

**SOCIAL POLICY AND SOCIAL INTERVENTIONS**

**MASTER THESIS**



**THE TRADE-OFF BETWEEN  
EMPLOYMENT OF YOUNG  
AND OLD WORKERS  
IN THE NETHERLANDS:  
POLITICAL PERCEPTION AND EVIDENCE**



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## ACKNOWLEDGEMENTS

My thanks go out to Mara who kept reminding me that I was writing a thesis in social science, not economics, and Johanna, Eszter, Chavi and Yuli from my thesis group who racked their brains together with me and provided support and kind words when working on the *Conclusion & Discussion* felt rather like a *Concussion*. Also, a big thank you to Marloes, Wiljan and Joppe from the CPB who never lost faith in their intern with the interesting mixture of Dutch and English and her weird ideas about how social science could be of use for the topic of crowding-out.

## ABSTRACT

This thesis researches in a multi-method design how the crowding-out of younger workers by older workers is framed in the Dutch political discourse and whether there is empirical evidence to support the idea of crowding-out. The qualitative analysis finds that there are two dominant narratives concerning crowding-out between young and old. One group of parties, among which the Christian Democratic Appeal and the Democrats66, does not believe in structural crowding-out of the young by the old. The other group around the Labor Party, the Socialist Party and the pensioners' interest party 50PLUS, defends this view. Parties mainly use two frames when talking about the old crowding-out the young: the *dependency frame*, expressing that crowding-out partially or fully depends on the economic cycle, and the *economic frame*, arguing their stance from an economic, detached point of view. Both defenders and critics use *indicators* and *questioning credibility* to rationalize their position. Additionally, critics rely on *science & theory* and defenders on *logical reasoning*. The quantitative analysis shows no effect of the employment of the old on outcome measures for the young when detrended. The qualitative analysis however identifies another form of age-related crowding out that is gaining importance in the Dutch political discourse: young workers crowding out old workers. In the narratives on this form of crowding-out, the *responsibility* and the *personalization frame* were used predominantly. The notion of crowding-out of the old was supported by most parties, which indicates a shift in political interest from youth unemployment to unemployment of the old.

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## INTRODUCTION

Like several other European countries, the Netherlands are currently in the process of raising the retirement age (UN Department of Economic and Social Affairs Population Division, 2015). In the Dutch case, retirement age will be expanded from 65 to 67 years and 3 months in 2022. After 2022, retirement age will increase with life expectancy (Rijksoverheid, 2017). This step is deemed necessary because the population of the Netherlands is ageing rapidly and the share of retired to active workers is getting bigger (UN Department of Economic and Social Affairs Population Division, 2015). A raised retirement age is supposed to mitigate some of the negative growth effects that an ageing population can have on the economy (Bloom, Canning, & Fink, 2010), consolidate the government budget, and contribute to the sustainability of the pension system (van Imhoff & Henkens, 1998).

Not all Dutch political parties agree with this favorable view of a rising retirement age. Several parties, among others the Socialist Party (SP) and the pensioners' interest party 50PLUS, oppose the new policy. They fear that it will not bring about the financial relief for the pension system that it was designed to and in addition lead to higher youth unemployment (50Plus, 2017; SP, 2017). The idea that retirement policies affect youth employment is not only held by political parties but is also widespread among the populace of certain European countries, for example Belgium and France (Kemmerling, 2016).

The notion that there is a trade-off between retirement and youth employment is loosely based on the idea that the job market is a zero-sum game, which means that the entry of new people into the labor market does not change the number of jobs available. This perspective predicts that older workers staying on the job market for longer lead to a decrease in the employment of young workers – older workers 'crowd out' younger ones. Economists also call this independence of the number of jobs from the number of workers the 'lump of labor' (Gruber, Milligan, & Wise, 2009).

While the evidence regarding other forms of crowding-out such as that between high- and low-skilled workers or natives and immigrants is mixed, most research does not support the idea of crowding-out between young and old. Instead of a negative relationship between employment of the old and the young, most studies find a small positive or no link at all (Banks, Blundell, Bozio, & Emmerson, 2010; Jousten, Lefèbvre, Perelman, & Pestieau, 2010; Munnell & Wu, 2012). This is also true for a Dutch study of the link between encouraged early retirement and youth employment between 1971 and 2003 (Kalwij, Kapteyn, & de Vos, 2010).

The existence of a 'lump of labor' in relation to age has been researched repeatedly (Banks et al., 2010; Jousten et al., 2010; Munnell & Wu, 2012) – the discourse about it and its influence on concrete policy

measures, however, has only received very little attention (Kemmerling, 2016). In the light of population ageing, many argue that raising retirement is a necessity for the economy to stay functional (Van Dalen & Henkens, 2005). Nevertheless, several political parties and part of the population oppose this action, because of – among other reasons – crowding-out of the young. It is vital not only to understand the relationship between employment of the old and the young but also the political communicative discourse that surrounds it to evaluate why the causal belief persists even though many studies find evidence that contradicts it. Likewise, an analysis of actual evidence for the Netherlands between 1996 and 2016 allows for a judgment of the Dutch situation, as all research on the topic is either older or was conducted on different country contexts. This thesis will thus answer the following research question: *How is the crowding-out of younger workers by older workers framed in the Dutch political discourse and is there empirical evidence to support this idea of crowding-out?*

## SUMMARY OF THEORETICAL EXPLORATION

### YOUTH UNEMPLOYMENT

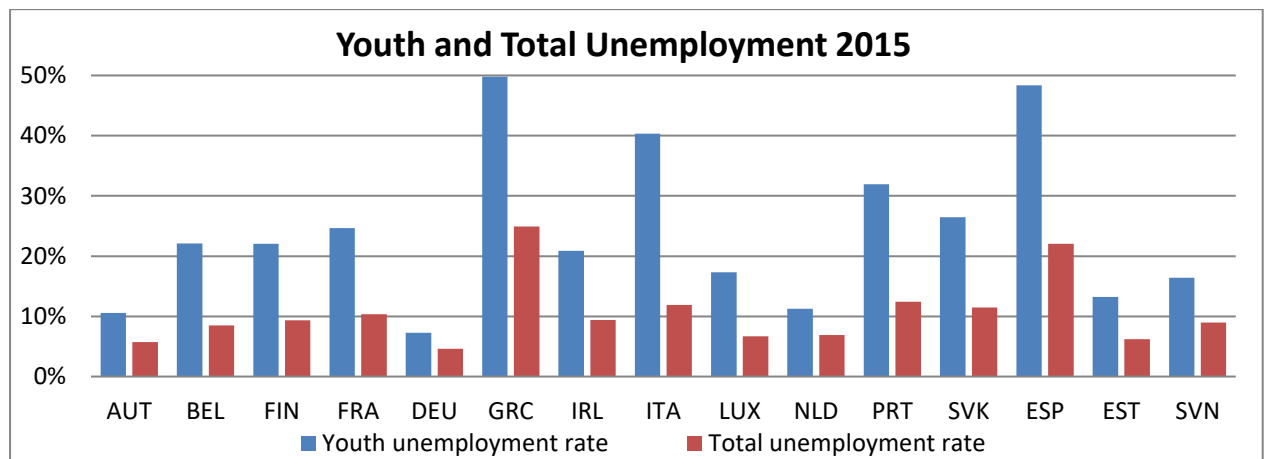


Figure 1: The Youth and Total Unemployment in the EURO area in 2015 (OECD, 2017c, 2017d)

These days, youth unemployment<sup>1</sup> is given a lot of weight politically because of two major reasons: urgency and adverse effects (Cahuc, Carcillo, Rinne, & Zimmermann, 2013; Morel, Palier, & Palme, 2012). The urgency is underlined by recent data on employment and unemployment. Following the financial crisis of 2008, youth employment rates<sup>2</sup> which in some European countries were low already,

<sup>1</sup> 15-24 year-olds actively seeking work (OECD, 2016)

<sup>2</sup> It must be noted that the employment rate is not 1 minus the unemployment rate as they are not measured relative to the same baseline amount. Employment rates are calculated relative to the working age population which is everyone between the age of 15 and 65. Unemployment rates however take the labor force as a reference, which include only individuals that are active on the labor market. Everyone not currently working or looking for a job is not included in the baseline group (OECD, 2016). Individuals can choose to opt out of the

have dropped even further to as little as 13% in Greece. Youth unemployment rates, meanwhile, are more than double of total unemployment rates in most countries – in Italy the ratio of youth unemployment to total unemployment is as high as 3.4 (Figure 1). The Netherlands fare relatively well, boasting the highest youth employment rate in the EURO area – 74% in 2015 – and with 11% they are second only to Germany when it comes to low youth unemployment. Between 2008 and 2014 however, youth employment has decreased from 69.3 to 58.8% and the ratio of total employment to youth employment has increased (Figure 2), which means that youth employment has decreased more than total employment (OECD, 2017a, 2017b).

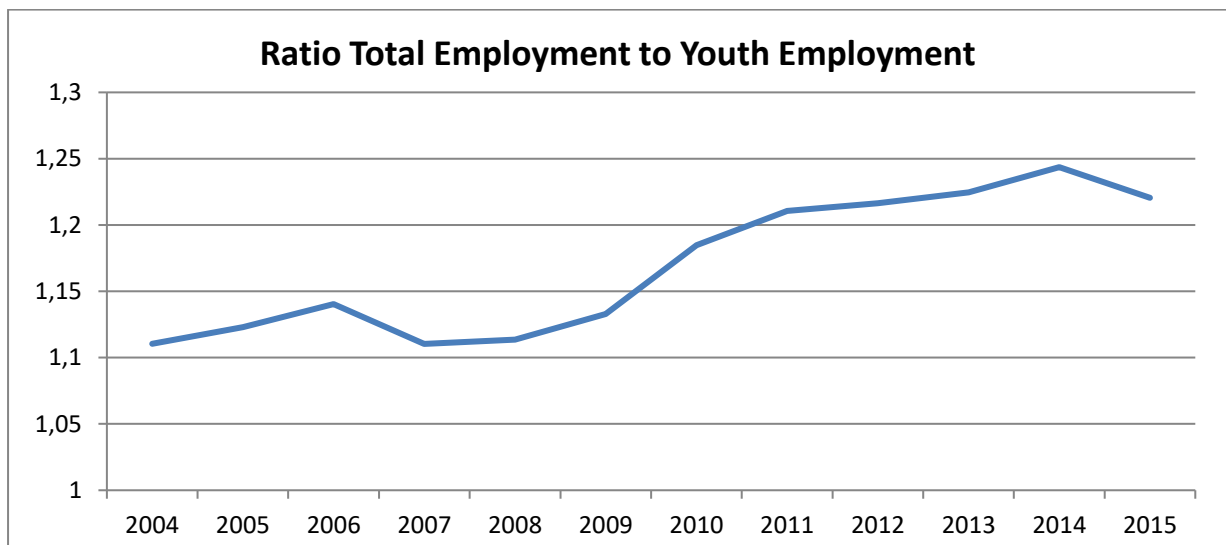


Figure 2: The Ratio of Total Employment to Youth Employment in the Netherlands between 2004 and 2015 (OECD, 2017a, 2017b)

Low employment and respectively high unemployment are undesirable because of severe negative effects on individuals and society. In addition, unemployment early in a *young* person's career can have further adverse effects.

As established by Jahoda (1997), work not only fulfills the manifest function of providing individuals with the funds necessary to live but also serves five other, latent functions: collective purpose, activity, social contact, social status and time structure. These factors are connected with well-being and mental health and reported most strongly by the working population. This holds true even for individuals doing unskilled, manual labor which is commonly viewed as undesirable. Inactive individuals (e. g. students, retirees, homemakers) show similar results when it comes to status but fail to reach the same level as working individuals on the other latent functions. Unemployed people are

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labor market if they fail to find a job, which lowers the unemployment rate. Low unemployment thus does not have to coincide with high employment.

at a disadvantage regarding all functions and report the worst results (Paul & Batinic, 2010). Hence, employment has a positive effect on mental health and is preferable not only to unemployment but also to inactivity. Not surprisingly in the light of this theory, evidence from Spain shows that the economic crisis has significantly increased the occurrence of mental health problems, with rising unemployment as one probable cause (Gili, Roca, Basu, McKee, & Stuckler, 2013).

Unemployment itself is a social risk which has a negative impact on individuals as well as society (Morel et al., 2012). For the individual, unemployment is not only associated with psychological distress but also with loss of income. The Dutch Poverty Survey 2013 found that in 2012 74% of all Dutch social assistance recipients were living below the poverty threshold (Centraal Bureau voor de Statistiek & Sociaal Cultureel Planbureau, 2013). High rates of unemployment are further associated with reduced well-being and life satisfaction, not only for the affected individual but for the whole population (Luechinger, Meier, & Stutzer, 2010; Verme, 2011).

The positive effects of employment and negative effects of unemployment can significantly affect young people (Scarpetta, Sonnet, & Manfredi, 2010). Regarding the adverse effects of youth unemployment, 'scarring' is often named. The scarring effect refers to the consequences of early unemployment spells on the later career of an individual. Multiple studies have found that individuals that have experienced unemployment early on in their career earn lower wages and have a higher probability of becoming unemployed again (Clark, Georgellis, & Sanfey, 2001). Especially in the light of the recent crisis which has left millions of young Europeans unemployed, this is a major concern to researchers and policy makers alike (Scarpetta et al., 2010). Another aspect of youth employment is the special vulnerability of young people to the lowered income and stress associated with unemployment. This can delay them in starting a family and their transition to adulthood (Knijn, 2012).

## **IDEAS AND DISCOURSE**

In the light of the urgency and adverse effects described above, it may not surprise that the idea is widespread that youth employment can be increased by encouraging older workers to leave their jobs. In 2001, roughly 30% of the Dutch agreed with the statement that "people in their late 50s should give up work to make way for younger and unemployed people" (Kemmerling, 2016). Several parties also hold this view and advocate for a retirement age of 65 (50Plus, 2017; SP, 2017).

Ideas are powerful: Causal beliefs supported by big parts of the population can influence the policy decisions made by the government (Page & Shapiro, 1983). With the recent evolution of discursive institutionalism, sociologists have put more focus on the changing potential of ideas and discourse (Schmidt, 2008). While earlier forms of institutionalism contributed a lot to the understanding of



institutions and how they affect society, they could not account for their dynamic nature and their role in policy changes (Schmidt, 2008). Researching ideas and the discourse about them provide a means to account for this potential of change and explain how and why ideas turn into policy (Béland, 2009).

Ideas and discourse do not always influence policy processes in the same way (Schmidt, 2008). While there are ‘thought-revolutions’ such as the shift in paradigms from Keynesianism to Monetarism in the 70’s (Schmidt, 2008), the idea of a ‘lump of labor’ is a causal belief that has been around since Henry Mayhew’s *London Labour and the London Poor* from 1851. It also varies widely from country to country how many individuals hold this position (Kemmerling, 2016). Kemmerling (2016) attempts to explain why the percentage differs so much across Europe and he finds that the highest rates can be found in Southern European countries where elevated levels of employment protection and (youth) unemployment prevail. Likewise, unemployed workers and those that have many unemployed friends tend to hold the belief of crowding-out between young and old more often (Kemmerling, 2016). Interestingly, the belief does not seem to be confined to the politically left or right – depending on the country, individuals on different areas of the spectrum agree more often than others (Kemmerling, 2016).

Just as public opinion is said to influence politics and policy decisions, extensive studies have researched and asserted the influence of mass media, elites and political communicative discourse on public and individual opinion (Bartels, 2003; Slothuus & de Vreese, 2010; Zaller, 1992). This is where framing theory enters the picture. By mentioning a link between retirement age and youth employment, political parties do not only introduce the topic into the discussion and set the agenda, they also already provide a frame for the reader to make sense of the information (Scheufele, 2000). Frames matter because they can influence people’s attitudes and behaviors. Different wording of questions can, for instance, lead to significant changes in respondents’ answers (Zaller, 1992). Negative framing of risky choices for example makes people more risk-averse (Mishra, Gregson, & Lalumière, 2012). Most of the theories and research on framing have had the news as a subject of interest. Dominant frames identified by Semetko & Valkenburg (2010) as relevant for media are the *human interest frame*, the *responsibility frame*, the *morality frame*, the *economic consequences frame* and the *conflict frame*. In the *human interest frame*, the sender of the message narrates the story from an emotional point of view in order to get the receiver involved emotionally (Bennett, 2016). In the *morality frame* a moral advice or obligation is expressed and the *economic consequences frame* focuses on monetary or other economic effects that the event will have on an individual or a group (Semetko & Valkenburg, 2000). In the *conflict frame*, a dispute situation is portrayed and often simplified and in the *responsibility frame*, an individual, group or organization is held accountable

(Semetko & Valkenburg, 2000). Research about framing in the context of political parties has mostly focused on how the fact that political parties are the senders of messages and frames influences their reception in public opinion (Slothuus & de Vreese, 2010). The media frames can, however, be translated to the political context. Analyzing whether and which of the frames specified by Semetko & Valkenburg (2000) are utilized in the political discourse on crowding-out can reveal communication strategies and priorities of the Dutch political parties.

It remains unclear whether politics is led by public opinion or public opinion by politics – the most likely seems to be a combination of both (Béland, 2009; Slothuus & de Vreese, 2010). This thesis will research both why parties hold the causal belief of crowding-out and how they frame the message in their own communicative discourse, thus looking at both sides of the ‘influence circle’.

A special focus shall also be put on the relationship of science and political discourse. In both the reasons for and framing of the causal belief of crowding out, science plays a role. In theory, science should take the role of a neutral judge, providing evidence untainted by ideology (Pielke, 2007). In recent years, however, scientists have increasingly been labelled as catering to the wishes of certain interest groups – the neutrality of science is being called into question (Pielke, 2007). This image can make otherwise accurate results appear invalid and lead to a practice where only evidence that coincides with a political party’s worldview is being taken into consideration when it comes to policy formation (Suhay & Druckman, 2015). From the existing research, however, it is unclear whether scientific research on crowding-out is seen as a credible source for opinion formation among Dutch political parties.

## **EVIDENCE ON CROWDING-OUT BETWEEN YOUNG AND OLD**

To evaluate how scientific research on crowding-out is perceived and framed by political parties, one must have a certain idea what theories underlie the phenomenon of crowding-out and which conclusions studies reach on the topic.

Basic economic theory, which assumes that labor markets function efficiently, predicts that crowding-out does not occur. In a very simple model, there are two factors working together to produce output – capital and labor. There is an optimal ratio of the amount of capital to the amount of labor which maximizes profit. Both capital and labor have a price – in the case of labor this price is called wage. In this model, there is only one type of capital and of labor, which means that all workers are the same and get paid the same wage (Cahuc, Carcillo, Zylberberg, & McCuaig, 2014). Assuming that the same number of workers enters as leaves the labor market each year, an increased retirement age would lead to more workers on the labor market permanently (Jousten et al., 2010). The following adaptation process would be set in motion: Relative to capital, workers become less scarce. In the short term,

wages fall to a level where it is profitable for employers to hire all new workers. This changes the ratio of capital to labor so that it is not optimal anymore, which leads to employers investing in capital to maximize profit. As capital is purchased, the ratio returns to the optimum, wages rise to the original level and everyone is as well-off as before the entry of the new workers (P. Cahuc et al., 2014).

It is evident that this simple model has many flaws. Neither are workers homogenous (Becker, 1975; Thurow, 1975) nor can wages fall easily (Dickens et al., 2007). In reality, workers can also be unemployed or leave the labor market altogether, whether into inactivity or to move to another sector or region (Autor, Dorn, & Hanson, 2013; Wolbers, 2000). Economists acknowledge that there are situations when crowding-out indeed can happen and famous studies on the influence of trade with China on employment and wages in the US (Autor et al., 2013) or the impact of high-skill immigration on the earnings of high-skilled natives (Borjas, 2005) find indications of crowding-out. Also sociologists have done research on the topic of crowding-out, for example on whether crowding-out of low-skilled by high-skilled workers is cyclical or structural (Gesthuizen & Wolbers, 2010; Klein, 2015).

The results of both sociological and economic studies on this topic are mixed, which is in line with the realist notion that context is key (Manzano, 2016). Just as in policy evaluation, scientists researching crowding-out have to ask the question ‘What works for whom and when?’ (Manzano, 2016). In the special case of crowding-out between young and old, most studies find no or a positive connection between employment of the old and young (Banks et al., 2010; Munnell & Wu, 2012). With a focus on the Netherlands, research was conducted on the period from 1971 to 2003 when policies encouraged early retirement for the benefit of youth employment. The study finds that higher employment of the old had a mild positive effect on employment of the young, which indicates that the policy discouraging employment of the old harmed rather than helped the intended beneficiaries – young workers (Kalwij et al., 2010).

## **RESEARCH DESIGN**

A multi-method research design was employed using both qualitative (document analysis and semi-structured interviews) and quantitative methods (explain method and provide a reference) to research crowding-out between young and old (Morse, 2016). This combination of methods was needed to cover the empirical reality of crowding-out (i.e. does it exist) and the discourse about it in the Netherlands (i.e. what dominant ideas exist about crowding out). This multi-method design was the most suitable approach for answering the research question central in this thesis:

*How is the crowding-out of younger workers by older workers framed in the Dutch political discourse and is there empirical evidence to support this idea?*

To answer the first part of the research question, the following sub-questions were researched:

*(Q1) How pronounced is the belief of a 'lump of labor' regarding young and old workers among Dutch political parties?*

*(Q2) How do parties frame the idea of 'crowding-out'?*

*(Q3) On what base do political parties hold this causal belief?*

*(Q4) To what extent did crowding-out take place in the Dutch labor market between 1996 and 2016?*

*Hypothesis: Drawing on earlier research, no relationship between employment of the old and either of the measures for the situation of young people on the labor market should be found.*

## **DATA**

In line with the multi-method design, the data used in this thesis comes from varying sources. For the qualitative research the party manifestos for the years 2002, 2003, 2006, 2010, 2012 and 2017 were retrieved from the internet for all the parties with at least one seat in the House of Representatives in 2017. Parties which earlier held a seat but have since left the House of Representatives were not included because there was no possibility for a follow-up interview. This applies to the Pim Fortuyn List (*Lijst Pim Fortuyn*) and Livable Netherlands (*Leefbaar Nederland*). The two parties who hold seats in the House of Representatives for the first time, DENK and the Forum for Democracy (*Forum voor Democratie*), were considered for analysis but excluded as it became evident that their one manifesto available does not contain any references to crowding-out between young and old. For the same reason, the Party for Freedom (*Partij voor de Vrijheid*) had to be excluded – all references on crowding-out in the four manifestos available were about migrants crowding-out natives and an interview request was not answered. All in all, 58 manifestos were collected and screened. 33 of these contained relevant content. No new references were found in the manifestos from 2003 as many were almost identical with the documents from 2002. Thus, the final sample includes only the manifestos of the other five years. The documents in the final sample are listed in the Appendix.

Additional to analyzing the party manifestos, the aim was to interview one official of each major Dutch party to contextualize their stance on crowding-out. Interviews with members of parliament were aimed at. For the cases where this was not possible, interviews with policy officers were conducted. Despite repeated attempts at getting an interview with either party officials or policy officers, not all parties were willing to do an interview. The final sample thus includes ten parties of which five have also been interviewed. Table 1 shows how many documents with relevant content were available per party and whether an interview was conducted. The interviews took place at the House of

Representatives in Den Haag where respondents work. They lasted between 20 and 35 minutes and were led by a topic list prepared in advance. This topic list contained questions about the perceived labor market situation of younger and older workers, the expected effect of a change in retirement age on said situation and a direct inquiry to crowding-out. As the research process advanced, the topic list was adapted slightly to gather more information on emergent themes and for example the topic of the young crowding-out the old was added. The full topic list can be found in the Appendix.

<b>Party name</b>	<b>Number of manifestos with relevant content</b>	<b>Interview conducted</b>
50PLUS	2	Yes
Christian Democratic Appeal (CDA) <sup>3</sup>	5	Yes
Christian Union (CU)	3	No
Democrats 66 (D66)	5	Yes
GreenLeft (GroenLinks)	2	No
Labour Party (PvdA)	4	Yes
Party for the Animals (PvdD)	1	No
Reformed Political Party (SGP)	3	No
Socialist Party (SP)	4	Yes
People’s Party for Freedom and Democracy (VVD)	4	No

Table 1: General information on data from sampled parties

For the empirical analysis of crowding out, quantitative micro data from Statistics Netherlands was used. These data, collected four times every year, offer a representative sample of the Dutch population aged 13 and above<sup>4</sup>. The original sample is a panel dataset, including four observations per person per year – one per quarter, for a total of 6,360,817 respondents from 1996 to 2016. For the purposes of this thesis, the respondents younger than 15 and older than 65 were excluded to focus on respondents of working age. In addition, only the first observation for each person was used given that weights correcting for over- and underrepresentation of certain groups and information on all variables are only included in these first quarter data. This final cross-section of 15- to 65-year-olds includes data on 1,819,137 individuals from 1996 to 2016.

Additionally to the micro data, macro data from Statistics Netherlands was used as controls for the regressions conducted. Data on GDP, GDP growth and the manufacturing share was used for the

<sup>3</sup> A follow-up question which had been forgotten was sent to the CDA respondent by e-mail.

<sup>4</sup> The oldest participant in the sample was 124 years old, most likely due to a measurement error.

regressions which focused on the whole of the Netherlands. For the province regressions, only the growth rate of the regional product was used as a control for reasons of data availability.

## **METHOD**

Research questions 1, 2 and 3 were answered using qualitative methods. Document analysis was applied to the party manifestos and five interviews were conducted to explore more in-depth the framing of crowding-out between old and young and the reasons given for holding or not holding the belief. The qualitative data were then coded and analyzed using NVivo.

To start, the manifestos and interviews were searched for references to crowding-out between young and old and coded accordingly. Second, data were coded deductively using the media frames described in the theory section. In addition, inductive frames were identified. This means that possible frames were found through the study of the text instead of or additional to those informed by theory (Gamson, 1992). The inductive approach was needed to identify possible additional frames used in the political discourse on crowding-out between old and young that differ from the frames used in media discourse. In total, four frames were identified. The *personalization*, *economic* and *responsibility frames* are similar to frames specified Semetko & Valkenburg (2000). The *dependency frame* was found by inductive analysis. As there is no research on the reasons why political parties believe in crowding-out, an inductive approach was applied as well to find the underlying justification for the causal belief. Four different rationalizations were identified inductively: *indicators*, *questioning credibility*, *logical reasoning* and *science & theory*. To contextualize the findings, references to an *unfavorable labor market situation for young and old* were collected as well. For reasons of practicality, the sources were also coded by *party*, *year* and *type of document*.

The quantitative part of the research question 4 was answered using micro and macro data from Statistics Netherlands for the years 1996 to 2016 and R. Originally, data between 2003 and 2015 should have been analyzed to coincide with the time frame for the qualitative analysis. However, since the idea of a regression with disaggregated micro data was dismissed for the lack of a control group, the time frame originally aimed at would have limited the number of observations to as little as 13 for the country regression. Especially this regression was considerably strengthened by these added years (Zax, 2011). Almost none the manifestos from 2002 and 2003 contain relevant quotes and those that do, do not change significantly in content. Likewise, the interviews are the most important base for any conclusions drawn. It is thus unlikely that adding the manifestos from 1994 and 1998 to the analysis would have drastically changed the results.

In a first step, the micro data on employment and unemployment were aggregated for the Netherlands and for the Dutch provinces by age group. Young people were defined as aged 15 to 24, old people as 55 to 65. Although macro data could have been used for the regression on the Netherlands, aggregated micro data was preferred so as to keep outcomes consistent with those of the regression on data aggregated by province. Also, the use of micro data allowed for customization of the age group threshold and the use of additional variables like full-time schooling rates of the young.

Subsequently in five different regressions, youth employment and unemployment, the rate of full-time schooling among youth, average hourly wages of youth and the percentage of young people with a fixed contract were regressed on employment of the old. In a first instance, an ordinary least squares regression was conducted. To account for trends that could bias the results, the regressions were also conducted differenced across three years (Wooldridge, 2015). GDP, GDP growth and manufacturing share of GDP were used as control variables. This approach is based on the method used in Gruber & Wise (2009) and allows for simple testing of a relationship between employment of the old and employment and unemployment of the young controlled for economic conditions.

The combination of highly aggregated data and few observations made conclusive results rather unlikely (Zax, 2011). In an attempt to combat both problems, the same regressions were also conducted using province data and province dummies, thus increasing the number of observations and decreasing the level of aggregation.

Gruber & Wise (2009) also conduct a two-stages-least-square regression with a retirement incentive indicator replacing elderly employment. This measure is taken as it can be assumed that employment of the young also influences employment of the old, endogeneity ensuing. A similar approach exceeds the scope of this thesis. The results found for research question 4 may thus be biased and should be understood as indicative rather than causal (Wooldridge, 2015).

## RESULTS

The central issue considered in this thesis is the possible existence of crowding out of younger workers by older workers and the extent to which this idea is supported by political parties in the Netherlands. The qualitative analysis conducted only partially demonstrates a belief in crowding out of the young by the old (OCY), and further reveals a dichotomy of a belief in two forms of OCY: structural and cyclical. It further shows that parties use four frames when they are referring to crowding-out: the *personalization frame*, the *economic frame*, the *dependency frame* and the *responsibility frame*. To reason their stance, Dutch political parties make use of *logical reasoning*, *science & theory*, *indicators*

and *questioning credibility*. Also, it became evident that there is a parallel discourse on crowding-out of older workers by younger workers (YCO). The notion of crowding-out between young and old is not supported by results of the quantitative analysis.

### **CROWDING OUT OF YOUNGER WORKERS BY OLDER WORKERS (OCY)**

Only four out of ten Dutch political parties make it clear in their interviews or manifestos that they believe in structural crowding-out of the young by the old – “structural” meaning that there is crowding-out regardless of how the economy fares (Gesthuizen & Wolbers 2010). In contrast, three parties specifically refer to structural OCY as a non-issue. Two of those, the Christian Democratic Appeal (CDA) and the Democrats66 (D66), reason that crowding-out may happen, but only in times when the economic cycle is in downturn. “*Crowding-out between young and old, we do not have a lot of indication that that should be the case independently from cyclical effects.*” (D66 Interview) This cycle-dependent type of crowding-out is also referred to as cyclical (Gesthuizen & Wolbers 2010). Table 2 displays which parties mentioned a belief in cyclical or structural crowding-out.

Party	50PLUS	CDA	CU	D66	GreenLeft	PvdA	PvdD	PVV	SGP	SP	VVD
OCY	X	(O)		(O)		O	X			X	

Table 2: Belief of Crowding-out by type and party. O’s are taken from interview responses only. (O) means that the party only believes in a cyclical form of crowding-out, not in a structural one.

### **FRAMES AND RATIONALIZATION USED IN OCY**

In line with this dichotomy of structural and cyclical crowding-out, the *dependency frame* is used heavily by parties when referring to OCY. This frame is used by defenders as well as critics of structural OCY. The consensus is that a downturn of the economic cycle can worsen the situation for younger workers because companies are reluctant to hire new employees, as the Labor Party (PvdA) explains.

*“The second thing is that you see in the Netherlands that many companies are afraid to attract new people because of the financial crisis. And young people are affected negatively by that.” (PvdA Interview)*

However, while parties like D66 and the CDA are adamant that this is the only OCY effect observable, other parties like the Socialist Party or the Labor Party argue that the cyclicity adds to the adverse effect of structural crowding-out.

Another frame used in the discourse on OCY is the *economic frame*. In this frame, the respondent argues from a detached point of view and refers to economic consequences and workings. Both defenders and critics resort to the *economic frame* when talking about OCY. D66 for instance uses the frame to reject the belief. “*As soon as new labor supply comes, it will be accommodated.*” (D66



interview) This frame is supposedly used to increase the credibility of the argument at hand, as supporting an argument with scientific language and numbers can make the speaker seem more competent (Reyes, 2011). This frame adds a dimension of technical competence to the narrative and balances the human interest approach of the *personalization frame* (Bennett, 2016; Reyes, 2011).

Parties use the *personalization frame* to increase the interest and emotional involvement of the voter and make the narrative more accessible (Bennett, 2016). In the *personalization frame*, an example of an individual is given. This individual often has specific characteristics and sometimes even narrates part of the text. This frame was used exclusively by the Labor Party during their interview to defend OCY.

*“That has to do with the positions that employers offer. The employer says ‘Well, I now have older people employed, I don’t have any space to employ someone young’.” (PvdA Interview)*

Both the *personalization* and the *economic frame* are used in the reasoning of the parties’ position on OCY, for example through *indicators*. *Indicators* are historic or contemporary examples of situations where crowding-out has or has not happened. They can be very individual, as in the *personalization frame* or rather technical like in the *economic frame*. *Indicators* are used to illustrate that in the real world, there is (no) indication for crowding-out. As this example from D66 shows, they feel there is no evidence of crowding-out between the young and the old given an absence of crowding-out between other groups, such as men and women.

*“If you ask me that is a really static view, the “lump-of-labor fallacy”, that there is supposed to be a fixed amount of labor. Our reaction is always: No men lost their jobs when women started working in large numbers.” (D66 Interview)*

In contrast, parties such as the Labor Party do see a connection between recent changes in Dutch retirement law and a shortage of positions available.

*“The early retirement regulation [...] was phased out and at the same time the [retirement] age was raised which made the whole group work longer and which caused a shortage [of jobs] on the labor market – or in any case less space for new, young people.” (PvdA Interview)*

The *economic frame* is also often utilized when *science & theory* are named as a reason not to believe in OCY. Respondents describe economic models and processes to explain the working behind OCY and cite scientific studies that find little or no indication of crowding-out. D66 refers to both in their rejection of OCY, citing the work that the Netherlands Bureau for Economic Policy (CPB) has done on this matter and the underlying economic theory.

*“The [additional] labor supply, that is also evident from many studies that the CPB [Netherlands Bureau*

*for Economic Policy Analysis] has conducted, for example the CPB calculations of the costs of the party programs, that this leads to more labor demand. Everything through the raised labor supply which means that the salaries are increasing less and that this way the labor becomes less expensive, relatively less expensive. So that [labor] is also more attractive in that way.” (D66 Interview)*

This rationalization is exclusively used by critics, presumably because of the small number of scientific studies and lack of economic theory that supports OCY. Instead, defenders use *logical reasoning* to rationalize to the listener why they think that there is a relationship between the employment of old and young. Respondents using *logical reasoning* do not name a mechanism or theory behind their conclusion, connections are established but not elaborated upon, as in this example from the Socialist Party interview:

*“Just with common sense and logical reasoning I think that when you remove 100.000 or 200.000 people from the labor market that that will cause unemployment to go down and not cause the number of jobs to go down.” (SP Interview)*

Another rationalization commonly used by defenders of OCY is *questioning the credibility* of the models at hand. Of all the reasons, this one is utilized most often. In *questioning credibility*, flaws in the economic theory and models used by research agencies such as the CPB are pointed out, false theoretical priorities of the other side are attested and it is argued that while there has been research on the topic of OCY, there is no good research. Likewise, changes in the position of the other parties are named as inconsistencies. 50PLUS names this in conjunction with the introduction of early retirement in the 80’s.

*“In the beginning of the 80’s, youth unemployment was really high, higher than it was in the last years and in the social agreement of Wassenaar they said ‘you know what, we will send all the older employees into early retirement’. [...] And there the argument was used that this was going to solve youth unemployment. Now the reverse is happening [...] and here the reversed effect is not supposed to happen!” (50PLUS Interview)*

The critics of OCY also use *questioning credibility* to counter this argument. They argue that this policy measure was taken in times when the economy was not faring well and cyclical crowding-out was happening. It was adequate for the 80’s, but in the more recent context it is not adequate anymore. Among others, the CDA makes this stance clear.

*“The [early retirement] regulations, they were abolished in the beginning of the 2000’s [...] because people thought that they are not timely anymore and that we wouldn’t be able to maintain them financially.” (CDA Interview)*

## QUANTITATIVE EVIDENCE

Structural OCY is in part debated so hotly because it is a very difficult matter to research. It will presumably thus stay a matter of opinion to some degree. In the simple ordinary least square regression (OLS) conducted for this thesis, the quantitative results show a relationship between employment of the old and the outcome variables employment, unemployment, type of contract, schooling and wages of Dutch youth. As soon as a three-year difference is added, this effect vanishes. The earlier results can thus be interpreted as being caused by a trend in the data. In fact, it is visible in the data that the employment of the old has been rising steadily over the last few years. This observation combined with the results of the differenced regression make it very likely that the rising employment of the old distorts the results of the first regression (Wooldridge, 2015). The results from all regressions are presented in aggregated form in Table 3. The results from the regression on province data mirror this picture with an outlier for the “type of contract” variable. While the simple OLS regression implies that more employment of the old leads to less fixed contracts for Dutch youth, the differenced regression tells the opposite story. Further research into this specific result could possibly yield interesting insights. Overall, the hypothesis posed in research question 4 cannot be rejected. Due to a limited number of observations and possible endogeneity issues, this method cannot assert without a doubt that there is no crowding-out. There is a strong indication, however, that there was no large effect of employment of the old on outcomes of the young in the Netherlands between 1996 and 2016.

	<b>Dependent variables</b>	<b>OLS</b>	<b>Differenced OLS (3 years)</b>
<i>Netherlands</i>	Employment	-0.637 ** (0.215)	1.220 (0.875)
	Unemployment	0.274 ** (0.087)	-0.554 (0.339)
	Hourly wages	28.45** (7.415)	-34 (17.62)
	Type of contract	-1.324 *** (0.189)	0.248 (0.684)
	Schooling	0.233 * (0.117)	-0.472 (0.548)
<i>Provinces</i>	Employment young	-0.067 ** (0.023)	0.035 (0.113)
	Unemployment young	0.045 *** (0.011)	0.089 (0.054)
	Hourly wages	31.724 *** (1.207)	-1.216 (4.385)
	Type of contract	-0.783 *** (0.031)	0.401 *** (0.117)
	Schooling	0.307 *** (0.018)	-0.094 (0.094)

Table 3: The effect of employment of the old on five outcome variables of the young in the Netherlands and the Dutch provinces between 1996 and 2016 (for hourly wages and type of contract 1999 and 2015) – aggregated regression results for OLS and differenced OLS<sup>5</sup>

### **CROWDING OUT OF OLDER WORKERS BY YOUNGER WORKERS (YCO)**

The effect of youth employment on outcomes of older workers was not researched quantitatively in this thesis. Unexpectedly, this is the story that is more prominent in the Dutch political discourse. Older workers are seen in a very precarious situation on the labor market. GreenLeft summarizes the problem as follows: *“Many older people are applying for jobs like crazy but they are not hired”* (GreenLeft manifesto from 2012). This opinion was expressed by most parties. Those that did not have references to the young crowding out the old (YCO) in their manifestos made it clear during their interview that they see old people at an advantage on the labor market compared to young people. Table 4 lists the Dutch political parties and whether they believe in YCO.

Party	50PLUS	CDA	CU	D66	GreenLeft	PvdA	PvdD	PVV	SGP	SP	VVD
OCY	O	O	X	X		O				X	X

Table 4: Belief of Crowding-out by type and party. O’s are taken from interview responses only.

### **FRAMES AND RATIONALIZATION USED IN YCO**

A reason why this narrative is common to all parties is likely that it fits the current situation on the labor market well. Labor market problems for both young and old are noted throughout the political spectrum. The nature of their problems as perceived by the parties, however, differs. In times when the economy is well, so goes the narrative, young people do not have too many difficulties finding a job. Their challenge is rather that they are offered flexible contracts for limited time periods which offer insufficient financial safety. The position of the young on the labor market is thus perceived as insecure, as the CDA makes clear.

*„It’s not that difficult to get a job but it is difficult to get a fixed contract. Here the Netherlands is the champion, unfortunately. And we don’t think that that is good, that has to be different. That way you cannot build a future, you cannot get a mortgage. You see that many young people are living with their parents much longer. Back in the day they moved out earlier but that’s not possible, because the people don’t have the security yet.“ (CDA Interview)*

Old people on the other hand tend to have secure jobs with a sufficient income. Their problem is that if they become unemployed, they have major difficulties finding a new job. In the parties’ narratives, the same comparative advantage that leads to the young crowding out the old and prevents them

<sup>5</sup> Due to their large number, the regressions are not shown the Appendix. They can, however, be provided by the researcher on request.

from finding a job is the reason why young people are struggling to start their future. A model of the mechanism can be found in Figure 3.

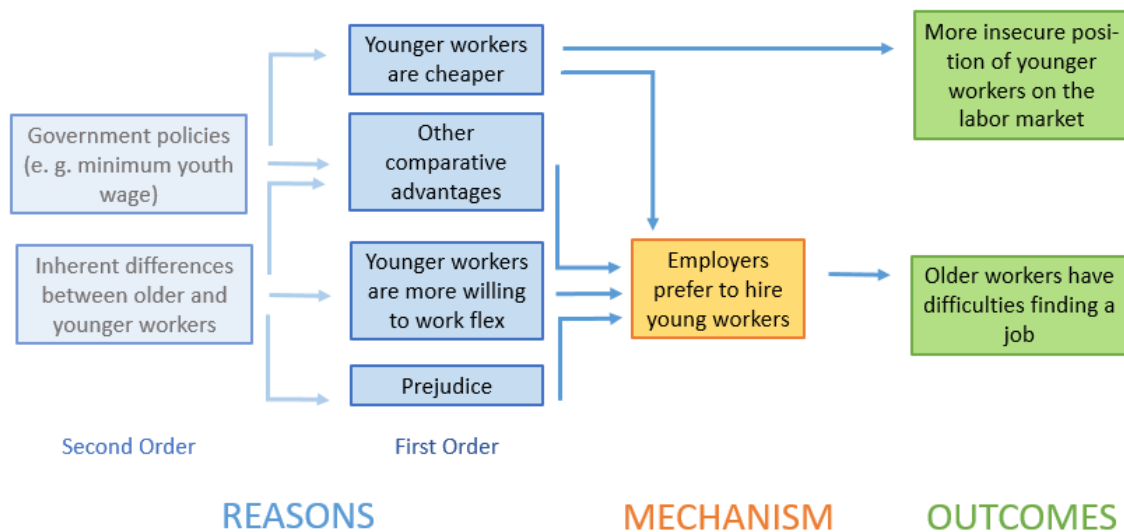


Figure 3: Theory behind the young crowding out the old as conveyed by respondents

In this narrative, the young and the old are both victims. There are two actors, however, that can influence the process: employers and the government. This ties in to the dominant frame used in the discourse on YCO, the *responsibility frame*. This frame is very pronounced among quotes on YCO but virtually absent from the discourse on OCY. In the *responsibility frame*, respondents identify one entity which is responsible for the events on the labor market. Most quotes put the responsibility with the employer, as the Labor Party illustrates in their interview. *“In the workplace, older employees are underappreciated. Too often employers view them as too expensive, too old and too unproductive.”* (PvdA manifesto from 2012) Other parties such as D66 and 50PLUS do not see the responsibility solely with employers. They acknowledge the role that labor policy and collective agreements and thus the government and the unions play in changing hiring incentives.

*“What you of course see as well is that because of [...] tax credits, income-related combination tax credits people work more hours than they normally would if they did not get these credits. And that makes sure that many people of a certain age – people with children, young people with a low salary – make themselves more available for the labor market than they normally would have, through those credits, and by that effectively crowd out older people on the labor market.”* (50PLUS Interview)

In fact, the most striking thing about the discourse on YCO is how homogeneous it is. While there is a wide array on positions, frames and reasons to believe or not to believe concerning OCY, YCO narratives know only a few. No party states that they do not believe in it. The only reason for the belief

evident from the data was *logical reasoning* – no respondent cites research on the matter or explains the party position using *theory* or *indicators*. Also, the parties make more use of the *personalization frame* than when referring to OCY. Instead of operating with large numbers, theoretical concepts and scientific evidence, YCO is about the fate of the individual. An example for both *logical reasoning* and the *personalization frame* was given by the Socialist Party during their interview.

*“If there is a job opening and you are older than 50 and you apply, the chance is really high that the employer can also hire a 30-year-old and prefers to do that which leads to the person above 50 being excluded.” (SP Interview)*

While OCY is a theoretical battlefield with a lot of research, opinions and discussion, YCO is commonly accepted. Therefore, many of the frames are absent: there is no need for extensive rationalization and economic detachment to show professionalism. Since the term crowding-out in itself is already controversial and many respondents were reluctant to use it for something they believe in, it is likely that the acceptance in part stems from YCO being commonly referred to as age discrimination or a structural disadvantage of older workers. YCO is not perceived as a form of crowding-out but rather as a separate phenomenon with different vocabulary. This is not only true for politics but also for science, where research on age discrimination is not automatically linked to that on crowding-out.

## **CONCLUSION AND DISCUSSION**

The quantitative and qualitative analyses conducted in this thesis aim at answering the question how crowding-out of younger workers by older workers is framed in the Dutch political discourse and whether there is empirical evidence to support this idea. The quantitative evidence does not indicate a strong relationship between employment of the young and the old. Independent of that, two narratives are found to be dominant in the Dutch political discourse regarding crowding-out between the young and the old.

The first dominant narrative is that structural OCY does not occur but that a point can be made for cyclical OCY and YCO in general. This narrative mainly uses *logical reasoning* to explain its stance regarding YCO and the *responsibility* and *personalization frame* in the discourse surrounding it. OCY is mostly approached via the *economic* and the *dependency frame* and *indicators, science & theory* and *questioning credibility* are all used to refute its claim. Parties using this narrative do not think that raising the retirement age will have adverse effects on youth employment, they do however see the necessity to improve the situation of older workers on the labor market. Youth unemployment is mostly seen as a problem of times with low economic growth. At least D66 and the CDA use this narrative.

The second dominant narrative thinks all types of crowding-out possible. Parties using this narrative base their stance regarding OCY on *logical reasoning*, *indicators* and *questioning credibility*. Science is in this context either not mentioned at all or its credibility is being called into question. The stance on YCO resembles the one of the first dominant narrative. Users of the second dominant narrative expect a negative effect of the increase in retirement age on youth employment, but also want to take measures against the disadvantage of older workers on the labor market. Parties using this frame are the Socialist Party, 50PLUS and the Labor Party.

This dichotomy shows that only some of the Dutch political parties accept science as a valid source of information regarding crowding-out – those that agree with the general scientific consensus that there is no indication for structural OCY. The findings are thus in line with the notion that parties only accept evidence that fits into their outlook on the world (Suhay & Druckman, 2015). Additionally, it seems to be the case that in the absence of scientific evidence or if that evidence is not known to the party representative, they rationalize their stance with *logical reasoning* instead. Likewise, the *questioning credibility* rationalization by defenders of OCY ties in with findings that indicate that the neutrality of science is not self-evident anymore (Pielke, 2007).

At the same time, youth unemployment is losing the status of a political priority. During and shortly after the crisis, youth unemployment was discussed in science as well as in politics (Scarpetta et al., 2010). Now, several years after the crisis, youth unemployment is not a pressing matter anymore. The discourse has shifted to employment of older workers as this form of unemployment is perceived as structural and more topical with the current raise of retirement rate. Crowding-out is not the cause of youth unemployment that most parties would think of first – the discussion has moved on to insufficient connectedness of education and the labor market, lack of professional skills and minimum wages as causes of high youth unemployment (Jousten et al., 2010). Meanwhile, the discourse on YCO – even though under the name “age discrimination” – is just starting and will presumably be a subject of increased interest of science as well as politics in the future.

## **LIMITATIONS**

The biggest limitation of the qualitative part of this thesis is the fact that not every party agreed to an interview. While a picture of the political discourse on crowding-out could be presented, additional interviews could have added facets or changed some of the conclusions drawn. The study of party manifestos made it possible to glean some information on a party’s stance on crowding-out between young and old. In depth analysis of frames and rationalization, however, cannot be conducted based just on these documents.

It should further be noted that the parties that did agree to an interview did not send the same type of respondent – some parties arranged an interview with their member of parliament responsible for this issue while others sent one of their policy officers. Since the tasks of a policy officer differ from those of MPs, differences in interviews could also be attributed to different styles of speech and different communication patterns that have nothing to do with the parties themselves but rather with the role of the representative (Chilton, 2004).

Time constraints made it impossible to dive deeper into the topic of crowding-out quantitatively. While the quantitative results indicate that mass crowding-out between young and old is not happening, they might be biased because of endogeneity. The analysis thus gives an insight into the empirical reality of crowding-out in the bigger picture of the Netherlands and the Dutch provinces but cannot claim to test for causality. Also, small-scale crowding-out effects concentrated on certain sub-groups of younger or older people might have been missed.

## **IMPLICATIONS FOR POLICY AND FURTHER RESEARCH**

In line with the limitations named above and the political consensus that older workers have difficulties finding a job once unemployed, further research could look into a possible crowding-out effect that younger workers have on unemployed, older workers. Future studies could shed light on the possibility of YCO as a structural phenomenon on a macro level and thus give an indication on whether the political concerns of Dutch parties are justified. This and any other research on YCO has to be related further to theory and research on age discrimination, as to this date there is an insufficient connection with crowding-out theory.

The quantitative results imply that so far, the increased labor market participation of older workers has not had a big impact on youth employment and other indicators of crowding-out. A lowering of the retirement age so as not to increase youth unemployment thus seems unwarranted. At the same time, rising unemployment of the old (OECD, 2017b) and the overwhelming consensus that older workers are at a disadvantage point to the necessity of research on YCO and possible action regarding the causes of this kind of crowding-out. Especially the reasons why older workers are presumably at a disadvantage compared with younger workers must be analyzed, verified and, consequently, tackled.

## **REFLECTION**

Writing this thesis has been a challenge. The last five months have held a lot of firsts for me: the first research internship, the first time doing interviews (and in Dutch and with members of parliament at that) and the first time working on qualitative research. Crowding-out is a challenging topic and it took a lot of reading, discussing, writing and deleting what I had written to understand what the problem



was and how to tackle it scientifically. However, this was not the biggest challenge: For an economist at heart who is interning at an Economic Research Bureau on a rather economic topic, getting the quant out of the qual was extremely difficult. Automatically, I would return to the safety of numbers and statistical relationships and rather neglect the potential of the qualitative part of this research. With the help of my supervisor Mara, I dared to let the qualitative insights lead this thesis and I feel that it has gained a lot from that perspective. The research process has taught me a lot of things about science in general and qualitative research in specific, but also about myself. I know now that academia is not my future. I am passionate about Social Policy – however, I do not want to be the person who conducts research but the person that uses research to implement its findings in policy. The last five months at the Netherlands Bureau for Economic Policy have shown me that like nothing else could. I enjoyed conducting the interviews and discovering the insights that the data offered. However, this constituted only a small part of the research process – much more time was spent on reading papers and manifestos; solving coding problems in R; doing analyses that turned out to be of limited usefulness and writing, rewriting and re-rewriting. Nevertheless, I will keep fond memories of the time at the Netherlands Bureau for Economic Policy and use what I have learned about myself to find a job that I can be passionate about.

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## APPENDIX

### PARTY MANIFESTOS IN FINAL SAMPLE

Party	2002	2006	2010	2012	2017
50PLUS				X	X
CDA	X	X	X	X	X
CU		X		X	X
D66	X	X	X	X	X
GreenLeft			X	X	
PvdA		X	X	X	X
PvdD					X
SGP	X		X		X
SP		X	X	X	X
VVD	X		X	X	X

Table 5: Party manifestos that contain relevant content

### TOPIC LIST

Red questions were added during the interview process.

- Labor market situation of older workers in the Netherlands
- Impact of changes in retirement age on situation of older workers
- Labor market situation of younger workers in the Netherlands
- Impact of changes in retirement age on situation of younger workers
- Crowding-out of the young by the old
- Reversed situation: crowding-out of the old by the young
- Comparison of problem importance: youth unemployment vs. unemployment of the old
- Solutions to crowding-out (both types)

### CODE TREE

Name	Description
Frames	Stances on crowding-out and how they are framed
Main frames	Stances on crowding-out
Crowding-out	Believe in crowding-out
Old crowd out young	OCY

Name	Description
Young crowd out old	YCO
Non-issue	Do not believe in crowding-out
Sub-frames	How is crowding-out framed?
Dependency	Crowding-out depends on economic cycle
Economic	Economic, detached description
Personalization	Personalized example
Responsibility	Entity responsible identified
Labour market situation	How do old and young people fare on the labour market?
Situation unfavorable for old people	
Situation unfavorable for young people	
Parties	
50PLUS	Pensioners' Interest Party
CDA	Christian Democratic Appeal
CU	Christian Union
D66	Democrats66
GroenLinks	GreenLeft
PvdA	Labor party
PvdD	Party for the Animals
SGP	Reformed Political Party
SP	Socialist Party
VVD	People's Party for Freedom and Democracy
Reasons not to believe in crowding-out	Rationalizations of critics



Name	Description
Indicators	Example from history/real world
Questioning credibility	Opponents credibility is being called into question
Science & theory	Science and theory used to rationalize
Reasons to believe in crowding-out	Rationalizations of defenders
Indicators	Example from history/real world
Logic reasoning	Logical reasoning used to rationalize
Questioning credibility	Opponents credibility is being called into question
Type	Type of document
Interview	
Manifesto	
Year	
2002	
2006	
2010	
2012	
2017	

Table 6: Code tree