ReflecT Research Paper
15/003

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Policy Performance and Evaluation: Netherlands

November 2015

www.tilburguniversity.edu/research/institutes-and-research-groups/reflect/
PO Box 90153 – 5000 LE Tilburg, The Netherlands - (00 31) (0)13 466 21 81 – reflect@uvt.nl
ISSN 2211-1158
Policy Performance and Evaluation: Netherlands

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WP3 - Policy Performance and Evaluation Methodologies Version – 1.0

18 June 2015
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i) to ‘advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and their transition to economic and social independence’, and

ii) to engage with ‘relevant communities, stakeholders and practitioners in the research with a view to supporting employment policies in Europe.’ Contributions to a dialogue about these results can be made through the project website www.style-research.eu, or by following us on Twitter @STYLEEU.

To cite this report:

Reference… Arial 11 pt
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Acknowledgements

The research leading to these results has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no. 613256.
Executive Summary

I. Institutional arrangements:

Education: transitions from school to work

- The Dutch education system is a mixed system of general education at primary (5-12 years), secondary (HAVO/VWO 12-18 years) and tertiary level (University, 19-22 years) and vocational education and training at secondary (MBO, 12-16 years) and tertiary level (HBO, 17-20 years). The Dutch education system resembles very much a so-called ‘general skills’ regime (Hall & Soskice 2001). The level of generic skills of Dutch youngsters is therefore rather high compared to youngsters in other countries of the OECD.

- The Dutch training system is a dual system in which students may choose between the work-based route (BBL) and the school-based route (BOL). As of 2014, new regulations demand that schools at secondary and tertiary vocation level offer obligatory traineeships to every new student. If there is no traineeship found for the student by the school or the student him/herself the student is not admitted to the school.

- There appears a shortage of traineeships, internships and apprenticeships offered by employers for the large number of students. Because admittance to these types of education is dependent on a traineeship the shortage in supply means that youngsters lack education opportunities and become NEET youngster (not in employment, education or training).

- There is a strong debate in the Netherlands on the mismatch between the offered skills that students acquire at school and the required skills for executing the tasks at the workplace. The substance of the debate is on how the gap between offered and demanded skills can and need to be closed to improve the job match notably at entry into the labour market. The proposed reforms in the so-called national qualification infrastructure resemble this debate.

- There is an on-going debate on the return to investments in tertiary education, HBO as well as University, because of the high dropout rate in the first year of the education period and the low yield after four years. The dropout rate in HBO is about 30 to 40% either for students coming from secondary vocational or from general training.

Labour market, social security and welfare: transitions from unemployment to work

- The Dutch youth unemployment rate is traditionally low in comparison to other European countries even though it is on average two times as high as the overall unemployment rate. Youth unemployment rose strongly during the crisis, as did the overall unemployment rate, from 7% in 2008 to about 14% in 2013. From 2014 on youth unemployment is declining again and is now 12% in the beginning of 2015.

- The governance structure with respect to youth policies reflects the features of the Dutch welfare state, highly centralised in terms of law making and policy formation but with decentralised responsibilities for the execution of specific policies notably in the domain of labour market, social security and welfare.
Regional (the provinces) and local authorities have discretionary power and operate with a certain degree of autonomy, but they are expected to cooperate to reduce unequal treatment across regions and municipalities. First responsible for the provision of unemployment benefits is the implementation office of the unemployment act (UWV), which also acts as the public employment office (Dutch PES). Before, January 1, 2015 the UWV was also responsible for the execution of the youth disability scheme (WAJONG).

The municipality implements the social assistance scheme that renders people a minimum income in the case no other means of subsistence are available. The level of the social minimum income depends on the age and the household composition of the beneficiary. For 18, 19 and 20 years old the minimum assistance is lower than for 21 years old who get the adult minimum income. As of January 1, 2015 the municipalities became also responsible for the so-called Participation Act, that is a wage-subsidy scheme for the employer to warrant employment of vulnerable groups on the labour market including the young disabled.

Due to austerity measures during the crisis the time and effort put into mediation of the short-term UIB recipients have been diminished. The focus has therefore been shifted to e-coaching and e-matching to reduce the time needed for guidance and mediation and to focus on the most vulnerable group of people who need intensive mediation.

The Act on Work and Welfare (WWB) contains a waiting period for those below 27 years of age. However, social assistance is denied when the youngster returns after 4 weeks and a return to state-supported education is possible. There is no evaluative research conducted yet on the impact of this rule, but there is some evidence from seven municipalities that 30% to 48% of youth does not return after the 4 weeks waiting period (Ministry Social Affairs and Employment, 2013).

The Netherlands are characterized by a preventive and dual system of employment protection legislation. Employers have to submit a request for dissolution of the employment contract from the lower courts or ask for a dismissal permit from the Dutch PES (UWV), before they can dismiss an employee. Half of the cases are now brought to court. At the same time the Netherlands has a liberal system for non-standard employment meaning that whereas the EPL for permanent workers is fairly high (2.8 according to most recent OECD figures), the EPL for flexible workforces is fairly low (1.2).

Dutch youth is increasingly and to a high extent employed in temporary contracts and the chances of making a transition into an open-ended employment contract have declined.

II. Policy Innovations: facilitating transitions into work

Education: transitions from school to work

There is a commonly felt need to improve the match between the education system and the labour market. A reform of the national qualification infrastructure is in preparation, entailing the reduction of the number of education programmes and the creation of a clearly defined set of labour market-oriented career profiles. This restructuring will also facilitate schools in catering more to the needs of regional labour markets by developing tailor-made courses.
One of the major policy efforts was to reduce the number of early school leavers or drop-outs. The policy was very successful and the dropout rate has been reduced from 5.5% in 2002 to 2.7% in 2012. Part of the success is the integrated and concerted approach, in which schools were involved, but also social work institutions and local communities.

Since the establishment of the Knowledge and Innovation Agenda in the early 200s and the Technology Pact in May 2013 the most important policy innovations concern the public-private initiatives of the Centres of Craftsmanship in secondary vocational training (MBO) and the Centres of Excellence in higher vocational training (HBO). In addition, for the period 2014-2017 the government invest 100 million euros in the creation of a regional investment fund for the setup of dual learning-work programs that can improve the qualitative match between MBO and work practice.

Labour Market, Social Security and Welfare: transitions from unemployment into work

Changes in EPL for both open-ended and temporary employment contracts will be implemented in the course of 2015, building on the 2013 Social Accord that was concluded among the social partners at the national level and which was subsequently translated into new legislation, such as the Act on Work and Security.

The social accord in 2013 altered the court formula for calculating severance pay (from one month for each year of service to 1/3 month) to make dismissal cheaper for employers. For older people (50+) another formula will be used. In addition a ceiling is set for severance pay of 75,000 EUR that is transformed into a transition budget. The EPL protection of temporary workers will change as well. The regulation of fixed-term contract will be adjusted, changing the 3*3*3 rule (a maximum of 3 consecutive temporary contracts for a maximum of 3 years with 3 months period in between two chains) into a 2*2*6 rule (maximum of 2 consecutive contracts for the duration of 2 years and an interval of 6 months between two chains).

An innovative local scheme to help young people bridging the gap between unemployment or welfare and the first job is the “Youth Starter’s Grant”. About 150 of the 400 Dutch municipalities have launched this scheme. School-leavers who are unable to find a job are stimulated and facilitated with finding a traineeship at a company or institution that matches both their level and type of education. The employer pays at least 100 euro per month to the young person and the municipality pays in addition 400 euro (using ESF funding), creating a total grant of 500 euro per month. The grant is given for a maximum period of 6 months and cannot be prolonged.

A second innovative scheme concerns the sector plans launched in 2014 by the government. The social partners are invited to develop sector plans that may or may not be focused on youth transitions, which are then co-financed by the government (600 million euro). Viewing the 72 plans that have been approved so far they entail work-to-work transitions for redundant workers and training and education. A first evaluation shows that only 9% are targeted to youngsters of which only minor attention is paid to youth transitions within employment.

III. Assessment of impact
There is hardly any evidence in the Netherlands showing the effect of policies and/or institutions on the employment of youngsters. The Netherlands has no tradition in policy making to conduct ex ante evaluation research of the proposed policy change nor to conduct any form of 'impact assessment'. Therefore, policy evaluation and impact assessment must be based on plausibility reasoning or contextual evidence.

There is not much evidence on the effect of the age-differentiated level of the minimum wages on youth employment. There is reason to argue that notably in the recent crisis in particular sectors which are sensitive to the business cycle such as the retail sector, the hotel, catering - and restaurant sector some crowding-out and substitution has taken place not only of older youngsters with higher minimum wages by cheaper youngsters but also of low-educated (temporary or permanent) youngsters with skilled student workers mostly working on temporary contracts.

Strong employment protection has on average no impact on overall employment, but it has a strong negative impact on the employment of youngsters. This seems especially caused by a strong negative impact of the strictness of the regulation of temporary contracts. The stricter the regulation of temporary work is, the more adversely the employment of youngsters is affected. Employers are apparently then reluctant to hire temporary but also regular workers. That might explain the low unemployment rate of youngsters in the Netherlands who are employed in temp jobs instead of becoming unemployed.

The share of youngsters in temporary jobs has increased strongly during the crisis from 48% in 2008 to 63% in 2012. This appears associated with the strict employment protection of regular and the lean protection of temporary workers. Youngsters face more employment and income insecurity because the annual transition rates from flex contracts into open-ended contracts is declining over time and wages are low in temp jobs. There is concern for the position of NEET youngsters (Not in Employment, Education or Training), and the re-insertion of young handicapped persons back into the labour market (Participation Act).

Key words:
Youth Unemployment, School to Work Transitions, Skills mismatch, Job insecurity, Labour Market Policies, Policy Innovations
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<th>Description</th>
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<tbody>
<tr>
<td>ALMP</td>
<td>Active Labor Market Policy</td>
</tr>
<tr>
<td>EPL</td>
<td>Employment Protection Legislation</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PES</td>
<td>Public Employment Service</td>
</tr>
<tr>
<td>UIB</td>
<td>Unemployment Insurance Benefit</td>
</tr>
<tr>
<td>WW</td>
<td>Unemployment Act</td>
</tr>
<tr>
<td>WIA</td>
<td>Act on Employment Insertion of the Disabled</td>
</tr>
<tr>
<td>WAJONG</td>
<td>Former Act on Disability of Young Handicapped</td>
</tr>
<tr>
<td>WWB</td>
<td>Act on Work and Social Assistance</td>
</tr>
<tr>
<td>MBO</td>
<td>Secondary vocational training</td>
</tr>
<tr>
<td>HBO</td>
<td>Higher vocational training</td>
</tr>
<tr>
<td>BBL</td>
<td>Work-based route of secondary vocational training (MBO)</td>
</tr>
<tr>
<td>BOL</td>
<td>School-based route of secondary vocational training (MBO)</td>
</tr>
<tr>
<td>NEET</td>
<td>Not in employment, education or training</td>
</tr>
</tbody>
</table>
1. Institutional arrangements

1.1 Governance structure

Level of responsibilities

The governance structure with respect to youth policies reflects the features of the Dutch welfare state, highly centralised in terms of law making and policy formation but with decentralised responsibilities for the execution of specific policies notably in the domain of labour market, social security and welfare. With respect to the labour market and social security including social assistance, relevant law regulations concerns labour law (employment protection, minimum wage, extension of wage bargain agreements to other sectors) and social security law (unemployment insurance, employment and social assistance, general disability, disability for youth, participation act etc.).

Regional (the provinces) and local authorities have discretionary power and operate with a certain degree of autonomy, but they are expected to cooperate to reduce unequal treatment across regions and municipalities. For example, the established online portal for youth is a joint initiative of the Ministry of Health, Welfare and Sport, the Ministry of Security and Justice and the association of Dutch municipalities. In the years to come the Dutch youth care system is subject to significant reforms implying a decentralisation of many executive tasks meaning a shift in implementation responsibilities from national to local authority. From 2015 on the municipalities will have a responsibility in the execution of particular youth care services instead of the provinces and the national authorities, also, at least partly, in the realm of labour market (Participation Act). Social assistance schemes already belong to the competences of municipalities in terms of providing income support and reintegration activities, but so will be the youth care and the youth disability scheme as of early 2015.

1.1.2 Key stakeholders involved in the design and implementation of youth-related policies

Youth policies are the joint responsibility of the Ministry of Social Affairs and Employment (labour market, unemployment insurance, social assistance), the Ministry of Culture, Education and Science (education, internships and apprenticeships), the Ministry of Health, Welfare and Sport (health and youth care) and the Ministry of Safety and Justice (youth delinquency). These ministries are responsible for law making and law maintenance in their respective policy domains. Other stakeholders of youth policies at national level are also the social partners, notably the employers’ and employees’ organizations.

Unemployment insurance

A first major social actor at regional level in the design and implementation of youth-related policies notably in the labour market domain is the implementation office of the unemployment insurances UWV.

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1 See: [http://www.youthpolicy.org/pdfs/factsheets/Netherlands.pdf](http://www.youthpolicy.org/pdfs/factsheets/Netherlands.pdf)
which also acts as the public employment office (UWV-Werkbedrijf - Dutch PES). Before, January 1, 2015 the UWV was also responsible for the execution of the youth disability scheme (WAJONG). New entrants into the scheme now fall under the participation act while those who were already in the scheme before January 2015, stay under the jurisdiction of the UWV. The level and duration of the unemployment insurance benefit (UIB) depends on the beneficiary’s employment history, providing entitlement to one month of benefits for every year of tenure with a maximum duration of 38 months (Bekker and Lanting, 2011). Yet, in 2016 the maximum duration of the UIB will be lowered gradually to 24 months and also the calculation method for acquiring UIB entitlement will change. Tables 1.1 and 1.2 show the amounts of the social assistance and child allowances benefits.

Table 1.1 The level of social assistance benefits (January 2015)

<table>
<thead>
<tr>
<th>Household</th>
<th>Age</th>
<th>Benefit level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult minimum wage</td>
<td>23 years and older</td>
<td>€ 1501.80 per month</td>
</tr>
<tr>
<td>Married or living together</td>
<td>21 years until pension age</td>
<td>100% of minimum wage (together)</td>
</tr>
<tr>
<td>Single parent</td>
<td>21 years until pension age</td>
<td>70% of minimum wage</td>
</tr>
<tr>
<td>Single</td>
<td>21 years until pension age</td>
<td>50% of minimum wage</td>
</tr>
<tr>
<td>Youth</td>
<td>18 - 21 years</td>
<td>derived from child allowance</td>
</tr>
</tbody>
</table>

Table 1.2 The level of child allowance per child per quarter (January 1, 2015)

<table>
<thead>
<tr>
<th>Child allowance in euro per quarter</th>
<th>0 – 5 years</th>
<th>6-11 years</th>
<th>12 -17 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per child</td>
<td>€ 191.65</td>
<td>€ 232.71</td>
<td>€ 273.78</td>
</tr>
</tbody>
</table>

Note: In the case of high costs e.g. for a handicapped not in-living child, the child allowance can be twice the amount.

The UWV is responsible for the mediation and re-insertion back into work of the longer-term unemployed through the use of public employment services (PES). The share of young unemployed people in PES is rather low due to the large share of youngsters not meeting the access criteria related to the required employment history either because of being a school-leaver or because of having a short and/or interrupted work history associated with spells of unemployment and employment in temporary jobs.

Social assistance
The second major social actor at regional level is the municipality implementing the social assistance scheme that renders people a minimum income in the case no other means of subsistence are available. The level of the social minimum income depends on the age and the household composition of the beneficiary. For 18, 19 and 20 years old the minimum assistance is lower than for 21 years old who get the adult minimum income. In addition beneficiaries can claim additional income allowances for coverage of specific expenditures (replacement of durables, medical costs etc.) that they cannot pay from their minimum income. For all youngsters below the age of 27 there is a waiting period of one month before benefits can be claimed during which people need to search for a job themselves. For those seeking work such as the long-term unemployed for whom the benefit period of entitlement to unemployment insurance expired, but also the school-leavers and the older unemployed, the municipalities have the responsibility to guide and mediate them back into the labour market. This can be pursued by offering various kinds of mediation trajectories running from offering language, application or education courses to upgrading skills, intensive mediation, wage subsidies or social insurance premium reductions to induce employers to create regular or sheltered jobs and to offer
employment opportunities in sheltered firms. As of January 1, 2015 the municipalities became also responsible for the implementation of the so-called Participation Law in which they implement a wage-subsidy scheme for the employer to warrant employment of vulnerable groups on the labour market including the young disabled people in private - and public-sector jobs while also offering guidance and other forms of mediation for re-insertion into the labour market (cf. section 4).

Role and extent of involvement of social partners

The social partners are engaged in concluding collective agreements or wage bargaining at sector level. At national level social partners take part in tripartite negotiations with employers, employees and government on the design and implementation of social covenants or accords in which agreement is sought on particular important topics in the domain of socio-economic policy such as annual wage increments, pension rights, employment protection, disability, sheltered employment, youth unemployment, working times and minimum wages. They also play a role at regional and local level although their gravity point is at sector and national level, at least in the Dutch context. The Dutch Unions sees for themselves a wider role than representation of the employees’ interests in the wage bargain only by providing various sorts of services to their members including training and education opportunities, but also support in financial matters. They are further involved in and render support to regional and local community initiatives and policies.

1.2 Education and training system in the Netherlands

1.2.1 School System

The Dutch education system is a mixed system of general education at primary (5-12 years), secondary (HAVO/VWO 12-18 years) and tertiary level (University, 19-22 years) and vocational education and training at secondary (MBO, 12-16 years) and tertiary level (HBO, 17-20 years). Figure 1 depicts the structure of the Dutch education system.

The Dutch education system resembles very much a so-called ‘general skills’ regime (Hall & Soskice 2001) in which students acquire not only professional knowledge needed to properly execute the job tasks in that specific profession but to a substantial extent also general knowledge. The level of generic skills of Dutch youngsters is therefore rather high compared to youngsters in other countries of the OECD. Figure 2 shows the average scores on numeracy and literacy of the 16 to 24 years old. Dutch youngsters rank three.
Figure 1: Structure of the Netherlands’ Education System

Figure 2. Average score on numeracy and literacy of 16-24 year olds

Source: OECD (2013); *Survey of Adult Skills (PIAAC) 2012

Discussion

See further see: http://www.ncee.org/programs-affiliates/center-on-international-education-benchmarking/top-performing-countries/netherlands-overview/netherlands-instructional-systems/
There is a strong debate in the Netherlands on the mismatch between the offered skills that students acquire at school and the required skills for executing the tasks at the workplace. The substance of the debate is on how the gap between offered and demanded skills can and need to be closed to improve the job match notably at entry into the labour market. The proposed reforms in the so-called national qualification infrastructure resemble this debate. Before discussing these policy reforms we report below in more detail on the way the vocational education at secondary and tertiary level is organised and on the way the internships, traineeships or apprenticeships are organised in these schools.

Secondary vocational education

The vocational training system in the Netherlands at the secondary vocational level (MBO) takes up to four years, depending on the level of training. Those who complete their training can start to work or continue to a higher form of education (tertiary education). More than 600 vocational education programmes courses are currently provided. Even though the secondary vocational training programmes prepare students for a particular profession, a substantial share of the courses focuses on the attainment of general skills. This mirrors the general skills feature of the Dutch education system.

At secondary vocational level (MBO) students are educated for a wide range of occupations, from franchise manager to mechanic or nursing assistant. Secondary vocational training is given at four different levels, each leading to a specific job qualification:

- level 1: assistant professional;
- level 2: basic professional;
- level 3: independent professional;
- level 4: specialised professional / middle-management.

Students who have successfully completed the theoretical education route of pre-vocational training (VMBO), the combined pre-vocational (VMBO) and vocational training route (at MBO level 2) or the middle-management vocational route at pre-vocational level (VMBO), can enrol in the highest two training levels of independent professional and middle-management training (MBO levels 3 and 4). Holders of a level 4 MBO certificate may go on to higher vocational education (HBO). For each MBO course two main learning routes exist: school-based routes (BOL, trainee routes) and work-based routes (BBL, apprenticeship routes). In the trainee routes students primarily learn in school and participate for one or two days a week in different workplaces as part of the vocational training. In the apprenticeship routes students are employed in professional organizations for more than 60% of their time (3 days a week or more). In the Netherlands, the school-based route is gradually replaced with a combined school-based and workplace-based learning route because the employment perspectives for the apprenticeship route are much better than for the trainee routes (see: Schaap, Baartman, & de Bruijn, 2012:100).

Discussion

There is an on-going debate in the Netherlands about to what extent there is a mismatch between the skills and competences demanded by the employers and the supply of skills and competences offered by the students after finishing secondary vocational training. Of particular concern for education policies is the high level of drop-out rates (early school leavers) and the low level of yield rates (share of students completing education within a certain period of time). In the framework of the debate on skills and

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education there is concern for the PISA scores of the youngest generations and the performance scores of the top 1% talents (Allen & van der Velde 2012).

Tertiary Education

Regarding tertiary education universities are split into two categories: academic universities (WO) and universities of applied sciences (HBO). Since the early 2000s both types of higher education share a bachelor-master structure with approximately the same length (4 years). Although every HBO also transfers theoretical knowledge to its students, it is more practically oriented than the academically oriented university programmes. Whereas the majority of Dutch university programmes do not offer internships or only for a small fraction of students, HBO-students are generally obliged to conduct internships lasting for at least about 6 months, making the latter seem linked closer to the labour market (Eurydice, 2005b).

Discussion

There is an on-going debate on the return to investments in tertiary education, HBO as well as University, because of the high dropout rate in the first year of the education period and the low yield after four years. The dropout rate in HBO is about 30 to 40% either for students coming from secondary vocational or from general training.

1.2.3 Training System

Because the Netherlands is a general skills regime pupils at school acquire general skills at school that need to be supplemented through additional training. For youngsters at work there are in-firm training courses organised by the firm or organisation. This can be formal training within the firm or on-the-job training while working. Firms used to organize their education and training in so-called firm schools but since the 1990s firms strongly rationalised on these investments shifting the responsibility to the employee or the government. The investments in education by firms appears closely linked to the business cycle meaning that training efforts are rationed in economic recessions. For the same reason firms tend to be less willing to offer internships or traineeships to students in secondary or tertiary vocational education.

‘School to work’ transitions are highly institutionalised within the vocational and training (VET) system. In response to the criticism of business on the general drop in the number of VET students in general, the “Platform Beta Techniek” has been established in 2004. In the early 2000s the launch of the Knowledge and Innovation agenda have inspired the government to develop a top sector approach and a Technology Pact (May 2013). More detail on the training opportunities for youngsters at school follows below.

The Dutch training system for youngsters still in education differs strongly between secondary vocational training, higher vocational training and university. At secondary vocational training level an internship or apprenticeship is required to complete education.

5 See also http://www.mzes.uni-mannheim.de/publications/misc/isced_97/luij08_the_educational_system_of_the_netherlands.pdf
Secondary and tertiary education
In recent years there was a mandatory so-called ‘societal internship’ for pupils of secondary general education, which required them to spend a short time period in a non-profit organization, e.g. a home for the elderly. This has now become voluntary. As of 2014, new regulations demand that schools at secondary and tertiary vocation level offer obligatory traineeships to every new student. If there is no traineeship found for the student by the school or the student him/herself the student is not admitted to the school. As explained earlier the Dutch training system is a dual system in which students may choose between the work-based route (BBL) and the school-based route (BOL).

Tertiary education (university)
There are many traineeship programmes for university graduates in the Netherlands. The most well-known and traditional one is the PhD traineeship programme for university graduates who completed the masters or the research master study (a selective top-up study of one year). The NWO PhD ships are very competitive and selective. They are voluntary and usually last for three years when a (research) master study has been completed beforehand. The salary level is high compared to an internship and usually low compared to a regular job in the first year, yet this salary gap is slowly closed as the PhD candidate progresses. The Minister is preparing a change in law in which universities are allowed to hire a fraction of PhD students on a student basis instead of an employee basis. This new regime is introduced to become more in line with the systems in other countries where PhD students more often have a student status.

Discussion
The main issue in the debate on training for youngsters is the shortage of traineeships, internships and apprenticeships offered by employers for the large number of students. When admittance to these types of education is dependent on a traineeship the shortage in supply means that youngsters lack education opportunities and become NEET youngster (not in employment, education or training). This ‘bad start’ might have long-term ‘scarring’ effects on youngster’s career perspectives.

At University level one of the main issues in this matter is the declining number of PhD ships in Universities offered by the Dutch National Science Foundation (NWO) due to the retrenchment policies of the Dutch government and the low degree of investments in tertiary education. This decline especially during recent years, seem to be only partially compensated by the rise of external PhD ships or PhD ships funded from other sources (such as the European Commission).

1.3 Active Labor Market Policies (ALMP)
The Netherlands has already in the 1990s invested strongly in the spending on active labour market policies to catch up with the Scandinavian countries. The Netherlands stands at the top of ALMP spending in Europe in 2014. Much of the spending went to mediation and re-employment or reintegration activities. Basically, Dutch labour market policy focuses on making it cost-efficiently for employers to hire unemployed workers by providing wage subsidies and for the worker to ‘making work pay’ by creating financial incentives to the worker e.g. through tax reductions. The employer could benefit from wage cost subsidies and reduction in the payroll taxes when he hires an unemployed worker.
On the agenda of active labour market policies in the last 7 years are the following topics:

- Wage subsidies and training
- Mediation of the unemployed by the public employment office (UWV) and the local municipalities
- A four weeks waiting period for access to welfare
- Self-employed: wage subsidies and subsidies for start-ups

**Mediation through the UWV or the municipalities**

Mediation within the domain of social security is provided by PES and its main tasks are:

- Support and mediation into employment – supporting the client to remain employed or support in job search, in close cooperation with the municipalities;
- Reintegration support – evaluating degree of incapacity to work according to clear criteria and guidance and mediation into work places (up to ultimo 2014);
- Benefit payment – ensuring that benefits are provided timely and correctly when reinsertion into work is impossible in the short run;
- Securing information efficiency – ensuring efficient (one-time) collection of information from the client on matters of mediation to employment and benefit payment

**Discussion**

Because of retrenchment policies the time and effort put into mediation of the short-term UIB recipients have been diminished. As youngsters usually have a short employment history, the UWV lacks the means for intensive mediation of these youngsters. UWV itself is currently in a process of restructuring because of the on-going changes in policies meaning the shifting of part of the responsibilities for reintegration of the disabled people to the local communities. The focus has therefore been shifted to e-coaching and e-matching to reduce the time needed for guidance and mediation and to focus on the most vulnerable group of people who need intensive mediation. After a few months young job seekers will be allocated to a mediation coach.

Because school-leavers without a work history are not eligible to UIB, they are dependent on welfare benefits and need to receive mediation from the municipalities. The case manager of the Work & Income department of the municipality will mediate the job seekers by offering career guidance, counselling and training or access to work experience programmes. Yet, it is not evident for young unemployed to get support from the municipality, as will be shown in the next section.

**A four weeks waiting period for access to welfare**

The Act on Work and Welfare contains a waiting period for those below 27 years of age. When a youngster applies for social assistance for the first time, he or she is send home, following the rule of a four weeks ‘search period’ to find education or work on their own. This not only means that there is no right to income support, but also no right to re-integration support. When the youngster returns after 4 weeks, the request for assistance and income support is accepted when the eligibility criteria are met. Yet, when a return to state-supported education is possible, this is obliged, and social assistance is denied. There is no evaluative research conducted yet on the impact of this rule, but there is some basic evidence. Based on the assessment of seven municipalities it was shown that 30% to 48% of youth does not return after the 4 weeks waiting period (Ministry Social Affairs and Employment, 2013). Also, municipalities have little information about the activities of non-returners, as there is no structural check-up (observation based on 6 municipalities). The municipalities notice the following problems a) vulnerable youngsters need immediate support rather than waiting for four weeks, b) return to education is not always an option due to the standard timings of subscription and the fact that schools sometimes
refuse a student’ subscription. Some municipalities try to find ways to give tailored approaches regardless of the waiting period. This is done at an ad hoc basis and is thus dependent on the practices and policies of that particular municipality. There are for instance municipalities who render ‘passive’ support with job finding activities during the four weeks waiting period.

Self-employment: wage and start-up facilities
As of 2014 employers can get a reduction in the payment of social premiums amounting to 3500 euro per year when they hire an unemployed young job seeker for at least 32 hours per week during a least half a year. This arrangement will be adjusted in 2015 to include a 24 hours working week.

Generally, there are three different types of start-up incentives for unemployed and inactive people in the Netherlands.

- First, there is a set of incentives for potential entrepreneurs receiving Unemployment Insurance Benefits (UIB) (‘Werkloosheidswet’ - WW). Such incentives have existed since 2006 and were adjusted in 2013.
- Second, as of 2004 there are specific incentives for people who receive social assistance (Wet werk en inkomen - WWB).
- Third, there are incentives for people who are ill or who have a work disability and receive benefits related to their work incapacity (‘Wet werk en inkomen naar arbeidsvermogen’ or WIA for work disability; ‘Ziektevet’ for illnes; or ‘Wajong’ for young disabled).

These incentives are relatively cost-effective, as they mainly consist of information and guidance of the new entrepreneurs and the temporary abolishment of the obligation to apply for a job (see: Bekker & van den Eijnden, 2014).

1.4 Employment Protection Legislation

Employment protection law
The Dutch Act on Flexibility and Security (1999) has been of vital importance for the regulation of regular and temporary employment contracts. Before 1999, only one fixed-term contract could be offered after which an employer had to offer an open-ended contract. After the introduction of the Act, three consecutive fixed-term contracts were allowed, for a maximum duration of three years (3*3*3 rules). A continuation of the employment relationship after these three contracts or after three years means an automatic change of the fixed-term contract into an open-ended contract; however, such a change is not mandatory: an employer can also choose to hire another temporary worker (‘revolving door’ strategy). The employer does not need to give a specific reason for rendering an employee a fixed-term contract. Therefore, it is possible to render an employee a fixed-term contract even when the tasks the employee fulfills are structural in the production process (Peters and Veldman, 2009). Upcoming changes in employment legislation are discussed in part II.

Employment protection system
The Netherlands are characterized by a preventive and dual system of employment protection legislation. Employers have to submit a request for dissolution of the employment contract from the lower courts or ask for a dismissal permit from the Dutch PES (UWV Werkbedrijf), before they can dismiss an employee. Over the last decades, more and more dismissal cases were brought to court meaning that currently this holds for about half of the cases. At the same time the Netherlands has a liberal system for non-standard employment, including fixed-term contracts, zero hours contracts, agency work et cetera. Whereas the EPL for permanent workers is fairly high (2.8 according to most
recent OECD figures), the EPL for flexible workforces is fairly low (1.2). This results in an average overall EPL rate (2.2). Only lower courts can permit severance pay to the employee, based on a formula established by the courts. The maximum duration of the probation period is two months – no special probation period for apprentices or youngsters exists. Yet, youngsters are much more often in fixed-term employment than older workers, making also the overall proportion of temporary employment high - one in five contracts was temporary in 2014, almost comparable to Spain, Portugal and Poland. In addition one in nine workers worked as a solo self-employed worker. Temporary contracts are used as a ‘screening device’ and a way to extend the probation period (ROA, 2011). The high share can be explained by the strong employment protection rules for open-ended contracts and the lean regulation of temporary contracts for which reason employers seek more leeway to adapt to changes in economic conditions by circumventing these strict rules by hiring temporary workers (Muffels, 2013). In Figure 3 we show the evolution of three types of temporary contracts (a fixed-term contract; a temp agency contract or ‘other’ temporary contract either on-call or with unfixed number of hours) over time. The figures show a strong rise in the years 2000, just after the implementation of the Flexibility and Security Act.

![Figure 3. Evolution of temporary contracts in the Netherlands 1996-2014](image)

Note: The time series reveal a break in 2001 when the definition of a temporary contract has been revised.

Source: CBS Statline, 2015

### 1.6 Youth minimum wage

One specific feature of the Dutch institutional system, already mentioned earlier, is the existence of a (national) youth minimum wage. The lower youth minimum wage is assumed to reflect the lower productivity of youngsters with a lower level of training and work experience than their adult fellow workers (aged 23 years and older). The minimum youth wage increases with each additional year for 15 to 23 years olds. The wages are adjusted to real and nominal wage rises as agreed on in Collective

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6 This overall figure also includes EPL for collective dismissals.
Agreements twice a year, in January and July. Table 1 shows the amounts of the minimum youth and adult wage.

### Table 2. The level of minimum wage in the Netherlands (January, 1 2015)

<table>
<thead>
<tr>
<th>Age</th>
<th>Monthly amounts</th>
<th>Weekly amounts</th>
<th>Daily amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 years and older</td>
<td>€ 1.501,80</td>
<td>€ 346,55</td>
<td>€ 69,31</td>
</tr>
<tr>
<td>22 years</td>
<td>€ 1.276,55</td>
<td>€ 294,55</td>
<td>€ 58,91</td>
</tr>
<tr>
<td>21 years</td>
<td>€ 1.088,80</td>
<td>€ 251,25</td>
<td>€ 50,25</td>
</tr>
<tr>
<td>20 years</td>
<td>€ 923,60</td>
<td>€ 213,15</td>
<td>€ 42,63</td>
</tr>
<tr>
<td>19 years</td>
<td>€ 788,45</td>
<td>€ 181,95</td>
<td>€ 36,39</td>
</tr>
<tr>
<td>18 years</td>
<td>€ 683,30</td>
<td>€ 157,70</td>
<td>€ 31,54</td>
</tr>
<tr>
<td>17 years</td>
<td>€ 593,20</td>
<td>€ 136,90</td>
<td>€ 27,38</td>
</tr>
<tr>
<td>16 years</td>
<td>€ 518,10</td>
<td>€ 119,55</td>
<td>€ 23,91</td>
</tr>
<tr>
<td>15 years</td>
<td>€ 450,55</td>
<td>€ 103,95</td>
<td>€ 20,79</td>
</tr>
</tbody>
</table>

Source: Ministry of Social Affairs and Employment, 2015 (http://www.rijksoverheid.nl/)

Wages are negotiated among the social partners, either at sector or at company level. When the minimum wage is circumvented by employers, the labour inspectorate may impose a penalty of 10,000 euro, which can be raised in the case of subsequent infringements. Ultimately the company might be temporarily shut down.

### 1.7 Working time and working conditions acts

**Collective agreement and working-time acts**  
Important social (security) rights are also laid down in collective labor agreements. In addition, bilateral agreements between the employer and the individual employee may further specify certain social rights (Bekker & Van Benthum, 2012). In the Dutch Working-Time Act and the Working Conditions Act young people below the age of 18 are protected in two ways: a) restrictions on working hours and working time (e.g. night shifts) b) working with certain machines and equipment. Regarding working hours specific rules apply to the age categories of 16 to 17 years and below 16 years (in the latter categories this mainly concerns side-jobs for students, which are widespread in the Netherlands). In additions working-time account schemes exist at company level. Short-time working allowances can be granted on the basis of law in extraordinary circumstances in particular business sectors, but not as a general rule. In the earliest years of the crisis a “Part-time Unemployment Act” was enacted, but only during a short period and with a rather limited scope – not comparable to e.g. the extended permanent German *Kurz Arbeit* system.

### 1.8 Tax wedge, retrenchment policies and economic growth

The tax wedge is the difference between gross and net income consisting of payroll and income taxes that are levied on income earners. The higher the tax wedge, the lower the incentives on raising one’s
effort and the lower the demand or consumption. The tax wedge therefore might have an impact on economic growth and the speed of recovery after the crisis. The figures show that the tax wedge in the Netherlands is not extremely high while being just above the OECD average (table 3). In addition, between 2010 and 2013 the tax wedge changed annually with -1.2 point, one of the starkest declines among OECD countries.  

The debate on the role of the tax wedge for economic growth during the crisis was particularly strong between economists about whether the strict budgetary policies and austerity measures of the liberal-left Dutch government did not harm the economy too much or whether a neo-Keynesian approach by reducing taxes, increasing tax credits or by investing in infrastructure might have improved the economic growth figures and hence employment instead. The debate did not specifically address the situation of youngsters.

Table 3: Income tax plus employees’ and employers’ social security contributions (in % of labour costs), 2013

<table>
<thead>
<tr>
<th>Countries¹</th>
<th>Income tax</th>
<th>Employee SSC</th>
<th>Employer SSC²</th>
<th>Total Tax wedge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>14.34</td>
<td>14.21</td>
<td>8.39</td>
<td>36.9</td>
</tr>
<tr>
<td>OECD (35.9%)</td>
<td>13.31</td>
<td>8.26</td>
<td>14.29</td>
<td>35.9</td>
</tr>
</tbody>
</table>

¹ Includes payroll taxes where applicable.

Source: OECD Economic Outlook Volume 2013 (No. 94).
2. Policy Innovations

2.1 Policy innovations and youth transitions: definition and introductory remarks

Policy innovations can be assumed to tackle the most important transition problems that youngsters face with a view to transitions from education to work (early drop-out, lack of traineeships), within employment (insecure jobs) and from non-work into employment (entry barriers). Although the youth unemployment and NEET’s rates are relatively low in the Netherlands, they have peaked significantly during the recent crisis especially among the low skilled and the immigrants. Employers were rationing on labour costs and reluctant to hire low-skilled or inexperienced youngsters. Moreover, Dutch youth is increasingly and to a high extent employed in temporary contracts and the chances of making a transition into an open-ended employment contract have declined. Finally, as in other countries, there is room for improvement in the school-to-work transition, addressing and preventing structural mismatches in the labour market. Whether a policy change is also an innovation seems dependent also on its success in tackling the youth problems and in attaining the government’ goals and targets. Very little ‘policy evaluation’ or ‘impact assessment’ research is conducted in the Netherlands to check whether a policy change will be a success or not, making assessments reliant on plausibility reasoning and contextual evidence.

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2.2 Education

The relevant topics in the innovation agenda of education are the following:

- Skills mismatch: reducing the mismatch between acquired skills at school and demanded skills by the employer
- School choice and dual learning tracks
- Vocational training and the reform of the qualification structure
- Combatting early school leaving: reducing the number of school dropouts
- The future of higher education

Skills mismatch
In academic as well as policy circles, including the current government, there is a common belief that
the distance between the education system and the labour market has grown too large and that there
is a need to close the gap by more intensive collaboration and by improving the match between the
education system and the labour market. That has inspired the Dutch government to invest in the
establishment of Craftsmanship Centres for stimulating learning on craftsmanship skills, the extension
of dual learning systems (school learning and internships) and the continuous exchange of teachers
from practice for keeping pace with up-to-date work experiences. It also involves a substantial reform
of what is called the national qualification infrastructure. Proposed reforms are to be implemented as of
2016. Part of the reform plans is the reduction of the number of educations from 600 to 175, and the
creation of clearly defined labour market-oriented career profiles in the framework of the reform of the
qualification dossiers in secondary vocational training. The implementation of these reforms will in the
end need to take place in schools at local and regional level.

Clearly, education and training policies are constantly under pressure. Because education is largely
dependent on government funding political decisions are deeply effecting education (see Bronneman
2011). The parliamentary inquiry in 2008, chaired by the current Minister of Finance Jeroen
Dijsselbloem, raised deep concerns about the quality of education asking for a change. Investments in
higher education are relatively low in the Netherlands compared to other countries, while in the last five
years hardly any improvement in the quality were visible. Each type of education has its own
governance and administrative system, with particular rules and regulations. As such a ramified system
of learning pathways exists. In each type of education, as well as in the education sector as a whole, a
new balance needs to be found between accessibility, quality and efficiency. Budget cuts during the
crisis have brought the accessibility to education more to the background, whereas the need to realise
efficiency gains got a more prominent place on the agenda. A reform in the qualification structure is
foreseen that will lead to a substantial adjustment of existing programmes.

School choice and dual learning tracks
Many Dutch students make the wrong study choice and start a second or third study. The policy of the
Dutch Minister of Education Jet Bussemaker is to prevent students from choosing a study that does not
match their talents. Students now need to subscribe for a study earlier in the year, but they have
acquired the right to ask for advice on their study choice, including following test classes and a
conversation with students or lecturers.

More youngsters are following a dual track programme of study and work. This means that more
youngsters are prolonging their study and due to the dual system they might improve their labour market
chances. Another positive development is that more youngsters choose for a study in health care and
in technology, with better future labour market prospects (although currently due to retrenchment
policies notably low-skilled health care workers are laid off). The awareness of students on the
importance of their study choice has therewith increased. The government further invests in preventing
dropouts, and in facilitating transitions from education to a self-employment career. The ‘School Ex’
successfully stimulates intermediate vocational training students to prolong their education in order to
receive a higher degree. In addition, this programme stimulates students to choose for studies with
good employment prospects such as health care and technology and many have already switched
because of this programme.

In the framework of the Education Agreement primary- and secondary education, and
intermediate vocational education are allowed to spend 34 million euros extra next year (2015). One of
the most promising agreements is the ‘flexibility of time management’ in secondary education. Instead
of having a 1000 hours norm per school year, the new norm is measured over the total school career
rendering some flexibility across years. Another agreement is that senior educational staff should be
facilitated to stay pro-active until the pension age. They will get additional training and will have more time to prepare classes and meetings.

**Vocational training and the reform of the qualification structure**

Since the establishment of the Knowledge and Innovation Agenda in the early 200s and the Technology Pact in May 2013 the most important policy innovations concern the public-private initiatives of the Centres of Craftsmanship in secondary vocational training (MBO) and the Centres of Excellence in higher vocational training (HBO). In addition, for the period 2014-2017 the government invest 100 million euros in the creation of a regional investment fund for the setup of dual learning-work programs that can improve the qualitative match between MBO and work practice, conditional on two-thirds co-funding by the companies and the regional authorities. That means that a total amount of 300 million might become available for this goal.

To improve the match between the education system and the labour market more plans have been developed, involving a reform of the national qualification infrastructure, as explained above entailing the reduction of the number of education programmes and the creation of a clearly defined set of labour market-oriented career profiles. In 2016-2017, first the pre-vocational secondary education (VMBO) will be adjusted; the existing four main trajectories are preserved but ten new profiles are introduced, reducing overlap between the current profiles and providing students with a wider range of choices. This restructuring will also facilitate schools in catering more to the needs of regional labour markets by developing tailor-made courses.

**Combatting early school leaving**

The dropout rate has been reduced from 5.5% in 2002 to 2.7% in 2012, making the Dutch measures to combat early dropout quite successful. Part of the success is the integrated and concerted approach, in which schools were involved, but also social work institutions and local communities. In 2013, it was agreed to continue these efforts and to spend 114 million euro a year to bring further down the number of dropouts from 36000 to 25000 per year. Reducing early school-leaving will contribute to reduce youth unemployment because notably youngsters without a diploma suffer from unemployment.

**The debate on the future of higher education**

In 2010 the Veerman-committee released an advisory report on the future of the higher education system in 2010. The committee made a plea for a more flexible and differentiated system with maintenance of the two pillars of higher vocational training and university. This is currently gradually being implemented. The consequence will be particular forms of specialisation, branding of schools, and more selectivity in the admission of students that should further reduce school dropout and improve the quality of higher education.

### 2.3 Active Labor Market Policies

The relevant topics on the innovation agenda of labour market policies in the last 5 years are the following:

- Action plans youth unemployment (unemployment to work transitions)
- Sector plans (work to work transitions)
- Youth Starter’s Grant

*Regional action plans youth unemployment 2011-2015*
During the crisis municipalities and regional social actors were invited to engage in collaborative efforts to further improving the transition of youth into education or work. The action plan was aimed at funding initiatives developed in regional networks and build further on existing practices of the former Action Plan Youth Unemployment. Many regions applied for funding and launched ideas for innovative projects. Of the 80 million euro for the latest action plan, more than 60% is paid through the European Social Fund (ESF). It aims at preventing school dropout, extending school residence and stimulating school-to-work transitions. The plan runs from 2013 to 2015, and in February 2015 new ESF funds have been announced to prolong existing projects.

**Sector plans**

Also the sector plans launched in 2014 may affect the position of youth on the labour market when they are targeted, entirely or partly, to youth. However, it is up to the social partners to develop sector plans that may or may not be focused on youth transitions, which are then co-financed by the government (600 million euro). Viewing the 72 plans that have been approved so far, these often do not entail job creation, but rather work-to-work transitions for redundant workers and training and education. As such, the plans involve a wide range of workers, and a first evaluation shows that only 9% are targeted to youngsters of which only minor attention is paid to youth transitions within employment (SEO/ECBO, 2014). Still, the government invites the social partners to pay attention to the inflow of youth into the labour market in their sector plans and agreements. Part of the sector plans may build on the Pact of Technology (‘Techniek Pact’) that has been concluded in 2014 by the governments, the social partners and the education sector. Such plans, to include young people in the labour market through creating jobs, internships or traineeships and dual learning trajectories, is also relevant to prevent or reduce future labour shortages especially in the field of technology and ICT.

**Youth Starter’s Grant**

Currently, the largest local scheme to help young people bridging the gap between unemployment or welfare and the first job is the “Youth Starter’s Grant”. About 150 of the 400 Dutch municipalities have launched this scheme. The arrangement has been initiated from bottom-up by prof. Ton Wilthagen (Tilburg University) in joint cooperation with the youth sections of trade unions. It started at the municipality level, in Tilburg but was taken over by a large number of local communities in the course of time including big cities as Amsterdam and Rotterdam. School-leavers who are unable to find a job are stimulated and facilitated with finding a traineeship at a company or institution that matches both their level and type of education. Young people are expected to actively approach a company or institution themselves, so as to improve their work experience in a workplace that fits their needs and interests. Alternatively the employer can post a Starter’s Grant vacancy on the special website (www.startersbeurs.nl). The employer pays at least 100 euro per month to the young person and the municipality pays in addition 400 euro (using ESF funding), creating a total grant of 500 euro per month. The grant is given for a maximum period of 6 months and cannot be prolonged (Wilthagen et al, 2014).

### 2.4 Employment Protection Law

Changes in EPL for both open-ended and temporary employment contracts will be implemented in the course of 2015, building on the 2013 Social Accord that was concluded among the social partners at the national level and which was subsequently translated into new legislation, such as the Act on Work and Security.
Concerning EPL, the procedure with the employment office UWV will be compulsory when the employment relation is terminated for economic reasons and in the case of termination due to long-term incapacity from work (this diverts from the current option for employers to choose between two available routes: the court or the UWV). The court procedure will be compulsory when there is a personal conflict or when the contract is being terminated for personal reasons.

However, the court formula for calculating severance pay will change as well. Instead of 1 month severance pay on average for each year of employment it will become only 1/3 month, meaning that with 12 years of service the employee now will get only 4 months of severance pay instead of the 12 months’ salary in the old system. For older people (50+) another formula will be used. In addition a ceiling is set for severance pay of 75,000 euros. The severance pay is hence substantially reduced, therewith lowering the costs of dismissal for employers. At the same time the severance pay system is also framed differently. In the new EPL scheme the severance pay is framed as a ‘transition allowance’ for employees who have been employed for at least two years. The sum of money, to be paid by the employer, can be used for training or outplacement (work-to-work guidance) purposes. A distinct regime will hold for employees aged 50 years and over. In the debate on this radical change in the dismissal regulations, lawyers believe that dismissed people still can go to court to challenge the maximum payment of 75,000 euro while requesting for higher severance payments with a fair likelihood of success. Another issue raised that is of importance to youth is whether temporary staff will benefit from the transition allowance because of the work history requirement of 2 years, but they might still benefit from the employer’s support in regaining work and in facilitating work-to-work mobility.

The aim of the new EPL scheme is not to compensate the dismissed person for the loss of income but to facilitate the transition into a new job or to switch into a new career by investing in people’s employability. In this sense the change might be considered a shift in perspective and a way to innovate the existing institutional set-up. In the next section on policy innovations we therefore discuss this in more depth.

Eventually, the EPL protection of temporary workers will change as well. The regulation of fixed-term contract will be adjusted, changing the 3*3*3 rule (a maximum of 3 consecutive temporary contracts for a maximum of 3 years, and with the option of a new ‘chain’ beginning if the employment relation has been stopped for at least 3 month) into a 2*2*6 rule (maximum of 2 consecutive contracts for the duration of 2 years and an interval of 6 months to restart the chain). The aim is to improve the position of temporary workers and to reduce the gap between the rights of workers on fixed-term contracts and those on open-ended contracts. The aim is to give flex workers more security and also to make their transition into an open-ended contract easier. Some argue that the final outcome might be that employers are reluctant to change the temporary contract into a regular contract and that they instead will choose for the ‘revolving door’ strategy by hiring a new temporary worker to replace the former one. This raises the question into the consequences of the EPL regulations and the proposed changes to youth employment.

2.5 Minimum Wage

In the past years there has been a debate on the abolishment of the youth minimum wages for which the youth sections of the Dutch trade unions are in favour. They however were hesitant in pushing forward their arguments during the crisis when youth unemployment peaked. One of the main arguments for abolishing concerns the erosion of the so-called implicit contract within companies.
Young workers initially tend to be paid less than their productivity but the longer they stay on the internal labour market the more they will be compensated for this initial loss by getting paid more than their productivity level when they get older. The Unions argue that when lifetime employment is disappearing the implicit contract breaks down and there is no need to keep the youth minimum wage below the adult’s one. Moreover, the population is ageing and ‘de-greening’, so young workers will increasingly become scarce. One could also add the argument that in the knowledge economy knowledge is more important than experience. Most of the earned wages in the industry are already set at a level that is about 30% above the minimum wage level. There is not much evidence on the effect of the setting of these minimum wages on the level of youth employment.
3. Assessment of effects on youth employment

3.1 Impact assessment: introduction

There is hardly any evidence in the Netherlands showing the effect of policies and/or institutions on the employment of youngsters. The Netherlands has no tradition in policy making to conduct ex ante evaluation research of the proposed policy change nor to conduct any form of ‘impact assessment’ such as the European Commission performs. Therefore, policy evaluation and impact assessment must be based on plausibility reasoning or contextual evidence derived from the monitoring of labour market outcomes.

3.2 Impact of education track on unemployment after leaving school

Secondary education
There are strong barriers for low-skilled youngsters after leaving school to acquire a regular job. Figure 4 shows the unemployment rate 18 months after leaving secondary school for BOL-trainees and BBL-apprenticeship students.

Figure 4. Unemployment rate of youngsters 18 months after leaving secondary vocational training, ROA Schoolleavers Survey 2007-2012

Source: ROA Schoolleavers Survey, 2007-2012

Unemployment rates went strongly up during the crisis notably for students at the lowest qualification levels. The unemployment rates for the work-based route (BBL) are during the crisis about half of the
average unemployment rate for youngsters whereas they exceed the average for level 1 and 2 of the school-based route (BOL). The lower the level of skills, the lower the employment perspectives become. The unemployment rate of level 1 of the school-based route is twice the average youth unemployment rate of 15%. The survey evidence also shows that the majority of the BOL students who find a job at level one will be employed in a temporary job.

**Tertiary education**

The unemployment rate of full-time HBO students, 18 months after they have left secondary school and who completed school in the period 2007-2012 (Fig. 5) show an increase during these years by more than 60% from 6 to 9.7%, but still being lower than the average youth unemployment rate of 15% in 2012.

**Fig. 5. Unemployment rate full-time students 18 months after leaving higher vocational training (HBO), ROA School-Leaver Survey 2007-2012**

The share of full-time students starting in a temporary job after school increased during the crisis from 46% to 64%. The very slow recovery of the Dutch economy in the aftermath of the crisis means that the unemployment rates of these youngsters are likely to go down at a low pace as well.

### 3.3 Impact of EPL on youth employment

The issue is raised whether the current strong Dutch employment protection rules for regular workers and the lean regulation for temporary workers can explain the relatively low level of youth unemployment in the Netherlands compared to the rest of Europe. In addition one can question whether other important institutions play a role as well in explaining the high level of youth employment. The existing evidence on the impact of protection regulations on employment is mostly derived from macro-economic comparative studies. However, two recent studies appeared on the effect of institutions on the probability of employment using the European Labour Force data for 2008 just before the wake of the recent crisis (Muffels, 2014; Muffels & Wilthagen 2015). In the latter, the authors estimate logistic
regression (LR) models on the probability of being employed in either a temporary or a regular job for people aged 16 to 25 and 25 to 65 years, based on the impact of the employment protection regulations, the expenditures on active labour market policies as a percentage of GDP (ALMP), the average unemployment replacement rate for various household types and wage levels over a period of 5 years (OECD 2014), and a measure for the centralization or coordination of the wage bargain derived from the ICTWSS database (cf. Table 4).

highlights that strong employment protection has on average no impact on overall employment, but that it has a strong negative impact on the employment of youngsters. This seems especially caused by a strong negative impact of the strictness of the regulation of temporary contracts. The stricter the regulation of temporary work is, the more adversely the employment of youngsters is affected. Employers are apparently then reluctant to hire temporary but also regular workers.

Table 4. The impact of institutions on the probability of temporary or regular employment in 21 European countries, EU-LFS 2008

<table>
<thead>
<tr>
<th>Model</th>
<th>Institutions</th>
<th>YOUTH 16-24</th>
<th>OLDER PEOPLE 25-64</th>
<th>People 16-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>EPL overall</td>
<td>-0.54***</td>
<td>-0.03</td>
<td>-0.13</td>
</tr>
<tr>
<td>II</td>
<td>EPL regular contract temporary</td>
<td>0.19</td>
<td>0.40***</td>
<td>0.36***</td>
</tr>
<tr>
<td></td>
<td>EPL contract dismissal</td>
<td>-0.45***</td>
<td>-0.23***</td>
<td>-0.28***</td>
</tr>
<tr>
<td></td>
<td>EPL dismissal</td>
<td>-0.17</td>
<td>-0.07</td>
<td>-0.08</td>
</tr>
<tr>
<td>III</td>
<td>Centralisation Wage Bargain</td>
<td>2.0***</td>
<td>0.81</td>
<td>1.10***</td>
</tr>
<tr>
<td>IV</td>
<td>Active LMP</td>
<td>1.0**</td>
<td>0.45**</td>
<td>0.56**</td>
</tr>
<tr>
<td>V</td>
<td>URR 5yrs</td>
<td>0.04***</td>
<td>0.02***</td>
<td>0.02***</td>
</tr>
</tbody>
</table>

N 436.639 2.010.490 2.447.129
R² 0.15 0.19 0.23

Notes: 1) Models are estimated with controls for: average GDP growth last 5 years, age, age squared, gender, ethnicity and education level. The model for all people contained also a dummy for youth.

* p<0.10, ** p<0.05, *** p<0.01

Source: Muffels & Wilthagen (2015)

Because the Netherlands is characterized by a rather strict overall employment protection of regular contracts but a lean regulation of temporary contracts, the employment protection regulations are likely to have a positive impact on the employment of youth but only in temporary jobs. Because 40% of these youngsters is employed in a temporary job in 2008 this might partly explain the low level of youth unemployment in the Netherlands. Policies aimed at tightening the regulations for hiring and employing
temporary workers, for instance along the line of the legislative proposals in the Netherlands, are therefore likely to hamper employment instead of promoting it.

**Impact of EPL on youth’s employment security**

A major issue in the debate on employment protection and youth unemployment are the reduced employment chances of youngsters after school leaving and the extended period during the career that youngsters are moving from one temporary job into the other without much perspective in finding a regular job that fits their skills and that offers good career perspectives. The share of youngsters in temporary jobs has increased strongly during the crisis from 48% in 2008 to 63% in 2012. This appears associated with the strict employment protection of regular and the lean protection of temporary workers. The consequences are a lack of investments in the training of young temporary workers and a worsening of youngsters’ income security, due to the lack of employment opportunities and the lower level of wages for temporary jobs. In this respect there is also concern for the position of NEET youngsters (Not in Employment, Education or Training), and the re-insertion of young handicapped persons back into the labour market (Participation Act).

Hence, the employment position of youngsters seems to have become more insecure especially also because the annual transition rates from flex contracts into open-ended contracts is declining over time. Between 2003 and 2010, the one-year transition rate from flex contracts (including temp agency and on-call contracts but excluding temporary contracts longer than 1 year) into open-ended contracts was on average 20% in the Netherlands (CBS Statline 2014; see figure 5) whereas it was more than 40-50% in the 1990s (Muffels, 2013).

The European Commission calculates that from 2011/2012 transition rates from fixed-term into open-ended employment were only lower in Spain and France, where Greece and Italy performed slightly better than the Netherlands (EC, 2014).

For fixed-term contracts (including contracts longer than one year), the transition rate is higher but still only 30% (see Muffels, 2015). This transition rate even decreased somewhat during the crisis and is among the lowest rates in the EU. Calculations from EU-SILC for 2011-2012 show the one-year transition rate to be on average 28% in the Netherlands, but with a strong variation between the various contract types (Muffels, 2013). Youngsters and low-skilled are overrepresented in temporary employment; the share of youngsters is about 60%. If this trend is continued it may signal a dualisation
of the labour market with large wage and security gaps between the insider and outsider jobs (see: Bekker & Van Benthum, p.24, 2012; Muffels, 2015). Whereas fundamental rights of equal treatment and “equal pay” apply to part-time and temporary workers as well, in practice, workers in flexible employment receive on average less pay and training than regular workers. Regular workers are better protected due to longer tenure in a company and because they are covered by a collective labour agreement (e.g. agency workers are covered by a specific collective labour agreement for the temporary agency sector, not by the collective labour agreement of the sector they work in).

3.4 Impact of youth minimum wage

A second issue in the debate on the impact of youth policies on employment concerns the impact of the level and design of the minimum wage. The level of the minimum wage is relatively high in the Netherlands but still it appears that on average the lowest paid wages in the industry are 20 to 30% higher than the minimum wage. That signals the very advanced state of the Dutch economy. For that reason there is not much reason to believe that the level of the minimum wage has a strong negative impact on employment even though it might have had some negative effect on the employment in the least advanced or more traditional sectors of the economy with a high share of low-skilled workers (services sector, retail, hotels etc.). Another issue concerns the age differentiation of the minimum wage being lower for youngsters compared to the adult minimum wage that people receive from the age of 23 years on. There is not much recent research done on the impact of this age differentiation. There is some narrative evidence that substitution of older by younger workers is occurring when youngsters grow older and the employer has to pay the adult minimum wage. Most of the earned wages in the industry are already set at a level that is about 30% above the minimum wage level. There is not much evidence on the effect of the setting of these minimum wages on the level of youth employment. There is reason to argue that notably in the recent crisis in particular sectors which are sensitive to the business cycle such as the retail sector, the hotel, catering -and restaurant sector some crowding-out and substitution has taken place not only of older youngsters with higher minimum wages by cheaper youngsters but also of low-educated (temporary or permanent) youngsters with skilled student workers mostly working on temporary contracts (UWV, 2014).

Waiting period social assistance

A third issue is the already mentioned four weeks waiting period in the social assistance scheme in connection with the position of NEETs. It can be questioned whether or not the four weeks waiting period is helpful to improve the rate of transitions into work of these vulnerable youngsters in the current labour market. Moreover, there are fairly large regional differences in the share of NEET youngsters in the Netherlands. Below we present some more information on the evolution of the share of NEET during the crisis period. The evidence shows a moderate rise in most regions but a steep one in notably the regions in the South of the Netherlands. Important is to bear in mind that unemployment rates do not include NEETs, and there is some evidence that especially among migrants the share of NEET is high. The waiting period in the welfare act has been implemented to provide youngsters a (financial) incentive to move back to school or to enter work. One might however question whether it is the lack of financial incentives or the lack of jobs available for these young people that is responsible for their low labour market chances, notably when they have low qualifications, or multiple disadvantages (low skill, low health, low parental support). More timely interventions at the local level might possibly be a better recipe for these vulnerable youngsters, as well as be more in line with the EU’s youth guarantee principles..
Figure 6. Evolution of the share of NEET youngsters in four regions in the Netherlands

Source: CBS Statline 2014
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