OECD Reviews on Local Job Creation

Policy Options for Labour Market Challenges in Amsterdam and Other Dutch Cities

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Foreword

Although unemployment rose to 6.5% in the Netherlands in the wake of the COVID-19 shock, the labour market quickly returned to pre-pandemic levels. Amsterdam and the Netherlands are now facing an unprecedented level of labour market tightness. In the first quarter of 2022, 19 of the 35 regions in the Netherlands reported more than four job vacancies for every short-term unemployed. Amsterdam experienced an even larger shortage of workers with only one short-term unemployed worker available for every six job openings.

Tight labour markets provide opportunities for municipalities in the Netherlands, to address long-term unemployment and assist the economically inactive into the labour market, including through stronger engagement with employers. However, to deliver on these goals, municipalities require adequate funding from the national government, as well as an improved, and detailed, understanding of the local population. At the same time, the increasing engagement of municipalities in preventing job losses and the facilitation of work-to-work transitions raises further important questions on their role in the national and local adult learning system.

This OECD report examines local labour market opportunities and challenges in Amsterdam and other large cities in the Netherlands. It analyses the functioning of national, regional and local labour market institutions in the Netherlands and discusses potential bottlenecks that could hamper the effective provision of local labour market services. It further highlights policy options for strengthening the capacity of municipalities to support vulnerable population groups in making the transition from social welfare recipients to workers. The report also discusses the role of municipalities in the Netherlands' adult learning system.

This OECD report is part of the series of OECD Reviews on Local Job Creation within the Programme of Work of the OECD Local Employment and Economic Development (LEED) Programme. Created in 1982, the LEED Programme aims to contribute to the creation of more and better jobs for more productive and inclusive economies. It produces guidance to make the implementation of national policies more effective at the local level, and to stimulate innovative local practices that can be scaled up. The OECD LEED Directing Committee, which gathers governments of OECD member and non-member countries, oversees the work of the LEED Programme.

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Acronyms and abbreviations

AI	Artificial intelligence
ALMPs	Active labour market policies
BUIG	Specific central government grant to municipalities (*Bundeling Uitkeringen Inkomensvoorzieningen Gemeenten*)
CBS	Dutch National Statistics Agency (*Centraal Bureau voor de Statistiek*)
CET	Continuing education and training
COROP	Coordination Commission Regional Research Programme (*Coördinatie Commissie Regionaal OnderzoeksProgramma*)
CPB	Netherlands Bureau for Economic Policy Analysis (*Centraal planbureau*)
ESCO	European skills, competences, qualifications and occupations taxonomy
ESF	European Social Fund
EU-LFS	European Labour Force Survey
G4	The 4 largest cities of the Netherlands, Amsterdam, Rotterdam, The Hague and Utrecht
GBZ	Centre for Basic Education (in Germany)
GDP	Gross domestic product
HCA-ICT	Human Capital Agenda ICT
HR	Human resources
ICT	Information and communication technology
ISCED	International standard classification of education
ISCO	International standard classification of occupations
ISIC	Industrial classification of all economic activities
IVA	Full Invalidity Benefit Regulations *(Inkomensvoorziening Volledig Arbeidsongeschikten*)
IVET	Initial vocational education and training
NACE	Statistical classification of economic activities in the European Community
NEET	Youth not in employment, education, or training
NGO	Non-governmental organisation
NOW	Emergency instrument bridging employment (*Noodmaatregel Overbrugging Werkgelegenheid*)
NSW	Non-standard work

NUTS	Nomenclature of territorial units for statistics
O*NET	Occupational information network
OSL	Oslo Airport
PES	Public employment services
PIAAC	Programme for the international assessment of adult competencies
RMC	Regional Mobility Centre
RMT	Regional Mobility Team
ROA	Research Centre for Education and the Labour Market (*Researchcentrum voor Onderwijs en Arbeidsmarkt)*
ROC	Regional education centre (*Regional Opleindingscentrum*)
SCP	National Institute for social and cultural analysis (*Sociaal and Cultural Planbureau*)
SER	Social Economic Council (*Sociaal Economische Raad*)
SMEs	Small and medium-sized enterprises
STAP	Improving labour market positions budget (*Stimulering Arbeidsmarkt Positie budget*)
TL	Territorial level
UWV	Dutch public employment services agency (*Uitvoeringsinstantie werknemersverzekeringen*)
VDAB	Flemish public employment services agency (*Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding*)
VNG	Association of Dutch Municipalities (*Vereniging van Nederlandse Gemeenten*)
Wajong	Young Disabled Persons Act (*Wet arbeidsongeschiktheidsvoorziening jonggehandicapten*)
WGA	Return to Work (Partially Disabled) Regulations (*Werkhervatting Gedeeltelijk Arbeidsgeschikten*)
WIA	Labour Capacity Act (*Wet werk en inkomen naar arbeidsvermogen*)
WMO	Social Support Act (*Wet maatschappelijke ondersteuning*)
WPI	Department of work, participation and income (*Werk, Participatie and Inkomen*)
WSW	Sheltered Employment Act (*Wet sociale werkvoorziening*)
WW	Unemployment insurance (*Werkloosheidsuitkerin*)
WWB	Work and Social Assistance Act (*Wet werk en bijstand*)

Executive summary

In the Netherlands, responsibilities for active labour market policies are divided between the national public employment service (PES) and municipalities. The PES focusses on the short-term unemployed and workers that are incapacitated due to illness or disabilities. Municipalities take on a key role in activating the long-term unemployed and the economically inactive, addressing youth unemployment and integrating newly-arrived migrants into the local labour market. While the national government develops the institutional framework and determines the funding for social welfare and active labour market policies, municipalities have large discretion over policy design and implementation.

Municipalities, the PES and other stakeholders further coordinate their service provision to employers and jobseekers at the level of labour market regions. A recent example of such cooperation are so-called "Regional Mobility Teams" which were introduced in response to the COVID-19 pandemic. Within these teams, municipalities, the PES, educational institutions and social partners cooperate and provide services to workers that are at risk of unemployment and support jobseekers in finding new employment. However, while Regional Mobility Teams move the Netherlands towards closer cooperation between providers of labour market services, they also exemplify the lack of policy coherence at the regional level. The success of Regional Mobility Teams varies widely across regions and their future funding is currently uncertain.

The focus of this report is on Amsterdam and its municipality, and it analyses opportunities and challenges in the provision of municipal labour market services. The report draws comparisons with other large Dutch cities, namely Rotterdam, The Hague and Utrecht, as well as other Dutch regions where appropriate. It considers the position of municipalities in the wider setting of Dutch labour market institutions and identifies bottlenecks that may arise through inter-institutional and local inefficiencies.

Local labour markets across the Netherlands have tightened over recent years, with some regional differences. Unemployment is back at the pre-COVID-19 rate nearly everywhere in the Netherlands and in many places close to its lowest level in the past decade. Differences in labour force participation rates however, remain, with Utrecht at 79%, Amsterdam at 75% and The Hague as low as 70% in 2022Q2. Employers in turn struggle to find suitably qualified staff and, in most sectors, the ratio of vacancies to those employed is at the highest level since 2018. About one in two vacancies posted in the Netherlands is hard to fill according to an employer survey conducted by the PES in 2021. The challenges related to labour shortages are compounded by the preference of more than 1 in 3 employees to work less than 30 hours per week in 2021, the highest incidence of part-time work in the OECD.

Differences in demographics across Dutch regions and cities require solutions that respond to local barriers to labour force participation. In Amsterdam, more than 50% of the local population had a first or second-generation migration background in 2022, compared with 25% in the Netherlands overall. Newly arrived migrants face challenges due to language knowledge and validation of degrees or skills assessments, while people with a migration background report frequent discrimination in the labour market. The rapidly ageing labour force is a challenge faced by all Dutch regions but has more severe consequences for some places. For example, in Amsterdam where the inflow of university graduates is

projected to be high over the coming years, jobs that require a medium level of education face high wage pressures as many medium-educated older workers are expected to retire in the coming years.

Skills-based job matching brings new opportunities for Dutch municipalities to respond to shortages on the labour market. Municipalities can use skills-based matching for jobseekers with low a labour market attachment and low levels of formal education. Skills assessments are also used to facilitate work-to-work transitions across sectors. However, skills-based job matching initiatives are highly fragmented in the Netherlands. Across the country around 40 different local "skills initiatives" exist.

Adult learning participation among those who would benefit the most remains low. Changes to job requirements caused by digitalisation, the automation of production processes and the green transition will make it increasingly harder for employers to find workers with the right set of skills. For instance, the share of online job postings in Amsterdam that demand generic digital skills rose from 45% in January 2019 to 56% in December 2021. However, trends in continuous education and training participation do not yet reflect the rapidly changing skills needs of the labour market. Too few workers with low educational attainments and own-account workers participate in continuous education and training.

To ensure that municipalities are well-prepared to serve local jobseekers, workers and employers, the government of the Netherlands, Amsterdam and other Dutch municipalities could build on the following policy recommendations:

Strengthen the role of municipalities as providers of labour market services

- **Clarify responsibilities for labour market service provision in labour market regions:** Responsibilities for labour market service provision in labour market regions could be assigned more clearly to municipalities to improve efficiency and accountability and ensure regional cooperation among stakeholders on a more permanent basis, building on successful short-term initiatives during the Global Financial Crisis (2008-10) and the COVID-19 pandemic (2020-22).
- **Use the momentum created by tight labour markets to advance skills-based economies and implement a skills taxonomy for the whole of the Netherlands:** The PES-led initiative *CompetentNL* to create a unified skills taxonomy. A first important step towards a national skills-based economy is to further harmonise the various skills-assessments and matching methods in use across the Netherlands. Central government leadership in developing a national framework and strategy for a skills-based labour market can benefit all regional labour markets.

Increase labour force participation and the transition into full-time work in Amsterdam

- **Tailor local labour market integration policies to the realities of new migrants and refugees:** Recent migrants have a potential to integrate in better quality jobs through skills-assessments and modular training programmes. For instance, modular advanced digital skills training for refugees could be expanded in Amsterdam in conjunction with language courses and courses that benefit the societal integration of refugees. Amsterdam could also consider designing a comprehensive strategy that tackles local discrimination against migrants on the labour market.
- **Remove local barriers to full-time employment among involuntary part-time workers and support companies in retaining older workers:** Expanding child-care offers in municipalities where net child-care costs are highest could allow some parents to switch to full-time work. Amsterdam could further support local companies in creating the right conditions for older workers and facilitate their transition into new roles within companies through targeted training offers.

Increase participation in adult learning and training in Amsterdam

- **Develop a long-term strategy for the role of Amsterdam and other municipalities in the Netherlands' adult learning system:** Such a strategy should define the role of municipalities as stakeholders in adult learning in close cooperation with the national government, education institutions, employers, SMEs, own-account workers and the public employment services agency.

- **Gather labour demand information and seek closer engagement with local employers:** Amsterdam should consider engaging more closely with local employers to better anticipate local skills needs. Such cooperation could entail frequent employer surveys and institutionalising exchanges with local business representatives, including for small business and own-account workers.

1 Assessment and Recommendations

This OECD review aims to support national and local policymakers in the Netherlands in ensuring that labour market services and programmes are delivered to those in need. The main focus of the report is on the City of Amsterdam, which is compared to the other large Dutch cities, namely Rotterdam, The Hague and Utrecht (together those four Dutch cities are commonly referred to as the "G4") and metropolitan areas across the OECD. This chapter summarises the OECD's assessment of employment and skills policies at the local level in the Netherlands and provides a set of policy recommendations for the Dutch authorities both at the national and local level.

Tightening labour markets across the Netherlands are putting pressure on municipalities to increase labour supply

The labour market in the Netherlands has tightened significantly over the past years, with some labour market regions now experiencing large gaps between labour demand and supply. In the second quarter of 2022, the ratio of job vacancies to short-term unemployed, defined as jobseekers who are unemployed for six months or less, rose above four. This is the highest level since the Dutch public employment services started calculating its labour market tension indicator in 2018. While labour markets are tight across the Netherlands, large regional differences in labour shortages exist. 30 of the 35 labour market regions in the Netherlands reported more than four job vacancies for every short-term unemployed. The labour market regions of Amsterdam and Utrecht experienced an even larger shortage of workers with vacancy-to-jobseeker ratios reaching 7.2 and 8.5. By contrast, the labour market regions of the other G4 cities, Rotterdam and The Hague, reported vacancy-to-jobseeker ratios closer to the national average (4.4 and 5.2 respectively).

The very tight labour markets pose significant challenges for firms. About one in two vacancies posted in the Netherlands is hard to fill according to an employer survey conducted by the public employment services in 2021. While four out of five employers cite a lack of applicants as the most important reason they fail to hire suitable workers, two out of five employers also mention a lack of skills and required expertise. While work-to-work transitions increased slightly during the COVID-19 pandemic in some OECD countries, only one in five employers in the Netherlands believes that the pandemic stimulated suitable workers to look for jobs in other sectors.

In the Netherlands, responsibilities for active labour market policies that support the labour market integration of the unemployed and the economically inactive are divided between the national public employment service (PES) and municipalities. The PES focusses on the short-term unemployed and workers that are incapacitated due to illness or disabilities. Municipalities take on a key role in activating the long-term unemployed and the economically inactive, addressing youth unemployment and integrating newly arrived migrants into the local labour market. While the national government develops the institutional framework and determines the funding for social welfare and active labour market policies, municipalities have large discretion over policy design and implementation. Municipalities, the PES and other stakeholders further coordinate their service provision to employers and jobseekers at the level of labour market regions.

Addressing shortages on the labour market by increasing labour force participation rates is a key policy objective across the Netherlands. The labour force participation rate for 15- to 74-year-olds increased significantly in the Netherlands over the past years, rising from 70.0% in 2010 to 74.9% in 2022 and is now significantly above the OECD average. However, large regional variation exists. In The Hague, the labour force participation rate stood at 70.0% in the first quarter of 2022, compared to 71.0% in Rotterdam, 74.9% in Amsterdam and 79.3% in Utrecht. In some place, the economically inactive therefore present a large resource of untapped labour market potential.

Large differences in socio-demographic population characteristics across Dutch regions and cities require active labour market policies that respond to local needs. In Amsterdam, Rotterdam and The Hague, more than 30% of the local working-age population had a first or second-generation migration background from Asia (excluding Japan and Indonesia), Africa, Latin America and Türkiye in 2022, compared with 20% in Utrecht. This large share of migrants requires policies responsive to both supply-side (e.g., language barriers) and demand-side (e.g., discrimination) barriers to their labour market participation. As for the rest of Europe, the rapidly ageing labour force is a challenge faced also by Dutch regions but has more severe consequences for some places. For example, in Amsterdam the net-inflow of university graduates into the labour market is projected to be high over the coming years. However, jobs that require a medium level of education will face a high wage pressure as many medium-educated older workers are expected to retire in the coming years without being replaced by new talent.

The very high share of part-time workers presents an additional potential source of labour. More than 1 in 3 Dutch employees worked less than 30 hours per week in 2021, the highest incidence of part-time work in the OECD. Among men, the share of part-time workers stood at 22% and 23% in the Netherlands and the North-Holland region respectively, compared to 8% on average in the EU-27. Among women, the share working part-time reached 64% in 2021, compared to 29% on average in the European Union (EU). In 2021, only 3% of Dutch women and 5% of Dutch men aged 15 to 64 working part-time reported that their part-time employment was involuntary. In the EU, 30% of all part-time employed reported working part-time involuntarily. This indicates that in the Netherlands, there is a large cultural component to working part-time. However, institutional barriers and a lack of incentives to work full-time could still provide a partial explanation for the very high share of part-time employment.

In addition to the need to increase labour supply in the Netherlands in general, workers and jobseekers need to upgrade their skills to respond to the changing job requirements on the labour market. Global megatrends are transforming labour markets at a rapid pace, requiring municipalities to take a forward-looking approach to preventing unemployment and economic inactivity. Localised automation risks and the green transition further strengthen the need for forward-looking local actions that respond to changing labour market needs. Labour market megatrends such as the increasing automation of production processes and the green transition call for early interventions that allow those facing automation risks and those working in so-called brown jobs to re-skill and up-skill. In the G4 cities, the share of jobs at risk of automation varied from 37% in Utrecht to 41% in Rotterdam in 2020, slightly below the OECD average of 46%. A detailed analysis of online job postings by employers in Amsterdam reveals that local labour demand is highest for occupations such as information and communication technology professionals and business and administration professionals who face relatively low automation risks. On the other hand, demand is low in many occupations that require mostly manual labour and where tasks can be automated relatively easily. However, high demand for labour in the care and construction sector shows that some manual labour professions also face shortages of workers. In the North Holland province where Amsterdam is the largest city, sectors that are likely to be adversely affected by the green transition account for 2.7% of total employment, the second highest share across all Dutch regions and above the OECD average of 2.2%. Intervening early and with foresight, may prevent affected workers from unemployment, long-term unemployment or economic inactivity.

Building local adult learning systems that complement continuous education and training programmes organised at the national level will be a key task for Dutch municipalities in close

cooperation with education providers, employers and the public employment service. Adult learning systems play an important role in how cities can manage the labour market transformation. Effective alignment of labour market needs with training and learning offers, both on and off the job, can help alleviate skills gaps that many employers across Dutch regions experience. A strong adult learning system with tailored modular training and learning opportunities and multiple entry points help workers to take up new and emerging opportunities more readily. It also provides an essential tool for raising social mobility, especially among low-skilled individuals. Currently, only around 7% of the working population with less than secondary education in the Netherlands report that they participated in education and training over the past four weeks, compared to more than 20% among the medium educated and more than 30% among the highly educated.

What are the policy options to ensure that Amsterdam and other Dutch municipalities can support high-quality local job creation?

This OECD report has been developed following extensive consultations with stakeholders across Amsterdam and the Netherlands, including the Municipality of Amsterdam, the Ministry of Social Affairs and Employment, the *Uitvoeringsinstituut Werknemersverzekeringen* (UWV, the national public employment service) and the *Vereniging van Nederlandse Gemeenten* (VNG, Association of Netherlands Municipalities). Additionally, the OECD consulted with representatives from the *Sociaal Economische Raad* (SER, Social and Economic Council) of the Netherlands, the University of Amsterdam, the *ROC MBO College Amsterdam West*, the *House of Skills* in Amsterdam, the "Regional Mobility Team" Amsterdam, the "Regional Work Centre" Amsterdam, the University of Applied Sciences Utrecht and the Municipality of Utrecht. To improve local labour market service provision, the following recommendations could be considered.

Recommendations for strengthening the role of municipalities as providers of labour market services and integration measures

In the Netherlands, municipalities are responsible for the provision of means-tested social assistance benefits for the long-term unemployed and economically inactive. At the same time, they provide labour market services and integration measures (e.g., wage subsidies and sheltered employment) to those groups. The number of social welfare recipients varies across cities and regions. Among the largest Dutch cities, Rotterdam has the highest share of welfare recipients, with over 7% of its population receiving welfare benefits. This is followed by The Hague with 5.9%, Amsterdam with 5.6% and Utrecht with 3.7%. While the legislation defines the client groups municipalities are responsible for, municipalities are given extensive autonomy on how to provide labour market integration support. This policy autonomy allows municipalities to vary their offers based on the different local labour market needs and the characteristics of the people who require support. In addition, asylum seekers who have been granted a status to remain in the Netherlands are assigned to municipalities across the country. In such cases, the hosting municipality is responsible for their integration in the labour market and society more broadly.

The central government provides funding to municipalities to finance social assistance benefits, wage cost subsidies and labour market integration measures. Municipalities receive two separate grants from the central government. Since the Participation Act was adopted in 2015, municipalities receive bundled funding through a specific grant (*Bundeling Uitkeringen Inkomensvoorzieningen Gemeenten*, BUIG) that covers multiple social welfare regulations. Municipalities use the funds from BUIG to provide social welfare payments to those eligible within the municipal boundaries. BUIG is also meant to cover wage cost subsidies and expenditure on institutionalised and homeless persons. Since the Participation Law was adopted in 2015, municipalities with more than 40 000 residents receive their social welfare budget based on an objective allocation model. The model uses indicators at the household, municipality

and neighbourhood level to predict social welfare needs in each municipality and allocates the budget accordingly. The allocation mechanism does not consider realised or historical social welfare expenditure for these large municipalities. The objective is to incentivise municipalities to integrate social welfare recipients into the labour market such that the surplus can be spent in other areas. However, municipalities that spend more on social welfare than their allocated budget need to move funds from other areas into the social welfare budget due to a balanced budget requirement. The objective allocation model has two main sources of risk. First, patterns of repeated surplus and deficit may emerge if the allocation model does not fully account for all objective determinants of welfare expenditure. Second, a negative path dependency may also emerge if municipalities use funding for labour market activation policies to cover deficits in social welfare spending. Funding for the implementation of labour market activation policies that target the long-term unemployed and the economically inactive comes from the unconditional "Municipalities Fund". Its allocation follows objective criteria such as the size of the local population, and the share of social welfare recipients, corrected by the local fiscal capacity.

For the coordination of labour market policies beyond municipal boundaries, the Netherlands is divided into 35 labour market regions in which municipalities, the public employment service and other stakeholders coordinate their service provision to employers and jobseekers. The 35 labour market regions form a separate geographical level from the 344 municipalities and 12 provinces. These labour market regions, roughly corresponding to commuting zones, were formed to serve employers and based on existing cooperation within the regional business community. The cooperation in labour market regions provides a framework in which regional initiatives of labour market integration are developed and implemented. The efficiency of service provision at the level of labour market regions depends, however, on the willingness of municipalities located within the respective region's boundaries to cooperate. While no systematic central government funding exists at the level of labour market regions, specific initiatives are sometimes funded, in which case the central municipality in the region receives the grants and has the task to coordinate policy implementation.

Against the backdrop of ongoing labour market changes, facilitating work-to-work transitions is becoming an increasingly important task and is recognised as a task that is best organised on the level of labour market regions. Traditionally, municipalities have worked only with long-term unemployed and economically inactive, while training that facilitates work-to-work transitions was the responsibility of social partners. Several Dutch cities have recently assumed new responsibilities in this area to meet labour shortages and support workers. These efforts are meant to complement the work of social partners to facilitate work-to-work transitions across sectors. For instance, Amsterdam introduced the so-called *Regional Werkcentrum* ("Regional Work Centre"). The Regional Work Centre is a public-private cooperation of the municipality, the national PES and social partners. It has enabled Amsterdam to take on further competences to support PES-registered jobseekers and employees at risk of losing their job. As such, in Amsterdam the Regional Work Centre also overcomes the separation of public employment services for different types of benefit recipients to some degree. Some level of inefficient competition, such as in reaching out to employers and sourcing of vacancies, however, remains. In Amsterdam, the Regional Work Centre cooperates closely with the "Regional Mobility Team". Regional Mobility Teams are a cooperation between municipalities, the public employment services, educational institutions, and social partners. They were introduced in response to the COVID-19 pandemic and operate at the level of the 35 labour market regions. Regional Mobility Teams provide services to workers that are at risk of unemployment and initiate job transitions prior to the occurrence of layoffs. They also support jobseekers in finding new employment. However, it is currently unclear if Regional Mobility Teams will continue to be funded as the labour market effects of the COVID-19 start tapering off. Furthermore, Regional Mobility Teams have been implemented across labour market regions, with varying success. In some labour market regions, the teams are still not fully operational.

Skills-based job matching brings new opportunities but also challenges for Dutch municipalities. Skills-based job matching is a promising tool that can support, for instance, individuals who do not have

the formal education typically required in certain jobs. Matching based on skills is promising for municipalities that work with clients characterised by a low labour market attachment and, on average, relatively low levels of formal education. Skills assessments are also used to facilitate work-to-work transitions across sectors. Currently, more than 40 local skills initiatives exist across the Netherlands. Around half of these initiatives focus on skills assessments and on matching supply and demand on the labour market based on these skills. Skills assessment range from self-reporting to gamified methods, and by the skills taxonomies they apply to define and categorise skills. In the current environment that is characterised by historically high labour demand and low labour supply, employers may show willingness to try skills-based job matching. A key challenge for the upcoming years will be to ensure that all local skills initiatives across the Netherlands use a common framework, or skills taxonomy, that allows the transferability of skills and facilitates inter-sectoral and inter-regional job transitions.

Job carving can be a useful tool when individuals are recruited based on their skills but also has its risks. Job carving, which refers to the rearrangement of work tasks within a company to create tailor-made employment opportunities, can allow for a faster uptake of employment, limiting immediate training needs. In Amsterdam, job carving is frequently used in the care sector when care workers are hired based on skills assessments. On the one hand, it allows care workers to work on tasks that correspond to their strengths and interests. On the other hand, it increases the risk of a lack of opportunities for career progression if workers remain highly specialised on specific tasks.

Recommendations for strengthening the role of municipalities as providers of labour market services

Assign responsibilities for labour market service provision to the most efficient sub-national level

- *Assign responsibilities for labour market service provision to labour market regions more clearly and formalise leadership roles within these.* De facto, efficiency in regional labour market service provision depends on the leadership of the largest municipality in developing labour market policies for their labour market regions. The buy-in from smaller municipalities varies and they often lack the resources to drive cooperation. The current situation therefore raises questions about legitimacy, funding and accountability of regional labour market service provision that could be defined more clearly by the national government.
- *Define the role of municipalities in facilitating work-to-work transitions and seek to further integrate the employment service system at different levels of government*. To this end, the Netherlands could consider institutionalising and continuing the “Regional Mobility Teams”, which were introduced in response to the COVID-19 pandemic. The funding of the *Regional Mobility Team* could be continued to give labour market regions a permanent tool to facilitate work-to-work transitions of employees at risk of job loss. The Amsterdam labour market region provides a promising case study where the *Regional Mobility Team* works together with the *Regional Work Centre*, a public-private cooperation of local employers, the municipality and social partners. The partnership ensures that employment services are facilitated in close consultation with local business needs. Going forward, the *Regional Mobility Team* and the *Regional Work Centre* could be merged in Amsterdam while other labour market regions could strengthen their *Regional Mobility Teams* by drawing on lessons learnt in Amsterdam.

Ensure sufficient funding for activation policies while maintaining incentives to integrate social welfare recipients into local labour markets

- *Monitor path dependencies in social welfare budgets and their interaction with funding for labour market activation policies.* The Dutch government could consider adjusting the allocation model for large municipalities of more than 40 000 residents, should a clear pattern of repeated surplus and deficit in municipal expenditure emerge. Just like for smaller municipalities and those in the

hybrid category, the budget allocated to large municipalities could be partly based on social welfare expenditure in previous years. This would maintain the incentive for municipalities to integrate social welfare recipients into the labour market while ensuring that necessary financial means to fund activation measures are not declining over time.

- *Evaluate frequently if the funding from the Municipalities Fund is sufficient for municipalities to carry out their new tasks related to labour market activation policies.* The effectiveness of the incentive system built into the allocation of central government grants for social welfare critically hinges on municipalities' ability and financial endowment to integrate social welfare recipients into the labour market. It is therefore important to assess regularly if available funding is sufficient for municipalities to finance appropriate policy instruments that support the activation of the economically inactive. If such assessments conclude that the Municipalities Fund is insufficient to cover municipal responsibilities that are meant to be covered by the fund, a policy option would be to increase municipal taxing autonomy (while potentially decreasing the size of the fund to a lesser extent than the additional expected local revenue). This could strengthen financial autonomy of municipalities and could lead to a more adequate local capacity to respond to local needs in domains laid out in the Participation Act.

Use the momentum created by tight labour markets to advance skills-based labour market matching

- *Develop a skills taxonomy across the Netherlands and harmonise the assessment and validation of personal skills*. Combining and harmonising methods and tools of skills assessments would send a strong signal to employers whose buy-in remains the crucial element of skills-based job matching. *CompetentNL*, an initiative led by the Dutch public employment services (UWV), currently works on a skills taxonomy for the Netherlands that aligns with the Flemish *Competent* initiative, the European Skills standard (ESCO), and the occupation-to-tasks framework known as O*NET. Central government leadership in developing a national framework and strategy for a skills-based labour market can benefit all regional labour markets and ensure skills are transferable across the Netherlands. *CompetentNL*'s work could further be extended to include harmonisation efforts of skills assessments.
- *Closely monitor the consequences of job carving and ensure individuals who obtain employment based on skills-based matching continue to receive adequate training*. Early experiences in Amsterdam suggest that job carving may limit career progression if no additional training is provided once individuals obtain employment based on their skills. Municipalities could ensure that skills-based matching initiatives include opportunities for continuous education and training, in particular for low-educated individuals who do not have a stable employment history.

Recommendations for improving local labour market information systems

Accurate and timely labour market information constitutes the basis for local policymaking. One challenge local policymakers face is that data collected at the country level is not always representative on smaller geographical levels. Even if surveys are designed to accurately represent sub-national regions, slicing data for example by occupations, economic sectors or population groups at the same time can nevertheless lead to unreliably small sample sizes. Similarly, local policies can be informed by past experiences of other regions but the transferability into a different labour market context requires great care. It partly falls on local governments to ensure that policies at the sub-national level still have the necessary knowledge and evidence base to carry out local labour market policies. Continuously improving local labour market information systems through the creation of local databases using administrative data, disaggregated survey data where possible and the evaluation of past local policies is therefore essential.

The labour market information systems in Dutch municipalities are advanced in some of the larger municipalities. The partnership between the *Centraal Bureau voor de Statistiek* (CBS, Statistics Netherlands) and municipalities has intensified in recent years within so-called *CBS Urban/Rural Data Centres*. UWV supports municipalities by producing labour market indicators at the level of labour market regions. These indicators include vacancies-to-unemployment ratios, lists of vacancies by occupations, employment trends based on register data and labour market forecasts. The municipality of Amsterdam also started to catalogue policy instruments for labour market interventions more systematically within its *Instrumentenwaaier* (catalogue of policy instruments). The *Instrumentenwaaier* lists labour market services across different themes, such as training, job coaching and education. It also spells out eligibility requirements and contact information of different labour market instruments. To add a quality component to the catalogue, the recently founded "Commission of effectiveness of labour market instruments" gives an ex-ante assessment of policy instruments the municipality plans to implement based on secondary literature. However, these initiatives remain in their early stages and could be gradually expanded.

The different jobseeker registration systems exemplify the need for increased efforts towards intensified cross-institutional exchange. Some jobseekers transition from unemployment benefits into social welfare, requiring an exchange of information between UWV and the responsible municipality. Others move across municipal boundaries, requiring municipalities to exchange information on clients. Currently, separate registration systems are used by UWV (SONAR), the municipalities of the G4 (RAAK), other municipalities, and the labour unions (PARAGIN), hamper the cross-institutional exchange of information. OECD consultations within the municipality of Amsterdam further revealed that Amsterdam's administrative system in which jobseekers are registered by account managers of the municipality is difficult to navigate for staff that operate under time pressure. For example, professional service staff employed by the municipality who support jobseekers by contacting local employers for work opportunities (so-called "job hunters"), flag that the current registration system leads to delays in contacting suitable employers when protocols between account managers, job coaches and job hunters are followed.

Recommendations for improving local labour market information systems

Continue improving local labour market information systems

- *Build on Amsterdam's efforts to catalogue policy instruments by adding ex-post evaluations where possible*. The Municipality of Amsterdam could consider adding ex-post evaluations of effectiveness as a component to the catalogue. To this end, the Commission of effectiveness of labour market instruments could cooperate more closely with the Municipality of Amsterdam's research department. The research department could use their administrative data sources to identify participants in different programmes offered by the municipality and share these with the Commission to enable joint evaluations. Other municipalities across the Netherlands could benefit if results are made publicly available.
- *Create CBS Urban/Rural Data Centres in all municipalities.* CBS Urban Data Centres are collaborations between the *Centraal Bureau voor de Statistiek* (CBS, Statistics Netherlands) and municipalities. Similarly, CBS Rural Data Centres exists in less densely populated areas in the Netherlands. Within the cooperation, CBS supports municipalities in slicing survey and register national data for use at the local level and link it to administrative data sources. Such cooperation can therefore create new local labour market indicators and expand the evidence base to inform local labour market policies. Municipalities that do not currently have a CBS Urban/Rural Data Centre could consider creating one.

Facilitate cross-institutional exchange and learning

- *Harmonise and simplify jobseeker registration systems across municipalities, UWV and labour unions to ease the internal and cross-institutional exchange of information on jobseekers*. One

technical obstacle to an efficient information exchange on jobseekers is that separate registration systems are used by UWV (SONAR), the municipalities of the G4 (RAAK), other municipalities, and the labour unions (PARAGIN). Harmonising and simplifying jobseeker registration systems across institutions could therefore lead to efficiency gains in labour market integration programmes.

- *Strengthen VNG's role in cross-municipal learning.* A variety of labour market instruments are applied across Dutch municipalities, but little cross-municipal learning exists. The ability of municipalities to experiment with local innovative solutions for the activation of residents and to manage long-term labour market transformations within their region is a strength of the multi-level labour market governance system in the Netherlands. VNG could therefore strengthen its role by providing a platform for municipalities to share experiences and best practices. While acknowledging that some actions are place-specific and hinge on the cooperation with local partners, lessons from many labour market instruments may be generalisable and offer the opportunity for innovative ideas to spread around the country.

Recommendations for increasing local labour force participation and the transition into full-time work in Amsterdam

Amsterdam's population is more diverse than the country average, requiring labour market activation measures that target specific segments of the local population. For instance, in Amsterdam, the population with a first or second-generation migration background from Asia (excluding Japan and Indonesia), Africa, Latin America and Türkiye constitutes close to 30% of the working-age population in 2022. The labour market attachment of migrants and refugees in Amsterdam is low, calling for additional measures that remove obstacles these groups face on the labour market. Among residents with a migration background from Asia (excluding Japan and Indonesia), Africa, Latin America and Türkiye in 2022, the labour force participation in Amsterdam stood at 68.4% in 2021, compared to 76.5% among those without a migration background. Similarly, the unemployment rate among residents with a migration background from Asia (excluding Japan and Indonesia), Africa, Latin America and Türkiye in 2022 stood at 8% in 2021, double that of those without a migration background.

Early-stage intervention targeting asylum seekers as soon as they arrive can ensure that refugees show a higher labour market attachment later. Academic research has linked the time asylum seekers spend waiting the decision of their asylum procedure to lower employment rates at later stages of refugees' stay in their host country. To avoid a deterioration of skills and to mitigate negative psychological effects of long-winded asylum procedures, early-stage interventions are important. Evidence further suggests that while the labour market integration of refugees is a vital step towards a broader societal integration, the societal integration of refugees can also facilitate their economic integration.

The uncertainty regarding the duration of stay among some migrants and the limited transferability of degrees across borders require labour market policies that account for these realities. One of the reasons why refugees and some migrants who came for economic or family reasons have a low labour market attachment in OECD countries is that qualifications obtained in their country of origin are not easily transferable into OECD labour markets. However, starting over and obtaining formal education in the host country is often not an attractive option, in particular when the duration of stay is uncertain. To increase employment rates among these migrant groups and avoid their clustering in low-skill jobs thus may require offering targeted modular courses.

Expanding modular courses that offer digital skills and language training is one policy option that has proven successful for migrants in other OECD metropolitan areas. Teaching migrants advanced digital skills has several key advantages, in particular when combined with language training. First, advanced digital skills are in high demand across the OECD and jobs in the information and communication

technology (ICT) sector usually fall into the medium to high-income range. Second, basic but specialised skills in coding and programming can be taught in short modular courses. Finally, digital skills are easily transferable into other countries. Amsterdam's *TechGrounds,* an initiative that targets disadvantaged neighbourhoods by offering digital skills training through self and peer-learning in designated training centres is therefore promising. *TechGrounds* main strength is a mentoring scheme that involves professionals from the tech industry who can facilitate job matching. However, it does not currently cater its offers to migrants specifically.

One of the striking features of the Dutch labour market is the high share of part-time work across all regions. In the Netherlands, 42% of all employed workers worked part-time in 2021, with little regional variation. Among women, the share of part-time work reached 64% in the same year. Part-time work incidence among women in all Dutch regions lies significantly above the EU-27 average, which stood at 29% in 2021. Only a small share of part-time workers in the Netherlands report to be working part-time involuntarily. However, incentivising full-time work could nevertheless be considered in response to rising labour shortages. For instance, 4 000 part-time workers in Groot-Amsterdam, the metropolitan region of Amsterdam, state they would be willing to work full-time and are available to do so. Institutions such as parental leave arrangements, access to high-quality flexible childcare and after school care could therefore still provide a partial explanation for the very high share of part-time employment. There are also differences in net childcare costs across the country, with costs being highest in Amsterdam.

Progress has been made towards retaining older workers in Amsterdam's workforce but labour force participation among those aged 65 and above is still significantly below that of some other OECD metropolitan areas. Demographic change brings about new labour market challenges. Across the OECD, the ratio of people aged 65 and over to people of working age is projected to rise from 1 in 4 in 2018 to 2 in 5 in 2050. Ensuring that older workers remain part of the labour force has therefore become a key priority across OECD countries. Much progress has been made in the Netherlands to increase economic activity rates of older workers below retirement age. The labour force participation rate of those aged between 55 and 64 increased from 55% in 2010 to 74% in 2021 and is now well above the EU-27 average of 64%. Some further efforts could target those aged 65 and above. The labour force participation of people aged above 65 stood at 10% in both the North Holland region and the Netherlands as a whole. This is above the EU-27 average of 6% but well below the economic activity rate of old-age workers in OECD metropolitan areas such as Stockholm (19% in 2021) or Prague (14% in 2021).

Recommendations for increasing labour force participation and the transition into full-time work in Amsterdam

Tailor local labour market integration policies to the realities of migrants and refugees

- *Consider creating a local strategy to decrease discrimination against migrants in the labour market.* The city of Amsterdam could consider designing a comprehensive strategy that tackles local discrimination against migrants on the labour market. Best practices from other OECD cities can serve as inputs into such an anti-discrimination strategy. Important elements could include committing to diversity goals in the public sector, supporting local employers in drawing up diversity strategies, running public relations and media campaigns that disseminate factual information about migrant groups and enforcing existing anti-discrimination legislation by making bad hiring practices publicly known.
- *Build on the existing TechGrounds initiative to target migrants with modular learning to build advanced digital skills*. The municipality could provide funding to expand its designated *TechGrounds* training centres to include elements of the *ReDI School of Digital Integration*, a non-governmental organisation founded in Berlin that offers refugees a wide range of modular courses to develop advanced ICT skills. Offers could target female migrants specifically and help to overcome potential cultural barriers to female economic activity, for instance by offering

childcare during the duration of courses. *ReDI* works closely with ICT industry professionals who function both as volunteer teachers and mentors to refugees who participate in the courses. The role as teachers allows mentors to identify strengths in students and then recommend them to potential employers. Such modular courses could be offered in English and interpreters could be hired if required. Language courses could be offered in parallel.

- *Consider projects that promote both the labour market and the societal integration of asylum seekers.* To ensure that asylum seekers do not experience a decline in their skills and to facilitate their societal integration, Amsterdam could draw inspiration from the city of Utrecht's *Plan Einstein.* The Plan Einstein is a partnership between local NGOs, social enterprises and educational institutions. The project houses asylum seekers and refugees in the same living facilities as local young people. Co-housing and co-learning are a central part of the project. The project organises joint social activities and workshops, courses in English and entrepreneurship to improve social cohesion while improving participants' labour market opportunities.

Remove local barriers to full-time employment among involuntary part-time workers and support companies in retaining older workers

- *Consider expanding childcare offers in municipalities where net childcare costs are highest to increase male and female labour force participation*. The Dutch central government has recently increased funding to municipalities to improve childcare services. The planned gradual increase in central government spending to cover childcare costs could further incentivise some men and women to work full-time instead of taking on caregiver duties at home. Municipalities where childcare costs are highest could investigate complementing these efforts by further building childcare facilities.
- *Support local companies in creating the right conditions for older workers and facilitate their transition into new roles within companies*. The city of Amsterdam could approach local employers and support them in their efforts to retain older workers. Successful initiatives from other OECD cities such as the "Life Phase Policy" by Oslo Airport centre on raising awareness for senior employees to participate in life-long learning. For instance, such training can allow older workers to transition from physically demanding jobs into consulting, managerial or teaching roles in case they face age-related physical constraints. Other elements include the promotion of flexible working hours for workers approaching retirement age and promoting workplace health.

Recommendations for increasing participation in adult learning and training in Amsterdam

The primary objective of adult learning is to offer opportunities for retraining and upskilling. The groups that stand to benefit the most from such opportunities consist mainly of individuals who face heightened risks in the labour market. They include low-skilled workers whose jobs have a greater likelihood of being automated or markedly changed by automation. Other vulnerable groups consist of young people who enter the labour market or migrants that might not have the right skills demanded in the local economy or struggle with the recognition of their foreign qualifications.

A comprehensive long-term plan on adult learning would support the municipality of Amsterdam in building a local adult learning system that can complement national, regional and sectoral reskilling and upskilling programmes. While adult learning and continuous education and training are more important than ever before, Amsterdam currently lacks a comprehensive long-term plan that lays out a clear and comprehensive skills strategy. Amsterdam's labour market is changing rapidly, and many

promising skills development initiatives exist across all levels of government, sectoral organisations and within individual firms. To find its place in an adult learning landscape characterised by a wide range of rather fragmented offers, a broader vision for the city's skills strategy, including strategic responses to long-term labour market megatrends, would counter skills gaps and mismatches.

Gathering timely information on local skills needs and seeking close cooperation with local employers can guide Amsterdam's adult learning strategy. Frequent data gathering through employer surveys is key to designing effective education and training offers. However, in the Netherlands, timely data on employers' needs is currently not available to local policymakers. Surveys such as the *arbeidsvraagpanel* ("Labour demand panel") are carried out by the *Netherlands Institute for Social Research* over periods of two years. A representative sample of companies is asked to answer questions about various topics such as recruitment, retaining and the training of staff. However, the data is only publicly available after more than two years following the survey. The UWV employer survey is comparable to parts of the *arbeidsvraagpanel*. In 2020 and 2022, UWV conducted a survey on recruitment and skills among 10 000 companies in the Netherlands, with a response rate of around 30%. The focus of the survey, problems in recruiting and retaining staff, skills requirements and skills developments within occupations is promising. However, additional sub-national statistics that could be calculated based on local industrial composition and occupation-level skills needs are currently missing. In the absence of such detailed sub-national level statistics on skills needs, an analysis of skills requirements listed in job vacancies posted by local employers, and an institutionalised dialogue with local employers becomes even more important.

An Amsterdam adult learning strategy could further take into account distinct characteristics of Amsterdam's labour force, its companies and wider population. For instance, in 2021, the share of self-employment in total employment stood at 21% of total employment in the North-Holland region, of which Amsterdam is the largest city, compared to 18% in the Netherlands and 15% on average across the EU-27. Among these self-employed in the North-Holland region, 81% were own-account workers without any employees. Compared to the full-time employed, own-account workers are 11% less likely to participate in continuous education or training. On the other hand, their willingness to participate in such measures is similar to that of full-time employees. The low participation rate of own-account workers in education and training is explained in part by their relatively stricter financial and time constraints. Similarly, 60% of all employed workers in Amsterdam work in small and medium-sized enterprises (SMEs). SMEs often lack the financial and human resources to offer options of continuous education and training. As a result, the participation in adult learning is significantly lower among employees of SMEs compared to those working in larger companies. Evidence from OECD cities suggests that financial incentives are often insufficient to increase the participation in continuous education and training among employees in SMEs. Targeted city-level measures could therefore complement the central government's new Stimulering Arbeidsmarkt Positie ("Improving labour market positions"; STAP) initiative. The STAP budget covers the costs of workers who want to participate in adult learning of up to EUR 1 000 annually, regardless of the type of their employment contract.

Recommendations for increasing participation in adult learning and training in Amsterdam

Develop a long-term strategy for the role of Amsterdam and other municipalities in the Netherlands' adult learning system

- *Develop a clear, comprehensive and long-term local skills strategy.* The rapid transformation of the labour market requires a comprehensive and integrated approach that lays out a clear vision and objectives for the future of Amsterdam's labour market and economy. The strategy should entail the definition of short- and long-term goals and build on timely data as well as forecasting analysis to anticipate future changes to skills needs. It should define the role of municipalities as a provider of adult learning in close cooperation with the national government to ensure complementarities in continuous education and training offers. A diverse advisory board that

helps inform and steer the strategic direction of local skills development policies could be created. Bringing together employees, political decision makers, trade unions and local employers could help to design a skills strategy that aligns with local labour market needs and simultaneously pursues social objectives such as social mobility, life-long learning and support of vulnerable groups. The advisory board could also include local education providers to ensure that their modular course offers are flexible and correspond to local labour market needs.

- *Cater adult learning offers to functionally illiterate adults to increase their labour market attachment.* Amsterdam and the other G4 cities could further expand their learning offers to functionally illiterate adults, following an inclusive model such as that pursued by Berlin's Centre for Basic Education. The Berlin Centre for Basic Education targets Berlin's functionally illiterate adults by serving as a point of first contact for basic education and adult literacy. It offers guidance events and individual counselling to those in need and compiles all of Berlin's learning and consulting offers for functionally illiterate adults into a catalogue. To reduce stigma related to adult illiteracy and to reach illiterate adults, the Centre for Basic Education introduced a specific label. The label can be obtained by institutions and organisations, is attached to the entrance of buildings and signals that trained staff and easy-to-read signs are present to ease the accessibility of services.

Gather demand-led labour market information and seek closer engagement with local employers

- *Set up regular skills-needs surveys of enterprises in Amsterdam or extrapolate local skills needs based on national-level skills-needs data disaggregated by occupation*. A local survey could collect comprehensive data and information on skills challenges that employers report both within their existing workforces and when recruiting. Data collected could include the levels and nature of investment in training and development as well as the relationship between skills challenges, training activity and business strategy. Building upon and supporting the expansion of existing surveys conducted by UWV could yield such valuable information in a more frequent manner. A short-term solution could also be to combine national-level skills-needs surveys with information on the local industry structure.
- *Increase cooperation with employers in the planning of skills policies*. Institutionalising exchanges with local business representatives could ensure closer collaboration with the private sector on skills policies. One option could be to set up a skills business advisory group that represents enterprises of different sizes and from different sectors and offers guidance to political decision makers. Such a stronger collaboration and exchange of information between the municipality and local firms could then help shape continuous education and training programmes according to local needs and incentivise firms to make use of such training opportunities.

Strengthen workplace training and tailor support to the needs of SMEs and own-account workers

- *Establish peer-learning platforms that spread good workplace practices and share resources for training among firms in Amsterdam*. Such platforms could facilitate knowledge sharing of successful management practices, internal skills development strategies, and uptake of new technologies or other innovations. Such networks could further identify training needs and develop and organise joint training measures. These can then be carried out across company boundaries in a resource-saving manner. Amsterdam could support the creation of such networks while ensuring that the smallest companies, where participation in adult learning is lowest, participate.
- *Introduce new adult learning support measures for SMEs that go beyond financial incentives to raise participation in training and learning among their employees*. Amsterdam could pursue an

approach similar to the city of Vantaa, Finland, where project account managers employed by the city are assigned to SMEs to contact SMEs proactively. Following a joint skills needs assessment, suitable training programmes are then suggested to SMEs and their employees. Another policy option is to support SMEs in bundling their staff training needs, for example through group training networks similar to Germany's *Weiterbildungsverbünde* ("Continuous education and training employers' networks").

- *Expand funding offers to increase the participation of own-account workers in adult learning.* To increase adult learning participation among own-account workers and increase their productivity, Amsterdam could cover training costs of business-relevant education. One option would be to follow a model similar to Vienna's Waff Training Account. The Waff covers 80% of total training costs up to a maximum of EUR 2 000. To account for time constraints faced by own-account workers, training applications forms are easy to submit online and reimbursement claims can be made before or after training participation.

2 Comparing Amsterdam's labour market nationally and internationally

This chapter provides an overview of the regional labour market of Amsterdam in comparison with regional labour markets of the other large Dutch cities, Rotterdam, The Hague and Utrecht, and with those of selected European cities. Long-term labour market trends and the recovery from the COVID-19 pandemic are highlighted through data on unemployment and labour force participation. The chapter then assesses the tightness of the regional labour markets of the four largest Dutch cities across occupations and sectors. Finally, the chapter analyses labour market outcomes by educational attainment, for different age groups, by gender and by migration background.

In Brief

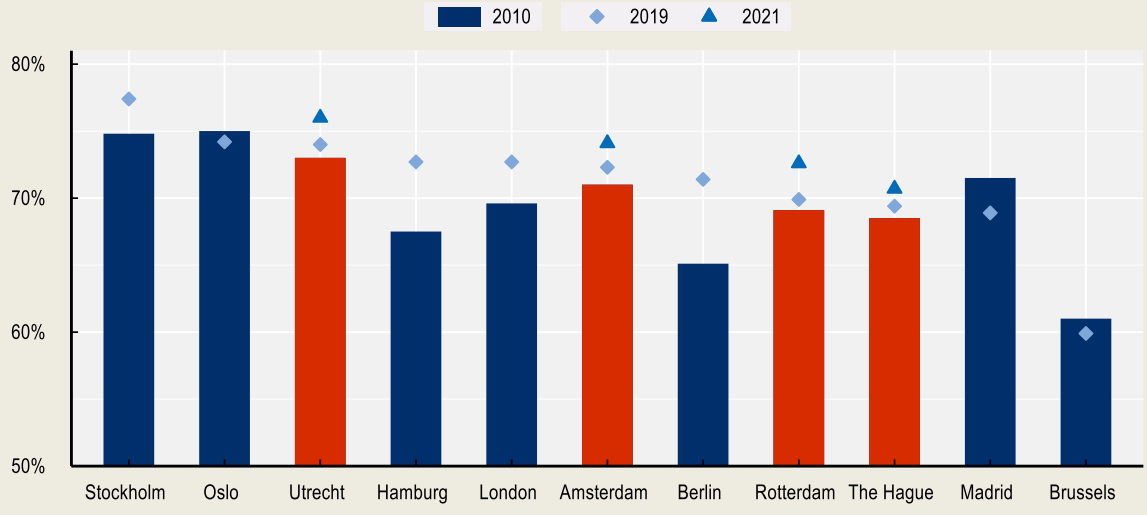
Tight labour markets in the Netherlands face multiple challenges

The four largest cities in the Netherlands, Amsterdam, Rotterdam, The Hague and Utrecht (referred to as the "G4"), are experiencing a tight labour market. The high demand and low supply of labour presents a challenge to successfully implement policies that support inclusive regional labour markets.

- The four cities represent an important share of the Dutch labour market. The municipality of Amsterdam constitutes 5% of the total Dutch labour force. The combined provinces (Noord Holland, Zuid Holland, Utrecht province) of the four cities make up 40% of the total Dutch labour force.
- The labour markets in each of the four cities are concentrated in services. Business services are important job providers in all four cities, but Amsterdam also has a large hospitality and tourism services sector. The region around the city of Rotterdam still has an important manufacturing sector and a large logistics sector due to the presence of the Port of Rotterdam, Europe's largest seaport.
- The improvement in unemployment and participation rates since 2010 is continuing following the COVID-19 pandemic. Participation rates increased from a range of 68% to 73% in 2010 to a range of 71% to 76% across the G4 in 2021. The COVID-19 pandemic brought a brief reversal to steadily decreasing unemployment rates in 2020. However, by 2021, unemployment rates were around the lowest levels of the decade, ranging between 4% and 5% across the four cities.

Figure 2.1. Participation rates are increasing, but differences across cities remain

Labour force participation rate of the population aged 15-74/75



Note: For Dutch cities the labour force participation rates are at the level of TL3 regions, for the population aged 15-75. For other cities, the data correspond to the TL2 regions that compose the respective metropolitan area and covers the population aged 15-74.
Source: OECD calculations based on Eurostat Table lfst_r_lfp2actrt (Economic activity rates by sex, age and NUTS 2 regions, %) and CBS table 83523NED (Arbeidsdeelname; provincie).

- A tight labour market challenges firms to hire the right people and fill all jobs. The ratio of vacancies to the short-term unemployed across most sectors is currently at the highest level since 2018. In the second quarter of 2022, 30 of the 35 labour market regions in the Netherlands reported more than four job vacancies for every short-term unemployed. Amsterdam and Utrecht experienced an even larger shortage of workers with vacancy-to-jobseeker ratios reaching 7.2 and 8.5. About one in two vacancies was hard to fill according to employers in 2021. Employers cite the lack of applicants as the most important reason to fail filling open vacancies.
- Not all workers benefit equally from the tight labour market. People with lower education levels, young people and those with a non-Western migration background have structurally higher rates of unemployment and experience stronger negative effects from economic shocks such as the COVID-19 pandemic. The unemployment rate of people with low levels of education varies between 7% and 13% across the G4 in 2021. The youth unemployment rate is double that of other groups, exceeding 10% in all four cities. The unemployment rate of people with a non-Western migration background improved substantially in the years prior to the pandemic but has been rising again to around 8% in 2021. In contrast, gender differences in the unemployment rates are limited, but participation rates of women are 10 percentage points below those of men in all four cities.
- While the current labour market can be characterised as very tight, the analysis of the COVID-19 pandemic years, 2020-2021, indicate that the labour market situation can reverse rapidly. The experience shows that future economic upheaval is likely to affect groups differently. Especially the young, low educated and people with a migration background who already have higher unemployment rates in a growing economy may bear the brunt of changing economic circumstances.

Introduction

The four largest cities of the Netherlands – Amsterdam, Rotterdam, Utrecht, and The Hague, referred to as the G4 – are concentrated towards the west of the country, also known as the *Randstad*, and lie within one hour travel from each other. Collectively, they represent a major share of the whole Dutch labour market.

Important differences in the four cities' economic structure and demographics exist. Amsterdam, the largest Dutch city, relies heavily on national and international business services. The port of Rotterdam, the largest seaport of Europe across a range of metrics, supports manufacturing and logistics in Rotterdam's economy. The Hague is the centre of the national government and seat of several international organisations. More centrally located, Utrecht has the fastest growing and most highly educated population of the G4. It also serves as a logistics and services hub to the rest of the country.

The four largest cities in the Netherlands have in common that they are currently experiencing a tight labour market. The high demand and low supply of labour presents a challenge to the successful implementation of regional labour market policies that are both inclusive and resilient to ongoing and future demographic and economic transitions.

This chapter starts with an overview of the size and trends of the regional labour markets of the four largest cities of the Netherlands and compares these to selected European cities. This overview is followed by an analysis of labour market tightness following the COVID-19 pandemic across sectors and occupations. The chapter finishes with additional analyses on how local population-level characteristics such as age and migration background may explain some of the differences in labour market outcomes across the four cities.

The local and regional labour markets in the Netherlands' four largest cities

Cities play an important role in the performance of national labour markets. The labour force of the Netherlands in 2019 amounted to 9.2 million workers. The three provinces of the four cities, Noord-Holland, Zuid-Holland and Utrecht province, have a combined labour force of 4.2 million workers, representing over 45% of the total Dutch labour force. This report focuses on the four largest cities in the Netherlands, Amsterdam (in the province of Noord Holland), Rotterdam and The Hague (both in Zuid Holland) and Utrecht (in the province of Utrecht) and their statistical and administrative regions.

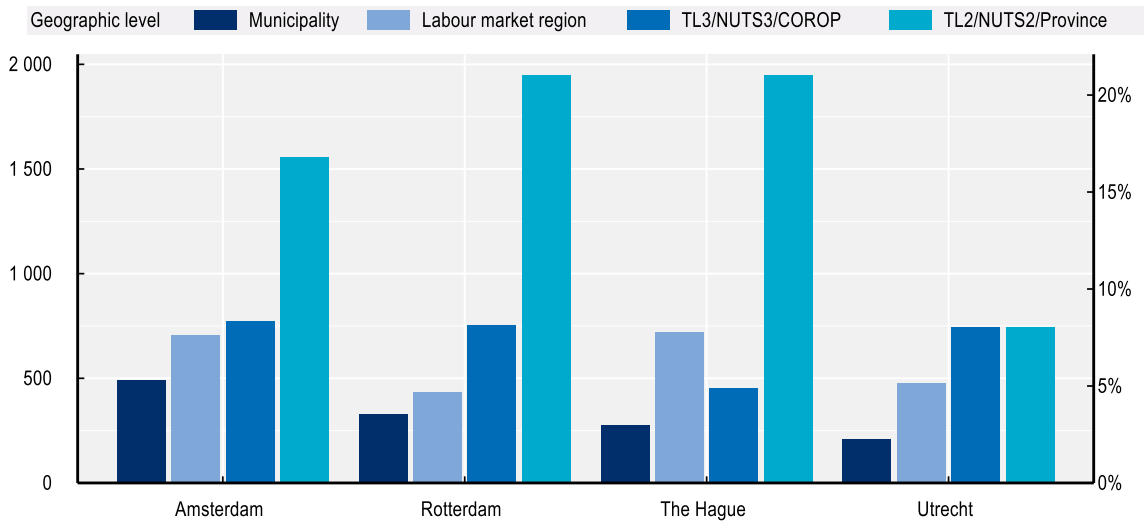
The municipality of Amsterdam has the largest labour force among the big four cities, amounting to close to 0.5 million workers and representing more than 5% of the total Dutch labour force in December 2019 (Figure 2.2). The municipalities of the G4 cities represent large fractions of their respective labour market and NUTS3 regions. The municipality of Amsterdam represents about 30% of the labour force in the province of Noord-Holland, as does the combination of Rotterdam and The Hague in the province of Zuid-Holland and the municipality of Utrecht in the province of Utrecht. The labour market regions of Amsterdam and The Hague host close to 0.7 million workers, while there are 0.4 and 0.5 million workers in the labour market regions of Rotterdam and Utrecht respectively. Box 2.1 provides details on the regional terminology of this report. Figure 2.4 illustrates these in maps that identify provinces, regions, labour market regions and municipalities.

In this report, the four Dutch cities are compared to a selection of cities in other European countries. International comparisons include major cities in the neighbouring countries, Germany and Belgium, as well as the capitals of Norway (Oslo), Sweden (Stockholm), Denmark (Copenhagen), Spain (Madrid) and the United Kingdom (London). Each of these cities belong to TL2 and TL3 geographies, which are generally closely centred around the relevant city. The OECD also provides statistics at the level of

functional urban areas (FUAs), which are geographies based on commuting patterns. FUA provide a more internationally harmonised city geography (OECD, 2012[1]; OECD, 2021[2]).

Figure 2.2. The labour force of the G4 cities represents large shares of their respective labour market regions and small (NUTS) regions

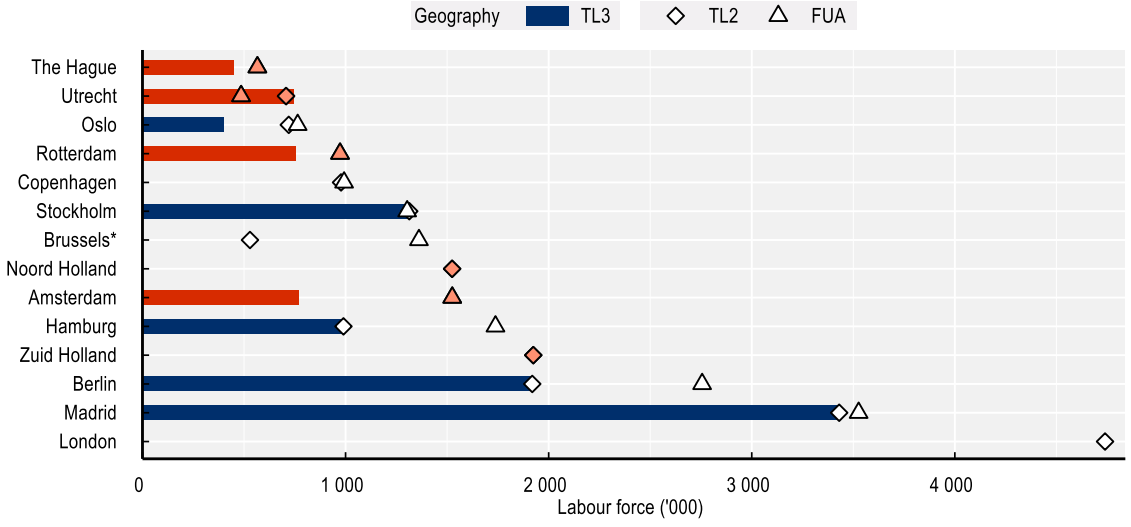
Size of the labour force, population aged 15-75 years, by geographic level, 2019, '000 (left), % of national labour force (right)



Notes: The TL2/NUTS2 region of Amsterdam is Noord Holland, of Rotterdam and The Hague is Zuid Holland and for Utrecht is Utrecht province.
Source: OECD calculations based on CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

Figure 2.3. Dutch cities compared to selected European regions and cities

Size of the labour force, population aged 15-64 years for selected regions and cities, 2019



Note: TL3 data on Amsterdam, Rotterdam, The Hague and Utrecht from CBS, refer to people aged 15-74 years; other data form OECD regions and cities database refers to people 15-64 years old. TL: Territorial Level. FUA: Functional Urban Areas. * Brussels FUA labour force data is for 2016.
Source: OECD calculations based on OECD regions and cities database and CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

The size of the labour market of the four Dutch cities, even when referring to their respective NUTS3 region, is small in international comparison. While all cities except The Hague (TL3) are larger than Oslo or Brussels, they are smaller than Copenhagen, Stockholm, Hamburg. The size of the labour force in the TL3 regions of Berlin and Madrid respectively is more than two and three times as large as the labour force in Amsterdam and Rotterdam. The provinces of Noord Holland and Zuid Holland (representing TL2 regions) are more comparable to the TL2 regions of those that contain the cities of Berlin in Germany and Stockholm in Sweden. The functional urban areas are defined independently of the TL2 and TL3 regions, and therefore, the associated labour force can be larger or smaller than the labour force in the corresponding territorial levels. The functional urban area of Amsterdam is as large as the Noord Holland province and comparable to that of Brussels. The labour force of the FUA of The Hague is larger than its TL3 region, while for Utrecht it is smaller. The FUA of Rotterdam is also larger than its TL3 region and comparable with that of Copenhagen.

Box 2.1. Regional terminology

This report combines labour market data and analysis at various regional levels. The four biggest cities in the Netherlands, Amsterdam, Rotterdam, The Hague and Utrecht, are located in the west and the centre of the country. The national statistics office, CBS (*Centraal Bureau voor de Statistiek*), and the national agency for public employment services, UWV (*Uitvoeringsinstituut Werknemersverzekeringen*), provide labour market data across various administrative levels and regional groupings. The Netherlands has 12 provinces, which signify Eurostat NUTS2 regions. These are equivalent to OECD TL2 regions. The provinces nest 40 small regions, Eurostat NUTS3 regions, which are equivalent to OECD TL3 regions, and CBS COROP (*Coördinatiecommissie Regionaal Onderzoeksprogramma*) regions. In addition, regional cooperation is arranged in municipal groups. For the labour market, municipal cooperation is implemented in 35 labour market regions. The labour market regions are arranged independently from NUTS2 and NUTS3 regions. Table 2.1 provides a brief overview of the regional levels and associated names. It also provides the corresponding maps.

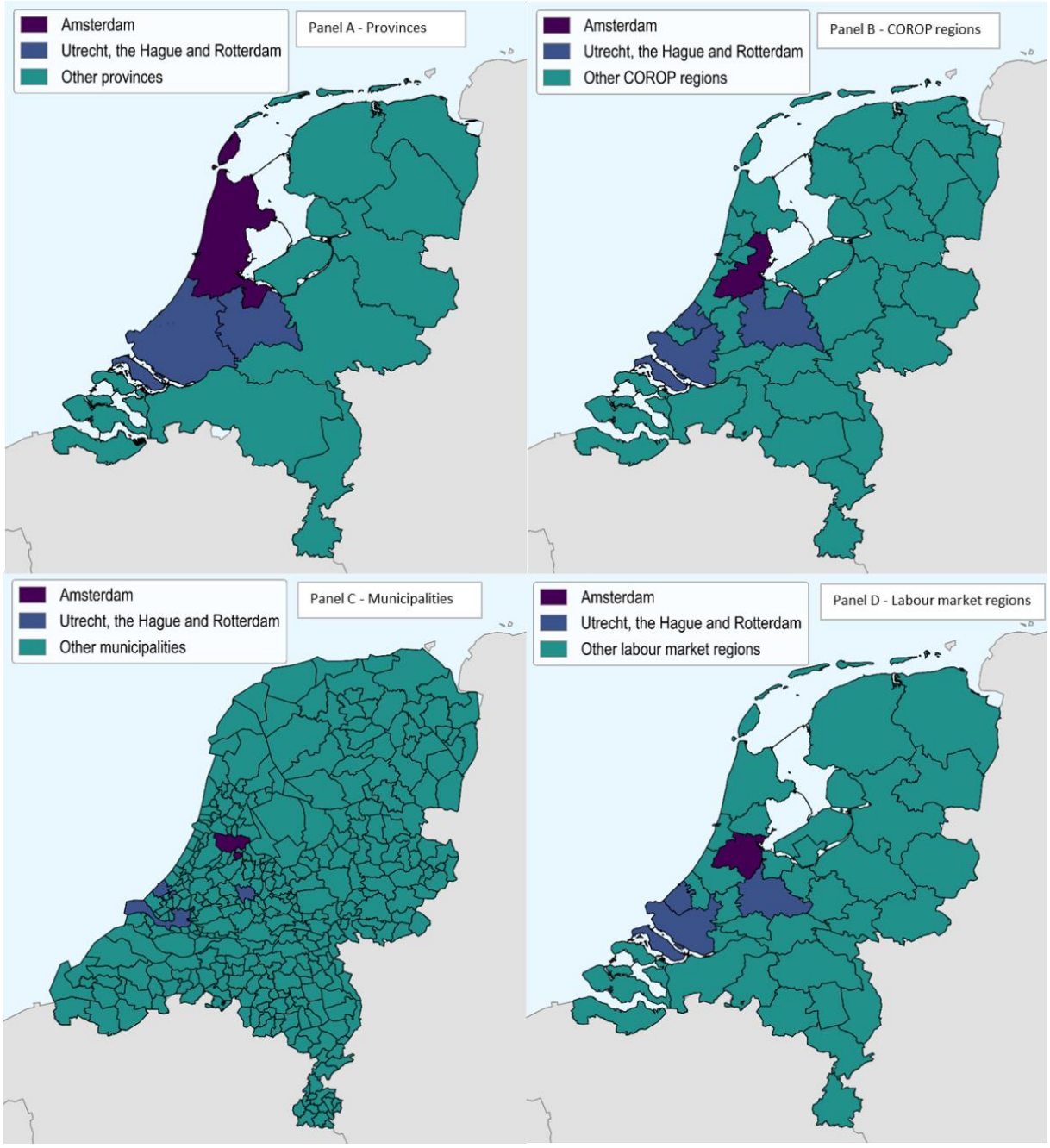
Table 2.1. Overview of regional terminology

	Netherlands	Amsterdam	Rotterdam	The Hague	Utrecht
Municipality	345	Amsterdam	Rotterdam	The Hague (in Dutch, Den Haag, or 's-Gravenhage)	Utrecht (Municipality
Labour market region	35	Groot Amsterdam	Rijnmond	Haaglanden	Midden-Utrecht
Consists of		8 municipalities	16 municipalities	5 municipalities	15 municipalities
COROP region (NUTS3/TL3)	40	Groot-Amsterdam	Groot-Rijnmond	Agglomeratie 's-Gravenhage	Utrecht (COROP)
Consists of		15 municipalities	24 municipalities	6 municipalities	23 municipalities
Metropole region	3[a]	Amsterdam	Rotterdam Den Haag		-
Consists of		32 municipalities	23 municipalities		-
Province (NUTS2/TL2)	12	Noord Holland	Zuid Holland		Utrecht (Province)

Note: a. The third metropole region is Eindhoven.
Source: OECD elaborations

Figure 2.4. Illustration of different regions in the Netherlands

Provinces (Panel A), COROP regions (Panel B), Municipalities (Panel C) and Labour market regions (Panel D)



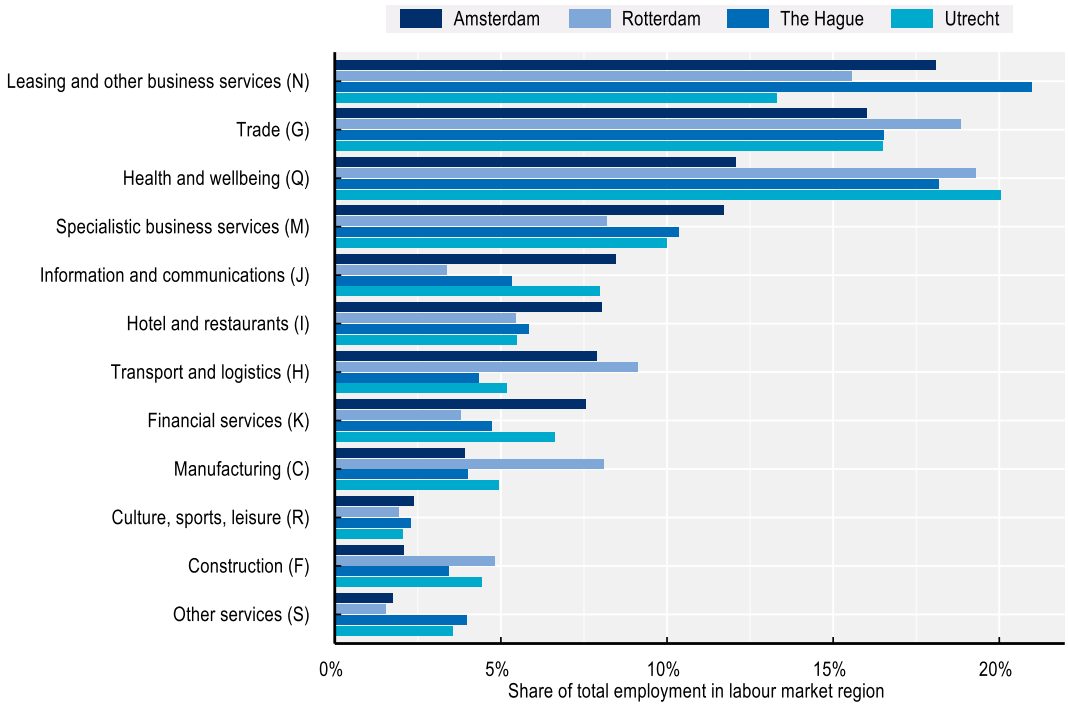
Source: OECD illustration.

The service sectors dominate the labour market across the Netherlands four largest cities, while each have their specialisation. Leasing and other business services, trade (wholesale and retail) and health and well-being each constitute 15% to 20% of total employment in the labour market regions of the four cities (Figure 2.5). Within services, the cities have different specialisation patterns. Health and wellbeing services make up more than five percentage points more employment in Rotterdam, The Hague and Utrecht than in Amsterdam. The employment share of specialist business services, which includes

professional, scientific and technical activities, management consulting, and architecture and engineering services makes up a larger employment share in Amsterdam relative to the other cities, although the difference compared to Utrecht and The Hague is small. Amsterdam has a larger share of employment in information and communication activities and in hotel and restaurants. Hotel and restaurants reflect both the importance of business services, the international airport Schiphol and the tourism activities in the city of Amsterdam. The city of Rotterdam stands out with the largest shares in trade, transport and logistics and manufacturing. Each of these activities can be linked to the international seaport of Rotterdam, which remains the largest port of Europe.

Figure 2.5. The G4 cities have service-oriented labour markets

Share of employment across sectors by labour market region, December 2019



Note: Agriculture, forestry, fisheries (A), resource extraction (B), Energy (D), Water and waste management (E), Real estate services (L), Public administration and government (O), Education (P) excluded.
Source: OECD calculations based on CBS table 83582NED (Banen van werknemers; SBI2008, regio).

The labour markets before and after COVID-19

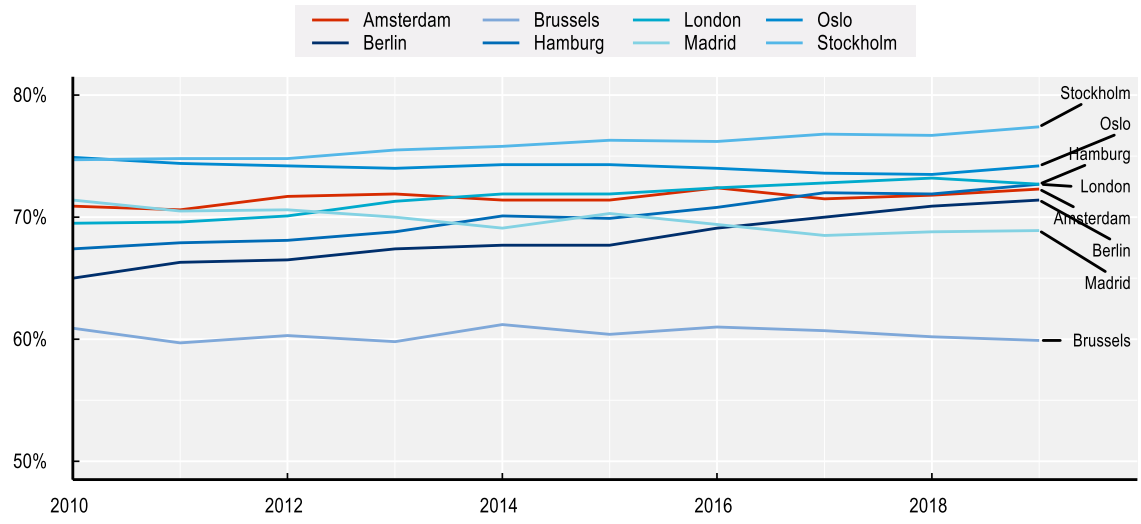
The positive long-term trends on regional labour markets were only briefly interrupted by the COVID-19 pandemic, but structural differences remain. Across the G4, labour force participation rates were rising, and unemployment rates were decreasing prior to 2019, approaching the levels of Oslo and Stockholm. The COVID-19 pandemic brought only a brief interruption to these long-term trends, potentially aided by extensive policy support for a large share of the working population in response to the health crisis, such as labour costs compensations for firms, and grants for own account workers (Jongen and Koning, 2020[3]; Adema et al., 2021[4]).

The labour force participation rate has improved gradually since 2010 across European cities. In Amsterdam, the labour force participation rated increased from 70.9% in 2010 to 72.3% in 2019 (Figure 2.6). In comparison, the labour force participation rate in Hamburg increased from 67.4% to 72.7%,

and in London from 69.5% to 72.7% over the same period. All cities lag Stockholm, where the participation increased from 74.7% to 77.4%. Brussels, with a labour force participation rate of 59.9% in 2019 and no visible upward trend in earlier years remains far behind the other cities.

Figure 2.6. The labour force participation rate gradually improved in Amsterdam during the decade preceding the COVID-19 pandemic

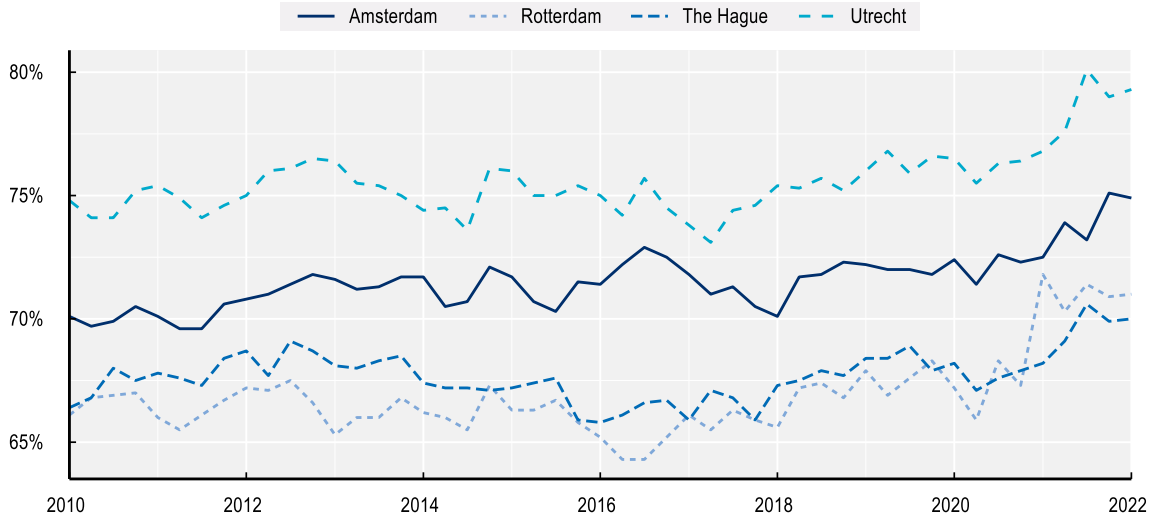
Labour force participation rate of the population aged 15-74/75 years



Note: Amsterdam refers to the TL3 region of Groot Amsterdam, population aged 15-75 years. For other cities, the data correspond to the TL2 regions that compose the respective metropolitan area, population aged 15-74 years.
Source: OECD calculations based on Eurostat table lfst_r_lfp2actrt (Economic activity rates by sex, age and NUTS 2 regions, %) and CBS table 83523NED (Arbeidsdeelname; provincie).

Figure 2.7. The labour force participation rate is increasing in all G4 cities, but with substantial structural differences in levels

Labour force participation, population aged 15-75 years



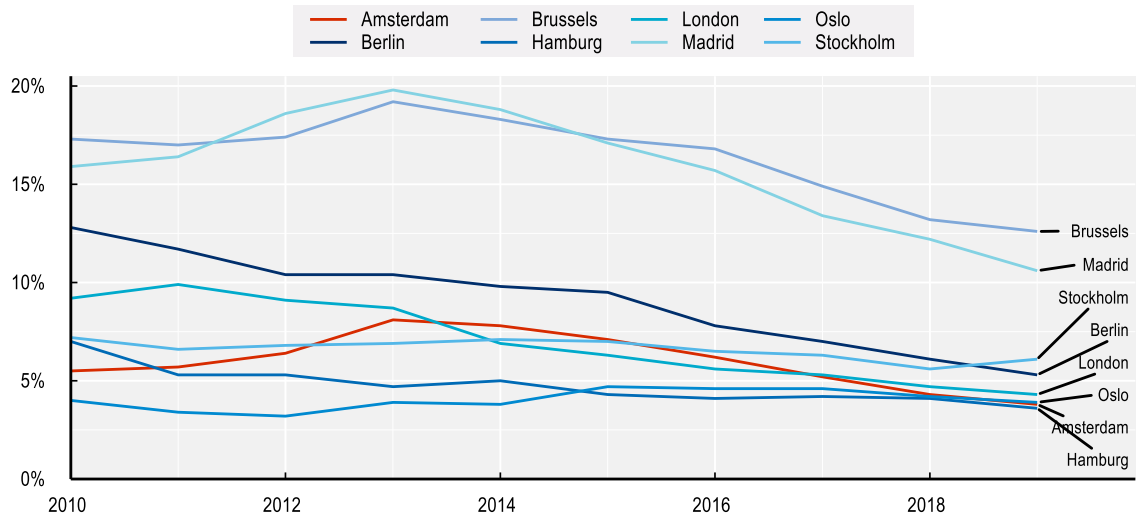
Note: Gross participation rate for the municipalities of the four cities only. CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: OECD calculations based on CBS table 83523NED (Arbeidsdeelname; provincie)

Although increasing, the labour force participation rates of the working-age population in the big four Dutch cities differ structurally by almost 10 percentage points between. The municipalities of The Hague and Rotterdam reported participation rates that went above 70% in 2021 for the first time since at least 2010. At the same time, Utrecht showed a participation rate of 79.3% in 2022Q1, while Amsterdam's stood at 74.9% (Figure 2.7). For the entire period, structural differences between the cities are noticeable, with the latest numbers ranging between 70% in The Hague and 79% Utrecht. The participation rates in each city remained largely constant between 2009 and 2019. Since the second half of 2020, all four cities have seen an increase in their participations rates.[1]

Unemployment rates in European cities, including in Amsterdam, have steadily decreased since 2013. Places with relatively low unemployment rates, such as Hamburg and Oslo kept the unemployment rate below 5% (Figure 2.8). At the same time, places with relatively high unemployment rates, such as Brussels and Madrid, have experienced major reductions in unemployment. Amsterdam, together with London and Berlin, experienced a convergence of unemployment rates towards the cities with the lowest numbers.

Figure 2.8. Unemployment was relatively low in Amsterdam in international comparison before the COVID-19 pandemic

Unemployment rate, population 15-74/75, %.

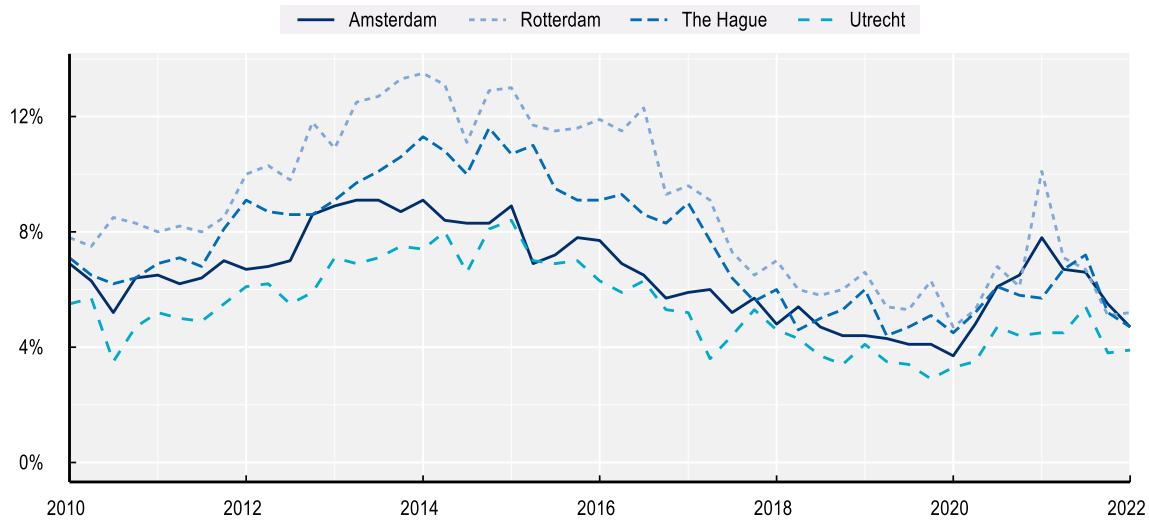


Note: Amsterdam refers to the TL3 region of Groot Amsterdam. For other cities, the data correspond to the TL2 regions that compose the respective metropolitan area.
Source: OECD calculations based on Eurostat table lfst_r_lfu3rt (Unemployment rates by sex, age, educational attainment level and NUTS 2 regions, %) and CBS table 85230NED (Arbeidsdeelname; provincie).

Unemployment rates in the four largest Dutch cities dropped to their lowest since 2010. In Amsterdam specifically, the unemployment rate peaked at 9.1% in 2013Q2 and then dropped to 3.7% in 2020Q1 (Figure 2.9). The COVID-19 pandemic brought a reversal. The unemployment rate in Amsterdam rose to 6.5% in 2020Q4. The last numbers indicate that unemployment is falling again. Since 2010, the unemployment rate in Amsterdam tended to be structurally below the rates in Rotterdam and The Hague, but slightly above that of Utrecht. Nevertheless, in 2019, the unemployment rate in each of the four Dutch cities is as low as that of the European cities with the lowest rates presented in Figure 2.8.

Figure 2.9. The unemployment rate in Dutch large cities continues to improve since 2014

Quarterly unemployment rate, aged 15-75



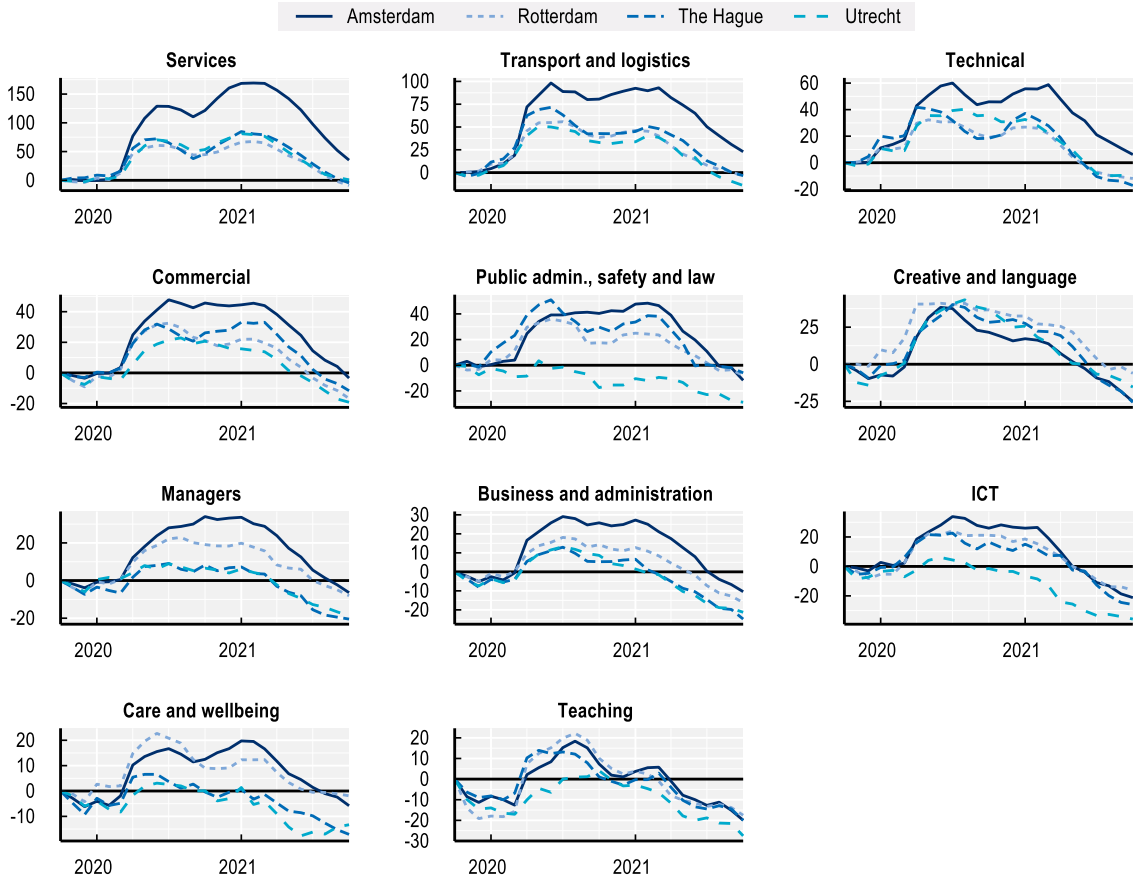
Note: Unemployment rate for the municipalities of the four cities only. CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: OECD calculations based on CBS table 83523NED (Arbeidsdeelname; provincie).

Workers in Amsterdam experienced larger shocks in unemployment during the COVID-19 pandemic across several occupations relative to workers in the other G4 (Figure 2.10**).** In Amsterdam, workers in business and administration, management, general services and transport and logistics saw larger percentage increases in unemployment compared to the other cities. This larger relative shock also affected the time it took for the number of unemployment claimants to fall back to pre-pandemic levels. Not all occupations were affected to the same extend. General services occupations and transport and logistics saw a doubling of unemployment claimants relative to the fall of 2019, while pedagogic and ICT occupations saw relatively minor increases, and the quickest reversal. The latest numbers indicate that the number of unemployment claimants across most cities and occupations lies below the level of the COVID-19 pandemic.

While the COVID-19 pandemic caused an increase in unemployment across most OECD regions and cities, the effects were felt most strongly in cities (OECD, 2020[5])**.** Cities experience stronger employment effects because they typically have a higher concentration of employment in the non-tradable services sector. Jobs in sectors such as hospitality and recreation often do not lend themselves to remote and online working. Moreover, larger cities tended to be more affected than smaller ones. This pattern is also visible in Figure 2.10, where the rise in unemployment in Amsterdam is larger in the most affected occupations relative to the other cities. The rise in unemployment coincided with a decrease in vacancies in cities, especially in occupations that require face-to-face interaction. Across 18 OECD countries with available data, online job postings decreased by an average of 35% on any given day between 1 February and 1 May 2020. “Public services” (i.e. services in education, health care and social work, or public administration and defence sectors), and business services, followed by trade and transportation, and the accommodation and food industries made the largest contributions to these declines (OECD, 2020[6]; OECD, 2020[5]). Evidence from US cities also indicates that online job postings contracted more than other types of vacancy postings. Moreover, the recovery was slower in metropolitan areas that are larger, have a more educated workforce, and have a more diversified industrial structure (Tsvetkova, Grabner and Vermeulen, 2020[7]).

Figure 2.10. The COVID-19 crisis hit all G4 cities hard, but recovery is broadly shared

Number of unemployment claimants in the labour market regions of the G4, by occupational class of last held job, % change relative to September 2019



Note: Number of unemployment claimants in the respective labour market regions. See definition on labour market regions in Box 2.1.
Source: OECD calculations based on data of UWV, see https://www.werk.nl/arbeidsmarktinformatie/datasets.

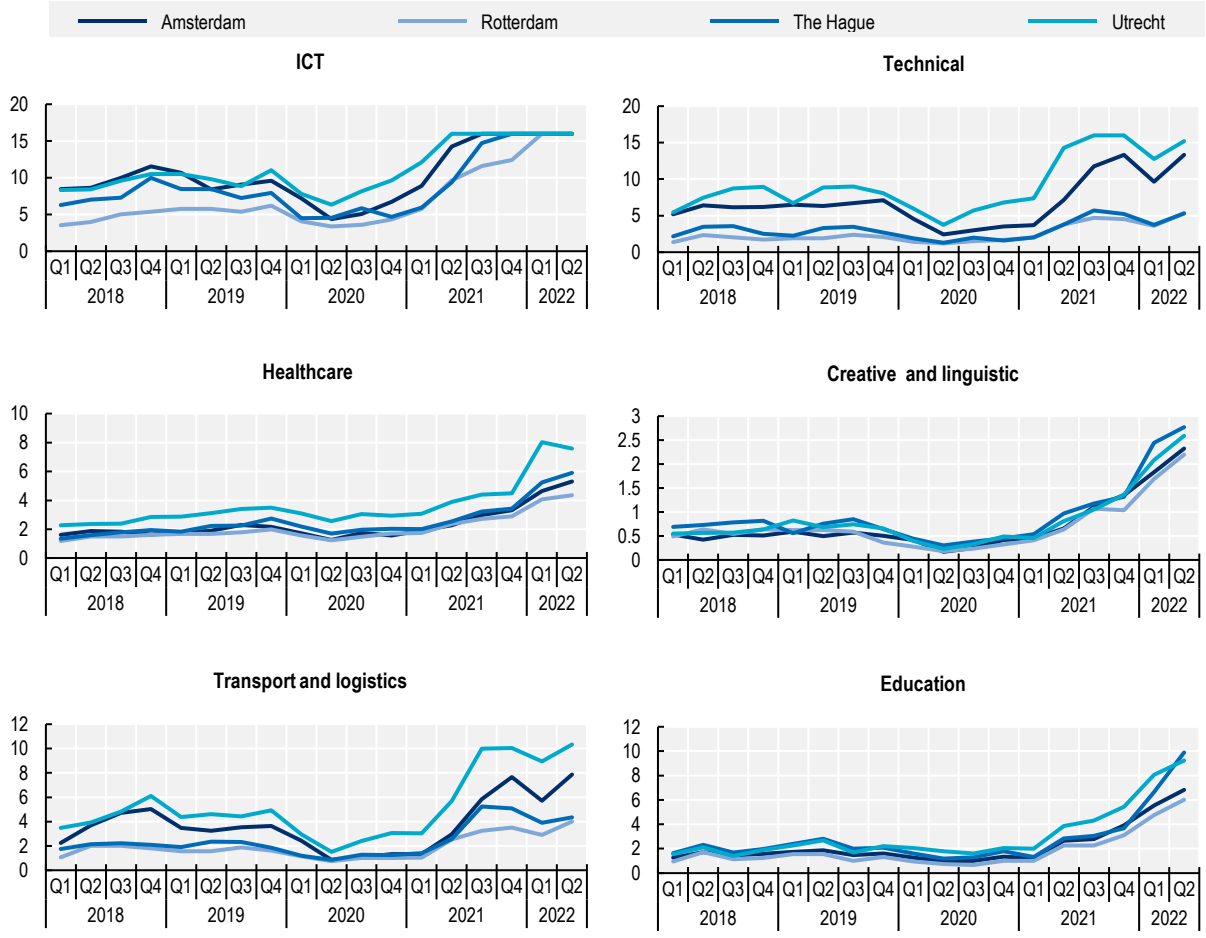
The national policy response to the COVID-19 pandemic likely aided the limited rise in unemployment. The Dutch government introduced an emergency scheme based on short-time work programmes where employers who reduced workers' hours were compensated for hours not worked, while employees received their regular wages. Employers claiming the "Emergency Instrument for bridging employment" (*Noodmaatregel Overbrugging Werkgelegenheid*, NOW), could get up to 90% of their wage costs re-imbursed if they suffered a revenue decline of at least 20% relative to a comparable period in 2019. In 2020, NOW distributed EUR 15.8 million to companies. At its peak, it reached 150 000 businesses (Jongen and Koning, 2020[3]). The NOW mostly benefitted employees on a regular contract. For own-account workers, another instrument was created that considered an individual's income and family situation. In 2020, this instrument allocated EUR 2 million to individuals. Analysis of CPB data indicates that among OECD countries, The Netherlands was relatively generous with their support to workers and other instruments to avoid lay-offs (Adema et al., 2021[4]). Modelling results suggest that without the complete package of employment and income support, the unemployment rate in 2020 would have been 0.7 to 2.2 percentage points higher (Verstegen, van der Wal and Deijl, 2021[8]).

The labour market is tight across the Netherlands' four largest cities

The labour market is tight across the big four cities and across sectors. The Dutch public employment office, UWV, publishes a labour market tension indicator that sets the number of vacancies against the number of jobseekers who receive unemployment benefits for less than six months. In 2022Q2, 30 of the 35 labour market regions in the Netherlands reported more than four job vacancies for every short-term unemployed. Amsterdam and Utrecht experienced an even larger shortage of workers with vacancy-to-jobseeker ratios reaching 7.2 and 8.5. By contrast, the labour markets of the other G4 cities, Rotterdam and The Hague, have vacancy-to-jobseeker ratios closer to the national average (4.4 and 5.2 respectively) (UWV, 2022[9]). Figure 2.11 shows that since the second half of 2020, the number of vacancies relative to unemployed workers has steadily increased across all sectors.

Figure 2.11. The labour market has tightened rapidly since 2020Q2 across cities and occupations

Labour market tension indicator, number of vacancies over number of registered unemployed (unemployed less than six months)



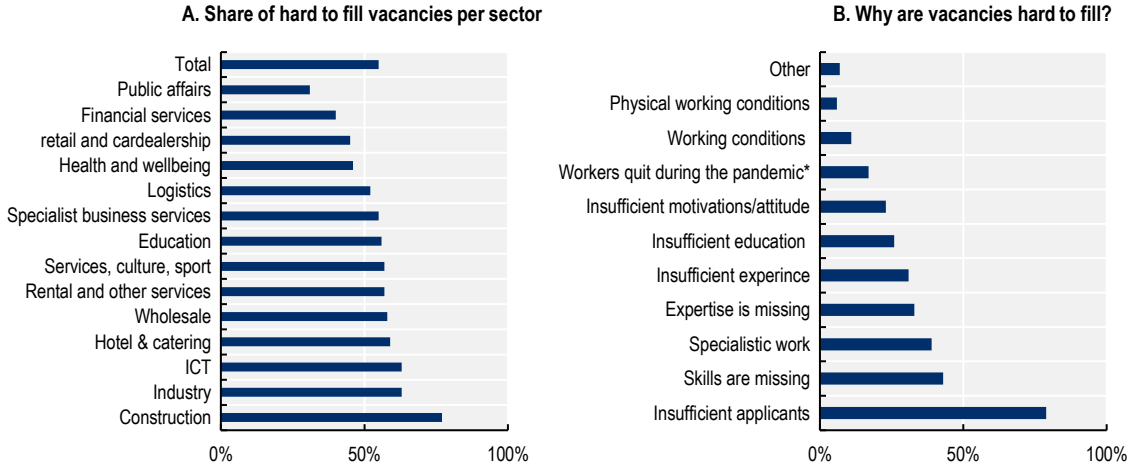
Note: The tension indicator is based on the number of vacancies per sector divided by the number of people who receive unemployment benefits for less than six months. The number of vacancies is weighted to ensure labour market representativeness of vacancies. Sectoral difference in hiring practices, turnover rates and length of contracts across sectors can result in structural differences in the tension indicator.
Source: UWV, see https://www.werk.nl/arbeidsmarktinformatie/datasets.

Vacancies in occupations such as transport and logistics, ICT and other technical occupations show high values in their tightness indicator. Differences in hiring practices, turnover rates of employees and differences in the length of contracts across sectors can result in structural differences in the tension indicator between sectors. Despite such differences, short-term trends across sectors are similar and all sectors report their highest vacancy-to-jobseeker ratio in the most recent quarters. Nevertheless, differences in sector-specific labour market tightness emerge between cities. For instance, the tightness indicator for technical occupations in Amsterdam and Utrecht is more than twice as high as it is in The Hague and Rotterdam.

Employers struggle to fill vacancies across a range of sectors. More than half of all vacancies are hard to fill according to Dutch employers responding to a survey in 2021 (Figure 2.12). Almost eight out of ten employers in the construction sectors find it hard to fill vacancies. Similarly, more than six out of ten employers in the Industry and ICT sectors state that it is hard to find suitable workers. Employers in public affairs and financial services feel the least pressure relative to the average, but more than three out of 10 employers still find it hard to fill vacancies. In response, UWV suggests that employers could look for alternative solutions to address labour shortages, such as considering refugee with the right to remain ("statusholders", see Chapter 5), recruit in a larger labour pool by considering applicants in different regions or with different professional backgrounds and the rearrangement of work tasks among current employees (UWV, 2022[10]).

Figure 2.12. More than half the vacancies are hard to fill in the Netherlands, mostly due to a lack of suitable applicants

Employer responses on hard to fill vacancies in 2021



Note: Survey across 3061 establishments, conducted between September and November 2021. Sectoral shares are reweighted to be representative of the underlying population. * full reason: workers moved to other sectors due to the pandemic.
Source: UWV. Moeilijk vervulbare vacatures en behoud van personeel, 3 February 2022.

The main reason for the inability to fill vacancies is the lack of applicants, followed by a lack of suitable skills of applicants. Almost four out of five employers cite a lack of applicants as a reason that makes vacancies hard to fill. This reason is cited almost twice as often as the next most cited reasons, which is the lack of skills and required expertise. The COVID-19 pandemic is sometimes suggested to have caused employees to rethink their career paths (Garcia and Paterson, 2022[11]). However, in the Netherlands, less than one in five employers indicate that the pandemic has caused suitable workers to look for jobs in other sectors.

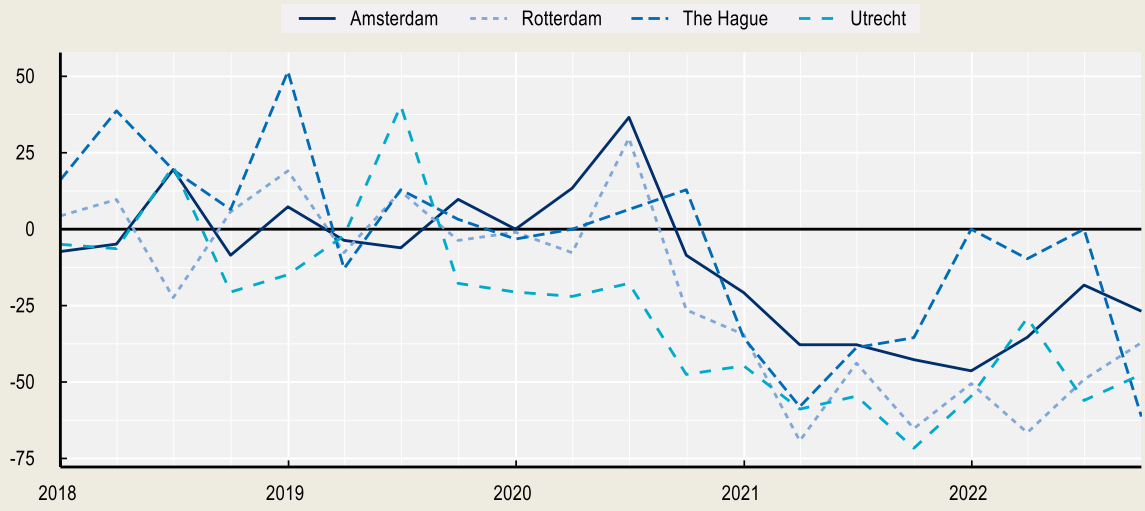
COVID-19-related state support for business may be contributing to the tightness in the labour market. A historic low rate of bankruptcies since the pandemic suggest that the state aid provided by many OECD governments, including the Netherlands, has kept otherwise unviable business active (OECD, 2021[12]). As Box 2.2 documents, default rates in the TL3 regions of the G4 cities were at least 25% lower during the COVID-19 pandemic than in previous years. Consequently, workers employed by firms that otherwise would have had defaulted are now not available for hiring to more successful firms with growing need for more staff.

Box 2.2. Are too many workers locked-in unviable businesses?

Most governments of OECD member states provided financial support to businesses during the COVID-19 pandemic, which has led to historic low bankruptcy rates (OECD, 2021[12]), including in the Netherlands (Fareed and Overvest, 2021[13]). In the NUTS3 regions of the Netherlands' four largest cities, quarterly business failures dropped in the third and fourth quarter of 2020. The number of defaults in all cities except Amsterdam were more than 50% lower in some quarters relative to the quarterly average of 2019 (Figure 2.13). In Amsterdam, bankruptcy rates were 46% lower in the last quarter of 2021, relative to 2019. In the first quarter of 2022, all cities are still below the average quarterly number of defaults in 2019, although some increase is visible for The Hague, Utrecht and Amsterdam.

Figure 2.13. Business failures lie far below pre-pandemic trends

Percentage difference of quarterly business failures, quarterly average of 2019, by TL3 region



Notes: Relative default rates of firms and other organisations. The rates exclude firms without employees.
Source: OECD calculations based on CBS table 82522NED (Uitgesproken faillissementen; regio).

As default rates return to pre-2020 levels, employees that are employed in non-viable businesses can move to businesses in sectors and occupations in which there is high demand for workers. However, this effect may be limited in practice. In the Netherlands, most firms that received emergency support were financially healthy prior to the pandemic, but firms that were in a less healthy situation were relatively more likely to request support (Altares, 2021[14]; Adema et al., 2021[4]). This is in line with evidence from other OECD countries that finds that credit guarantees aided the smaller, financially weaker firms or less productive firms disproportionally in Italy, Portugal and the US (Core and De Marco, 2020[15]; Kozeniauskas, Moreira and Santos, 2020[16]; Cororaton and Rosen, 2020[17]; Granja et al.,

2020[18]). In this sense, the business support policies were effective. Once the emergency measures are phased out, it can be expected that defaults will rise again (Rajan, 2020[19]). However, the employment effect may be limited because the additional defaults may occur in relatively small firms.

Sources:
Adema et al. (2021[4]) Economische analyse steunpakket 2020, CPB. Altares (2021[14]) "Bij deze ondernemers komt de NOW-steun terecht".
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Differences in demographics and education levels across the labour markets of the Netherlands' four largest cities

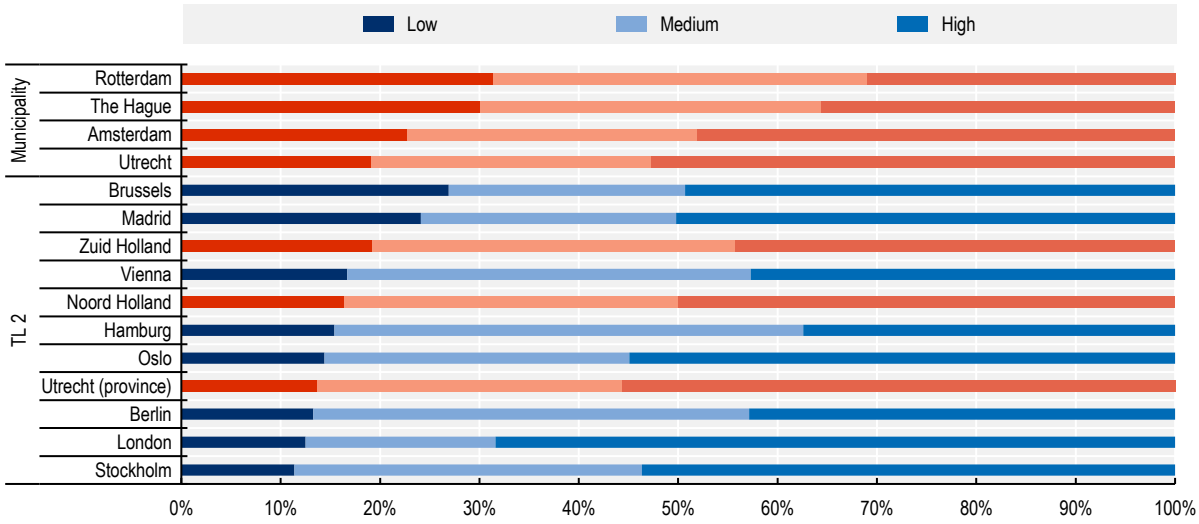
A tight labour market overall does not imply that all workers benefit equally, but it can offer the opportunity to policy makers to address structural differences. People of different socio-economic characteristics such as age and migration background may benefit to a different extent from a high demand for labour. However, a tight labour market can be an opportunity for regional policy makers to address such structural differences in the performance of different groups on the labour markets.

Educational attainment and labour market outcomes

Around one in two workers is highly educated in the provinces of Noord Holland, Zuid Holland, and Utrecht. Relative to other selected comparison cities in Europe, this is close to the median (Figure 2.14). In London, almost 70% of the working-age population is highly educated, compared to 50% in Oslo, Stockholm and Madrid. In Vienna and Berlin, more than 40% of workers are highly educated. In Hamburg, the share is just below 40%. The highly educated are not more concentrated in the city municipalities relative to the provinces (TL2 regions). The municipalities of Utrecht and Amsterdam have the highest share of highly educated workers among the G4, but these percentages are close to 50%, similar to the level observed for Noord Holland and Utrecht province.

Figure 2.14. Almost half of the working-age population in Noord-Holland and Amsterdam are highly educated

Share of low, medium and highly educated in international and national comparison, 2020

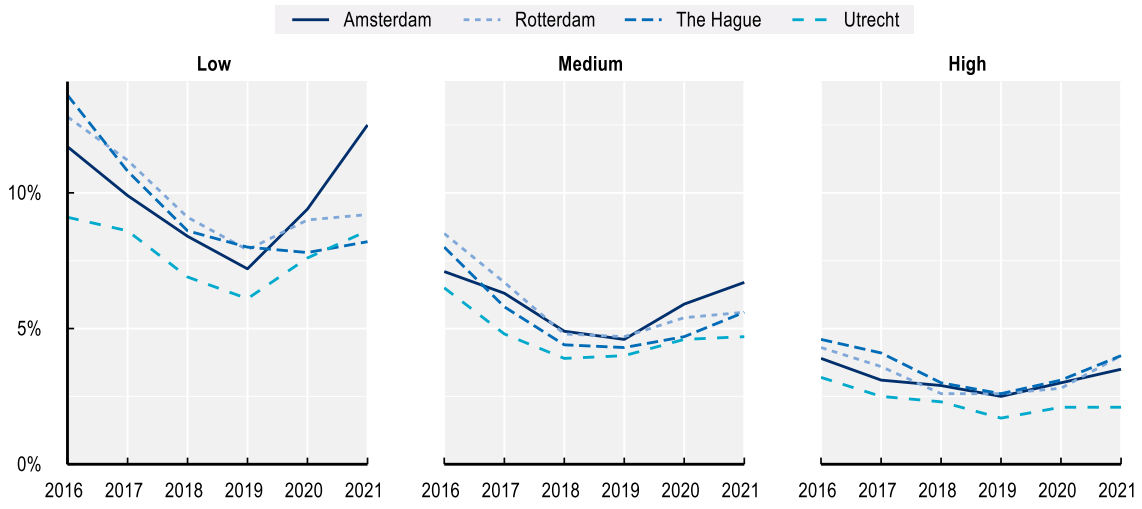


Note: TL2 regions of respective cities, Noord-Holland for Amsterdam, Zuid-Holland for The Hague and Rotterdam, and the province of Utrecht for the city of Utrecht. Population aged 25-64. Municipality level data, population aged 15-75.
Source: OECD calculations based on Eurostat table edat_lfse_04, and CBS table 85051NED (Opleidingsniveau wijken en buurten, 2020).

The level of education of workers is an important predictor of their ability to find jobs and their vulnerability to employment shocks. The unemployment rate among the low educated, defined as those with unfinished secondary education or basic level vocational training, is higher compared to those with at least advanced high school diplomas or at least advanced vocational degrees (Figure 2.15). Moreover, lower levels of education make workers more vulnerable to economic shocks, as can be seen by the faster increase in unemployment following the start of the COVID-19 pandemic in 2019. Amsterdam has seen the largest uptick in the unemployment among those with the lowest levels of education, increasing to 12.5% in 2021. Utrecht generally has the lowest unemployment rate of all four cities across education categories.

Figure 2.15. The lower educated were more vulnerable to the COVID-19 shock on unemployment

Unemployment rate across level of education, by labour market region



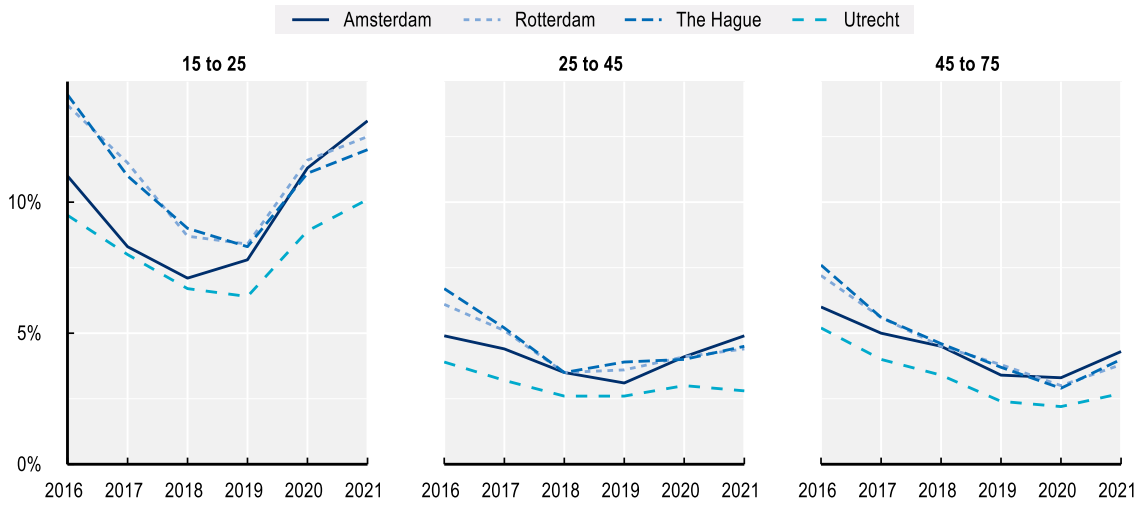
Notes: Low education corresponds to education up to ISCED level 2, medium education up to ISCED level 4, and high education to ISCED level 5 or higher. CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

Youth unemployment and inactivity

Youth unemployment is more than double the rate of older workers. Although youth unemployment decreased substantially in all four large Dutch cities prior to the pandemic, it has increased since 2019. For instance, in Amsterdam, the rate increased from 7.1% in 2019 to 13.7% in 2021. While the other age groups, those aged 25 to 45 and 45 to 75, also saw some increase in unemployment since 2021, the effects are relatively minor and unemployment rates across all cities remain below 5%. While reflecting the general vulnerability of young workers in the labour market, the different experience of youth relative to the other age groups may also reflect the difference in coverage of COVID-19 support measures across types of workers. In the Netherlands, employees with a permanent contract had access to a more generous employment and income support scheme relative to workers in more flexible and non-permanent contracts, potentially benefitting older workers more (Schulenberg, 2022[22]). Nevertheless, relative to other OECD countries, employment among youth in the Netherlands has recovered faster. Whereas the OECD average employment rates of youth increased 0.1 percentage points between 2019Q1 and 2021Q2, in the Netherlands the increase was 2.3 percentage points over the same period (OECD, 2022[23]).

Figure 2.16. Youth unemployment is more than double the rate of older age groups

Unemployment rate across age groups, by labour market region



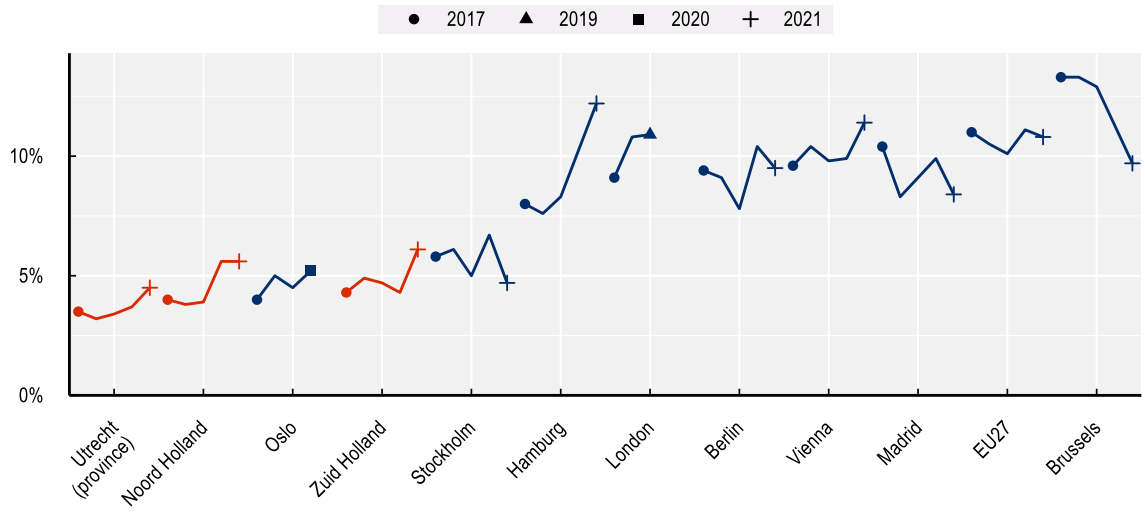
Notes: CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

Youth inactivity in employment or education can provide a more comprehensive indicator for their performance on the job market of today and in the near future. The youth unemployment rate tends to be above that of the total labour force as young people are entering the job market and may switch occupations. Youth are also more likely to switch in and out of education and training. Therefore, the percentage of young people that are neither in employment nor in education and training provides a better indication of how many youth are at risk of failing on the job market. Moreover, young people who leave school early without a degree tend to be more vulnerable to a changing labour market due to sudden economic upheaval, such as the COVID-19 pandemic, or long-term transitions, such as the increasing automation at production (Carcillo et al., 2015[24]).

The regions of the Netherlands' four largest cities have low rates of youth who are not in employment, education or training (NEET) compared with other European regions (Figure 2.17). Like the regions around Oslo and Stockholm, Noord Holland, Zuid Holland and Utrecht reported NEET rates that were below 5% in 2017. Over recent years, including the years of the pandemic, NEET rates in the three Dutch provinces have increased, but still compare favourably to other European regions. Other European regions, such as Hamburg, Berlin and Brussels tend to display notably higher rates of inactivity among their youth population. In Brussels, NEET rates have declined substantially over the years of the pandemic. Such decline may be due to young people re-engaging with education during times of periods when finding work is difficult (OECD, 2022[23]).

Figure 2.17. In the Netherlands, rates of youth who are not in employment, education or training (NEET) are low in European comparison

NEET rates by NUTS2 regions, age 15-24 years, 2017-21 or last available year



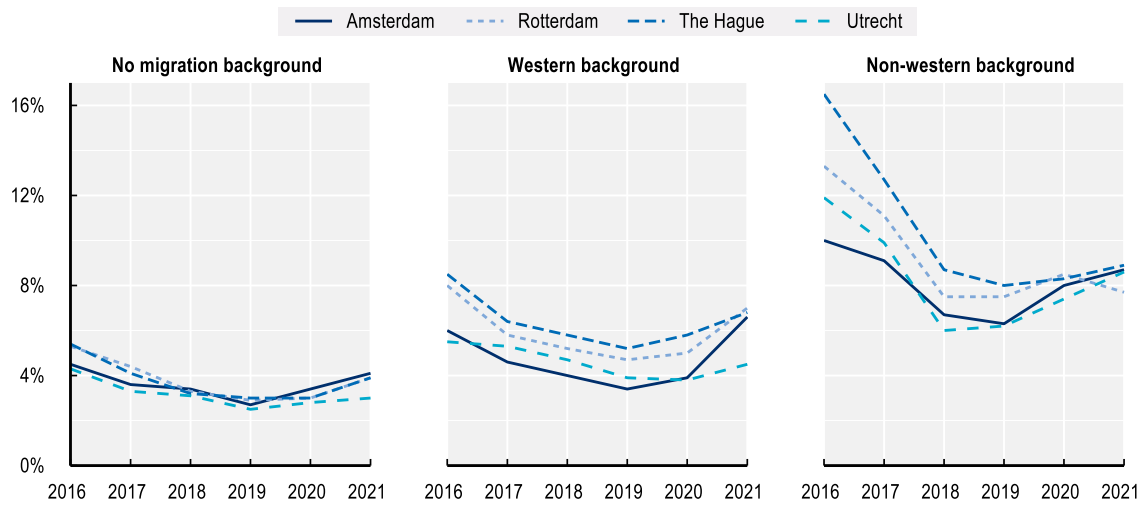
Note: NUTS2 regions of corresponding cities, except London, which is at NUTS1 level.
Source: Eurostat table edat_lfse_22 (Young people neither in employment nor in education and training by sex and NUTS 2 regions, NEET rates).

Migration background and labour market outcomes

Unemployment rates are higher among people with a non-Western migration background, defined by the person's or parental country of birth, across all Dutch cities. In 2016, the unemployment rate of people with a non-Western migration background was three times as high in The Hague and twice as high in Amsterdam, compared to people without a migration background. By 2021, these rates had converged across all four cities, but remain about twice as high, at around 8%. A worker has a non-Western background if the person, or at least one of their parents, is born in a country in Asia (excluding Japan and Indonesia), Africa, Latin America or Türkiye. People with a Western migration background are those who are born, or have at least one parent who is born, in Europe, North America, Oceania, Japan or Indonesia (Box 5.3 provides a further explanation on the distinction between Western and non-Western migrants in official Dutch statistics). The unemployment rate of people with a Western migration background falls between those with a non-Western migration background and those with no migration background in all four large Dutch cities.

Figure 2.18. The unemployment rate of people with a migration background is twice that of people without a migration background

Unemployment rate across migration background, by labour market region



Notes: Migration background is defined by at least one of the parents' country of birth. For no migration background both parents were born in the Netherlands. Western includes countries in the rest of Europe (excluding Türkiye), North America, Oceania, and Indonesia and Japan. Non-Western includes countries in Africa, Latin-America, Asia (excluding Indonesia and Japan) and Türkiye. CBS indicates that 2021 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

The difference in labour market outcomes between people with a non-Western migration background and other groups is structural and shared across the country. Labour force participation rates of people with a non-Western migration background have been around 10 percentage points lower compared to people without a migration background since 2003, with little narrowing of this gap during periods of economic growth (CPB and SCP, 2020[25]). In the Netherlands, people with a migration background from Türkye, Morocco, Suriname and the Caribbean constitute the largest group among the so-called migrants with a non-Western background. Among these groups, the participation rate of men aged between 30 to 40 years from Morocco is at 70%, while it is around 80% those among men aged between 30 and 40 years who have a migration background from Türkye, Suriname or the Caribbean. This compares with over 90% for men aged 30 to 40 years without a migration background. For women in the same age category, participation rates are 49% for people with a migration background from Morocco, 56% for Türkye and around 70% for Suriname and the Caribbean. These numbers compare to 86% for women in the same age group without a migration background (CPB and SCP, 2020[25]).[2]

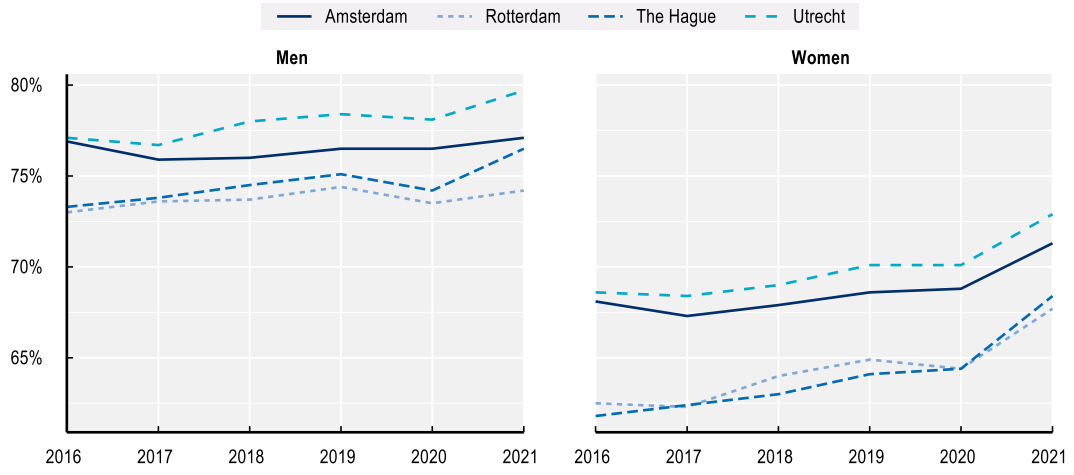
Gender differences in participation rates

Women show lower participation rates compared to men, but the difference in unemployment rates is minor. Figure 2.19 show a structural difference in the participation rates between men and women across the four cities. The differences ranged from 5.8 percentages points in Amsterdam to 8.1 percentage points in The Hague in 2021. The participation rate of women improved over the years 2016 to 2020, with the difference between men and women decreasing by more than 1 percentages point on average across the four cities. Although the unemployment rate is higher for women relative to men across the four cities, the difference is small compared with the differences observed by age and education level (Figure 2.20). The unemployment rate of women increased faster during the COVID-19 pandemic. In Amsterdam, the

unemployment rate of women increased from 3.5% to 6.6%, while that of men increased from 4.2% to 5.4%.

Figure 2.19. Women show structurally lower participation rates than men, but the gap is narrowing

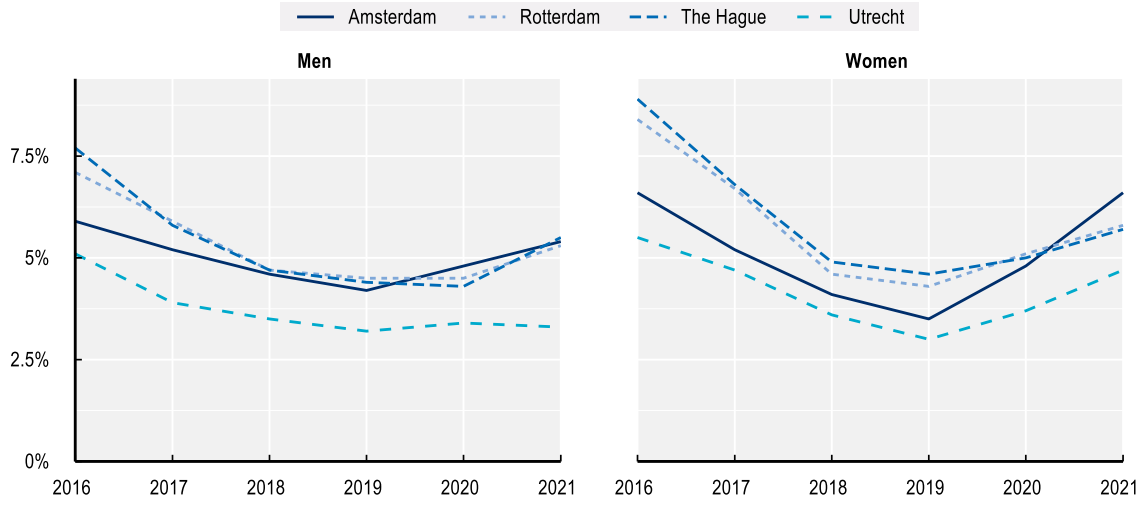
Labour force participation of population aged 15-75 years, by gender



Note: CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

Figure 2.20. Unemployment rates of women were strongly affected by the COVID-19 pandemic

Unemployment rate by gender and labour market region



Note: CBS indicates that 2021Q1 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

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Notes

[1] Geographically, municipalities are not very large in the Netherlands. Therefore, a substantial share of the population works in a different municipality from their residency which can affect the observed participation rates. For instance, differences in labour force participation across cities can also be affected by the attractiveness of the city municipalities relative to neighbouring municipalities for people that are active in the labour market.

[2] All figures from CPB and SCP (2020[25]) and for 2017.

3 Adapting to the future of work in Amsterdam

This chapter analyses the main future trends, challenges, and opportunities for the labour market in Amsterdam. It focuses on seven dimensions: the consequences of the increasing digitalisation for the labour market; the automation of production processes and its effect on labour demand; job polarisation and labour market mismatches by education; the ageing society and its effect on labour supply; the rise of non-standard work; and the transition to a low-carbon economy. In doing so, the chapter benchmarks Amsterdam against selected comparable metropolitan areas across OECD countries and other regions in the Netherlands, with a particular focus on the other G4 cities (Rotterdam, The Hague and Utrecht). The analysis shows that policymakers in Amsterdam should pay close attention to challenges pertaining to self-employment, the high retirement rates among workers in occupations that require vocational education, and the high incidence of part-time work.

In Brief

Digitalisation, automation, demographic change and the green transition leave Amsterdam's policymakers with new challenges and opportunities

The increasing digitalisation, the automation of production processes, ageing societies and the transition towards net-zero carbon emissions are transforming labour markets at a rapid pace. The local net welfare and employment effects of these trends vary across places due to differences in local industrial structures and the extent to which occupations are exposed to transformative forces. If these transformative forces are not managed well, they may result in an increasing risk of job loss, skills gaps, skills mismatches, a strong polarisation into well-paying and precarious jobs, and eventually a decline in productivity growth. This chapter puts the effect of these labour market megatrends on Amsterdam into national and international perspective.

The very high level of digital skills in Amsterdam's population puts the city in a promising position to meet increasing demand for these skills. Labour demand is rising fast in Amsterdam and job requirements for open vacancies are changing. The share of online job postings listing basic digital skills such as the use of word processing software rose from 45% in January 2019 to 56% in December 2021. The Dutch population's high level of digital proficiency and the central government's *Dutch Digitalisation Strategy* puts Amsterdam in a strong position to cope with the additional demand for digital skills.

Automation risks already translate into a declining labour demand for the most exposed occupations. 38% of jobs in Amsterdam face automation risks, compared to 46% on average across the OECD. Labour demand in Amsterdam is highest for occupations such as information and communication technology professional and business and administration professionals that face relatively low automation risks. In contrast, demand is low in occupations that require mostly manual labour, with the care and the construction sectors being noteworthy exceptions.

Amsterdam's population is ageing rapidly, constraining future labour supply. Due to distinct differences in education levels between young graduates and older workers in Amsterdam, occupations that require medium levels of education will face pressure as older workers retire. Meeting the growing replacement demand in professions that require secondary vocational education will be one of the key challenges on Amsterdam's labour market in the years to come.

Removing barriers to full-time work could allow those who work part-time involuntarily to increase their working hours. More than 1 in 3 Dutch employees worked less than 30 hours a week in 2021, the highest incidence of part-time work in the OECD. In 2021, in the Netherlands and the North Holland region, 64% and 59% of all employed women worked part-time respectively, compared with 29% on average in the EU. The very low incidence of involuntary part-time work among both men and women indicates a general preference for reduced working hours. The option of part-time work played a strong role in increasing female labour force participation in the Netherlands in the past. However, the declining labour supply due to an ageing workforce requires putting in place additional incentives for employees to switch to full-time work. Additional efforts by the municipality of Amsterdam to increase the supply of childcare offers and thereby decrease net childcare costs is a promising policy lever.

Self-employment is common and on the rise in Amsterdam. In 2021, the self-employed made up 21% of total employment in the North Holland region, compared to 18% in the Netherlands and 15% on

average across the EU-27. Among these, 81% were own-account workers without any employees. Apart from the sometimes precarious forms of self-employment in the digital economy, the large share of own-account workers may impede productivity in Amsterdam in the long-term. Own-account workers often have few options to advance in their careers and participate in continuous education and training less frequently, which calls for additional adult learning targeted towards this group.

The green transition will affect North Holland's large transport sector but net employment effects remain uncertain. In the North Holland region, sectors that are likely to be negatively affected by the green transition account for 2.7% of total employment, the second highest share across all Dutch regions and above the OECD average of 2.2%. However, Amsterdam's large service sector in particular may experience new job creation, leaving large uncertainty around net employment effects.

Introduction

Across the OECD, megatrends such as the increasing digitalisation, the automation of production processes, ageing societies and the transition towards net-zero carbon emissions are transforming labour markets at a rapid pace. The local net welfare and employment effects of these trends vary across places due to differences in local industrial structures and the extent to which occupations are exposed to transformative forces (OECD, 2019[1]). However, it is clear that these trends will have a strong and lasting impact on Amsterdam's labour market, directly affecting the demand for specific skills and the way jobs are carried out. Other consequences may be indirect: for example, the rise of non-standard work, including the rising number of own-account workers, is closely linked to digitalisation and the emergence of online platforms that connect service providers.

The effects of these transformative forces are already visible and measurable. The COVID-19 pandemic has brought new attention to digitalisation and automation of processes. Companies and workers were forced to adapt to physical distancing rules. Teleworking and hybrid work have become more common, but the structural transformation accelerated by the pandemic goes beyond place-related work arrangements. Firms increasingly embrace technological change and look for innovative solutions to improve their resilience to global shocks. The way firms will operate in the future will therefore demand higher levels of digital proficiency and additional flexibility from workers.

Managing the transformation of labour markets requires local policymakers to gain a clear understanding of how the different megatrends affect the local workforce and develop appropriate policies in response. Job loss, skills gaps, skills mismatches, a strong polarisation into well-paying and precarious jobs, and eventually a decline in productivity growth are all potential negative consequences of the labour market transformation if the process is not managed well. On the other hand, well-targeted polices can help make the most of the transition and reap the benefits of new productivity-enhancing technologies. For example, if occupations most exposed to automation are identified early and affected workers can make use of re-training and up-skilling offers the occupational mobility can be enhanced and job loss can be avoided.

Against this backdrop, this chapter provides an overview of megatrends and their effect on Amsterdam. The chapter is structured as follows. It first gives an overview of trends in digital skills supply and demand in Amsterdam. It then turns to the exposure of Amsterdam to the automation of production processes. It then gives an overview of job polarisation trends and analyses educational mismatches on the Amsterdam labour market. The analysis then turns to Amsterdam's ageing society and its consequences. Finally, it sheds light on the rise of non-standard work across the Netherlands and the green transition respectively.

The demand for digital skills is rising across the Netherlands

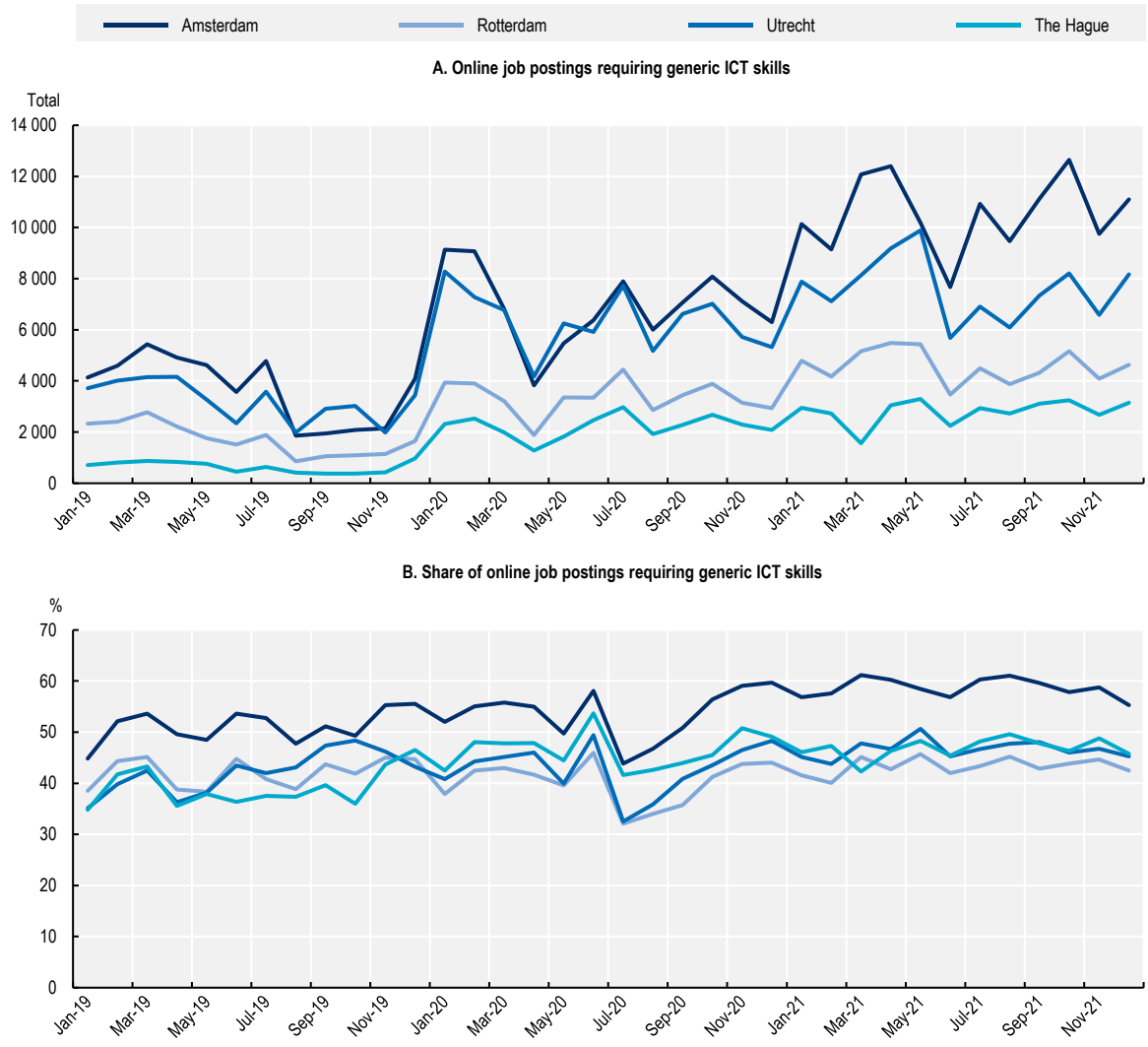
One of the major developments across OECD countries is the rising need for workers with digital skills. To succeed on the labour market, digital skills are essential for workers. They are needed to maximise opportunities, allow for efficient work in most jobs and are therefore crucial for ensuring productivity and growth. The COVID-19 pandemic is likely to interact with structural changes related to the increasing digitalisation. For example, the number of job postings requiring workers to be able to work from home has risen sharply during the pandemic, exemplifying that new jobs increasingly require basic or advanced digital skills and the ability to work in a technology-rich environment. It is therefore not surprising that digital skills are one of the major transversal skills, i.e. a skill that can be applied across a range of jobs and sectors (OECD, 2021[2]). At the same time, employers in many European countries report deficiencies in their employees' digital proficiency, prompting large-scale investments into digital education (European Commission, 2020[3]).

The demand for generic ICT skills in Amsterdam and other large Dutch cities has risen sharply over recent years. To assess the demand for digital skills in local economies, job task descriptions in online job postings can be analysed and digital skills requirements identified. Looking at the requirements of online job postings offers a timely alternative to measuring labour demand and the changing skills mix in Amsterdam's economy. For the purposes of this report, generic ICT skills refer to the performance of basic digital tasks such as the ability to use word processing software. In contrast, advanced ICT skills refer to tasks such as coding and programming. The methodology to categorise online job postings into generic and advanced ICT skills requirements is described in more detail in Box 3.1. While all G4 Dutch cities, Amsterdam, The Hague, Utrecht and Rotterdam, saw a rising demand for generic ICT skills during the COVID-19 pandemic, Figure 3.1 shows that the demand for generic ICT skills rose particularly fast in Amsterdam in both absolute (Panel A) and relative terms (Panel B). Online job postings by employers in Amsterdam that listed generic digital skills as a job requirement rose from around 4 000 in January 2019 to more than 11 000 in December 2021 (Panel A). When measured as a share of total online job postings, the percentage of online job postings requiring generic ICT skills rose from 45% to 56% over the same period, indicating that the majority of open positions in Amsterdam now require at least basic digital skills. By comparison, generic ICT skills were only required for 46%, 43% and 46% of all online job postings in The Hague, Rotterdam and Utrecht respectively in December 2021. The finding thus suggests that Amsterdam might be experiencing a faster transformation of its local economy than other places in the Netherlands.

The demand for advanced ICT skills also increased in Amsterdam, but the rise was proportionate to the general surge in job vacancies over recent years. Figure 3.2, Panel A, shows that the absolute number of online job postings requiring more advanced digital skills such as the use of coding and programming languages also rose across the G4 cities. Between January 2019 and December 2021, Amsterdam recorded an increase from around 2 300 to 5 600 online job postings that require advanced ICT skills. The other three G4 cities recorded smaller increases in absolute numbers. Panel B of Figure 3.2 shows that the rise in demand for advanced digital skills increased broadly in line with the general rise in local labour demand in all four cities. However, even in relative terms, advanced ICT skills are in high demand Amsterdam when compared to other G4 cities. In December 2021, 28% of all online job postings by Amsterdam's employers listed advanced ICT skills as a requirement, compared to 28%, 19% and 23% in The Hague, Rotterdam and Utrecht respectively.

Figure 3.1. The number of online job postings requiring basic ICT skills has risen sharply in Amsterdam over the past three years

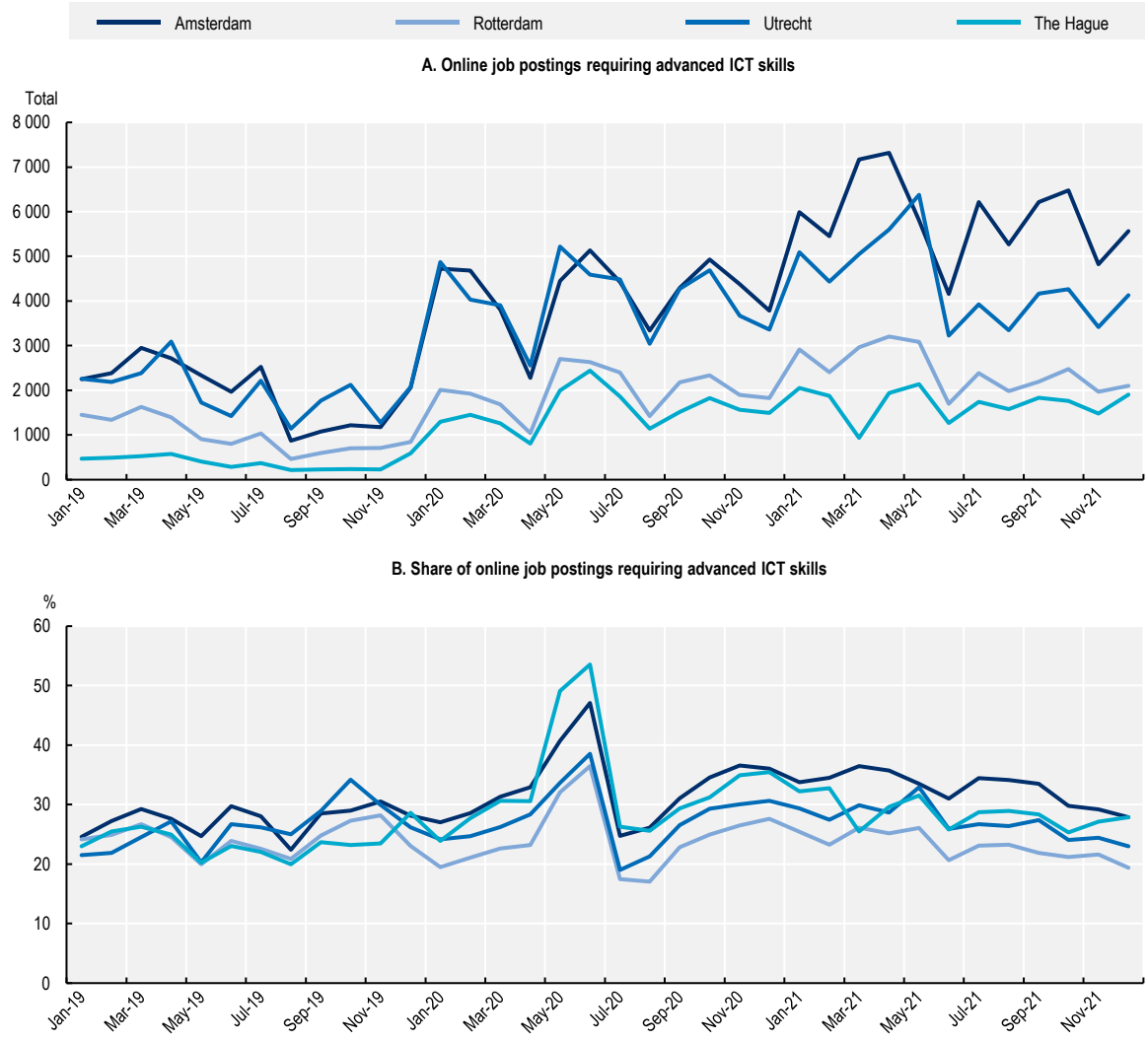
Total (Panel A) and relative (Panel B) number of online job vacancy postings indicating that the job requires at least generic ICT skills



Note: See Box 3.1 for more information the definition of generic ICT skills. Utrecht, Amsterdam, The Hague and Rotterdam refer to the TL3 region of Utrecht, Groot-Amsterdam, Agglomeratie 's-Gravenhage and Groot-Rijnmond respectively.
Source: OECD calculations based on Lightcast data.

Figure 3.2. The total number of online job postings requiring advanced ICT skills more than doubled in Amsterdam over the past three years, in line with the total number of job postings

Total and relative number of online job vacancy postings indicating that the job requires advanced ICT skills



Note: See Box 3.1 for more information on the definition of advanced ICT skills. Utrecht, Amsterdam, The Hague and Rotterdam refer to the TL3 region of Utrecht, Groot-Amsterdam, Agglomeratie 's-Gravenhage and Groot-Rijnmond respectively (see Chapter 2, Box 2.1).
Source: OECD calculations based on Lightcast data.

Box 3.1. Calculating ICT skills demand based on online job postings

The report uses online job postings data to calculate the total number and the share of job vacancies that require generic or advanced ICT skills. It makes use of Lightcast data to proxy local labour demand. Lightcast collects online job postings in many OECD countries. The data contain information on the posting's occupation, its detailed geography and other characteristics such as skills and educational requirements.

The methodology follows a three-step procedure laid out in detail in OECD (2022[4]).

- In a first step, the total number of unique monthly job postings is calculated by region.
- In a second step, the skill requirements listed in each job posting is used to calculate a dummy indicator of "generic" or "advanced" ICT skills for each job, in a procedure closely following previous OECD work on categorising these skills (Brüning and Mangeol, 2020[5]). The classification into generic and advanced skills is intuitive: Generic skills are simple ICT skills captured by key words such as "MS Excel" or "data". Advanced ICT skills are more specialised skills such as programming, coding and data analysis. These skills are captured by key words such as "algorithm" or "data mining" but also indirectly when knowledge of software such as "Python" or "Oracle" is mentioned in the posting. Jobs that require both generic and advanced ICT skills are classified as requiring advanced ICT skills, implicitly making the plausible assumption that generic skills would not suffice to carry out the job.
- In a final step, the total numbers of job postings that require generic or advanced ICT skills are summed up by region and divided by the total number of regional online job postings calculated in the first step.

One important caveat to using online job postings as a measure of labour demand is that job openings advertised online do not provide a full picture of employer demand. In general, occupations that require tertiary education tend to be overrepresented in online job postings whereas occupations that require secondary education and below may be underrepresented.

Source: Brüning and Mangeol (2020[5]), *What skills do employers seek in graduates? Using online job postings data to support policy and practice in higher education in OECD*, OECD Education Working Paper No. 231, https://doi.org/10.1787/19939019; OECD (2022[4]), *Future-Proofing Adult Learning in Berlin, Germany*, OECD Reviews on Local Job Creation, OECD Publishing Paris, https://doi.org/10.1787/fdf38f60-en.

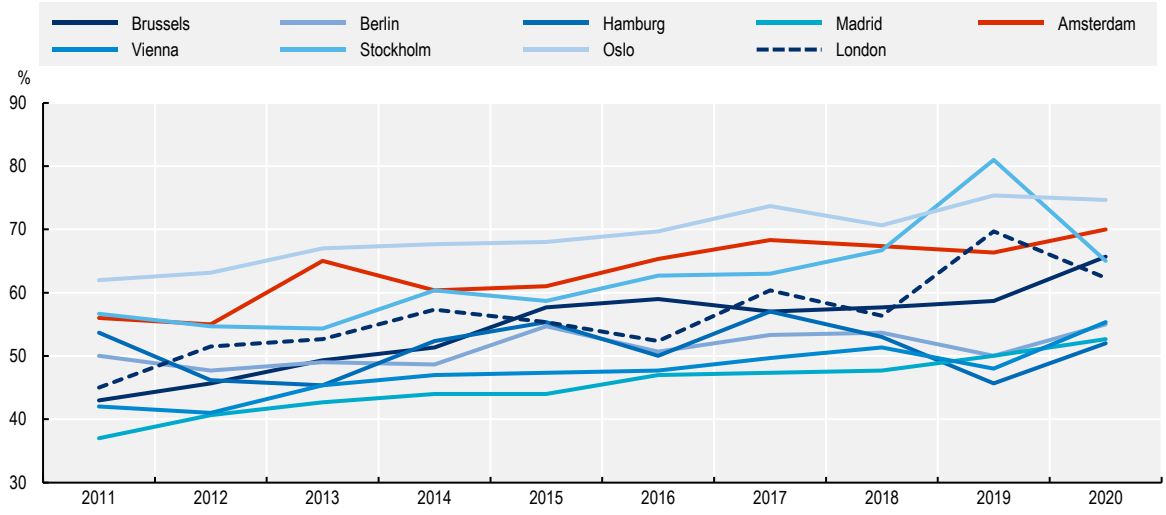
Recent survey evidence on computer, internet and software usage shows that the Dutch population ranks highest among European Union countries with respect to their digital proficiency. The EU survey on the use of information and communication technologies (ICT) in households and by individuals is the main data source that can be used to produce data on digital skills comparable across European countries. Survey respondents are asked questions on their activities in different digital domains. These domains include information and data literacy, communication and collaboration, problem solving, safety and digital content creation. Based on the complexity of activities individuals perform in each of these domains, respondents can be categorised into having basic digital skills and above basic digital skills. In the Netherlands, the share of individuals with basic or above basic digital skills stood at 79% in 2021, the highest percentage recorded across the European Union and well above the EU-27 average of 54%.[1]

Basic digital proficiency is high in Amsterdam compared to other European metropolitan areas. Comprehensive data on digital skills in Amsterdam's workforce similar to the national-level digital skills measure are missing. Ideally, an extensive survey of adult workers or firms could highlight the extent to which individuals have the necessary digital skills to succeed in the local economy. Alternative measures can provide an approximation. Figure 3.3 shows the share of internet users in Amsterdam who are able to perform basic tasks online. Between 2011 and 2020, this share rose from 56% to 70% in Amsterdam,

placing Amsterdam among the cities with the highest internet literacy in Europe in 2020, only slightly behind top performers such as Oslo.

Figure 3.3. The share of internet users able to perform basic tasks online in Amsterdam high in European comparison

Share of total internet users in Amsterdam performing basic tasks online, international comparison



Note: Performing basic tasks online calculated as the unweighted average of those who replied they used social networks, sold or bought goods online and used online banking over the past three months. The denominator are those who used the internet over the past three months, corresponding to 95% of Amsterdam's population. Year 2012 imputed as average of year 2011 and 2013 due to lack of available data. Amsterdam refers to the North Holland region. Other cities refer to their respective metropolitan area.
Source: OECD calculation based on Eurostat table isoc_r_iuse_i (Individuals who used the internet, frequency of use and activities).

The Dutch government has laid out a strategy to further advance digital skills in its population and labour force. In 2018, the Dutch government under the lead of the Dutch Ministry for Economic Affairs and Climate Policy (*Ministerie van Economische Zaken en Klimaat*) put together a comprehensive digitalisation strategy to further increase the level of digital skills in the Dutch population and its labour force. The *Dutch Digitalisation Strategy* aims to scale up digital capacities across all sectors in the economy. It also has a strong focus on segments of the population that have not yet developed digital proficiency. For example, new *Digital Government Information Points* assist those who are unable to perform administrative tasks online. A new lifelong learning action plan targets employees in SMEs to increase their participation in continuous education and training courses that can build digital and other skills needed on the labour market. The *Dutch Digitalisation Strategy* and the accompanying forward-looking *Outlook Digitalisation 2030* are described in more detail in Box 3.2.

Taken together, large parts of Amsterdam's labour force are well-prepared for the increasing digitalisation of work-related tasks, yet some labour shortages are still likely to persist in the ICT sector. The very high level of basic digital skills in the Dutch population is one of its biggest assets in international comparison. The increasing requirement for workers to possess basic digital skills to carry out tasks within the majority of occupations is therefore unlikely to present a bottleneck on Amsterdam's labour market. Additional government investment into the work force's digital proficiency will further support the upskilling needed in response to an increasing digitalisation. Municipalities could consider complementing these measures with targeted initiatives that aim to improve digital skills among the long-term unemployed and the economically inactive. In addition, as shown in chapter 2, labour demand in the

ICT sector, where the vacancy-to-jobseekers ratio is rising in Amsterdam, is likely to continue exceeding labour supply. Building the necessary advanced digital skills for work in the ICT sector should therefore remain a policy priority. The *Human Capital Agenda ICT* (HCA-ICT) that aims to link regional business communities and vocational education institutions to help education respond to local needs is a promising step (see Box 3.2).

Box 3.2. The Dutch Digitalisation Strategy and Outlook Digitalisation 2030

Dutch Digitalisation Strategy

In 2018, the Dutch State Secretary for Economic Affairs and Climate Policy, the Minister of Justice and Security, and the State Secretary for the Interior and Kingdom Relations presented the first version of the "Dutch Digitalisation Strategy". Since then, the Dutch Digitalisation Strategy has been updated annually to reflect on progress made, set new priorities and adjust the strategy accordingly.

The strategy centres on two main ideas: i) Scaling up digital capacities across all sectors of the Dutch economy; and ii) providing an institutional framework that enables digitalisation under consideration of privacy and security. Six priority areas have been identified: 1) Artificial intelligence, 2) data use and sharing, 3) inclusion, 4) connectivity, 5) resilience and 6) government.

Developing digital skills in the population and the labour force ties into all priority areas. The development of basic digital skills in the population targets those with limited digital skills. For instance, 93 "Digital Government Information Points" (*Informatiepunt Digitale Overheid*) were opened in public libraries to teach and assist those who struggle accessing digital government services. Further offers to build digital skills in vulnerable groups include the "Words count" programme (*Tel mee met Taal*) that targets functionally illiterate citizens.

The Dutch Digitalisation Strategy's main response to the need for basic digital skills in the workforce is a new lifelong learning action plan. Two priorities in the plan include the strengthening of the regional support structure to increase participation in adult learning and a focus on adult learning in small and medium-sized enterprises. For the former, a number of pilots have been launched in regional offices where the public employment service installed training and employment help desks. For the latter, the SLIM (*Stimuleringsregeling leren en ontwikkelen in mkb-ondernemingen*) subsidy scheme was introduced in 2020. It earmarks EUR 48 million in funds to promote a lifelong learning in SMEs.

Supporting the development of advanced digital skills is done through the Human Capital Agenda ICT (HCA-ICT). A key pillar of HCA-ICT is the strengthening of regional public-private partnerships. By 2021, four such partnerships between regional business communities and vocational education institutions had been formalised. Additional initiatives to increase the supply of advanced ICT professionals include the revamping of higher education curricula to include new technologies such as block chain and artificial intelligence.

Outlook Digitalisation 2030

In addition to the Dutch Digitalisation Strategy, the Dutch government also commissioned a study that looks into future technological trends that will shape society and labour markets until 2030. It is meant to complement the Dutch Digitalisation Strategy by anticipating trends in digitalisation that may play a pivotal role in the future. In relation to the labour market, these currently include autonomous artificial intelligence, digital assistance that support the work of humans and vulnerabilities of the digital transition in terms of cyber security and economic consequences of virtual warfare.

Source: Ministry of Economic Affairs and Climate Change (2021[6]), *The Dutch Digitalisation Strategy 2021; FreedomLab* (2021[7]), *Outlook Digitalisation 2030*.

Automation risks translate into relatively low labour demand in low-skill occupations

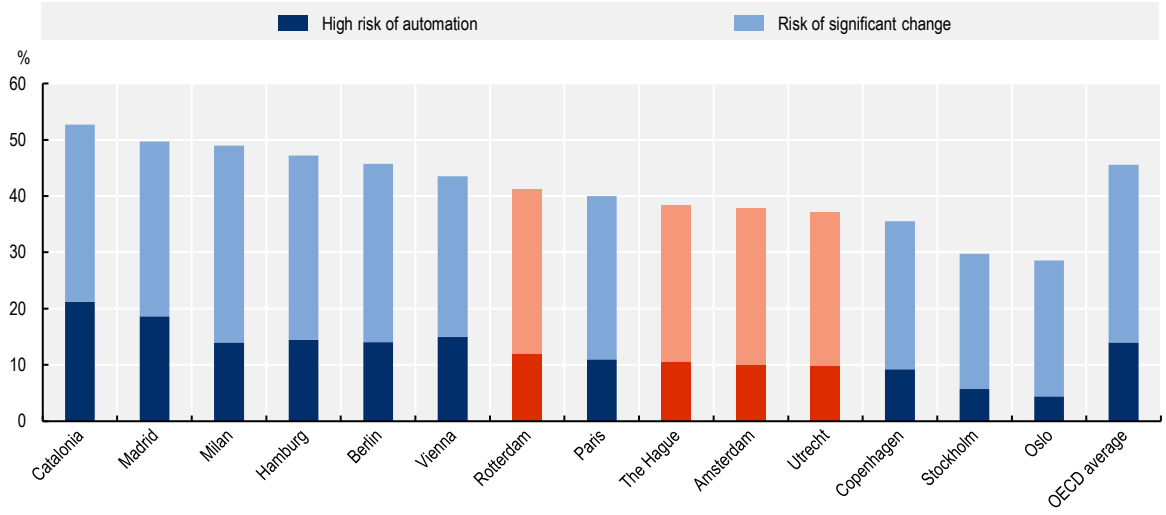
The increasing automation of production processes is causing a significant transformation of labour markets in OECD countries. The technological progress that allows for the automation of many production processes offers new opportunities and enhances productivity, thus raising aggregate prosperity and living standards across the OECD. However, absent policy measures that allow all workers to benefit from the potential of automation, the productivity-enhancing effect may come at the cost of creating winners and losers. Automating routine cognitive, routine and non-routine manual tasks tends to benefit some high-skill workers by increasing their marginal productivity but potentially replaces or strongly changes the jobs of some low-skill and middle-skill workers. Consequently, automation could aggravate existing socio-economic inequalities by widening the income gap between low-income and high-income segments of the population. In the future, the advancement of artificial intelligence (AI) may increasingly automate non-routine cognitive tasks and add more nuance to the effects of automation on labour markets: High-skill occupations such as lab technicians and engineers will be most exposed to the new wave of AI. AI will complement the work of many workers in these occupations, thereby increasing their marginal productivity and wages, and may replace the work of some who will be forced to adapt (Lane and Saint-Martin, 2021[8]). The automation estimates presented in this report are based on an expert assessment of the automatability of tasks carried out in 2013 and do not yet take future technological advancement in AI into account. Box 3.3 describes the methodology to estimate automation risk in more detail.

Across the OECD, about 46% of jobs face risks of automation. Jobs at risk of automation can be further distinguished into highly automatable jobs, i.e. jobs that face a probability of automation of over 70%, and jobs strongly affected by automation, i.e. jobs that are likely to see significant change in their tasks and the required skill sets for such tasks. Across the OECD, around 14% of jobs are highly automatable and another 32% of jobs face a significant risk of being strongly affected by automation. On average, automation tends to have smaller effects on metropolitan areas in the OECD due to their stronger focus on service-sector jobs (OECD, 2020[10]).

Amsterdam faces moderate automation risks compared to other OECD metropolitan areas. Figure 3.4 shows the share of employment at high risk of automation and the share of jobs at risk of significant change in Amsterdam compared to the other G4 cities in the Netherlands and in international comparison. In Amsterdam, 38% of all jobs faced risks of automation in 2020, 10% of all jobs were at high risk of automation, while 28% percent of all jobs in Amsterdam were likely to change significantly due to increasing automation in the same year. Amsterdam, Rotterdam, The Hague and Utrecht, compare favourably to most other OECD metropolitan areas. However, the share of jobs at risk of automation is still significantly higher than in large Scandinavian cities, such as Oslo or Stockholm, where only 29% and 30% of all jobs face risks of automation respectively.

Figure 3.4. The share of jobs at risk of automation in the big four cities is moderate compared to other OECD metropolitan areas

Percentage of jobs at significant and high risk of automation across the G4 cities in international comparison, 2020



Note: Data on The Hague, Utrecht, Rotterdam, Amsterdam and Eindhoven correspond to their respective labour market region. Other metropolitan regions shown correspond to TL2 regions. 'High risk of automation' refers to the share of workers featuring a risk of automation of 70% or above. 'Significant risk of change' reflects the share of workers with a risk of automation between 50% and 70%.
Source: OECD Calculations on EU-LFS and Census data.

Box 3.3. Estimating the share of jobs at risk of automation in OECD metropolitan areas

Frey and Osborne (2017[9]) (FO) estimate the number of occupations at high risk of automation in the United States using a two-step methodology. They conducted a workshop with a group of experts in machine learning, whom they provided with a list of 70 occupations and their corresponding O*NET task descriptions. Experts were asked "Can the tasks of this job be sufficiently specified, conditional on the availability of big data, to be performed by state-of-the-art computer-controlled equipment?". This allowed for the coding of each occupation as automatable or non-automatable. FO then used a machine learning algorithm to find out more about the links between the coding to automate and the list of O*NET variables. They were able to identify those variables (and their associated bottlenecks) with higher prediction power. High scores on these bottlenecks are likely to mean that an occupation is safe from automation. They could then compute a "probability of computerisation" for each occupation in the US, leading to the aggregate estimate that 47% of US jobs have a probability of automation of more than 70%.

Table 3.1. Automation bottlenecks

Computerisation bottleneck	O*NET variable
Perception and Manipulation	Finger dexterity Manual dexterity Cramped workspace; awkward positions
Creative intelligence	Originality Fine arts
Social intelligence	Social perceptiveness Negotiation Persuasion Assisting and caring for others

Note: Refer to Frey and Osborne (2017[9]) for further details on the definition of automation bottlenecks.
Source: Frey and Osborne (2017[9]), *The Future of Employment: How Susceptible are Jobs to Computerisation?*.

Building on this approach, Nedelkoska and Quintini (2018[11]) (NQ) calculate the risk of automation across 32 OECD countries. The approach is based on individual-level data from the OECD Survey of Adult Skills (PIAAC), providing information on the skills composition of each person's job and their skillset. While drawing on FO, this methodology presents four main differences: (i) training data in the NQ model is taken from Canada to exploit the country's large sample in PIAAC; (ii) O*NET occupational data for FO's 70 original occupations were manually recoded into the International Standard Classification of Occupations (ISCO); (iii) NQ uses a logistic regression compared to FO's Gaussian process classifier; (iv) NQ found equivalents in PIAAC to match FO's bottlenecks. PIAAC includes variables addressing the bottlenecks identified by FO, but no perfect match exists for each variable. No question in PIAAC could be identified to account for job elements related to "assisting and caring for others", related to occupations in health and social services. This implies that risks of automation based on NQ could be slightly overestimated.

Table 3.2. Automation bottlenecks correspondence

FO computerisation bottleneck	PIAAC variable
Perception and Manipulation	Finger dexterity
Creative intelligence	Problem solving (simple) Problem solving (complex)

Social intelligence	Teaching Advising Planning for others Communication Negotiation Influence Sales

Note: Refer to Nedelkoska and Quintini (2018[11]) for further details on the definition of the PIAAC variables.
Source: Nedelkoska and Quintini (2018[11]).

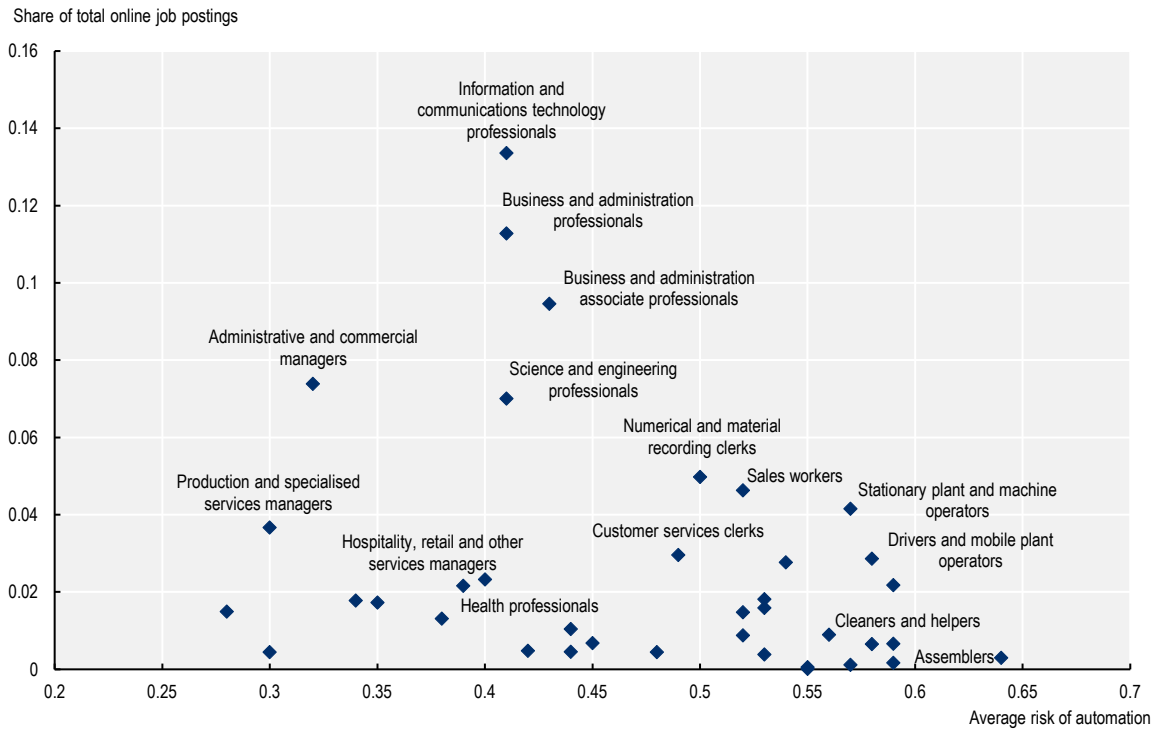
Recent studies have pointed out the difficulty in predicting the risk of automation, as different models and variables come into play. Frey and Osborne's original examination of the impact of automation on jobs was focused on machine learning and mobile robotics, but these are not the only technological developments likely to impact the future of skills. Other researchers have identified the rise of various forms of telepresence and virtual/augmented/mixed forms of reality, as well as the expansion of digital platforms as trends that will have important impacts on the future. The inherent unpredictability of technological progress means that within the growing literature, estimates of the jobs at risk of automation can vary widely, and the timeframes within which these impacts are predicted to occur are similarly broad, ranging from 10 to 50 years. Both the shape disruption will take, and its extent, are uncertain. What is certain is that workers will need to learn new skills and develop new competencies to adapt to changes are on their way (Crawford Urban and Johal, 2020[12]).

Source: Crawford Urban and Johal (2020[12]), *Understanding the Future of Skills: Trends and Global Policy,* ISBN: 9781988886787; Nedelkoska and Quintini (2018[11]), *Automation, Skills Use and Training*, OECD Social, Employment and Migration Working Papers, No. 202, https://doi.org/10.1787/2e2f4eea-en; OECD (2020[13]), *Preparing for the Future of Work in Canada*, OECD Reviews on Local Job Creation, OECD Publishing, Paris, https://doi.org/10.1787/05c1b185-en.

Labour demand in Amsterdam is highest in occupations that do not face high risks of automation. Figure 3.5 shows that there is a negative association between the share in total online job postings by occupation in Amsterdam and the average risk of automation by occupation. In 2021, the largest share of online job postings targeted ICT professionals, followed by business and administration professionals, administrative and commercial managers and science and engineering professionals. All these jobs face a probability of automation of less than 50%, meaning that they are unlikely to be affected significantly by new technology. On the other hand, demand for jobs that mostly require carrying out routine and non-routine manual tasks is relatively low. This includes demand for cleaners and helpers, and assemblers. While these labour demand patterns partly reflect the traditional sectoral composition of Amsterdam's economy and do not consider the supply side of the labour market, they give an indication of increasing difficulties for low-skill workers to find employment. One caveat applies to the analysis presented here: Some professions do not typically hire workers through online job ads. For instance, relatively few construction workers are hired through online platforms. As shown in chapter 2, the demand in the construction sector in Amsterdam exceeds the supply of workers, a mismatch that is not accurately reflected when capturing labour demand by online job vacancies.

Figure 3.5. Labour demand in Amsterdam is highest in occupations that do not face a high risk of automation

Share in total online job postings in Amsterdam by occupation in 2021 and average risk of automation



Note: Amsterdam refers to the TL3 region of Groot-Amsterdam. See Box 3.3 for details on the definition of automation risks. Occupations refer to 2-digit ISCO-08 occupations.
Source: OECD calculations based on Lightcast data and EU-LFS data.

Job polarisation characterises Dutch labour markets

The automation of production processes led to a skills-biased technological change that drives a labour market polarisation across the OECD. Even before the COVID-19 pandemic started, most OECD economies experienced dramatic shifts on their labour markets. This is particularly noticeable in large cities, which tend to be at the forefront of labour market transformations. Across OECD metropolitan areas, labour markets are increasingly polarising into high-skill jobs, which include managers, professionals and technicians and low-skill jobs, which include elementary occupations, service workers, and shop and market sales workers. In contrast, middle-skill jobs (i.e. clerks, craft and related trades workers, machine operators and assemblers) are rapidly disappearing in many places. In recent years, job polarisation has been determined primarily by a shift towards high-skill occupations in most OECD countries (OECD, 2019[1]).

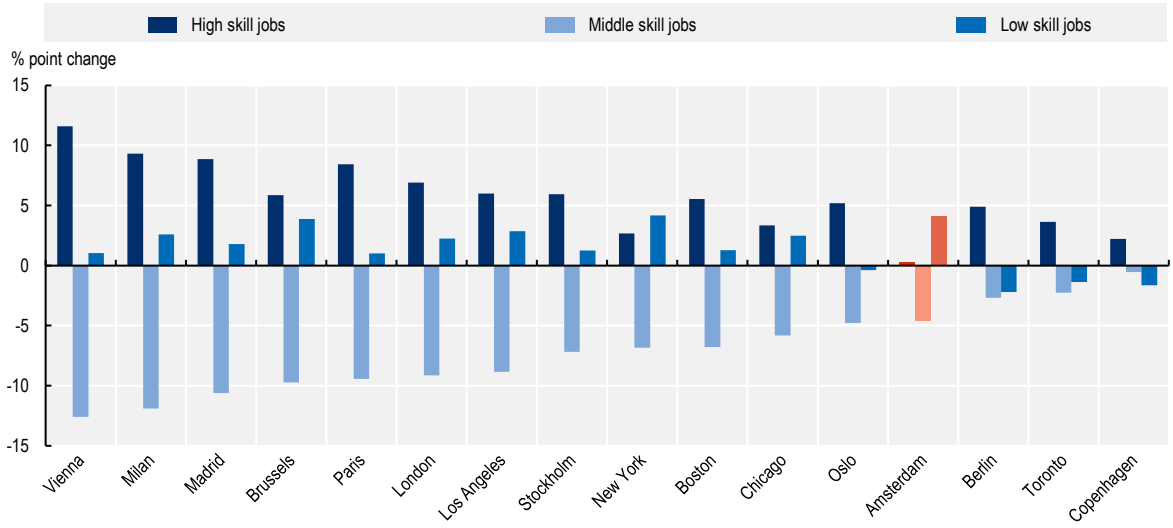
Job polarisation also creates new societal challenges by pushing some medium-educated workers into lower parts of the income distribution. Middle-skill jobs were historically associated with a middle-class lifestyle and socio-economic mobility for future generations. The shift in the skills distribution on the labour market towards higher-skill jobs and the faster growth in high-skill occupations than in middle and low-skill occupations has changed the relationship between skills and income classes. Middle-skill workers are now more likely to be in low-income classes than middle-income classes (OECD, 2019[14]). These

dynamics also affect the wage distribution across the OECD, with the divide between top and bottom earners increasingly widening.

Amsterdam's labour market has been characterised by high-skill employment for decades, but polarisation has slowed down over recent years. In 2003, 20% of all jobs in Amsterdam fell into the low-skill category, 20% were medium-skill jobs and 58% were high-skill jobs (Figure 3.7, panel A).[2] Figure 3.6 shows that until 2018, middle-skill employment in Amsterdam declined by an additional 4.6 percentage points, while high-skill and low-skill employment rose by 0.3 and 4.1 percentage points respectively. Labour markets of other OECD metropolitan areas underwent more extreme changes since 2000. For example, the share of middle-skill jobs in Vienna declined by 11.6 percentage points between 2000 and 2018. In Vienna, these middle-skill jobs were almost exclusively replaced by high-skill jobs. A similar picture emerges when trends in job polarisation in Amsterdam are compared to the other G4 cities and Eindhoven in panel B of Figure 3.7. While middle-skill jobs are increasingly disappearing across Dutch cities, this trend has been more salient in The Hague (-8.7 percentage points between 2003 and 2020), Utrecht (-8.0 percentage points) and Rotterdam (-6.9 percentage points) than in Amsterdam (-5.2 percentage points). However, these trends disguise differences in current levels of job polarisation which are still driven by the initially observed differences in polarisation. In 2020, only Utrecht's labour market was more polarised than Amsterdam's regarding its job distribution by skills categories.

Figure 3.6. Job polarisation has slowed down in Amsterdam compared to other OCED metropolitan areas

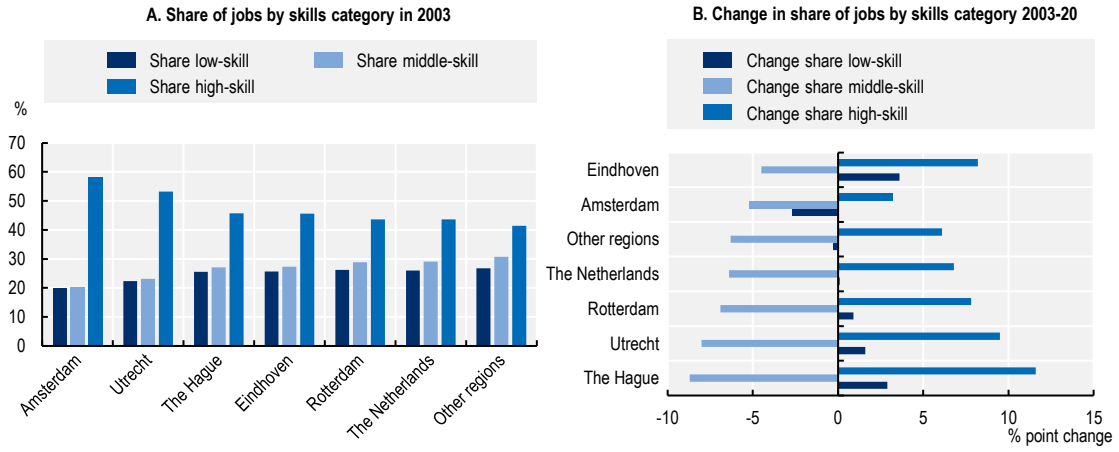
Change in the share of employment for high skill, middle skill and low skill jobs in OECD cities, 2000-18



Note: The data correspond to the TL2 regions that compose the respective metropolitan area for all cities but Amsterdam. For Amsterdam, the data corresponds to the TL3 region of Groot-Amsterdam. For Groot-Amsterdam, the baseline year is 2003 as data for 2000 was not available.
Source: OECD and Municipality of Amsterdam calculations based on EU-LFS data and the Dutch labour force survey.

Figure 3.7. Other Dutch cities experienced a sharper rise in job polarisation than Amsterdam

Level (2003) and change (2003-2020) in the share of employment for high-skill, middle-skill and low-skill jobs in Dutch cities



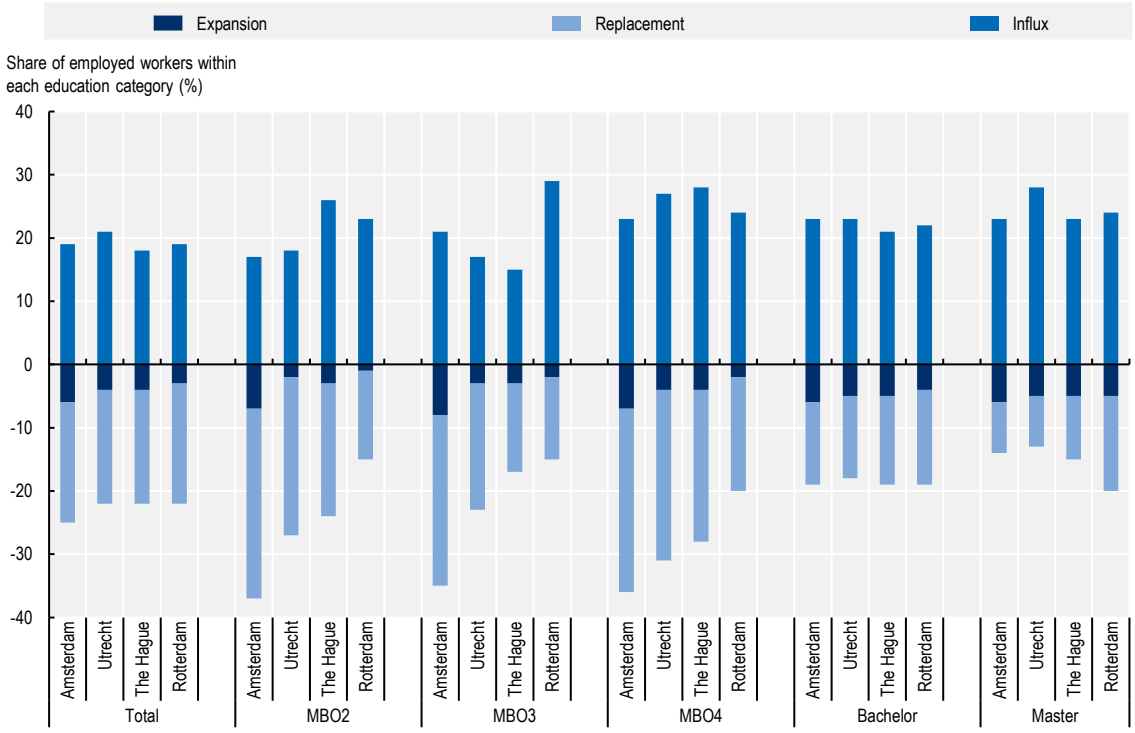
Note: Data on The Hague, Utrecht, Rotterdam, Amsterdam and Eindhoven correspond to their respective TL3 region. "Other regions" refers to all other Dutch COROP regions combined.
Source: OECD and Municipality of Amsterdam calculations based on the Dutch labour force survey.

Despite the decline in the relative number of middle-skill jobs, medium-level educated workers will be in demand in Amsterdam in the future. Labour market forecasts can be informative of future trends in labour demand and labour supply. The medium-term labour market projections by the *Researchcentrum voor Onderwijs en Arbeidsmarkt* ("Research Centre for Education and the Labour Market", ROA) forecasts labour demand and labour supply six years into the future. Its results are relied on widely by employers, graduates and policymakers in the Netherlands. The forecast contrasts projected replacement needs caused by expected outflows of workers, for instance due to retirement or occupational mobility, and additional labour demand caused by economic expansion with the projected influx of workers. The ROA forecast disaggregates these projections by different education categories, occupations, economic sectors and regions. Its main mechanics and limitations are discussed in more detail in Box 3.4. Figure 3.8 shows the projections for the G4 cities on aggregate and disaggregated by education categories. In Amsterdam, the forecast shows that the projected replacement and expansion demand outweighs the projected influx of new workers in employment in the secondary vocational education categories, MBO2, MBO3 and MBO4.[3] This trend is more salient than in the other G4 cities.

Replacement needs due to retirement are the main reason for a potential future shortage of medium-skill workers in Amsterdam. While some limitations apply to the extent to which labour market forecast can be used for manpower planning purposes (see Box 3.4), these forecasts reflect deeper trends in Amsterdam's workforce. In the North Holland region, only 29% of the local population aged 25 to 34 was educated at a medium level in 2021, compared to 37% among 55 to 64 year olds. In absolute terms, 113 000 of the 25 to 34 year olds residing in Amsterdam held degrees corresponding to a medium level of education, compared to 145 400 among 55 to 64 year olds.[4]

Figure 3.8. In Amsterdam, many medium-level educated workers will be needed over the coming years

Labour force projections until 2026 by education category in major labour market regions



Note: Expansion refers to the share of new employees needed due to growing employment. Replacement refers to the share of employees that need to be replaced due to retirement, for health reasons or education mobility. Influx is the expected share of new employees that will enter the labour market. City names refer to the respective labour market regions.
Source: Researchcentrum voor Onderwijs en Arbeidsmarkt (*Research Centre for Education and the Labour Market*).

Box 3.4. Labour market forecasting by the Research Centre for Education and the Labour Market at Maastricht University

The most frequently relied on labour market forecast in the Netherlands is developed by the *Researchcentrum voor Onderwijs en Arbeidsmarkt* ("Research Centre for Education and the Labour Market", ROA) at Maastricht University. Every year, ROA publishes its medium-term labour market forecast that provides an estimate of future labour market developments by labour market region, 21 economic sectors, 113 occupational groups, and 101 types of education six years into the future.

The forecasting model considers future developments in labour demand and labour supply and contrasts these. On the demand side of the labour market, "expansion demand" and "replacement demand" determine future needs. Expansion demand refers to expected job creation due to economic growth that translates into employment growth. Replacement demand refers to demand resulting from the outflow of workers, for instance due to retirement of occupational mobility. On the supply side of the labour market, future *influx* into the labour force consist of graduates and workers who switch between occupations or education types (if additional education is expected to be completed during the forecasting period). Labour supply also includes workers who are short-term or frictionally unemployed at the beginning of the forecasting period.

It is important to note that some caveats apply to these types of labour market forecasts. First, by design, forecasting models cannot incorporate unexpected shocks. While in addition to the baseline scenario, alternative scenarios are modelled and estimated, severe unexpected shocks such as the COVID-19 pandemic cannot be considered. Second, labour market forecasting can only be used for manpower planning purposes to a limited extend, a limitation clearly communicated by ROA. While sectoral linkages and substitution demand are modelled, labour market adjustment and responses by workers and employers cannot be fully incorporated into the forecast. In the long term, rising wages in professions that experience shortages restore the labour market equilibrium. Graduates of specific education categories are likely to move into different jobs if there is excess supply. Similarly, employers may react to labour shortages in specific occupations by hiring substitutes.

Despite these caveats, labour market forecasting models can nevertheless provide important insights into potential future bottlenecks on the labour market and inform policies related to education and occupational mobility.

Source: OECD summary based on Bakens et al. (2021[15]), *Methodiek arbeidsmarktprognoses en –indicatoren 2021-2026,* ROA Technical Report 006, Maastricht University, Research Centre for Education and the Labour Market (ROA*);* Bakens, Fourage and Peters (2018[16]), *Labour market forecasts by education and occupation up to 2022,* ROA Technical Report 003, Maastricht University, Research Centre for Education and the Labour Market (ROA).

Educational mismatch of workers is not as widespread in Amsterdam as in other Dutch and OECD cities

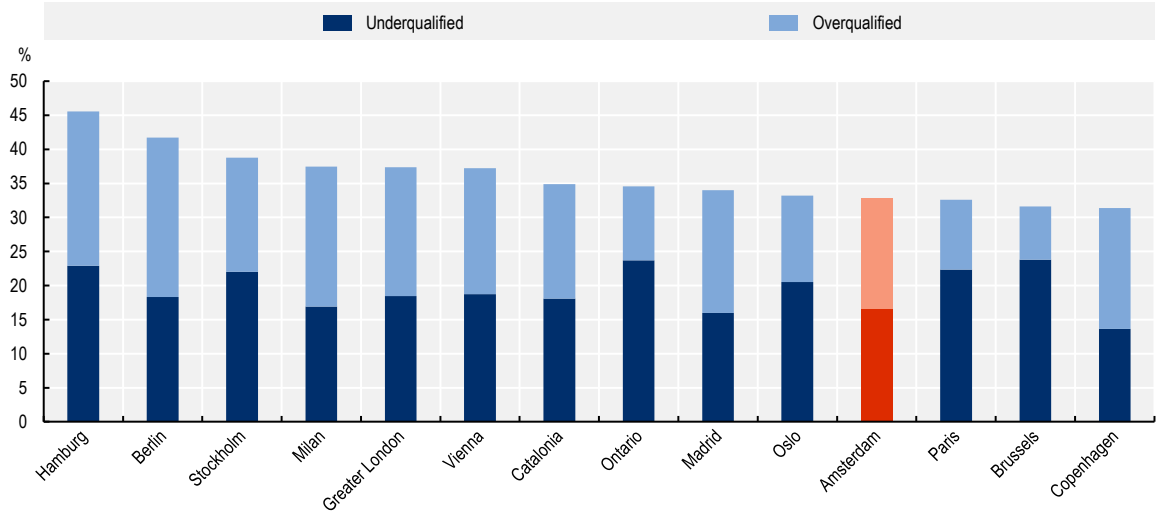
The matching of workers to jobs in which they can use their skills in the best possible way is a vital element of functioning labour markets. To the contrary, mismatches between workers' skills and the requirements of their jobs can have negative effects, ranging from lower job satisfaction, wages, and labour productivity to unused potential of human capital (OECD, 2018[17]). Mismatch by qualification is one type of such skills mismatches. It arises when workers' educational attainment is above (overqualification) or below (underqualification) the level usually required by the tasks of their job. To some extent, mismatches by education can be linked to the polarisation of local labour markets. As middle-skill jobs are disappearing

workers may be moving into occupations for which they are formally overeducated or undereducated. Such dynamism on the labour market is not necessarily a cause for concern and adult learning – that often does not lead to the attainment of a formal degree – may accelerate such occupational mobility. However, overqualification and underqualification by education can also be caused by labour shortages or structural factors, such as when migrants' degrees attained in other countries are not acknowledged, which may force them to take up low-skill employment (Ludolph, 2021[18]).

Around one-third of workers in Amsterdam were mismatched by their level of education in 2020, a relatively low share compared to other OECD metropolitan areas. Skills mismatches by formal qualification are not as widespread in Amsterdam as in other OECD metropolitan areas such as Hamburg, where they reach up to 45% as shown in Figure 3.9. 1 in 6 workers in Amsterdam have a job for which they are formally overqualified. Another 17% appear to be underqualified for their job, meaning they do not have the formal education normally expected to fill out their position. Figure 3.10 shows that a similar emerges when Amsterdam is compared to the other G4 cities and Eindhoven. For example, in Rotterdam, the mismatch by formal educational attainment reaches 37%, driven mostly by a larger share of workers that is formally underqualified for their work (23%).

Figure 3.9. Around 33% of workers in Amsterdam are mismatched by level of qualification

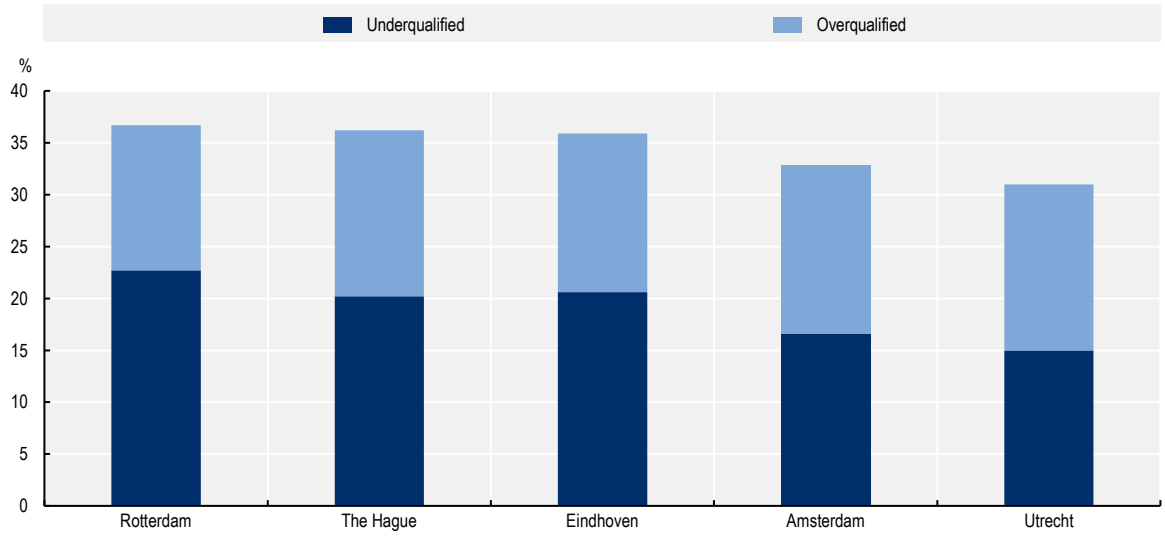
Percentage of workers across OECD metropolitans that do not match their educational attainment, 2020



Note: ISCED groups 0-2, 3, 4, 5-8. For Canada, ISCED groups 0-2, 3, 4, 5-6. ISCED groups 302, 303 and 304 are considered to be 3 according to the newest 2011 ISCED classification. Data for Greater London and Ontario is for 2018. All cities refer to their corresponding TL2 region. A person is considered underqualified if their educational attainment is below the modal education level of their respective 3-digit ISCO-08 occupation in the survey year. A person is considered overqualified if their educational attainment is above the modal education level of their respective 3-digit ISCO-08 occupation in the survey year.
Source: OECD calculations on European Labour Force Survey and Statistics Canada.

Figure 3.10. Mismatch by education is low in Amsterdam compared to other Dutch cities

Percentage of workers across Dutch cities occupying jobs that do not match their educational attainment, 2020



Note: Data on The Hague, Utrecht, Rotterdam, Amsterdam and Eindhoven correspond to their respective labour market region. Only workers aged 15 to 75 are considered.
Source: OECD and Municipality of Amsterdam calculations based the Dutch labour force survey.

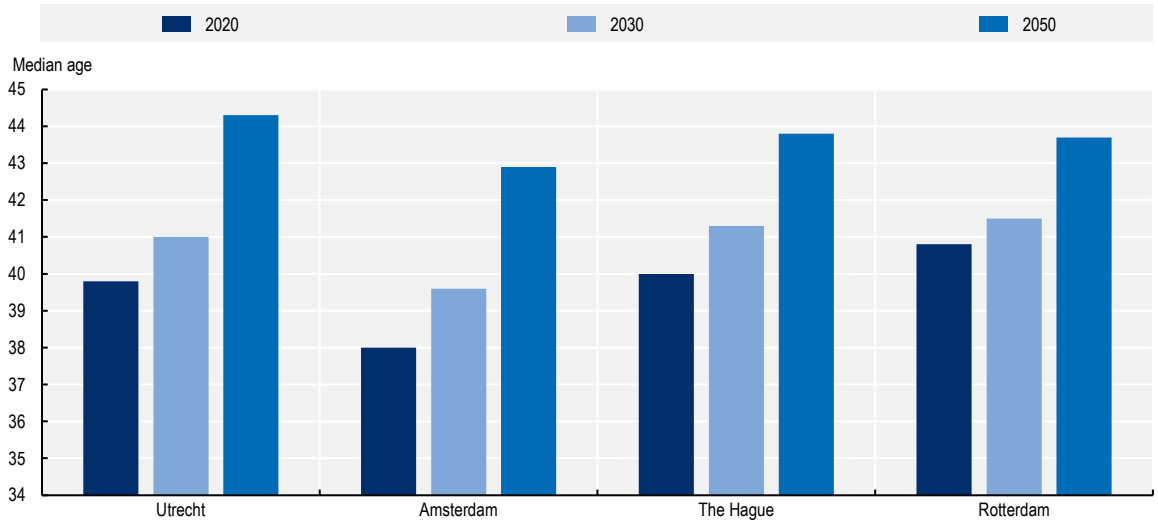
The labour force is ageing rapidly in Amsterdam and other Dutch regions

Ageing labour forces bring about new labour market challenges across the OECD. Across the OECD, the ratio of people aged 65 and over to people of working age is projected to rise from 1 in 4 in 2018 to 2 in 5 in 2050 (OECD, 2019[19]). Ensuring that older workers remain part of the labour force has therefore become a key priority across OECD countries. Acknowledging the challenges that come with retaining older workers on the labour market while ensuring a decent quality of work and life has led to an *OECD Council Recommendation on Ageing and Employment* based on three core pillars: (i) reward work and later retirement, (ii) promote employability throughout working lives and (iii) encourage employers to retain and hire older workers. Across OECD countries, much progress has been made on the first two pillars, but less so on the third. Older workers are often considered more expensive by employers and concerns related to their productivity may lead to age-related discrimination (OECD, 2019[19]). Comparing the labour force participation rate of older workers to that of prime-aged workers can therefore be informative of obstacles older workers face on the labour market.

The median age in Amsterdam is expected to rise by five years until 2050, with severe implications for the local old-age dependency ratio. Figure 3.11 shows that Amsterdam's population is ageing rapidly. The median age will rise gradually, from 38 in 2020 to 40 in 2030 and then to 43 in 2050. Figure 3.12 shows that by 2050, the ratio of individuals aged 15 to 64 to those aged 65 will be 2.75:1, up from 4.65:1 in 2020. Thus, by 2050, there will be fewer than three people of working age for every person aged above 65. The other G4 cities are on a similar ageing trajectory. Apart from the implications for the sustainability of the Dutch pension system, these changes in demographics could severely constrain labour supply, with negative consequences for employers' ability to fill vacancies and ultimately a loss in economic prosperity. It is therefore essential to retain older workers in the workforce.

Figure 3.11. The median age will rise rapidly all across the Netherlands

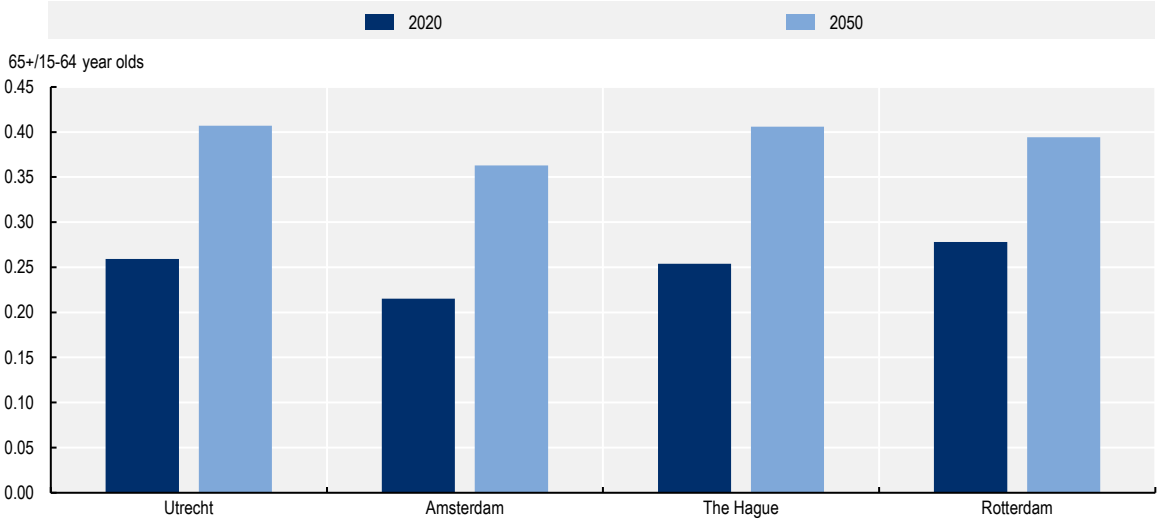
Median age by selected COROP regions, 2020, 2030 (projection) and 2050 (projection)



Note: 2030 and 2050 are projections. Utrecht, Amsterdam, The Hague and Rotterdam refer to the TL3 region of Utrecht, Groot-Amsterdam, Agglomeratie 's-Gravenhage and Groot-Rijnmond respectively.
Source: Eurostat table PROJ_19RDBI3 (Demographic balances and indicators by type of projection and NUTS 3 region).

Figure 3.12. By 2050, there will be fewer than three persons of working age for every individual aged above 65 in all of the G4 cities

Old-age dependency ratios



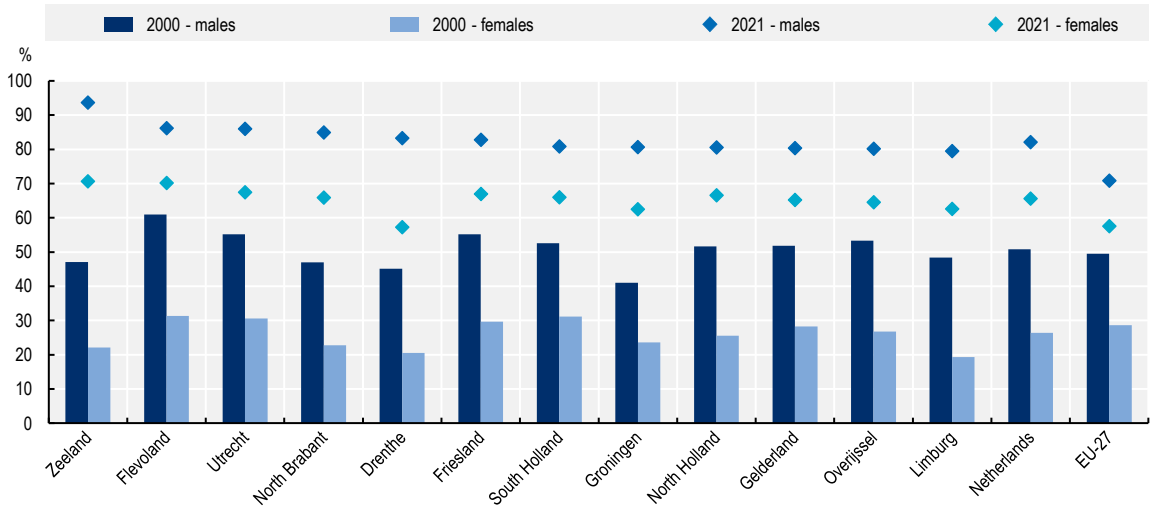
Note: Old-age dependency ratio defined as the population aged 65 or over divided by the population aged 15 to 64. 2050 values are projections. Utrecht, Amsterdam, The Hague and Rotterdam refer to the TL3 region of Utrecht, Groot-Amsterdam, Agglomeratie 's-Gravenhage and Groot-Rijnmond respectively.
Source: Eurostat table PROJ_19RDBI3 (Demographic balances and indicators by type of projection and NUTS 3 region).

Labour force participation among workers aged 55 to 64 in the North Holland region has risen sharply since 2000 and now is well above the European average for both men and women.

Figure 3.13 shows that the labour force participation rate among older workers aged 55 to 64 increased in all Dutch regions over the past two decades. In North Holland, it rose from 26% to 67% and from 52% to 81% for females and males respectively. While this rise is largely in line with changes in economic activity among older workers in the Netherlands, other European countries did not make such improvements in the retention of older workers. In the EU-27, female labour force participation increased from 29% in 2002 to 58% in 2021. Male labour force participation rose from 50% to 71% over the same period. In 2021, labour force participation of women aged 55 to 64 in North Holland was therefore 19 percentage points lower than economic activity rate among 25 to 54 year old workers, while the same gap stood at 11 percentage points for men. The larger activity gap between the two female age groups can be explained by a cohort effect. Female economic activity is still rising within all age groups, such that future cohorts of female old-age workers are more likely to remain economically active.

Figure 3.13. Economic activity has risen sharply among older people in all Dutch provinces

Labour force participation rate in the population aged 55 to 64 in 2000 and 2021, males and females



Note: The EU-27 average for 2000 is based on 2002 data as earlier data was not available.
Source: Eurostat table lfst_r_lfp2actrtn (Activity rates by sex, age, educational attainment level, country of birth and NUTS 2 regions).

Labour force participation of workers aged 65 and above has also increased across the Netherlands, but economic activity of old-age workers in the North Holland region remains below that of some other OECD metropolitan areas. The current normal retirement age of 66.3 in the Netherlands is among the highest across OECD countries. The pension age will further increase gradually to 67 until 2024. While it is not possible to defer the basic old-age pension in the Netherlands, it is possible to combine the receipt of pension benefits with a working activity (OECD, 2021[20]). Not many workers in the Netherlands make use of this option. In 2021, the labour force participation of workers aged above 65 stood at 10% in both the North Holland region and the Netherlands as a whole. This is above the EU-27 average of 6% but well below the economic activity rate of old-age workers in OECD metropolitan areas such as Stockholm (19% in 2021), Prague (14% in 2021) or Zurich (12% in 2021).[5]

In response to the growing need to reduce early retirement, municipalities can support local initiatives to retain senior workers and extend healthy working lives. For example, Oslo Airport's successful Life Phase Policy combined awareness raising for senior employees to participate in life-long

learning, promoting flexible working hours for workers above 62 and workplace health promotion (Box 3.5). While directly relevant to the metropolitan areas of Amsterdam which hosts the Amsterdam Airport Schiphol in the municipality of Haarlemmermeer, one of the key lessons from Oslo Airport's Life Phase Policy was that similar strategies to retain older workers can easily be applied in companies of any size.

Box 3.5. Retaining older workers in the workforce at Oslo Airport

Oslo Airport (OSL) employs 500 workers. In 2009, OSL acknowledged the need to promote healthier and longer working lives. In response, OSL developed an initiative called the "Life Phase Policy" with an initial target to increase the average retirement age at OSL by six months until 2012. By the end of the project, results exceeded expectations and the average retirement age had increased by three years, from 63 to 66.

The initiative consisted of several programmes targeting senior workers at OSL:

- **Ageing and life-phase human resource (HR) training programme***:* A training programme designed to teach managers was developed jointly with the University of Stavanger to teach managers the challenges senior workers face at the workplace.
- **Workplace health promotion***:* All employees aged above 50 were offered health checks and professional health-related guidance at the workplace free of charge.
- **Awareness-raising events for adult learning targeted at senior workers***:* Seminars for workers over 50 raised awareness of skills development measures available to older workers.
- **Flexible working hours***:* Employees aged above 62 were allowed to switch to part-time work and take additional time of.
- **Job relocation and retraining***:* Instead of categorising workers as having a disability, workers who faced physical constraints due to their age could participate in training that would prepare them for less physically demanding work within a different role at OSL.

Source: European Agency for Safety and Health at Work (2016[22]), *Oslo Airport's Life Phase Policy: Norway,* https://osha.europa.eu/en/publications/norway-oslo-airports-life-phase-policy (last accessed 09/11/2022); OECD (2020[23]), *Promoting an Age-Inclusive Workforce,* OECD Publishing, Paris, https://doi.org/10.1787/59752153-en.

Non-standard work: temporary work, part-time work and self-employment are salient features of Dutch labour markets

Labour markets across the OECD have undergone a gradual transition away from traditional open-ended contracts. Non-standard forms of work includes temporary, part-time, or self-employed work. This definition therefore covers a range of categories that include both precarious and non-precarious work and is discussed in more detail in Box 3.6. Changing consumer preferences and new technological developments are two important factors explaining the increase in non-standard work forms. In response, many firms have shifted their supply chain management towards just-in-time delivery and customised services. New technologies such as online platforms that connect service providers with workers have also led to an increase of non-standard work and the outsourcing of tasks, in particular in the hiring of temporary help or freelance contractors.

Non-standard work changes local labour markets and has advantages and disadvantages. For some workers, the increase in options of short-term work opportunities may ease the entry into the labour market. Thus, non-standard work can encourage labour force participation among those who would otherwise have stayed economically inactive. For instance, part-time work opportunities have been linked

to an increase in labour force participation among Dutch women by allowing them to combine professional with personal responsibilities (Bosch, van Ours and van der Klaauw, 2009[23]). In some instances, non-standard work forms may also facilitate school-to-work transitions for young people who would otherwise struggle to find their way into the labour market. However, for others, it may worsen their working conditions in terms of reduced job security, higher income volatility, and slower career progression (OECD, 2018[17]).

Box 3.6. Defining non-standard work

This report adopts the simplest OECD definition of a non-standard work (NSW) arrangement (OECD, 2015[25]): It defines all employment as NSW that it is not full-time dependent employment with a contract of indefinite duration. This includes:

- **Temporary work**, defined as workers in fixed-term contracts, including casual employees (duration is not fixed, but hours can vary), and seasonal workers;
- **Part-time work**, defined as people in employment who usually work less than 30 hours per week in their main job in OECD statistics made comparable across OECD countries and defined as people in employment who usually work less than 35 hours per week in their main job in Dutch statistics (OECD, 2021[26]);
- **Self-employment**, which includes both own-account workers and self-employed with employees, unless these categories are explicitly distinguished.

One shortcoming of the proposed definition is that, if non-standard work is treated as an aggregate category, no distinction is made between precarious and non-precarious forms of work. For this reason, the report does not aggregate the three forms of NSW but reports statistics on temporary work, part-time work and self-employment separately.

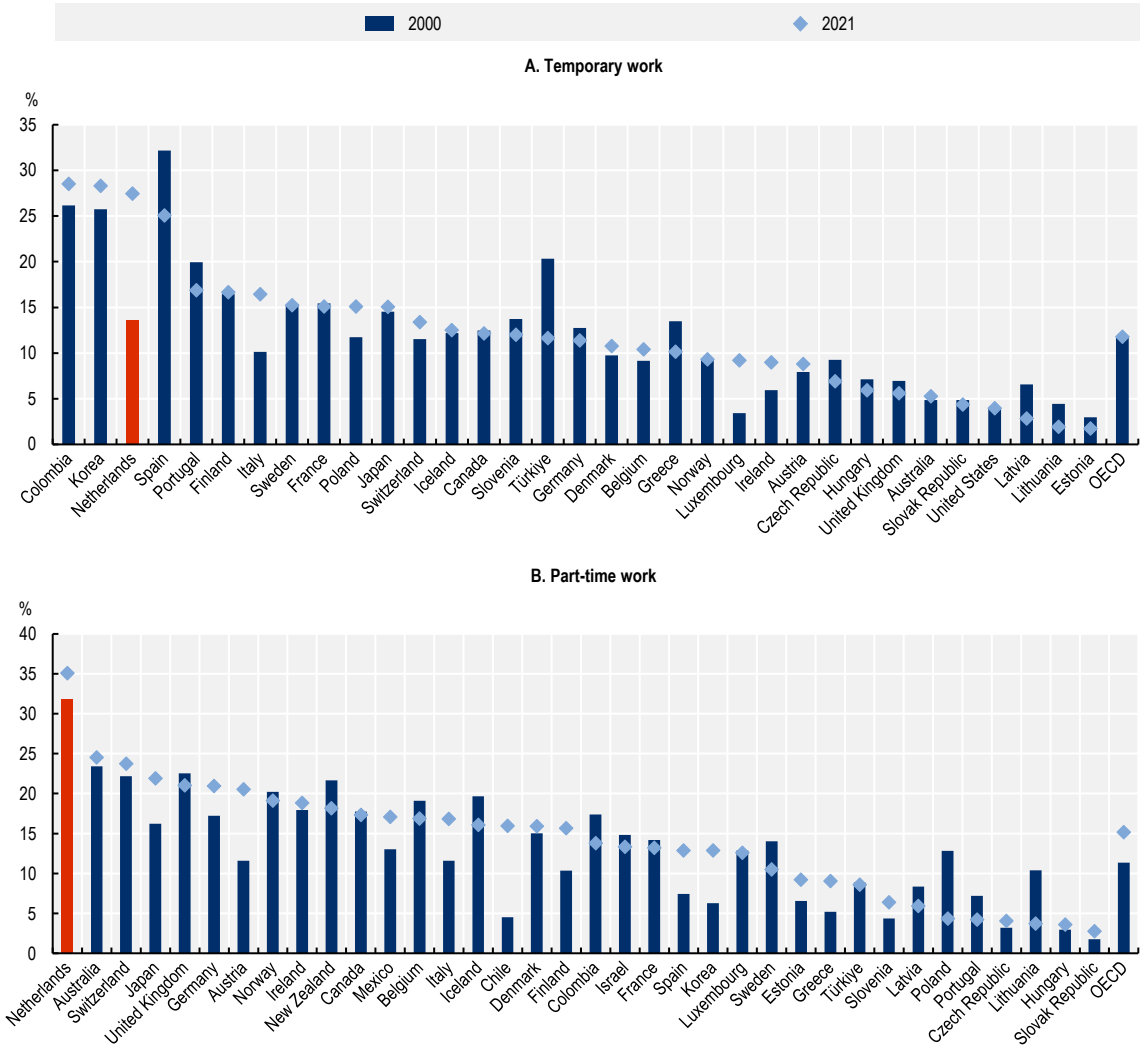
An additional challenge lies in the fact that the distinction between different forms of employment has become increasingly ambiguous. For example, there is a growing grey area between self-employment and wage employment. The growing numbers of own-account workers who only have one client – often a large company – operate in between these two categories (OECD, 2015[25]). This ambiguity is at the heart of the current debate on the benefits and downsides of the gig economy.

Source: OECD (2015[25]), *Non-standard work, job polarisation and inequality,* OECD Publishing, Paris, https://doi.org/10.1787/9789264235120-en; OECD (2021[26]), *Labour Force Statistics in OECD Countries: Sources, coverage and definitions,* https://www.oecd.org/els/emp/LFS%20Definitions%20-%20Tables.pdf (last accessed 09/11/2022).

In 2021, the Netherlands had the third highest share of workers on temporary contracts and the highest share of part-time workers in the OECD. Figure 3.15 shows that temporary contracts have become much more widespread in the Netherlands since 2000 (Panel A). The share of workers on fixed-term contracts rose sharply over the past two decades, from 14% in 2000 to 27% in 2021. Across the OECD, the share of workers on temporary contracts stayed constant at around 12% over the same period. Thus, while the share of workers on temporary contracts in the Netherlands was close to the OECD average in 2000, it rose to a level significantly above the OECD average by 2021. Across the OECD, only Colombia and Korea saw a larger share of their workforce working on fixed-term contracts. Part-time work incidence in the Netherlands was already the highest across all OECD countries in 2000 and subsequently rose only marginally from 32% to 35% in 2021. Thus, more than 1 in 3 Dutch employees now work less than 30 hours a week.

Figure 3.14. Non-standard employment is common in the Netherlands compared to other OECD countries

Share of temporary and part-time work, 15-64 year olds



Note: 2000 or earliest data available. 2021 or latest data available. To make part-time work incidence comparable across OECD countries, a common definition is applied. Part-time employment is defined as people in employment who usually work less than 30 hours per week in their main job. The part-time work incidence reported here may therefore be lower than national definitions that define part-time work as anyone working less than the national definition of the number of hours worked in a full-time job. See also the note of Figure 3.15.
Source: OECD (2022), "Labour Market Statistics: Employment by permanency of the job & Full-time and part-time employment – common definition: incidence", OECD Employment and Labour Market Statistics (database).

Improving the conditions for non-standard work, and in particular those of workers on temporary contracts, has recently gained traction in the Netherlands. The Dutch labour market offers a high level of protection to regular workers but little protection to temporary workers. The "Commission for Work Regulation" (*Commissie Regulering van Werk* or "Borstlap Commission") – further discussed in chapter 4 – gave three main recommendations in response to the large labour market duality. First, regular employment contracts should be made more flexible in terms of job requirements and hours worked to give employers margins to respond to changes in demand. Second, incentives should be reduced to hire workers on temporary contract. This includes new requirements for employers to prove that self-employed workers are actually self-employed, a phasing out of tax deductions for the permanent self-employed, the introduction of a minimum disability insurance coverage for all workers and the introduction of a higher

minimum wage for workers on temporary contracts to compensate for the additional risk. Third, all workers, regardless of contract type, should have better access to continuous training and education (OECD, 2021[27]).

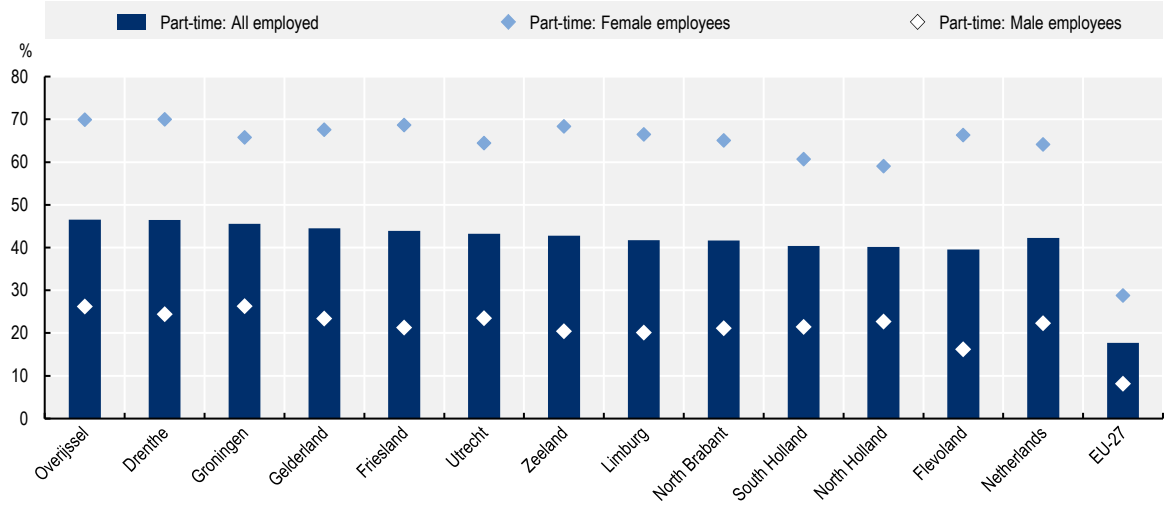
The share of employees working part-time in the Netherlands is the highest across the OECD

One of the striking features of the Dutch labour market is the high share of employees working part-time across all regions. Figure 3.15 shows that in the Netherlands, 42% of all employed workers worked part-time in 2021. Among men, the share of part-time workers stood at 22% and 23% in the Netherlands and the North-Holland region respectively, compared to 8% on average in the EU-27. Among women, 64% worked part-time in 2021. While part-time work among women is high across all Dutch regions, some regional variation exists. In North-Holland, 59% of employed women work part-time, the lowest share in the Netherlands, compared to 70% of employed women in Overijssel. However, part-time work incidence among women in all Dutch regions lies significantly above the EU-27 average, which stood at 29% in 2021.

Despite the very high share of part-time work among Dutch employees, few state that working part-time is involuntary. Part-time work can be involuntary if, for example, it is due to a lack of availability of full-time job opportunities or if a lack of care services force caregivers to cut down on working hours. In 2021, only 3% of Dutch women and 5% of Dutch men aged 15 to 64 who worked in a part-time job reported that their part-time employment was involuntary.[6] In the EU, 30% of all part-time employed reported to be working part-time involuntarily. This indicates that in the Netherlands, there is a large cultural component to working part-time that translates into reduced working hours. However, it is not clear if those who state that their part-time work is voluntary do so conditional on the institutional barriers that are currently in place. Institutions such as parental leave arrangements, access to high-quality flexible childcare and after school care could still provide a partial explanation for the very high share of part-time employment if, for instance, caregiver responsibilities prevent full-time employment (OECD, 2021[27]). In 2021, 413 200 part-time workers aged 20 to 64 indicated they would like to work additional hours.[7] In Groot-Amsterdam, 4 000 part-time workers stated they would be willing to work full-time and available to do so (UWV, 2022[28]).

Figure 3.15. About 2 in 3 women work part-time in the Netherlands, with little regional variation

Percentage of 15-64 year old employees working part-time in 2021



Note: Part-time work incidence defined as people in employment who usually work less than 35 hours per week in their main job, see OECD (2021[26]).
Source: OECD calculations based on Eurostat table lfst_r_lfe2eftpt (Employment by sex, age, full-time/part-time, professional status and NUTS 2 regions (1 000)).

The option of part-time work has significantly increased labour force participation among women in the Netherlands over the past decades. In the early 1980s, economic inactivity rates of working-age women in the Netherlands were among the highest in the OECD. Over the next two decades, labour force participation among Dutch women rose fast, an effect that can be attributed to new options of working part-time. However, unlike in Scandinavian countries, where this initial rise in female employment driven by part-time work was followed by a gradual transition of women from part-time to full-time work, part-time work remained a salient feature of women's employment in the Netherlands (Bosch, van Ours and van der Klaauw, 2009[23]).

Part-time workers earn significantly lower annual income and get promoted less often than full-time employees. While part-time work may allow some women to reconcile work with family responsibilities, it has repercussions for career trajectories. On average, workers in part-time employment in the Netherlands worked around 18.2 hours a week in 2017, compared to 39.4 hours worked among those in full-time employment. Average annual gross earnings of a part-time single worker with no children who works 20 hours per week in the Netherlands stood at 34% of a single full-time employee with not children (Harding, Paturot and Simon, 2022[28]). Part-time workers in the Netherlands are also less likely to get promoted, even after differences in job and worker characteristics are accounted for (Russo and Hassink, 2008[30]).

In the past, the Dutch government tried to increase working hours among women through tax incentives, increasing female economic activity but not hours worked. In 2001, the Dutch government passed a tax reform that reduced the cost for women with high-income partners to enter the labour market. Prior to the reform, progressive income taxation and the option to transfer unused tax allowances between partners discouraged female labour force participation. The reason was that tax allowances had to be applied to women's own income if it exceeded EUR 4 000 annually. Transferring tax allowances to partners who could apply these to a higher marginal tax rate instead of working was therefore attractive to women with high-income partners (Bosch and van der Klaauw, 2012[31]). When this general tax allowance was replaced by tax credits, i.e. a reduction in tax that was independent of the marginal tax rate, female labour force participation increased by an estimated 3.5 percentage points. The 2001 reform also included a direct reduction in the marginal tax rate. However, working women slightly decreased their hours worked in response to the lower marginal tax rate, such that the combined effect of the reform was an increase in average weekly hours worked among females of only 0.4 hours (Bosch, van Ours and van der Klaauw, 2009[24]).

Policies to decrease the relatively high net childcare costs in the Netherlands and efforts to expand paternity leave are potential levers to increase female full-time employment. Net childcare costs in the Netherlands are relatively high compared to other OECD countries. In in the Netherlands, a couple with two children aged 2 and 3 earning wages corresponding to the national average paid 15% of their total household income on childcare in 2021, once all benefits are considered. This compares to 9% on average in the OECD and as little as 1% in countries such as Germany (OECD, 2022[32]). As a consequence, Dutch children spend relatively little time in childcare. For instance, OECD research shows that children below the age of 3 only spent 16 hours a week in early childhood education and care in 2016, compared to above 30 hours on average in 23 OECD countries that were analysed (OECD, 2019[33]). The recent increase in central government funding to municipalities for these to improve childcare services and the planned gradual increase in spending to cover childcare costs by the central government could incentivise both men and women to work full-time instead of taking on caregiver duties at home. Current efforts to increase paternity leave would allow Dutch men to take on more childcare responsibilities which could also have a positive impact on female full-time employment (IMF, 2021[34]).

There is some regional variation across Dutch regions in childcare costs due to market forces. In some OECD countries such as the Netherlands, Ireland and the United Kingdom, childcare is mostly provided by private providers. When childcare costs are determined by local demand and supply by private providers, these systems can show strong regional variation in childcare fees. OECD (2022[31]) research

shows that average childcare costs charged to parents for centre-based childcare in North Holland were approximately 5% above regions such as Midden-Noord-Brabant and approximately 3% above the country average in 2018.

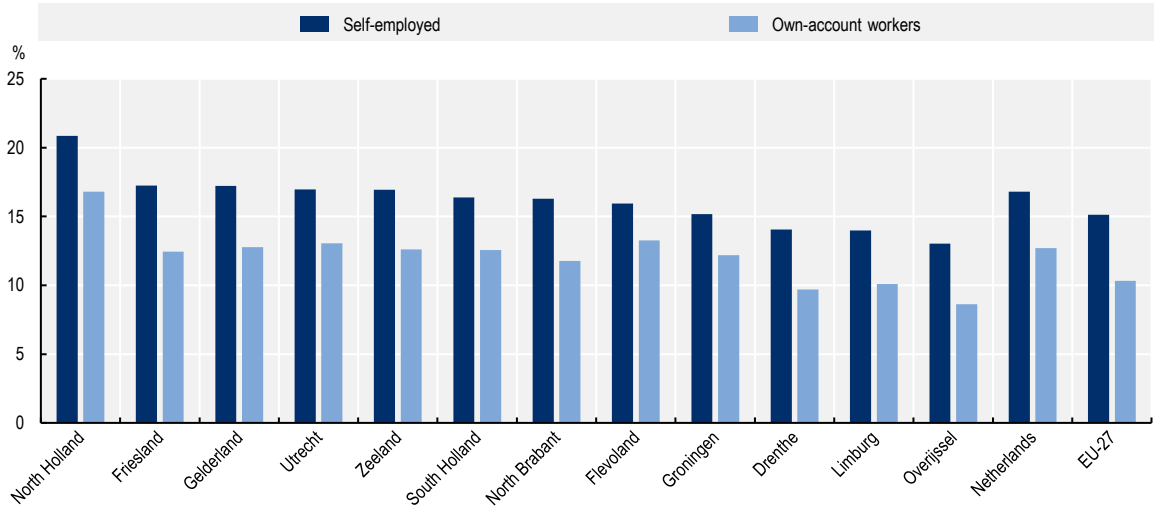
A large share of workers in the North Holland region are self-employed

Another dimension of non-standard work is self-employment, which is high and increasing fast in the North Holland region. Self-employment in the Netherlands is on a par with the EU average but the share of self-employed and own-account workers in North Holland is significantly higher than in other Dutch regions as shown on Figure 3.16. In 2021, the share of self-employment in total employment stood at 18% in the Netherlands, compared with 15% on average across EU-27 countries. Among the self-employed, 76% were registered as own-account workers in 2021, compared with 68% in EU-27 countries. In the North-Holland region, these numbers are significantly higher. In 2021, the self-employed made up 21% of total employment. Among these, 81% were own-account workers.

In its input to a government initiated Independent Commission on the Regulation of Work, the OECD (2019[36]) **establishes that the high level of non-standard work in the Netherlands is driven by institutional factors.** Taxation differences between employees and own-account workers allows workers to have a higher take-home pay, for instance because tax rates are lower, and some social contributions are not payable for own account workers. The Netherlands has the largest payment wedge between employees and self-employed individuals among OECD countries for which data is available.[8]

Figure 3.16. Self-employment in the North Holland region is significantly above the Dutch average

Self-employed and own-account workers as a share of total employment in 2021, 15-64 year olds



Note: The term "own-account worker" refers to self-employed workers without any employees. The bar "self-employed" includes own-account workers.
Source: OECD calculations based on Eurostat table lfst_r_lfe2estat (Employment by sex, age, professional status and NUTS 2 regions (1 000)).

In 2000, the share of self-employment in total employment was much lower in North Holland and then started rising steadily over the past two decades. Self-employment as a share of total employment in the North Holland region stood at 13% in 2000, compared to 10% in the whole of the Netherlands and well below the EU-27 average of 18%. Since then, self-employment has risen fast in Amsterdam and its surrounding area. One factor that contributed to the rise of self-employment in Amsterdam in particular is

the emergence of the digital economy. Some self-employed workers in the digital economy have been able to benefit from new markets and opportunities by finding high-value added work as independent professionals or freelancers. However, for others, self-employment in the digital economy takes on precarious forms, as some work for a single client that is effectively their employer, without having the benefits of a formal employer-employee relationship including social security or work regulation that protects employees (OECD, 2018[17]).

In the Netherlands, young self-employed workers in particular are less likely to participate in formal and informal adult learning. Table 3.3 shows the difference between participation in formal and/or non-formal learning between (i) self-employed and regularly employed (columns 1 and 2) and (ii) part-time employed and full-time employed (columns 3 and 4). On average, self-employed aged 20 to 39 are 11.0 percentage points less likely to participate in adult learning compared to those in regular employment (column 1). Even when conditioning this estimated difference on sex, educational attainment and occupation, it remains large at 10.2 percentage points. Column 2 shows that self-employed workers aged 40 to 64 participate approximately as often in adult learning as regular employees. Only minor differences exist in adult learning participation between part-time workers and full-time employees in the Netherlands, even when those part-time workers are excluded who explicitly state to be working part-time to pursue further education or training. Column 4 shows that older part-time workers tend to participate marginally less in adult learning compared to full-time employees in the same age bracket, at least when differences in sex, education and occupations are accounted for.

Table 3.3. Young self-employed in the Netherlands were significantly less likely to participate in adult learning in 2020 compared to those in regular jobs

Estimated probability of individuals' participation in formal and/or non-formal learning by age and professional status

	(1) Self-employed, aged 20 to 39	(2) Self-employed, aged 40 to 64	(3) Part-time workers, aged 20 to 39	(4) Part-time workers, aged 40 to 64
Unconditional difference: Probability of participation in adult learning	-11.0*** percentage points	- 0.0 percentage points	-0.9 percentage points	+0.0 percentage points
Conditional difference: Probability of participation in adult learning	-10.2*** percentage points	-0.1** percentage points	-1.1 percentage points	-2.1*** percentage points

Note: Self-employed are compared to all regular employees of the same age group. Part-time workers are compared to full-time workers of the same age group. All coefficients estimated by a linear probability model. Individuals are asked if they participated in formal and/or non-formal learning over the four weeks prior to being interviewed. Conditional difference refers to estimates conditional on sex, education (low/medium/high) and 1-digit ISCO-08 occupations. Estimates on part-time work exclude individuals who stated that they work part-time to pursue additional education and training. The asterisk next to the reported estimates indicate whether estimates are significantly different from zero at conventional confidence levels, where *p<0.1; **p<0.05; ***p<0.01.
Source: OECD estimations based on EU-LFS data.

Due to the high regional variation in the share of self-employment in total employment, some cities have taken their own measures to support adult learning among the self-employed. Across the OECD, continuous education and training among own-account workers is supported through five main instruments: Tax deductions, subsidies, financial incentives, wage replacement schemes and employment insurance plans (OECD, 2019[1]). Since March 2022, the new *Stimulering Arbeidsmarkt Positie* ("Improving labour market positions"; STAP) budget covers the costs of workers in the Netherlands who want to participate in adult learning of up to EUR 1 000 annually. STAP is available to all workers aged 18 and above and does not differentiate between different workers by employment contract (Ministry of Social Affairs and Employment, 2022[37]) (See also chapter 5). For cities, which often do not hold formal competences in areas such as income taxation, providing additional training subsidies to own-account

workers is an option. Box 3.7 provides an example from Vienna (Austria), where training is financed for some own-account workers through direct financial support.

Box 3.7. The Waff training account – education and training options for own-account workers in Vienna, Austria

In Vienna, Austria, the Waff Training Account provides training grants to certain own-account workers who have their business license or their main residence in Vienna, are in possession of a valid trade license, are insured under the Commercial Social Security Act and do not employ any employees.

Waff funds training and further education aimed at expanding entrepreneurial skills and training to improve commercial and business skills. The latter include courses in the areas of accounting, controlling, office organization or time management. Courses to acquire and improve digital skills are also funded. These include courses in the areas of social media, Photoshop, ICDL or e-billing. Finally, Waff also funds language courses such as business English or business German. Formal education that leads to degrees is not covered.

Waff covers 80% of the total training costs, up to a maximum of EUR 2 000. There is no limit on the number of courses that can be attended until the maximum coverage is reached. To ease facilitation, applications can be submitted before the training course begins up until four weeks after the start date of the course.

Source: Waff (2021[38]), *Weiterbildungsförderung für Ein-Personen-Unternehmen (EPU)*, https://www.waff.at/wp-content/uploads/2021/09/waff_infoblatt_epu_2021_lay1.pdf (last accessed 09/11/2022) ; *OECD* (2022[4]), *Future-Proofing Adult Learning in Berlin, Germany*, OECD Reviews on Local Job Creation, OECD Publishing Paris, https://doi.org/10.1787/fdf38f60-en.

The net-zero carbon transition will affect Dutch regions differently

The so-called green transition is another major development that will affect labour markets over the next years. The objective to reduce carbon emissions and move towards more sustainable economies will require industrial production to transition across the OECD. Fossil fuels will need to be replaced by renewable energy sources and emission-intense industries will adjust their production. These developments will eventually affect the labour market (OECD, Forthcoming[39]). Industries and sectors that benefit from the green transition will show stronger job creation. More emission-intensive industries and sectors, such as the manufacturing of chemical products are likely to experience a structural transformation that may lead to job loss or changing job requirements. Similarly, employment in both the air and water transport sector will likely be affected negatively (OECD, 2021[38]).

Like other global trends, the labour market exposure of regions to the green transition will depend on the distribution of jobs across economic sectors. OECD regions differ substantially in their industrial structures and these structures will determine net employment effects caused by structural changes due to the green transition. Currently, no clear empirical evidence exists on where the green transition might create new economic opportunities other than in the renewable energy sector. However, by looking at a subset of jobs that are emission-intensive, one can assess the extent to which jobs across OECD regions might be put at risk by a move towards net-zero economy. The OECD methodology to assess these employment risks is summarised in Box 3.8.

Box 3.8. Assessing employment risks due to the-zero transition

The OECD's dynamic general equilibrium model OECD ENV-Linkages allows illustrating economic impacts of climate mitigation policy scenarios several decades into the future, linking activity and employment to greenhouse gas emissions (Château, Dellink and Lanzi, 2014[41]). The model can be applied to calculate regional employment risks across sectors under the goals of the Paris Climate Agreement (OECD, 2021[40]). Two-digit International Standard Industrial Classification of All Economic Activities (ISIC) sectors identified as being at risk of employment losses due to the net-zero carbon transition include: Mining of coal and lignite; Other mining and quarrying; Manufacture of textiles; Manufacture of coke and refined petroleum products; Manufacture of chemicals and chemical products; Manufacture of rubber and plastics products; Manufacture of other transport equipment; Water transport; Air transport.

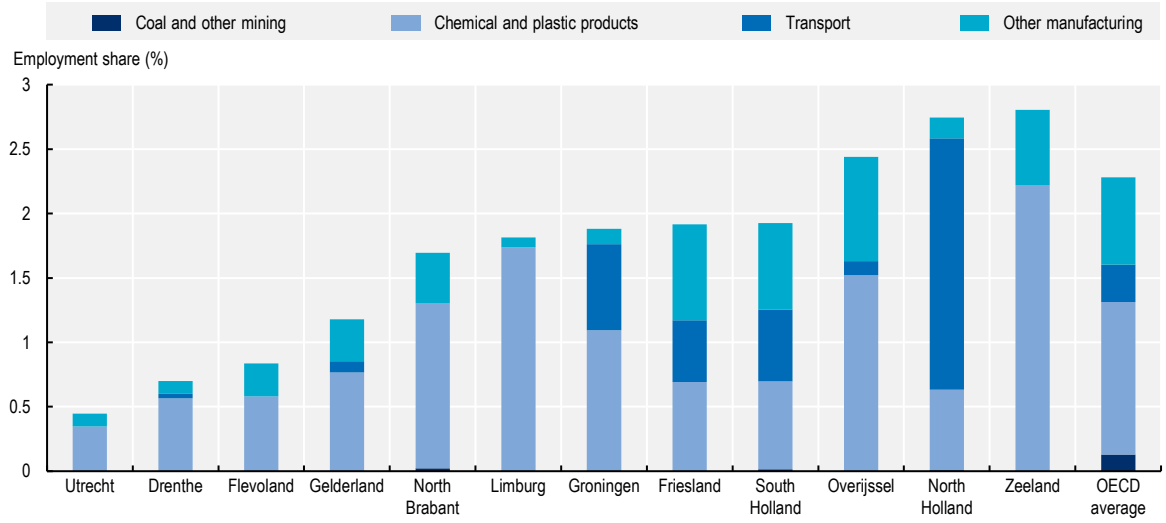
The petrochemical sectors contain most of the employment in sectors likely at risk of employment losses due to the net-zero carbon transition in OECD and partner countries: 32% of employment in sectors at risk is employed in the manufacture of rubber and plastics products and 20% is employed in the manufacture of chemicals and chemical products.

Source: OECD (2021[40]), *OECD Regional Outlook 2021: Addressing COVID-19 and Moving to Net Zero Greenhouse Gas Emissions*, OECD Publishing, Paris, https://doi.org/10.1787/17017efe-en.

North Holland's large transport sector may experience employment losses during the net-zero transition, but net employment effects are uncertain. Figure 3.16 presents data on the share of jobs in four sectors that entail, on average, high levels of emissions. Those sectors are transport, coal and other mining, chemical and plastic products, and other manufacturing. In the North Holland region, these sectors account for 2.7% of total employment, the second highest share across all Dutch regions and above the OECD average of 2.2%. This relatively large share of potential "brown jobs", i.e. jobs in sectors with high environmental footprint, is mostly explained by North Holland's relatively large transport sector. Balancing these jobs at risk against newly created jobs to derive net employment effects requires strong assumptions on where new jobs may be created. Employment gains are likely to occur in renewable power production and recycling of materials. A shift from fossil-fuelled energy towards more labour-intensive renewable energy will likely lead to some net employment growth in the energy sector (OECD, 2021[40]). The creation of new service jobs will also partly depend on policies to promote the green transition.

Figure 3.17. The green transition will put employment in North Holland's transport sector at risk

Percent of total regional employment in industries at risk due to the net-zero transition, large regions (TL2), 2017



Note: The y-axis shows the employment share in industries put at risk until 2040. For details on the methodology, see Box 3.8.
Source: OECD estimates based on EU-LFS data, originally published in OECD (2021[40]).

The demand in some occupations is likely to increase due to climate policy related public investment. Projections by ROA and the Netherlands Environmental Assessment Agency (*Planbureau voor de Leefomgeving*) show that additional government investment to meet emission reduction targets by 2030 and 2050 will lead to a rise in demand for machine operators, construction workers, metal workers, mechanics and electricians across the Netherlands. The mismatch between labour demand and available workers in technology and craft occupations is significantly higher in some regions such as Zeeland, Drenthe and Limburg than on national average (Weterings et al., 2022[42]). The study also shows that employment gains will largely depend on whether government investments are funded through additional public debt or through budget cuts that decrease consumption and investment in non-necessity goods. While there will be employment gains across all Dutch regions if climate investments are debt-financed, there will be net employment losses if climate-related investment require a balanced budget.

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Notes

[1]Eurostat table SDG_04_70 (Share of individuals having at least basic digital skills, by sex).

[2]The remaining 2% of jobs cannot be clearly categorised due to missing information on occupations in the labour force survey.

[3] MBO refers to *middelbaar beroepsonderwijs*, which literally translates to "middle-level applied education". MBO level 2 and 3 correspond to ISCED category 3, whereas MBO level 4 either falls into ISCED category 3 (middle management training) or category 4 (specialist training).

[4] Eurostat table lfst_r_lfsd2pop (Employment by sex, age, economic activity and NUTS 2 regions (NACE Rev. 2) (1 000)).

[5] Eurostat table lfst_r_lfp2actrtn (Activity rates by sex, age, educational attainment level, country of birth and NUTS 2 regions).

[6] Eurostat table lfsa_eppgai (Involuntary part-time employment as percentage of the total part-time employment, by sex and age (%)).

[7] Eurostat table lfsa_sup_age (Supplementary indicators to unemployment by sex and age).

[8] The Independent Commission of the Regulation of Work (so-called *Borstlap commission*) is discussed further in Chapter 4.

4 Labour market institutions in the Netherlands and Amsterdam

This chapter analyses the role of labour market institutions in the Netherlands and in Amsterdam. It focuses on institutions with responsibilities for the integration of the long-term unemployed and the economically inactive on three levels. First, this chapter provides an overview on the role of the national government and the national public employment service in developing policies and providing benefits and employment services. Next, the responsibilities and organisation of municipalities and their provision of employment services and (re)integration measures are discussed. The final section provides an overview of the regional cooperation between municipalities and other labour market stakeholders such as employer and employee organisations.

In Brief

The division of employment services between national, regional and local institutions requires coordination between the different actors

In the Netherlands, the responsibility for publicly financed employment services is divided between two levels of government, national and local. Although in some parts of the Netherlands, regional collaborations of employment services have gained additional importance. The national public employment service, *Uitvoeringsinstituut Werknemersverzekeringen* ("Institute for Employee Insurances"; UWV), is responsible for recipients of insurance-based unemployment and incapacity benefits. Municipalities are tasked to provide means-tested social assistance benefits and are responsible for activating and supporting social assistance recipients who are not eligible for UWV support. Over the past years, the responsibilities of different stakeholders evolved and local governments received a more proactive role and start to work through regional collaborations with other municipalities.

After the global financial crisis of 2008, the Dutch labour market has gone through several major reforms to increase labour market participation. To stimulate job creation, the national government implemented several policies to create greater labour market flexibility. At the same time, social policies were reformed to lower the public finance burden and increase labour market coordination across different levels of government. The goal of these reforms was to make the Dutch economy more competitive and to keep state budgets in balance. In recent years, the reforms were evaluated and adjusted. A commission for work – the so-called "Borstlap commission" – was installed to advise the government about labour market policies to review the reforms and consider what is required in a changing labour market.

***UWV* is tasked to administer unemployment insurance, match unemployment insurance or disability benefit recipients to suitable vacancies, provide services to employers, assess requests for work permissions and provide information on the labour market.** Workers who lose their job or whose job is threatened can apply for help and information. The public employment service offers three main services to jobseekers that are all focused on reintegration in the labour market: digital services, personal services and guidance in training and education.

Municipalities are tasked to administer social welfare benefits and provide employment services and other labour market integration support measures. The majority of clients registered with the municipalities are long-term unemployed or economically inactive. The national government provides municipalities with autonomy (within national boundaries) over the labour market services and measures provided locally to best match the municipalities' residents and local labour market needs. With the responsibility across areas of the social domain and labour market integration, municipalities aim to link benefits with participation in the labour market. Funding for the implementation of active labour market policies at the local level comes from the Municipalities Fund. The allocation of the Municipalities Fund across municipalities follows statistical criteria such as the size of the local population and the share of social welfare recipients, adjusted for the local fiscal capacity.

The formula that underlies the central government's grant allocation to municipalities to fund social welfare benefits strongly incentivises (larger) municipalities to decrease the number of people who depend on social welfare. Municipalities receive bundled funding through a grant from the central government to finance social welfare payments for those eligible within the municipal

boundaries. The allocation of the grant follows an objective allocation model based on household, municipality and neighbourhood level characteristics but not past expenditure to predict social welfare needs for large municipalities of more than 40 000 residents. These large municipalities can retain the money that is unspent but need to finance social welfare expenditure through other funding sources if spending exceeds the allocated amount. The efficiency of the incentives built into the social welfare budget allocation crucially depend on sufficient funding for these measures.

Collaboration at a regional level between municipalities and other stakeholders aims to facilitate labour market participation. Municipalities, national ministries, educational institutes and the social partners cooperate on the level of the 35 labour market regions. The labour market regions provide a framework wherein regional initiatives of labour market integration are designed. One of such initiatives is the regional mobility team, which can provide services to workers that are at risk of unemployment to help them transition to new jobs, including through additional training that allows them to switch occupation or even sector.

Introduction

The Dutch government system combines a centralised government with large autonomy at the local level for some policy areas. This includes labour market policies, where municipalities have many responsibilities and a large degree of autonomy. However, the Dutch national government has the power – although seldom used – to intervene in the functioning and polices of municipalities and other subnational governments, in particular through financing (OECD, 2014[1]).

In the Netherlands, employment support services are divided over two levels of government: national and local. A national agency, *Uitvoeringsinstituut Werknemersverzekeringen* ("Institute for Employee Insurances"; UWV), supports recipients of insurance-based unemployment and incapacity benefits. Unemployment insurance is based on the number of years worked and limited to a maximum of two years (see Box 4.3). Municipalities are tasked to provide means-tested or social assistance (or "welfare") benefits and provide support for social assistance recipients who are not or no longer eligible for UWV support through employment services and labour market measures such as sheltered jobs or employment subsidies. In the Netherlands, workers who for various reasons do not have a job for a longer period are often described as having a "distance to the labour market". Employer and employee representative organisations, i.e. the "social partners", are involved in collective agreements that stipulate unemployment and pension rights, and certain sickness disability income guarantees. Employer and employee organisations as well as independent experts are brought together in the *Sociaal Economische Raad* ("Social Economic Council", SER). The SER is the main advisory body on social and economic policies for the Dutch government and parliament.

The responsibilities of different stakeholders have been evolving and local governments have been given a more proactive role in employment and skills policies. For instance, skills training was traditionally only the task of firms with support of sectoral bodies, and sometimes regionally coordinated in cooperation with educational institutions. Municipalities have become more involved in using adult learning services to overcome the friction of firm and sector specific training for workers that require to move across sectors, for example by supporting skills initiatives (SEO & ROA, 2022[2]). Similarly, local and national programmes are increasingly used to provide public services to people that are still in work, but potentially at risk of job-loss. The immediate transition to new employment rather than time in unemployment is beneficial to both workers and the national government that provides income support to the unemployed. Overall, the local and national government have become more active in providing employment services to the working population and those in risk of unemployment (see Table 4.1).

Table 4.1. The collaboration across stakeholders and levels of government for people in work is broadening

The responsibility of public employment services across employment stages.

	From past			To present		
	Local	Sectoral	National	Local	Sectoral	National
In work		•		•	•	•
Risk of unemployment		•		•	•	•
Unemployed		•	•		•	•
Social benefit recipient	•			•		

Note: A simplified representation of responsibilities and initiatives across the stages of employment. Exceptions for individual cases or situations may exists, for instance people with a long-term illness can still be covered by national provisions.
Source: OECD elaboration.

Collaboration at a regional level across all stakeholders aims to facilitate a more effective (re)integration in the labour market. Municipalities play a crucial role in labour market integration, but their size often limits them to increase regional employment and help unemployed workers finding a job (Edzes and Dijk, 2015. Therefore, it is important for municipalities to participate in regional cooperation. Regional collaboration of municipalities, social partners representing employers and employees and the UWV work together in labour market regions. Labour market regions provide a framework wherein regional initiatives for labour market integration are designed. One of such initiatives is the regional mobility team which was introduced during the COVID-19 crisis. Regional mobility teams provide services to workers that are at risk of unemployment to help them transition to new employment, potentially through additional trainings that allows them to switch occupation or even sector.

The remainder of this chapter provides an overview of the role of labour market institutions in the Netherlands. It has the following structure: the first section describes national policies to increase labour market participation as well as the role of the national public employment service UWV. The second section covers in more detail the tasks of municipalities and describes their funding and expenditures. The third section provides an overview of the regional cooperation between municipalities and other stakeholders such as UWV, employers and employee organisations, and educational institutions.

The national government sets out the framework for the labour market integration of unemployed and economically inactive

The Dutch national government is responsible for general labour market policies. National laws on unemployment benefits, social assistance and labour participation provide the frameworks under which the national public employment service and municipalities implement these policies. Municipalities have a large degree of autonomy but are bound by national legislation.

After the global financial crisis of 2008, the Dutch labour market has gone through several major reforms to increase labour force participation. The goal of these reforms was to make the Dutch economy more competitive and to keep state budgets in check (Buiskool et al., 2016[4]; OECD, 2015[5]). The “Act on Work and Security” of 2015 created more flexibility on the labour market by simplifying the labour regulation on job dismissals and made it easier for individuals to work as a self-employed entrepreneur. The “Act Labour market in Balance” in 2020 withdrew some of these changes and made it easier for employers to create permanent contracts. The “Participation Act” of 2015 (see Box 4.1) aimed to decrease complexity around social security and increase labour force participation. Moreover, the pension system was reformed by increasing the pension age from 65 in 2015 to 66 in 2018 and thereafter

changing it annually to match the average increase in life expectancy. An increase of life expectancy by one year currently increases the pension age by eight months.

In response to the financial crisis, labour market acts have been undergoing reforms with the aim to increase labour force participation and address worker rights. Next to the ambition to create the right labour market conditions that can spur economic growth, there were concerns about the relatively large number of incapacity benefit recipients (EUR 0.8 million in 2021) and the vulnerable position of self-employed workers (CBS, 2022[6]). The number of self-employed has grown from EUR 0.9 million in 2013 to EUR 1.1 million in 2021 while their labour rights (incapacity benefits, pension accrual) are poorly organised (OECD, 2019[7]). A committee for work was installed (the so-called "Borstlap commission") to advise the government about labour market policies in light of these developments and in light with a changing labour market (see Box 4.2) (OECD, 2019[7]).

Box 4.1. The Participation Act aims to increase labour participation

The *Participatiewet* ("Participation Act") aims to increase labour participation by creating opportunities for individuals who need special assistance in finding a job. The law came into effect in 2015 and serves as a minimum income guarantee for those furthest away from the labour market. The idea behind this law is that everyone should participate in society, preferably through a regular job. The participation act replaced the "Work and Social Assistance Act" (WWB), the "Sheltered Employment Act" (WSW) and partly replaced the "Young Disabled Persons Act" (Wajong).[a]

The Participation Act is intended to decrease complexity and guarantees everyone's right to access to a job. Everyone with a distance to the labour market now has the same rights and obligations, whereas previously there were multiple regulations for specific groups. This reduced complexity in combination with financial support is expected to make it easier for employers to hire workers with a disability. As part of the Participation act, a "Jobs agreement" with employers aims to create 100 000 extra jobs for people with a distance to the labour market by 2026. Government employers aim to create 25 000 extra jobs in that period.

Municipalities became responsible for enabling participation and those who need special assistance to find work. The Participation Act meant an important step in the decentralisation process. Municipalities received more responsibility for their expenditures, the financial means for the implementation of the Participation Act are budgeted to local governments. Municipalities have several tools to guide people towards work. If people do not succeed in finding an (adapted) job, they might qualify for a social assistance benefit.

Note: a. Wet Werk en Bijstand (WWB), Wet Sociale Werkvoorziening (WSW), Wet Arbeidsongeschiktheidsvoorziening jonggehandicapten (Wajong).
Source: OECD (2015[5]) Reintegrating welfare benefit recipients through entrepreneurship in the Netherlands. Rapid Policy Assessments of Inclusive Entrepreneurship Policies and Programmes, http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm. SCP (2019[8]) Eindevaluatie van de Participatiewet.

The introduction of the "Participation Act" has hardly led to an increase in job opportunities. In 2019, the *Sociaal en Cultureel Planbureau* ("Netherlands Institute for Social Research", *SCP*), a government agency which conducts research into the social aspects of government policy, published an evaluation of the Participation Act (SCP, 2019[8]). The main conclusion of this evaluation is that the effect of the law is limited. This applies both for the largest group of social assistance claimants as for the group of people who lost their right to sheltered employment. The employment chances of young disabled people increased slightly, but their income position deteriorated because of the increase of temporary contracts.

Box 4.2. Commission on the Regulation of Work ("Borstlap Commission")

In November 2018, the Dutch government initiated the formation of an Independent Commission on the Regulation of Work to prepare advice on how to better align the labour market institutions to the needs of a changing labour market. In January 2020, the commission, chaired by Hans Borstlap and therefore referred to as "Borstlap Commission", published its report, titled "What kind of country do we want to work in?". The report puts forward a broad framework on the criteria that improve resilience in a changing labour market. It includes an assessment of current labour market regulation and whether institutional settings are aligned with these criteria, and where not, makes recommendations for new solutions.

The commission's assessment framework for the functioning of the labour market has four criteria: adaptability, clarity, resilience, and reciprocity, which are briefly described here:

- **Adaptability**: Workers need to become more adaptable to respond to labour markets that are changing because of technological advancement, economic cycles and other long-term developments such as the digital and green transitions. This adaptability of workers is preferably organised by their employer and within a durable labour contract.
- **Clarity:** The report concludes that the current fiscal system incentivises self-employment and other non-standard contracts over regular employment contracts. This is driven by regulations that make several labour insurances compulsory for standard employment contracts but not for self-employment individuals. Differences in secondary benefits such as pension arrangements or number of free days emerged between people employed directly and through employment agencies while doing the same jobs The legal framework should therefore define the type of contract by defining the work carried out within it rather than by differing fiscal treatment.
- **Resilience:** Resilience implies that workers are better prepared for changes on the labour market, increasing their ability to transition from job-to-job in order to prevent long-term unemployment. Continuous development of skills and knowledge can facilitate such transitions. Moreover, workers who face health limitations should be able to transition into less physically demanding occupations if needed.
- **Reciprocity:** All workers are expected to contribute to the system of employment insurance and insurance against unemployment due to illness. These are public facilities that are provided to enable (re)integration in the labour market and job-to-job transition. In the current system, the self-employed contribute less to these public facilities than employed workers, whereas they do have rights to access them when needed.

Source: Commissie Regulering van Werk (2020, "In wat voor land willen wij werken? Naar een nieuw ontwerp voor de regulering van werk".

Since the report published by the "Borstlap Commission", a number of labour market reforms were introduced. Some of the recommendations of the commission build on already ongoing reforms or recent changes. The national government that took office in January 2022 included several recommendations in their coalition agreement as reform plans (Government of the Netherlands, 2021[10]). The plans mainly focus on promoting internal adaptability and discouraging external flexibility. Important areas of the coalition agreement include:

1. The employment costs of employers (in cases of continuous payment or dismissal) will be reduced while it will be easier to change the number of hours or other characteristics of existing permanent contracts

2. Tax credits given to self-employed will be reduced and the differentiation between self-employed and regular employment will be modernised and based on the arrangement of the work in practice, no longer based on the type of contract
3. The government also aims to facilitate self-development and learning among all workers by creating a personal development budget, which supports (adult) education
4. Learning and re-skilling should also be a more prominent instrument in employment activation while differences in obligation to pay for employment insurance in case of illness, disability and age between employees with a contract and the self-employment will be reduced.

Organisation of public employment services at the national level

The Dutch national public employment service UWV is tasked to implement and administer insurance-based benefits, match recently unemployed jobseekers to suitable vacancies and provide (publicly available) information on the labour market. UWV is organised as an autonomous administrative authority under responsibility of the Ministry of Social Affairs and Employment (*Ministerie van Sociale Zaken en Werkgelegenheid*).[1] The organisation had over 15 000 employees in 2021. UWV has offices throughout the Netherlands and works together with municipalities in regional labour market areas (UWV, 2021[11]).

UWV provides a key service in the Dutch labour market by facilitating knowledge exchanges and matching jobseekers and employers. The main mission of the UWV is to increase labour participation and to promote work. The organisation has formulated core tasks in four areas (UWV, 2022[12]):

1. Employment: UWV helps clients to remain employed or find employment. This is done in close cooperation with municipalities
2. Assessment of incapacity for work: UWV evaluates illness and incapacity for work according to predefined criteria
3. Benefits: UWV administers employment insurance-based benefits – covering both unemployment and incapacity benefits
4. Data management: UWV provides the government with information and analysis about the labour market and benefit recipients.

Workers who lost their job or who are at risk of unemployment can contact UWV. In comparison to other public employment services across the OECD, UWV has been among those leading the transition towards digital services (OECD, 2015[13]). For example, all required forms to apply for unemployment benefits can be filled out online. UWV offers three main services that are all focused on reintegration into the labour market: digital services, personal services and the use of personal learning paths which consist of guidance in taking on training and education. The type of service used depends on the characteristics of each client and the type of benefit a person is entitled to. The different benefits schemes are further explained in Box 4.3.

UWV is financed through insurance premiums and grants by the Ministry of Social Affairs and Employment. UWV distributes about EUR 20 billion to around 1.2 million benefit recipients annually. After the financial crisis of 2008, the budget of UWV was reduced. The execution costs per benefit recipient decreased from EUR 1 800 in 2007 to EUR 1 300 in 2016. However, with the introduction of new services, changes in laws and the effects of the COVID-19 crisis, the execution costs per benefit recipient rose to EUR 1 825 in 2021 (UWV, 2021[11]).

***UWV* has had different approaches to serve jobseekers**. Starting from 2012, UWV put strong emphasis on providing digital services to jobseekers. The reason for this were budget cuts and the resulting need for higher efficiency in serving jobseekers. Only groups in need of additional help such as youth and elderly unemployed received extra (in person) guidance in specific programmes. However, after an evaluation of

these services in 2015 (Hek et al., 2015[14]), service provision partly shifted back to more in-person guidance (De Beleidsonderzoekers, 2021[15]). A recent evaluation found a positive effect of personal services, support in the form of a conversation and complementary services increases the job finding rate by about two percent (SEO, 2021[16]). Furthermore, the use of personal services led to a higher level of customer satisfaction. The UWV services have a positive effect on the knowledge, attitude and behaviour in looking for a job. These positive effects are larger for jobseekers with a smaller distance to the labour market (SEO, 2020[17]).

Box 4.3. Employment insurance benefit system

The Dutch social security system is regulated in several social security insurance laws. These employee insurances protect employees from loss of income if they become unemployed, ill or incapable to work. All employed workers are obliged to pay into these insurances, which are usually automatically paid through the employer.

In the Netherlands, workers who lose their jobs and meet the eligibility criteria are entitled to unemployment benefits under the Unemployment Insurance Act. Unemployment insurance (*Werkloosheidsuitkering*, WW*)* guarantees 75% of the last received pay for the first two months of unemployment and 70% thereafter. The duration of unemployment benefits is at least three months but is extended depending on the number of years worked before the unemployment spell begins. The maximum duration of benefit receipt is 24 months.[a] In principle, every unemployment benefit recipient is obliged to look for a job. After six months of unemployment, the range of jobs jobseekers are required to consider is expanded to include lower income jobs. In cases where it is not possible to look for work or when recipients start their own company or are within a year of their retirement, the job application obligation is dropped. If a recipient does not or does no longer meet the conditions to receive unemployment benefits, they may qualify for social assistance benefits, although this is only the case for a small proportion. A special regulation exists for unemployed who are 60 years old or older and long-term unemployed (IOW).[b] The entitlement and amount depend on the individual and household's financial situation, but a minimum income is guaranteed.

Specific laws regulate the benefits of individuals who cannot work for a temporary period due to illness or disability. These individuals receive a benefit according to the former act (WAO) or the new "Labour Capacity Act" (WIA), which contains the "Full Invalidity Benefit Regulations" (IVA) and "Return to Work (Partially Disabled) Regulations" (WGA). For young people there is the "Disability Assistance Act for Handicapped Young Persons" (Wajong).[c]

The Wajong act is meant for young people with a disability that prevents them from having a (full-time) job. After the introduction of the Participation Act, young workers with a Wajong benefit were invited to re-evaluate their capability to work. At the same time, Wajong insurance recipients who have the capacity to work but who do not have a job were invited for a conversation to see if they could be guided towards a job. UWV received extra budget for this operation. From 2018 onwards, everyone with a Wajong benefit and a capability to work is monitored and regularly invited for a conversation to ensure durable work.

Note: a. In some collective labour agreements it is possible to extent this period to 38 months.
b. *Wet inkomensvoorziening oudere werklozen* (Act income provision older unemployed) (IOW)
c. *Wet werk en inkomen naar arbeidsvermogen* (WIA*), Inkomensvoorziening Volledig Arbeidsongeschikten* (IVA), *Werkhervatting Gedeeltelijk Arbeidsgeschikten* (WGA), *Wet Arbeidsongeschiktheidsvoorziening jonggehandicapten* (Wajong).
Source: De Beleidsonderzoekers (2021[15]) "Perspectief op bestaanszekerheid en arbeidsparticipatie". OECD (2020[18]) "The OECD tax-benefit model for the Netherlands: Description of policy rules for 2020".

UWV uses statistical profiling tools to segment jobseekers upon registration with UWV, with jobseekers with larger distance to the labour market receiving personal counselling earlier in the unemployment spell. Unemployment benefit recipients must fill out an online statistical profiling tool (*werkverkenner*) upon registration with the UWV (Desiere, Langenbucher and Struyven, 2019[19]). This tool gives an indication of the distance from the labour market of the jobseeker. More attention is dedicated to jobseekers with a larger distance to the labour market than to those who are likely to find a job on their own. They are invited earlier for a face-to-face conversation in which an agreement about help from UWV is made.

UWV provides jobseekers with tools and information to support their reintegrate in the labour market. On the digital service platform, jobseekers can look up relevant information around their benefits, can search for vacancies and receive personalised recommendations for suitable vacancies. UWV advisors complement the online services through workshops, personal conversations and tests to activate and help jobseekers (De Beleidsonderzoekers, 2021[15]).

Unemployment benefit recipients have the responsibility to look for a job. UWV advisors try to enforce agreements with jobseekers on job search by actively providing them with information about their rights and obligations. This is particularly important when it comes to the "best effort obligation" of recipients in looking and applying for jobs. Recipients of unemployed benefits should send at least four job applications in every four weeks period. The assigned UWV advisor can also inform, monitor and correct in the job seeking process and impose a sanction when needed (SEO, 2020[17]). Compared to other countries, the Netherlands scores around the average on the OECD index of strictness of activation requirements for jobseekers, 3.09 on a range from 1 (least strict) to 5 (most strict) (OECD, 2022[20]). Verlaat et al. (2021[21]) find that sanctions that were implemented because of a lack of job application activity have limited effects.

***UWV* offers a range of labour market services to target specific groups in the labour market.** With the introduction of the "Participation Act" in 2015 (see Box 4.1), the *UWV* had to adjust a number of its services. Since 2015, the *UWV* is responsible for a suitable work programme (*passend werkaanbod)*. This programme is focused on jobseekers who are unemployed for over six months and aims to increase labour force participation. The goal of the programme is to offer long-term unemployed workers at least two suitable vacancies. The candidate then has to apply for these jobs and accept the job if a job offer is made. If a job offer is turned down by the long-term unemployed jobseeker, a reduction in unemployment benefits serves as a sanction. In the period between 2015 and 2019, the goal of 5 000 offers to long-term unemployed candidates per year was reached. The number of unemployed that were actually hired varies between 2 500 and about 3 800 per year. There were almost no sanctions needed (De Beleidsonderzoekers, 2021[15]).

In 2015, the conditions for suitable work were adjusted. After six months of unemployment insurance benefit receipt, every job is regarded as suitable. This means that recipients can no longer reject jobs based on the type of work or the distance to their home. To make jobseekers aware of the changed rules and help them adjusting, UWV holds face-to-face meetings in the seventh month of unemployment. During this conversation the jobseeker and the UWV make an agreement about the job-seeking process and about two vacancies that the jobseeker will apply for. From 2018 onwards, UWV advisors started to guide jobseekers towards jobs outside their direct preferences at an earlier point of unemployment spells. An evaluation of this innovation showed that jobseekers indeed took a broader perspective in the type of jobs that they applied for when receiving additional job market guidance early on during their unemployment spell. An evaluation showed that in particular workers with transversal skills could be integrated into the labour market more quickly (De Beleidsonderzoekers, 2021[15]).

Municipalities implement policies and guide the labour market integration of the economically inactive

Labour market policies in the Netherlands have been decentralised since 2000. There were two reasons for the decentralisation of labour market policies. First, local governments are closer to the residents in their local areas and, hence, are likely to better anticipate and respond to their labour market needs. Secondly, decentralisation was also driven by the aim to increase efficiency and reduce social welfare cost. The introduction of the Work and Social Assistance Act (2004) increased the responsibilities of the municipalities and had a positive effect on cost efficiency (Broersma, Edzes and van Dijk, 2013[22]). The Participation Act (see Box 4.1) gave municipalities even more social welfare responsibilities (Edzes and Dijk, 2015[3]).

As part of the decentralisation process, municipalities have become central in implementing social policies. While the Participation Act of 2015 (see Box 4.1) made municipalities responsible for local labour market policies, the decentralisation of the "Youth Act" (*Jeugdwet)* and the "Social Support Act" (*Wet maatschappelijke ondersteuning*, WMO) gave additional social policy responsibilities to municipalities. The increase in responsibilities generally, not only in the domain of social and employment, motivated some amalgamations and mergers between municipalities. The number of municipalities decreased form 537 in 2000 to 344 in 2022.

The increasing responsibilities of municipalities result in specialised local labour market services. While the national government provides funding for several services, municipalities have the task to implement them. This means that they have considerable administrations, a substantial budget and need to hire specialised workers or work with contractors. Larger municipalities such as Amsterdam can create specialised departments that deal with the integration of specific groups like youth, the elderly or migrants. The remainder of this subsection first gives an overview of the internal organisation of municipalities and the employment support they provide, as well as the role of the Association of Dutch Municipalities. The second part focuses on the labour market funding and expenditure of municipalities.

Employment support services provided by municipalities

Municipalities in the Netherlands are tasked to provide focused employment support to the long-term unemployed and the economically inactive who depend on social welfare. Municipalities offer both labour market integration support and income support. Income support is conditional on active job search or active participation in labour market integration programmes that are offered by the municipalities. Exemptions of this obligation can be given in case of chronic illness or for single parents with young children. For specific cases, mostly related to individuals' physical, medical or psychological limitations to work, the municipalities provide services in collaboration with UWV which is providing the independent medical assessment on the ability to work.

In the Netherlands, residents in a household with little or no income and capital can apply for social assistance benefits at their municipality. This is only possible for applicants who meet certain criteria and do not or no longer receive other (unemployment) benefits. Residents can apply online for social assistance benefits. Some cities, such as Amsterdam, also provide publicly available computers which can be used to apply for welfare benefits. The municipality checks eligibility and informs applicants of the outcome. In 2022, single social assistance recipients receive EUR 1 037, while a couple receives EUR 1 482. These net monthly amounts differ dependent on age, family composition and living situation and do not include a holiday bonus which is paid out in May. Indexation of this amount occurs semi-annually and is based on the increase of the net minimum wage. The city of Amsterdam, like many other Dutch municipalities, also offers additional services to low-income groups. For instance, this includes a "City Pass" which can be used to get discounts on public transport, school costs and cultural activities (City of Amsterdam, n.d.[23]).

With responsibility across the social domain and labour market integration, municipalities aim to link benefits with participation in the labour market. The social assistance benefits administered by municipalities are the last safety net for income support. It is available for citizens who do not qualify for unemployment insurance benefits or those who have exhausted them, if they meet the means-test. Municipalities consider the needs and possibilities of their clients and accordingly adjust the support clients receive and their mutual obligations, which depend on clients' capabilities, motivation to work, and expected results of job search.

Residents that cannot find a job themselves receive job search support and guidance from the municipality. It is the responsibility of the municipality to support residents without income towards work, regardless of whether they qualify for welfare benefits. Support services include career advice, counselling, matching services, labour market training, support for self-employment, work placements (e.g. through voluntary work) or other meaningful activities. However, people who are long-term unemployment often face multiple barriers that prevent them from integrating into the labour market. Such barriers range from poor physical or mental health, insufficient knowledge of the Dutch language, the inability to navigate online platforms, debt or other financial difficulties. While municipalities are incentivised to bring people back to the labour market, a broader package of support may be required for unemployed with more complex barriers to the labour market. Municipalities therefore often provide services such as language training and help in dealing with personal finances. In Amsterdam, most of these forms of support are organised through neighbourhood teams in one of the seven districts of the city. A neighbourhood team consists of several professionals that provide advice about care, finances, safety and other support measures free of charge. Residents can make an appointment after which a support plan is developed.

Experimental evidence suggests that personalised counselling is an effective tool to integrate social welfare benefits recipients into the labour market. In the period from 2017 to 2019, six municipalities in the Netherlands conducted randomised controlled trials to find out which strategies work best to integrate social assistance recipients into the labour market.[2] The randomised controlled trials included the following interventions: increased personalised counselling, exemption from sanctions on additional earnings (that would normally result in a lower benefit) and exemption from reintegration obligations such as the requirement to apply for jobs regularly. The results of the impact evaluation show no negative effects on the transition into employment when additional earnings are exempt from a reduction of the benefit or when job-search obligations are lifted. On the other hand, the results provide some evidence that intensive and personalised support may lead to higher outflow to (part-time) work (Edzes et al., 2021[24]). Statistical uncertainty of the effects of other interventions suggest that further and larger studies can be useful to gain further insights on labour market instrument effectiveness across places and target groups.

Since 2021, the integration of people with a migration background into the labour market, and society more broadly, is the responsibility of municipalities. In 2021, the Netherlands received over 250 000 immigrants (CBS, 2022[25]). National institutions regulate the legal conditions for migrants to stay in the country. People who are granted the right to stay through an asylum procedure and require income and housing support are allocated across municipalities in the Netherlands. In 2021, the civic integration system was changed. Like in the Participation Act, municipalities now play the central role in integrating migrants, which is useful since immigrants with a residence permit are often on social assistance from the municipality. The aim of this shift of responsibility to the local level is to accelerate the integration process for newcomers who are obliged to complete the civic integration programme. This programme aims to facilitate participation in Dutch society by familiarising newcomers with Dutch culture and language.

Local labour market information systems are the basis of municipal labour market policies

Accurate and timely labour market information constitutes the basis for local policymaking. Several surveys such as the *arbeidsvraagpanel* ("Labour demand panel") and the UWV employer survey provide national wide information. The *arbeidsvraagpanel* is a survey that is carried out every two years by the Netherlands Institute for Social Research. A representative sample of companies is asked to answer questions about various topics such as recruitment, retaining and the training of staff. However, the data is only publicly available after more than two years following the survey. The UWV employer survey is comparable to parts of the *arbeidsvraagpanel*. In 2020 and 2022, UWV conducted a survey on recruitment and skills among 10 000 companies in the Netherlands, with a response rate of around 30%. The survey focuses on problems in recruiting and retaining staff, skills requirements and skills developments within occupations.

One of the challenges faced by local policymakers is that data collected on the country level is not always representative on smaller geographical levels. Even if surveys are designed to accurately represent sub-national regions, slicing data by, for example, occupations, economic sectors or population groups can lead to unreliably small sample sizes. Similarly, local policies can be informed by past experiences of other regions but the transferability into a different labour market context requires great care. It partly falls on local governments to ensure that policies on the sub-national level still have the necessary knowledge and evidence base to carry out local labour market policies. Although it is not a formal responsibility of the municipality, it is essential to continuously improve local labour market information systems through the creation of local databases using administrative data, disaggregated survey data where possible and the evaluation of past local policies. Municipalities can use the data that is collected and provided by UWV to monitor and improve their policies.

The labour market information systems in Dutch municipalities are advanced especially in some of the larger municipalities. Some of the larger municipalities such as the city of Amsterdam have their own statistics and research departments, but many smaller municipalities lack the resources for the creation of local labour market indicators. The partnership between the *Centraal Bureau voor de Statistiek* (CBS, Statistics Netherlands) and municipalities has intensified in recent years within so-called *CBS Urban/Rural Data Centres*. CBS Urban Data Centres are collaborations between the *Centraal Bureau voor de Statistiek* (CBS, Statistics Netherlands) and municipalities. CBS Rural Data Centres exist in less densely populated areas in the Netherlands. Within the cooperation, CBS supports municipalities in analysing survey and national register data about employment for use on the local level and to link it to administrative data sources. Such cooperation can therefore create new local labour market indicators and expand the evidence base to inform local labour market policies.

The growing responsibility of municipalities in designing and implementing local labour market policies requires a systematic cataloguing and evaluation of labour market instruments. As municipal responsibilities related to labour market increased and targeted support initiatives are required, there is a need to create a service menu for both municipality staff and residents to understand all the available services that a municipality provides. Currently, providing such a menu is not a formal responsibility of municipalities, leading to variation in the information provision on labour market policies and policy evaluation across municipalities. For instance, the municipality of Amsterdam started to catalogue policy instruments for labour market interventions more systematically within its *Instrumentenwaaier* (catalogue of policy instruments). The *Instrumentenwaaier* lists labour market services across different themes, such as training, job coaching and education. It also spells out eligibility requirements and contact information of different labour market instruments. To add a quality component to the catalogue, the recently founded "Commission of effectiveness of labour market instruments" gives an ex-ante assessment of policy instruments the municipality plans to implement based on secondary literature. These initiatives remain in their early stages and could be gradually expanded in line with best-

practice examples from other OECD countries. For instance, the German *TrEffeR* ("Treatment Effects and Prediction") tool addresses the need to measure the effectiveness of active labour market policies more systematically. TrEffeR is described in more detail in Box 4.4.

Box 4.4. The German TrEffeR system

In 2008, the German PES and the German PES-affiliated Institute of Employment Research introduced the TrEffeR ("Treatment Effects and Prediction") tool to evaluate labour market programs. The tool compares employment outcomes of participants in labour market programs with similar non-participants. Participants and non-participants are made comparable by selecting non-participants based on similarities in socio-economic characteristics. These characteristics include information on the local labour market area, the unemployment status, age and gender.

Labour market programs can be evaluated by provider, local area and type of intervention. It is further possible to evaluate the effectiveness of interventions by different target groups such that future programs can be designed targeting specific sub-groups of the unemployed.

One of TrEffeR's advantages is that it is relatively cost-efficient. Once the IT infrastructure is set up and administrative employment biography data is available, the cost for maintenance are small. The process of selecting suitable non-participants is semi-automated and requires only limited input from experts who update the tool twice a year. Evaluations based on TrEffeR's quasi-experimental methods are therefore an alternative to fully fleshed randomised controlled trials that are more demanding to implement at scale.

Source: Schewe (2017[26]), *TrEffeR (Treatment Effects and Prediction),* European Commission document available at https://ec.europa.eu/social/BlobServlet?docId=18219&langId=en.

Different jobseeker registration systems hamper the communication between municipalities, the UWV and other organisations. A suite of different IT systems are used to register jobseekers. The UWV uses SONAR, some municipalities use RAAK and the labour unions PARAGIN. The fact that these systems are not linked makes the exchange of information challenging and potentially inefficient. There is currently no structured exchange on policy instruments between UWV and municipalities despite overlapping client groups. Better cooperation and information sharing might help to increase labour market participation. For example, the City of Amsterdam does not have the tools to assess their clients' ICT skills but unions can make those assessments. A closer cooperation could be beneficial to jobseekers but would require a more efficient exchange of information.

Funding and expenditure of municipalities

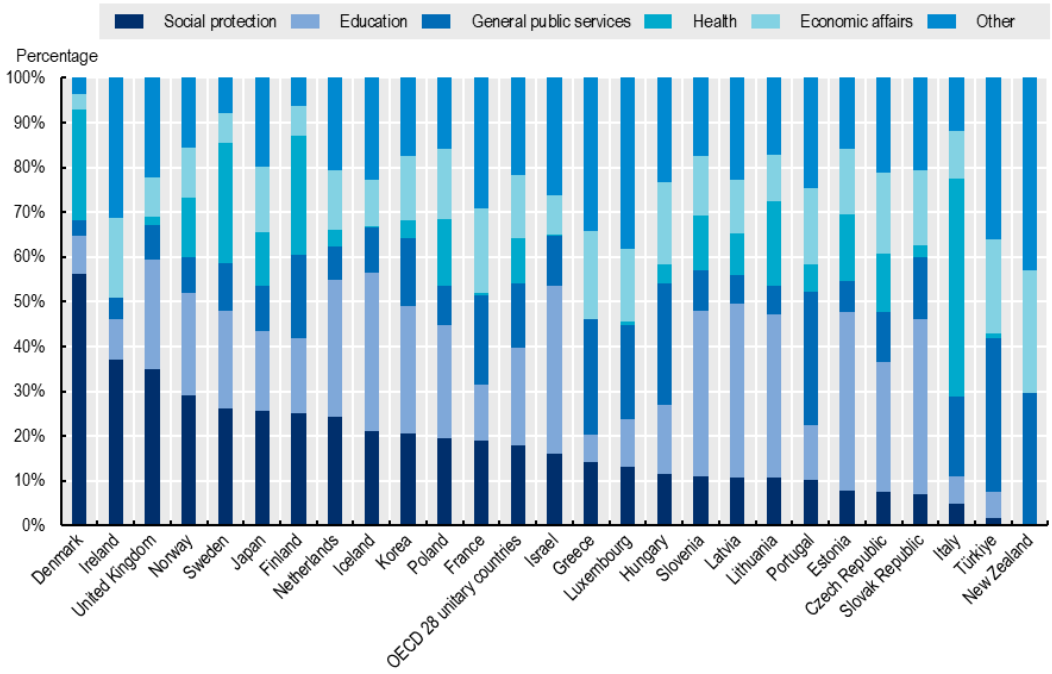
The degree of spending autonomy that subnational governments in OECD countries have, depends on their financial self-reliance, the financial transfer system and the borrowing autonomy. The discretion subnational governments have over how they spend funds available to them depends on three main sources of funding: First, locally raised revenue, or financial self-reliance, which in turn depends on subnational government's fiscal autonomy. Second, the financial transfer system which determines the conditionality of central government transfers. Third, the subnational government's borrowing autonomy, i.e. the extent to which higher levels of government constrain lower tiers of government to borrow from capital markets or to take on loans from banks (Ladner, Keuffer and Bastianen, 2021[27]).

Municipalities in the Netherlands have a moderate to high degree of spending autonomy compared to subnational governments in other OECD countries. Like subnational governments in other OECD

countries with a comparable unitary government structure, municipalities in the Netherlands are funded through a mix of central government grants and locally raised revenue (Ladner, Keuffer and Bastianen, 2021[27]). Around 73% of municipal funding came from central government grants in 2019, thus constituting the bulk of local revenue. The remaining 27% came from locally raised revenues, such as local taxes, surcharges and parking fees (CBS, 2020[28]). In recent years, central government grants have become increasingly unconditional. Around 60% of all central government transfers to municipalities are now unconditional, compared to 40 to 50% of total transfers in the early 2000s. In theory, municipalities in the Netherlands also have a high degree of borrowing autonomy that allows them to borrow without seeking authorisation from the central government. However, the strict legal requirement that municipalities' budgets must be balanced de facto limits the borrowing autonomy to the funding of capital expenditure (Ladner, Keuffer and Bastianen, 2021[27]). Figure 4.1 shows that local governments in the Netherlands mostly use their available funds to spend on social protection and education. The former includes social welfare expenditure.

Figure 4.1. Dutch municipalities mostly spend on social protection and education

Local government expenditure by function of government as a share of total local government expenditure in 2019



Note: OECD countries with a unitary government structure only. Sorted by the share of expenditure on social protection.
Source: OECD statistics, Subnational governments in OECD countries: 5. SNG expenditures and investment by function.

To finance social assistance benefits, wage cost subsidies and labour market integration activities, municipalities receive two separate grants from the central government. Since the Participation Act was adopted in 2015, municipalities receive bundled funding through a specific grant (*Bundeling Uitkeringen Inkomensvoorzieningen Gemeenten,* BUIG) that covers multiple social welfare regulations. Municipalities use the funds from BUIG to finance social welfare payments to those eligible within the municipal boundaries. BUIG is also meant to cover wage cost subsidies and expenditure on institutionalised and homeless persons. The allocation of the BUIG, the so-called macro budget, is described in more detail in Box 4.5. Funding for the implementation of labour market activation policies that target the economically inactive comes from the unconditional Municipalities Fund.

Box 4.5. The allocation of the social welfare budget and the budget for wage cost subsidies across Dutch municipalities

Both the budget allocated to municipalities for spending on social welfare and the budget component for wage cost subsidies come from the BUIG (*Bundeling Uitkeringen Inkomensvoorzieningen Gemeenten*), a central government grant that forms the so-called macro budget. In 2021, the total macro budget for social welfare assistance and wage cost subsidies was EUR 6 385 million. This budget is split between Dutch municipalities through a model that distinguishes both budget components and differs by population size of municipalities.

Social welfare budget

The formula to determine the share of the social welfare budget component each municipality receives depends on the population size:

- >40 000 residents: For large municipalities, an *objective allocation model* is used to determine their budget share. The basis for the calculation of the objectively determined municipal social welfare budget is a non-linear model that uses indicators at the household, municipality and neighbourhood level to predict social welfare needs. Only indicators that are not (directly) affected by municipal policy are included in the model such that any surplus or deficit on the local budget is due to municipal policies. The distribution model consists of a volume component and a price component. The volume component estimates the probability of each household in the municipality to receive social welfare and the price component calculates the amount the household would be entitled to. The volume and price component are then multiplied to get a prediction for the amount of social welfare a household would receive. The total budget share the municipality receives is then determined by the sum of all households' predicted social welfare needs.
- <15 000 residents: For small municipalities, the budget size is determined entirely historically, on the basis of the realized municipal social welfare expenditure in the previous year, taking into account changes in the number of households and changes in the total size of the macro budget between the previous and current budget year.
- 15 000 to 40 000 residents: For medium-sized municipalities, a weighted mix of the objective allocation model and historical expenditure determines the share of the macro budget these municipalities receive. The share determined by the objective allocation model increases linearly with the local population size.

Budget for wage cost subsidies

The split of the part of the available macro budget for wage cost subsidies is based on the expenditure share in wage cost subsidies (realisations) of the year preceding the year for which the budget is determined.

Source: Government of the Netherlands (2022[29]), Beschrijving verdeelsystematiek bijstandsbudget en budget loonkostensubsidies.

The formula that underlies the central government's allocation of BUIG to municipalities strongly incentivises larger municipalities to decrease the number of people who depend on social welfare. Depending on the number of people residing within municipal borders, municipalities receive a budget for social welfare either based on a budget allocation model or based on historical expenditure on social welfare. The model uses a formula that does not include past welfare expenditure for municipalities with

more than 40 000 residents and only partly includes historical expenditure for municipalities with a headcount of between 15 000 and 40 000. The budget of municipalities with fewer than 15 000 residents is based entirely on historical expenditure on social welfare as described in Box 4.5. Municipalities can retain the money that is unspent, for instance because residents found employment and no longer need the support. This provides a financial incentive to municipalities to provide effective services, although it may also lead to some prioritisation of services to those individuals that are expected to be most effective.

Despite its incentivising effect on larger municipalities to activate the economically inactive into the labour market, the current system may in theory lead to a path dependency in financial means available for labour market activation instruments. If municipalities manage to spend less on social welfare than their allocated budget, they may spend the surplus at their discretion. On the other hand, municipalities that spend more on social welfare than their allocated budget have to use funds from other spending areas to avoid running a deficit. This could, in theory, lead to a downward spiral if municipalities fund excess social welfare spending through revenue from discretionary grants that would have otherwise been channelled towards labour market activation measures. Conversely, municipalities that run a surplus on social welfare could invest excess funds into additional labour market activation measures that, if successful, could lead to an even higher surplus in the next budget allocation cycle. The Dutch central government can continue to monitor time trends in municipalities' social welfare spending closely. Should a clear pattern of repeated surplus and deficit emerge, the government could consider adjusting their allocation model of the BUIG grant for large municipalities to be partly based on social welfare expenditure in previous years. This would maintain the incentive for municipalities to integrate social welfare recipients into the labour market while ensuring that necessary financial means to fund activation measures are not declining over time.

The so-called "safety net" ensures that municipalities in a large social welfare deficit do not have to cut spending on other items beyond a certain level. The Dutch central governments provides an insurance against large social welfare deficits. Municipalities that run a deficit up to 7.5% of total social welfare expenditure are required to use discretionary funds to cover the deficit. A deficit of 7.5% to 12.5% of total expenditure on social welfare is compensated at 50% by the central government and any deficit of more than 12.5% receives a 100% compensation[3]. To avoid moral hazard, the safety net scheme is not intended to compensate for structural shortfalls in municipalities' macro budget. It is intended to absorb disproportionate financial risks arising from imperfections in the allocation model and from unexpected setbacks municipalities may suffer.

Funding for labour market activation policies comes from the Municipalities Fund. Since 2015, funding for new tasks related to the regular integration into work (i.e. integration except sheltered employment) are funded by a general grant component of the Municipalities Fund. The grant is distributed across municipalities based on two principles: The cost orientation and the local fiscal capacity. The cost orientation refers to an allocation based on more than 60 objective criteria such as the size of the local population, the share of social welfare recipients or the share of senior residents. The budget municipalities receive from the Municipalities Fund is then corrected by an equalisation system that accounts for differences in the local potential to generate income (the fiscal capacity). The most important correction factor is the local property tax capacity, which is independent of the actual property tax rate set by a municipality. Requesting additional funds from the Municipalities Funds due to an extended period of large financial deficits is possible but leads to an "Article 12 status", which refers to article 12 of the Financial Relationship Act, under which municipalities are put into a state of guardianship. Article 12 status requires municipalities to comply with a set of central government conditions (Council of Europe, 2021[30]).

The Dutch government will need to monitor and evaluate frequently if the funding from the Municipalities Fund is sufficient for municipalities to carry out their new tasks related to activation policies. The effectiveness of the incentive system built into the allocation of BUIG critically hinges on municipalities' ability and financial endowment to integrate social welfare recipients into the labour market. It is therefore important to assess regularly if available funding is sufficient for municipalities to finance

appropriate policy instruments that support the activation of the economically inactive. Such assessments can be done in dialogue with VNG (see Box 4.6). In addition, evaluating cross-municipal variation in the spending on labour market integration measures per local welfare recipient and the share of welfare recipients who are successfully guided into employment in a given year can provide some evidence on the nature of the link between these variables. If such assessments conclude that the Municipalities Fund is insufficient to cover municipal responsibilities that are meant to be covered by the fund, a policy option would be to increase municipal taxing autonomy as proposed by the Ministry of Interior and Kingdom Relations (*Ministerie van Binnenlandse Zaken en Koninkrijksrelaties*), the Ministry of Finance (Ministerie *van Financiën*) and the VNG (Council of Europe, 2021[30]). This could strengthen financial autonomy of municipalities and could lead to a more adequate local capacity to respond to local needs in domains laid out in the Participation Act.

Sheltered employment (*Beschut werk*) is covered by the integration grant component of the Municipalities Fund. The amount of funding municipalities receive from the integration grant to fund sheltered employment is based on pre-2015 shares of inflows into sheltered workshops. The national government determines how many sheltered workplaces every municipality should create if there is a need for them. For instance, the number of sheltered workplaces was set to 454 in Amsterdam in 2021 (Ministry of Social Affairs and Employment, 2020[31]). The number increased to 505 in 2022 (Ministry of Social Affairs and Employment, 2021[32]).

Box 4.6. Association of Dutch Municipalities in the Netherlands

The *Vereniging van Nederlandse Gemeenten* ("Association of Dutch Municipalities", *VNG*) represents the interests of municipalities towards the central government.

VNG represents all municipalities and aims to support and improve the quality of local governments. Central in this aim is the exchange of knowledge and experiences around the implementation of all policies in the responsibility of Dutch municipalities. VNG is funded through contribution of its member municipalities and through subsidies.

VNG facilitates local cooperation between local governments and plays an important role in the cooperation between the national and local level as it tries to advocate the interests of the municipalities at the national government and in a number of other platforms such as the Council of European Municipalities and Regions.

VNG organises events like conferences, webinars and summer schools to provide information and facilitate the exchange of information between municipalities. VNG also publishes factsheets and position papers in which the interests of municipalities are laid out. For instance, during the coalition negotiations to form a new national government in 2021, VNG and UWV published a joint letter in which they called for increased accessibility to labour market services and proposed measures to increase labour market participation

Source: VNG and UWV (2021[33]) "7 bouwstenen voor arbeidsmarktondersteuning", https://vng.nl/nieuws/vng-en-uwv-7-bouwstenen-voor-arbeidsmarktondersteuning

Regional cooperation aims to increase labour market integration

Regional cooperation between municipalities, *UWV* and other stakeholders aims to facilitate job creation and labour market integration. While municipalities fulfil a crucial role in the labour market, they are often too small to influence regional employment (Edzes and Dijk, 2015[3]). Therefore, it is important

for municipalities to cooperate regionally. National policies can have different impacts on regions depending on their economic situation and structure (van Dijk and de Grip, 1998[34]). The regional cooperation in labour market regions provides a framework within which regional initiatives of labour market integration are developed and implemented. The twelve provinces that form an administrative layer between the national government and the municipalities do not play a role in labour market policies.

The Netherlands is divided into 35 labour market regions in which municipalities, the public employment service (UWV) and other stakeholders coordinate their services to employers and jobseekers.[4] The 35 labour market regions form a separate geographical level, in between the 344 municipalities and 12 provinces. Labour market regions are groups of municipalities, roughly approximating commuting zones. The labour market regions differ from the 40 COROP (NUTS 3) regions that are often used for regional statistical analysis. This means that there are some notable size differences between labour market regions. In the Netherlands, it is common to commute daily into adjacent municipalities. In 2015, only about 4 out of 10 workers lived and worked in the same municipality, while the average distance to work was about 22 kilometres (CBS, 2017[35]). Labour market regions were formed to serve employers and were created based on existing cooperation within the regional business community. UWV provides labour market information at the level of the regional labour market. Statistics and insights on the number of vacancies and jobseekers and the tightness in specific sectors are regularly published for each labour market region. Examples of regional cooperation are the "regional work companies" and the "employer service centres" discussed in more detail below. In addition, regional mobility teams provide services to workers that are at risk of unemployment and help them transition to new employment, potentially through additional training that allows them to switch occupation or even sector.

"Regional work companies" support the co-ordination of labour market policies across a region

The labour market region is used as a platform to reach agreements about job creation. Every labour market region has a so-called "regional work company" (*regionaal werkbedrijf*). On this administrative platform, municipalities, the UWV, employer organisations and employee organisations aim to reach agreements about the regional labour market and create equal opportunities within the region. This is done to support the national goal to raise labour force participation. Regional work companies are financed by its stakeholders, while municipalities often take on the largest share of the costs. The incentive for cooperation on the level of the regional labour market is the commitment to the "jobs agreement" (see Box 4.1). Labour market labour markets regions have some freedom to choose their own form of cooperation, goals and priorities (Programmaraad, 2015[36]).

"Learn-work offices" (*leerwerkloketten*) in the regional labour markets advice residents about (re)schooling and education within the vison of life-long learning. Municipalities, UWV and educational institutions cooperate and fund learn-work offices. Learn-work offices help and advice workers, jobseekers, students and employers in all issues around Life-Long Learning (see chapter 5). Learn-work offices provide career advice, assess competences and support students in writing a resume. Learn-work offices exist in every labour market region but their activities differ.

"Employers service centres" help employers in hiring workers with a distance to the labour market

Each of the 35 labour market regions has an "employer service centre" (*werkgeversservicepunt*) in which employers can receive advice on the implementation of the Jobs agreement and the participation act. In this centre, UWV, municipalities and social work companies (companies that create jobs for workers with a mental, physical or psychological disability) work together to provide information, advice and expertise to companies. Other partners such as educational institutions are sometimes involved, too. Employer service centres provide companies with information about selecting and hiring

candidates who have a low attachment to the labour market free of charge. Employers can also ask for extra advice on employing persons with a disability. Employer service centres also offer advice on specific services that can be provided by partners such as the UWV. For instance, job coaches provide employees with a personal training programme and support in their workplace. Another service is the wage cost subsidy (*loonkostensubsidie*), which is administered by the employer service centres. Employers who hire a person with a disability whose productivity falls short of earning the minimum wage receive the difference between the wage value and the minimum wage of that worker. While national and local employment services cooperate through the employer service centres, the separation of responsibilities and involvement of several actors still implies inefficient competition in some areas such reach-out to employers and sourcing of vacancies.

Regional mobility teams aim to facilitate job switches to avoid unemployment

In response to the economic challenges of the 2008 Global Financial Crisis, UWV created Regional Mobility Centres (RMCs). RMCs were implemented to address two problems. First, public employment services typically only provide support to jobseekers that are unemployed, not to those at risk of unemployment. Second, job-to-job transitions may require training or additional education, but private sector solutions are often sector-oriented, making transitions across sectors difficult. The centres enabled the UWV, in co-operation with public and private partners, to offer support to employees and guide them towards a new job, potentially in other sectors. The centres contacted employers to identify their needs and provided information to employees about options of work-to-work transitions across sectors and training opportunities. The RMCs functioned as a spider in the web of regional stakeholders. They disseminated information to both employers and employees and provided financial incentives in the form of training bonuses to facilitate job-to-job transitions. At the time, the government aimed to integrate these temporary centres in the future structure of the public employment service (EMCC, 2021[37]).

Although there were some signs of positive employment effects, the overall effectiveness of the RMCs was questioned because their impact was not evaluated and UWV did not track clients who used the centres' services. In theory, employees of all companies in a region were eligible to use the regional mobility centre. In practise, mainly small and medium-sized enterprises and companies most effected by the global financial crisis (e.g. companies in the construction and transport sector), made use of this service. While the RMCs of the UWV were closed following the economic recovery, the idea of mobility centres was not abandoned. In some regions, regional mobility centres continued functioning, albeit sometimes in a different form. New mobility centres were sometimes set up on an ad-hoc basis in case of specific disruptive events to local labour market (EMCC, 2021[37]).

In 2020, to soften the expected negative employment effect of the COVID-19 crisis, the government announced the introduction of Regional Mobility Teams (RMT) in all 35 regional labour market areas. The RMTs were part of a larger government programme to support labour market integration in the wake of the Covid-19 crisis (Ministry of Social Affairs and Employment, 2022[38]). These new RMTs are a cooperation between municipalities, UWV, educational institutions and employers and employee organisation. The national government provides funding but the teams are established by the stakeholders in the region. During the COVID-19 crisis, the Dutch government issued a large support scheme ("Noodmaatregel Overbrugging Werkgelegenheid", Temporary emergency employment bridging measure) in which employers were compensated for the cost of retaining workers who were not able to work due to social distancing regulations (see chapter 2). Initial expectations were that unemployment would increase when compensation would end. To help mitigate the effect of scaling back the compensation scheme, regional mobility teams were established. The scope of these teams is wider than that of the RMCs. All workers in need of support, including youth, self-employed and people in need of special assistance could receive intensive individual support i) to find a job after unemployment; ii) for job-to-job transitions; or iii) to find suitable education. The aim of the teams is to avoid a transition into unemployment and facilitate job-to-job transitions.

Since the regional mobility teams consist of local stakeholders such as employer organisations, unions and municipalities, and their services are supplementing existing activities, there are substantial differences in the organisation of the RMTs across regions. The largest municipality often has a leading and coordinating role and one of its aldermen is part of the administrative team. This means that the activities are influenced by the willingness of the largest municipality to take action and their relationship with surrounding municipalities. The level of engagement across municipalities within the same labour market region can also vary. In Amsterdam, for instance, the stakeholder composition of the RMT is wider than in other regions because of its strong cooperation with the Employers Service Centre. The Employers Service Centre focusses on the needs of employers and, hence, the Amsterdam RMT aims to cater both the needs of jobseekers and employers. Amsterdam's RMT started as a cooperation between UWV and the municipality and now also includes three labour unions. In the labour market region of Amsterdam, trade unions are strongly involved, but employer associations are less well represented.

An update on the progress of the teams in February 2022 revealed that the teams are operational in all regions but that the use of the teams is lower than expected. The reason for this is the prolonged compensation schemes and the tight labour market. While numbers of participants are not yet available, it is expected that regional mobility teams reach their goal of helping resident change their jobs. Especially self-employed entrepreneurs and jobseekers without the right to benefits profit from the help of the regional mobility teams. These groups are often overlooked by regular service points. The central government is working towards a biweekly monitor with statistics to gain insights on the elements of the regional mobility teams that work best (Ministry of Social Affairs and Employment, 2022[39]).

Regional Mobility Teams may become a permanent feature in Dutch regional labour markets. The current national government emphasises the importance of job-to-job transitions in the coalition agreement. To stimulate job-to-job transitions, several tools for enrolment in schooling and further education are available. While the coalition agreement supports policies for job-to-job transition, the services may be provided in a different way. In an update on labour market policies in October 2022, ministers announced their intention to combine regional labour market cooperation like the RMT, employers service centres and learn-work offices into one regional cooperation. This will create one unit which jobseekers, employees and employers can use in case of need for labour market services (Ministry of Social Affairs and Employment, 2022[40]).

Amsterdam has extended the service of their Regional Mobility Team in a Regional Work Centre that services its labour market region. This Regional Work Centre is a continuation of an existing network and connects all stakeholders in the regional labour market, which includes Schiphol Amsterdam Airport. The centre is available for employers, employees, (self-employed) entrepreneurs, jobseekers and everyone without a job looking for work. The centre works together with the employer service point and aims to match demand and supply for labour by connecting, advising and supporting jobseekers and employers. Whereas the other regional mobility teams have a strong focus on employees and jobseekers, the Amsterdam Regional Work Centre also pays attention to the labour demand side. This link between the demand and supply side of the labour market is vital for faster labour market matching.

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Notes

[1] The "Act on the Structure of the Implementation Body Work and Income" (*Wet structuur uitvoeringsorganisatie werk en inkomen, Wet SUWI*) determines how the *UWV* operates. The "Participation Act" determines how local governments provide support for labour market integration. Both acts were evaluated in the last years drawing lessons on implementation (respectively in 2021 for the Wet SUWI) and 2019 for the Participation Act.

[2] The cities are Groningen, Utrecht, Tilburg, Wageningen, Deventer and Nijmegen.

[3] To be entitled for the compensation, the cumulative deficit for the year and the two preceding years also has to amount to at least 7.5%.

[4] Labour market regions are the result of the Act on the Structure of the Implementation Body Work and Income (*Wet structuur uitvoeringsorganisatie werk en inkomen*, Wet SUWI). This law formalised the existing cooperation in Regional Platforms for Labour market policy (*Regionale Platforms Arbeidsmarktbeleid*; RPA) and requires one centre of contact for employers for each region.

5 Local policies for job creation in Amsterdam

This chapter reviews local policies to increase employment participation in Amsterdam and policies to facilitate mobility on the labour market. Specific focus is given to the integration of groups in vulnerable labour market situations, such as young people neither in employment nor education or training (NEET), refugees and people with a migration background. The chapter puts Amsterdam's labour market integration policies into national and international perspective. The chapter further reviews current skills-based matching initiatives that aim to integrate the unemployed and economically inactive into the labour market. It concludes by discussing adult learning policies that could support Amsterdam in defining a comprehensive and long-term local skills strategy.

In Brief

Amsterdam pushes ahead on best practices in labour market integration, while adult learning participation and employment mobility can benefit from further policy coherence

Integrated service approaches for labour market participation are important for groups and people in a vulnerable situation and with a low labour market attachment. In many cases, it is not sufficient to offer people a job as other barriers are an obstacle to employment. These barriers can be related to physical or mental health or to financial or social challenges. Integrated approaches allow municipal services to understand and address all barriers and circumstances. While an integrated approach is more resource-intense, it can nevertheless be cost effective if it increases the likelihood and durability of future employment. In Amsterdam, such integrated approaches are currently offered to youth and refugees (so-called "status holders"). Social welfare recipients with a low labour market attachment and those in need of active job coaching are supported through specific work experience places run by the municipality. This so-called *AmsterdamWerkt!* ("Amsterdam works") programme aims to help people understand their interests, skills and increases the prospect of future gainful employment.

Amsterdam has a special responsibility to address labour market challenges for newly arrived migrants as well as people with a migration background. Amsterdam's population is one of the most diverse in the Netherlands. In line with its legal responsibility, the municipality offers integrated services to recently arrived migrants. This includes language training, but also a skills-based approach to job-matching. While the ability to attract workers from inside and outside the European Union is a key strength of Amsterdam, a diverse population also brings challenges. Discrimination, including during the hiring process and on the job is frequently experienced by Dutch citizens with a non-Western migration background. Ongoing initiatives to increase the diversity in the municipality administration are promising, especially if combined with encouragement of similar practices by private sector employers.

Amsterdam, at the municipal as well as metropolitan level, has proactively supported initiatives for skills-based matching on the labour market. Amsterdam's *House of Skills* has been instrumental in developing a taxonomy of skills that can be used by jobseekers to self-assess their skills and match with suitable vacancies. Such skills-based matching can overcome barriers to inter-sectoral labour mobility, is more inclusive towards people with low levels of formal education and can be a driver of adult learning. In Amsterdam, focus areas of skills-based matching have been the healthcare sector, construction and logistics.

While skills-based job matching has a number of advantages, it also brings new challenges. For instance, current skills-based recruitment in the health care sector often relies on job carving, i.e. the rearrangement of work tasks within a company to create tailor-made employment opportunities. Job carving can allow for a faster uptake of employment, limiting immediate training needs and allowing workers to work on tasks that correspond to their strengths and interests. However, without additional training offers, it also increases the risk of a lack of opportunities for career progression if workers remain highly specialised on specific tasks. A further key challenge for the upcoming years will be to ensure that local skills initiatives in Amsterdam harmonise their skills taxonomy with other skills initiatives across the Netherlands to further facilitate inter-sectoral and inter-regional job transitions.

Adult learning is supported by numerous national support measures and subsidies, but it needs further policy coherence to achieve results at the regional level. In the Netherlands, participation in adult learning is high but large differences in participation rates between groups persist. For instance, in the Netherlands only around 7% of the working population with less than secondary education report that they participated in continuous education and training over the past four weeks, compared to more than 20% among the medium educated and more than 30% among the highly educated. Structural barriers to adult learning remain in place for those with lower levels of education, those working for SMEs and the self-employed. Increasing adult learning is important for municipalities because it can help make workers more resilient to changing labour markets and facilitate successful mobility within and across firms, making spells of unemployment less likely. While financial incentives to engage in adult learning come from the national government, and national and sectoral organisations, municipalities and labour market regions can support adult learning by integrating it with place-specific economic transitions and increasing coordination with business representatives.

Introduction

This chapter reviews integration services and other forms of support that municipalities provide for the re-integration of people into the labour market. As reviewed in Chapter 4, municipalities are responsible for a diverse set of people that face difficulties to enter the labour market, including recently arrived refugees, welfare recipients with a distance to the labour market, and people with various disabilities that require social or physical support. While some overlap in the challenges and the strategies to address them exist, the diversity often demands flexibility by municipality case workers to acknowledge individual needs.

The first section provides a general overview of frequency of re-integration services to welfare recipients, with specific examples of programmes that exist for people with a larger distance to the labour market and youth that are not in employment, education or training (NEETs). The next section reviews the issue of integrating migrants and people with a migration background into the labour market. A further section reviews skills-based job matching initiatives. The final section reviews the topic of life-long learning and the role for Dutch municipalities in this policy area.

Supporting people to integrate in Amsterdam's labour market

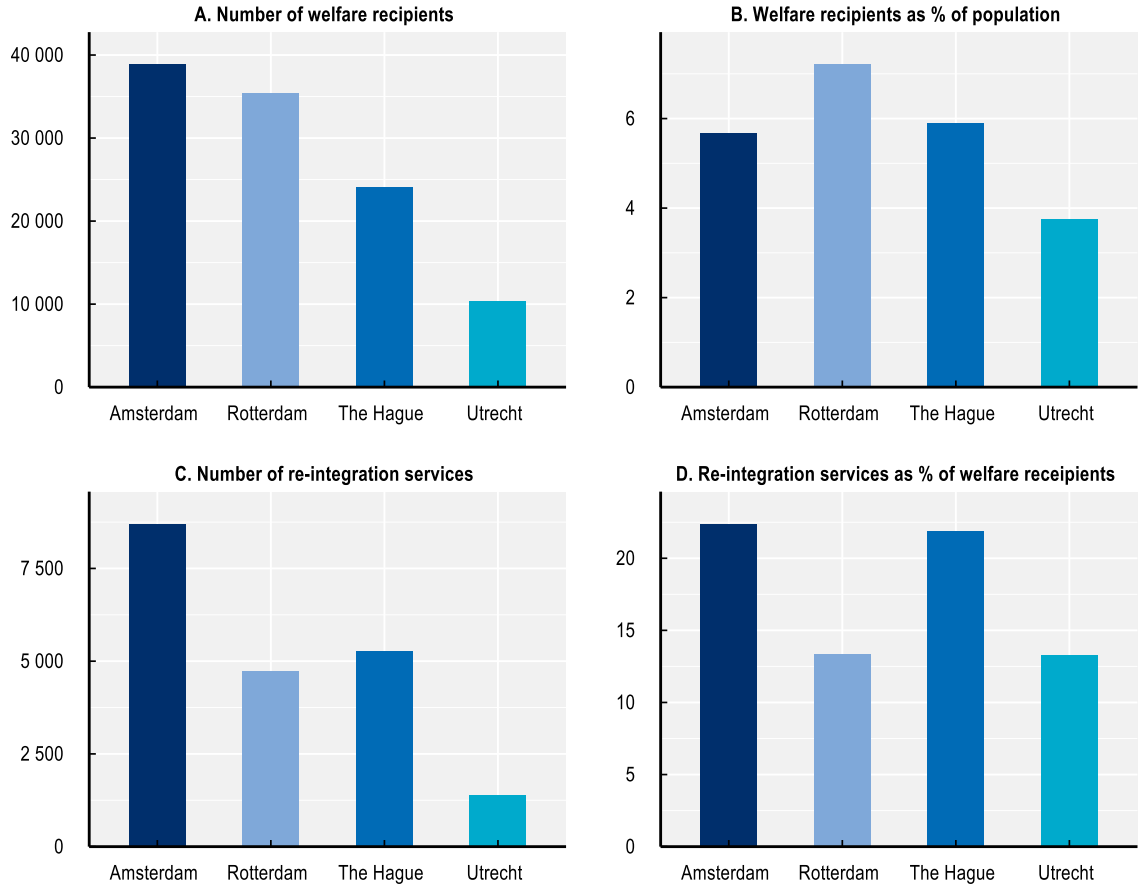
In the Netherlands, municipalities are responsible to provide means-tested benefits and provide support for the long-term unemployed, economically inactive and workers who can only work in sheltered jobs or through subsidised wages. In addition, asylum seekers who have been granted a status to remain in the Netherlands are the responsibility of municipalities. Following the allocation of asylum seekers across municipalities, municipalities are responsible for their integration in the labour market and society more broadly. Municipalities are given extensive autonomy on how to provide labour market integration support. This policy autonomy allows municipalities to vary their offer based on the differences in the (economic) characteristics of places and the people who require support. This provides an incentive for municipalities to apply efficient and effective policies that lead to labour market participation (see chapter 4).

The number of welfare recipients and re-integration services vary across the Netherlands' four largest cities

Each city has a different population of welfare recipients that are potentially eligible to receive employment activation services from their municipality. The largest absolute numbers of welfare recipients live in Amsterdam and Rotterdam, numbering over 35 000 in each. The Hague and Utrecht have much fewer cases (Figure 5.1, Panel A). While this difference is partly explained by differences in population size, it also reflects differences across cities with respect to the proportion of the population receiving welfare benefits (Figure 5.1, Panel B). Rotterdam has the highest relative share with over 7.2% of its population receiving welfare benefits, followed by The Hague with 5.9% and Amsterdam with 5.6%, and Utrecht at 3.7%. These differences can reflect various local economic characteristics, such as the sectoral composition (see Chapter 2), or differences in the characteristics of residents, such as the share of people with little formal education or a migration background.

Figure 5.1. Welfare recipiency rates and participation in re-integration measures vary across the Netherlands' four largest cities

Data for January 2020



Note: "Welfare recipients" is the total number of people who are registered at the respective municipality to receive income support, excluding those above pension age. "Re-integration services" is the total count of active re-integration and participation services as reported by municipalities for January 2020, excluding the three services that show implausible large differences across municipalities, notably "Coaching towards work or participation", "Other social activation", and "voluntary work". A resident may receive multiple services from their municipality.
Source: OECD calculations based on CBS tables 84510NED (Re-integratie-/participatievoorzieningen), 80794NED (Personen met een uitkering; regio) and 85230NED (Arbeidsdeelname; regionale indeling 2021).

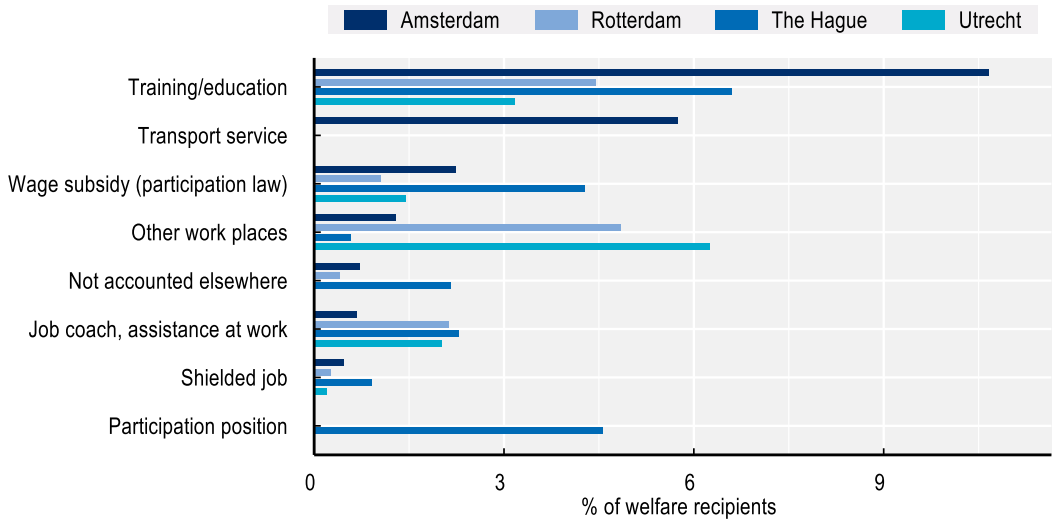
The four cities appear to reach different shares of their residents on welfare with active support, but available data is unlikely to be sufficiently well harmonised. The total number of re-integration services also varies across the cities but can be set against the number of welfare recipients to obtain an indicator for the number of labour market re-integration and participation services that are provided by the municipality for each person receiving welfare.[1] In Amsterdam and The Hague this amounts to around 22% of all social welfare recipients, while in Rotterdam and Utrecht it is around 13%. Since a resident may receive multiple services, the share of welfare recipients that are actively supported through re-integration services by the municipalities is potentially smaller.

Municipalities also differ in the type of services they provide most frequently. Figure 5.2 splits up various re-integration services by type across the four cities. Amsterdam is relatively more active in offering training and education as part of its service provision. The category of transport services includes financial aid for public transport (e.g. public transport cards, or transport arrangements for people with a disability), which can be useful for residents needing to become more mobile within the city to find places of work. Other services, such as wage subsidies, job coaching and assistance at work are relatively more frequently used in the other cities. “Other work places” includes trial job placements. Trial job placements may be on a part-time basis such that it can be combined with additional schooling. Some welfare payments can be maintained during the training period until full-time employment is achieved. Available data shows that Rotterdam and Utrecht use such instruments relatively more frequently than Amsterdam.

More structural evaluation of provided re-integration services can help municipalities to learn which services are most effective for them, or how effectiveness can vary across places. A recent evaluation tested adjustments to services and obligations for welfare recipients in a randomised controlled setting across six municipalities, including Utrecht (de Boer et al., 2020[1]; Verlaat and Zulkarnain, 2022[2]) (see also chapter 4). The experiment looked at whether releasing recipients from obligations on the one hand or providing more intensive support on the other hand, affected the transition towards labour market participation. While results were largely inconclusive due to sample size and experimental design, the practice of structural experimentation and evaluation is a necessary part of policy making (OECD, 2004[3]; OECD, 2020[4]). Case study analysis also allows for insights on what makes various new initiatives successful and which conditions need to be satisfied (Andriessen et al., 2019[5]). In addition, new initiatives to increase labour market participation can have unexpected benefits, even if not resulting in immediate employment outcomes for all. Inviting participants to new initiatives can re-establish the relation between the municipality and the welfare recipient. It can also be a first step towards using required services that are effective. In the Netherlands, municipalities have the autonomy and responsibility to use the most effective re-integration services that suit the needs of their residents. Local factors potentially play a role, such that a specific service may work well in one city but not in another.

Figure 5.2. The Netherlands' four largest cities use different instruments for re-integration

Active services as percentage of welfare recipients, January 2020



Note: All numbers relative to welfare recipients excluding those beyond pension age. Some instruments with very small numbers are excluded. "Coaching towards work or participation", "Other social activation", and "Voluntary work" are excluded because of implausibly large differences across municipalities. Counts are for active services in January 2020. Welfare recipients may use multiple instruments at any time, but this is not accounted for in this data.
Source: OECD calculations based on CBS tables 84510NED (Re-integratie-/participatievoorzieningen) and 80794NED (Personen met een uitkering; regio).

Local organisation and implementation of reintegration services in Amsterdam

In Amsterdam, the municipality organises its support for income and employment in one department. The department of work, participation and income (*Werk, Participatie and Inkomen*, WPI) covers all areas of re-integration in the labour market, income support and social assistance. Specific divisions concentrate on sub-groups that have distinct needs, such as youth or refugees. Dedicated case workers aim to regularly engage with other welfare recipients and probe them towards their interest and ability to participate in the labour market.

Case workers can offer a wide variety of services to people and help them to obtain employment. A newly created catalogue indicates more than 100 different instruments, programmes, courses and workshops that span across areas such as education and (language) training, work, participation, financial and entrepreneurship. Work programmes range from workshops on how to prepare for job interviews to trial placement and internships. Instruments are typically targeted to address one specific issue and eligibility requirements provide some assurance that the intended outcomes can be achieved. The catalogue is both an aid for case workers searching for the right instrument for their clients as well as clients themselves. However, enrolment in specific programmes or initiatives always needs to be in agreement with the case manager.

"Other workplaces" are instruments for municipal residents who require a specific training environment and more comprehensive tools to guide them into work. Such learning facilities can help residents understand their interests in specific occupations and skills. While provided by a municipality, "other workplaces" can be intended as an intermediate step until a suitable and durable job with a private employer is found. Moreover, "other workplaces" can help people gain experience with regular working hours, expand their social network and reconnect with the interest in working.

In Amsterdam, work experience places for people with a low attachment to the labour market are created under the *AmsterdamWerkt!* ("Amsterdam works") programme. *AmsterdamWerkt!* is a programme funded by the municipality that offers services to citizens who are not able to find work, such as jobseekers with a mental or physical disability or those who have social problems that prevent them from working. *AmsterdamWerkt!* is a continuous learning programme that offers participants training, education, and certification. The target group are benefit recipients who are unable to earn one hundred percent of the minimum wage and who need support to find and retain suitable work. Young people with a criminal record, early school leavers and new Dutch citizens belong to the target group. Participants are closely supervised by a personal job coach and go through several stages. After an orientation phase, an in-house work experience programme is offered in which participants can gain experience and get basic qualifications. The next step is an external internship at one of the (public or private) partners of the municipality. The job coach monitors the progress of participants and helps them prepare for a regular job or a suitable education trajectory after the external internship.

Social work instruments, such as wage subsidies, are used to incentivise the employment of individuals with low productivity. Employers are incentivised to hire employees with a disability through several schemes. Workers who provide less value to a firm than can be supported by the minimum wage, can be hired through a wage subsidy scheme. The wage value of the individual is regularly evaluated by an independent party. The employer pays the wage value, while UWV covers the remaining share up to the minimum wage that the individual receives. Moreover, there is a no-risk policy for employers in which UWV covers the wages of a worker with a disability in case of illness or incapacity to work. Furthermore, employers may qualify for tax benefits by hiring workers in a vulnerable situation and have the possibility to receive compensation for adjustments to the workplace that might be needed. Lastly, there is the possibility of trial placement. If it benefits the employee, a trial period of up to two months can be arranged after which a contract of at least six months follows (Government of the Netherlands, 2022[6]).

Young people who are unemployed or economically inactive also constitute a target group for the municipality. The national government actively aims to decrease the number of early school leavers by funding programs at schools and municipalities that aim to ensure that young people finish their education with at least a qualification that allows them to enter the labour market for durable jobs (Government of the Netherlands, 2022[7]). Rates of youth who are not in employment, education or training (NEET) are low in the provinces of Noord Holland, Zuid Holland and Utrecht relative to other European regions (see chapter 2). However, some regions experienced a noticeable rise in NEET rates during the COVID-19 pandemic. For instance, in the province Noord Holland, the province in which Amsterdam is located, NEET rates increased from 3.9% to 5.6% between 2019 and 2021. Similarly, in Zuid Holland, in which The Hague and Rotterdam are located, NEET rates increased from 4.7% to 6.1% between 2019 and 2021. In Utrecht, the NEET rate rose from 3.4% to 4.5% over the same period.

In Amsterdam, youth who require assistance in labour market integration have access to a more integrated set of services relative to other residents. Youth helpdesks encourage young people, aged between 16 and 27, to find work or continue their education. The inclusion of under-18s in the programme allows to also work actively with schools and counter early-school leavers for those young people that can be expected to continue their formal education. Neighbourhood contact points, so-called "Youth points", aid in establishing a connection to job coaches and identify cases early. Case workers can provide support and assistance to tackle a range of issues that can prevent young workers integrate durably into the labour market, including financial, health and psychological issues.

An enhanced integrated service provision for youth is trialled in various places and results are often encouraging. Box 5.1 provides policy examples from Estonia, France, Belgium and Finland. The reason that integrated approaches tend to be more effective is that early school leavers, or people that disengage from labour market integration services, often face various obstacles. These often relate to their domestic or financial situation or to health-related issues. Integrated service provision aims to address all issues that have led to economic inactivity. Assistance to youth also tends to be more persistent, such that

the person is supported over an extended period. Attention is given to achieve a durable transition to working life rather than immediate employment (Newton et al., 2020[8]).

Box 5.1. Integrated services for inactive youth across the OECD

Integrated approaches to support youth who are not in employment, education or training (NEET) are trialled in various countries.

For example, in Estonia, the Youth Guarantee Support System implemented in 2018 is a tool for the municipalities to reach out to young people not in education, employment or training and support them to continue their education, integrate them into the labour market and contact public employment services (PES) or other institutions. Young workers can draw on resources from local municipalities, schools, the Estonian PES agency and other partners that work with young people in order to find the best solution for each person (Kõiv, 2018[9]).

France's *1 jeune 1* solution initiative addresses COVID-19-related challenges in the labour market and targets youth living in disadvantaged neighbourhoods. *Jeune 1* is a comprehensive package of ALMPs to address individual obstacles, involving recruitment support, apprenticeships, employment incentives and training. In 2020, the PES of Belgium (Brussels) introduced its employment support programme for young NEETs in partnership with private providers. The programme involves outreach activities, addressing individual employment obstacles, personalised guidance and follow-up support after a successful labour market integration (European Commission, 2021[10]).

Finland rolled out one-stop-shops for young people involving a wide range of professionals in 2018 (Savolainen, 2018[11]). The key staff are youth and employment counsellors from PES and social workers from municipalities. Staff also includes psychologists, nurses, outreach workers and education counsellors. In 2021, the Finnish Government invested further into these youth centres, particularly aiming at boosting mental health services for the young and providing short-term psychotherapy (Ministry of Economic Affairs and Employment of Finland, 2020[12]).

Source: European Commission (2021[10]), "Flexible and creative partnerships for effective outreach strategies and targeted support to young NEETs", https://ec.europa.eu/social/BlobServlet?docId=24058, OECD (2021[13]) "Building inclusive labour markets: Active labour market policies for the most vulnerable groups", OECD Policy Responses to Coronavirus (COVID-19), https://doi.org/10.1787/607662d9-en. Kõiv (2018[9]) "Profile of effective NEET-youth support service", Ministry of Economic Affairs and Employment of Finland (2020[12]) "Government spending limit discussion and supplementary budget support the processing of applications and multi-professional services".

Social economy initiatives such as Amsterdam's *TechGrounds* initiative further target disadvantaged people and neighbourhoods specifically. Amsterdam's *TechGrounds* is an initiative that targets disadvantaged neighbourhoods by offering digital skills training through self and peer-learning in designated training centre (OECD, 2021[14]). *TechGrounds'* main strength is a mentoring scheme that involves professionals from the tech industry. During modular courses, participants are matched with tech entrepreneurs who serve as project partners, increasing the chances of obtaining employment after completion. Training centres also offer co-working spaces, organise tech events and house start-up incubators.

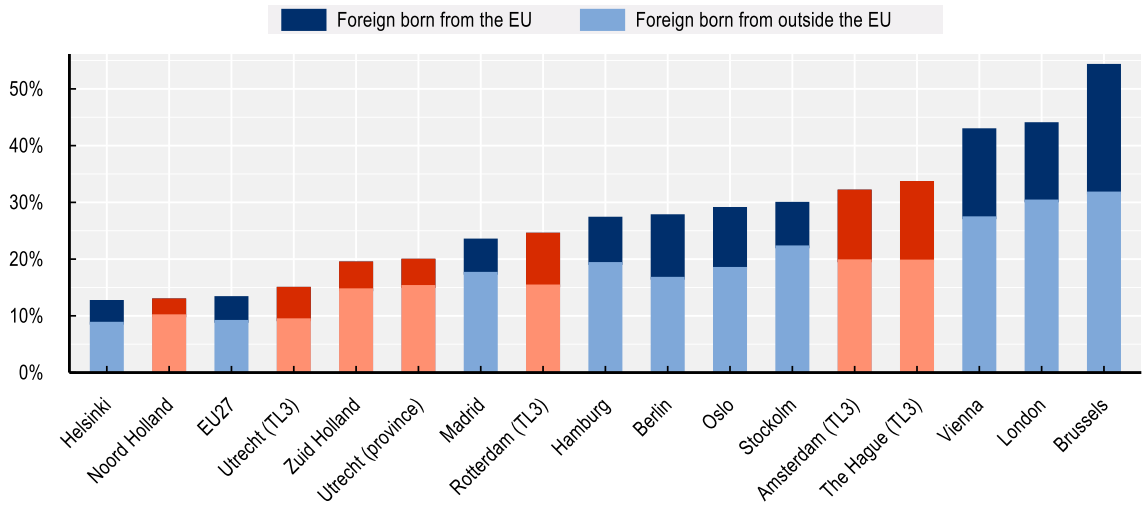
Initiatives related to the development of a skills-based labour markets and strategies to counter shortages in sectors that need to support long-term transitions of regional economies often aim to draw young NEETs into the labour market. Various initiatives aim to break the barrier that the completion of formal degrees can represent for entering the labour market. Easy entrance into occupations that fit the interest of people who are not well integrated in the labour market can be helpful in their activation.

Migrants in Amsterdam's labour market

The Netherlands has a diverse society that attracts labour migrants from around the world, while granting settlement status to asylum seekers from various international conflict zones. Many new arrivals are residents of the big four cities. In the municipality of Amsterdam, about half of residents have a migration background, which includes people born abroad, or with at least one parent who is born abroad (OECD, 2018[15]). The foreign-born population ranges from 12% to 20% in the provinces of Noord-Holland, Zuid-Holland and Utrecht, and from 15% to 33% in the TL3 regions of the G4 cities (Figure 5.3). In other European cities, such as in the TL2 regions of Stockholm, Vienna, London and Brussels, more than 20% of the population was born outside the EU.

Figure 5.3. The foreign-born population in some European regions exceeds that in Dutch cities

Share of population aged 15-64/65 by origin, in % of total population aged 15-64/65, 2019



Note: Selected European cities refers to their respective NUTS2/TL2 regions, and EU27 is an unweighted average of all European Union regions for which data is available, population aged 15-64 years old. Dutch TL3 regions refer to population aged 15-65 years old.
Source: OECD Regions and Cities statistics, Database on Migrants in OECD Regions, OECD calculations based on CBS table 70648NED (Bevolking; geboorteland en regio).

In the Netherlands, a migration background of the first or second generation, rather than being born in a foreign country, is most commonly used as a demographic characteristic for the analysis of migrant integration. Moreover, rather than the distinction between EU and non-EU, a broader, Western and non-Western grouping is typically used, reflecting historical legacies. Box 5.2 provides further background on who is counted as a person with a migration background and how the differentiation is made between people with a Western and non-Western migration background.

Policies to integrate people with a migration background need to be targeted to specific needs of individuals. Recent new-arrivals, migrants who have spent a long period in the Netherlands and Dutch-born second-generation migrants share some of the same barriers to entering the labour market. These include discrimination by employers based on group-level characteristics and difficulties pertaining to the navigation of the destination countries' culture while maintaining a connection to their own or their parents' country of origin. However, specific groups such as refugees face additional distinct challenges on the labour market. These relate to linguistic and institutional barriers. Refugees also often require support related to housing and health. The remainder of this section therefore first discusses people with a

migration background as a target group for municipalities more generally and then turns to refugees as a group with distinct needs.

Box 5.2. Terminology on persons with a migration background

The term "person with a migration background" encompasses a wide range of different people who may face different challenges and require different public and employment services. Generally, it captures anyone who is born outside the Netherlands, or who has at least one foreign-born parent. The term includes other EU nationals, migrants from other high-income countries such as non-EU OECD countries and foreign students in the higher education sector who decide to stay in the country. In the Netherlands, a substantial proportion of the migrant population are from Türkiye and Morocco who migrated in the reconstruction and development period following World War II. Other major groups of migrants originate from the Caribbean Islands, Suriname and Indonesia.

National statistics sometimes differentiate between people with a non-Western and we Western migration background. A non-Western migration background includes people with a background from countries in Asia (excluding Japan and Indonesia), Africa or Latin Amerika, as well as Türkiye. People with a Western migration background are those who are born or have at least one parent who is born in Europe (outside the Netherlands), North America, Oceania, Japan or Indonesia. In the future, the National Statistics Office, CBS, will change these categories to people with a European and non-European migration background. Statistics on migrants with a non-European migration background will then be disaggregated further into the largest countries of origin (Morocco, Türkiye, Caribbean Islands, Suriname and Indonesia).

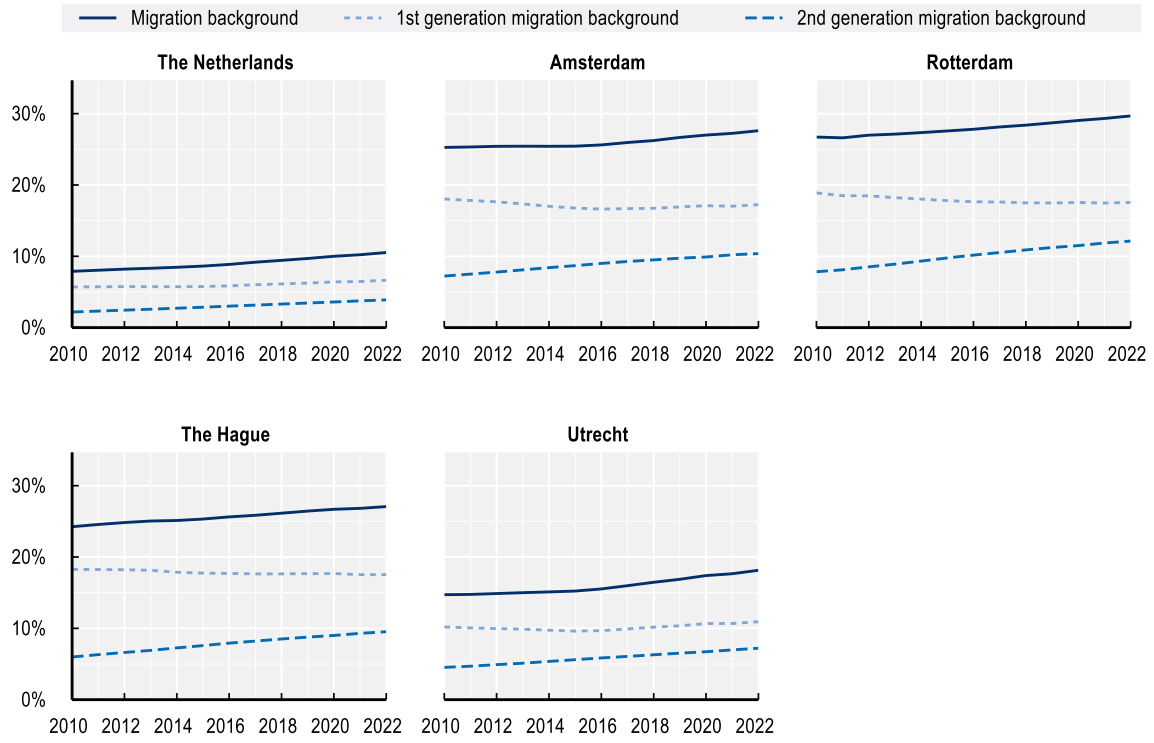
Source: OECD (2018[15]), Working Together for Local Integration of Migrants and Refugees in Amsterdam, https://doi.org/10.1787/9789264299726-en. CBS, (2022) "Nieuwe indeling bevolking naar herkomst", Statistische Trends, 16 February 2022, https://www.cbs.nl/nl-nl/longread/statistische-trends/2022/nieuwe-indeling-bevolking-naar-herkomst

Reducing unemployment and economic inactivity among people with a migration background

The big four cities host a large share of people with a migration background which gives the cities a specific responsibility to address challenges to their labour market integration. In Amsterdam, Rotterdam and The Hague, people in the working-age population with a non-Western first- or second-generation migration background constitute close to 30% of the population in 2022 (Figure 5.4). In Utrecht, the share is approaching 20%. This compares to around 10% in the Netherlands as a whole. The share of people with a migration background has been growing since 2010, especially due to a growing share of people with a second-generation migration background. This increases the responsibility of city governments to address challenges to the labour market integration experiences by some migrants.

Figure 5.4. Up to 30% of residents in the big four cities have a non-Western migration background

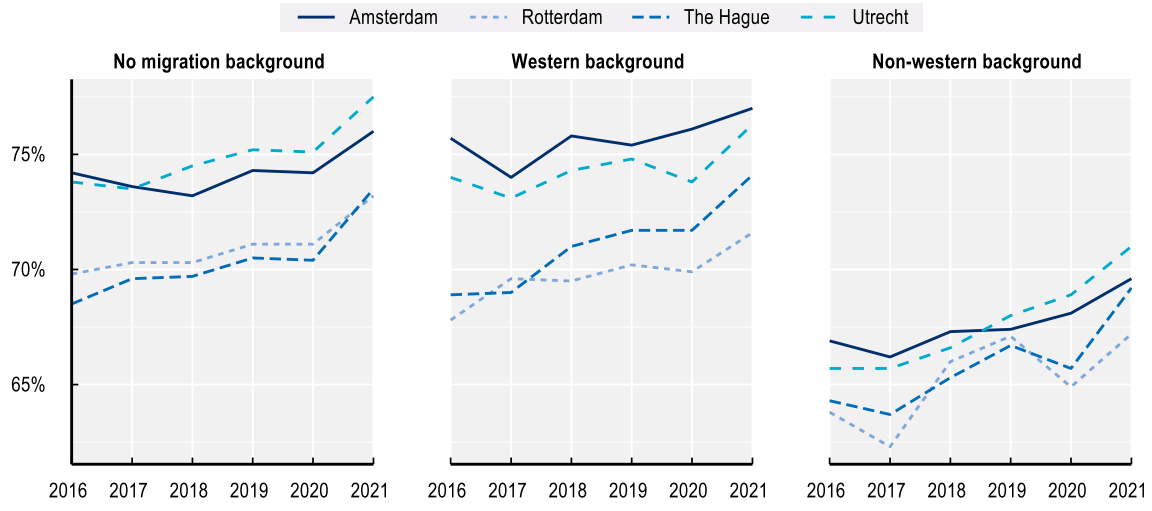
Percentage of working-age residents with a non-Western migration background



Notes: Percentages based working age population (15 to 65 years). Non-Western as defined by CBS (see Box 5.2).
Source: OECD calculations based on CBS table 84910NED (Bevolking; migratieachtergrond en regio).

Figure 5.5. People with a non-Western migration background lag in their labour market participation rates across the Netherlands four largest cities

Labour force participation rate



Note: Non-western as defined by CBS (see Box 5.2). CBS indicates that 2021 is a break in the series due to a change in survey methodology.
Source: CBS table 85230NED (Arbeidsdeelname; regionale indeling 2021).

On average, people with a migration background have obtained lower levels of education, are less likely to be employed and earn less than people that have no migration background. People with a (non-Western) migration background are twice as likely to be unemployed relative to people without a migration background. As documented in more detail in chapter 2, the unemployment rate in 2021 was around 8% for people with a non-Western migration background, compared to around 4% among people without a migration background. There are also group-level differences in economic activity. Among migrants with a non-Western migration background, the labour force participation in Amsterdam stood at 68.4% in 2021, compared to 76.5% among those without a migration background (Figure 5.5). While these participation rates have been increasing since 2016, in line with the improvement seen in the participation rates overall, the structural gap between people with and without a migration background remains.

Among newly arrived migrants, linguistic and institutional differences between the country of origin and the destination country pose barriers to employment. There are three main reasons why the pattern of a relatively worse labour market position of migrants compared to native-born is observed across the OECD: The lack of language skills, difficulties pertaining to the transferability of education across borders and the lack of host-country citizenship. Box 5.3 explains these in more detail.

Among the population of people with a migration background, discrimination may pose an additional barrier to employment. A study by the Netherlands Institute for Social Research (SCP) estimates that about half of the employment gap of people with a non-Western migration background cannot be attributed to observable characteristics, such as work experience, schooling, and age (Andriessen et al., 2020[16]). The unexplained difference in the employment rate, around four percentage points, may therefore be related to a form of discrimination. Survey responses from Amsterdam in 2020 and 2021 confirm that people with a Moroccan, Turkish or Suriname migration background are among the most discriminated people during the hiring procedure and at the workplace (OIS, 2021[17]). Over 50% of individuals from these groups who were rejected in a job application believe or suspect that discrimination was the reason for rejection. Overall, experience of discrimination did not change between 2019 and 2021, but the share of individuals who felt discriminated against during hiring procedures based on migration background or ethnicity increased from 37% to 47%. Additionally, one in five respondents with a Turkish migration background and one in four with a Moroccan migration background experience forms of discrimination at the workplace. Among these, four out of ten people survey respondents state to be subjected to offensive jokes, with lower pay for the same job and bullying also among the most commonly expressed discrimination experiences. People who work on temporary contracts through private employment agencies tend to experience discrimination more often than those on other types of contracts.

Feelings of discrimination are more commonly reported in the G4 cities relative to smaller cities and the national average. Figure 5.6 further shows that the incidence of self-reported discrimination is significantly higher in Amsterdam, Rotterdam and The Hague than in the rest of the Netherlands. To a large extent, these differences in self-reported discrimination can be explained by the distinctly more diverse populations in larger Dutch cities which host a relatively large share of people with a migration background. People with a migration background and those of non-white ethnicity are among those who experience discrimination most frequently in the Dutch society (Andriessen et al., 2020[16]). Discrimination based on migration background most often occurs during hiring procedures or on the job (Andriessen, 2017[18]).

Box 5.3. Why are employment rates among newly arriving migrants often lower than that of native born?

Three main reasons exist why migrants often show a lower labour market attachment, measured by labour force participation and employment rates. For each of these reasons, policy measures exist that can help the integration of migrants into the labour market.

The first reason is the limited transferability of formal education across borders. Foreign education and even the training for specific occupations may differ from country to country, partly due to country-specific job-skills requirements and partly due to the differences in the quality of those teaching job-related skills. Ludolph (2021[19]) shows that absent any support to get foreign degrees acknowledged, income differences between origin-country and destination-country degree holders can persist more than two decades after arrival, even for immigrants with the same level of education. A closely intertwined issue is the signalling value of foreign degrees: Employers are typically less familiar with education attained abroad and may therefore put a discount on foreign degrees when making hiring decisions, leading to discrimination. Policy efforts to acknowledge foreign degrees formally and offer retraining measures if degrees are below the national standard for the respective occupation can help migrants' chances on the domestic labour market.

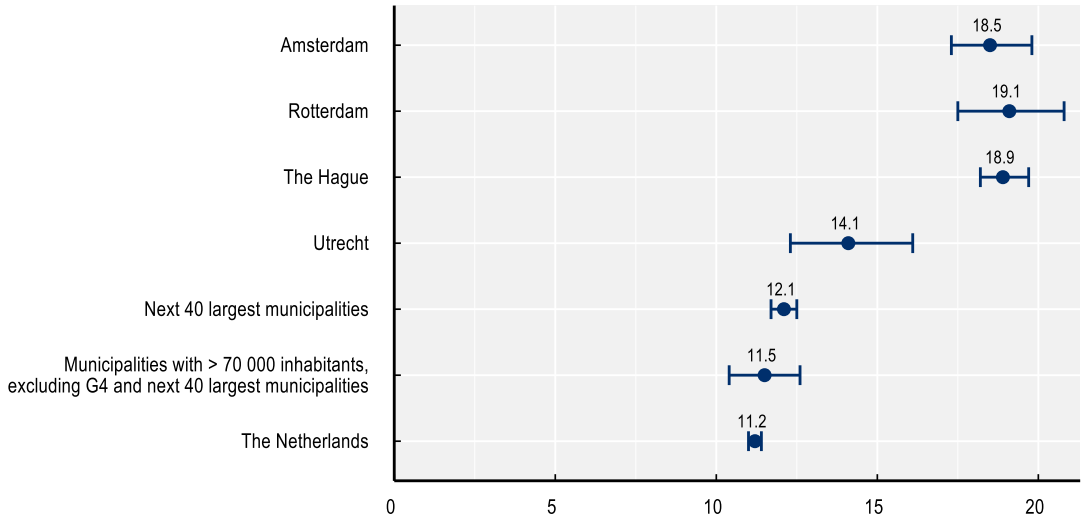
The second reason is the lack of language skills. A range of academic studies have shown that knowledge of the destination country's official language is causally linked to higher labour force participation, employment and wages among immigrants. Offering language courses that allow migrants to take up jobs that require interactions in the destination country's official language can therefore greatly benefit their labour market attachment. Latest evidence from a randomized evaluation in the United States shows that the increase in tax revenue due to higher earnings covers language training programme costs over time and generates a 6% annual return on the public investment (Heller and Slungaard Mumma, 2022[20]).

The third reason is the lack of citizenship. Not holding the nationality of the country a person resides in may have negative effects on their labour market attachment through a number of channels. Employment options in the public sector may be limited to citizens of the country, the weaker signalling values of foreign nationality may affect hiring decisions, discrimination among employers and – among some groups of migrants – certainty regarding the duration of stay may all play a role. Easing naturalization processes may therefore benefit the employment of migrants. Quasi-experimental evidence from France shows that naturalization has a positive effect on income and hours worked among immigrants (Govind, 2021[21]).

Sources: Govind (2021[21]), *Is naturalization a passport for better labor market integration? Evidence from a quasi-experimental setting*; Heller and Slungaard Mumma (2022[20]), *Immigrant Integration in the United States: The Role of Adult English Language Training*; Ludolph (2021[19]), *The Value of Formal Host-Country Education for the Labour Market Position of Refugees: Evidence from Austria.*

Figure 5.6. Addressing discrimination in society is a relatively pressing policy issue in the G4

Survey respondents who experience feelings of discrimination, % with 95% confidence intervals, 2021



Note: National online survey on approximately 55 000 respondents aged 15 years and older. "Next 40 large municipalities" refers to the average of the 40 largest municipalities by population after the Amsterdam, Rotterdam, The Hague and Utrecht.
Source: CBS table 85146NED (Sociale veiligheid; regio).

Preliminary evidence of ongoing pilot programmes indicates that young people with a migration background can be motivated and supported towards educational tracks and studies that provide better employment outcomes, while employers can effectively professionalise their hiring procedures to yield a more inclusive workforce. A set of pilot policies was initiated by the Ministry of Social Affairs and Employment to address aspects where people with a migration background experience worse employment outcomes than comparable groups (Ministry of Social Affairs and Employment, 2021[22]; Walz et al., 2021[23]). Pilots targeting youth who are still in education focused on motivating and supporting them in choosing educational tracks with better job prospects. Other pilots focused on employers with the aim to increase the professionalisation of hiring practices, increasing awareness of subconscious biases and appreciating the value of a more inclusive workforce.

The municipality of Amsterdam aims to counter labour market discrimination through running a more inclusive hiring strategy for its own organisation. For instance, one of the stated goals is to get a higher share of individuals with a non-Western migration background into higher management functions (Municipality of Amsterdam, 2020[24]). In addition, the municipality of Amsterdam intends to approach its own suppliers (such as caterers and providers of office supplies) and other SMEs in the city to consider hiring more inclusively.[2] To lay out a more comprehensive strategy that tackles discrimination in the labour market, Amsterdam could consider looking into initiatives from other OECD cities as described in Box 5.4.

People with a migration background generally rely on the same municipal services that all residents have access to. One advantage of not distinguishing between migrants and non-migrants is that municipality case and social workers can use their experience and discretion to assess if cultural factors play a role in participation in the labour market. As discussed in the next section, a separate division in the department of work and income exists to manage labour market integration instruments targeted at refugees.

Box 5.4. Taking action against the discrimination of migrants on the labour market

Taking local action against discrimination can generally be done in four ways:

First, by active engagement with employers to tackle discrimination. Municipalities can run campaigns where they approach employers, challenge existing attitudes, and provide active support to drawing up diversity plans. For example, the commune of Saint-Dennis in the northern suburbs of Paris has started providing recruitment services and diversity training to local employers. In the Brussels Capital Region (Belgium), the public employment service offers similar services to hiring employers.

Second, local governments can cooperate with national governments to strengthen anti-discrimination legislation in hiring and ensuring its enforcement by identifying acts of discrimination. For example, to complement existing discrimination legislation, the city of Graz in Austria established a local anti-discrimination office that provides counselling on all issues related to discrimination and makes cases of bad hiring practice publicly known.

Third, by running public relations and social media campaigns that help dispel existing stereotypes and populist reporting on migrants. For example, the city of Erlangen in Germany designed a public relations and media strategy that aims to disseminate factual information about migrant groups in the city.

Finally, public sector employers can set an example by ensuring staff ethnic diversity and making their own diversity plans public for transparency and visibility. For example, the city of Berlin passed a binding regional law that forces it to diversify its public administration. Progress towards this goal is tracked by a range of statistical indicators.

Source: Froy and Pyne (2011[25]), "Ensuring Labour Market Success for Ethnic Minority and Immigrant Youth", *OECD Local Economic and Employment Development (LEED) Papers*, https://dx.doi.org/10.1787/5kg8g2l0547b-en; Moreno-Dodson et al. (2019[26]), Local inclusion of migrants and refugees.

Labour market integration policies targeting refugees

The Dutch central government is responsible for assessing asylum claims and allocating those that are allowed to stay across the Netherlands. If asylum claims are granted, individuals become "status holders", meaning that they have the right to remain in the Netherlands and participate in the labour market as refugees with a temporary asylum residence permit. At that stage, municipalities become responsible to deliver income support and labour market integration services.

Amsterdam has a dedicated division in the department of work and income to address the needs of status holders. This department assesses the work capabilities, schooling credentials and personal circumstances. Based on an initial review, new arrivals are supported with their integration in the labour market. Municipality support to refugees includes housing, guaranteeing a subsistence income, language training and assistance in job seeking (OECD, 2018[15]). This integrated and relatively intense support is named the "Amsterdam approach".

There were 7 299 status holders in Amsterdam on 1 January 2020, of which 6 256 arrived since 2015. Most refugees in Amsterdam fled the Syrian civil war (OIS, 2020[27]). 37% of status holders work, although this includes part-time employment. There is a strong gender difference with 45% of male and 19% of female status holders in employment. 62% of status holder are dependent on municipality welfare.

Recent arrivals generally show a great willingness to work, but language training and formal schooling may be required to achieve better labour market outcomes. Naturally, the willingness to

work is a good foundation for labour market and social integration. In some cases, case workers suspect that the desire to work is related to debt incurred during the migratory journey, or the need to transfer money to family members elsewhere. Nevertheless, work can be an effective way to societal integration, and Dutch may be learned simultaneously. Amsterdam encourages younger arrivals, those aged below 30 years, to consider additional schooling.

Female refugees often require further support and encouragement to participate in the labour market. National-cultural backgrounds and caregiver duties may pose barriers to female refugees' integration into the labour market. Case managers reported in interviews with the OECD that female refugees can sometimes be encouraged by the idea that they can reach financial independence.

Amsterdam has experimented with more intensive support for status holders. More intensive support is provided through dedicated case workers with fewer clients, such that more time can be dedicated to each person, allowing for better understanding of needs and circumstances.[3] Job hunters start from the individual capabilities, rather than from the available vacancies. In general, the city finds that more intensive support is effective and cost-efficient because the additional resources required for the support decrease the dependency on welfare and healthcare costs. In one assessment, the benefit-to-cost ratio of more intensive services calculated to be 2.7 (LPBL, 2020[28]). Thus, each EUR 1 spend on additional support reduces other municipal cost by EUR 2.70. However, given the variety of backgrounds and needs of the population of status holders, such interventions may yield different results for different groups. For instance, in a randomised trial on providing support to Somali status-holders, who have some of the lowest paid-employment rates, the benefit-to-cost ratio was close to 1 (LPBL, 2021[29]). In this case, the status-holders who received additional support may have benefitted from the intervention, but the municipality had no financial benefit (or loss) from providing the additional assistance in terms of reduced welfare expenditures.[4]

The number of new arrivals from Ukraine rose rapidly in 2022 following Russia's large-scale aggression against Ukraine. Ukrainian citizens were granted automatic settlement status upon registration with Dutch authorities. Municipalities, including in Amsterdam, prepared in anticipation of their arrival. Migrants from Ukraine have different characteristics than refugees who arrived from Syria, Afghanistan, Iraq and Somalia. Ukrainian migrants were mostly women, children and elderly. Integration efforts can consider their specific characteristics. For instance, the potential for labour market integration may be limited for women with childcare responsibilities. Some may have family or other social networks who were already in the country. Initially, the broader society expressed solidarity with Ukrainian refugees, for instance through offering places in private houses. While the war is continuing, refugee flows have decreased after the first few months of the war and some return migration is already observed. By July 2022, over 24 000 Ukraine refugees were working in the Netherlands.[5]

Special activation policies stimulate refugees to integrate and to find a job. Newcomers who meet certain criteria are expected to learn Dutch to a level that will enable them to build a life in the Netherlands and participate in society. Several pathways are laid out to support them in language learning and finding a job. Some municipalities have developed special programmes to integrate newcomers faster. The city of Utrecht for example, launched "Plan Einstein". This programme is open to asylum seekers, refugees but also to other residents of Utrecht (Box 5.5).

Box 5.5. Refugee and asylum seeker reception: Plan Einstein

Integration and skills development of asylum seekers in the Netherlands is often slow because the procedure that determines if an asylum seeker is granted a status to remain in the country often takes several months and sometimes more than a year.

After the influx of many asylum seekers and refugees in 2015 and 2016, the city of Utrecht initiated a programme to improve reception and accelerate integration. The municipal government created a partnership with NGOs, social enterprises and educational institutions. The project housed asylum seekers and refugees in the same living facilities as local young people. Co-housing and co-learning where central to the project. Both asylum seekers and residents were invited to take part in the program.

Through co-housing and co-learning, "Plan Einstein" aimed to develop the social networks of asylum seekers with local residents, while also providing both groups to develop their skills, enhance wellbeing and improve social cohesion in the neighbourhood. Besides social activities and workshops, courses in English and entrepreneurship were offered to improve participants' labour market chances, regardless of the country they would ultimately live in. The project aimed to engage with concerns from the receiving communities and activate asylum seekers from the moment of arrival. The project also addressed boredom, anxiety and worsening mental health during the waiting period of the administrative asylum procedure.

An evaluation found that Plan Einstein brought a solution to several challenges in asylum seeker reception. About half of the 558 refugees and asylum seekers who lived in asylum seekers centre between November 2016 and October 2018 took part in the project. About half of the participants took additional English courses and 18 people received the Cambridge certificate in English. The evaluation concludes that the main added value of Plan Einstein lies in the establishment of social contact. Refugees and asylum seekers were brought in to contact with each other, local residents, social organisations and local entrepreneurs. These contacts can be instrumental in further (labour market) integration.

Source: Oliver, C. Dekker, R. and Geuijen, K., (2019[30]). *The Utrecht Refugee Launchpad Final Evaluation Report*. University College London and COMPAS: University of Oxford.

Uncertainty regarding the duration of their stay in the host country affects refugees' investments in into host-country specific skills and education. Acquiring host-country specific skills gives refugees access to quality employment. However, attaining formal education in the host country is time intensive and may not pay off for refugees who do not know if and when they want or need to return to their country of origin. Investment into host-country education is further discouraged if the acquired skills are not transferable back into the country of origin. Such uncertainty regarding the duration of stay is linked causally to work in low-skill employment among refugees (Cortes, 2004[31]). Local policymakers do not have the formal competence to increase the certainty of stay among refugees. However, they can support the labour market integration of refugees to avoid the clustering of migrants low-skill jobs.

To support refugees who face uncertainty of stay, the municipality of Amsterdam could offer modular courses in advanced ICT topics that develop skills easily transferable across border. Modular learning options that teach refugees advanced ICT skills are a promising policy tool that Amsterdam could deploy. Offering modular training in programming and coding responds to employers' needs on Amsterdam's local labour market, requires less of a time investment for refugees compared to formal degree-granting programmes and teaches skills that are transferable across borders. In modular course offers that do not lead to formal degrees, employer engagement becomes the decisive factor that

facilitates access to the labour market. The *ReDI School of digital integration,* founded in 2016 in Berlin, has developed a successful business model that involves local ICT industry professionals as teachers (see Box 5.6). These teachers then support the transition into the industry after the completion of relevant courses that range from frontend web development to software specific training. Similar to Amsterdam's *TechGrounds* initiative, *Redi*'s key strength is a mentoring scheme that involves professionals from the tech industry.

Box 5.6. Teaching refugees coding and programming: The ReDI School of digital integration

The *ReDI School of digital integration* is a non-profit organisation that teaches refugees coding and programming skills. It was founded in 2016 in response to the large inflow of asylum seekers into Germany when many Syrians fled their home country.

ReDI offers refugees a wide range of modular courses that develop advanced ICT skills. These include courses on frontend web development, data science, software development as well as more software specific courses on *Salesforce* or *Azure*. It caters some of its offers to female refugees specifically and thereby helps to overcome potential cultural barriers to female economic activity, for instance by offering childcare during the duration of courses. Women make up 60% of its course participants. Additional offers also include programmes for children aged 9 and above and youth aged 17 and above.

Seventy-five percent of those graduating from *ReDI* School's Digital Career program, its core module, are in employment. Two key factors contribute to its success. First, *ReDI* works closely with ICT industry professionals who function both as volunteer teachers and mentors to refugees who participate in the courses. The role as teachers allows mentors to identify strengths in students and then recommend them to potential employers. Second, participation in *ReDI's* modular courses does not require speaking the host country's language. Courses are offered in English and interpreters are present if required.

After a successful start in Berlin, the *ReDI* School of digital integration expanded to several locations across Germany, Denmark and Sweden. It also offers remote study options.

Source: OECD Cogito (2022[32]) "It's a Match: Reskilling refugees to meet Germany's growing IT needs", https://oecdcogito.blog/2022/02/07/its-a-match-reskilling-refugees-to-meet-germanys-growing-it-needs/.

Skills-based job matching in Amsterdam

In the Netherlands, there is a growing awareness of the importance to facilitate matches in the labour market based on skills (OECD, 2017[33]). Skills are thought of as the knowledge, attitude, abilities, and competences that are needed to carry out productive tasks. Macrotrends like automation and demographic developments are changing the character of work while there is already a shortage of qualified workers in crucial sectors like education and healthcare. Skills-based job matching acknowledges that labour market matching based on qualifications and diplomas may not make efficient use of available labour resources. Instead, a more precise and flexible match between demand and supply for work is needed. Initiatives on human capital, skills and learning exists across all levels of government, sectoral organisations and within individual firms.

Individual skills assessment can increase labour market participation and performance over a conventional assessment based on educational qualifications and job experiences. First, skills-based matching can be a gateway for people with few or no formal qualifications. Furthermore, approaching matching based on skills rather than qualifications can break barriers to cross-sectoral

mobility for workers. Finally, a focus on skills and keeping these up-to-date and relevant is the basis of the vision of life-long learning. Through these mechanisms, it can benefit the individual, employers and ultimately public finances if it reduces welfare dependency on a macroeconomic scale.

A skills assessment allows people without formal education to be matched to jobs that can suit their capabilities. As people with low or no qualification tend to be much more vulnerable to job loss or extended unemployment spells, a changing narrative that de-emphasises formal qualification can be a helpful step towards better job matching. Some form of qualification can still be provided as part of a job search assistance programme towards durable employment, but such education can potentially be based on a modular programme rather than the conventional multi-year degree programmes. The same benefit may hold for recent migrants who may have some work experience or qualifications but for which the formal translation of degrees and diplomas to the Dutch labour market is challenging.

Since one can define skills much more holistically, a skills language helps overcome barriers to sectoral mobility. Over their career, workers may have gained work experience and qualifications for a specific sectoral occupation. Professional qualifications are often sector specific, which inhibits individuals to find opportunities in other sectors. This is specifically relevant if local labour markets experience a period where some sectors are declining while other growing sectors are struggling to find suitable workers. A skills language can allow people to demonstrate that they have the capability to work successfully in a different occupation or in a different sector because the required skills overlap.

Finally, the appreciation of skills fits well with a society that emphasises the importance of life-long learning. Skills include abilities and competences that individuals can attain through new learning and experiences. The continuous acquisition of new skills can help make workers more adaptable to the rapidly changing needs of labour markets. Rather than assuming that a new sectoral occupation implies a blank start, a jobseeker with their job coach can combine a skills-based assessment with learning programmes that build on existing knowledge and work experience of the individual.

There are, however, also important challenges in creating a skills-based labour market. First, there is the need for a common skills language among workers, employers, education providers and government services that support jobseekers. This common language is needed to recognise transferable skills and facilitate intersectoral job transitions. Moreover, challenges remain on how to assess, develop and validate personal skills. Finally, tools are needed to create a match between demand and supply on the basis of skills.

Several skills initiatives take on the challenges of a skills-based labour market. Recent assessments have identified over 40 different initiatives in the Netherlands, supported or initiated by the European Union, national ministries and regional governments. About half of these focus on skills assessments and skills-based job matching. About 25% focus on the validation of skills (SEO and ROA, 2022[34]). Additionally, there are municipal, regional and sectoral programmes to support workers in upskilling and reskilling. The Netherlands has a strong tradition of using formal qualifications for employability that is generally valued by employers and education provider. A skills-based system for the labour market requires a re-evaluation among all stakeholders in the assessment of peoples' capabilities and the role of education and qualifications. Regional initiatives like *House of Skills*, *Passport4Work*, *Talent in de Regio* and *SkillsInZicht* (see Box 5.7) aim to facilitate this.

Box 5.7. Various regions in the Netherlands initiated skills-based matching tools

In the Netherlands, various regionally focused skills-based labour market matching initiatives have emerged in recent years. Each tend to enhance labour market opportunities for jobseekers through an online portal that can use jobseeker information on skills with available vacancies. *Passport for work*, *Talent in de regio* and *SkillsInZicht* are three of such initiatives.

Passport for work

Passport for Work is a public-private partnership that aims to facilitate skills-based matching in the south of the Netherlands, focusing on the region around the city of Eindhoven. It assesses skills through a gamified skills assessment method. The initiative is focused on individuals with a distance to the labour market and aims to develop a worker-specific skill passport that can be used within multiple sectors. To ease the use of the skills assessment, a minimum of text is used. Instead, role playing, and online games are used to assess skills and capabilities. Tailor made learning pathways help workers in developing their skills. *Passport for work* also aims to contribute to a common skills language.

Talent in de regio

Talent in de regio ("Talent in the region") is a programme in which municipalities, employer and employee organisations and educational institutions work together to tackle challenges in the regional labour market in the north-east of the Netherlands. The initiative, funded by a national programme (*Nationaal Programma Groningen*), is focused on three provinces in the north of the Netherlands around the city of Groningen. The programme has three objectives: i), contributing to stable careers through better matching; ii) monitoring the type of workers in the region ("talent") and evaluating policy interventions; iii) developing and sharing knowledge between workers, companies and educational institutions. *Talent in the region* develops a matching tool and promotes life-long learning.

SkillsInZicht

SkillsInZicht ("Skills in Sight") presents itself as a tool to analyse, match and develop talent. *SkillsInZicht* is part of *ArbeidsmarktInZich* ("Labour market In Sight"), an initiative of six regions in the south of the Netherlands which aims to provide transparent labour market information to facilitate job changes and matching. *SkillsInZicht* gives jobseekers the possibility to find out which skills they possess by filling out questionnaires. A personal skill profile is developed based on the information provided. This profile can then be matched with vacancies, shared with employers or used as the starting point of (further) education.

Source: Lievens and Wilthagen (2022[35]), *Skills-based matching with Passport for Work*, Final Report; SkillsInZicht (2022[36]), https://skillsinzicht.nl/; Talent in de Regio (2022[37]), https://talentinderegio.com/.

***House of Skills* is the largest public-private cooperation in the region of Amsterdam that aims to promote a skills-oriented labour market.** *House of skills* aims to work as a partnership between local governments, education institutions and the private sector. It takes on a coordination role in bringing different stakeholders in the metropolitan region Amsterdam together.[6] Within the *House of Skills* network, municipalities, educational institutions and employers and employee organisations work together to promote the use of skills (Box 5.8). *House of Skills* has a focus on workers that are vulnerable to local job market fluctuations in the metropolitan region of Amsterdam. For instance, low-educated workers who work in sectors that face automation risks constitute a target group. Short-term unemployed workers and benefit recipients also fall in the scope of *House of Skills*. Like other skills initiatives, the work of *House of Skills*

covers several policy areas. These include life-long learning, the activation of youth, the labour market integration of migrants and personal career assistance.

Box 5.8. House of Skills, a collaboration of regional stakeholder to stimulate skills-based labour market

House of Skills started as a public-private cooperation in the metropolitan area of Groot Amsterdam that promotes a skills-oriented labour market. The initiative created a community between local governments, employers and education providers to endorse skills as a new foundation of the labour market. It aims to improve the knowledge about skills, to validate skills and to match demand and supply on the basis of skills programmes. *House of Skills* received funding from EU DG Regio in framework for the response to COVID-19.

From skills profiles to jobs

House of Skills has developed several tools to assess, validate and use skills for matching. It has created a skills taxonomy based on the ESCO[a] and O*NET[b] skills classifications. Jobseekers can assess their own skills and obtain a skills passport through an online tool. The skills passport is based on a self-assessment of 60 questions to understand a person's level of specific soft skills, practical tasks and preferred workstyles. Combining the skills passport with information on work experience and considering the stated interest of individuals to work in specific occupations, the platform offers suitable vacancies, trainings and occupations that fit their profile. Users can choose to make the profile visible to employers, who submit vacancies that are linked to required skills taxonomy. The matching between (self-assessed) skills, and jobs is developed by the public research institute *TNO*, private software developer *Dit-Werkt* and the *Free University of Amsterdam*.

Drawing people to a career in healthcare and other sectors

House of Skills has advocated for modular education programmes that are focused on acquiring specific skills, which are ideally targeted to sectors that experience large labour shortages, such as healthcare, logistics and construction. *House of Skills* is therefore experimenting with simulated working environments. For instance, to enable jobsseekers to gain experience in healthcare and find out if a career in this sector matches their skills and interests, a former hospital building is used to give them a real-life experience (*Health Experience Centre Slotervaart*). In collaboration with the regional education centre for vocational training (*Regional opleidingscentrum*, ROC), modular courses were developed to make entry into the sector easy for people who can build on existing skills and experiences.

Notes: [a] ESCO is the European Union standard classification of occupations.
[b] O*NET is a US based programme that provides information on tasks and skills that are associated with individual occupations.
Source: House of Skills (2022[38]) https://www.houseofskillsregioamsterdam.nl and stakeholder consultations.

While skill-based matching might bring solutions to a tight labour market, important challenges remain that limit adoption. First, various initiatives are not guaranteed to be compatible with each other. Second, employers need to be convinced that skills are an accurate representation of workers' capabilities independent of conventional degrees and work experiences. Finally, despite the wide range of local skills initiatives, skills-based matching is not yet widely used, and its macroeconomic implications remain to be assessed.

A common national framework on the definition of skills is currently under development. Various initiatives on skills in the labour market, such as the *House of Skills*, developed their own classification of

skills. While the general ideas among these initiatives are similar, there is no guarantee that they are compatible with each other. Similar to conventional diplomas and certificates, the assessment and recognition of workers' skills will be more effective if there is a national or even international framework that allows for different but compatible initiatives. Having recognised the need for a harmonised skills language after regional initiatives have proved successful, UWV is developing *CompetentNL*. *CompetentNL* is intended to become a national framework for skills-based matching in the labour market (see Box 5.9).

Box 5.9. A common skill language: CompetentNL

CompetentNL is developed as the common skill language for the Netherlands. Over the past few years, the Dutch public employment services (UWV) have, together with SBB, an association for vocational training for the business sector, CBS, the national statistics agency and TNO, a research institute, worked towards a common skills ontology. This ontology is based on the taxonomy used by the Flemish public employment service (VDAB). The goal of *CompetentNL* is to combine the insights of different skill initiatives (like *House of Skills* and *Passport4Work*) and to create a language that can be used in all sectors and regions of the Dutch economy.

A detailed list of skills is linked to individual jobs and education programmes or modules. These skills are separated into two types: soft skills (e.g., teamwork, communication, organising) and tasks (e.g. programming, maintaining appliances, analysing data). The database of skills needs to be reasonably flexible to accommodate synonyms but also match similar tasks in different contexts.

The classification of skills is then connected to jobs and education programmes and presented in an online dashboard. This skills dashboard can help identify to what extent skills in upcoming and declining occupations overlap and which skills are needed for a transition. The platform can support client managers of UWV, municipalities and (private) employment agencies to identify jobs that fit with people's skills and interests without being limited to individuals' specific occupations and sectoral experiences.

Source: Sanders et al., (2022[39]), Skills als basis voor een nieuwe (re-) integratiepraktijk

Employers need to become more familiar with the potential that skills-based matching holds for them. For employers, the use of skills instead of formal qualifications creates initial uncertainty about the quality of a candidates (Ballafkih, Zinsmeister and Bay, 2022[40]). The currently tight labour market can help force employers to engage with this way of finding new potential employees because they are more likely to see candidates that have work experiences from unrelated sectors. The skills taxonomy then helps employers to recognise that people with different professional backgrounds can still present good matches for their vacancies.

A skills-based approach may also involve some adaptation at the workplace to fit the person to the job, for instance through job carving. Early experiences in Amsterdam suggest that job partitioning, or job carving, plays a role, especially for the integration of the least skilled into the labour market. Suitable tasks, potentially from multiple jobs, are combined to create a new job that fits the skills of the person. Job carving has been used by some public employment services agencies to facilitate the inclusion of people with disabilities in the workplace.[7] While job carving holds potential in fitting a job to the individual, there is a risk that a worker ends up in a job that limits their progress because it is composed of only simple tasks. Therefore, in the process of job carving it remains essential to start from the potential of an individual's ability to develop and learn new skills.

Adult learning and work-to-work transitions: What role for Amsterdam and Dutch municipalities?

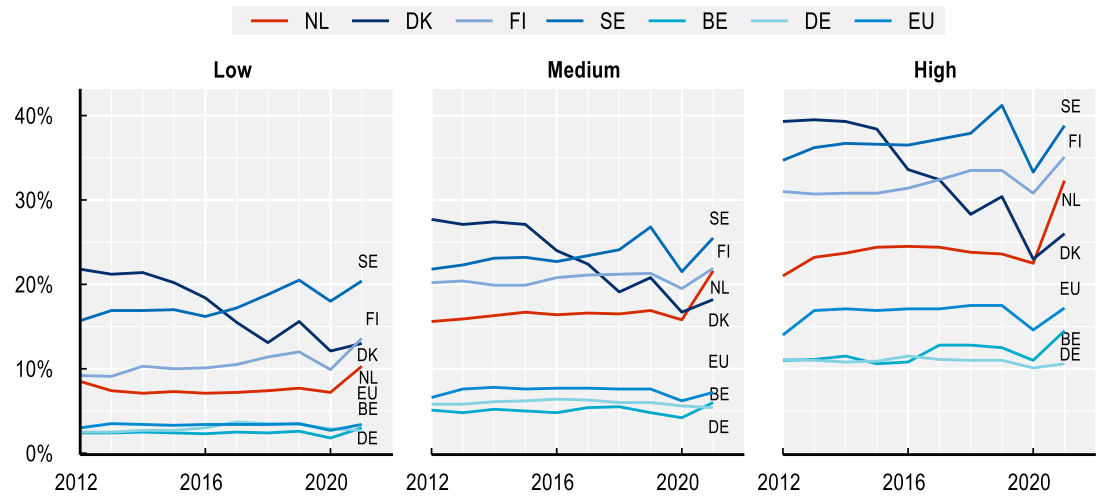
Life-long learning facilitates labour market mobility by making workers more adaptable to changing circumstances. These circumstances may be specific to their employer, or related to megatrends, such as increased automation and digitalisation or the green transition that affect entire sectors or regional economies. Therefore, learning and skills policies can ameliorate the various transitions that individuals may face throughout their professional career, including the transition from education to work, from work to work, mobility across sectors, from unemployment to work and inactivity to work (OECD, 2019[41]). While skills and learning will make these transitions easier, the individual cases and circumstances also require a wide range of learning opportunities and facilities to suit individual requirements and needs.

The number of adults who participate in continuous education and training has remained largely constant in the Netherlands, with significant differences in participation by educational attainment. In the Netherlands, around 7% of the working population with less than full secondary education was engaged in training over the past decade (see Figure 5.7). While above the European average of 2.7% and above neighbouring Belgium and Germany, the Netherlands structurally lags the Scandinavian countries of Denmark, Sweden and Finland. Across all countries it is evident that people with lower levels of education are on average less likely to participate in continuous education and training. Moreover, the trends for the Netherlands, the EU, Germany and Belgium are largely flat, especially for the two lower categories of education. In contrast, Sweden and Finland see increasing shares of adult training among the low-educated, while Denmark is noteworthy for its declining trend. The drop and subsequent uptick in adult learning participation in 2020 and 2021 in some OECD countries is likely due to the COVID-19 pandemic and may not reflect a structural shift. Besides educational attainment, younger workers are more likely to participate in training than older workers, as are those on permanent contract relative to own-account workers (OECD, 2019[41]). Research in the Netherlands has identified other constraining factors for adults. These include family responsibilities, which are disproportionately affecting women, the cost of training and foregone income (e.g. from unemployment benefits and reduced working hours), and the disengagement of older workers nearing retirement (SCP, 2019[43]).

The current policy landscape around life-long learning is under development to address various challenges. For instance, low-skilled workers that could benefit the most from learning and skills development are generally least engaged with it. Additionally, the breath of initiatives across ministries, social partners and regional governments risks missing internal coherence that allows to match individual needs with learning offers. Learning must also allow for additional mobility of workers, within organisations and across firms and sectors, and ideally within a local or regional context. Employer or sectoral specific learning may not always be sufficiently anchored in a framework that allows the transferability of skills and knowledge across employers and sectors (SCP, 2019[43]).

Figure 5.7. Adult learning among those with low levels of education does not increase

Participation rate in education and training (last 4 weeks) by educational attainment level



Note: Formal and non-formal education and training for people aged 25-74. Panels refer to ISCED11 levels, 0-2, 3-4 and 5-8 respectively. EU refers to the EU27 of 2020 (excluding the UK).
Source: OECD calculations based on Eurostat table trng_lfs_10 (Participation rate in education and training (last 4 weeks) by type, sex, age and educational attainment level).

The strategy of the Ministry of Social Affairs and Employment to increase policy coherence of existing and new life-long learning policies and initiatives is based on three pillars. The three pillars combine incentivising training of individual workers, incentivising employers and sectors to organise and engage with relevant training programmes, and to increase flexibility in publicly provided (vocational) education in order to become more accessible to professionals and adults (Ministry of Social Affairs and Employment, 2020[44]). The ministry proposes to support the three pillars with additional awareness raising policies to convince both workers and employers that continuous learning for all workers is essential.

The first pillar relates to increasing the workers' capacity to engage with training and learning. A personal stipend to buy education services, recently introduced for jobseekers, may be expanded to all individuals as a life-long credit that can be used throughout the working life. In 2022, the national government reserved EUR 160 million for the so-called STAP budget (see also chapter 3). Workers can apply to this budget at UWV. They can receive a subsidy of up to EUR 1 000 that covers educational costs. The fund opens at specific dates several times a year. Recent experience shows that within a few hours of the opening day, the available funding is allocated, indicating that demand for support is much larger than the available funding.[8]

In addition, information and counselling will need to be provided as a government service to guide workers to the right training. A current pilot programme in Rotterdam and two other regions combines education with work such that people can be guided towards specific sectors in the region that need specifically skilled workers. Box 5.10 describes the case for the region in Rotterdam. UWV can also support registered unemployed jobseekers, including those that risk become long-term unemployed, with education programmes that are provided by regional education centres. In addition, an online platform is being developed that aims to provide a digital training and education portal and automated personalised advice based on a worker's existing skills and experiences.[9]

The second pillar of the ministry's strategy for life-long learning focusses on the financial incentives for firms to support their workers enrolling in relevant courses. Specific instruments are

available for SMEs in acknowledgement of the differences in learning offers across different firm sizes. For instance, in the Netherlands, workers employed by smaller companies are significantly less likely to participate in continuous education and training (see Figure 5.8). Some subsidy instruments are sector specific, in coordination with social partners. Subsidies are also available to create additional work experience places for people that require on the job training to facilitate their labour market participation.

Box 5.10. Rotterdam learn-work agreements to match people to vocational training and jobs for the future

Local governments, regional vocational education providers and employers in the region of Rotterdam have established so-called learn-work agreements. The partners agree to collaborate on pathways to work in different sectors. Such pathways can include people from other sectors that require re-skilling, but also the inclusion of people that least attached to the labour market, including youth and status-holders. Therefore, the learn-work agreements serve both as an instrument to deal with ongoing long-term changes in the labour market and facilitate the re-integration of people that are currently not working. The project of learn-work agreements in the region of Rotterdam is among one of three pilots in the Netherlands. The others are located in Fryslân, in the north of the Netherlands, and Twente, in the east of the country.

Current agreements exist for energy transition, construction and engineering, facility services, the port, transport and logistics, healthcare, and SMEs. Hence, agreements are structured around current labour shortages and important economic transitions that require learning and updating of skills in various occupations. Each agreement has specific targets and objectives, which can include the offer of job guarantees to candidates, the inclusion of people with a disability, integration of people on welfare and young NEETs.

One of the strategies to attract especially young people to a sector or occupation is to combine work with learning. Candidates are integrated into pathways where learning happens on the job through traineeships that result in experience certificates. The completion of such pathways can also result in renewed interest by candidates to complete formal degrees or follow additional degrees that support further career development.

Source: Leerwerkakkoord (2021[45]), https://www.leerwerkakkoord.nl.

One example of a financial support scheme for SMEs in the Netherlands is MKB!dee, an experimental subsidy scheme that aims to stimulate SME's investment into education and training. MKB!dee is a programme funded by the Ministry of Economic Affairs and Climate and the Ministry of Social Affairs and Employment. It supports entrepreneurs who have innovative ideas for the skills development of employees in their company, sector or region. In 2020, the program provided financial support to 47 initiatives in SMEs or industrial partnerships that consisted to at least 65% of SMEs. The majority of projects funded in 2020 were investment into personnel in the ICT sector, the development of skills for digitalisation and the climate transition, as well as improvement in the learning culture of small businesses. Best practice examples are showcased on the MKB!dee website (OECD, 2021[46]).[10]

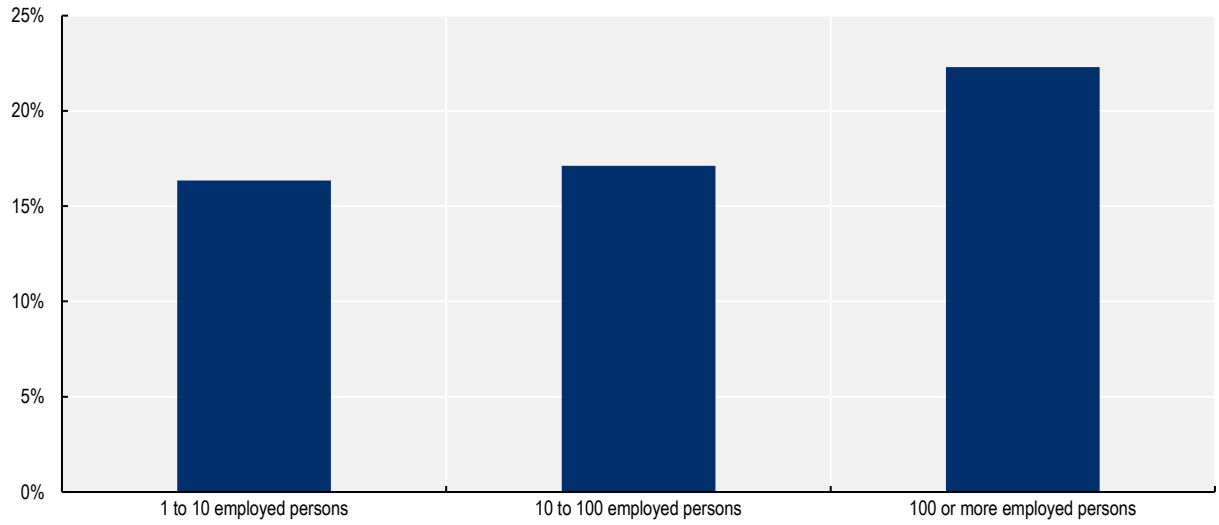
Evidence from across the OECD shows that financial support is often insufficient to increase participation in continuous education and training in SMEs. For example, when Germany introduced extensive financial support to small companies that covered direct and indirect (i.e. wage costs of workers who were absent from their jobs during training) training costs of up to 100% for very small companies in 2019, only 6% of the smallest companies made use of the financial support measures (OECD, 2022[47]).

The main reasons for the low take-up rate among small employers were a lack of awareness of the instrument and the lack of human resources to navigate through adult learning offers.

Some promising innovative local initiatives to foster continuous education and training in SMEs have emerged across the OECD. For instance, the city of Vantaa in Finland acknowledges financial, human resource and time constraints faced by SMEs. Within Vantaa's *co-created apprenticeship programme* and its *growth-coaching programme*, SMEs are approached proactively by officials of the city administration, and modular training courses are identified for them. Box 5.11 describes Vantaa's approach in more detail. In Germany, the central government has started funding so-called local *Weiterbildungsverbünde* ("Continuous education and training employers' networks"). Within these employers' networks, small companies bundle their resources and organise modular training courses for their employees. German continuous education and training employers' networks are described in more detail in Box 5.12.

Figure 5.8. Employees in smaller companies participate less often in training and education

Percentage of employees aged 25-64 who participated in continuous education and training over the past four weeks, 2020



Note: Participation in adult learning includes all training and courses that people are following or have followed over the last 4 weeks. This may involve formal training and/or non-formal educational activities such as courses, workshops or private lessons.
Source: OECD calculation based on CBS table 84308NED (leven lang leren; bedrijfskenmerken).

Box 5.11. Supporting skills development in SMEs in Vantaa, Finland

The city of Vantaa, the fourth biggest city of Finland, has identified the need for expanding adult learning offers in its many small and medium-sized enterprises (SMEs) as one of its priorities.

Within the "Urban Growth Vantaa project" relevant city departments, education providers, research institutes and businesses in Vantaa develop a local jobs and skills ecosystem with the aim to support both local SMEs and their employees in employment, upskilling and digitalization. The primary target group of the initiatives are low-educated adults employed by SMEs who do not traditionally fall into the category of continuous learners. This specific group is often at risk of job loss due to the automation of production processes. A second target group are executives of SMEs who aim to grow their company responsibly.

The main premise of the Urban Growth Vantaa project is to contact SMEs proactively and identify appropriate modular training with decision makers and employees. Within its *co-created apprenticeship programme*, Urban Growth Vantaa project coordinators contact SMEs and conduct a needs assessment in a first step. The needs assessment identifies skills relevant to the production or work processes in the company. SMEs are then presented with different training offers that could help develop the required skills. These may lead to vocational degrees. Once these are agreed on, individual employees are contacted, and appropriate apprenticeship offers are decided on. SME continue to pay the full salaries of employees who undergo the training within the programme. If the reduction in working hours at full salary cannot be borne by SMEs, financial support schemes exist.

The *growth-coaching programme* takes a more forward-looking approach and bases staff training needs on business development plans. The approach is similar to that within the *co-created apprenticeship programme,* but it is based on more in-depth involvement of SMEs executives who first develop a vision for their company.

One of the key strengths of both programmes is the acknowledgement of resource constraints within SMEs. To overcome these, a project account manager supports a company representative through the process, from first contact to managing employees who undergo training.

The project has thus far reached 70 SMEs and provided training or support to 714 adults. The programme initially ran from January 2019 to April 2022.

Source: Urban Innovative Actions Initiative (2021[48]), *Urban Growth-GSIP Vantaa - Growth and Social investment Pacts for Local Companies in the City of Vantaa.*

The third pillar of the ministry's strategy for life-long learning focuses on making existing vocational education available to a much wider group of people. Currently, vocational public education tends to be focused on adolescents and young adults that follow a multi-year degree. However, many workers with basic vocational training may benefit from upskilling or reskilling to facilitate career progression and cross-sectoral mobility. Therefore, there is room for public programmes to expand their offers of more modularised education to service this broader market.

National policies have little place-specific focus. Financial incentives are available for workers and firms everywhere, and while some may have a sectoral focus, few have a regional dimension. The Learn-Work agreements in Rotterdam, Fryslân and Twente are an exception. Additionally, a European Social Fund programme is planned to target labour market regions but is not as far advanced as other measures.

Box 5.12. Local continuous education and training employers' networks in Germany

In response to resource constraints faced by SMEs, the German Federal Ministry of Labour and Social Affairs launched *Weiterbildungsverbünde* ("Continuous education and training employers' networks") within its federal "establishment of continuous education and training networks programme". These continuous education and training employers' networks bring together local companies, actors from the wider adult learning training landscape, as well as regional labour market actors. They aim to develop and organise joint training measures that can be carried out across company boundaries in a resource-saving manner. The focus is on the exchange between the different partners of a network, the identification of further training needs in participating companies as well as advice on and research for suitable further training offers.

As of December 2022, 53 such local networks were funded by the German Federal Ministry of Labour and Social Affairs. Local networks are free to develop their own training curricula and either operate across sectors or within sectors. The programme supports networks for a maximum duration of 36 months. Networks receive up to two million Euros in support, covering up to 70% of total cost incurred.

Source: German Federal Ministry of Labour and Social Affairs (2022[49]), *Das Bundesprogramm Aufbau von Weiterbildungsverbünden*, https://www.bmas.de/DE/Arbeit/Aus-und-Weiterbildung/Weiterbildungsrepublik/Weiterbildungsverbuende/weiterbildungsverbuende-art.html (accessed on 5 December 2022).

Life-long learning can be relevant for at least six types of employment transitions that have direct implications for local labour markets. These transitions are school to work, work to work, sector to sector, unemployment to work, inactivity to work and integration of recent migrants to job market. Each of these transitions requires different types of training and skills intervention and faces different challenges. In the Netherlands, different combinations of stakeholders are engaged across the different types of transitions (Table 5.1), with the understanding that educational providers, both public and private are engaged.

Policies for adult learning targeting adolescents are focused on those that have not finished degrees up to intermediate vocational training. Municipal policies to support young NEETs are already in place (see section 5.2). Multiple barriers and challenges that lead young people to leave their education early may require integrated services. While support for continuing education is provided, integrated services can address the circumstances surrounding youth inactivity (see Box 5.1).

In recent years, more attention has been devoted to work-to-work transitions. The ability to transition immediately to new employment rather than spend time in unemployment is beneficial to both workers and the national government that provides income support to the unemployed. In a tight labour market, work-to-work transitions are more common, but policies are also focused on stimulating such transitions, for example by providing information and schooling budgets in regional mobility teams (see chapter 4). Municipalities also have an interest in facilitating work-to-work transitions, in particular for those workers whose educational profile indicates a risk of becoming long-term unemployed or economically inactive following their job loss.

Table 5.1. Employment mobility and life-long learning interventions

Transition	Skills intervention	Challenges	Main actors
Education/school to work	Integrated services against young NEETs, Study advice with labour market prospects	Early school leavers potentially face multidimensional problems such that specific skills and learning policies may not be sufficient.	National government, municipalities, public education
Work to work (transition within organisations)	Continuous training	Short-termism of employer and employee Capacity differences between employers	Employer, private training providers
Sector-to-sector	Facilitate re-skilling	Firm and sector provide trainings that are sector specific	Employer, regional mobility teams, private training providers
Unemployment to work	Allow schooling during unemployment spell	Limited means to facilitate learning, fear of lock-in (unemployment spell lengthens due to lack of searching during training)	UWV, municipalities, labour market regions, public education and private training providers
Inactivity to work	Vocational orientation	Limited means to facilitate learning	Municipalities, private training providers
Recent migrants to work	On the job learning through work-learning programmes.	Basic skills (e.g. language), assessment of existing skills.	Municipalities, private training providers

Source: OECD elaboration.

Many work-to-work transition initiatives are provided through agreements with social partners, which are predominantly organised around sectors. Employers are incentivised to provide trainings and skill development to their employees. For instance, employees who follow trainings of their own choice, but for which the employer pays, the employer accumulates credits. These credits can be used against the unemployment payments that an employer is usually due if an employee is made redundant. With increased recognition that many skills are not sector specific but can be applicable to a wide variety of jobs, new forms of employment and skills policies require services that are not bound to specific sectors and can look beyond the borders of individual municipalities.

Regional provision of skills development offers potential benefits for municipalities beyond individuals at risk of unemployment. Skills development is increasingly emphasised to be essential for a wider range of individuals that require services from municipalities. For instance, unemployed youth may be supported through additional training, and individuals with a larger distance to the labour market may be successfully reactivated if suitable training can be offered.

Cooperation of these services within labour market regions may reduce costs and increase the success rate as individuals can be offered a wider range of training that suit regional needs. Combining training resources across municipalities can help increase the range of trainings on offer for those who need training. Additionally, as indicated in chapters 2 and 3, the Amsterdam regional labour market has growing and declining sectors. Hence, skills development and training support for jobseekers in the labour market region of Amsterdam may have the highest potential when these sectoral developments are considered. Coordination between municipalities of the labour market region can help guide jobseekers to training that has greatest potential for stable employment.

Regional mobility teams (RMTs), the regional mobility centre and UWV can also use education and training provisions to facility inter-sectoral mobility. RMTs work at the level of the labour market regions to facilitate the mobility of workers across sectors (see chapter 4). Adult learning is used by RMTs as a tool to prevent unemployment through early intervention for people who face possible lay-offs. RMTs teach the workers at risk of job loss the skills they need to access jobs in different sectors. UWV also supports education of registered unemployed, which includes exempting those who engage in training from mandatory job applications and accepting job offers for the duration of the training.

Adult learning can also be used to support people with low literacy levels. The share of the population in the Netherlands with low literacy levels is likely non-negligible, but information on low literate adults is not well tracked. Nationally, 2.5 million people aged 16 years or older are estimated to have difficulties with basic reading or math, which amounts to 18% of the population 16 years or older (Algemene Rekenkamer, 2016[50]).[11] However, these estimates are based on figures from 2012, and people are counted as having low literacy if their level is below that of a person who has finished basic secondary education. Amsterdam estimates that around 100 000 of the working age population have a low level of literacy.[12] Research on neighbourhoods in Amsterdam indicated that local rates of low literacy in Dutch may be as high as 40% of the working-age population (Achbab, 2015[51]; Achbab et al., 2015[52]). These neighbourhood-specific studies indicate that the prevalence of low literacy is highest among older age groups and those born abroad.

Municipalities provide language training as part of labour market integration services, and Amsterdam provides various specific programmes. For recent migrants, this is part of the obligatory integration process, and the courses are specifically designed for people who are literate in their mother tongue but need to learn Dutch. Language training for reading and writing is also offered to people who can converse normally in spoken Dutch. However, information on the effectiveness of these instruments is not well evaluated. A recent pilot by CBS, the Netherlands statistical office, highlights that data gathering on participation in language training and labour market outcomes are underdeveloped (Pleijers and van der Mooren, 2021[53]).

A more inclusive approach towards adults with low literacy levels is possible. Regularly monitoring the development of literacy levels at the neighbourhood level and targeted education programmes can be combined with lowering barriers for people with low literacy levels to access services. For instance, Berlin initiated a programme in which public and private organisations raise aware of adults with low literacy levels and make their services more accessible to them (see Box 5.13). Such measures can also help to increase the participation of people with low literacy in society and potentially help to raise their level of literacy in the process. Amsterdam initiated the Language Agreement ("Amsterdams Taalakkoord"), which stimulates businesses and (semi-)public organisations to support their staff who face literacy-related difficulties, for instance through additional language training, and to make external communication more friendly to adults with low literacy.[13]

Box 5.13. Berlin's Centre for Basic Education and the "alpha label" initiative to support low literate adults

In Germany, 12.1% of all adults struggle to extract the meaning from a basic text and/or are not able to write texts that convey basic messages. This low level of literacy is also called functionally illiteracy. No statistics on adult functionally illiteracy exist for Berlin explicitly, but its demographics suggest that the share of functionally illiterate is even higher than the German average. Compared to other parts of Germany, Berlin's economic activity rate is relatively low and the city has a large share of both foreign-born individuals and early school leavers (OECD, 2022[47]). In response, the city of Berlin introduced the "Centre for Basic Education".

Berlin Centre for Basic Education

The Berlin Centre for Basic Education targets Berlin's functionally illiterate adults by serving as a point of first contact for basic education and adult literacy. It offers guidance events and individual counselling to those in need and compiles all of Berlin's learning and consulting offers for functionally illiterate

adults, a catalogue available both offline and online (Berlin Centre for Basic Education, 2019[54]). The Berlin Centre for Basic Education is a cooperation of two NGOs funded by the Government of Berlin.

The "alpha label" initiative

In 2016, the Berlin Centre for Basic Education launched an initiative to raise awareness of functional illiteracy and support those with no or limited reading and writing skills. Its "alpha label" is a label that can be obtained by institutions and organisations in Berlin to signal that the services provided within a specific building are accessible to adults with low literacy. The label is visible from the outside and serves three main purposes. First, it signals to adults with low literacy that trained staff are present to deal with their requests and easy-to-read signs can guide them through the building. It thereby reduces stigma and facilitates societal inclusion. Second, in order to obtain the label, at least 20% of an institution's or organisation's employees need to take part in a half-day awareness workshop and all communication channels within the participating organisation need to be made accessible to adults with low literacy. It thereby also functions as a public awareness campaign. Finally, it serves as a tool to reach segments of the population that are otherwise hard to reach. Institutions that obtained the alpha label can guide adults with low literacy towards existing counselling and adult learning offers.

By 2019, about 70 Berlin-based institutions and organisations were in the process of obtaining the label and more than 30 organizations had already obtained it. The latter includes all basic education and literacy guidance providers, as well as Berlin's Agency for Civic Education, Berlin's Job Centers and several health care providers.

Source: OECD (2022[47]); *Future-Proofing Adult Learning in Berlin, Germany*, https://doi.org/10.1787/fdf38f60-en. Berlin Centre for Basic Education (2019[54]), *Das Berliner Grund-Bildungs-Zentrum: Fortschritt und Stand*.

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Notes

[1] The total number of services excludes three categories that are numerically large in the four cities but also show implausibly large variation between them. These categories are "Coaching towards work or participation", "Other social activation", and "Voluntary work". The differences may be explained by different registration processes and systems that are used in each municipality resulting in a non-harmonised counting of specific services across places. However, part of the differences in the number of provided services may be due to policy differences as well. While these three services appear to distort the total counts for the four cities, it is possible that there is also variation in the way that other services are counted.

[2] See https://www.amsterdam.nl/sociaaldomein/diversiteit/aanpak-arbeidsmarktdiscriminatie/#h69b8e443-f29d-4cef-a696-45f4500e1662

[3] A related pilot is run in Amsterdam as part of the Ministry of Social Affairs and Employment pilot programme for further integration of people with a migration background (Walz et al., 2021[23]).

[4] The analysis does not account for other, potential longer-term benefits that may result from such interventions, for instance, better health outcomes or reduction in crime.

[5] See https://www.uwv.nl/nl/persberichten/ruim-24000-vluchtelingen-uit-oekraine-hebben-werk-gevonden-in-nederland

[6] The partnership is modelled after the triple helix of regional innovation that brings the same three stakeholders together (Leydesdorff and Meyer, 2003[57]; OECD, 2020[58]).

[7] Various terms are used in the literature. See Geyer, Scoppetta and Davern (2019[55]) for a review.

[8] See https://www.uwv.nl/nl/persberichten/ruim-44-000-mensen-hebben-stap-budget-aangevraagd-in-de-vierde-periode

[9] See https://www.nieuwsbrievenminocw.nl/actueel/nieuws/2021/04/22/90-miljoen-euro-uit-groeifonds-voor-leven-lang-ontwikkelen

[10]As at 05/12/2022, these best practice examples can be found at https://www.mkbideenetwerk.nl/goede-voorbeelden/.

[11]The estimates are based on OECD Programme for the International Assessment of Adult Competencies (PIAAC), in which the Netherlands participated in 2012.

[12] See https://www.amsterdam.nl/werk-inkomen/werkgevers/amsterdams-taalakkoord/.

[13] See https://www.amsterdam.nl/werk-inkomen/werkgevers/amsterdams-taalakkoord/.

OECD Reviews on Local Job Creation

Policy Options for Labour Market Challenges in Amsterdam and Other Dutch Cities

Labour markets across the Netherlands recovered quickly from the COVID-19 shock and Dutch cities are now facing an unprecedented level of labour market tightness. The high demand for workers presents a unique opportunity for Dutch municipalities to find pathways into employment for those with the lowest labour market attachment and alleviate the pressure faced by local employers that struggle to find suitable workers. Supporting the diverse population in Dutch cities in finding their way into the labour market requires the efficient use of existing labour market instruments, advancing innovative methods of skills-based job matching and improving the cooperation between national, regional and local labour market institutions. This OECD report analyses current and future bottlenecks that could hamper the effective provision of local labour market services. It highlights policy options for strengthening the capacity of municipalities to support different population groups in making the transition from social welfare recipients to workers.

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