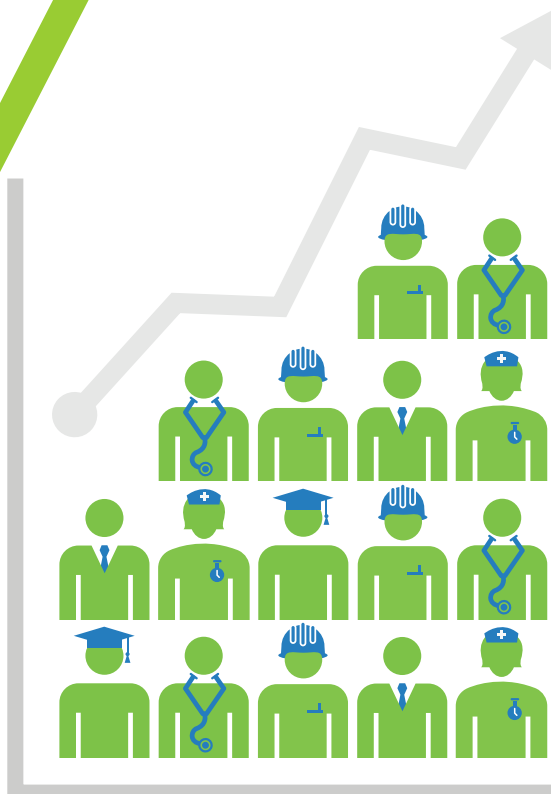


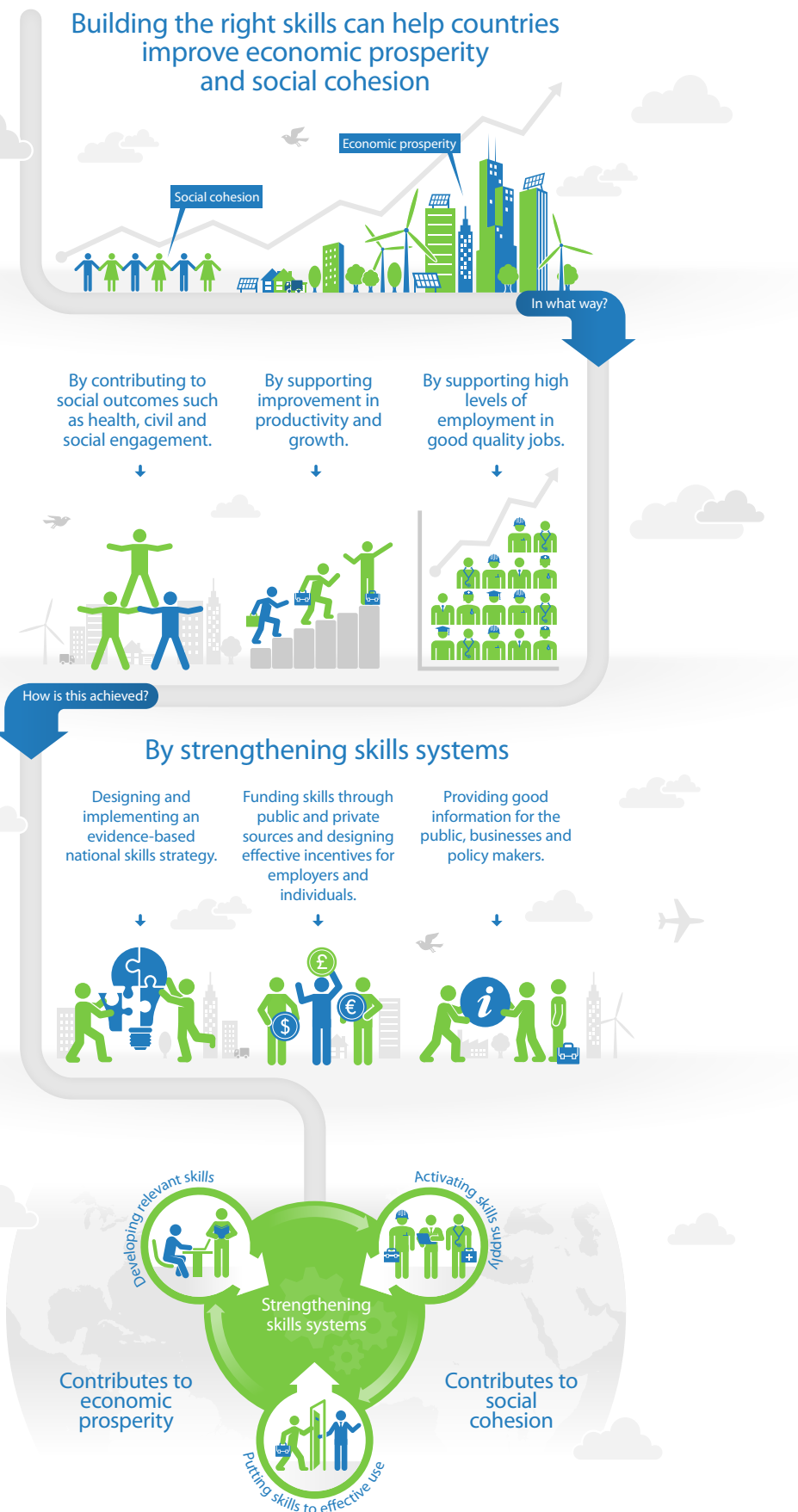
# OECD Skills Strategy Diagnostic Report Executive Summary

## Netherlands

2017



# OECD Skills Strategy



## OECD SKILLS STRATEGY DIAGNOSTIC REPORT THE NETHERLANDS 2017

### EXECUTIVE SUMMARY

#### POLICY PRIORITIES

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

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

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

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

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

Higher levels of skills will be increasingly important for seizing the opportunities of tomorrow's economy. Consistent with trends seen in many other OECD countries, the share of employment in middle-skilled occupations – those characterised by the performance of routine and easily codified tasks that can be easily replicated by machines or offshored – has been in decline. At the same time, rising investments in intangible assets such as research and development (R&D), data and software mean that those with the skills to perform abstract tasks are in increasing demand. In the future, however, even higher skilled work may be vulnerable to technological displacement. It is estimated that between 35% and 60% of all jobs in the Netherlands are currently or potentially vulnerable in the near future to automation in whole or in part (i.e., certain works

performed on the job, but not the entire job). At the same time, there are great rewards for those with the skills to take advantage of the opportunities that a global and technologically advanced world offers. Together, these trends are contributing to the growing importance of higher levels of skills and education for success in the labour market. The European Centre for the Development of Vocational Training (CEDEFOP) projects that employment growth to 2025 in the Netherlands will be heavily concentrated in occupations that typically require a tertiary education. For countries that seize the opportunity, investing in the right skills will create opportunities to capitalise on the possibilities of new technologies and actively shape their contributions to global value chains.

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

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

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

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

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

These priority areas are explored below:

## 1. Fostering more equitable skills outcomes

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

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

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

## 2. Creating skills-intensive workplaces

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

Dutch firms use the skills of their workers more than their counterparts in most other OECD countries, but skills use could be further strengthened, especially among small and medium-sized firms. Dutch workers use their numeracy skills much less intensively than workers in most other OECD countries. Furthermore, the gap in numeracy proficiency and use is among the highest in the OECD. While Dutch firms use their literacy skills more than their counterparts in most other OECD countries, there is still room for improvement. The increased use of certain high performance workplace practices (HPWPs) in particular can foster greater skills use at work. HPWPs, such as good work organisation and management practices, can improve skills use by increasing workers' performance and motivation, as well as firms' flexibility to adapt job content to employees' skills. While HPWPs are relatively widespread in the Netherlands compared to other countries, even greater adoption of these practices can improve outcomes for individuals and firms. There is considerable room for improvement in the adoption of these practices among small and medium-sized firms in particular. Better facilitates to develop the human resource capacity of small firms, and to transfer knowledge about good practice to them, are especially needed.

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

### 3. Promoting a learning culture

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

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

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



training (VET) and universities – could make greater use of tools for recognising and validating skills developed outside of school.

Of great concern is that the Netherlands is failing to realise its ambitions to develop a learning culture. Many in the Netherlands believe that the development of a strong learning culture is an essential condition for realising the country's ambitions for transforming itself into a learning economy. However, despite many years of talking about the importance of developing a learning culture and the introduction of a series of policy measures aimed at making it a reality, the country is still far from realising this aim, as evidenced by the low “readiness to learn” of Dutch adults when compared with their peers in other OECD countries. Many stakeholders confirm this assessment, finding that the Netherlands has much more to do in order to transform itself into a learning economy.

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

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

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

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

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

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

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

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



## CHALLENGES AND RECOMMENDATIONS

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

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

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

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

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



#### **Box 1. The OECD Skills Strategy: Defining the concept of “skills”**

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

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

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

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

The main objective of this joint project between the OECD and the Government of the Netherlands on Building an Effective Skills Strategy for the Netherlands was to provide a strategic assessment of the Netherlands's performance in developing, activating and using skills. This diagnostic report achieves that goal by bringing together insights from a wide range of stakeholders in the Netherlands with the best available internationally comparative evidence on the country's skills outcomes. The report can be used in many ways, including as a basis for raising public awareness, fostering broader public dialogue, and encouraging social partners and national and municipal governments to work together to address these challenges.

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

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

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

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

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

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

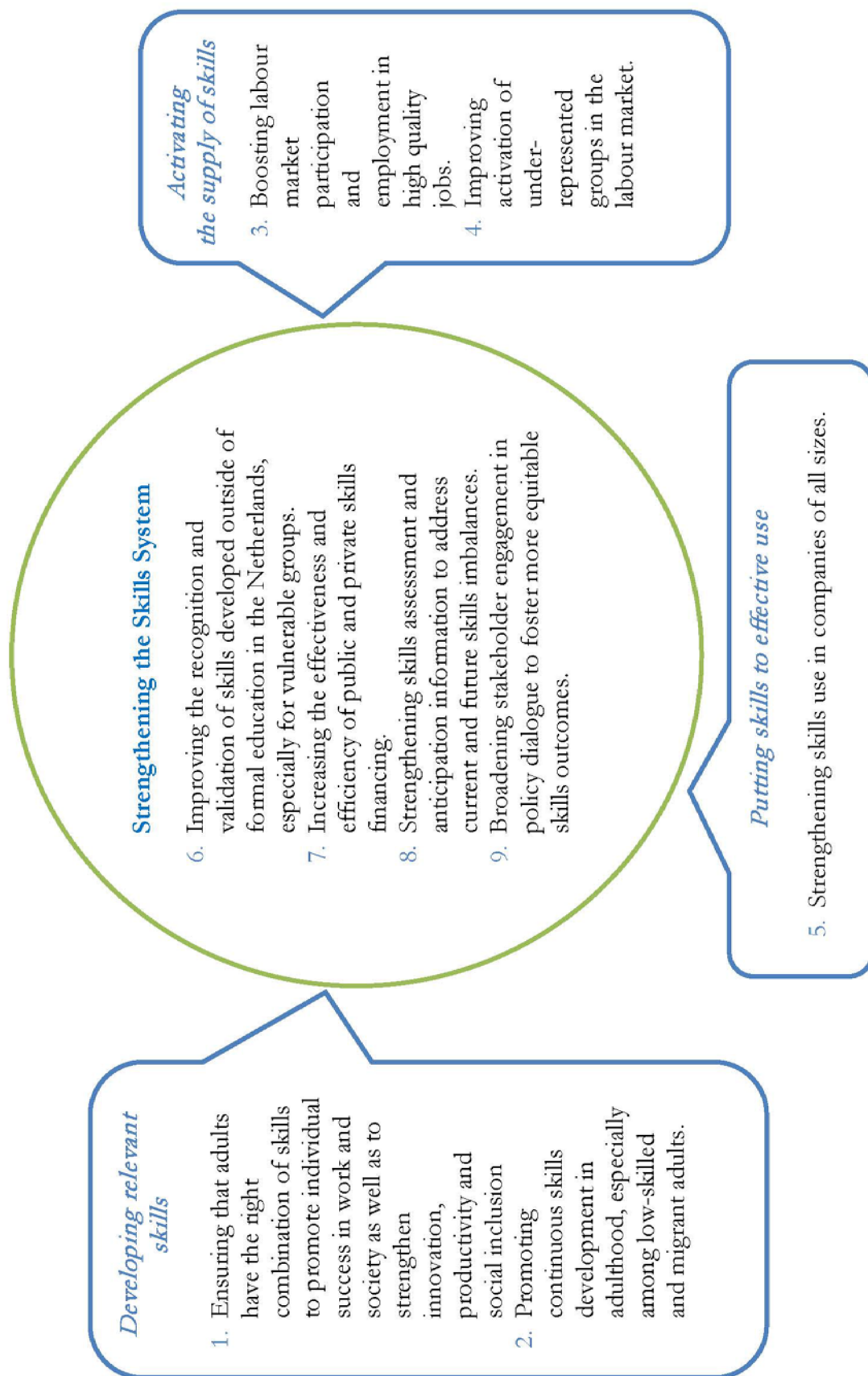
**Box 2 cont. Applying the OECD Skills Strategy in practice: Building a whole-of-government team and engaging stakeholders**

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

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

## 9 SKILLS CHALLENGES FOR THE NETHERLANDS



### *Developing relevant skills from childhood to adulthood*

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

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

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

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

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

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

#### Recommendations:

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



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

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

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

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

**Recommendations:**

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

### *Activating the supply of skills in the labour market*

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

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

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

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

#### Recommendations:

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



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

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

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

##### Recommendations:

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

#### *Putting skills to effective use in the economy and society*

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

### *Challenge 5: Strengthening skills use within companies of all sizes*

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

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

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

#### Recommendations:

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

### *Strengthening the skills system*

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

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

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

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

Recommendations:

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

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

Government and social partners can reform their adult skills financing arrangements to encourage greater private investment in skills development, especially among those most in need. The skills of tertiary graduates – both university (WO) and university of applied sciences (HBO) – are increasingly in high demand in the labour market. The high returns to tertiary studies for both individuals and the government suggest that there is a good case for expanding participation in tertiary studies. The costs and benefits to completing tertiary education could be altered by government to increase incentives to enrol and complete tertiary education.

However, expansion should be undertaken in a gradual and measured way so as not to undermine the quality of skills developed in those studies.

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

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

#### Recommendations:

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

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

Skill assessment and anticipation (SAA) information is needed to ensure that individuals, social partners and policy makers make choices that bring skills supply and demand into alignment. While skills shortages and mismatches are low in the Netherlands, evidence shows that reducing them will still reap considerable

economic benefits. Moreover, the skills demanded in the labour market are changing rapidly, which is putting additional pressures on labour markets and education systems. A large number of SAA exercises are carried out in the Netherlands. Despite the wealth of information available, some information gaps remain, such as on employers' perspectives. In addition, the dissemination of existing information could be strengthened. Considering that SAA exercises are typically led and carried out by different agencies, co-ordination across different stakeholders, including local and regional actors, is very important.

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

#### Recommendations:

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

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

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

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

#### Recommendations:

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

#### Contact us

For more information, please contact Andreas Schleicher, Director for Education and Skills, [andreas.schleicher@oecd.org](mailto:andreas.schleicher@oecd.org) or Andrew Bell, Team Leader; [andrew.bell@oecd.org](mailto:andrew.bell@oecd.org) and/or Joanne Caddy, Team Leader, [joanne.caddy@oecd.org](mailto:joanne.caddy@oecd.org).

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# OECD Skills Strategy Diagnostic Report Executive Summary

## Netherlands

Better skills policies help build economic resilience, boost employment and reinforce social cohesion. The OECD Skills Strategy provides countries with a framework to analyse their skills strengths and challenges. Each OECD Skills Strategy diagnostic report reflects a set of skills challenges identified by broad stakeholder engagement and OECD comparative evidence while offering concrete examples of how other countries have tackled similar skills challenges.

These reports tackle questions such as: How can countries maximise their skills potential? How can they improve their performance in developing relevant skills, activating skills supply and using skills effectively? What is the benefit of a whole-of-government approach to skills? How can governments build stronger partnerships with employers, trade unions, teachers and students to deliver better skills outcomes? OECD Skills Strategy diagnostic reports provide new insights into these questions and help identify the core components of successful skills strategies.

This report is part of the OECD's ongoing work on building effective national and local skills strategies.

### Write to us

Directorate for Education and Skills - OECD  
2, rue André Pascal - 75775 Paris Cedex 16 - FRANCE  
[edu.contact@oecd.org](mailto:edu.contact@oecd.org)

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- [www.pisa.oecd.org](http://www.pisa.oecd.org) for the Programme for International Student Assessment (PISA) data
- [www.oecd.org/skills](http://www.oecd.org/skills) for OECD work on skills, including country reports on Norway, Austria, Korea, Portugal, Spain, Peru and Mexico

### Further reading

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