

# Executive summary

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

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

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

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

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

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

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

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

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

#### **Strengthen the role of municipalities as providers of labour market services**

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

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

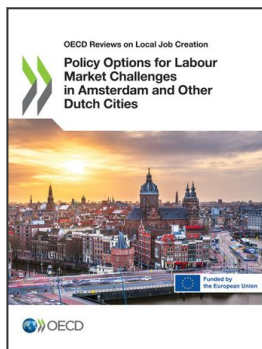
- **Tailor local labour market integration policies to the realities of new migrants and refugees:** Recent migrants have a potential to integrate in better quality jobs through skills-assessments and modular training programmes. For instance, modular advanced digital skills training for refugees could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

#### **Increase participation in adult learning and training in Amsterdam**

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

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





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