, among others.

Source: OECD (2015b), *OECD Skill Strategy Diagnostic Report: Spain*, OECD Publishing, Paris, www.oecd.org/skills/nationalskillsstrategies/Diagnostic-report-Spain.pdf.

Skills assessment and anticipation information is used by different stakeholders

Individuals use skills assessment and anticipation information to make important choices about education and careers. This information plays an important role for individuals to decide on their future careers and education/training paths. Individuals need different types of information depending on their age and where they stand in their education/career. In particular, adults who are making decisions in the immediate to short term require information on current or short-term labour market needs, and what training might be

required and how it may be obtained. Youth typically need future-oriented information, such as projections on future skill needs and information on how occupations will relate to fields of study, as well as the historical labour market outcomes of graduates from different levels and fields of study. This information provides them with a sense of the skills and qualifications that will be valued and rewarded in the labour market after they finish studying and are ready to integrate into the world of work. As an indication of the potential that skills needs information has in influencing individuals' education and training decisions, in spring 2014, 56% of people in the Netherlands reported that they had looked for information about education, training and career options, as well as if their skills and qualifications would be recognised in other member states – higher than any EU country (except for Denmark) and well above the EU average of 44% (European Commission, 2016). Information can also help students decide on which school to enrol in, and studies in the Netherlands show that information on high school quality published by a national newspaper affects individual school choices: academic school tracks receiving the most positive ranking can see their inflows of students increase by 15 to 20 students from one year to the next (Koning and van der Wiel, 2010). Another recent study shows that information on future income is proven to influence the choices of students, especially those from a low socio-economic background (ROA, 2016).

Social partners use skills assessment and anticipation information to make important decisions. For both trade unions and employer organisations, this information is generally used to lobby employment, migration, or education policy, and/or advise their members on skills to promote within their firms or among their workers. Employers use information on future education and labour market imbalances to take decisions about hiring, training, and compensation. Trade unions also use this information to inform collective bargaining processes and develop labour negotiation strategies (OECD, 2016b).

Policy makers in the Netherlands have used skills needs information to inform education policy. In several countries – including the Netherlands – information is used to design new qualifications, revise curricula or decide what courses to fund or provide at the adult training, upper secondary, or tertiary levels. They are also commonly used to update qualification frameworks. For example, universities that wish to provide a new course in the Netherlands need to provide evidence of the economic viability of that field of study/course to the Commission Efficiency of Higher Education (*Commissie Doelmatigheid Hoger Onderwijs* - CDHO[24]). Information on current and future skills needs is used extensively by the CDHO to evaluate whether a new field of study/course should be introduced. There are also examples of how skills assessment and anticipation information is driving action by policy makers in the area of education policy. For example, analysis conducted in 2013 by the ROA showed that large skill shortages for technicians are to be expected for the period 2013-2018 (ROA, 2013). These forecasts led stakeholders to the conclusion that "the Netherlands will need to produce 30 000 additional technology graduates a year to meet the growing demand for skilled technologists" (Techniekpact, 2015). In 2013, this expected shortage of science, technology, engineering and mathematics (STEM)-related skills motivated various ministries to develop and implement the Techniekpact project. In this project, several ministries work together with social partners and regional authorities to increase the number of students enrolled in STEM fields and strengthen the links between the education system and labour market needs (OECD, 2016b). The measures adopted in the context of the Techniekpact include: 1) introducing science and technology courses in primary school curricula; 2) providing a one-off sum of EUR 100 million to get more science teachers into secondary schools; 3) including technology as a compulsory subject in teacher training programmes; 4) establishing an online technology education portal (http://www.techniekpact.nl/).

This information is also used by policy makers to inform different aspects of employment policy, such as the updating of occupational standards. The information is also used to inform collective bargaining processes, for staff planning in public companies, or to devise incentives for employers or workers. Another common use is to inform re-training, on-the-job training programmes and/or apprenticeship schemes. For instance, in the Netherlands, both public and private employment services use the information to shape training policies for their beneficiaries (CEDEFOP, 2016b).

Information could be used more extensively by policy makers to inform migration policy. By identifying current or short-term future skill needs, skills assessment and anticipation information could – as in many OECD countries (OECD, 2016b) – inform migration policy. However, in the Netherlands, existing data available on skills assessment and anticipation information play only a marginal role in migration policy (OECD, 2016b; 2016d; EMN, 2015). Labour migration of third-country nationals is not used as a policy instrument to address skills shortages, and the policy measures used to address this challenge mainly provide for the existing supply of labour within the Netherlands (EMN, 2015). For example, unlike what is observed in many OECD countries (e.g. Australia, Canada, New Zealand and Sweden), in the Netherlands there is not a list of shortage occupations that gives priority to migrants with the skills needed in the labour market (OECD, 2016b; 2016d). For occupations that are typically hard to fill, employers are expected to keep a vacancy open for three months (instead of five weeks) before opening it up to non-EU/EFTA (European Free Trade Association) applicants, which is the longest period used in any OECD country. Moreover, migrants with skills in high demand in the labour market need to obtain a work permit and pass a labour market test as any other migrant, whereas in many OECD countries, these migrants typically benefit from simplified procedures for obtaining a work permit and the labour market test is typically waived (see OECD, 2016d for further information). Australia represents a good example on how skills needs information is used to inform migration policy (see Box 34).

Box 34. Australian skills occupation list and its use in migration policy

In Australia, the Department of Employment regularly identifies current skill shortages to construct a Skilled Occupations List (SOL). SOL is constructed with quantitative information collected through the analysis of recently advertised vacancies, as well as qualitative information collected through discussions with key stakeholders (e.g. employers). Occupations are classified as "in shortage", "in recruitment difficulty" or "no shortage", and divided by national, state/territory, and metropolitan area levels.

SOL is publicly available and widely used in a range of policies, including migration. For example, SOL information is used to decide which migrants can apply for permanent residency without having to be sponsored by an employer or family member, or be nominated by a state or territory government (e.g. Australia's Independent Skilled Migration programme). Migrants are awarded points based on several factors, including their skills and educational qualifications, and eligibility is determined if migrants reach a minimum cut-off of point.

Source: OECD (2016b), *Getting Skills Right: Assessing and Anticipating Changing Skill Needs,* OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264252073-en.

There is room for making fuller use of the information available by engaging high-level and senior policy makers. Different stakeholders[25] claim that policy makers are often not aware of existing domestic surveys and data sources. Moreover, sometimes policy makers do not use existing information because they find that data is not disaggregated enough, and often the way skills are measured and defined do not map to useful variables in the policy-making domain (see earlier sections of the chapter). Because of these reasons, policy makers typically prefer using international sources of data (see Box 28) that are more well known and allow for international comparisons.

Greater co-ordination across stakeholders could improve the relevance of skills assessment and anticipation exercises

The Netherlands has an "independent model" of governance, whereby SAA exercises are typically led and carried out by independent agencies.[26] For example, skills forecasts are conducted by an independent research institute (e.g. the ROA), and although other bodies, such as employer organisations, would like to be involved in the development of the forecast, they recognise the ROA's independence and the stability of the methods used as a valuable asset of the exercise (OECD, 2016b). This "independent model" is different from the "policy model" (i.e. where exercises are developed directly by actors who use the

information to develop policies and programmes) and the "hybrid model" (i.e. a mixture of the "independent" and the "policy" model) that is adopted in other OECD countries (for a more detailed definition of these models, see OECD, 2016b).

The "independent model" adopted by the Netherlands has advantages and disadvantages. The advantage is that exercises have the flexibility or broadness in scope to be applicable or useful by other actors (OECD, 2016b). Moreover, the independence of research institutions guarantees the objectiveness of the exercises and preserves the credibility of the results (Kriechel, Corvers, and Heijke, 2008). However, one risk with the "independent model" is that the level of aggregation and characteristics of the output are not necessarily useful for actors interested in using the information. For example, the level of aggregation may not be detailed enough at the sector or regional level (see earlier sections of this chapter). Another drawback of this approach is that there are too many exercises that often produce conflicting evidence, which (from the point of view of individuals and social partners) could result being confusing for final users, and (from the point of view of policy makers) may hinder consensus and undermine the development of a shared policy response (see earlier sections of this chapter). At the same time, this also reflects the uncertainty around making such assessments.

In this context, it is crucial to promote social dialogue in order to guarantee that information is translated into policy and practice. In all OECD countries, and especially in countries that adopt an "independent model" of governance, such as the Netherlands, it is important to create appropriate institutional mechanisms that bring together ministries, administrative levels, and other stakeholders. The involvement of relevant actors can ensure that information collected is aligned with the needs of final users. It is also fundamental for the development of a shared understanding of what are the key skills challenges being faced by the country, and it ensures the development of shared policy responses that are complementary and coherent with one another. It would also allow involved actors to compare assessments and forecasts and arrive at a consensus on what is a "most likely" scenario.

Developing effective skills policies requires collaboration across different ministries. Developing effective skills policies requires consideration of both demand and supply, and therefore it requires the involvement of several ministries. In the Netherlands – similar to other OECD countries, such as Australia, Estonia, Belgium (Flanders), and Sweden – inter-ministerial collaboration is not systematic, and occurs through informal meetings or on an ad hoc basis (OECD, 2016b). Despite being ad hoc in many cases, inter-ministerial collaboration is a long-standing tradition in the Netherlands, and has spurred the effective discussion of the results from skills assessment and anticipation exercises, as well as the development of policy responses (OECD, 2016b). Typically, the Ministry of Education, Culture and Science, the Ministry of Economic Affairs and the Ministry of Social Affairs and Employment are involved in the process, with the Ministry of Education, Culture and Science, taking a leading role. However, different stakeholders report that one of the main challenges to inter-ministerial collaboration is that ministries tend to have different objectives and priorities, which, as in other OECD countries, can hamper the development of a joint policy response (OECD, 2016b).

Using SAA information to develop effective policy responses requires dialogue and collaboration with regional and local actors. Involving actors from regional and local administrative levels is fundamental for validating the results of the exercises, and adding nuance to the conclusions reached. This is particularly important considering the large differences that exist across Dutch regions in the supply and demand of skills (see Figure 74). It is also important for the identification of policy challenges and formulation of policy responses. In the Netherlands, different administrative levels work together to discuss the findings of the skills assessment/forecasts exercises and develop a national and local policy response. In particular, collaboration across administrative levels has been successful when there has been a process to agree on the policy objectives, while leaving flexibility to local administrations to implement them under realistic time frames (OECD, 2016b).

Other stakeholders are also typically involved in the discussion of findings and in the development of a policy response. For instance, forecasts are discussed with employer organisations, trade unions, general education and VET providers, which take part in the gathering of qualitative information to check quantitative forecasts. Co-ordination mechanisms also exist at the levels of the institutions that collect the data. For ROA forecasts, for example, several co-ordination mechanisms exist internally, but also with external agencies, such as Statistics Netherlands, CPB, ministries, and academia. These stakeholders meet three times a year to discuss the findings of the skills forecasts. The Netherlands has also established sectoral bodies whose objective is to ensure that available training meets the need of employers and workers and to promote skills development. These bodies identify skills needs and develop training measures to address these needs. They also function as platforms for social dialogue by bringing together the government, social partners and training providers to discuss and mutually agree on policy measures (ILO, 2015).

Summary and policy recommendations

Skill assessment and anticipation information is needed to ensure that individuals, social partners and policy makers make choices that bring skills supply and demand into alignment. This is particularly important because although skills shortages and mismatches are low in the Netherlands by international standards, evidence shows that reducing them will still reap considerable economic benefits. Moreover, the skills demanded in the labour market are changing rapidly, which is putting additional pressures on labour markets and education systems. In this context, good quality SAA is important for ensuring that Dutch adults continue, in the future, to develop the right skills and regularly update their skills to meet changing skills demand. Good quality SAA is also needed to help firms make informed human resource planning choices that can lead to increased investment in training (see Challenge 2 on continuous skills development in adulthood) and a better use of skills at work (see Challenge 5 on skills use in the workplace).

Stakeholders in the Netherlands use skills needs information for different purposes. Skills needs information plays an important role for individuals to decide on their future careers and education/training paths. Trade unions and employer organisations typically use this information to lobby employment, migration, or education policy, and/or advise their members on skills to promote within their firms or among their workers. Policy makers typically use skills needs information to inform education and employment policy. There are good examples in the Netherlands illustrating that SAA information is being used extensively by different actors; however, in certain domains information is underused (migration policy), while in others information is not always tailored to users' needs.

Many SAA exercises are carried out in the Netherlands, but information gaps persist. Different institutions are involved in the production of skills needs information, including national and independent research institutes. Taken together, these exercises assess both current and future skills needs; provide information differentiated by regions, occupations or education levels; and combine different qualitative and quantitative methods and data sources. In addition to domestic exercises, many international institutions also carry out SAA exercises in the Netherlands. Despite the wealth of information available, however, some information gaps remain. For example, little information is available on employer needs, academic streams of education, and on private schools and institutions.

The dissemination of existing information could be strengthened. While the Netherlands has generally good dissemination practices compared to many other OECD countries, more could be done. For example, the recent digitalisation of the PES could pose challenges and may undermine the dissemination of skills needs information to jobseekers. Moreover, information available is often overly technical and not user-friendly, and therefore inaccessible to laypersons. Various efforts take place in parallel without being linked, and therefore information often remains dispersed across multiple sources.

Considering that exercises are typically led and carried out by different agencies, co-ordination across different stakeholders is crucial. Institutional mechanisms that bring ministries, administrative levels, and other stakeholders together already exist and are important for the development of a shared understanding of the key skills challenges being faced by the country, and for ensuring the development of shared policy responses.

There are several actions that government and social partners can take to improve SAA information in the Netherlands. Government should map the data it collects against the needs of information users to identify and fill information gaps. This would involve consulting further with users to better understand their needs. Government and other information providers should better tailor information to users with different needs and levels of understanding. Government and/other information providers should also develop a unique platform that brings together all information in one place and that provides entranceways for users with different needs – e.g. students, jobseekers and employers.

NOTES

20 Where high skills supply (percentage of people with post-secondary education) is matched by high skills demand (percentage of medium and high skills occupations and GVA per worker).

21 The balance between skills supply and demand is assessed in each local area relative to the national median, leading to an identification of regions facing skills deficit and surpluses, and those in high or low skills equilibrium (see OECD, 2014 for more information).

22 Stakeholders who participated to the interactive workshops organised by the OECD team in the context of the National Skills Strategy project; or stakeholders interviewed by the OECD team.

23 For example, see www.studiekeuze123.nl, www.kansopwerk.nl, and www.keuzegids.org. Another tool – the *studiebijsluiter* – provides students with information about career perspectives and other relevant factors.

24 https://www.cdho.nl/.

25 Stakeholders who participated to the interactive workshops organised by the OECD team in the context of the National Skills Strategy project; or stakeholders interviewed by the OECD team.

26 The distinction between the "independent model", the "policy model", and the "hybrid model" of governance is first discussed in OECD (2016b).

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CHALLENGE 9: BROADENING STAKEHOLDER ENGAGEMENT IN POLICY DIALOGUE TO FOSTER MORE EQUITABLE SKILLS OUTCOMES

HIGHLIGHTS

Stakeholder engagement is important for designing and implementing effective skills policies that deliver better skills outcomes for all. All actors with a stake in, and an influence on, skills outcomes should be encouraged to collaborate with government as part of a society that values and makes good use of its skills. Government, social partners and civil society in the Netherlands all need to broaden participation in skills policy dialogue to reflect the increasing diversity of society. Particular effort is needed to ensure the engagement of those groups in society that are underperforming in the development, activation and use of skills. These groups include people with low levels of education and skills, migrants, students, and people with disabilities, as well as those who are unemployed, employed on temporary contracts, or self-employed.

Stakeholder perspectives:

Stakeholders participating in Skills Strategy workshops held in the Netherlands commented that stakeholder engagement in post-initial education and labour market policies is underdeveloped and that certain population groups are not being effectively consulted. These include immigrants and refugees, as well as labour market "outsiders", such as the self-employed and temporary workers. Stakeholders noted that the absence of these groups from the process might mean that their needs are not being adequately met.

Recommendations:

- Traditional civil society organisations should broaden their membership to encompass those who are not well represented in public policy discussions.
- Government and social partners should reach out to groups not represented in public policy dialogue by making greater effort to encourage them (and make them feel welcome) to participate in established policy forums, as well as by undertaking targeted focus groups.
- National and local governments and social partners should be required to report on their efforts to engage under-represented groups in the policy development process.
- Government should evaluate its stakeholder engagement practices to learn from experience and improve future practice.
- Government, employers, employer associations, trade unions and other relevant stakeholders should commit in a skills agreement to improve engagement, especially of under-represented groups, in the development of skills policies.

Introduction

Stakeholder engagement is important for designing and implementing effective skills policies that deliver better skills outcomes for all. The engagement of stakeholders in policy making generates valuable input for evidence-based policy making, raises public commitment, and secures broad ownership of the outcomes, while increasing accountability (OECD, 2009).

Stakeholders participating in Skills Strategy workshops held in the Netherlands commented that stakeholder engagement in post-initial education and labour market policies is underdeveloped, and that certain population groups are not effectively consulted. These include immigrants and refugees, as well as labour market "outsiders", such as self-employed and temporary workers. Stakeholders noted that the absence of these groups from the process might mean that their needs are not being adequately met.

This chapter provides a brief overview of: 1) why stakeholder engagement is important; 2) current arrangements for stakeholder engagement in the Netherlands; 3) how the Dutch engagement model is evolving to reflect a more diverse society; and 4) what more needs to be done in the Netherlands to ensure that stakeholder engagement is inclusive, well co-ordinated and regularly evaluated.

Stakeholder engagement is central to developing policies that meet the needs of all

Governments and social partner intermediaries can benefit from engaging with the various actors who have a stake in, and an influence on, skills outcomes. These include employers, employee associations, youth and student associations, education and skills providers, and civil society organisations (Cerna, 2016). The experience, expertise and insights of such stakeholders are valuable resources, and their actions influence skills outcomes in every country.

Engagement refers to efforts to ensure that individuals, organisations and groups can take part in the policy-making process, both formally and informally. Engagement can take place at different points in the process, and includes information provision, consultation and active participation in policy making. Countries have adopted a wide range of arrangements to engage stakeholders in a constructive and collaborative way. These include information sharing, consultation, and formalised partnerships for involving stakeholders upstream (in planning and decision making) and downstream (in delivering programmes). Full engagement can include co-production, co-delivery and co-evaluation of policies. These involve shared powers between government and stakeholders, thereby increasing the level of stakeholder influence on policy making and buy-in to the outcomes. (OECD, 2001; OECD, 2009; OECD, 2015a, OECD, 2016a).

The Netherlands can build on existing structures for stakeholder engagement in economic and social policy

The Netherlands' government has a long-standing track record in engaging key economic stakeholders through consultative policy making. A strong feature of the Dutch tripartite or neocorporatist governance system is its polder model (*poldermodel*) that requires collaboration and consensus with stakeholders in designing government policy. Political decisions on economic and social policy are taken after deliberation and bargaining with the social partners, as represented in the Social and Economic Council (SER, *Sociaal-Economische Raad*) and the Labour Foundation (StvdA, *Stichting van de Arbeid*).

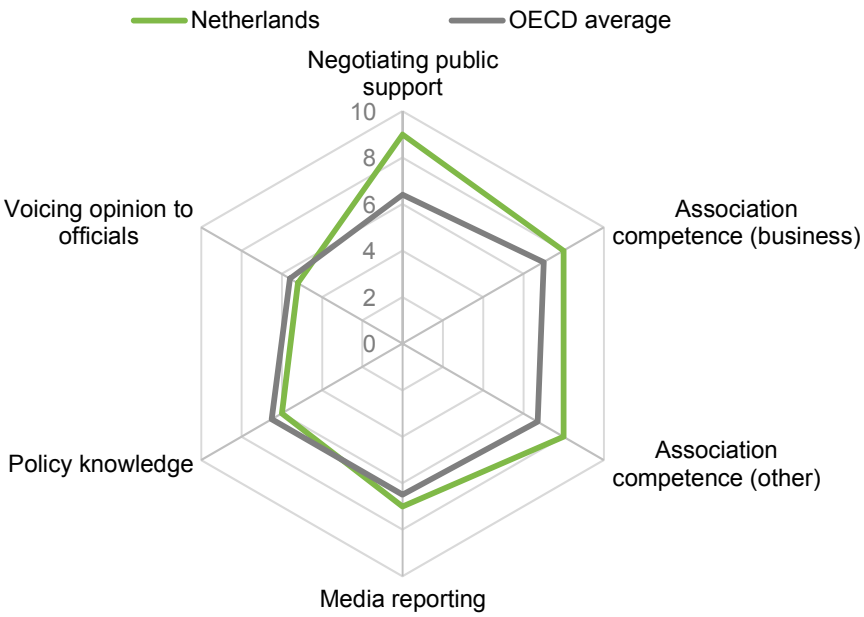
The polder model of consultation includes formalised negotiations and informal lobbying. It is not a static model, and has adapted to socio-economic circumstances over time. After the Second World War, consultation was centred on the government's centralised wage policy. After the 1982 Wassenaar Agreement, employer organisations and labour unions started to play a more important role, offering to co-operate on the policy trade-offs needed to solve problems facing the economy (ILO, 2004; Keune et al., 2016).

Consultative policy making is time consuming, but can yield high returns. While often lengthy, consultation processes can generate policy solutions that enjoy broad support and respect the interests of various groups in society, and therefore have a higher chance of being successfully implemented. The

consensus-oriented culture is distinctive for Dutch society compared to many OECD countries, and is reflected in a high level of trust by its people (OECD, 2014; Keune et al., 2016; Bertelsmann, 2016).

The negotiation of public support for government policy through societal consultation is a fixture of the Dutch governance system. Figure 77 (based on the Bertelsmann 2016 Sustainable Governance Indicators) demonstrates that the Netherlands performs well on several indicators of the government's executive capacity and accountability. Negotiating public support stands out at 9.0 compared to an OECD average of 6.4 (on a scale of 1 to 10). This indicator assesses how successful the government is in consulting with societal actors in the policy process, from the early stages of development through to implementation. Successful consultation is conceived as an exchange of views and information that increases the quality of government policies and induces societal actors to support them (Bertelsmann, 2016).

Figure 77. Governance indicators in the Netherlands, 2016



Note: 1 (worst) to 10 (best).

Source: OECD elaboration based on data from the Bertelsmann Foundation (2016), Sustainable Governance Indicators 2016, www.sgi-network.org/2016 (accessed on 17 November 2016).

Civil society in the Netherlands has an above-average capacity to influence government by offering alternative policies that are coherent and reasonable. The Netherlands performs above average on "association competence" (see Figure 77), which refers to the extent to which interest groups will draw on in-house or external research capacities to propose concrete policy measures and analyse the effects or costs and benefits of implementation (Bertelsmann, 2016). "Association competence" can be assessed for economic interest associations, such as employer associations, leading business associations and trade unions (Association competence – business) and for other, non-economic interest associations, such as social interest groups, environmental groups and religious communities (Association competence – other). In both cases, the performance of associations in the Netherlands is above average.

However, individuals in the Netherlands are not as actively engaged in government policy making as they are in other countries. The proportion of people who have voiced their opinion to a public official during the last month is lower than the OECD average. This indicator is an expression of individuals' engagement with government (see Figure 77). The same holds for the "policy knowledge" of individuals, which enables them to evaluate government policy making adequately. In the case of the Netherlands, the lack of knowledge is attributed to a public perception that political processes are complex or uninteresting. The

education level of individuals is found to be an important factor in their ability to process policy information (Bertelsmann, 2016).

A lack of in-depth information on government decision making does not seem to explain the lower engagement of individuals in the policy decision-making process in the Netherlands. The extent of media reporting by mass media at all stages of the decision-making process, including the preceding societal consultation, is above the OECD average (see Figure 77). High-quality information analysing government decisions is daily transmitted through Dutch public television and radio programmes, as well as through public and independent online media and independent newspapers (Bertelsmann, 2016).

The Dutch engagement model is evolving to reflect a more diverse society

The Netherlands, like many OECD countries, is witnessing a rapid change in its society and economy. Population ageing and migration are changing the composition of the Dutch population. The Netherlands' workforce will have to support a growing number of seniors who will live longer than in the past. The Netherlands had an old-age dependency ratio of 30.7% in 2015 – meaning almost 31 individuals aged 65 and over for 100 persons of working age – which was above the weighted OECD average of 27.3%. The old-age dependency ratio is projected to double to 53% in 2050 (OECD, 2015b). The Netherlands is also becoming a more diverse society. The foreign-born population has risen by 2.6% since 1993, reaching a total of 11.6% of the population in 2013 (OECD, 2016b). The economy is also changing rapidly, reshaping the skill requirements of jobs in the process (see the Introduction of this report). In addition, there is a high and rising number of workers in non-regular work arrangements, such as self-employed workers and workers employed with temporary contracts (see Challenge 4 for a more detailed discussion of the growth of non-regular work arrangements and their causes).

Membership in organisations that traditionally represented the interests of most people, such as political parties, trade unions, civil society associations and women's associations, has declined. While these traditional membership organisations continue to play a significant role in society, their membership base has been steadily ageing and declining (Sociaal en Cultureel Planbureau, 2014a). This trend threatens their ability, and therefore legitimacy, to represent all groups in public policy discussions.

Trade unions are becoming less representative of the working population. Trade unions exist to represent employees in social dialogue. However, overall membership has declined in absolute terms, as well as relative to the share of employees in the country. In absolute numbers, by 2015 membership had fallen 7.3% compared to 2010 and stood at 1.7 million (CBS Statline, data accessed 17 November 2016). Young employees and women, non-western migrants, employees in services, commerce and trade, as well as the self-employed and employees on temporary contracts, are all under-represented in unions (Sociaal en Cultureel Planbureau, 2014a).

Civic participation manifests itself in different ways to the past. The Netherlands Institute for Social Research finds that people no longer feel a need to join or commit to long-term obligations, such as membership in a political party or board. Instead, they engage in project-like initiatives or participate in incidental activities, such as crowd funding for a specific cause (Sociaal en Cultureel Planbureau, 2014b). With civic participation in the Netherlands manifesting itself in more ad hoc ways, it may become more difficult to assess whether all groups are represented in current policy dialogue.

In recent decades, established institutions in the Netherlands have been gradually reinventing themselves to stay relevant and become more inclusive. These institutions include governments at all levels, but also the key players in the Dutch "polder", such as the Social and Economic Council and trade unions. Change has been gradual and remains a work in progress, as recent strategy publications by government and social partners acknowledge (e.g. Raad voor het openbaar bestuur, 2015; FNV, 2016; Sociaal-Economische Raad, 2016a).

Government is soliciting individuals, firms and civil society organisations to help create a "participatory society". In 2013, the Dutch government announced its intent to transform the welfare state into a participatory society. The aim is to encourage individuals to take greater responsibility for their own well-being, with government providing basic support and care that people are not able to provide on their own (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2014). Public officials who formerly took the lead in designing public policy are now adapting their practices to allow for greater initiative by individuals, firms and civil society. This involves greater engagement with non-government actors, as well as increased use of public-private sector partnerships and citizen-led initiatives. (Raad voor het openbaar bestuur, 2015; Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2016) In recent years, several "social agreements" have been concluded between the government, social partners, public institutions and private companies to implement public policy (see Box 35).

Box 35. Designing and implementing public policy in partnership with stakeholders in the Netherlands

A notable innovation in public governance introduced in recent years was the introduction of social agreements, which have been concluded between the government, social partners, public institutions and private companies to implement public policy. Stemming from the absence of solid support for the coalition governments in the two chambers of Parliament, these societal coalitions have served to implement new policies in areas such as skills, pensions, housing, and energy. These social agreements are a pragmatic response to the current political environment, but at the same time they serve to advance a networked society that values greater stakeholder participation in policy development. The following are some examples of social agreements:

National Technology Pact (*Nationaal Techniekpact*): In early 2013, social partners together with government and education providers agreed to join forces to tackle the persistent lack of qualified professionals in science and technology at all education levels. In view of the rising importance of digitisation, robotisation and 3D-printing in several important economic sectors in the Netherlands, a shortage of technical personnel was deemed to be a growing concern for the economy of the present and future. Sixty partners signed the pact to help boost the influx of students in STEM-fields by 40%. On behalf of the government, the ministers for Economic Affairs, Education and Social Affairs joined together to support the achievement of this target. The pact contains goals that all partners agree on and contribute to, and was renewed in 2016 to include goals for sustaining employability of STEM employees and ensuring transferability of their skills from declining to growth markets.

National Dialogue on Pensions (*Nationale Pensioendialoog*): In view of societal changes, such as an ageing population and the increasing number of workers hired on temporary contracts, the equity and sustainability of the current pension system is under scrutiny. As revisions to the pension scheme would affect the entire working population and retirees, in 2015, the Ministry of Social Affairs and Labour chose to organise a national dialogue on pensions in order to give the Dutch people a say. The dialogue was conducted by means of nine regional sessions organised by the government, sessions organised by civil society organisations, and an online consultation that produced 900 individual opinions and ideas. The results of the national consultation were translated into five possible future models for the Netherlands' pension scheme, which were discussed by the Council of Ministers and sent to Parliament in a letter with guiding principles for reforming the pension scheme. The Ministry of Social Affairs will use these as the basis for policy development, including further consultation.

Energy Agreement (*Energieakkoord*): In 2013, a national agreement on sustainable energy was signed by over 40 organisations representing public and private stakeholders. The partners include government, employers, trade unions, environmental organisations, civil society and financial institutions. The stakeholders agreed on a series of goals related to reducing energy consumption, using clean technology and addressing climate change. Representatives of the parties in this energy coalition form a governing board that is housed within the Social and Economic Council, and are responsible for monitoring the implementation of measures in order to reach the objectives of the Energy Agreement.

Sources: Platform Bèta Techniek (2016), Techniepack webpage, www.techniekpact.nl (accessed on 17 November 2016). Ministerie van Sociale Zaken en Werkgelegenheid (2016), Ministry webpage http://denationalepensioendialoog.nl (accessed on 17 November 2016).Sociaal-Economische Raad (2016b), Agreement on Energy for Sustainable Growth webpage, www.energieakkoordser.nl (accessed on 17 November 2016).

Efforts to ensure the public engagement of hard-to-reach groups are particularly vital for the relevance and equity of government policies. Government and social partner institutions are reforming to stay relevant and are coming up with more inclusive forms of public engagement that garner support in the public and private sectors. However, there is little evidence of specific efforts to include at risk groups in engagement processes across the board. There are some good examples of efforts in the Netherlands to include these stakeholder groups in skills-related policy development (e.g. Box 33 regarding labour market policies), but the efforts are discretionary and therefore not consistently used. If government, social partners and civil society are serious about making optimal use of human capital in the Netherlands, it is vital that the needs of under-represented groups in post-initial education and the labour market are known and met in the design and implementation of policies.

Box 36. Ensuring broader consultation within the polder model to ensure the relevance

The Social and Economic Council of the Netherlands (SER) advises the Dutch Government and Parliament on key points of social and economic policy. It also undertakes activities arising from governance tasks and self-regulatory matters, and functions as a platform for discussions of social and economic issues. The council consists of independent Crown-appointed members, employers, and employees. SER has set up a large number of committees and working parties to carry out its tasks and prepare its advisory reports.

As an advisory and consultative body composed of employer representatives, union representatives and independent experts, SER helps create social consensus on national and international socio-economic issues. Although established by law, SER is not a government body and is financially independent of the government. The council's most important source of income is the contribution it receives from the General Unemployment Fund (*Algemeen Werkloosheidsfonds*, AWf).

In recent years, SER has been striving to include certain target groups from its policy briefs to a greater extent in the preparatory phase than is formally required.

For advice on the inclusion of young people with disabilities in the labour market (*Meedoen zonder beperkingen*, 2007), SER organised a roundtable discussion with representatives of support or expert organisations, and one disabled experience expert.

Interviews with young people with developmental or behavioural difficulties and their caretakers were used to illustrate the council's advice on the labour market inclusion of these young people (*De winst van maatwerk*, 2009)

The SER working group studying the poor labour market performance of young migrants consulted the target group, teachers, experts and employers for its 2013 publication *Maak baan voor een nieuwe generatie*.

SER has also evolved to provide a platform for key stakeholders to develop 'pacts' or 'agreements' on complex policy challenges in areas such as energy that require concerted public and private action (see Box 9.1).

Source: Sociaal-Economische Raad (2016c), The Social and Economic Council of the Netherlands webpage, www.ser.nl (accessed on 17 November 2016).

Broadening stakeholder engagement in skills-related policy making could take many forms. Engagement can improve the quality of decision making by reaching out to all relevant stakeholders (OECD, 2009). There are many ways to engage stakeholders at various stages of the policy process, including agenda setting, assessing policy options, and implementation. Regardless of the stage, for public engagement to be effective, the objectives of engagement must be clear and meaningful – i.e., actually influence policy design. If the goal of engagement is to improve skills outcomes among under-represented groups in society, then an effective approach might combine strengthening the capacity of these groups to engage with government, and introducing reporting requirements to demonstrate that target groups have been consulted. This might entail:

- Requiring ministries/municipalities to report on their outreach efforts and engagement of under-represented groups when developing policy options.

- Encouraging ministries/municipalities to establish focus groups or panels to assess the impact of policy measures on specific groups.
- Establishing partnerships with civil society organisations that work directly with under-represented groups.
- Requiring education and skills providers to implement user-centred design when drawing up new programmes and services for people to develop and use their skills.

The Dutch government and social partners should ensure that stakeholder engagement is inclusive, well co-ordinated and regularly evaluated

The OECD's guiding principles for open and inclusive policy making are widely cited and used in OECD countries when examining how public engagement can be designed to improve policy performance. These guiding principles cover: commitment, rights, clarity, time, inclusion, resources, co-ordination, accountability, evaluation and active citizenship (OECD, 2001; OECD, 2009). While the Netherlands is a high performer in most areas, on the basis of available evidence and the stakeholder discussions conducted in the course of this project, three areas appear to deserve closer attention: inclusion, co-ordination and evaluation.

Inclusion
All citizens should have equal opportunities and multiple channels to access information, be consulted and participate. Every reasonable effort should be made to engage with as wide a variety of people as possible.

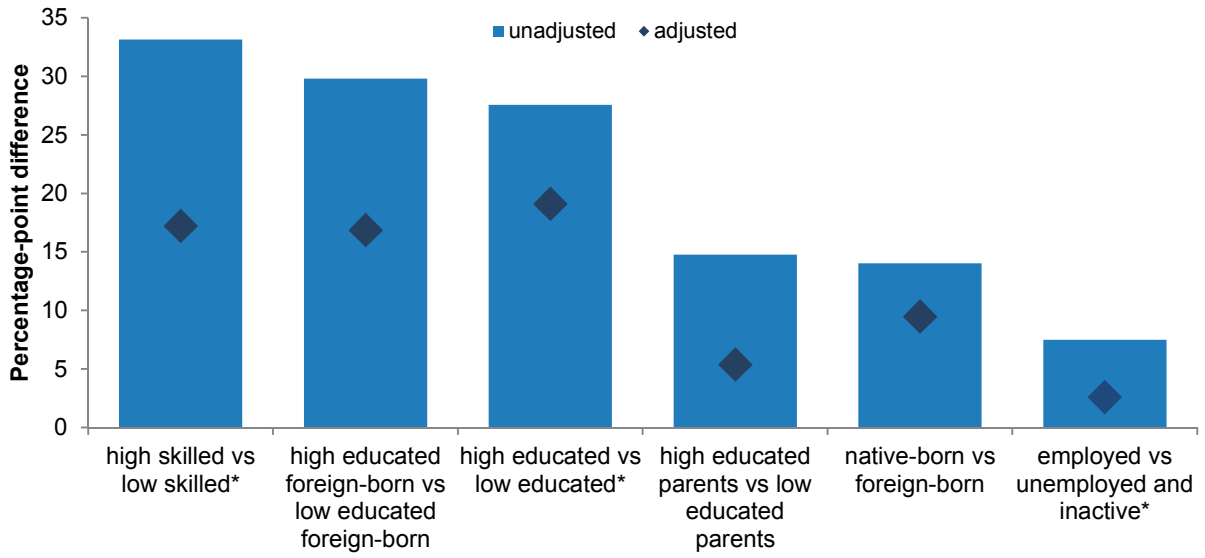
Peoples' sense of political efficacy is critical to their willingness to participate in policy dialogues. The basis for individuals' participation in consultation processes is their interest in political issues and trust that the government will use their input well (OECD, 2009). In other words, individuals' sense of being able to influence the political process, also known as "political efficacy", is an important factor for their decision to engage in policy processes.

People with lower levels of education and skills are less likely to participate in policy dialogue. The Survey of Adult Skills (PIAAC) finds that in the Netherlands (Figure 78), as in other OECD countries, people with lower levels of education and skills are less likely to report having a sense of political efficacy. Both native and foreign-born adults are more likely to participate in policy dialogue when they have higher levels of education. After adjusting for a number of explanatory variables, low-educated adults are still 19 percentage points less likely than their high-educated peers to report high political efficacy. This pattern is also true for foreign-born individuals. Low-skilled adults are 17 percentage points less likely than their high-skilled peers to report high political efficacy.

Socio-economic and migration status are also important for a sense of political efficacy, although the relationship is weaker. When adjusted for characteristics such as age, gender, education and migration status, adults with low-educated parents (a measure of socio-economic background), are more than 5 percentage points less likely to report high political efficacy than adults with high-educated parents. Foreign-born adults are almost 10 percentage points less likely to report having high political efficacy than their native-born peers. However, there is no significant difference between adults in employment and those unemployed or inactive.

Figure 78. Adults' education and skills levels matter for their reported political efficacy

Adjusted and unadjusted difference between the percentage of adults who report high levels of political efficacy and adults who reported low levels of political efficacy by their skills, immigrant background, education level, employment status, Netherlands, PIAAC 2012, 2015



How to read this chart: High-skilled adults are 33 percentage points more likely to have reported high levels of political efficacy than their low-skilled peers. After adjusting for age, gender, education, migration status and parents' educational attainment, the association remains strong (17 percentage points difference).

Notes: Statistically significant differences are marked in a darker tone. Adjusted differences are based on a regression model and take account of differences associated with the following variables: age, gender, education, immigration status and parents' educational attainment.

Low skilled are defined as those who score below level 2 in literacy or numeracy in PIAAC; highly skilled are those who score above level 2 in literacy and numeracy. Low educated are those with an ISCED 1, 2 or 3C short qualification. High educated are those with qualification above ISCED 5.

Source: OECD calculations based on OECD (2017), OECD Survey of Adult Skills database (PIAAC) (2012, 2015), OECD, Paris, www.oecd.org/skills/piaac/ (accessed March 2017).

These groups and others are at risk of exclusion in skills-related policy making. Previous chapters of this report have shown that a number of groups in the Netherlands perform comparatively poorly regarding skills development (Challenges 1 and 2), activation (Challenges 3 and 4) and use (Challenge 5). In order to improve their skills outcomes, targeted policy measures may be needed to address their unique needs. However, successful targeting requires that policy design takes into account the perspectives and first-hand experiences of these groups.

People without a strong attachment to the labour market also risk exclusion from public policy discussions. Challenges 3 and 4 provide evidence that a growing number of individuals are long-term unemployed, discouraged from employment or employed on temporary contracts, employed part time or self-employed. Since these individuals are less likely to be represented by a union or other association, they may find it more difficult to make their perspectives heard (see opening paragraphs of the chapter). For example, self-employed workers are less likely to belong to representative associations. Moreover, membership is dispersed between the self-organised associations that originally started voicing their concerns, and the traditional trade union federations that more recently have started to represent them. Consequently, in relative terms, the self-employed continue to lack effective representation in policy dialogue. In addition, it is difficult to tell whether different kinds of self-employed people, such as the low and high-skilled, are equivalently

represented. Similarly, the unemployed and discouraged workers have limited means or incentives to organise and make their perspectives heard.

Along with being, on average, less skilled and less attached to the labour market than their native-born counterparts, migrants face additional barriers to their representation in policy discussions. For migrants, a lack of knowledge or mastery of the Dutch language will limit their ability to engage with policy-making processes. Another barrier may be their lack of familiarity with and participation in established representation organisations, such as trade unions, political parties and civil society organisations. In addition, their lack of established and recognised organisations and interlocutors to represent their interests to government may be another barrier (Dayton-Johnson et al., 2007). Skilled labour migrants are also hampered in their ability to engage in policy discussions by their more limited duration in the country – only about one in three will still be in the Netherlands five years after their arrival (OECD, 2016c). This group of knowledge workers will have more limited opportunities and incentives to participate in civil society.

Young people, especially low-educated and vulnerable groups, are not routinely consulted in policy processes relating to education and the labour market. There are several associations representing young people at the national level, including the national youth council (NJR) and student union federations. Political parties and trade unions also typically have youth wings. NJR has raised the lack of consultation of young people in policy dialogue as an issue, proposing that there should be a "consultation law" that obliges policy makers to consult youth (NJR, 2015). The United Nations Committee on the Rights of the Child has recommended that the Netherlands' government develop toolkits for the public consultation of children on national policy development to standardise such consultations with the aim of achieving a high level of inclusiveness and participation (United Nations, 2015). Young people in general participate less in policy dialogue than adults. Their active participation in youth councils and unions is based on self-selection, and therefore not necessarily representative of socio-economic backgrounds. Students and young people with lower levels of education and vulnerable youth are rarely consulted by policy makers, which results in policies that do not meet their needs (Aalberts, 2006; Kâhya and Sheikhi, 2009; van Engelen, 2016). For hard-to-reach groups of youth, such as those not in employment, education or training (NEET), no dedicated associations representing them exist. Efforts to include them in skills-related policy discussions would require new approaches, such as through focus groups, and considerable effort. Whereas Dutch seniors are represented by a dedicated political party in Parliament, no such party exists for young people. Given that youth are the future of the Netherlands, even more so in an ageing society, it should be a particular concern for the multi-issue political parties in Parliament to engage a more heterogeneous group of youth to be able to represent their particular needs in policy debates.

Efforts are needed to lower thresholds for those willing but unable to participate in stakeholder consultations, and to ensure their active engagement. Government and social partners should strive to establish greater representation in established arenas for skills policy, and undertake targeted outreach efforts to under-represented groups when developing and implementing policy.

1. Establishing broader representation in established arenas for skills policy

At the national level, certain vulnerable groups may not be equipped to organise themselves to influence public policy. In the case of the dialogue on lifelong learning, for example, not all relevant stakeholders are represented at the national level. There are a lack of spokespeople or associations representing the very diverse population of adult educators and learners. Institutional stakeholders, such as trade unions and employer organisations, will speak of lifelong learning in a general sense, but professionals, volunteers and learners are rarely heard in such debates (van Dellen et al., 2016).

The lack of representative associations for certain groups at the national level may also be reflected in issues at the local or firm level. For example, only workers with employment contracts of a duration over one year are entitled to take a seat on the works council of a company, while workers on temporary contracts and the self-employed are not entitled to vote or take a seat (Sociaal-Economische Raad, 2012).

The decentralisation of skills-related policies highlights the need to also ensure the representation of disadvantaged groups at the sub-national level. There has been a movement in the Netherlands to decentralise government tasks to municipalities, especially in the areas of social and labour market policy. In 2015, municipalities took over responsibilities from the national government for health and care services for youth, the disabled and the elderly, as well as employment services for disadvantaged and unemployed people. This raises the question of whether public engagement in these policy areas is well established in municipalities, and whether they have adequate resources, training and capacity to conduct engagement.

Establishing broader representation in discussions about skills policy at the national and sub-national levels should be a priority for government and social partners. Government should be obliged to consult with organisations representing groups at risk of exclusion in education and labour market policies through their representation on working groups and other consultative bodies. Trade unions should do more to ensure that their membership is representative of the working population, and commit to attracting those groups currently under-represented, such as young employees, women, migrants, and employees on temporary contracts. Employer organisations should be committed to contributing to an inclusive and equitable labour market, highlighting good practices from firms that ensure the sustainable employment of vulnerable groups.

Some municipalities are experimenting with new types of public consultation to ensure better engagement. These include civic forums like the G1000-councils, in which the local government invites a randomly selected group of individuals to brainstorm and deliberate policy solutions. However, pilot projects have demonstrated that these forums are not more inclusive than traditional governance structures. While invitations are randomised, actual attendance is based on self-selection, which results in a biased attendance – i.e., the people who join a G1000-discussion are those with an inherent interest in politics (Boogaard and Michels, 2016; Rusman, 2016). To support stakeholder engagement in policy processes, municipalities could turn to the Association of Dutch Municipalities, although the guidelines that they publish do not make mention of the need for inclusiveness as such (Actieprogramma Lokaal Bestuur, 2014).

2. Undertaking targeted outreach to under-represented groups when developing and implementing policy

Governments and social partners need to undertake targeted outreach activities to ensure that the voices of vulnerable groups are heard. Given the Netherlands' strong performance, on average, in skills development, activation and use, doing better still will mean raising the performance of vulnerable populations. However, by definition it is challenging for vulnerable populations to have their voices heard. Therefore, if government and social partners want to further raise the skills performance of the country, they need to consciously and proactively devise ways to consult vulnerable populations.

Establishing which level of government needs to address gaps in the skills system is an important first step for the inclusion of under-represented groups. For example, the Ministry for Social Affairs and Employment's Inspectorate concluded recently that vulnerable groups, such as NEETs and the long-term unemployed, are currently not registered by either local governments or the national Employee Insurance Agency (UWV). As a result, they run the risk of being unidentified and, therefore, unrepresented in the system (Inspectie SZW, 2015; de Groot and Roerdink, 2015).

Reaching out to under-represented groups to include their voices in policy discussions requires time and effort. Outreach activities need to be tailored to the specific needs of the population in order to lower their threshold for participation. This could include inviting individuals from under-represented groups to relate their experience (e.g. at roundtables or stakeholder events), researching specific skills needs (e.g. in on-on-one interviews with individuals, or by holding focus groups on skills issues), improving their representation at the local level (e.g. in a local youth council), or promoting networking opportunities (e.g. employee volunteer work at community organisations, work visits to migrant associations). Inspiration may be drawn from other OECD countries that have succeeded in engaging under-represented groups in skills-related policy design and implementation, including service delivery (see Box 34).

Migrants and refugee groups could benefit from local initiatives to strengthen their engagement with policy issues. The Knowledge Platform on Integration and Society is a government funded programme supporting the production and dissemination of knowledge on integration, migration and societal diversity. In order to promote the active participation of migrants, the Dutch government facilitates local activities through community organisations and self-organised groups. An inventory of good practice on participation projects shows that inclusive approaches at the community level lower the threshold for participation by offering a specific approach in the local context. Factors for success include informal and personal contact, seeking out key people and community organisations from the target group, and offering tailored solutions that are respectful to differences between people (Razenberg, 2016). Good practices like these could be copied more widely and used for engaging these groups in skills-related policy measures that affect their lives.

Box 37. Case studies for engaging under-represented groups in skills policy design and implementation

Including all groups in society in the policy process is an important prerequisite for inclusive governance and growth. An inclusive governance model requires a whole-of-government approach that overcomes policy silos throughout the policy cycle. Special attention must be paid to give under-represented groups a voice in the design and implementation of public policies, including service delivery, and to ensuring accountability through policy evaluation (OEDC, 2016d). A recent OECD report on open government finds that countries are increasingly using open government and citizen participation practices to achieve broader policy objectives, such as good governance and inclusive growth, rather than as a goal in themselves (OECD, 2016b).

The following case studies show how governments have succeeded in fostering the inclusiveness of particular groups, specifically in skills policy design and implementation.

"The Career Cluster Model" to boost the employment of low-skilled and disadvantaged youth (United States)

In the United States, states and localities are focusing their workforce and education programmes on career pathways and clusters. Cluster and pathway approaches are important in an increasingly complex and fragmented labour market where employees no longer move in a straight line within one company, but rather move vertically and horizontally around a set of jobs. Education and workforce agencies help map and build skill pipelines for key industries.

The state of Maryland started working on career clusters in 1995 under the School to Work Opportunities Act. Employer involvement is key in Maryland's initiatives. Business executives from different sectors were brought together to inform education policy makers about their bottom line – how they made money and what they needed to be successful. This was particularly important as students were graduating, but many were not finding jobs out of high school as a large number of companies would not take interns under 18 years old. Administrators, counsellors, and faculty members are using the career cluster system to develop programmes that extend from high school to two-and four-year colleges/universities, graduate schools, apprenticeship programmes and the workplace. Although the cluster framework was originally developed for high schools and young people, it is now being adopted by Workforce Investment Boards and other programmes serving adults.

Improving women's access to municipal services and employment (Canada)

In 1999, the Ottawa-Carleton regional municipality established a working group on women's access to services and employment as part of the government's endorsement of the International Union of Local Authorities declaration on Women and Local Government. The working group consisted of representatives from various city departments, women's organisations and university researchers. During 20 focus group discussions, a total of 162 women from native and foreign-born communities in Ottawa were consulted on municipal services, including employment access and maintenance. Since 2004, the city-community partnership, City for All Women Initiative, has been tasked with conducting research to identify best practices in other cities, nationally and internationally, on the inclusion of the full diversity of women in planning and decision making. The organisation hosts ten Women's Action Forums a year at city hall, discussing municipal issues that directly impact women's daily life, including childcare, public transport, food, employment and housing.

Box 38. Case studies for engaging under-represented groups in skills policy design and implementation *(cont.)*

Local action plan for employment and education (Austria)

Munderfing is a rural community of about 2 700 people in Upper Austria. In 2003, the municipality initiated a local action plan for employment and education (*Lokaler Aktionsplan für Bildung und Beschäftigung*). Key players at the local and regional levels were to be involved in intensifying various forms of co-operation in order to improve employment and drive economic growth in the community. Special attention was paid to including parents in the process, as childcare was one of the policy areas concerned.

Council officials talked to informants beforehand to make sure that key stakeholders would be included in the consultation. Over 50 stakeholders took part in the Munderfing Local Conference for Employment and Education, including firms, the local employment exchange, the local chamber of commerce, schools, parents and interested individuals. Standards for long-term local employment and economic policy were defined, and strategies developed, for example to establish links between local firms and schools. In the workshop that followed, seven specific projects took shape, including a network for labour participation of unemployed and mothers returning to work. The municipality invested in setting up a local network of people willing to work on implementing the action plan in the long term.

Engaging elderly people in health services design (Finland)

To improve service delivery to elderly people and improve elderly care, Finland uses the concept of the Living Lab, an innovative structure that involves different stakeholders in testing and developing user-driven products. It resulted from the co-operation of the social and health services of the City of Pori, based on their need to find more efficient models for elderly care. The purpose is to test and develop technological solutions to provide a better quality of life and dignity for elderly people, as well as to improve safety, prevent loneliness and support elderly people who live at home.

The Living Lab provides an environment where citizens (elderly people, relatives and elderly care professionals) participate actively in the development and usability testing of welfare technologies, along with service professionals and technology companies. Testing also takes place in real-life contexts, i.e. in elderly people's homes.

The Living Lab provided information on the latest technology solutions for public healthcare to support procurement; improved nursing processes and the technological skills of elderly care personnel; and increased co-operation between elderly people, relatives and nursing personnel and supported home care. It has improved business opportunities, developed user-driven innovations, and facilitated co-operation between municipalities, business and other stakeholders.

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Co-ordination

Initiatives to inform, consult and engage civil society should be co-ordinated within and across levels of government to ensure policy coherence, avoid duplication and reduce the risk of "consultation fatigue". Co-ordination efforts should not stifle initiative and innovation, but should leverage the power of knowledge networks and communities of practice within and beyond government.

Skills policies are developed at different levels of government. Public authorities at all levels have a need and an interest to include stakeholders in the development of policies related to the development, activation and use of skills. By engaging with these groups, decision makers can ensure that measures are better tailored and more effective.

Alignment between levels of government is required to ensure coherence in policy development and implementation. Many government policies related to the post-initial development of skills and the activation of skills in the labour market have been decentralised to the level of municipalities. The report by the SZW Inspectorate, mentioned earlier in this chapter, offers an example of the need to establish coherence between the different levels. However, many municipalities have raised concerns that they are not yet fully equipped to cope with these new responsibilities (Divosa and VNG, 2015; Binnenlands Bestuur, 2016).

The Netherlands' government is obliged by law to involve citizens in its decision-making processes. Figure 77 shows that the Netherlands ranks higher than most OECD countries when it comes to societal consultation. The obligation for all governmental institutions to involve stakeholders in decision making is also laid down in several laws. For example, the legal right for individuals to be involved in decisions at the local level is established in the Additional Protocol to the European Charter of Local Self-Government on the right to participate in the affairs of a local authority, which the Netherlands has chosen to ratify (Council of Europe, 2016).

Better co-ordination is needed between levels of government to avoid "consultation fatigue" among individuals and civil society. Co-ordination of the many stakeholder engagement initiatives across ministries and levels of government appears to be especially relevant in the case of the Netherlands, considering the breadth and extent of public participation in decision making. Therefore, it is disconcerting that the Netherlands scores below the OECD average on inter-ministerial co-ordination (6.8 versus 7.2, on a scale of 1-10) in the Sustainable Governance Indicators 2016. This low score is based on a lack of co-ordinating capacity within the Ministry of General Affairs, resistance among certain departments to work with others, and the frequency and complexity of coalition governments (Bertelsmann, 2016).

Insufficient effort is made to co-ordinate the consultation efforts of government. Although involving stakeholders in decision making is a requirement, there is no evidence to suggest that efforts by governments in this area are co-ordinated. For example, the national monitoring survey of local government activities regarding public engagement compares the nature of activities within municipalities, but does not review their capacity for co-ordination with other municipalities or other levels of government (Domingo, 2016). This may result in stakeholder fatigue and cynicism, which will negatively impact the quality of engagement.

A shared language to describe stakeholder engagement in the Netherlands could be a first step towards better co-ordination. The terminology used for similar activities differs between government entities, making it difficult to compare public engagement efforts, especially between the national, provincial and local levels. Terms used in Dutch include: *burgerparticipatie* (civic participation), *inspraak* (participation, usually by individuals in local government), *participatieve beleidsvorming* (participative policy development), *interactieve beleidsvorming* (interactive policy development), *medezeggenschap* (participation, usually by students and staff in education institutions or employees in firms), and *publieksparticipatie* (public participation).

Regulatory policy is the one area in which stakeholder engagement is consistently used in the Netherlands, and provides lessons for how engagement on skills policies can be improved. Regulatory policy is about achieving government objectives through the use of regulations, laws, and other instruments to deliver better economic and social outcomes, and thus enhance the life of individuals and business (OECD, 2010; OECD, 2014). The Dutch government has created a portal for the public consultation of stakeholders on laws and regulations that are in preparation by government or Parliament (www.internetconsultatie.nl). The online consultation of stakeholders increases transparency in policy making, as well as opportunities for public engagement and the quality of laws and regulations. In regulatory policy, spatial planning is an area that requires extensive public consultation. The consistent use of stakeholder engagement in this area invites critical reflections on its benefits and limitations, such as the Netherlands' Institute for Social Research's essay on ensuring public participation in the policy-making process for the new 2018 spatial planning law (Sociaal en Cultureel Planbureau, 2016). The Netherlands would benefit from a similar global analysis of stakeholder engagement regarding skills-related policies. This would ensure that the public is included at all levels, and that their engagement with the policy process would not be under or overused.

Evaluation

Governments need the tools, information and capacity to evaluate their performance in providing information, conducting consultation and engaging citizens, in order to adapt to new requirements and changing conditions for policy making.

Considering the significant investments made in public engagement, evaluation of the outcomes and satisfaction with the process is important. The Dutch people are demanding greater transparency and accountability from their governments. And as governments develop new ways to inform and include the public in policy making, it is important to evaluate whether they are effective. Governments should strive to learn from experience to improve future public engagement initiatives (OECD, 2005).

The national government is aware that it needs to do more to encourage public participation. In its policy review for the period 2007 to 2011, the co-ordinating Ministry of the Interior found that the government was failing in its role to promote public participation beyond the policy agenda setting stage. Despite decades of work on different aspects of public participation, the Ministry found that overall progress has been limited due to the tendency of governments to be directive rather than receptive in their communications with people. Furthermore, the Ministry found that officials who organise consultations are mainly interested in building public support, and less concerned with increasing the quality and relevance of government policies through stakeholder engagement (Ministerie van Binnenlandse Zaken, 2012). The Ministry's policy review for 2012 to 2016 was announced to Parliament for 2017.

Public dissatisfaction with stakeholder engagement shows that there is room for improvement. On the basis of a public consultation in 2008, the national ombudsman published a report on public engagement in local government policy. The complaints from individuals included fake consultations, late involvement, ignoring public input and a lack of information. On the basis of these findings, the ombudsman has issued guidelines for municipalities. These include advice for local councils to be clear in their choices for public participation, and for officials to show genuine interest for the input that it generates and be constant and comprehensive in the information provided during the participatory process (De Nationale ombudsman, 2009).

There are few comprehensive evaluations of stakeholder engagement. The 2008 evaluation by the national ombudsman is the only one of its kind. Since then, there have been no comprehensive evaluations of public engagement in policy processes in the Netherlands. All evaluations are conducted either in a single thematic area or for a specific level of government. The Netherlands Institute for Social Research finds that local consultation efforts by governments are difficult to evaluate or make visible to the public as they come in a variety of forms. Moreover, public policy dialogue now focuses singularly on promoting active citizenship (i.e., promoting participation of citizens in their local environment through volunteering and other activities) and not on public participation in the policy-making process (Sociaal en Cultureel Planbureau, 2014b).

Tools and guidelines for stakeholder engagement are available, but whether they are used to improve practices is unclear in the absence of systematic evaluation. Recurrent evaluation could establish whether stakeholder engagement in skills policy is becoming more inclusive over time, and which approaches work best in reaching under-represented groups. Evaluation should not only focus on the active participation of people in society, which is the current policy concern, but also address the engagement of stakeholders in the policy-making process.

Summary and policy recommendations

Actors with a stake in, and an influence on, skills outcomes should be encouraged to collaborate with government as part of a society that values and makes good use of its skills. Government needs input and commitment from stakeholders, including employers, trade unions, student associations, education and skills providers and civil society organisations, in order to design and implement effective skills policies. Establishing consistent and inclusive consultation in skills policy processes, from the early stages of development through to implementation, requires investment from governments, social partners and civil society.

Government, social partners and civil society need to broaden participation in skills policy dialogue to reflect diversity in society and the economy. Effective skills strategies are founded on whole-of-government and whole-of-society approaches. Therefore, government, social partners and civil society need to take steps to ensure the engagement of individuals who are not already engaged in skills policies and who are, typically, those whose skills performance is most in need of improvement. Given that these groups often lack representation in traditional forums for policy dialogues, this will mean undertaking measures to boost their participation in established forums, and outreach activities to ensure that their voices are heard.

Particular effort is needed to ensure the engagement of those groups in society that are underperforming in the development, activation and use of skills. These groups include people with low levels of education and skills, migrants, students, and people with disabilities, as well as those who are unemployed, employed on temporary contracts, or self-employed. Local and national governments and social partners should ensure that individuals from under-represented groups are included in policy dialogue at the relevant level. Efforts are needed to lower thresholds for those willing but unable to participate in stakeholder consultation to contribute their perspective on skills policies.

Greater co-ordination is required across government to ensure that they are engaging civil society effectively and efficiently. Given the wide range of ministries and levels of government with an impact on, and interest in, skills outcomes, more collaboration is required to ensure that engagement exercises make effective use of the time and resources of stakeholders.

There are several actions that government, social partners and civil society can take to improve engagement in skills policy development and implementation, especially among groups that are not faring well. Traditional civil society organisations should broaden their membership to encompass those who are not well represented in public policy discussions. Government and social partners should reach out to groups not represented in public policy dialogue by making greater efforts to encourage them (and make them feel welcome) to participate in established policy forums, as well as by undertaking targeted focus groups. National and local governments and social partners should be required to report on their efforts to engage under-represented groups in the policy development process. In addition, government should evaluate its stakeholder engagement practices to learn from experience and improve future practice.. For example, the Ministry for Social Affairs and Employment's Inspectorate concluded recently that vulnerable groups, such as NEETs and the long-term unemployed, are currently not registered by either local governments or the national Employee Insurance Agency (UWV). As a result, they run the risk of being unidentified and, therefore, unrepresented in the system (Inspectie SZW, 2015; de Groot and Roerdink, 2015).

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OECD Skills Strategy Diagnostic Report **Netherlands**

Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

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- skills.oecd.org/ for OECD work on skills.

Further reading

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