



# **Mutual Learning Programme Host Country Discussion Paper**

## **'Policy Measures on Youth Unemployment in the Netherlands'**

**Peer Review on 'Youth unemployment: how  
to prevent and tackle it?'**

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## 1. Quick summary

*This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on the policy example of the Host Country for the Peer Review, in this case The Netherlands. For information on the views of the countries participating in the Peer Review, please refer to the relevant Peer Review Comments Papers.*

Dutch youth unemployment rates are relatively low, even now during the crisis. This Host Country Discussion Paper presents four policy measures implemented in the Netherlands to fight youth unemployment. Evaluations show that at least two of the measures contain parts that have been successful. First, measures to reduce early school leaving turn out to have been successful as the rate has dropped indeed. Second, tailor-made reintegration plans at the local level have reduced the use of welfare and social assistance and may indeed have contributed to higher employment rates. Setting the right incentives and a functioning administrative system seem necessary factors for the success of the measures. Despite the success of the measures they can however not explain the low Dutch youth unemployment rate.

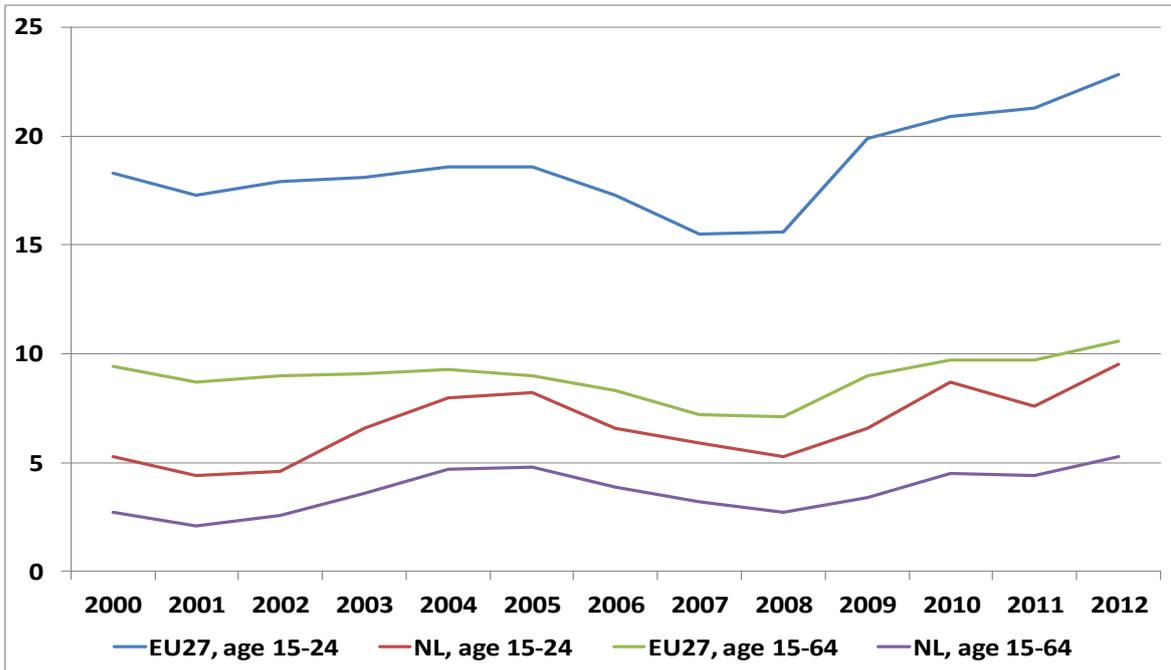
Youth unemployment is an structural issue; it should not only be put on the agenda because these rates have increased recently in many countries. The low Dutch youth unemployment rates seem largely to be the result of long-term policies leading to human capital formation and sustainable economic growth. The Netherlands perform well in international comparative assessments on skills among pupils and adults. The Dutch education system seems in particular to be successful in improving the results of pupils at the lower end of the skill distribution. Together with wage moderation policy and social security and fiscal reforms, jobs were created also at the lower end of the skill and wage distribution.

## 2. Labour market situation in the host country

### 2.1 Economic and labour market situation and the impact of the crisis

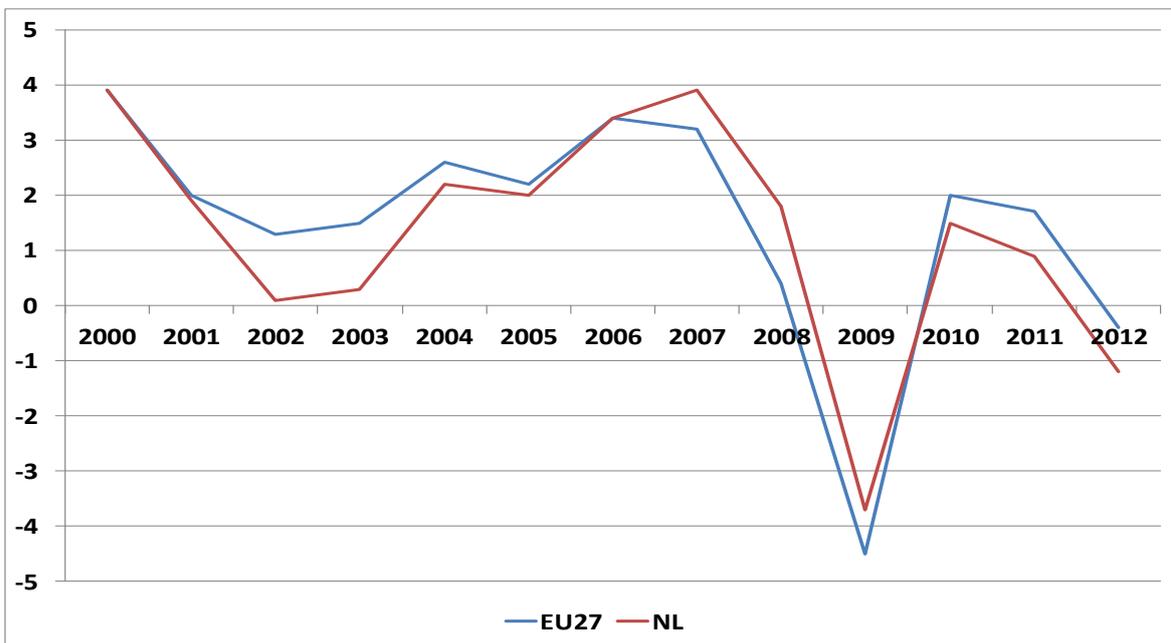
The economic crisis has had a clear impact on the Dutch labour market in recent years, see Figure 1. However, until about 2010 unemployment increased unexpectedly mildly when compared to the decline in GDP experienced (see Figure 2), probably because firms were still hoarding labour. In the very recent months, Dutch unemployment has remained on an upward trajectory, reaching a rate of 7.0% in August 2013 (compared with 10.9% in the EU27). From national figures, we know youth unemployment has increased substantially in recent months. On the one hand one could claim that the crisis is resulting in a youth unemployment problem in the Netherlands like in many other countries. On the other hand, Dutch youth unemployment remains low compared to the EU average (just over 10% in 2012, compared to an EU average of over 23% in the same year). Youth unemployment is only about 1.8 times higher than the overall unemployment rate in 2012 while for the EU27 this figure is 2.2, which means the Netherlands have also a relatively low youth unemployment rate compared to overall unemployment (together with Germany and Denmark, own calculations from Eurostat figures). To understand the low Dutch unemployment figures, one needs to take a historical perspective that takes account of the wider policy framework as well. This perspective puts sustainable economic growth and human capital formation centre stage.

**Figure 1: Youth unemployment in the EU27 and the Netherlands, 2000-2012**



Source: Eurostat

**Figure 2: GDP growth in the EU27 and the Netherlands, 2000-2012**



Source: Eurostat

The Netherlands has experienced high and sustainable economic growth during the period from the mid 1990's until 2008. Although Figure 2 shows only the period from the year 2000 onwards, economic growth in the Netherlands was high during the second part of the 1990s. The sustainable growth was partly the result of wage moderation and welfare state reforms, including substantial reforms of the disability system and fiscal system, aimed at making work pay. The reason for these reforms was the severe economic crisis following the second oil crisis, which led to high official unemployment rates and substantial hidden unemployment in the disability, early retirement and welfare system. Youth unemployment was high in the Netherlands with 21.0% in 1983 (Eurostat). The wage moderation and reforms, which were the result of the so-called 1982 Wassenaar agreement between unions, employer organisations and the government, improved the Dutch investment climate leading to sustainable economic growth. While economic growth may be a necessary condition for low youth unemployment, it is clearly not a sufficient condition as some countries have experienced high growth rates as well and still have a youth unemployment problem.

The Netherlands performs well in international comparative assessments on skills among pupils (OECD, 2010 on the basis of PISA) and recently among adults (OECD, 2013a on the basis of PIAAC). Human capital formation is without doubt a key factor in job creation and youth employment. The Dutch performance is surprising given the fact that public expenditure on education is not particularly large with 11.7% for Netherlands in 2010 and 12.4% the OECD average (OECD, 2013b). The vocational education and training system and the importance of apprenticeships in the Dutch educational system may contribute to performance of youngsters on the labour market. The OECD (2012) writes: "A key factor behind the successful labour market performance is the early labour market debut for many young people, facilitating later transition into full time position and permanent contracts." Secondary vocational education prepares pupils for a wide range of occupations, from franchise manager to mechanic or nursing assistant, and in sectors from agriculture, engineering and technology, to healthcare and economics. Furthermore, there is evidence that the education system succeeds in improving the results for disadvantaged pupils as in particular the PISA results at the lower end of the distribution are good in an international perspective (van der Steeg et al., 2011). This improvement may help these pupils to make a successful start on the labour market.

Although sustainable economic growth and human capital formation may be key factors for youth unemployment, policies to enhance these factors may not be easily transferable to other countries. They provide however the background of the Dutch policy measures discussed in the remainder of this document. Besides emphasizing the role of human capital formation, one should be careful in interpreting the figures on youth unemployment. The unemployment rate is expressed as a fraction of those participating on the labour market. Participation rates of young individuals vary substantially between countries and the Netherlands ranks high with a participation rate of 69.9% for age 15-24 in 2012 while the EU27 has a much lower participation rate of 42.6%. So the denominator is large for the Netherlands, reducing the Dutch youth unemployment rate. Nevertheless Dutch youth unemployment expressed as a fraction of the total population age 15-24 is still low with 6.6% in 2012 against 9.6% for the EU27 (Eurostat, own calculations).

## 2.2 The current legal setting

Dutch policy on young people is based on the idea that human capital accumulation and a good start on the labour market are important to secure sustainable transitions for young people. Human capital and a good start are moreover also important for the functioning of the labour market and the fiscal sustainability of the welfare state. Clearly also in the Netherlands not all young people enter the labour market smoothly. For this reason society has formulated obligations for young starters on the labour

market. First of all, pupils in the Netherlands are obliged to attend school until age eighteen or until they have achieved a basic qualification. This basic qualification is at the level of senior secondary general education or level-two secondary vocational education. Until age eighteen, school attendance can and will be enforced by the Dutch school inspection and the school attendance officers. Of course truancy does also occur in the Netherlands and potentially leads to early school leaving. Specific measures have been taken to reduce early school leaving, which are discussed below.

Secondly, according to the Dutch Work and Social Assistance Act (*Wet Werk en Bijstand*) a special regime holds for people until age 27 to be eligible to any kind of welfare or social assistance. Young people need to be in education or actively search for a job, and in case they are not in education or employment they have the obligation to reintegrate on the labour market. The first four weeks after applying for welfare or social assistance they do not receive any benefit or assistance and they need to sign in for education or search for a job without support. After four weeks, public authorities become responsible and are obliged to provide benefits and assistance. The authorities become involved in setting an action plan for every young person. Municipalities are responsible, in particular as they are financially responsible, while furthermore local stakeholders, such as educational institutions, the public employment service (*UWV*), employers and potentially health care providers are involved as well. This is the second policy measure discussed in this paper.

### 3. Policy measure

The paper discusses four policy measures. The first three policy measures, on early school leaving, local cooperation to define tailor-made reintegration plans and youth minimum wages are unrelated to the current crisis. They are interpreted as being good practice, in good and in bad times. Only the fourth policy measure, on the budget and ambassador for youth unemployment, is introduced to fight youth unemployment during the current crisis.

#### 3.1 Initiatives to reduce early school leaving

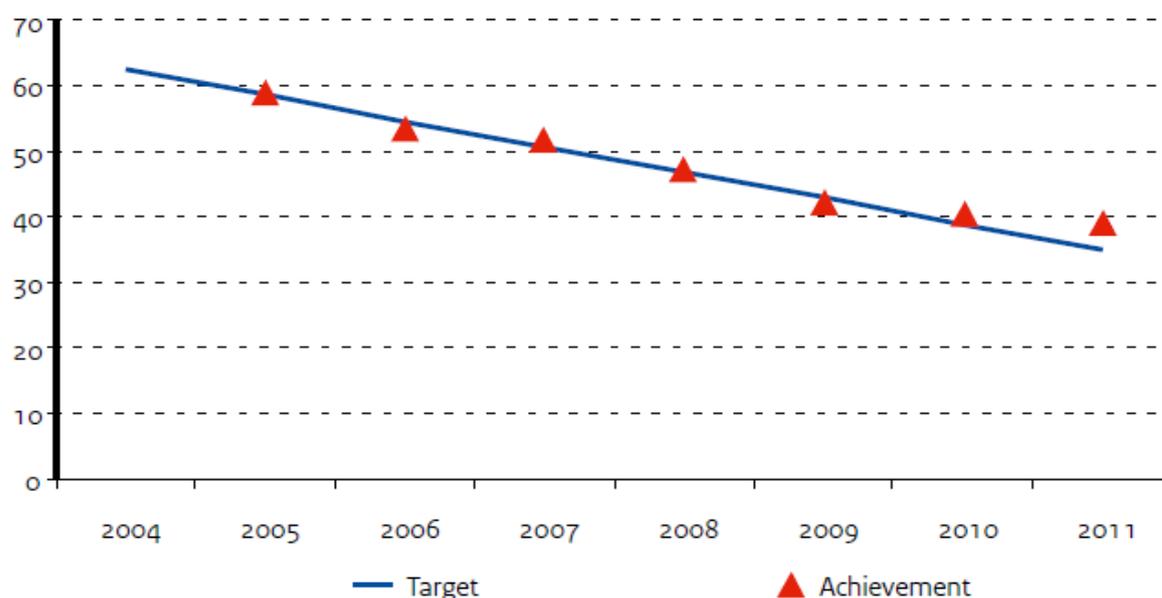
Tackling the problem of pupils leaving school early is a major policy goal of the Dutch government. The underlying argument is that young people have better prospects on the labour market if they have a basic qualification. The government implemented a programme called the 'Drive to Reduce Drop-out Rates' approach. An early school leaver is a young person between the age of 12 and 23 years of age who does not attend school and who has not achieved a basic qualification (a senior general secondary or level-two secondary vocational diploma).

Reducing the early school leaving rate is a structural policy which started in 2007 and it is still a major policy goal. The target group is all pupils below the level of the basic qualification. The annual budget is EUR 114 million, of which EUR 56 million is reserved for regional measures being divided among municipalities and EUR 58 million is reserved for performance agreements with education institutions. For the long-term success of the programme, preventing pupils dropping out of school will need to become a key focus in schools and within municipalities. This demands a long-term perspective, an integrated approach focussing on prevention and tight organisation at regional level. All the various links in the chain, education, labour market and care, need to form a basis for preventing young people dropping out of school. The Dutch programme has been successful in implementing measures at national level:

- Compulsory school attendance and basic qualification obligation;
- Digital Absence Portal, all school absenteeism is registered by a simplified computerized reporting procedure. The portal uses the personal education number, which all pupils have and which makes it possible to track them;
- Increased transparency and benchmarking opportunities with respect to early school leaving figures per region, city and school, including case management for schools specifically for early school leaving.
- Stimulation of projects of municipalities and education institutions to reduce early school leaving.

The first two measures are set in a legal framework: All schools are obliged by law to register school absenteeism since 1 August 2009. Truancy and missing school are often signs that a pupil is at risk of dropping out and it is important for those in touch with the pupil to respond quickly and efficiently. Schools themselves can monitor their performance on absenteeism, but the school inspection and school attendance officers also use the information to visit absent pupils. The third measure implies that since 1 January 2012 early school leaving is monitored and evaluated on a structural basis by two independent research institutes (Panteia and SEOR). This monitoring provides information on the performance of regions, cities and schools, and so provides a basis for learning what works. The Ministry of Education, Culture and Sciences appointed case managers who visit schools to provide information on their performance and the projects they could implement. These parts of the programme emphasize the importance of a well-functioning administrative system.

**Figure 3: Early school leavers, 2004-2011 (in thousands)**



Source: Dutch Ministry of Education, Culture and Sciences, Key figures 2007 - 2011

The fourth measure includes the budgets for municipalities and education institutions. The municipalities are involved in early school leaving by letting them sign long-term performance agreements ("covenants"). These covenants are between the national government and municipalities, whereby municipalities have a coordinating role for local education institutes that run secondary vocational schools. The covenants themselves do not set targets in quantitative terms; they only contain a declaration of the municipality to put effort in stimulating local education institutions to reduce early school leaving. The budget for the municipalities is divided between municipalities on the basis number of pupils in secondary vocational education and their socio-economic characteristics. The budget is directly reserved for education institutions and the content of the projects to reduce early school leaving is agreed upon between municipality and education institution (whereby the budget EUR 56 million is partly reserved for administrative costs). This approach is chosen to reduce the administrative costs, which are presumed to be lower in case they are on the local municipality level. In the end, education institutions are responsible for the implementation of the projects.

Besides the budget of EUR 56 million for covenants, there is a budget of EUR 58 million for performance-related contracts for education institutions which are already part of a covenant. In the past municipalities did get about EUR 2,000 per early school leaver less, while in the new system the education institution gets a certain budget when they succeed in getting or keeping their number of early school leavers below a certain threshold (which is set on the basis of the numbers of pupils in certain types of education as the probability to leave school early varies between these types). The education institutions are responsible for the content and the success of their projects. The types of possible projects are numerous, varying from individual coaching and advice, group discussion in class (including alcohol and drugs), getting parents involved, information in social media and additional vocational training. Although Dutch Ministry of Education, Culture and Sciences provides information on the different types of projects, the Ministry is not responsible for their content and a comprehensive listing and evaluation of their performance is not available.

The 'Drive to Reduce Drop-out Rates' approach has been accompanied by a reduction in the number of early school leavers from 71,000 in 2001 to 38,600 in 2011 and 36,250 in 2012 (see Figure 3). These results are partly achieved by joint action by professionals in each region, including schools, municipalities, youth care workers, business and industry, and the 'no cure no pay' performance-related contracts. For the period 2008 to 2011 extra funding has been made available for educational programmes and for setting up "plus facilities" especially for overburdened young people i.e. those who have difficulties to obtain a qualification due to a combination of financial, social, material, and often also judicial problems. The current government tightened up the target of the programme, setting it at a maximum of 25,000 new early school leavers by 2016. The goal is set at a more ambitious level than recommended by the European Commission (8% instead of 10%, according to the international definition of early school leaving). Efforts to achieve the new, tighter target will primarily be based on what has been achieved so far.

### 3.2 Local cooperation to define individualized reintegration plans

Local municipalities are responsible for defining individualized reintegration plans for people up to the age of 27 who apply for welfare or social assistance. From 1 January 2004 onwards local municipalities are responsible (including financially) for welfare and social assistance, by means of the Work and Social Assistance Act (*Wet Werk en Bijstand*). From 1 January 2015 onwards local municipalities will also be responsible for young disabled persons because of the decentralization of the Work and Employment Support for Young Disabled Persons Act (*Wajong*). The goal is that all individuals up to the age of 27 should be employed or in education. Note that young individuals who are not employed and not in education or training (NEETs) and who are not applying for welfare are not reached by the measure. The Netherlands actually do not have specific policy directed towards NEET's other than minimizing their numbers. So the measure of this section does not necessarily reduce youth unemployment, but it contributes to the fiscal sustainability of the act and stimulates labour market reintegration of those who apply.

To help integrate young people into the labour market, on 1 October 2009 the Dutch government introduced the Investment in the Young Act (*Wet Investeren in Jongeren*). This act obliges municipalities to offer work combined with schooling to young individuals between the ages of 18 and 27 applying for welfare or social assistance. The first action the young individual who applies should undertake is, however, to try to find a job or to go back to school during the first four weeks. In these four weeks, the individual does not receive a benefit, which in itself implies a disincentive to apply. After four weeks local communities have the obligation to provide financial support, and to start developing an individualized reintegration plan for each young person. This support can be to offer a job, a type of schooling or a combination of both, always being tailored to the situation of the young person. If they accept work they will receive a wage from the employer. If they accept the offer of going back to school they will - where necessary - receive an income at the same level as the social assistance benefit. The goal of going back to school is mostly to achieve a basic qualification (see previous subsection). If they don't accept the offer they will not receive welfare from the municipality. General rules and obligations do not exist as policy is at the discretion of the municipality and policies may actually differ between municipalities. Central administration and registration of such events, and also of the success of measures does exist (in contrast to the early school leaving programme).

On 1 January 2012 the Investment in the Young Act (*Wet Investeren in Jongeren*) was abolished and the obligation to reintegrate young individuals on the labour market became part of the more general Work and Social Assistance Act (*Wet Werk en Bijstand*). The responsibility for this act was already allocated to local municipalities on

1 January 2004. The Work and Social Assistance Act provides a minimum income for persons residing legally in the Netherlands with inadequate financial resources to meet their essential living costs (whereby for persons younger than 27 the waiting period of four weeks still exists). People are required to do everything they possibly can to support themselves. The claimant is under an obligation to take generally acceptable work. The same applies to the unemployed person's partner. Together with the Dutch Employment Service (*UWV*) or a private reintegration organisation, they will help the applicant to find work or take up training. The way a municipality is required to provide this form of support is laid down in a regulation with accompanying policy rules. If the claimant refuses to cooperate in efforts to find employment, the social services department will reduce the benefits or stop them entirely.

Municipalities are financially responsible for the Work and Social Assistance Act. The national government provides a yearly budget which consists of an income part and a work part. The income part is meant for the payment of benefits, the working part is meant to cover the costs associated with reintegrating beneficiaries. The size of the budget is determined on the basis of the socio-demographic characteristics of the population of the municipality and on the basis of the historical numbers of recipients. An important aspect is the fact that when a municipality does not use the entire budget, it can keep it for other measures / initiatives. This offers a clear motivation for municipalities to reduce the outflow of finances to benefits, in order words "to activate their citizens". If the budget allocated proves insufficient to fund the 'income' or 'working' part of the budget, the municipality has to top-up this shortage themselves.

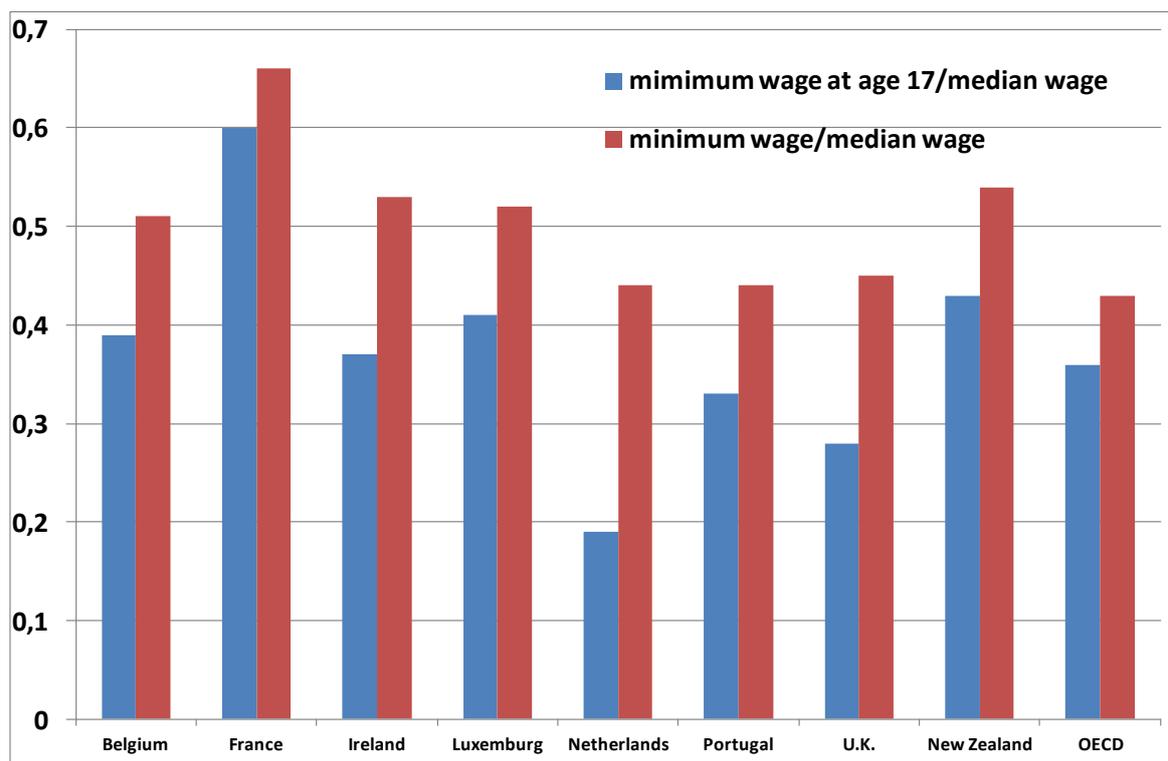
The reintegration plans and cooperation between organisations are really individualized and tailor-made for the specific individual. The plans may vary between local communities, and the communities will define the plan on the basis of the needs of the young individuals, taking into account the local economy and labour market. When necessary, the Regional Employment Service (part of the *UWV*) may be asked to assist to search for a job or even propose a job which they consider to be suitable for the individual. Local education institutions may be asked to offer schooling and training. And in case the young person has health problems, the responsible health care provider may be asked to provide advice. Turning down offers on jobs, education or assistance may lead to a reduction in the benefit level.

From 1 January 2015 onwards municipalities will also become responsible for partly disabled young individuals. The extent to which such individuals are able to work will be assessed by an independent medical examiner. The same legal and financial regime will hold as discussed for the Work and Social Assistance Act. The strong involvement of health care providers will however be a major difference, as additional rehabilitation measures may be necessary.

### **3.3 Youth minimum wages**

The Dutch minimum wage is relatively high. The minimum wage is designed to guarantee a minimum standard of living for each individual and any dependent family member. Benefits levels, for example in the Work and Social Assistance Act (*Wet Werk and Bijstand*) and the Work and Employment Support for Young Disabled Persons Act (*Wajong*), are based on the minimum wage. Dutch youth minimum wages are substantially lower than adult minimum wage levels, while furthermore young persons do not easily qualify for welfare or social assistance (see previous subsection). The policy goal of a low youth minimum wage is to stimulate job creation for young persons without leading to poverty or social exclusion.

Figure 4: youth minimum wage as a share of the median wage



Source: OECD (2008), own calculations

The (youth) minimum wage is set by the Dutch Ministry of Social Affairs and Employment. It increases strongly with age, from about 30% of the minimum wage at age 15, to 45% at age 18, to 72.5% at age 21. From age 23 onwards, each worker should receive at least the official minimum wage of EUR 1469.40 (gross) on a monthly basis.

Figure 4 presents the minimum wages as a share of the median wages for seven countries with a minimum wage higher than the OECD average. The Dutch share for the minimum wage is only slightly higher than the OECD average. The Dutch median wage is however also high; so in absolute terms the Dutch minimum wage ranks among the three highest among the OECD countries (Immervoll, 2007). The Dutch youth minimum wage is however relatively low; it clearly scores lower than the OECD average for youth minimum wages.

### 3.4 Budget and ambassador for youth unemployment

For years 2013-2014, the current Dutch government has reserved an extra budget of EUR 50 million and EUR 30 million from ESF to fight youth unemployment. Besides the extra budget, the government has installed a youth ambassador to make sure youth unemployment receives attention of all involved organisation, including municipalities and sectoral organisations. The goal of the measure is to fight youth unemployment during the crisis. The target group are all young unemployed persons (but a specific age group is not defined). The budget is available immediately to allow municipalities, which are in charge for the labour market reintegration of young people, to start the policy measures as soon as possible. The budget is reserved for measures at the regional and sectoral level as this is the level at which jobs are created, whereby the content of the measures is at the discretion of the municipalities.

Large municipalities, in cooperation with neighbouring smaller municipalities, can define action plans and apply for part of the budget. The plan needs to contain an

analysis of the problem they want to address, clear and measurable objectives and concrete actions to address the problem. The budget will be allocated on the basis of the number of young unemployed persons. There is no (publicly available) comprehensive list of all the projects. An example of a concrete project is a starter grant to gain work experience with an employer. The community administrates the grant and may subsidise the employer for part of his costs. The grant is directed towards young persons with a start qualification but who do not succeed in finding employment. The grant usually applies for a period of six months and the young starter gets a compensation of EUR 500 per month from the employer. Another example of a concrete project is one stop shops for young persons to get information on jobs, education and training. Note that such projects are decided upon at the municipality level, and municipalities differ in types of projects implemented. Furthermore, the Dutch government reintroduced the so-called 'School-Ex programme', in which pupils in secondary vocational education are coached and advised to stay in education and to acquire a higher level of education or a degree in a area which gives better labour market prospects. The success of this programme is evaluated (see next section). Educational institutions are compensated for their additional efforts.

Besides the funds for regional organisations, additional budget will be reserved for sectoral plans. The Dutch Ministry of Social Affairs and Employment administers a separate budget to create jobs and to ensure future skilled labour supply at the sectoral level with a budget of EUR 600 million. Sectors of industry are invited to define actions plans for their sector and to apply for part of the budget. The sectors need to provide at least 50% of the funding for their plans themselves; otherwise this would be interpreted as public support for firms and industries (which would not be allowed). The plans may or even should create jobs for young persons. Because of this interaction with the budget for youth unemployment, the sectors may also apply for funding from the youth unemployment budget. The plans may, for example, include the creation of trainee and apprenticeship positions. The government in particular stimulates initiatives to create positions in technical occupations as job prospects are perceived to be good in this area. Plans to create jobs for young people through supporting early retirement arrangements for older workers were part of the public discussion. Evaluations show however that such a policy does not lead to more jobs for young people (Kapteyn et al., 2010). Furthermore, early retirement does not fit within an increasingly ageing and increasingly active ageing society and the funds for new sector plans will not be used for early retirement.

The task of the youth ambassador is to guarantee a comprehensive approach by strengthening the cooperation between the different involved organisations, including municipalities and sectoral organisations, and to motivate employers to create jobs for young individuals. The ambassador for youth unemployment is not a new initiative, during the period 2004-2007 there was already an initiative to reduce youth unemployment leading to an action plan (Dutch Ministry of Social Affairs and Employment, 2009). Parts of the plan have been realised and are now again part of the new initiative. The most prominent part of plan was the programme *School Ex*, which provided advice and assistance to potential school leavers and pupils choosing types of education which do not provide reasonable labour market perspectives.

## 4. Results

The Dutch labour market seems to perform reasonably well for young people. Nevertheless it is not easy to pin down the exact reasons for the Dutch performance. First of all, not all policy measures are rigorously evaluated. Second, the results may be partly caused by a well-performing institutional design and long-term measures. This is hard to evaluate. And third, there is a trend towards higher levels of education within Dutch society, making institutions promoting education a result of societal change. This chapter will be based as much as possible on existing empirical evidence, preferably from ex-post evaluations.

### 4.1 Initiatives to reduce early school leaving

Figure 3 has shown the Netherlands to have been successful in reducing early school leaving. Below we discuss three evaluations of specific policy measures, of which two turned out to have been successful. A problem is however that the two successful measures cannot explain the overall decrease in early school leaving. As there is a general trend towards higher levels of education, it is not even possible to tell which part of the decrease in early school leaving is due to policy. Nevertheless it seems conceivable that the legal framework on the registration of school absenteeism has contributed to the success of the programme as policy can only be directed towards pupils in need by measuring and administrating this need.

Financial incentives for municipalities and education institutions, i.e. the covenants of section 3.2, did not reduce early school leaving during the period 2009-2011 (van Elk et al., 2013). In 2006, the Dutch government gradually introduced financial incentives on the regional level to reduce early school leaving. Studying the introduction of the policy in 14 out of 39 regions, the impact of the policy could be identified. The main finding is that the financial incentive scheme did not have an effect on school dropout. The authors find suggestive evidence for strategic behaviour of the treatment regions in response to the incentive program, i.e. quick wins in terms early school leavers without actually improving their labour market prospects.

Intensive coaching of pupils in lower secondary education, on the other hand, has been shown to reduce school dropout (ROA, 2011 and van der Steeg et al., 2012). The second study evaluated the success of a programme to reach pupils in vocational education with advice (the *School-Ex* programme of section 3.4). The study shows that information in the form of websites, additional teaching sessions and teachers allocation time for the subject during class time increases the probability that pupils participate in advice on occupational choice and follow-up education. This second study investigates the effect of coaching in vocational education on school dropout using a randomized experiment, which is clearly an extension to the first study. They find that one year of coaching reduces school dropout from 17 to 10 percentage points. The reduction in school dropout results from two equally important channels: a reduction of dropout from the study and a reduction of dropout from the education system once students dropped out of their current study because they decided to start another study. This suggests that coaching interventions before as well as after study dropout have contributed to less school dropout. The effectiveness of coaching is greatest for students with a high ex-ante probability of dropout, such as older students, males and students with an adverse socioeconomic background.

### 4.2 Local cooperation to define individualized reintegration plans

The decentralisation by means of the Work and Social Assistance Act (*Wet Werk en Bijstand*) has been evaluated by different independent research institutes using administrative data. The general conclusion is that the Act did indeed reduce the use of welfare and social assistance. The impact on employment and youth employment remains however unclear as one study actually finds evidence for substitution towards

other types of social benefits. Nevertheless it may be conceivable that some positive effect on employment remains, whereby a functioning administrative system and measures to address potential substitution effects are likely to be crucial.

The first study (SEO, 2007) concludes that the decentralisation has led to 4% fewer benefits claimed in 2006. In the period 2004-2006 the number of social security benefits claimed has decreased by 13,300 as a result of the decentralisation; a 4% decrease in comparison with the figure at the end of 2003. The effect of the decentralization is claimed not yet to be complete in 2006. This is because, according to the results, the decentralization has a delayed effect on the influx decrease and outflow increase. The second study (van Es, 2010) finds that the number of recipients has been reduced by about 8% over the period until 2007, which can be attributed to a higher outflow from social assistance. The study does not determine the type of outflow, i.e. into employment or inactivity. The study also claims the effect may become even larger in the future as not all municipalities incorporated the effects of new system.

Decentralisation of the Work and Social Assistance Act has led to substitution to types of social benefits for which municipalities are not financially responsible. Roelofs and van Vuuren (2011) find empirical evidence for substitution from the Work and Social Assistance Act towards the Work and Employment Support for Young Disabled Persons Act (*Wajong*). As indicated above, municipalities are not financially responsible for this Act yet, but will become so in future, thus potentially curtailing substitution effects.

### **4.3 Youth minimum wages**

Wages do not appear to be, *per se*, a barrier to the hiring young people because of the low youth minimum wages (OECD, 2008). The impact of minimum wages on employment is actually still discussed among economists, but a high minimum wage may have a negative impact employment. And the Netherlands does have a high minimum wage, in absolute terms. Lower youth minimum wages may help create employment for young persons.

The impact of an increase in the minimum wage on employment, with a low minimum wage as starting point, may be limited. Dickens et al. (2012) conclude that the impact of the minimum wage in the US and the UK is small. These countries, and in particular the US, have a relatively low minimum wage however. Neumark and Wascher (2006) claim that a majority of the empirical studies does find a clear negative effect of the minimum wage on employment for countries with a high minimum wage.

Youth minimum wages may lead to unfair competition for those who are not subject to the youth minimum wage anymore, but CPB (2012) does not find evidence for this effect. Some within Dutch society, and in particular unions, are claiming youth minimum wages lead to unfair competition. National statistics on age groups 15-19 and 20-24 do not provide any evidence for this claim. Participation rates of the age group 20-24 are high and unemployment is actually lower than among the age group 15-19.

### **4.4 Budget and ambassador for youth unemployment**

During the period 2004-2007 there was already a taskforce on youth unemployment, including a budget to fight youth unemployment and an ambassador. This initiative has not been evaluated. The task force proposed an action plan (Dutch Ministry of Social Affairs and Employment, 2009). Of this action plan one part was evaluated: The *School-Ex* programme which was evaluated by ROA (2011), see section 4.1. The action plan furthermore contained agreements with regions, attention for matching on the labour market and youth job and apprenticeship position creation. The impact of these measures is unknown.

## 5. Difficulties and constraints

The ultimate goal of youth employment policy is a good start on the labour market for young persons, implying job creation leading to sustainable employment. This is not directly in the hands of public authorities, also because proper evaluations show that public job programmes are often not successful (Kluve, 2010). So the government needs to set the right incentives for all actors, including educational institutions, municipalities, public employment services and employers. This is a difficult task.

### 5.1 Setting the right incentives

The reduction of early school leaving and the obligation of local municipalities to define reintegration plans are not goals by themselves. They should be the means leading to more youth employment. Education institutions and local municipalities are however not rewarded for more employment; they are rewarded for reaching certain goals. So education institutions may come under pressure to lower their standards or they may advise their student to do studies which they can pass but which do not necessarily improve their labour market prospects. Municipalities may advise welfare recipients to apply for social benefits for which municipalities are not financially responsible. Public policy makers are often aware of such problems, and for example municipalities will also be responsible for young partly disabled individuals from 1 January 2015 onwards to prevent substitution. The level of assistance may however differ between municipalities, potentially leading to inequality and mobility between municipalities. This will create other types of problems. Setting the right incentives for education institutions is also still part of the policy discussion in the Netherlands. Which studies guarantee good labour market prospects? Should studies with bad labour market prospects be reduced in size or even be closed? The proper design of incentives is a difficult question and will always remain part of the policy discussion.

### 5.2 A functioning administrative system

Well timed interventions like timely education and vocational advice and guidance and tailor-made reintegration plans can only be realised and directed towards individuals that are really in need by correctly measuring and administrating this need. Waiting a long period may cause damage as young persons may lose their motivation and may start undertaking alternative and potentially illegal actions. Offering perspectives in time is likely to be very important. Although no proper evaluations on the importance of the Dutch administrative system are available, it seems conceivable that proper measurement and well directed action is important and potentially even crucial. School absenteeism is registered and action is undertaken immediately. The education and employment history of young people applying for welfare or social assistance is tracked as well. The functioning of such administrative systems asks for discipline by all involved actors. Furthermore, the actors also need to guarantee the confidentiality of the information.

## **6. Success factors and transferability**

Youth unemployment rates are relatively low in the Netherlands, even now during the crisis. Youth unemployment is structural issue; it should not only be put on the agenda because youth unemployment rates have increased recently in many countries. The low Dutch youth unemployment rates seem to be the result of long-term policies leading to human capital formation and sustainable economic growth. The Netherlands perform well in international comparative assessments on skills among pupils and adults. The Dutch education system seems in particular to be successful in improving the results of pupils at the lower end of the skill distribution. Together with wage moderation policy and social security and fiscal reforms, jobs were created also at the lower end of the skill and wage distribution. How the Dutch education system exactly succeeds in pulling up pupils at the lower end of the distribution is not assessed in this Host Country Discussion Paper. The reason was that such policy is not perceived as an explicit measure to fight youth unemployment. It may however be an important success factor. To investigate the transferability of this success factor, one would need to assess what Dutch education institutions actually do to improve the results at the lower end of the skill distribution and what incentives have led to this behaviour of the educations institutions. This success factor may be transferable to other countries, but before drawing such a conclusion one would really need to know in more detail how this policy actually works.

Policy measures like reducing early school leaving and local cooperation to define reintegration plans may help young people to enter the labour market. Although these policies clearly cannot explain the overall low Dutch youth unemployment rate, parts of these measures have been successful. The success of these measures seem to depend on a functioning administrative system, timely advice on education and profession choice and the ability of the local administration to define tailor-made reintegration plans. Such policies ask for well a functioning administrative system and the discipline of local administrators to guarantee its quality. The success of transferring policies on early school leaving and tailor-made reintegration plans will depend on the simultaneous implementation of a high quality administrative system.

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