



Ageing and Employment Policies

# NETHERLANDS

WORKING BETTER WITH AGE





# **Ageing and Employment Policies: Netherlands 2014**

WORKING BETTER WITH AGE

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## Foreword

Given the phenomenon of rapid population ageing in member countries, providing older people with better work incentives and choices is crucially important, both in order to promote economic growth and to help sustain public social expenditures. Therefore, in 2011 the OECD Employment, Labour and Social Affairs Committee decided to carry out a new series of policy reviews to encourage greater labour market participation at an older age, through the fostering of employability, job mobility and labour demand. It builds on previous work that the OECD has conducted in this area in the Ageing and Employment Policies series, summarised in the Organisation's major multi-country report, *Live Longer, Work Longer*, published in 2006.

Drawing on the findings of a comparative policy review of recent reforms, an empirical study on labour market factors, and in-depth country case studies, a thematic review on older workers entitled *Working Better with Age* will be published in 2015. It will highlight key issues and policy recommendations, which will be discussed subsequently by OECD employment and labour ministers at a high-level policy forum.

This report on the Netherlands is one of the OECD country case studies comprising that review, after France and Norway. Following the 2005 report *Ageing and Employment Policies: Netherlands*, the book points to areas where further change is both necessary and possible to improve work incentives and employment opportunities at an older age.

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## *Acronyms and abbreviations*

ALMP	Active Labour Market Programme
AOW	Public old age pension scheme
EITC	Earned Income Tax Credit
EPL	Employment protection legislation
IOW	Income Compensation for Older Unemployed
IVA	Fully Disabled Persons Income Scheme
PES	Public Employment Service
PIAAC	Survey of Adult Skills
SER	Social and Economic Council ( <i>Sociaal-Economische Raad</i> )
SILC	Survey on Income and Living Conditions
STAR	Foundation of Labour ( <i>Stichting van de Arbeid</i> )
SZW	Ministry of Social Affairs and Employment
UAB	Unemployment Assistance Benefit
UIB	Unemployment Insurance Benefit
WGA	Return to Work Benefit
WIA	Work and Income to Capacity



## *Executive summary*

Leaving the labour market through early retirement and disability schemes was previously commonplace for older workers in the Netherlands. Over the past decade, the authorities have taken steps to: increase the incentives to work; close pathways to early retirement; tackle over-utilisation of disability pension; and raise the state pension age. Encouraging results have been achieved, but the Netherlands still remains well behind the best achievers. The recommendations that are put forward below, as possible elements of an overall strategy for promoting the employment and employability of older workers, are based on three mutually supportive actions: i) better incentives to carry on working; ii) tackling employment barriers on the side of employers; and iii) improving the employability of older workers.

### **Better incentives to carry on working**

- Promote long contribution periods in second-pillar schemes.
- Increase flexibility in withdrawal and combinations of pension and work to encourage longer careers.
- Better dissemination of information with a special focus on groups with low financial literacy.
- Reduce maximum duration of unemployment insurance benefits combined with better activation of recipients of income compensation for older unemployed.
- Keep replacement rates of sickness and disability benefit well below 100%, and give access to wage-compensation already in the sickness benefit period.

### **Tackling the barriers on the side of employers**

- Wage setting procedures should be adjusted, with more focus on performance and less on tenure and seniority.

- Review age limit rules in parallel with reforms of wage-setting and the employment protection legislation.
- Age-neutral personnel treatment should be included as a target in the employment protection legislation reform.
- Better targeting of measures to reduce cost disadvantages, increase employability and promote recruitment of older workers.
- New practices in the Sustainable Employability programme should progressively become national standards.

### **Improve the employability of older workers**

- Link training measures for older unemployed directly to a specific job.
- Tight co-operation between the Public Employment Service and the municipalities.
- Support initiatives to facilitate longer part-time shares and full-time work.

## *Assessment and key recommendations*

### **Employment for those over age 55 has increased substantially in the Netherlands**

Like many other countries, the Netherlands is facing the challenge of a rapidly ageing population. The number of those aged 65 and over, measured as a proportion of the population aged 20-64, is projected to double: from 27% in 2012 to 52% in 2050. This places the Netherlands mid-range among OECD countries in terms of the old age dependency ratio – in 2010 as well as in the 2050 projection.

Previously in the Netherlands, leaving the labour market through early retirement and disability schemes was commonplace for older workers. This has prompted the authorities to take steps over the past decade: to increase the incentives to work; to close pathways to early retirement; to tackle over-utilisation of disability pensions; and to raise the state pension age. The results achieved have been encouraging. With an increase in the employment rate for the 55-64 age group of 17 percentage points from 2002 to 2012, the Netherlands is among the countries that have made the most progress over the recent past. In 2012 the overall employment rate for this age group stood at 58.6%, above the OECD area average of 54%. Even so, among member countries the Netherlands remains well behind the best achievers.

The country's employment rate for the 65-69 age group stood at 12.7% in 2012. That represents a considerable increase over the 2002 rate of 6.5%, but it still lags behind the 2012 OECD average of 19.3%.

Higher employment rates over the age of 50 have led to a substantially higher effective labour force exit age, especially for women. With exit ages of 63.6 for men and 62.3 for women, the Netherlands ranked above the European average in 2012, but somewhat below the OECD average.

The main challenges to encouraging longer working lives are high long-term unemployment, low mobility and high disability rates. First, the incidence of long-term (over one year) unemployment for those above the age of 55 was 57% in 2012 – above the OECD average, even if the total

unemployment rate is lower than the OECD average. Second, the mobility of older workers was among the lowest within the OECD area in 2012, with a hiring rate of 3.7% for the age group 55-64; the OECD average was 5.9%. Such a low recruitment rate is a barrier to mobility and to activating the labour potential of older people. Third, the annual inflow of those aged 55 and over to disability pension has dropped from 15 000 persons in 2002 to less than 11 000 in 2012 – yet the share of those who leave the benefit and re-enter the labour market because they have recovered is still relatively low. Disability pension thus remains a pathway out of the labour market for many older workers.

### **The effectiveness of social dialogue**

The Netherlands has a highly effective system to protect against poverty and social exclusion, involving among other things old age pension, disability and unemployment arrangements. This system is a result of law and national regulations, but also of collective agreements between social partners. Negotiated schemes and regulations cover the majority of employed people: the number covered by a collective labour agreement was about 6.1 million in 2011, representing 83% of the workforce and 78% of the total labour force.

The Netherlands also has a long tradition of tripartite co-operation and broad social agreements, in which consultations and negotiations among the government, employers and employees are important elements of policy making. Input from social partners (advice, recommendations, etc.) appears mainly in the publications of the tripartite Social and Economic Council (*Sociaal-Economische Raad*, SER) and the bipartite Foundation of Labour (*Stichting van de Arbeid*, STAR). In June 2011 STAR launched Policy Agenda 2020 as the social partners' route map for investment in the participation and employability of older workers.

Major policies have been implemented to reduce early retirement and raise the effective exit age from the labour market, partly facilitated by effective social dialogue. The 2013 Social Agreement between the government and the social partners and the government's Budget Memorandum 2014 include proposals for further measures to close early retirement pathways, increase incentives to work, and improve the financial sustainability of welfare schemes. Implementation of these proposals will however be partially postponed until the expected recovery in 2016:

- *Unemployment insurance benefit (UIB)*: The maximum duration of UIB will be reduced from 38 to 24 months. What constitutes a



“suitable job offer” will be modified from 2015 on: after six months of unemployment, any job offer will be considered suitable.

- *“Work-to-work” projects*: The government, STAR and SER are working to support transfers directly to another job in case of a layoff.
- *Employment protection legislation (EPL)*: The dual dismissal system will be simplified, and the maximum level of severance pay will be EUR 75 000 or one year’s salary, whichever is less, from 2016. Transition rules will be applied for workers above the age of 50. There is currently a proposal to replace severance pay with a training allowance, called a transitional budget. The allowance will be designed in line with the “work-to-work” projects, so as not to have the pay serve as a pathway out of the labour market.
- *Pensions*: The maximum annual accrual rate, based on the reference salary in occupational pension schemes, will be lowered. The new maximum rates from 2015 will enable a replacement rate of 75% of average wage after 40 years’ contribution, or 66.3% of final salary.

A new budget agreement reached on 14 October 2013 (*Het Begrotingsakkoord*) included a proposal to cut the bonus for low-paid workers aged 61-64 from 2015.

## **Further efforts to encourage more people to work longer are still necessary**

The OECD report *Ageing and Employment Policies: Netherlands*, published in 2005, included a number of specific policy recommendations. Subsequently, in line with the recommendations, the government implemented several initiatives to strengthen incentives to work longer. More needs to be done, however, to improve the employability of older workers and reduce employers’ reluctance to recruit them. In turn, further incentives could be put in place to encourage older people to continue working. The recommendations put forward below are based on three mutually supportive actions: i) better incentives to carry on working; ii) tackling employment barriers on the side of employers; and iii) improving the employability of older workers.

## **Better incentives to carry on working**

The Dutch pension system has three tiers. A flat-rate public pension scheme, *Algemene Ouderdomswet* (AOW, first pillar), is coupled with earnings-related occupational schemes (second pillar). Everyone who has reached the state pension age and has lived or worked in the Netherlands is

entitled to the basic AOW pension, which is accrued from the age of 15 until 65. Optional third-pillar schemes can supplement pensions from the first and second pillars.

Decreased fertility and increased longevity have put the Dutch pension system under pressure. Among the measures taken in response is a change in the state pension age. Currently 65 years and two months (2014), it will be raised to 66 years in 2018 and 67 years in 2021, and subsequently be linked to changes in life expectancy.

### ***Occupational schemes are quasi-mandatory***

The occupational schemes have a broad coverage. Although there is no statutory obligation for employers to offer a pension scheme to their employees, industrial relations agreements mean that about 90% of wage earners are covered by one or another of these schemes. Often, these schemes are *de facto* mandatory.

Lower annual accrual rates as proposed in the 2013 Social Agreement will require longer contribution periods to obtain a full pension. The vesting period in the schemes is generally short, usually 12 weeks. There are, however, special rules for temporary workers employed via an agency. People engaged in long periods of work through such temporary contracts or with other breaks in pension earnings may have difficulties accumulating a substantial occupational pension contribution as a supplement to the AOW pension.

The most common type of scheme involves defined benefits. Proposed revisions will allow for greater flexibility in pension contracts, in the sense that the size of benefits will depend on life expectancy and on developments in the financial markets – features closer to defined contribution schemes. The question remains: could defined contribution schemes facilitate greater pension entitlements for people with long periods on short-term contracts, with long periods of self-employment, or with other breaks in earnings?

### ***Occupational schemes must support mobility***

A transparent and coherent regulatory system is necessary to prevent people from becoming less mobile in the labour market because they fear the negative effects on their final pension entitlements. For example, there is currently no legislation allowing deferral of occupational pensions or combination of work and pension. Therefore, in practice, rules may vary from one scheme to another. Establishing a legal basis – or at least a coherent approach across collective agreements – to ensure further accrual of occupational pension rights while working after the state pension age

would increase flexibility and facilitate sufficiently long contribution periods. The proposed requirement of a longer working career to reach the same (second- and third-pillar) pension level as before could make work-pension combinations – and a gradual withdrawal from the labour market – a more popular option in the future.

### ***Better information must be disseminated***

Recent initiatives have been taken to improve pension information and transparency, so as to facilitate the right decisions. A national pension register launched in 2011 gives every Dutch citizen an online overview of their accrued occupational pensions fund rights, including from pension insurers. The register includes the accrued rights of the basic public pension (AOW). Implementation of revised regulations concerning the information to be provided on pensions is planned for 2014. To be a useful tool, opportunities to simulate the effects of different scenarios should be included across schemes.

Rigorous action has been taken to make occupational schemes more sustainable amid demographic and financial challenges. Since the reform makes it necessary to work longer to obtain the same replacement rate as before, information about the consequences of the reform should be well disseminated. Women are especially cause for concern, since they acquire fewer occupational pension rights as they often work part-time. A major challenge is how to reach people with less education who do not actively seek information and who nonetheless are those most in need of it because of their low level of financial literacy.

### ***A shorter unemployment coverage period to encourage job search***

The maximum duration of unemployment insurance benefits (UIB) in the Netherlands is the longest among OECD countries after Belgium, where the duration of benefits is not limited. UIB are provided for up to 38 months to those who have an employment history of 38 years or more and worked four out of the previous five years. The proposal of the government to reduce the maximum duration of UIB to 24 months is important for increasing job-search efforts and reducing the duration of unemployment spells. In the short and medium run however, the government estimates a substantial increase in the number of recipients of the temporary unemployment assistance benefit (UAB) for those unemployed over 60; this is called Income Compensation for Older Unemployed (IOW).

A proposed prolongation of IOW to at least 2020 should safeguard the benefit coverage of older long-term unemployed, but coverage must be

accompanied by activation measures to make re-entry to work a realistic alternative for as many as possible.

### ***Further encouragement of re-entry to work***

Previously, the disability benefit was a much-used pathway out of the Dutch labour market. Now, however, inflows have been substantially reduced through a number of reforms. The major 2004-09 reassessment programme targeting those under the age of 50 on disability benefits has probably contributed to changed attitudes to disability pensions, increased the focus on rehabilitation and prevention, and dissuaded potential applicants. These targeted reassessments now take place on a random basis. The reassessment programme must continue to ascertain these positive effects. Lower inflow to the disability scheme and longer working careers could be reason to extend the target group to those over 50.

People combining disability benefit and work receive a benefit on top of their wage. For the first two months of work, the compensation is calculated as 75% of the wage prior to the disability minus 75% of the current wage, and thereafter 70% of the previous wage minus 70% of the current wage. This compensation for loss of earnings added to work income heightens the incentive to accept lower paid jobs. However, supplements decided in collective agreements can raise the replacement rate much higher than 75% and 70% in the two-year sickness benefit period – and that can reduce the positive impact on return to work, particularly if the alternative is to accept a lower paid job. Sickness and disability benefits will be discussed further in a forthcoming OECD report reviewing mental health and work in the Netherlands.

The following measures should be considered:

- *Long contribution periods in second-pillar schemes should be promoted.* The proposed reforms of occupational schemes will increase the value of long contribution periods. Ensuring that change of job or take-up of jobs – for example, temporary jobs via agencies or self-employment – does not lead to gaps in pension earnings or loss of pension rights could stimulate mobility and longer careers. Defined contribution schemes could be one alternative to facilitate improved pension entitlements for people with long periods in temporary and other non-standard contracts.
- *More flexibility of withdrawal and combinations of pension and work would encourage longer careers.* Establishing a legal basis – or at least a coherent approach across collective agreements – to ensure further accrual of occupational pension rights when working

beyond the state pension age would strengthen incentives to work longer. Rights could also be accrued in cases where withdrawal of the occupational pension has begun. Offering the possibility of partial or deferred withdrawal would facilitate a gradual phase-out from the labour market.

- *Better information and transparency are essential.* Changes in rules and regulations over time, as well as differences among schemes, make it difficult for people to gather the information they need to make the right decisions. This can have negative effects on labour participation, and reduce mobility. More effective dissemination of better information is required to support longer working careers as well as mobility. There should be a special focus on groups with low financial literacy, such as people with less education. The new OECD guidelines on financial education could be used to design targeted delivery tools.
- *The maximum duration of UIB should be reduced,* as proposed in the 2013 Social Agreement, in combination with better activation of recipients of UAB (IOW) to help the jobless get back to work.
- *The financial incentives for sickness and disability benefit recipients to work should be strengthened* by keeping replacement rates well below 100%. Even during the sickness benefit period, wage compensation should be offered for re-entry to new jobs with a lower wage.

## **Tackling employment barriers on the side of employers**

Dutch employers are increasingly willing to retain workers until an older age, but the hiring rate for older workers is still low. One barrier that may be discouraging employers is the extent to which older workers simply cost more to employ than younger workers. In the Netherlands, full-time earnings for employees aged 55-59 were 1.6 times the level for those aged 25-29. This is considerably above the OECD average of 1.3 times more. Relatively stringent restrictions on dismissals can be another disincentive for Dutch employers concerned about a gap between wage and productivity that would grow with age. Employer attitudes towards older workers also reflect subjective factors such as negative stereotypes or age discrimination, which are not well documented.

### ***In setting wages, give more weight to performance, less to seniority***

The tenure element in wage setting in the Netherlands is still very much present, resulting in age-wage profiles that are steep compared with many

other OECD countries. Longer working lives and higher employment rates among older age groups will result in a larger variation in productivity among older workers in the years ahead. That will dampen the possible selection effects that have been offered as part of the explanation for this major trend in wage setting.

What is needed is a wage-setting mechanism based more on performance and less on tenure. More flexible wage setting would reduce the risk of people being pushed out of the labour market because of the growing gaps between wage and productivity. The close involvement of local stakeholders is key in performance-based wage setting. The strong tradition of collective bargaining in the Netherlands could nevertheless play an important role in setting overall targets for wage growth and in reaching agreements on the principles and criteria for more performance-based wage setting.

### ***There must be a more concerted approach towards age-neutrality***

Within the OECD area, the Netherlands is one of the countries with the most stringent employment protection legislation (EPL) against both individual and collective dismissals, according to the OECD EPL indicators. Tenure's role in determining severance pay, as well as application of the last-in-first-out dismissal principle, reduces job mobility among workers with long tenures. The government's Budget Memorandum 2014 includes EPL reform proposals aiming to increase labour market flexibility.

The EPL reform is, for instance, expected to improve job mobility. The changes proposed will to some extent reduce protection for older workers, particularly by 2020 when the transition period for people above the age of 50 expires. The EPL reform must therefore be combined with other policy measures to strengthen older workers' position in the labour market, such as reform of the wage formation process and improved employability.

Enforcement of anti-discrimination legislation must also comprise part of the policy to obtain a more flexible labour market. This should include surveillance and use of sanctions when necessary, but also dialogue between the authorities and the social partners. If the incidence of direct age discrimination in the workplace has declined significantly in the Netherlands over the past decade, the country still ranks below the best achievers such as Sweden, the United Kingdom, Poland and Norway.

In the Netherlands, the courts have decided that a permanent employment contract cannot legally terminate solely because the employee has reached the state pension age. There is one exception: when facts or circumstances show that the parties intended to terminate the employment agreement at that time. At present, the state pension age is 65 years and

two months. Employment agreements and collective agreements stipulating that the work contract automatically terminates when pensionable age is reached are still common and valid. Most open-ended collective labour contracts effectively end when the state pension age is reached.

Internationally, a trend seems to have developed over recent years either to abolish the mandatory retirement age as the reason for terminating a labour contract, or to raise these age limits. The proposed reforms have brought this issue to the fore in the Netherlands as well. Changes in the occupational schemes would entail longer contribution periods to accumulate a full pension. As the modified employment protection in the future will have less to do with tenure, it is difficult to see any reason to allow age to be used as a mandatory reason for contract termination, or to give older workers less favourable treatment with regard to other parts of labour law. The connection between age limits, EPL and wage formation is, however, complex. That means a broad and concerted approach is needed to improve older workers' position in the labour market, and to make them more attractive to employers.

### ***Measures targeting older workers must become more efficient***

The government now has in place a number of subsidies to reduce potential cost disadvantages for some groups of workers; especially targeted are the older, long-term unemployed. Evaluations found that most of the subsidies had very limited or no impact; they have, with the exception of the mobility bonus and no-risk policy, been abolished.

The proposed EPL reform and a shorter maximum duration of UIB could increase the number of older jobseekers in the coming years. Reducing such effects would entail a policy shift towards stronger stimulation of recruitment and mobility. Evaluations of measures already implemented should serve as input in the (re)design of policies – for example, in the ongoing discussions of SER to formulate a new labour market infrastructure.

The country's strong social dialogue should also be used to co-ordinate measures implemented by the government and efforts by the social partners. Collective agreements often include special measures for older workers. Even if measures to enhance productivity – for example, through training – have become more widespread, far more widespread are measures to lighten the workload through extra holidays and exemption from non-standard working hours. A reorientation of collective agreements towards cost-effective measures to improve older workers' employability is crucial.

### *The Sustainable Employability programme*

A programme called “Sustainable Employability” was implemented in April 2012 in an agreement between the government and the social partners. Its goals include prevention of unemployment and illness, as well as improved productivity levels among the entire working population regardless of age. Firms’ participation is voluntary, but the approach encourages dissemination of good practices through networking. The role of the government is to provide legislation supporting extension of the working life and appropriate education and training schemes for adults, but also to widen the network of participants. The initial focus is on innovative firms.

It is too early to assess the impacts of the programme, but STAR and the Ministry of Social Affairs and Employment is monitoring its activities. The criteria for judging the success of Sustainable Employability are its effects on both the possibility of staying in work longer and increased recruitment of older people. The extent to which good practices are adopted by most Dutch firms should also be evaluated closely.

The following measures should be considered:

- *Wage-setting procedures should be adjusted, and focus more on performance and less on tenure and seniority.* The strong Dutch tradition of social dialogue could be the basis for development of adequate, balanced criteria for more performance-based wage setting.
- *Review age limit rules.* In parallel with reforms of wage setting and EPL, removing age as the sole mandatory reason for retirement should be an aim. Age is not a reliable indicator for judging workers’ productivity or employability.
- *Age-neutral personnel treatment should be included as a goal in EPL reform.* Legislation against age discrimination must also be enforced through regular monitoring of recruitments and dismissals; and dialogue between the College of Human Rights – the body administering human rights legislation – and social partners should be formalised.
- *Measures to reduce cost disadvantages and increase the employability of older workers should be better targeted.* Subsidies should be targeted towards promoting recruitment of older workers. Measures in collective agreements should be redirected from lightening the workload to improving employability.
- *New practices among innovative firms in the Sustainable Employability programme should progressively become national*



*standards.* Sustainable Employability as a key approach to improving working conditions must be accompanied by measures, diffusion and enforcement to ensure that new practices are also reaching most firms not willing or able to attend the programme.

## **Improving the employability of older workers**

### ***Strengthen the link between on-the-job training and employment***

Even if employment rates among older workers have increased substantially over the past decade, employability is lagging behind in that participation in training is declining with age. Shorter payback periods must be taken into account in developing training measures, to ensure that they are attractive to older workers and bring positive returns to investment, both for employers and employees.

Evidence shows that older workers are particularly interested in on-the-job training schemes that take place in, or are highly relevant to, the workplace. Informal training thus has a higher priority than formal training in classrooms. Transferring new, updated competences from younger to older workers could be a way to enhance the latter's skills. Currently, such transfer is in the other direction: skills from workers close to retirement are transferred to younger staff members (mentoring).

Training is most efficiently delivered when it is closely linked to a specific job. Instead of only assessing whether a candidate is sufficiently qualified for employment or not, an assessment should also be performed to ascertain the skills needed to fill a concrete, vacant job. This can be particularly important for older unemployed people, who are generally well experienced and qualified but who may lack knowledge of recent technical developments. Particularly for jobs difficult to fill, matching vacancies and training should be explored. Training could for instance be supported by collective funds, which could help make “work-to-work” projects successful. Individuals may also be more willing to spend their future transitional budget on training and education if a new job is a likely outcome.

### ***Validate skills acquired on the job***

Employees acquire new skills during their career as a result of their work tasks or job-related training. Currently, these skills are not sufficiently assessed or measured. There does exist an instrument to validate skills acquired on the job, the *Ervaringscertificaat*. However, it needs to be developed further to become a more useful tool in job search and recruitment. Such a tool can in itself encourage older workers to take part in

training and development of skills through work, since it could increase the likelihood real return on their efforts.

Stronger, demonstrable evidence that training and education improve employability can increase workers' willingness to participate and contribute, as an individual investment. More should therefore be done to show employers how to use certificates in a recruitment process. Closer consultations with employers about their quality and usefulness can stimulate improvements in the validation framework and serve as a way to disseminate information and share good examples.

### ***Help private and public employment agencies provide better employment assistance***

#### *Networking with employers and employees*

A major challenge reported by the Public Employment Service (PES) is convincing employers that older workers are an asset. To meet that challenge, substantial efforts have been made to change employers' image of older workers. The PES can play an important role here, with its solid knowledge of older jobseekers and its networks of employers.

One of the activities organised by the PES to improve the employability of those jobless above the age of 55 is to create networks of 12-15 unemployed persons, led by a dedicated work coach. The aim is to reduce obstacles to finding work among this age group as a result of outdated information about job search or how to succeed in an interview, as well as outdated job networks and a lack of jobs in their occupation.

These networking groups can strengthen relations between employers and jobseekers. Work coaches supported by representatives from the employer side can strengthen the work focus, give older jobseekers insight into employers' priorities in recruitment processes, and show employers the resources and potential that older jobseekers represent.

#### *The role of the PES and municipalities*

Active Labour Market Programmes (ALMPs) in the Netherlands consist mainly of reintegration programmes administered by the PES and municipal bodies (such as senior job-search clubs); tax exemptions for employers for wage costs and training; and sheltered employment. The proposed reduction of the maximum duration of UIB from three to two years aims to get the unemployed back to work more rapidly. This makes close co-operation between the PES and municipalities increasingly important for ensuring positive outcomes of the unemployment reforms.

Municipalities have great freedom in designing their own policies, and deciding which population groups are most in need of their help and assistance. This diversity has the potential to help develop evidence-based sharing of experience, and to help in selecting the most efficient measures. But to realise that potential, evaluations and monitoring of implementation must be more systematic than they are today. The low rates of return to work of the older unemployed highlight the need to look further into how older people are prioritised as a group, and which measures to address their employment are truly efficient. The government should actively use the results to formulate targets and requirements for the PES and municipalities.

*Self-employment has potential, but risks must be avoided*

Over the past decade, the number of start-ups by middle-aged and older individuals has increased considerably: 20% of self-employed persons running start-ups in the Netherlands are aged 45 or more. Steps are being taken by the government to promote and facilitate self-employment. Important instruments are loans and income support to prepare a start-up while simultaneously providing a social benefit and training.

There are arguments that self-employment is more likely to be successful if individuals are offered this option early in the unemployment period – that is to say, if self-employment is not seen as “the last chance” after a long period of unsuccessful job search. If the jobseeker and the work coach agree that becoming self-employed is a promising option, start-up activities should be embarked on apart from the job search from an early stage, and such activities should not be a barrier to receiving benefits during this period. Current proposals to simplify the rules for receiving benefits and for combining benefits and profit during the start-up period are therefore welcome. Steps should also be taken to simplify rules and procedures for the payback of loans. Moreover, successful, growth-oriented older entrepreneurs who provide jobs for other people and who are able to offer mentoring, financing and other support could be mobilised to improve networking, and renewal and updating of skills.

***Improve working conditions for older workers***

*Best practices – the source for new nationwide standards*

About 75% of the age group over 55 reported to the Dutch National Survey of Labour Conditions that they enjoyed good working conditions in 2012. The rate has been increasing over time but there are still issues of concern. Even if it is declining, the share reporting high work pressure was around 40%. Moreover, an increasing share of the respondents reported

burnout and stress-related problems, and indicated these as reasons for leaving their jobs.

The Netherlands has implemented a number of programmes and initiatives in recent years to increase employability for and improve attitudes toward older workers. With respect to health, special attention is paid to physical and psychological aspects of the workplace. The newly formed Dutch Labour Inspectorate (*Inspectie SZW*) aims to carry out surveillance and inspections to detect fraud and other illegal activities within the field of employment and social affairs. Results obtained from the new organisation should be monitored.

One criterion for the success of the fresh Sustainable Employability initiative will be the extent to which practices developed within the programme go on to become standards in the many firms outside this network. The Labour Inspectorate could play an important role in assessing whether additional action is required to change nationwide standards and ensuring that new good practices can help improve working conditions for all Dutch employees.

#### *Work ability scans can be a useful tool for learning and networking*

Over the past two decades, new legislation regarding absence due to illness and disability has drawn attention to occupational health and safety policy. STAR recommended introducing a personal employability scan as a basis for further advice and discussion regarding adjustment in working conditions, tasks and working hours. One example of such a scan used in the Netherlands is a tool called the Work Ability Index, borrowed from the Finnish concept.

One of the keys to successful use of the Work Ability Index has been the development of both individual and company-wide scores. The questionnaire that is the core of the scan can be benchmarked against a database of other scores. Based on this, employers can obtain advice on finding appropriate training, effective job design, and measures to improve health and career development. Furthermore, the database provides a unique information pack for designing evidence-based measures and policies, both in a preventive approach and to facilitate reintegration.

#### *Increasing working hours*

The Netherlands has the highest incidence of part-time work among OECD countries. The share is particularly high for older women: in 2012, 64% of women aged 50–64 worked part-time. Dutch men also chose to work part-time much more often than in most other OECD countries.

It could be said that there is a part-time culture in the Netherlands. The average annual hours actually worked per person are among the lowest in the OECD area. Part-time work is a voluntary choice for many people, an alternative for those who cannot manage a full-time job and a “bridge job” for people who want a gradual transition from work to retirement. However, survey data show that full-time workers feel more welcome at the workplace than part-time workers. Moreover, low expected return can reduce training of older part-time workers, and that can diminish employability.

A significant number of part-timers working short hours want to increase their hours of work. Raising working hours would help alleviate the effects of labour shortages and prevent general cutbacks in welfare systems in the future. The labour potential that this high part-time share represents should become part of a strategy to deal with the ageing labour force. There must be a balance between full-time and part-time work, which can best be obtained by enabling those who wish and can do so to remain in full-time jobs. Measures to stimulate part-timers to work more hours are therefore welcome, and should continue.

The following measures should be considered:

- *Training measures for older unemployed persons should to the extent possible be directly linked to a specific job.* Rather than giving unemployed older people training first and then helping them to seek jobs, a more successful approach could be to match them with an adequate job and then supply the training necessary for them to be fully productive in that job. This can involve better use of activation measures, and make older unemployed more willing to invest their own transition budget in training.
- *The PES and the municipalities must co-operate closely to increase re-entry to work for the older unemployed.* Evidence from the great diversity in “Work-First” programmes across municipalities could be drawn on in designing efficient activation policies and measures, by setting up rigorous evaluations and monitoring implementation of the programmes.
- *Mobilise labour resources* by supporting initiatives to facilitate longer part-time shares and full-time work.



## *Chapter 1*

### **The “Live Longer, Work Longer” challenge for the Netherlands**

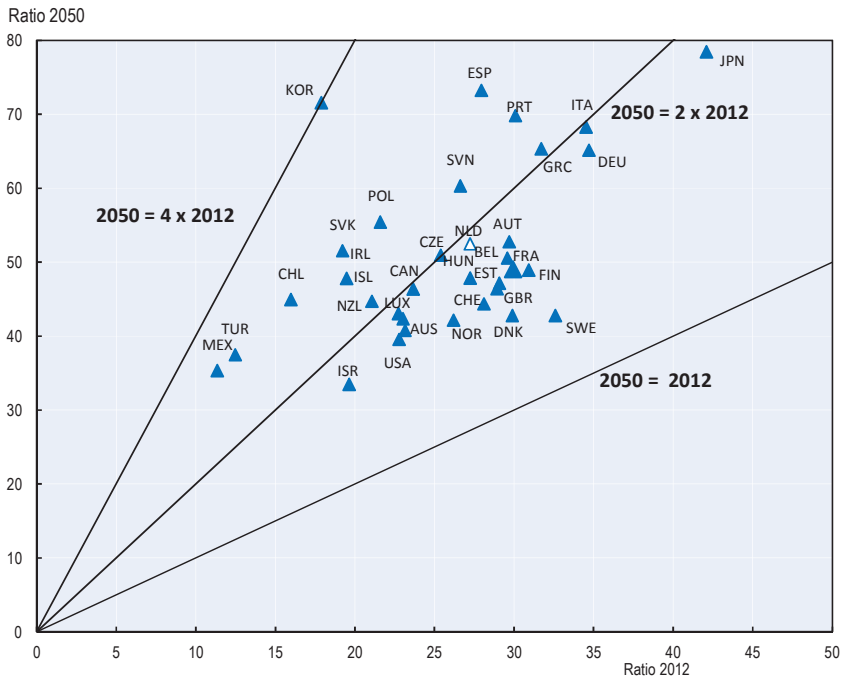
*The Dutch population is ageing rapidly, and the population structure by age is due to become considerably flatter over the next decades. This chapter conveys the magnitude of the demographic challenges and provides an overview of recent reforms in ageing and employment policies. These reforms were implemented partly in response to recommendations contained in the 2005 OECD report Ageing and Employment Policies: Netherlands.*

## The magnitude of the demographic challenge


Like many other countries, the Netherlands is facing the challenge of a rapidly ageing population. A broad indicator of the rising economic burden that an older society may place on the working-age population is given by the *old age dependency ratio*, i.e. the ratio of the population aged 65 and over to the population aged 20-64. In the Netherlands it is estimated that this ratio will double, from 27.2% in 2012 to 52.5% in 2050 (Figure 1.1). Both of those figures place the Netherlands mid-range among OECD countries.

Figure 1.1. **Demographic dependency ratios, OECD countries, 2012 and 2050**

Population aged 65 or more as a percentage of the population aged 20-64



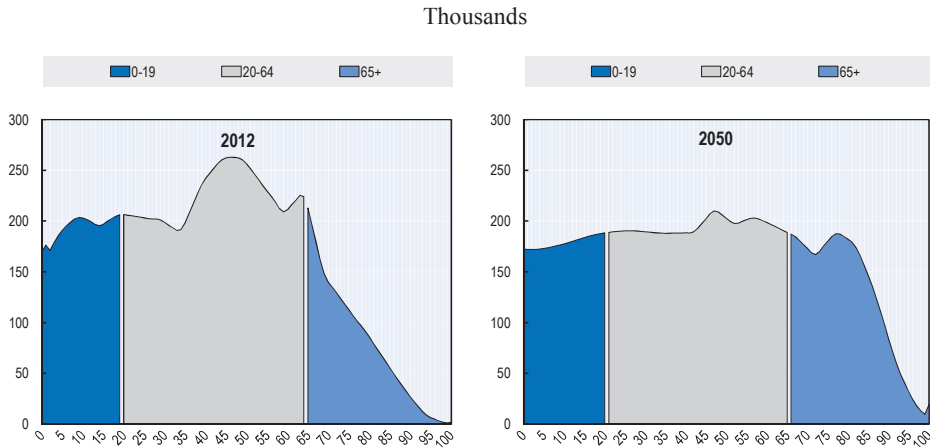
Source: United Nations (2012), *World Population Prospects – The 2012 Revision*, New York.

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The Dutch population structure by age is due to become increasingly flat over the next decades as the cohort variation decreases (Figure 1.2). While the population in the age group 20-64 is projected to decrease between 2010 and 2050, a strong increase is expected in the population above the age of 65, particularly in the share of the “oldest of the old”. A decline is anticipated in the age group 0-19. The Dutch fertility rate, at 1.76 in 2011, is roughly equal to the OECD average, but well below the replacement rate.

Figure 1.2. **The Dutch population structure, 2012 and 2050**

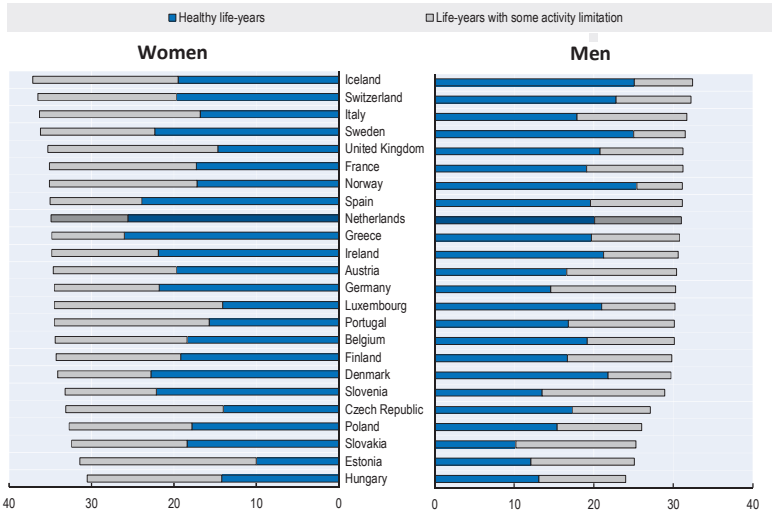


Source: United Nations (2012), *World Population Prospects – The 2012 Revision*, New York.

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Consequently, there is increasing pressure to boost the employment of older people. The active life expectancy (i.e. the healthy life-years remaining at the age of 50) is more than 25 years for women and about 20 years for men in the Netherlands (Figure 1.3). Large variations in health conditions across occupations and social groups, however, show that efforts should be made very early in careers to prolong the number of healthy years among the at-risk groups. Such measures would improve the possibilities of staying on at work until or beyond retirement age, which by 2021 will reach 67.

Figure 1.3. Active life expectancy at the age of 50, by gender, European countries, 2011



Source: Eurostat.

StatLink  <http://dx.doi.org/10.1787/888932982236>

## Recent reforms in ageing and employment policies

A major multi-country OECD review of ageing and employment policies was conducted during 2003-05, and then summarised in the synthesis report *Live Longer, Work Longer* (OECD, 2006). This report put forward an agenda for reform in the following three broad areas where policy action was deemed required to encourage work at an older age:

- strengthening incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers.

The Netherlands was one of 21 countries<sup>1</sup> that participated in the 2003-05 review. The report *Ageing and Employment Policies: Netherlands* (OECD, 2005) included the OECD's specific policy recommendations for the country. The summary assessment given in Table 1.1 indicates that in response to these recommendations, the Netherlands implemented a number of substantial policy initiatives to encourage work at an older age. The aim of this new volume is to provide an overview of the measures implemented and their impact on older workers<sup>2</sup>, and identify areas where more could be done, covering both supply-side and demand-side aspects.

Table 1.1. Ageing and employment policies: Netherlands, situation mid-2012

OECD's recommendations to the Netherlands in 2005	Action taken
<b>A. Providing stronger incentives to carry on working</b>	
Adjust the age of retirement in accordance with demographic trends	+
Monitor the use of the new individual Life-Course Savings scheme and prevent it from becoming an alternative route to early retirement	++
Extend reassessment of disability status to people aged 50-55, and monitor the impact of the new disability scheme in order to ensure that it does not serve as a pathway to early retirement	+
Avoid measures based solely on age, such as the income tax deduction for older people in employment	+
Improve transparency with regard to future pensions	+
<b>B. Tackling employment barriers on the side of employers</b>	
Closely monitor the effects of the new legislation banning age discrimination	+
Promote and monitor age diversity programmes	++
Remove barriers to work after 65	+
Continue to promote an age-neutral approach to collective dismissals	+
Disseminate good practices more widely	+
Implement good practices in the public sector	/
<b>C. Improving the employability of older workers</b>	
Promote lifelong learning at all ages	+
Consider reintroducing corporate training deductions for less skilled older workers	/
Develop instruments to validate skills acquired on the job	+
Improve working conditions for all	+
Introduce a separate scheme for work injuries	/
Step up and evaluate initiatives to help older jobseekers back into work	+

*Note:*

/ = no (relevant) action taken; + = some action taken, but more could be done; ++ = substantial action has been taken.

*Source:* Answers to the 2011 OECD questionnaire. For further information, see [www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers).

## *Notes*

1. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see [www.oecd.org/els/employment/olderworkers](http://www.oecd.org/els/employment/olderworkers).
2. In this review, “older workers” refers to individuals aged 55-64, except where otherwise indicated.

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## Chapter 2

### **The labour market situation of older workers in the Netherlands**

*There has been a significant increase in the employment of older people in the Netherlands over the past decade. Nevertheless, their employment rate remains well below that of the best achievers among OECD countries, and mobility among older workers is very low. This chapter examines developments in the labour market situation for older people following recent reforms in ageing and employment policies.*

## The Netherlands in an international context

Several factors must be taken into account to arrive at a total picture of the employment situation for older workers, in the Netherlands as elsewhere. About 20 key indicators illustrating features of and developments in the labour market situation for that group are essential. These include not only employment rates but also elements that impact employment prospects, such as mobility among older workers, the quality of jobs, and education and training. Table 2.1 presents a summary of the indicators, and places the Netherlands in an international context by offering OECD and EU averages as well for comparison. The main findings are:

- *Employment:* Employment rates in the Netherlands have increased to levels above the OECD average in the five-year brackets 55-59 and 60-64. The employment rate for the age group 65-69 is still below the OECD average, despite having nearly doubled over the past decade.
- *Unemployment:* The unemployment rate for older workers aged 55-64, at 4.7%, is lower than the OECD average of 6%. However, the high incidence of long-term unemployment – 57% for those 55 and over – is reason for concern, particularly since the unemployment rate for older workers (55-64) almost doubled over the past decade.
- *Job quality:* In the Netherlands, the share of part-time work in the 55-64 age group in 2012 was 37.1% of total employment, double the OECD average of 18.4%. Full-time earnings for 55-59 year-olds are 1.6 times the earnings of 25-29 year-olds, compared with the OECD average of 1.3. The incidence of self-employment is below the OECD average (20.9%, compared with 26.1%).
- *Dynamics:* The ratio of employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously stood at 50% in 2012, 13.2 percentage points higher than in 2007. The hiring rates of older workers in the Netherlands remain, however, particularly low (3.7%, compared with 5% for the EU21 countries).
- *Employability:* Older workers in the Netherlands have achieved a relatively high education level: 26% of the 55-64 age group completed tertiary education in 2011, compared with an OECD average of 23.8%. Training participation is also somewhat higher than the OECD average, with rates at 10.9% and 9.4%, respectively. Still, there is a substantial gap in training participation among older workers compared with younger age groups.

Table 2.1. Older workers scoreboard, 2002, 2007 and 2012: Netherlands, European Union and OECD

	Netherlands			EU <sup>a</sup>			OECD <sup>b</sup>		
	2002	2007	2012	2002	2007	2012	2002	2007	2012
<b>Employment</b>									
– Employment rate, 55-64 (% of the age group)	41.6	48.8	58.6	39.3	45.1	48.4	46.2	51.1	54.0
of which									
55-59	57.3	65.5	72.5	52.3	58.5	63.3	57.1	62.1	65.8
60-64	21.0	29.6	43.9	29.1	29.1	32.2	33.5	37.8	41.0
– Gender gap in employment, 55-64 (ratio men/women)	1.84	1.60	1.39	1.92	1.60	1.37	1.83	1.60	1.41
– Employment rate, 65-69 (% of the age group)	6.5	9.8	12.7	8.7	10.3	11.2	15.7	17.2	19.3
<b>Job quality</b>									
– Incidence of part-time work, 55-64 (% of total employment)	37.8	38.4	37.1	16.3	17.1	17.3	17.1	17.7	18.4
– Incidence of temporary work, 55-64 (% of employees)	5.9	7.1	6.5	6.6	7.0	6.7	9.3	9.4	8.9
– Incidence of self-employment, 55-64 (% of total employment)	21.7	20.3	20.9	25.8	22.7	22.0	30.2	27.1	26.1
– Full-time <sup>c</sup> earnings, 55-59 relative to 25-29 (ratio)	1.6	1.6	1.6	1.4	1.4	1.4	1.3	1.3	1.3
<b>Dynamics</b>									
– Retention rate <sup>d</sup> , after 60 (% of employees t-5)	21.3	36.8	50.0	33.4	38.2	37.6	37.5	40.4	40.5
– Hiring rate <sup>e</sup> , 55-64 (% of employees t-1)	2.6	2.5	3.7	4.9	5.5	5.0	5.0	6.1	5.9
– Separation rate <sup>f</sup> , 55-64 (% of employees t-1)	16.9	7.6	11.1	17.2	16.2	15.1	16.6	16.0	15.3
– Effective labour force exit age <sup>g</sup> (years), Men	60.5	61.8	63.6	61.4	61.7	62.4	63.3	63.7	64.2
Women	58.5	60.9	62.3	59.8	60.6	61.3	61.3	62.3	63.1
<b>Unemployment</b>									
– Unemployment rate, 55-64 (% of the labour force)	2.5	4.0	4.7	5.4	4.6	7.4	4.7	4.0	6.0
– Incidence of long-term <sup>h</sup> unemployment, 55+ (% of total unemployment)	63.0	74.4	57.0	55.0	56.8	56.8	43.4	46.2	47.2
– Neither in employment nor in retirement <sup>i</sup> , 55-64 (% of the age group)	3.7	4.9	6.4	5.2	5.3	8.1	5.3	5.1	7.7
<b>Employability</b>									
– Share of 55-64 with tertiary education <sup>j</sup> (% of the age group)	24.4	25.8	25.9	17.8	18.4	21.3	20.0	21.1	23.8
– Participation in training <sup>k</sup> , 55-64									
Absolute (% of all employed in the age group)	8.8	8.5	10.9	5.0	6.9	8.2	6.5	8.1	9.4
Relative to employed persons aged 25-54 (ratio)	0.5	0.5	0.5	0.4	0.5	0.6	0.4	0.5	0.6

a) Unweighted averages for 21 European and for 34 OECD countries.

b) Mean gross annual earnings of full-time, full-year equivalent workers from Statistics Netherlands, *Survey of Earnings*.

c) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously.

d) Employees aged 55-64 with job tenure of less than one year as a percentage of total employees aged 54-63 one year before.

e) Separation rate is defined as the difference between hiring rates and yearly net percentage employment change adjusted for cohort size (net employment change in year t – hiring in year t – separations in year t).

f) The effective exit age (also called the effective age of retirement) is a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44.

g) Unemployed for more than one year.

h) Percentage of 55-64 either unemployed or inactive but willing to work.

i) 2005, 2007, 2011.

j) Job-related training during the last month, 2002, 2007, 2011.

Source: OECD estimations from national labour force surveys (except earnings), EU-LFS and OECD Education Database.

## Increased employment for those over 55

### *Employment*

The overall employment rate for the 55-64 age group stood at 58.6% in the Netherlands in 2012, well above the EU average (48.4%) and also above the OECD average (54%). Even during the crisis from 2007 to 2012, employment rose 9.8 percentage points – among the largest increases experienced by member countries (Figure 2.1, Panel A). In comparison, the employment rate of the OECD area increased on average by just 2.9 percentage points. Nevertheless, the employment rate in the Netherlands remains well below the rate recorded by the very best OECD achievers (Iceland, New Zealand, Norway, Sweden and Switzerland).

The employment rate for the 65-69 age group was 12.7% in the Netherlands in 2012 – increased from 9.8% in 2007 and above the average of the European countries, but still behind the OECD average of 19.3% in 2012 (Figure 2.1, Panel B). Employment over the age of 65 is generally higher in OECD countries outside Europe; these countries also experienced the strongest growth over the past decade.

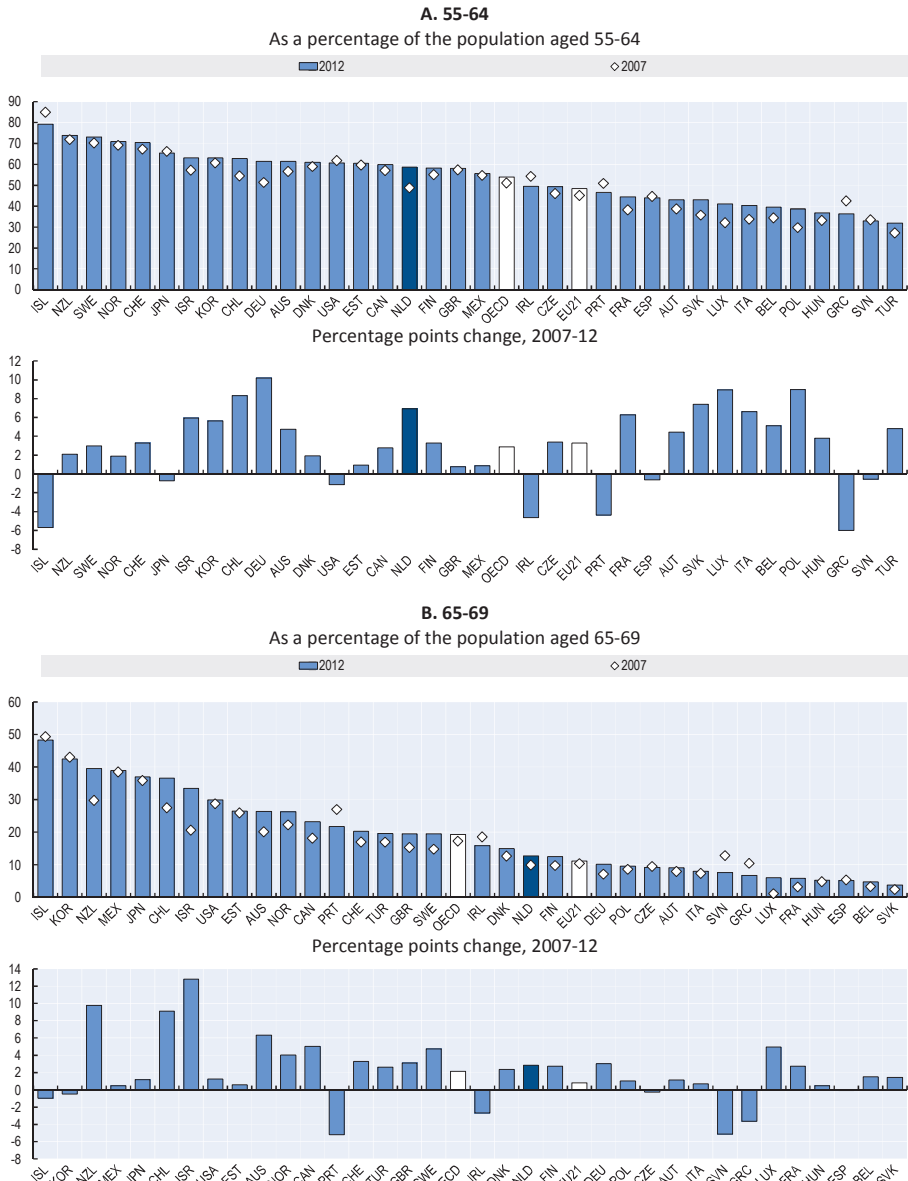
### *Unemployment*

In 2012 the Netherlands had an overall unemployment rate of 5.3%, and the unemployment rate for the 55-64 age group was slightly lower at 4.7%. This is below the OECD average of 6% (Figure 2.2, Panel A). The incidence of long-term unemployment for the same age group was, however, at 57% in 2012 – higher than the OECD average of 47.2%.

If the group registered as inactive but willing to work is added to the unemployed, the group of people aged 55-64 who neither are in employment nor in retirement accounted for 6.4% of the age group in 2012, an increase from 4.9% in 2007.



Figure 2.1. Employment rates of workers aged 55-64 and 65-69, OECD countries, 2007 and 2012



Source: OECD estimates based on national labour force surveys.


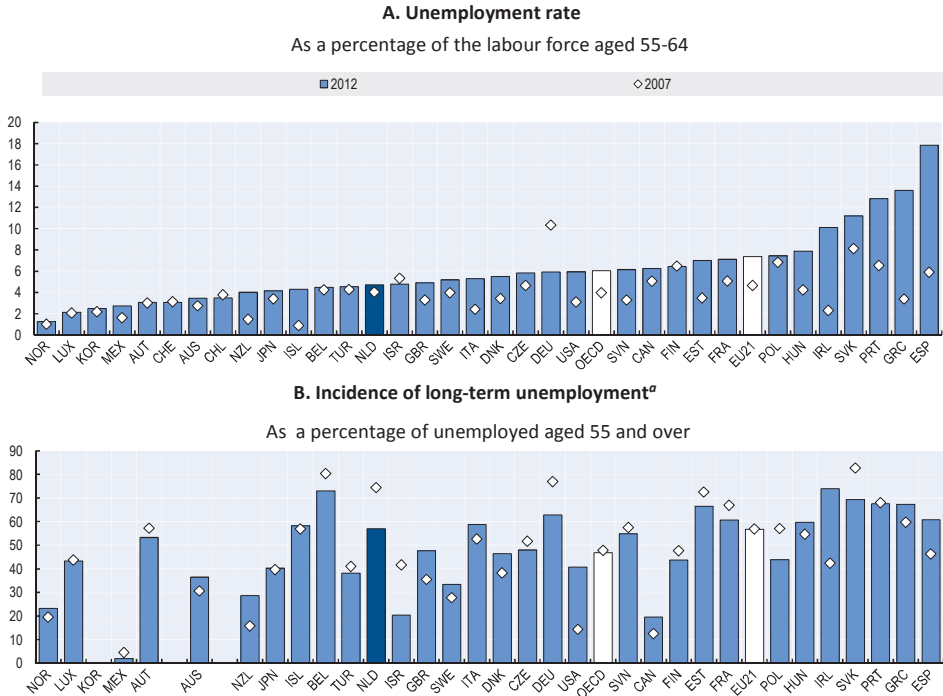

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Figure 2.2. The older unemployed, OECD countries, 2007 and 2012



a) Unemployed for more than one year.

Source: OECD estimates based on national labour force surveys.

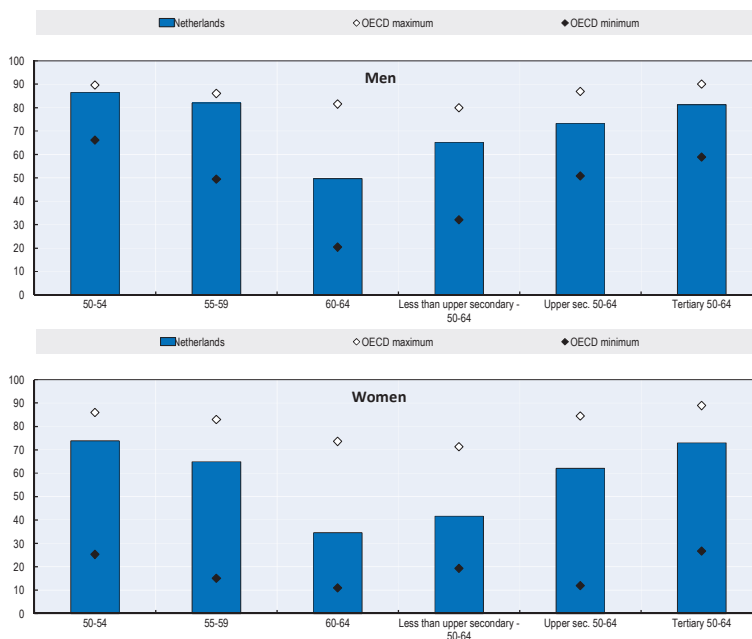
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## Beyond averages: The roles of gender, age and education

Focusing on employment rates by age group, gender and education helps to disentangle the composition and cohort effects behind aggregate trends. As Figure 2.3 points out, there are large differences across OECD countries. For men, the Netherlands is among the best performing countries in terms of employment rates for the 50-54 and 55-59 age groups, and for those with tertiary education. Dutch women have lower employment rates than women in the best performing countries. For women aged 60-64, the Netherlands is among those countries at the low end of the ranking.

Figure 2.3. **Socio-demographic disparities in employment, workers aged 50-64, Netherlands and OECD area, 2011**

As a percentage of the population in each group



Source: OECD estimates based on national labour force surveys.

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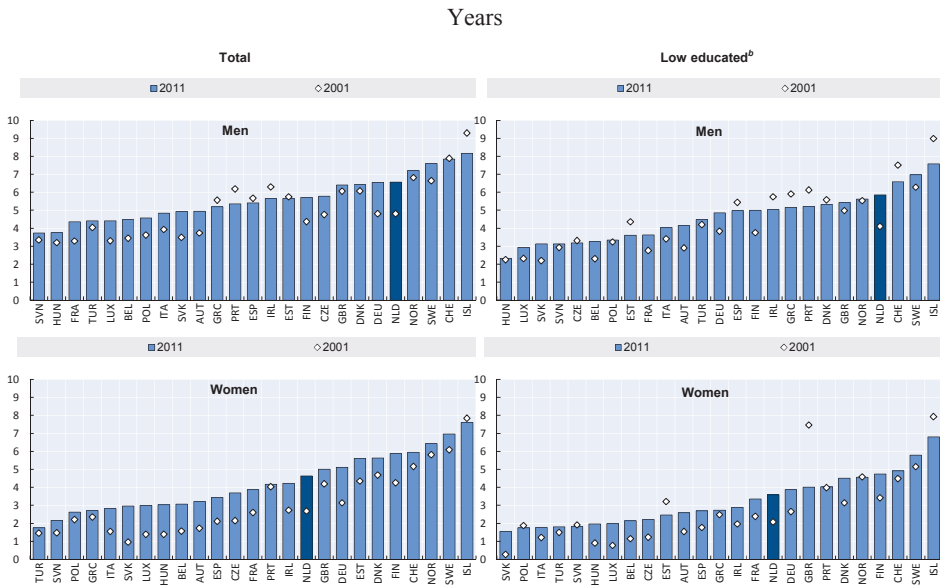
For both genders, the employment rate rises in line with educational attainment. While men in the 50-64 age group who completed tertiary education had an employment rate of 81% in 2011, the rate was 65% for those with less than upper secondary education. For women, the positive effect of education is even clearer, with rates of 73% and 42%, respectively.

In examining these figures, one might conclude that education and skills play an important role in shaping the employment prospects of older workers. One possible explanation for the increased aggregate employment rate could be the improved average educational level of older people. For example, the share of the 55-64 age group having completed tertiary education reached 25.9% in 2011, slightly higher than the OECD average of 23.8% (Table 2.1).

However, not all of the improvement in the overall employment rate for older people in the Netherlands can be ascribed to increases in educational attainment. As shown in Figure 2.4, the number of years that Dutch workers

between the ages of 55 and 64 are expected to be employed has increased, overall but also for those workers with few qualifications. In 2011 the average expected number of years in employment for men and women at all education levels was 6.6 and 4.6 years, respectively; those figures were up from 4.8 and 2.7 years, respectively, a decade earlier. Similarly large increases were recorded for both men and women who had not completed upper secondary education.


Figure 2.4. Expected number of years in employment<sup>a</sup> between the ages of 55 and 64, by gender, 2011 and 2001



a) The expected number of years in employment is calculated as the sum of employment rates by individual years of age between 55 and 64.

b) Less than upper secondary education.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888932982312>

Dutch men are now among those men in the countries listed in Figure 2.4 who can expect to remain in work the longest, irrespective of education level. Dutch women are among those women with the largest increase in expected number of years employed between the ages of 55 and 64, but they are still lagging behind those in the best performing countries. In particular, the average expected number of years in employment for women with less than upper secondary education is relatively low at only 3.6 years in 2011 (an increase of 1.5 years over the previous decade).

## Labour market mobility of older workers

### *High retention rates*

A particular feature of the labour market for older workers in the Netherlands is the stability of their employment situation: the country ranks among those with the highest retention rate after the age of 60. The indicator for retention is the ratio of employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously. This rate stood at 50% in 2012, 13.2 percentage points higher than in 2007 (Table 2.1). The high percentage strongly suggests that older workers are more likely to remain with their employer for a further five years than in the past – even during the crisis, which is a positive achievement.

### *Low labour mobility*

One way of studying labour mobility is to look at labour market transitions into jobs (*hiring rate*) and out of jobs (*separation rate*) over a year (see Box 2.1). The frequency of transitions is an indication of how easy it is to enter (or leave) a job for older workers, in particular compared with younger workers aged 25-54. The difference between hiring and separation rates also shows net employment change over the course of a year.

#### Box 2.1. Data sources of labour mobility

Figures 2.5 and 2.6 and Table 2.1 present a set of labour mobility indicators, based on labour force surveys (LFS). LFS are survey data used to compute labour-related statistics that are comparable across countries. The data are often cross-sectional: interviewees are asked about their labour market status at the moment of the survey as well as other characteristics, such as their tenure (for those employed in a job).

An alternative source for measuring labour mobility is panel data, where individuals followed over a period are asked at different times about their labour market status (the EU Survey on Income and Living Conditions dataset is an example). Panel data can be more accurate for studying labour mobility, as they do not use retrospective information, but measure current labour changes. However, other issues can appear, as individuals leave the sample over time and sample selection problems may arise. In addition, panel datasets usually have smaller sample sizes than LFS, which can be problematic when analysing particular population groups like older workers.

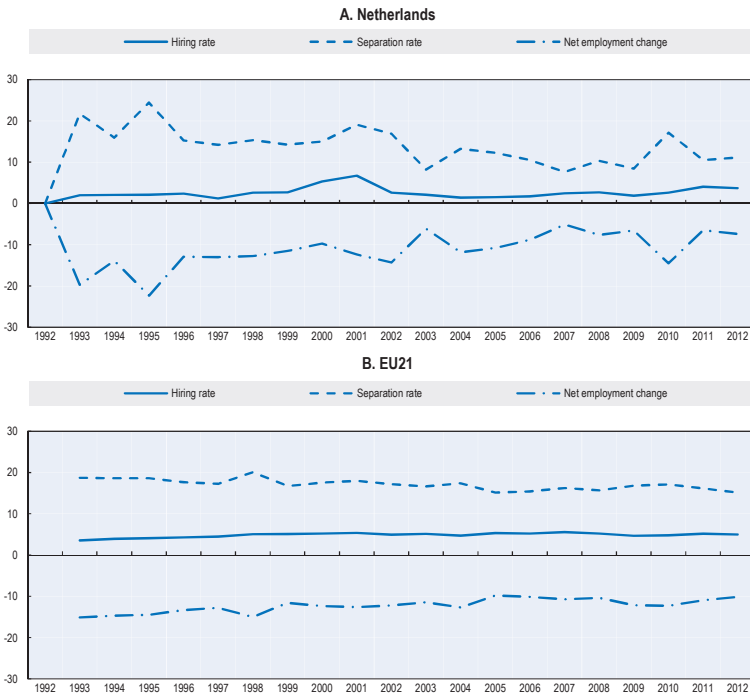
Finally, administrative data can also be used to measure labour mobility, in particular social security data that register all the labour movements of employees. Unfortunately these datasets are not available for all countries, nor are they defined in any standardised way, making them more difficult to use for cross-country comparisons.

LFS are therefore chosen here to measure labour mobility, as they can provide comparable statistics across countries, and estimates for a particular age group will usually be based on a sufficiently large sample size to be reasonably precise.

Older workers' annual net employment change is negative; that is, a larger share of older workers leaves employment than (re-)enters it. Net employment change in 2012 was about -7.4% of the total employment of older workers (Figure 2.5). Nevertheless, the relative size of the negative change has been decreasing over time – almost halving in the last decade, and was in 2012 lower than the EU21 average.

Figure 2.5. **Hiring, separation and change in net employment rates<sup>a,b,c</sup> of older workers (55-64), Netherlands and EU21,<sup>d</sup> 1993-2012**

As a percentage of employment in the age group




a) The hiring rate is measured as the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

b) The net employment change rate is measured as the ratio of the number of employees aged 55-64 minus those aged 54-63 the year before to the total number of employees aged 54-63 the year before.

c) The separation rate is computed as the difference between the net employment change rate and the hiring rate (net employment change in year  $t$  = hiring in year  $t$  – separations in year  $t$ ).

d) EU21 refers to the unweighted average for 21 European OECD countries.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

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The positive development in net employment change is due mainly to the decrease in separation rates: fewer older workers are leaving employment each year in the Netherlands. Separation rates decreased from almost 22% in 1993 to around 17% in 2002 and 11% in 2012. This decline in separation rates is much steeper than the EU21 average decline (still at 15% in 2012, compared with 19% in 1993).

Hiring rates of older workers in the Netherlands remain, however, particularly low: new hires correspond to only 3.7% of older workers, compared with 5% for the EU21 countries.

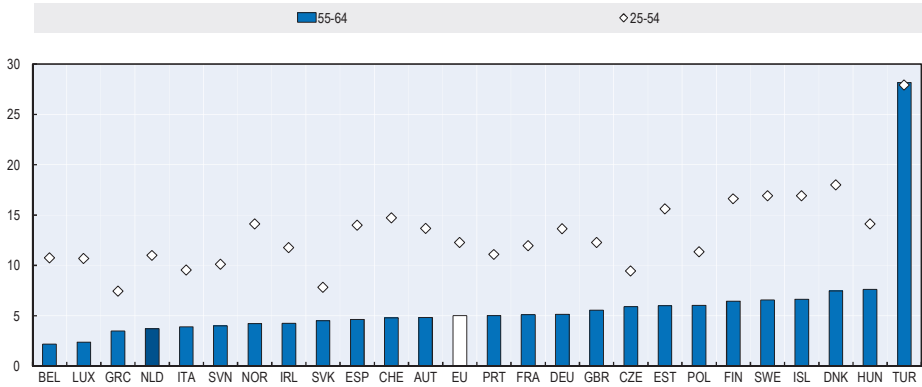
In most European countries, the separation rate of older workers is higher than for workers aged 25-54 (Figure 2.6, Panel B). The Netherlands is among the countries with the lowest separation rate for workers aged 55-64; it is even slightly lower than for workers aged 25-54.

In all of the countries shown in Panel A of Figure 2.6, the share of older workers who find a new job is smaller than the share of workers aged 25 to 54.<sup>1</sup> However, the age gap in recruitment is among the largest in the Netherlands; only Belgium, Luxembourg, Norway, Switzerland and Spain have larger gaps in hiring rates between the two age groups. (That is, the ratio between hiring rates of workers aged 55-64 and those of workers aged 25-54 is lower.) This may suggest that older workers face more acute problems when they attempt to find a new job. OECD (2006) concludes that relatively stringent employment protection rules for older workers appear to be associated with lower labour mobility, especially in terms of lower hiring rates. Employers' barriers will be further analysed in Chapter 4.

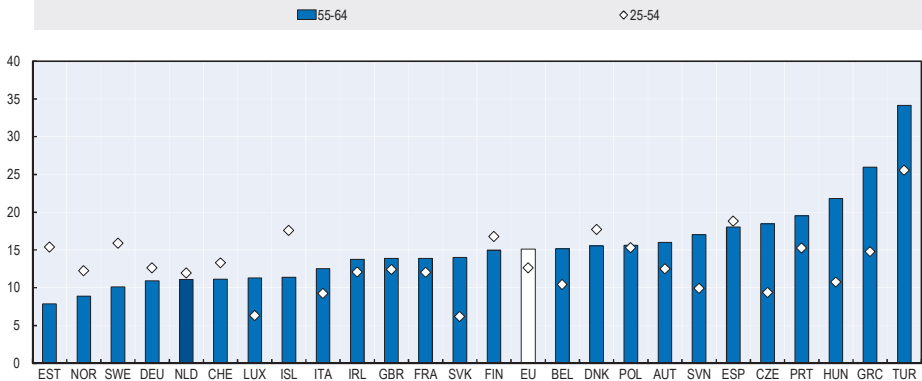
Figure 2.6. **Hiring and separation rates by age, European countries, 2012**

Percentages

**A. Hiring rates<sup>a</sup>**



**B. Separation rates<sup>b</sup>**



a) The hiring rate is the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

b) The separation rate is the difference between the net employment change rate and the hiring rate (net employment change in year t = hiring in year t – separations in year t).

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

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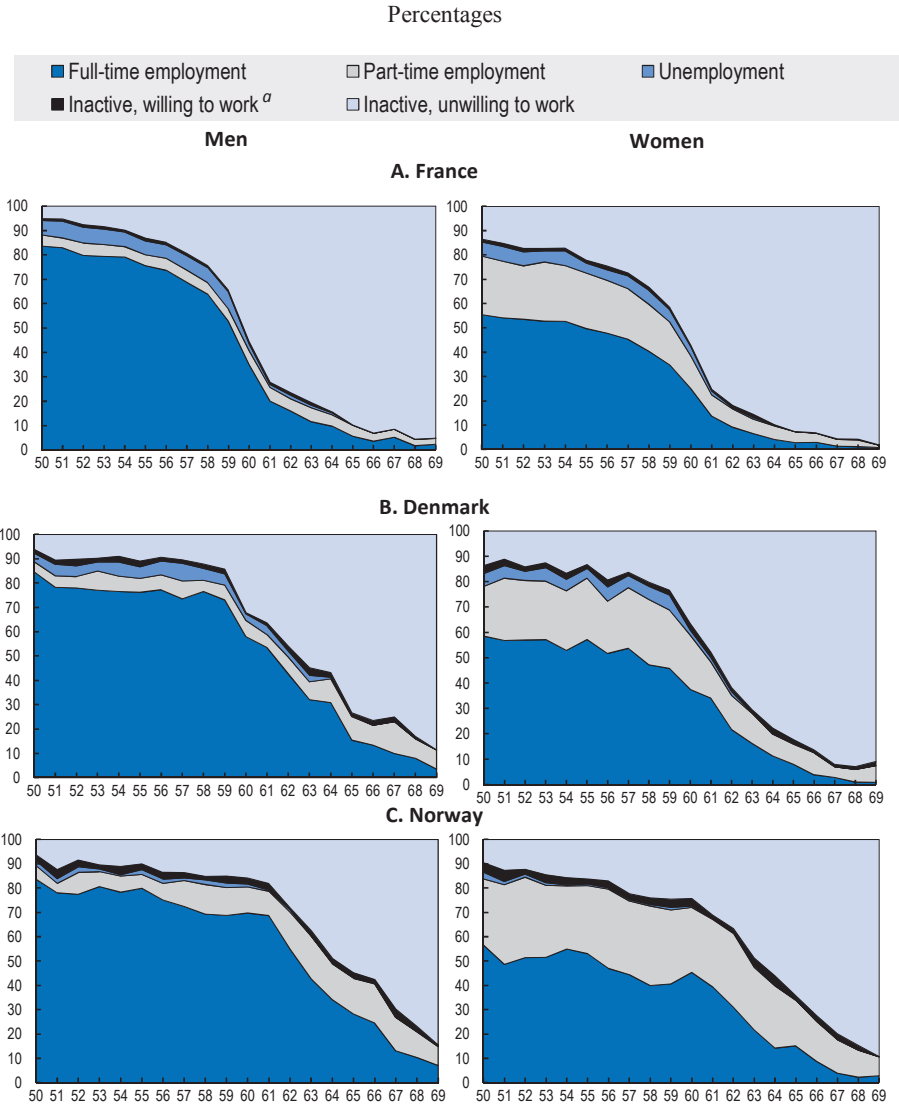
## Part-time work

A feature of the Dutch labour market is its high share of part-time work compared with five other countries reviewed by the OECD, apart from Switzerland (Figure 2.7). The vast majority of Dutch and Swiss women work part-time. There is little evidence that a high share of part-time work during a career keeps women in employment longer than in other countries. The gender gap in employment in the age group 55-64 matches the OECD average (Table 2.1), with the employment rate for men 1.4 times higher than for women. The effective age of exit from the labour market among Dutch women is slightly below the OECD average.

For Dutch men, the share of part-time work remains relatively stable with age, but also at a higher level than in most other countries. Part-time work dampens to some extent the strong decline in full-time work for men from the age of 60. In the last years of the career, part-time work is more widespread among men than full-time work. Only Switzerland shows a similar pattern. The high incidence of part-time work means that effective utilisation of the potential labour resources that older people in the Netherlands represent is relatively low.

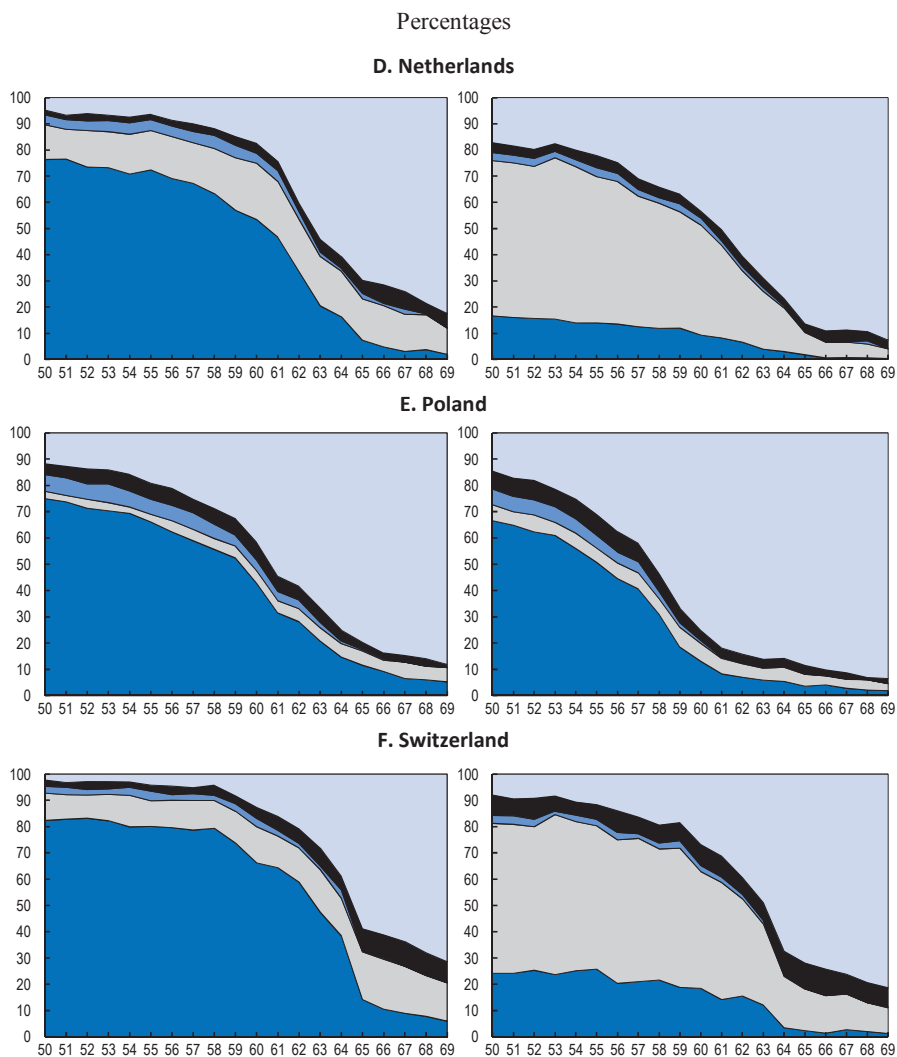
The share of those who are inactive but willing to work is relatively stable for women above 50, while increasing for men over 60. For these age groups, that share is mostly higher than the unemployment rate. A decline in the employment rate begins around age 57 for men, and even earlier for women. These features of the Dutch labour market for older people demonstrate that there is substantial employment potential to offset the effect of population ageing.

Figure 2.7. Labour market status by single year of age (50-69) and gender, six OECD countries, 2012



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Figure 2.7. Labour market status by single year of age (50-69) and gender, six OECD countries, 2012 (cont.)



a) Inactive persons willing to work are defined as those without a job but who would like to work and do not look actively for a job in the reference week.

Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888932982369>

### *Note*

1. With the exception of Turkey, where both age groups have the same (high) likelihood of entering a new job, as well as high separation rates.

### *Reference*

OECD (2006), *Live Longer, Work Longer*, OECD Publishing, Paris,  
[http://dx.doi.org/ 10.1787/9789264035881-en](http://dx.doi.org/10.1787/9789264035881-en).

## Chapter 3

### **Making work rewarding for Dutch seniors**

*Until less than a decade ago, it was common practice for older workers in the Netherlands to leave the labour market through early retirement and disability schemes. Steps have been taken to increase incentives to work; close pathways to early retirement; tackle over-utilisation of the disability pension; and raise the state pension age. The purpose of this chapter is to assess the impacts of these reforms and to identify the remaining challenges and further reforms that may need to be taken.*

## Social protection in the Netherlands

The Netherlands has a highly effective system to protect against the risk of poverty and social exclusion, including old age pension, disability and unemployment arrangements. This system is a result of law and national regulation, but also of collective agreements between social partners.

Compared with those in most other OECD countries, the social partners have a strong influence on, and are greatly responsible for, benefits above the universal, social minimum. Negotiated schemes and regulations cover the majority of workers in the Netherlands – the result of a long tradition of tripartite co-operation and broad social agreements. The number of workers covered by a collective labour agreement was about 6.1 million in 2011 (Gerritsen and Høj, 2013), representing 83% of the workforce and 78% of the total labour force. The close interaction between state-regulated and collective schemes and measures makes it necessary to consider them simultaneously in assessing the effects of actions taken and the need for further reforms.

### Public pensions: Pressure leading to reforms

The statutory pension age in 2014 is 65 years and two months. That age will gradually be raised to 67 in 2021. However, the effective retirement age is much lower than the official pension age, even if it has increased considerably over the past decade. In 2007, the effective labour force exit age was 61.8 years for men and 60.9 years for women (Table 2.1). In 2012, the levels were 63.6 and 62.3 years, respectively. This is above the European average, but somewhat below the OECD average of 64.2 and 63.1 years.

The Dutch pension system has two main tiers: a flat-rate public scheme (first pillar) and earnings-related occupational plans (second pillar). Individual pension saving (third pillar) is also relatively widespread.

Everyone who has reached state pension age and lives or works in the Netherlands, or has done so, is entitled to a basic pension from the public scheme (AOW). The basic benefit accrues at 2% of the full value for each year between the age of 15 and 65. People who live alone are entitled to an AOW pension based on 70% of the net minimum wage; the entitlement is 50% of the net minimum wage for each member of a couple. In 2012, this came to EUR 13 713 per year for a single earner, or a gross replacement rate of 30% of the Dutch average wage. For a couple, the total yearly benefit is EUR 19 130 per year. AOW can be combined with work without any penalty. There is no possibility of early withdrawal or deferral of the state pension.

Decreased fertility and increased longevity (Chapter 1) have put the Dutch state pension system under pressure. Reforms have therefore been amended by the Parliament over the past years accordingly.

### ***Stepwise increase in statutory pension age***

The first proposal for a higher statutory pension age was launched in 2009; it called for the age to be raised in steps, reaching 67 years by 2025. The government's coalition agreement in 2012 includes a proposal to accelerate the phase-in after 2015, in order to have the retirement age reach 66 by 2018 and 67 by 2021 (Box 3.1). After that, the retirement age would, according to the 2012 proposal, be adjusted according to changes in life expectancy every fifth year. Adjustment of retirement age in accordance with demographic trends is in line with recommendations from the OECD (OECD, 2005). The bill to implement this faster phase-in of the higher statutory retirement age is expected to pass through the Dutch Parliament in 2014.

#### **Box 3.1. Proposed phase-in of raised AOW pension age**

Born before 1 January 1948 with pension beginning in 2012 or earlier: pension age 65.

Born between 31 December 1947 and 1 December 1948 with pension beginning in 2013: pension age 65 + 1 month.

Born between 30 November 1948 and 1 November 1949 with pension beginning in 2014: pension age 65 + 2 months.

Born between 31 October 1949 and 1 October 1950 with pension beginning in 2015: pension age 65 + 3 months.

Born between 30 September 1950 and 1 July 1951 with pension beginning in 2016: pension age 65 + 6 months.

Born between 30 June 1951 and 1 April 1952 with pension beginning in 2017: pension age 65 + 9 months.

Born between 31 March 1952 and 1 January 1953 with pension beginning in 2018: pension age 66.

Born between 31 December 1952 and 1 September 1953 with pension beginning in 2019: pension age 66 + 4 months.

Born between 31 August 1953 and 1 May 1954 with pension beginning in 2020: pension age 66 + 8 months.

Born between 30 April 1954 and 1 January 1955 with pension beginning in 2021: pension age 67.

*Source:* Ministry of Social Affairs and Employment.

### *Changing expectations about retirement*

Dorn and Sousa-Poza (2007) found that even if the incidence of early retirement in the Netherlands was relatively high compared with many other countries, the share of “involuntary” early retirement was relatively low. Since then, the effective exit age has increased considerably and people’s expectations are changing, but adjustments to new policies take time. Dutch survey data<sup>1</sup> show that 21% of the population were *willing* to work to age 65 in 2005, and the share increased to 42% in 2009. In the same period however, the share of the population reporting that they were *able* to work to 65 increased only from 40% to 45%.

De Grip, Fouarge and Montizaan (2013) confirmed that announcement of the raised retirement age indeed changed the expectations of those affected. It is notable that the effect was largely positive for highly educated individuals, but was lower for employees with physically demanding jobs or jobs involving managerial and supervisory tasks. The study indicated that to some extent, the groups that already have the highest employment rates into old age are best informed about the increased pension age. Montizaan, Cörvers and de Grip (2010) also reported that an exogenous shock to pension rights increases employees’ planned retirement age and thereby increases the training participation rate among the older workers affected.

Since 2006, survey data have been collected on the expectations of Dutch households concerning occupational pensions, the social security system and the average retirement age, respectively 10 and 20 years ahead. Bisonette and van Soest (2011) investigated how expectations regarding these issues have changed over time, and how they vary in relation to socio-economic characteristics. In general, high-income individuals tended to believe that the AOW eligibility age will rise and workers will retire later, in 10 or 20 years’ time. They also concluded that expectations seem to adjust slowly to the new reality, and that the Dutch population on average may be overly optimistic regarding their future pension entitlements, in particular the low-income groups.

From a policy perspective, the result that low-income groups seem to be overly optimistic should be a matter of concern. Little awareness that the pension age is to be raised makes it clear that this information must be made both transparent and easily available. They also signal the need to improve work incentives and employability for these groups of workers.

Well-disseminated information about the realistic pension replacement rate is important to support sound choices regarding employment participation. Van Duijn et al. (2009) found that expected replacement rates among the Dutch were unrealistically high. In a comparative study of Dutch and American workers, van Dalen, Henkens and Hershey (2010) found that



“Dutch workers rely on and trust their pension fund and seem to leave thinking about and planning for retirement to their managers”. Alessie, van Rooij and Lusardi (2011) concluded that there are vast differences in levels of financial knowledge, and that women and those with less education often lack basic financial skills.

Recent initiatives have been taken to improve pension information and transparency for both the first and second pillars. A national pension register launched in 2011 gives every Dutch citizen an online overview of their accrued occupational pensions in pension funds, including from pension insurers. The register includes the accrued state of the AOW. A project now under way aims to improve communication further: implementation of revised regulations concerning pension information is planned for 2014. To be a useful tool, there should be opportunities to simulate the effects of different scenarios across schemes.

One typical challenge is reaching people who do not actively seek information and who are often most in need of it. Information activities may bring a greater return if the measures are well targeted and designed to meet the needs of the target group. At the G20 Leaders’ Summit in 2012, the OECD/INFE High-level Principles on National Strategies for Financial Education were endorsed.<sup>2</sup> A low level of financial literacy among women is especially cause for concern, since they often work part time and thus acquire fewer occupational pension rights. The OECD (2013a) stated that – even more than men – women need to be sufficiently financially literate in order to effectively participate in economic activities and to take appropriate financial decisions. Based on available evidence and experiences, a set of guidelines is presented in OECD (2013b) on how to design delivery tools for women’s financial awareness and education.

## Occupational schemes

### *Occupational schemes are “quasi-mandatory”*

Occupational schemes in the Netherlands have broad coverage. Although there is no statutory obligation for employers to offer a pension scheme to their employees, collective agreements mean that about 90% of all employees are covered by occupational schemes (Palmer, 2011).

Occupational pensions are established through negotiations between the employers’ and employees’ organisations. The government is involved in the occupational schemes in two ways: i) pension savings receive favourable fiscal treatment; and ii) the government can extend the occupational schemes to all workers in the sector or firm concerned (Euwals, van Vuren and van Vuuren, 2011). OECD (2013c) noted that these schemes are best thought of as quasi-mandatory, meaning they are often de facto mandatory if

not required by statute. The way in which the contributions are divided among employers and employees varies from one scheme to another (Ministry of Social Affairs and Employment, 2011a). Employers often pay two-thirds of the contributions and employees one-third.

The majority of occupational pension schemes (covering 93.5% of all members) in the Netherlands are of the defined benefit type (OECD, 2013c), while the remaining employees in pension funds are covered by defined contribution schemes. Over time, defined benefit schemes based on average income earned have become dominant. Almost 98% of participants are covered by an average income scheme, and only a very small share is covered by a final salary scheme. There is also a small share of mixed schemes with elements from different categories. Public sector workers were previously covered by a final salary occupational scheme, but from 2004 this was converted into an average income scheme.

The bulk of the assets are administered by pension funds. Most employees are members of an industry-wide fund, linked to more than one branch of industry. But there are also company-specific pension funds and pension providers dealing with group life insurance contracts for separate companies (Ministry of Social Affairs and Employment, 2011b). The public sector employees' pension fund, ABP, is one of the biggest pension funds in the world. Altogether, the system consisted of 414 pension funds at the end of 2012 (OECD, 2013c). The number of funds is gradually decreasing, partly due to cost factors.

### *Action to ensure sustainability*

Steps are being taken to ensure the sustainability of the Dutch occupational pension system in the face of challenges such as increased longevity and low birth rates. In addition, the economic crisis brought a substantial drop in solvency rates between 2007 and 2009.

Under present regulation, there is no ceiling on pensionable earnings. Occupational pensions are integrated with the public pension system. The current tax rules allow a maximum combined benefit from both public and private systems of 100% of final pay at the present pension age of 65 years and two months. On the other hand, the annual accrual percentage is bound to a legal maximum. Since 2011, the accrual rate for average salary schemes was limited to a maximum of 2.25%, and the final salary schemes to a maximum of 1.90%. A final salary scheme with an accrual rate of 1.75% for each year of service implies a replacement rate of 70% after a 40-year earnings career.

In a spring 2012 agreement between the social partners, both accrual rates were lowered by 0.10% as from 2014. The government reached in 2013 a new Pension Agreement with a majority in parliament. One of the

elements is a further lowering of the maximum permitted accrual rates to 1.875% in average salary schemes and to 1.657% in final salary schemes as from 2015. This will enable people to acquire a maximum pension of 75% of their average earned income after 40 years' contribution, or two-thirds of final income. The government has also proposed capping the pensionable annual salary at EUR 100 000, or three times the average Dutch income. If a person has an income above that, additional pension contributions are not exempted from income taxes, but the capital will still be exempted from wealth tax.

In 2011, the government and the social partners signed a memorandum for a new pension agreement, the Pension Accord 2010 (STAR, 2010). An important proposal is that risk related to returns on stocks and interest rates should be borne by participants (van Stalborch, 2012). The idea is that as soon as returns on investments and/or longevity in relation to changes in the discount factor are higher or lower than expected, pension rights are adjusted accordingly – a so-called soft collective pension contract.

This memorandum stipulates that the financial assessment framework will be revised to allow for schemes with more conditional pension contracts: the size of pension benefits will depend on life expectancy and on developments in the financial markets. Reform of the framework is expected to take effect from 2015.

The normative retirement age for supplementary pensions (for accrual of new pension entitlements) will be raised to 67 with effect from 2014, and linked to life expectancy projections at the age of 65 as of 2015. The reforms are supposed to raise the effective retirement age by about six to eight months for every year life expectancy increases. Based on the available life expectancy projections, the CPB (2013) has estimated that someone who is currently 25 years old will retire at the age of 71. The accrual rate of occupational pensions will be gradually adjusted to the expected retirement age.

### ***Financial incentives for low-paid workers to work longer***

Due to the tight connection between AOW and the occupational pensions, contributions to the second-pillar schemes are paid only on salaries above a certain level, called the franchise. Only a salary exceeding the franchise brings additional pension rights on top of the AOW.

The target for the occupational pension combined with the AOW state pension is a gross replacement rate of 70% of average earned income. Normally, the franchise is at the same level as the AOW benefit, which is different for single people and couples. Still, the level of the franchise depends on the specific rules for each pension fund and pension arrangement. That level has slowly been decoupled from the AOW to

increase the coverage and magnitude of occupational pensions (Guardiancich, 2010). The minimum franchise of EUR 10 040 per year allowed by tax regulation is lower than the AOW state pension. For most Dutch pension schemes, the franchise per year for a single person lies between the minimum level and EUR 14 000.<sup>3</sup>

The franchise arrangements are part of the negotiated labour contract. For part-time workers, the franchise is adjusted (pro rata reduction) to enable them to build up an occupational pension proportional to their part-time share.

Workers with low wages, measured on a full-time basis, have a high replacement rate from the AOW and acquire low occupational pension contributions because of the franchise. They will thus have lower economic incentives to continue working since their annual pension may not be strongly impacted. The minimum wage in the Netherlands in 2013 was set at EUR 17 632 per year for workers above the age of 23 (holiday allowance excluded). About 1.8% of those employed – or 136 000 people working in full-time jobs – earned the minimum wage. Another 342 000 people earned the minimum wage in part-time jobs. Altogether, 478 000 jobs, or 6.1% of workers, were paid the minimum wage in 2009. In 2010, this number rose to 496 000 people, or 6.3% of all workers.

### ***The work bonus alternative***

To encourage employees with low incomes born between 1949 and 1952 to continue working, the government currently may provide them with a work bonus if they stay employed between the ages of 61 and 65. If they have a yearly income of between EUR 17 139 and EUR 33 326,<sup>4</sup> they can receive a tax credit up to a maximum amount of EUR 1 100.<sup>5</sup> The government has, however, decided to remove the work bonus from January 2015 for new cases, and completely abolish the measure as from 2018.

Euwals, de Mooij and van Vuuren (2009) commented that an estimated large elasticity of in-work subsidies for older employees could justify age-specific tax reliefs for that age group. Fouarge, de Grip and Montizaan (2011) asked people in a survey if they would be willing to work longer if they received a bonus of a certain amount. Based on the answers, they found that a bonus could prolong the working career for 22.5% of employees if it amounted to EUR 2 400 annually. A higher bonus did not appear to increase the impact on labour participation.

Even if the national contexts differ somewhat, experience from other countries' implementation of tax credits can provide useful background information. For example, Sweden introduced an earned income tax credit (EITC) in 2007 to increase labour supply. The EITC is larger for those older than 65, to encourage them to work more hours and longer. The EITC has

been extended four times.<sup>6</sup> In an evaluation of the measure, however, Edmark et al. (2012) conclude that while employment rates have increased, it is not possible to decide to what extent the tax credit can explain the increase.

In-work credits such as the Swedish EITC can provide some groups of older workers with greater incentives to work. These should be explored and evaluated within the context of the Dutch experience, with better targeting towards those groups that are responsive to the measure as objective.

### ***The increasing value of long contribution periods in occupational schemes***

The proposed reforms of occupational schemes increase the value of long contribution periods. The vesting period in the occupational schemes is in general short, normally 12 weeks. There are, however, special rules for temporary workers. Employees over the age of 21 in temporary work via an agency or in a payroll (temporary) contract start contributing to their pension scheme after six months of employment.

According to the 2008 Pension Agreement between the social partners, the way that pension entitlements are generated differs for workers in private employment agencies on temporary contracts, depending on whether the duration is shorter or longer than 78 weeks. Employees working in temporary jobs longer than 78 weeks pay an average of one-third of the contribution while employers pay two-thirds. The average contribution is 7.1% of income. For people working shorter than 78 weeks the percentage is 2.6%, which is fully paid by the employer.

This means that some groups of temporary workers will achieve very limited earnings from the occupational pension. About 10% of employees, for the most part young workers, are not enrolled in an occupational scheme. Harmonising pension rights for workers in payroll contracts with those for workers on permanent contracts could improve incentives to work, and make such temporary work a more acceptable alternative for older workers.

### ***Additional initiatives can support both sustainability and work incentives***

How job changes affect membership in the occupational scheme and previously earned capital depends on the pension schemes in the old and new jobs. If the new job is in the same business/sector/industry as the old job, workers will normally remain in the same scheme as members of the pension fund in which they are already enrolled. If the new job requires enrolment in a scheme belonging to another pension fund, the pension capital can in most cases be transferred to the new fund. The pension funds involved must have a liquidity coverage rate of at least 105% for the transfer

to be made legally. Transfer of pension capital can thus be restricted because of the financial situation of the fund.

Whether it is financially advantageous to move earned capital to the new pension fund depends on a number of factors. Since there have been many changes in the framework and regulation of occupational schemes to make them more sustainable, the conditions of old contracts are often more favourable than those of the new. Older workers can therefore see it as advantageous to keep their pension capital in the old pension fund, because the old (and more generous) arrangements will be applied. This presumably reduces employment mobility.

An occupational pension constitutes a substantial part of the total pension for the majority of Dutch workers. Thus, it is important that regulation of the schemes is coherent and supports mobility and long working careers. The steps taken to make occupational schemes withstand demographic and financial challenges are positive, and a sufficiently rapid phase-in of these reforms must be ensured. A new legal framework to strengthen the resilience of the pension system and to even the spread of risks among participants was launched in the government's Budget Memorandum 2014 (Ministry of Social Affairs and Employment, 2013).

The reforms can have significant consequences for employees. Since longer contributions periods will be necessary to obtain the same replacement rate as before, again – information about such effects must be well disseminated. Rules and regulations must clarify how increased longevity is handled in the pension schemes, how financial risk is shared and how payments are indexed.

One can question the efficiency of having a large number of individual fund administrations, as in the Netherlands (Palmer, 2011). Further reducing the number of occupational funds could improve economies of scale, making pension funds and insurance companies more efficient and able to offer better returns of assets to pensioners and pension plan members. A smaller number of broad pension funds could also facilitate the portability of pension earnings through more transparency, easier administrative procedures, and fewer regulatory barriers.

While defined benefit schemes are the most common category of schemes in the Netherlands, the new, more conditional approach has some features closer to defined contribution schemes. The question remains: could defined contribution schemes offer groups of employees more transparency and facilitate greater pension entitlements for people with long periods on short-term contracts or with other breaks in pension earnings.

## Pension saving for the self-employed: Still a challenge

Self-employed persons are not automatically covered by an occupational scheme, and add to the nearly 10% of employees who are not covered. If they make pension contributions, the funds can be reinvested in the firm (tax-free up to a ceiling) and then converted into an annuity. It is unlikely, however, that this actually occurs very often (Guardiancich, 2010). Donders and Pennings (2012) have looked further into the issue of pension provisions for the self-employed. They remarked that these workers are neither encouraged nor facilitated in making pension provisions. Many self-employed persons have a low income, limiting their ability to save for pensions. Saving for a supplementary pension on an individual basis (third pillar) can also be expensive.

Older people's concern about their ability to build up sufficient pension capital can thus be one factor reducing their incentives to see self-employment as an alternative at the end of their working lives (Been and Knoef, 2013). The time horizon of their investments may be relatively short, making the option of reinvesting contributions in their business less attractive. Alternatives – for instance, establishing less expensive and more easily accessible alternatives of pension saving, could therefore be considered. Topping up pension contributions paid by the self-employed above a certain age and by a certain percentage could also be an alternative to the tax-free reinvestment for older self-employed.

## Early retirement in the second and third pillars

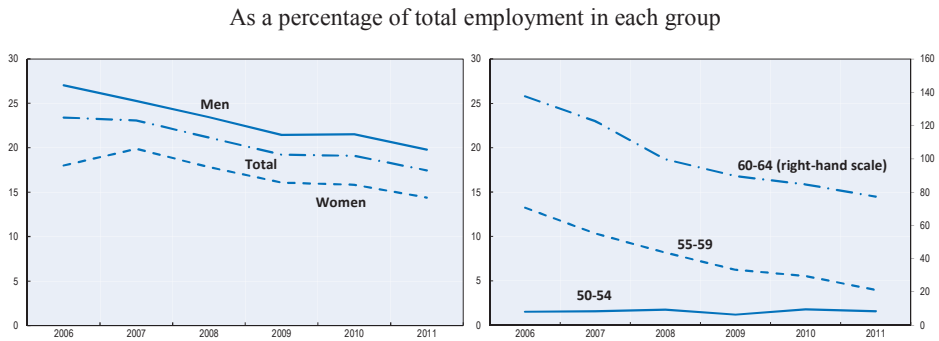
### *Reforms have closed early retirement through the second pillar*

Previously, the Netherlands had extensive early retirement schemes (VUT), one of the main reasons for a low effective exit age from the labour market. In 1997, these schemes were converted into actuarially calculated occupational schemes. Most of the VUT benefits are now phased out, and most transition schemes will have expired by 2015. Consequently, the share of the age groups 55-59 and 60-64 in early retirement schemes has decreased substantially (Figure 3.1). Notably, while more people in the age group 60-64 were on early retirement rather than in work in 2006, today this proportion has reversed. However, the share of VUT or pre-pension or occupational schemes is still high.

Occupational pensions are normally calculated on an actuarial basis, which allows for flexibility. This flexibility was used to extend the possibilities for early retirement (Table 3.1). Substantial changes in occupational schemes over past years have, however, substantially increased the minimum age at which the occupational pension is available. For the majority of workers, the occupational pension is no longer a viable route out

of the labour market – at least not before the age of 62. Lower contribution rates and the change from final salary to average income schemes will prolong the required contribution periods in the future.

Figure 3.1. **Persons in early retirement schemes<sup>a</sup> by gender and age, Netherlands, 2006-11**



a) Early retirement schemes refer to VUT, pre-pension and occupational pension schemes that allow retirement before 65.

Source: Statistics Netherlands (CBS), <http://statline.cbs.nl>.



StatLink  <http://dx.doi.org/10.1787/888932982388>

Table 3.1. **Occupational pensions: Active contributors by minimum age of retirement, Netherlands, 2006-11**

As a percentage of active contributors

	2006	2007	2008	2009	2010	2011
55-59	28.3	15.8	9.7	7.1	6.7	6.1
60	24.4	26.3	24.5	18.3	12.1	6.8
61	14.6	17.5	19.7	18.0	17.4	12.8
62	11.4	12.8	16.3	19.5	19.5	21.7
63	3.6	4.2	4.9	6.7	10.6	12.8
64	2.4	3.8	4.1	5.3	7.1	9.3
65	9.6	11.8	13.0	15.2	16.8	21.4
66	1.2	1.7	1.9	2.2	2.5	2.0
67	0.7	1.1	1.1	1.5	1.6	1.6
68	3.7	4.9	4.7	6.1	5.8	5.4
Total	100	100	100	100	100	100

Source: Statistics Netherlands (CBS), Statline online database. <http://statline.cbs.nl>.

StatLink  <http://dx.doi.org/10.1787/888932982806>



### ***Third-pillar schemes are adjusted to the reformed second pillar***

The Dutch third-pillar system contains options for individual insurance: life insurance and fiscally beneficial pension saving schemes. People who are not fully covered by a second-pillar scheme can, on a voluntary basis, use the third pillar, which offers comparable fiscal treatment of the savings. An individual life-course savings scheme, the *levensloopregeling*, was implemented in 2006. The aim of this scheme was to give people saving on a voluntary basis the opportunity to invest in a better work-life balance and to maintain their human capital. An evaluation of the scheme in 2010<sup>7</sup> showed that over 50% of all participants used the life-course savings scheme for early retirement. For that reason, the scheme is gradually being abolished. The account is still available to people who had saved more than EUR 3 000 by December 2011. It will be available until 2021, but no new accounts were supplied after 2012, and if the amount saved by the end of 2011 was less than EUR 3 000, the account was released at that time (after taxes).

Still, many older workers have savings through third-pillar arrangements. According to Fouarge, de Grip and Montizaan (2011), 42.3% of people between the ages of 55 and 65 have invested in an individual private insurance arrangement for additional retirement income. Contributions to the insurance can be deducted from taxable income. Third-pillar schemes offer an opportunity to fill pension gaps. They must, however, be regulated in a way that prevent them from being used as tax-favoured pre-retirement schemes. Fiscal benefits have decreased over the past years and will be further adjusted in accordance with the reform of occupational schemes.

### ***Combination of work and pension to support phased retirement***

There is no legislation regarding deferral of occupational pensions or combinations of work and pension. The rules vary from one scheme to another depending on the specific plan. De Grip, Fouarge and Montizaan (2013) showed that flexibility in the pension system can lead to a later labour market exit, for example by providing the possibility of taking up a part-time pension. On the other hand they did not find any increase in the total labour supply, because older workers also used the flexibility to work fewer hours in the years before actual retirement. Raising the minimum retirement age, however, seems to increase the likelihood that older workers will take up a bridge job (Brunello and Langella, 2012).

The proposed further reforms of the second and third pillars, incorporating the requirement of longer working careers to reach the same pension level as before, can make combinations of work and pension – meaning, a gradual withdrawal from the labour market – a more feasible and

attractive option in the future. Coherent regulation across occupational schemes and the AOW scheme – which ensures further accrual of pension rights while working after state pension age, as well as possibilities for deferring take-up – would facilitate the option.

## Alternative pathways to early exit still exist

### *Sickness insurance*

In 2012, the incidence of sickness absence was 4% among all employees. According to data from the TNO Institute (Dutch Organisation for Applied Scientific Research), people above the age of 55 are not on sick leave more frequently, but when they are they tend to be absent for a longer period. The sickness absence incidence that year among workers between the ages of 55 and 64 was 5.9%, compared with 4.6% among workers between 45 and 54. Normally, income compensation during sickness is paid by the employer for two years. The sickness benefit amounts to 70% of the salary earned per day the year before the person became sick, up to a maximum of EUR 194.85. Higher replacement rates through collective agreements are widespread – particularly in the first year, when many workers have a replacement rate of 100%. The sickness benefit has a maximum duration of two years, or less if the person reaches the retirement age.

To offset the increased risk of long-term sick leave incurred by long-term unemployed people 55 and older, a compensation scheme for employers who hire them is designed to cover the employee's salary in the event of an illness lasting longer than 13 weeks. This is the so-called *No-risk polis*. To be applicable, the worker must have been unemployed for at least one year before recruitment; they will remain covered by the *No-risk polis* during the first five years in the new job.

Van der Werff et al. (2012) indicate that the measure has not had any significant positive effect on the recruitment of older workers. Surveys show that absence due to illness not only has financial effects, but will also increase work pressure on other staff as well as imposing the need to find replacements. In addition, most employers have insurance covering expenditures for long-term sick leave that includes all staff, including older workers.

The reluctance among employers to recruit people belonging to groups more vulnerable to the possibility of long-term sick leave represents a barrier to work. It is important to see whether more could be done to reduce long-term absence, on the part of both employers and employees. The generosity of the Dutch sickness benefit scheme reduces the economic incentives to return to work as soon as possible, regardless of age. [The sickness benefit scheme will be further discussed in a forthcoming OECD report on mental health and work in the Netherlands (OECD, forthcoming)].

Reducing waiting times for treatment or measures to improve employability (Chapter 5) can help people with health issues return to work. The low take-up by employers of the *No-risk polis* is also an issue that should be examined further as part of the full set of labour costs (Chapter 4).

### ***Disability benefits***

Disability was until about a decade ago a common pathway to early retirement in the Netherlands. Major reforms have, however, substantially reduced the inflow (Box 3.2). While the disability scheme (WAO) had an annual inflow of 0.75% of the population aged 55 and over in 2002, the annual inflow to the work incapacity benefit (WIA), which succeeded WAO from 2006, had dropped to 0.5% in 2012. The decline in total inflow to disability benefits, as well as the emphasis on partial disability benefits and the combination with work, is positive. The share of those over the age of 55 who leave the WGA due to recovery is, however, still low.

#### **Box 3.2. Disability benefits in 2013**

Employees who have been sick for two years (and received compensation from their employer or the state) and have an earnings capacity loss of more than 35% are eligible for Work and Income to Capacity (WIA). This law is in two parts: Return to Work Benefits for the partially disabled (WGA) and the Fully Disabled Persons Income Scheme (IVA).

##### **Return to Work Benefits (WGA)**

The WGA is an income compensation scheme for people who are partially disabled (with an earnings capacity loss of at least 35% and at maximum 80%), or for those who are fully but temporarily disabled. There are three types of WGA: the wage-related benefit, the wage supplement, and the follow-on benefit.

To be eligible for the WGA wage-related benefit, the person must have worked for at least 26 out of the 36 weeks preceding disability. The benefit level and duration depend on the former salary, labour history and potential current salary. During the first two months, the benefit is calculated as 75% of the last earned daily wage minus 75% of the current wage; thereafter, it becomes 70% of the last wage minus 70% of the current wage. The maximum gross benefit in 2013 is EUR 194.85 per day. The duration depends on the individual's employment history; it varies between three and 38 months.

When the wage-related WGA benefit comes to an end, beneficiaries are entitled to a wage supplement on condition that they earn at least 50% of their remaining work capacity, or to a follow-on benefit. An assessment is carried out each month to establish the type and amount of WGA benefit in relation to the earning capacity and current wage. Unless there is a change in health condition, the beneficiary can claim the benefit until his or her 65<sup>th</sup> birthday.

### Box 3.2. Disability benefits in 2013 (cont.)

#### Fully Disabled Persons Income Scheme (IVA)

The IVA is an income compensation scheme for fully and permanently disabled people who are not able to work (with an earnings capacity loss of at least 80%) and have little chance of recovery.

IVA benefits can be received until retirement age. If someone recovers and is able to work again, they can apply for a temporary WGA benefit.

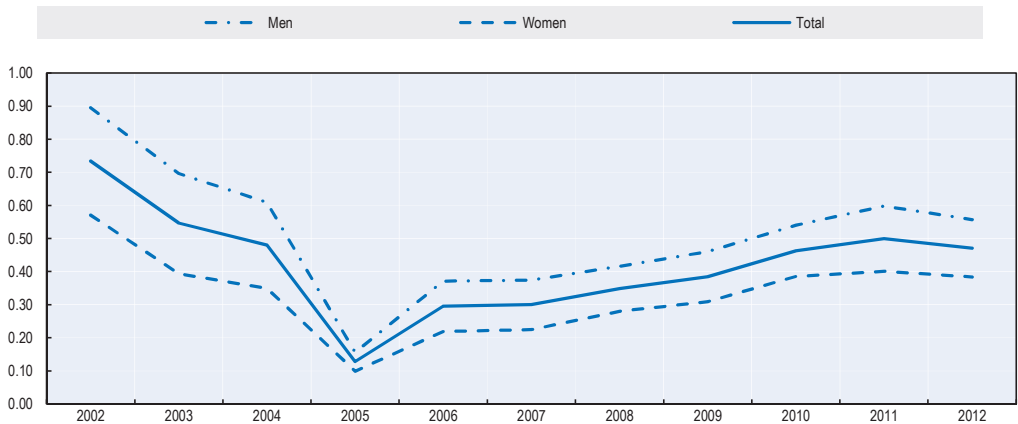
IVA benefits amount to 75% of the last earned income. The maximum benefit is EUR 194.85 per day in 2013.

#### Invalidity Insurance (WAO)


The WAO benefit is only applicable to people who entered the scheme before January 2006, and are at least 15% incapacitated. Since 2006, WAO has been replaced by WIA, but continues to apply to persons who have become incapacitated before January 2004. The WAO also applies to persons who are re-incapacitated within five years after leaving the scheme.

Figure 3.2. Inflows into disability benefits between the age of 55 and 64, by gender, Netherlands, 2002-12

Percentage of the age group



Source: Public Employment Service (UWV).

StatLink  <http://dx.doi.org/10.1787/888932982407>

The major reassessment programme targeting those under the age of 50 on disability benefits, carried out between 2004 and 2009, placed greater emphasis on rehabilitation and prevention; it may also have changed attitudes to disability pension, dissuading some of those wishing to apply. Over time, the share of disability claimants aged 45-54 has dropped considerably (CBS, 2013). The reassessments now take place on a random basis in the target population. The programme must continue to ensure sufficient focus on re-entry to work, and to prevent a renewed increase of inflows to the incapacity benefit. The experience from the programme is also an argument in favour of extending the target group for the programme to those over 50, as re-entry to work is very low.

### ***People must feel that they gain from working***

The WGA is preceded by a two-year sickness benefit period. High replacement rates in the sickness scheme can reduce the incentives to return to work, particularly if the alternative is to accept a lower paid job. People combining WGA and work receive a benefit on the top of their wage to compensate for loss of earnings, compared with the wage they received before the onset of the incapacity (Box 3.3). This compensation improves the incentive to accept lower paid jobs.

Long periods of absence from work reduce the likelihood of re-entry to work. This can be especially true for older people, with relatively short time left until retirement. Incentives to return to work as soon as health conditions allow could be important to prevent early exit. The economic incentives to work for recipients of sickness and disability benefits should be boosted to the extent possible by keeping total replacement rates well below 100%. Wage compensation should be offered as early as the sickness benefit period for re-entry to new jobs with lower wage.

### ***Employers' responsibility for the sickness and disability benefits***

Employers' incentives to adapt working conditions to prevent long-term sickness or disability have been reinforced over time. Since the early 1990s, several important measures have been taken to discourage the use of disability schemes as devices for dismissal, and to change work organisation to prevent sickness and disability. For example, employers have been obliged to pay for longer periods off work for sick and disabled employees.

Normally the employers' contributions to the incapacity insurance depend on the risk profile of the staff. This is meant to encourage employers to create an effective strategy for all workers against sickness and disability. Because older workers have a higher risk profile, the employers' contribution would be higher with relatively older staff. To reduce such

effects, the calculation of the contribution is made neutral with respect to age. According to van der Werff et al. (2012), the measure has no effect on the recruitment of older workers.

### Box 3.3. Unemployment insurance in 2013

To be eligible, the applicant must have worked 26 out of the 36 weeks preceding unemployment, with a minimum of one working hour a day (holidays included). People cannot apply for an unemployment benefit when they have reached retirement age.

The maximum duration of the unemployment benefit period is between three and 38 months. To be eligible to receive benefits longer than three months, the person must have worked four years or more over the last five years before becoming unemployed, with a minimum of 208 hours/52 days of paid work a year. Every year with more than 208 hours/52 days of work gives the employee the right to one month of unemployment benefit. Parental or childcare may be counted in.

The minimum benefit for a single person over the age of 18 is EUR 19.88, and the maximum benefit is EUR 194.85 (gross) per day. The benefit is not means-tested: for the first two months, the benefit is 75% of the salary earned during the last year preceding unemployment. After that, the replacement rate is 70%.

The unemployed are required to apply for jobs at their professional level during the first six months; during the following six months the applications are for jobs at lower levels as well. If after 12 months the person has not been successful, they are obliged to take any job offer. The requirement is to submit at least four applications every four weeks. If the search criteria are not fulfilled, sanctions such as a freeze of benefits can result.

If the unemployed person is 64 years old or over on the first day of receiving benefits, these requirements are omitted.

*Source:* Ministry of Social Affairs and Employment.

Since 2006, employers can choose to administer the WGA by themselves. They must provide a guarantee, which they often cover by buying a private insurance policy. Employers are responsible for a period of ten years of WGA benefits. About 27% of firms have chosen to take on this responsibility, covering 43% of all employees in the Netherlands. This presents an opportunity to evaluate differences between the two groups of employers with respect to rehabilitation, inflow to disability pension, recruitment profiles and effective retirement ages.

According to estimates (Koning and van Vuuren, 2007, 2010), many of the reforms during the 1990s and early 2000s have led to a substantial decline in the degree of hidden unemployment in disability enrolment, to a point where there is almost no substitution. Lammers, Bloemen and Hochguertel (2013), on the other hand, found that one side effect of the

mandatory job-search efforts for the unemployed over age 57.5 was an increased inflow to the disability scheme. It may also still take a long time until the stock of disability recipients is freed from hidden unemployment. One indication is the considerable share of inactive people willing to work (Figure 2.7), particularly among men above the age of 60.

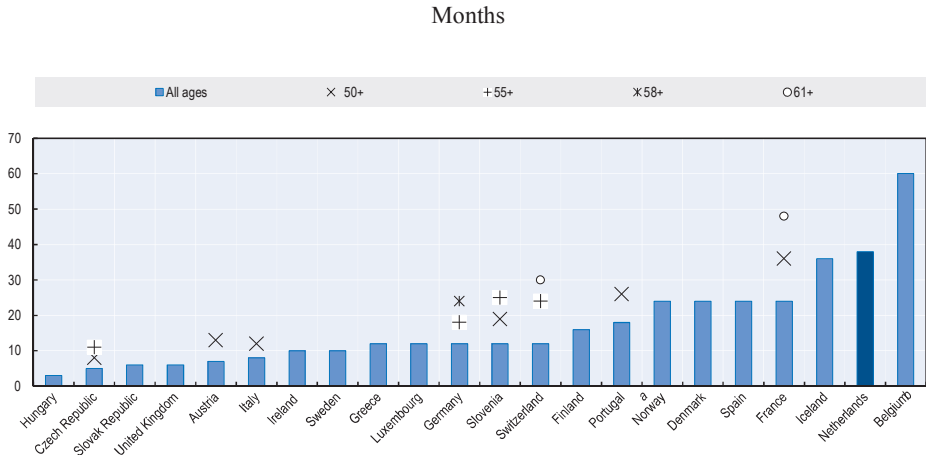
One outcome of closing the previous early retirement schemes could have been growing numbers in the disability scheme. Euwals, van Vuren and van Vuuren (2011) studied employment in the health care sector, and in fact found that the employment rates of older workers had increased, and that the reforms seemed to have prevented the disability scheme substituting for early retirement schemes.

Overall, the results are encouraging. Challenges remain, however; strong incentives to work as much as possible are important, but must be combined with measures to reduce employment barriers and to improve employability – topics that will be discussed further in the next chapters.

**Unemployment benefits** The maximum duration for unemployment benefits has been shortened considerably, from five years in 2006 to the current 38 months. The aim was to increase the job-search incentive, and shorten the periods of inactivity. Even so, the Netherlands is one of the countries with the longest maximum duration of benefits for an employee with a complete affiliation, independent of age – see Figure 3.3. Longer unemployment spells and a lower probability of a return to work are particular concerns for older workers.

A policy reform implemented in 2004 put an end to previous special rules exempting unemployed people over the age of 57.5 from reporting job-search efforts to the Public Employment Service (PES). Those over 64 are still exempt from job search (Box 3.3 and Venn, 2012). Lammers, Bloemen and Hochguertel (2013) studied how the changes in search requirements affected the transition rates to employment and to sickness and disability benefits. Their main finding is that the reform contributed to a 6 (11) percentage point increase in the number of male (female) individuals who found a job. However, this strong, positive effect on labour market participation is accompanied by a 4 (9) percentage point increase in the number of male (female) individuals receiving disability benefits within 24 months after the start of the unemployment spell. The substitution effects are substantial. This highlights the need for accompanying measures to obtain the expected effects of a reform, such as assistance for returning to work and enforcement of the new rules.

Figure 3.3. **Maximum duration of unemployment insurance for an employee with a complete affiliation by age, EU countries, 2012**



- a) 18 months for an employee over 40 years old and 26 months for an employee over 45.  
 b) Without any limit of duration.

Source: *OECD Work Incentives Database* and Mutual Information System on Social Protection (MISSOC).

StatLink  <http://dx.doi.org/10.1787/888932982426>

Koning and Raterink (2013) found that both the policy reform in 2004 and the reduction of the maximum duration of unemployment benefits in 2006 have increased job return rates for those unemployed above the age of 55. Moreover, Hullege and van Ours (2013) found a clear negative anticipation effect, in the sense that unemployed workers who were getting close to the age of 57.5 reduced their search efforts substantially. They found a relatively small increase in the job finding rates after reinstating the search requirement, a fact that they relate to the relatively weak labour market position of older workers.

A potential effect of more stringent job-search requirements could be an outflow to low-quality jobs. However, in analysing a Swiss reform, Degen and Lalive (2013) found that shortening the potential benefit period for jobseekers aged 50 to 54 in 2003 increased their employment and earnings. This is explained by less human capital depreciation and less long-term unemployment stigma.

These studies show that measures to align entitlement rules for older and younger workers have had positive effects in countries where unemployment benefits depend on age. The challenge is to avoid negative



effects in the short run for those who struggle the hardest to return to work. As transitional and temporary measures, Income Compensation for Older and Partially Disabled Employees (IOAW) and Income Compensation for Older Unemployed (IOW) were introduced in 2006 for a period of ten years (Box 3.4). The eligibility criteria for these benefits are somewhat less strict than for the Work and Social Assistance (WWB), which is a minimum income for anyone legally residing in the Netherlands who has insufficient means to cover the basic costs of living.

The government's Budget Memorandum 2014 proposes reducing the maximum duration of the unemployment benefit to two years. Duration should be related to tenure; rights to one month of unemployment benefit will be accrued over the first ten years of service, and afterwards a half-month per year. Until 2016, each year of service confers the right to one month of unemployment benefit. The social partners can prolong the maximum duration by 14 months through collective agreements.

#### **Box 3.4. Income Compensation for Older Workers in 2013**

##### **Income Compensation for Older and Partially Disabled Employees (IOAW)**

People over the age of 50 can apply for IOAW. Applicants must have received unemployment benefits for more than three months; must have received a WGA benefit that was stopped after reassessment because of incapacity below the new threshold (35%); or must have received an IOAW before 2005 and be less than 80% incapacitated.

The benefit is a supplement to the income up to the level of the social minimum (social assistance). In calculating that amount, the income of the beneficiary's partner is included. Assets, such as own property house or savings, are disregarded.

People receiving IOAW are required to apply for jobs (as they are when receiving unemployment benefits). Job offers under one's professional level have to be accepted. The duration of the IOAW can be extended to the retirement age.

##### **Income Compensation for the Older Unemployed (IOW)**

IOW is a benefit for unemployed persons over the age of 60. The maximum IOW benefit is 70% of the minimum wage. The calculation does not include the income of a partner.

IOW recipients are required to apply for jobs and to accept suitable job offers up to the age of 64. The IOW can be extended to retirement age.

The publicly financed part of the unemployment benefit will be financed by an equal share of contributions from employers and employees. The first 12 months of reciprocity will be related to the previous salary, as is currently

the case. The last 12 months of reciprocity, it is proposed to reduce benefits to the level of 70% of minimum wage.

The government forecasts that the number of recipients of IOAW, and particularly IOW, will increase substantially from 2013 to 2017. It is proposed to abolish IOAW step by step, while the IOW will remain at least until 2020. Short-term measures to safeguard benefit coverage must be accompanied by measures to make re-entry to work a realistic alternative for as many as possible, regardless of age. Better activation of recipients of IOW and IOAW is therefore necessary to help them to get back to work.

### **Key policy recommendations**

The Netherlands has implemented major policies to reduce early retirement, resulting in a significant increase in the effective exit age from the labour market. The 2013 Social Agreement among the social partners includes proposals for further measures to close pathways to an early exit out of the labour market; increase incentives to continue working; and improve the financial sustainability of welfare schemes.

These are positive initiatives. Nevertheless, for some groups of older people, work incentives could be strengthened further still, as follows:

- *Long contribution periods in second-pillar schemes should be promoted.* The proposed reforms of occupational schemes will increase the value of long contribution periods. Ensuring that change of job or take-up of jobs – for example, temporary jobs via agencies or self-employment – does not lead to gaps in pension earnings or loss of pension rights could stimulate mobility and longer careers. Defined contribution schemes could be one alternative to facilitate improved pension entitlements for people with long periods in temporary and other non-standard contracts.
- *More flexibility in withdrawal and combinations of pension and work would encourage longer careers.* Establishing a legal basis – or at least a coherent approach across collective agreements – to ensure further accrual of occupational pension rights when working beyond the state pension age would strengthen incentives to work longer. Rights could also be accrued in cases where withdrawal of the occupational pension has begun. Offering the possibility of partial or deferred withdrawal would facilitate a gradual phase-out from the labour market.
- *Better information and transparency are essential.* Changes in rules and regulations over time, as well as differences among schemes, make it

difficult for people to gather the information they need to make the right decisions. This can have negative effects on labour participation, and reduce mobility. More effective dissemination of better information is required to support longer working careers as well as mobility. There should be a special focus on groups with low financial literacy, such as people with less education. The new OECD guidelines on financial education could be used to design targeted delivery tools.

- *The maximum duration of UIB should be reduced, as proposed in the 2013 Social Agreement*, in combination with better activation of UAB (IOW) recipients to help the jobless get back to work.
- *The financial incentives for sickness and disability benefit recipients to work should be strengthened* by keeping replacement rates well below 100%. Even during the sickness benefit period, wage compensation should be offered for re-entry to new jobs with a lower wage.

## Notes

1. [www.cbs.nl/en-GB/menu/themas/arbeid-sociale-zekerheid/cijfers/extra/langer-werken.htm](http://www.cbs.nl/en-GB/menu/themas/arbeid-sociale-zekerheid/cijfers/extra/langer-werken.htm).
2. [www.oecd.org/finance/financial-education/evaluatingfinancial-educationprogrammes.htm](http://www.oecd.org/finance/financial-education/evaluatingfinancial-educationprogrammes.htm).
3. [www.towerswatson.com/nl-NL/Insights/Newsletters/EURpe/statistische-data/2012/Fiscaal-minimale-franchise](http://www.towerswatson.com/nl-NL/Insights/Newsletters/EURpe/statistische-data/2012/Fiscaal-minimale-franchise).  
Also see [www.belastingdienstpensioensite.nl/Overzicht%20AOW-inbouw%20en%20AOW-franchise.htm](http://www.belastingdienstpensioensite.nl/Overzicht%20AOW-inbouw%20en%20AOW-franchise.htm).
4. EUR 17 139 corresponds to 90% of the minimum wage, while EUR 33 326 corresponds to 175% of the minimum wage.
5. [www.belastingdienst.nl](http://www.belastingdienst.nl).
6. [www.oecd.org/els/emp/Older%20Workers%20Sweden-MOD.pdf](http://www.oecd.org/els/emp/Older%20Workers%20Sweden-MOD.pdf).
7. [www.rijksoverheid.nl/onderwerpen/levensloopregeling/documenten-en-publicaties/rapporten/2011/07/04/evaluatie-levensloopregeling.html](http://www.rijksoverheid.nl/onderwerpen/levensloopregeling/documenten-en-publicaties/rapporten/2011/07/04/evaluatie-levensloopregeling.html).

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## Chapter 4

### **Encouraging employers in the Netherlands to hire and retain older workers**

*In the Netherlands, employers have a responsibility for investing in older workers and taking other measures to improve employability and prevent early exit from the labour market. Active ageing policies are in large part established through collective labour agreements, but the challenge is to reach those not covered by agreements, as well as companies whose awareness of age management issues is low. This chapter provides an overview of measures already taken or that could be taken to better manage age diversity in the workplace. These deal with seniority wages, costs and productivity, and protecting employment opportunities rather than jobs.*

## Managing age diversity and promoting mobility at all ages

Older peoples' opportunities for remaining in the labour force are largely determined by employers. Employers' decisions about retaining, hiring and firing older workers depend in part on their perceptions about the importance of age diversity and the adaptability and productivity of workers at an older age. But quantitative factors come into play as well – such as wages and other labour costs involved, compared with what they have to pay for younger workers. These decisions will also be affected by the employment protection legislation (EPL) and other labour laws.

As discussed in Chapter 2, the rise in the employment rate of workers over the age of 55 in the Netherlands over the past decade is mainly due to the fact that workers stay longer in their current jobs; the retention rate of those over 60 has increased considerably, and was above the OECD average in 2012. On the other hand, *mobility* among older workers, measured by the hiring rate, is still below the European average. It is difficult for the long-term unemployed to get back to work.

The low hiring rates of older workers are not specific to the Netherlands; the same trend is found in most OECD countries. But in 2012, only three countries had hiring rates for the 55-64 age group lower than in the Netherlands – Belgium, Greece and Luxembourg. Low hiring rates can constitute an employment barrier, given that a consequence of higher labour force participation at an older age can be a higher share of older people experiencing job displacement. Facilitating job mobility can alleviate the problem, and may actually encourage older workers to continue working longer if they are given greater effective job choice.

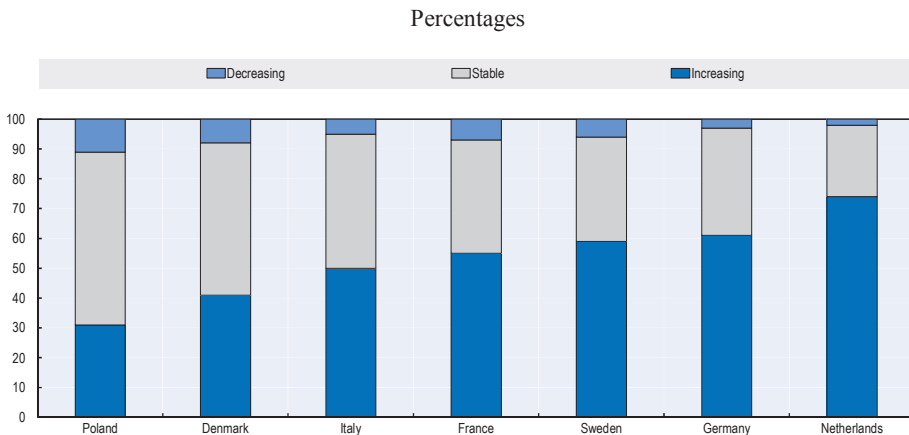
Conen, Henkens and Schippers (2011), based on Dutch survey data from 2000 to 2009, found that efforts to recruit older workers are changing in line with the economic climate: overall, they found no indications that employers are becoming more favourably disposed to recruit older workers. At the same time, retention rates show a clear if rather gradual increase.

The OECD (2013a) has produced new evidence that reducing employment for older workers does not improve youth employment. The employment relationship between the two groups does not differ significantly during recession periods. Thus, it is important to invest in strategies that promote better employment outcomes for all, at all ages. The available evidence suggests that initiatives to increase the effective exit age will have to be promoted through a partnership between the government and social partners, since employers do not appear to take on an active role here.

## Wage-productivity gaps


Difficulties faced by older people in the labour market can be related to higher labour costs and actual lower productivity as well as to negative stereotypes and prejudices. Conen, van Dalen and Henkens (2012) found that a majority of employers in seven European countries, including the Netherlands, did not expect ageing of their staff to affect labour productivity. On the other hand, many employers expected labour costs to increase as their employees age – even if there were large variations across countries, from 30% of employers in Poland to 75% in the Netherlands (Figure 4.1). They also found that differences in EPL and wage profiles across countries explained only to a limited extent the perceived wage-productivity gaps across countries. They therefore stressed that labour market policy must focus on age-related fringe benefits, contributions to sickness benefits schemes and on other country-specific factors.

Figure 4.1. **Gap between productivity and labour costs expected by employers of seven EU countries, 2009**



*Note:* The perception of this gap results from a combination of answers to the question: What would happen to the cost of labour and productivity in your company if the average age of your staff increased by five years? The possible answers are: 1) significant decrease, 2) lower, 3) no change, 4) increase, 5) significant increase. If an employer expects that productivity does not change but the cost of labour increases, that implies a wider gap between labour costs and productivity.

*Source:* Conen, W.S., K. Henkens and J.J. Schippers (2012), “Employers’ attitudes and actions towards the extension of working lives in Europe”, *International Journal of Manpower*, Vol. 33, No. 6, <http://dx.doi.org/10.1108/01437721211261804>.

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***Wage setting: give more weight to performance, less to seniority***

Full-time earnings for employees aged 55-59 in the Netherlands in 2010 were 1.6 times the level of those aged 25-29 (Table 2.1). This is considerably above the OECD average of 1.3. Selection and compositional effects were mentioned by OECD (2006) as potential explanations, especially in countries where early retirement is much more prevalent. The most productive workers are the most likely to remain in their jobs. The available productivity studies are for the most part based on surveys and employers' perceptions, while the empirical evidence is limited and inconclusive (Bloom and Souza-Poza, 2013).

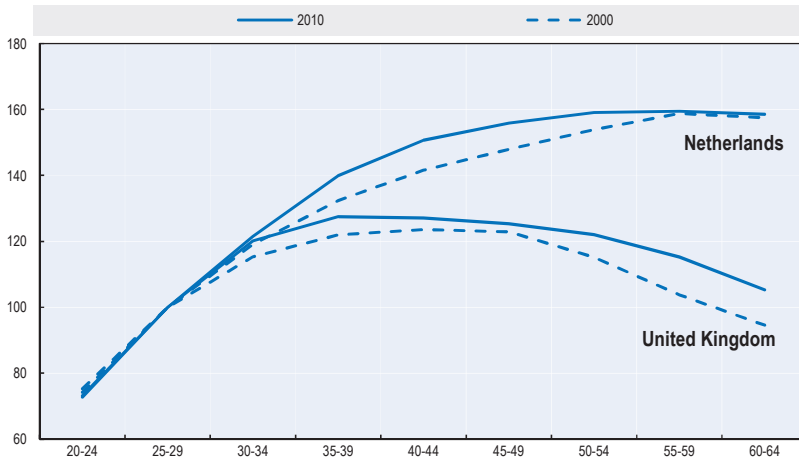
Deelen (2012) found that steep wage-tenure profiles are related to low levels of mobility – that is to say, the higher the returns to tenure in a sector, the higher the share of older workers, the average age and average tenure. Firms may adopt rising wage profiles for several reasons, for example high investments in firm-specific human capital or deferred compensation schemes. Deelen found, however, that the increasing tenure profile can to some extent be explained by strict EPL, which tightens with increasing seniority and boosts insiders' bargaining power.

The labour market for older workers has changed considerably over the past decade. As a consequence of much higher employment rates, one could expect a wider variation in individual productivity and performance among workers remaining in work longer. One could further expect that variation to dampen the selection effects possibly accounting for the dominating pattern of wage setting.

The collective coverage of wage bargaining in the Netherlands is above 80%, while the union density is about 24% (van het Kaar, 2009). OECD (2012) noted that in recent years the social partners have tried to move away from tenure-based pay by basing wage increases more on individual performance; the report further referred to Gielen, Kerkhofs and van Ours (2006), who found that this trend has had a positive effect on labour mobility in the companies concerned. However, sector-level wage agreements still dominate and have even been increasing (Gerritsen and Høj, 2013). In spite of a rise in wages more gradual than it had been, the age-wage profile has remained relatively stable over the past decade (Figure 4.2). The substantial and persistent gaps in wages between age groups in the Netherlands are remarkable compared with, for example, the United Kingdom.


Figure 4.2. **Age-wage profile of full-time workers, Netherlands and United Kingdom, 2000 and 2010**

Indexes 25-29=100



*Note:* Data refer to mean gross weekly earnings for the United Kingdom, and mean gross annual earnings for the Netherlands.

*Source:* OECD Earnings Database.

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Older workers are often at the top of the wage schedule. Agreements, however, often include possibilities for extra wage elements once the top of the scale is reached (STAR, 2011). One possible reason that employers are willing to pay wages above the scale's maximum is the need to keep employees motivated. Relatively high employment protection for older workers can reinforce the need of such a mechanism.

This suggests that further adjustment of wage setting may be called for, as previously recommended by the OECD (2005 and 2012). Criteria should be based on performance, not on tenure. More flexible wage setting would reduce the risk that people are pushed out of the labour market because of growing gaps between wage and productivity building up at older ages. Performance-based wage setting requires strong local involvement. The strong tradition of collective bargaining in the Netherlands could play an important role in setting overall frameworks for wage growth at the firm level, and in establishing the principles and criteria for more performance-based wage setting.

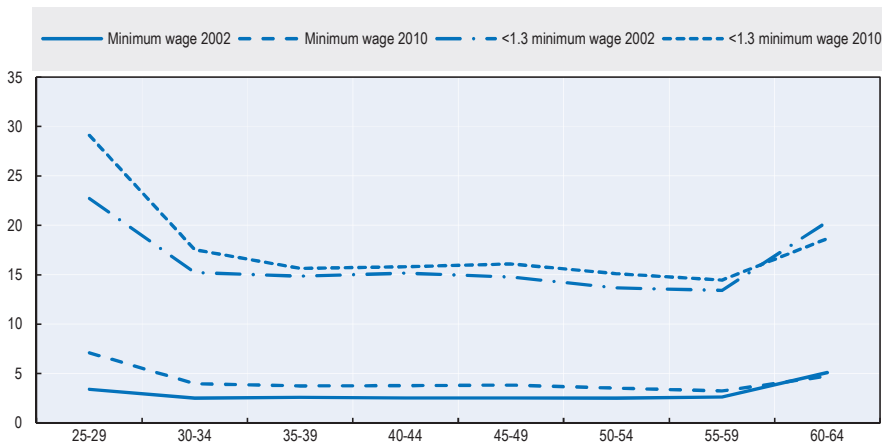
### *Minimum wage*

Even if the coverage of collective wage bargaining is high in the Netherlands a substantial share of the labour force receives wages at the statutory minimum level, or somewhat above (Figure 4.3). The share of workers receiving minimum wage is highest in the youngest and oldest age groups. Except for those over 60, the share of minimum wage earners has increased over the past decade.


No available evidence can explain the work history of older minimum wage earners. If the minimum wage is used in an active labour market programme (ALMP), that can facilitate re-entry into the labour market. The challenge is to avoid having the minimum wage become a trap, with people locked into low-paying jobs.

Figure 4.3. **Minimum wage profiles by age, Netherlands, 2002 and 2010**

As a percentage of workers



Source: Statistics Netherlands (CBS), <http://statline.cbs.nl>.

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### *Non-wage labour costs*

Non-wage labour costs that are higher for older workers may prove a further disincentive to hiring or retention. The major indirect labour costs in most countries are social insurance contributions, employer-paid sick leave, pension premiums and paid leave and holidays.

The first two years of sick leave and disability are paid by the employer. Thereafter, expenditures are pooled over the sector – unless the employer has opted out, and covers expenditures through “own risk management”. The incidence of sick leave is not very different for older and younger workers, but the incidence of long-term sickness absence increases with age.

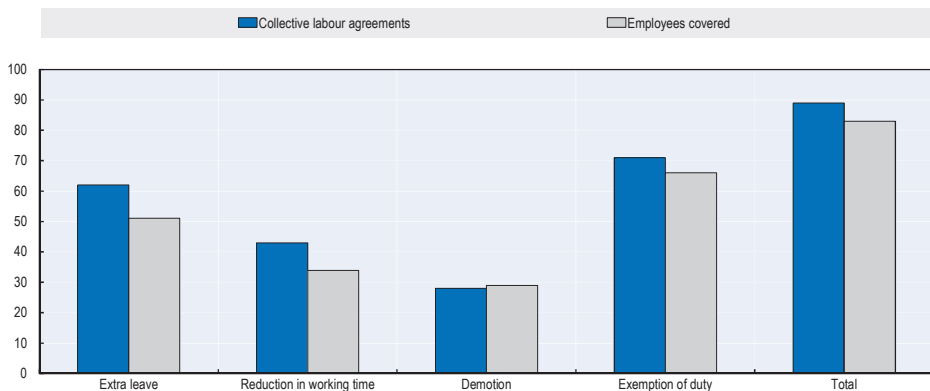
To encourage employers to take preventive measures, the permanent disability contributions (WGA contributions) are differentiated according to the firm’s risk profile. Since the probability of disability increases with age, contributions are higher for older than younger employees.

The majority of occupational pension schemes in the Netherlands are defined-benefit schemes. The prevalence of occupational schemes means that for most firms, the pension costs are substantial. Increasing age-wage profiles translate into increasing pension premiums, an effect somewhat dampened by the shift from final salary to average income scheme.


Holiday entitlements are not generally related to age. But extra holiday entitlements for older employees are included in more than 60% of the collective labour agreements applying to about 50% of the employees these cover (Figure 4.4). Measures to reduce the workload for older workers are the most common.

Figure 4.4. **Special measures for older workers, Netherlands, 2011**

Percentages



Source: Ministry of Social Affairs and Employment (2011), “Jaar rapportage CAO-afspraken 2011”.

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These additional non-wage costs drive home the need to make the wage setting less related to seniority, and to ensure that special measures for older workers are cost-efficient and support employability. The social partners have a key role to play in improving the labour market position of older workers. Still more must be done to redirect collective agreements towards the sustained employability of older workers, and away from protection and relief.

### ***Productivity***

It is extremely complex to measure individual productivity by age. One reason is the difficulty in distinguishing personal contribution to a firm's output from a host of other factors; another is the lack of available data. Available studies of the relationship between productivity and age show no clear results.

Van Dalen, Henkens and Schippers (2010) surveyed the perceptions of employers and employees regarding the productivity of young and older workers in the Netherlands. They found that both employers and employees rate the productivity of older workers substantially lower than that of younger workers. They also found that workers over the age of 50 have their comparative advantage in “soft” qualities (e.g. commitment to the organisation, reliability and social skills), while younger workers have theirs in “hard” qualities (e.g. flexibility, physical and mental capacity, and willingness to learn new technology). The study showed that “hard” qualities carry much greater weight than “soft” qualities in evaluating productivity.

De Hek and van Vuuren (2011) provide an overview of theories accounting for the divergence between wage and productivity profiles of individual workers. One major conclusion is that considerable heterogeneity among firms and workers makes it impossible to point to one particular theory to explain such discrepancies, whether with regard to older workers or all employees. Theories supported by empirical evidence involve specific human capital factors, deferred payment schemes, insurance, collective bargaining, and workers' preferences.

Van Ours and Stoeldraijer (2010) analysed the relationship between age, wage and productivity, using a matched worker-firm panel dataset from Dutch manufacturing covering the period 2000-05. They concluded that to the extent there is a productivity-wage gap at older ages, this age effect is likely to be small.

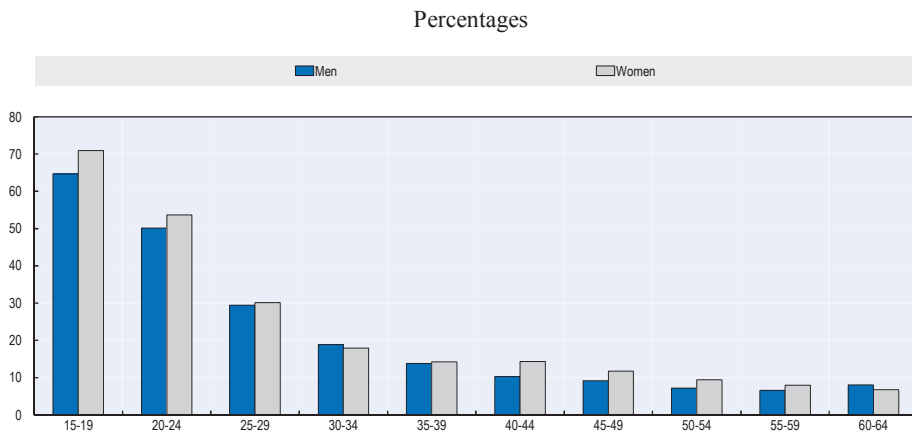
Demotion – movement to a position with a lower occupational status – has been mentioned as a measure to lessen the wage-productivity gap, mainly as relates to people in older age brackets. The measure is, however,



seldom actually applied, and so evidence of its effect(s) is very limited. Josten and Schalck (2010) found in a study of the Dutch health care and social services sectors indications that demotions have the potential to reduce employees' feelings of exhaustion. However, even if the position is less demanding, satisfaction with job content still decreases. This may be due to a loss of status at work, or that the lower-level functions are less attractive, less challenging, and less important.

The Josten and Schalck study does not include information about the reasons for demotion. Movement to a lower ranked but less onerous job can be an alternative if an employee deems the present job too strenuous, overly demanding in terms of keeping up to date, etc. However, the study shows that it is important that the new job provides the opportunity to use previously acquired skills and knowledge and to develop further. So far, demotion seems to have been implemented mainly as a form of bridge employment – a trend in fact becoming increasingly common (Henkens, van Solinge and van Dalen, 2013). A majority of older workers in bridge employment have an hourly wage lower than was offered in their previous job. The share of workers in temporary contracts is, however, seen to decline with age (Figure 4.5). In 2012, the share of Dutch workers aged 55-64 in such contracts was below the OECD average (Table 2.1).

Figure 4.5. **Employees on flexible contracts by age and gender, Netherlands, 2012**



*Note:* Refers to temporary workers and employees with a non-permanent contract.

*Source:* Dutch labour force survey, <http://statline.cbs.nl>.

*StatLink*  <http://dx.doi.org/10.1787/888932982521>

### *Policies to reduce cost disadvantages*

The government has implemented a number of policy measures targeted at older, long-term unemployed persons, aimed at reducing potential cost disadvantages (Box 4.1).

#### **Box 4.1. Measures for employers to reduce disadvantages connected with older workers**

*Mobility bonus* – If an employer hires a person receiving benefits who is older than 50, their employers' contribution will be reduced by EUR 7 000 per year. This reduction is lowered if the employee works less than 36 hours per week.

*Work bonus* – There was a discount for employers if they retained an employee older than 61. The contribution paid by the employer was reduced by EUR 1 750 per year for a maximum duration of three years. The reduction was lowered if the employee worked less than 36 hours per week. The measure was abolished from January 2013.

*No-risk polis* – If an employee who is over 55 and has been unemployed long term becomes sick for a long period, the Public Employment Service (PES) will pay the sickness benefit. The employee must have received an unemployment benefit for at least one year; if they become sick in the first five years of their new job, the PES will pay their income and for the WGA contribution differentiation.

*Abolition of WGA contribution differentiation* – Normally the contribution an employer pays depends on the risk profile of the staff; this measure abolishes the difference in contribution between relatively young and relatively old employees.

*Extended trial period* – The standard trial period of three months could be prolonged to six months for workers above the age of 55.

*Trial placement* – During the first months of work the employer does not pay a salary to the employee still receiving unemployment or disability benefit. The maximum period of trial placement is three months, with the possibility of extension to six months in special circumstances. The measure is applicable to anyone with unemployment or sickness/disability benefit.

Van der Werff et al. (2012) find that the mobility bonus for older unemployed, the doubled length of the trial period for older workers, and trial placement with continued benefits all produced significant effects. All other measures were estimated to have very limited or no effect.

The government has made substantial efforts to strengthen the position of older workers in the labour market and to avoid any negative effects of reforms. To some extent it is a puzzle that only small effects of cost-reducing measures for older workers have been estimated. Efforts to improve the effects of measures could therefore begin with further

assessments of existing measures. Are administrative procedures too complex? Are the measures strong enough to have an impact and are they well targeted? Could more effect be obtained by a more overall approach including the special measures in collective agreements?

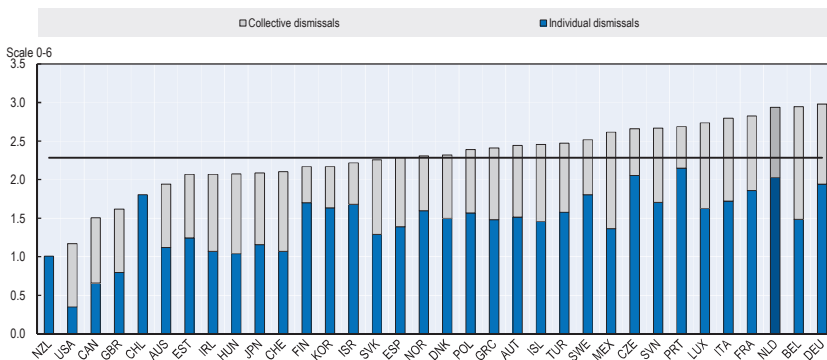
Over the past decade, the employment rates of older workers have increased significantly, while their hiring rates are still very low and long-term unemployment is high. The number of recipients of income compensation among the older unemployed (IOW and IOAW) is expected to increase in the years ahead, according to Dutch forecasts. This could justify a policy shift towards stronger encouragement of recruitment and labour mobility. The strong social dialogue in the Netherlands should be used to co-ordinate measures implemented by the government and with efforts by the social partners to ensure that special measures in collective agreements better support employability. Evaluations of the measures already implemented should be actively used in (re-) designing policies.

## The employment protection legislation (EPL)

### *Main elements*

Within the OECD area, the Netherlands is one of the countries with the most stringent restrictions on both individual and collective dismissals (Figure 4.6).

Figure 4.6. Protection of permanent workers against individual and collective dismissals



*Note:* Data refer to 2013; the figure presents contribution of employment protection for regular workers against individual dismissal (EPR) and additional provisions for collective dismissal (EPRC) to the indicator of employment protection for regular workers against individual and collective dismissal (EPRC). The height of the bar represents the value of the EPRC indicator.

*Source:* OECD Employment Protection Database, 2013 update, <http://dx.doi.org/10.1787/lfs-epl-data-en>.

StatLink  <http://dx.doi.org/10.1787/888932982540>

What sets the Dutch labour market apart from other countries' labour markets is its dual system of checks on the dismissal of workers with permanent employment contracts. A legal provision requires checking the validity and reasonability of a dismissal request before a worker can actually be dismissed. Two different authorities perform this testing: the civil court and the Public Employment Service (PES) (Box 4.2).

#### Box 4.2. The Dutch dual dismissal process

*Termination via the Public Employment Service (PES)* – The PES acts as a preventive check, ensuring that there are reasonable grounds for dismissal. The PES can refuse the dismissal, which gives the employee legal grounds to contest its validity. On average, authorisation of the dismissal takes five weeks. The employer must in addition take account of a notice period, which varies from one to four months. The PES does not determine severance payments.

*Termination via the court* – Both employers and employees can file a request with the court, while the PES procedure is open only to employers. The court procedure is much shorter, since there is no notice period. The case is treated within (on average) 15 days. The court may determine a severance pay on the basis of a formula that factors in the tenure of the employee, the monthly gross salary, and a correction factor. The average compensation for dismissal is seven months' salary.

Source: OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/empl\\_outlook-2013-en](http://dx.doi.org/10.1787/empl_outlook-2013-en).

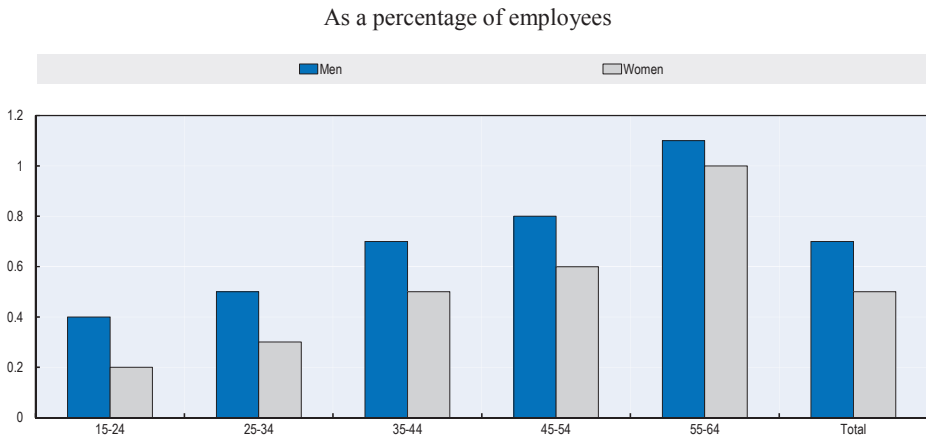
The most important difference between the civil court and the PES procedure is that when permission for dismissal is granted by the PES, the firm is relieved from the obligation of severance payment. On the other hand, this route is more time-consuming. Knegt and Tros (2007) estimated that the court procedure is about twice as costly as the PES procedure. If many firms still choose to go to court to receive an approval for dismissals, it is possibly because they do not fulfil the criteria for an approval by the PES, or they want to save time.

The sub-district court determines the severance pay in eligible cases. Currently, severance pay is normally calculated on the basis of one month's salary for every year of service, without any maximum. OECD (2012) cited the strict EPL for workers with permanent contracts as the main impediment to reallocation of labour. Severance pay increases relatively quickly with age and with income, and the severance pay for older workers with long tenures can be very high. The system increases the incentive to remain in the same job, because accumulated severance pay rights are lost when changing jobs. In addition, older unemployed persons can have high reservation wages, resulting from a combination of severance pay and unemployment


benefits (both often generous), as well as the strong seniority element in wages.

Approximately 90% of all collective labour agreements in the Netherlands contain measures aimed at protecting older workers (European Commission, 2012a). In recent years, protective measures in many collective agreements have been modified and made more age-neutral. One criterion is that dismissals represent a “mirror image” of the existing workforce (collectively dismissed workers reflecting the overall age composition of the firm’s employees). But the “last-in-first-out principle” still applies within all age categories: workers with long tenures still are less exposed to dismissals.

Figure 4.7. **Dismissal requests accepted by the PES, by age and gender, Netherlands, 2009**



Source: Public Employment Service (UWV).

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There is as yet no clear evidence on how well the rules protect older workers from dismissals. The number of dismissals accepted by the PES as a share of employees increases with employee age (Figure 4.7). Similar data are unfortunately not available for court dismissals. In addition, many job losses are due to termination of temporary contracts, not to dismissals.

Reviewing the empirical literature, Deelen and Jongen (2009) could discern no clear correlation between EPL and the overall unemployment rate of older people. They did however find a clear association between EPL and lower inflow into unemployment, a longer duration of unemployment spells, and a higher share of discouraged older workers. They also simulated the

labour market effects of possible changes in EPL in the Netherlands. Their analysis suggests that reducing employment protection would increase the participation of older workers, in particular older women. The labour market for older workers would furthermore become more dynamic. The gains would not be evenly distributed among workers; in particular, insiders are likely to lose from the reform. Higher flows would, however, reduce inequality between older people inside and outside the labour market.

Deelen and Jongen (2009) found that with a level of employment protection comparable to that of Denmark, the labour force participation rate in the Netherlands for the age group 55-64 would increase by 0.9 percentage points for men and 3.6 percentage points for women. On the other hand, the unemployment rates would increase by around 0.5 percentage point for older men and women. However, the group's average duration of unemployment would decrease from 43 to 37 months. Moreover, long-term unemployment would be reduced from 59% to 54% for older women, and from 64% to 61% for older men.

### *Towards a better balance*

The Social Agreement and the government's Budget Memorandum 2014 both include proposals for more comprehensive EPL reform (Box 4.3). The law on the termination of employment is supposed to be modernised in 2016.

#### **Box 4.3. Proposed reform of EPL**

Use of the two dismissal procedures discussed in Box 4.2 would be more restricted. When personal reasons are involved, the only possible route to dismissal would be by filing a request to a sub-district court to dissolve an employment contract. By contrast, economic dismissals would be possible subject to approval of the PES. In the case of a negative decision by the PES, the employer would be able to ask the court to dissolve an employment contract.

Severance pay would be changed to a transmission budget, with a maximum of EUR 75 000 or one year's salary, whichever is less. The transmission budget amounts to an accumulation of one-half of a month's salary. Costs of "work-to-work" training will be deducted from the transmission budget. The conditions under which this happens will be further detailed by the social partners.

For employees aged 50 or over with 10 or more years of service, every year of service over the age of 50 will add one month's salary to the transmission budget until 2020.

In cases of severe culpability on the part of the employer, the court can grant the employee payment in addition to the transmission budget; this will presumably be rare.

The proposed replacement of the severance pay by a training allowance, called a transitional budget, will focus more on transferring to other jobs and less on possible pathways out of the labour market. This budget will enable investment in new careers, but there must be demand from employers to avoid having severance pay remain an exit route for older workers.

These proposed EPL reforms could have mixed short-term and long-term effects. Reduced firing costs are expected to have a positive effect on job mobility; however, if workers are dismissed when they are over 55, the challenge will be getting them rehired and avoiding long-term unemployment. Only 20% of unemployed 55-year olds found a new job within 12 months (CBS, 2012). A survey of Dutch employers revealed that about 60% believe reducing EPL will lead to more dismissals of older workers, while about 20% believe that recruitment of older workers will increase.<sup>1</sup> The transition rules for older workers (Box 4.3) will dampen short-term effects, but the transition period must be used to achieve a more balanced approach to avoid unintended effects.

The proposed EPL reforms must be implemented in combination with other policy measures incorporating both a short-term and long-term perspective (OECD, 2013a). Wage-setting procedures should be aligned with productivity. The “work-to-work” and Sustainable Employability programmes are initiatives well suited to support the mobility and employability of older workers.

## **Mandatory retirement**

In 2014, workers in the Netherlands are entitled to a state pension (AOW) at the age of 65 years and two months. The courts have decided that an employment contract for an indefinite period of time does not terminate legally solely because the employee has reached the state pension age, unless the facts or circumstances show that the parties intended to terminate the employment contract at that time. Labour contracts and collective labour agreements stipulating that the work contract terminates when pensionable age is reached are still common and valid.

The previous mandatory retirement age of 65 in the public sector was abolished in 2008. In practice, however, that provision will have no effect before 2015, since those born in 1950 and before are entitled to benefits from previous early retirement schemes. The benefits from these schemes are lost if they are not withdrawn before age 65, and so far is de facto a barrier to continuing work.

After the state pension age is reached, labour contracts can be drawn up that differ from the collective agreement. People over that age are no longer

entitled to the minimum wage, but they still have the right to a minimum vacation allowance. In addition, after retirement age the employer is no longer obliged to pay contributions for unemployment, sickness, or disability benefits. This means that the employee is no longer insured for unemployment and disability. In case of sickness the employee is entitled to a benefit paid by the employer, but this is not covered in the Sickness Law.

Ninety-two per cent of open-ended collective labour contracts in fact end when the state pension age is reached. If there is no statement on retirement in the employment contract or collective agreement, the contract can be terminated by mutual agreement, or via the PES or the civil court. The civil court alternative may raise the issue of severance payment.

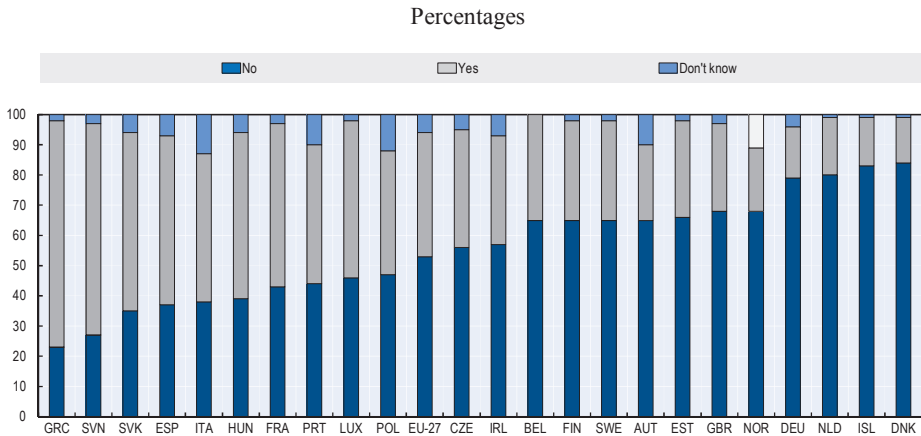
A bill currently before Parliament aims to remove some of the barriers to working beyond the statutory retirement age. The government believes this step is necessary to stimulate longer work lives. The bill proposes a number of employment changes, creating a “lighter labour law regime” for pension claimants. It also places limitations on the employer’s obligations when employees fall sick (e.g. continuing wage payment during illness and reintegration); broadens the possibilities of having successive temporary contracts; and applies the Minimum Wage Act and Minimum Holiday Allowance Act to AOW beneficiaries (the current age of 65 will be removed from the act).

Increased labour participation in high-quality jobs beyond the standard retirement age may demonstrate that older people are a valuable labour force, and contribute to a better image of older workers. There is, however, a balance between measures to encourage employers to employ older people by allowing less protection, and those to encourage older workers to update their skills and employability by affording them the same treatment as their younger colleagues. There are great individual differences in productivity and employability; age in itself is not the sole or correct indicator when it comes to either gauging productivity or deciding it is time for an employee to retire.

Attitudes toward mandatory retirement are in general negative in the north of Europe and positive in the south (Figure 4.8). The Netherlands is among the countries where the large majority of the population feels negatively toward a compulsory retirement age. Internationally, there seems to be a trend over recent years to abolish mandatory retirement as a reason to terminate a labour contract, or to increase the age limits (OECD, 2013b). For instance, the United Kingdom removed the default retirement age from legislation in 2011. Efforts are put into how employers can manage without age as a reason for retirement (DWP, 2011, 2013).




Figure 4.8. Attitudes towards a compulsory retirement age, European countries, 2012



*Note:* Data refer to the proportion of people responding to the following question: “Regardless of the official retirement age, should there be an age when it is compulsory to stop working?”

*Source:* European Commission (2012), “Special Eurobarometer No. 378, Active Ageing”, DG Employment, Social Affairs and Inclusion, Brussels.

*StatLink*  <http://dx.doi.org/10.1787/888932982578>

The reforms proposed in the Netherlands have accentuated the issue. Reform of the occupational schemes means that longer contribution periods are needed to have pensions reach a level similar to what they had accumulated before. In the future, differences in employment protection will have less to do with tenure. It is therefore difficult to see reasons to allow age to be used in collective agreements and labour contracts as a criterion for mandatory contract termination, or to treat older workers less favourably with regard to other parts of the labour law. The connection between age limits and protection legislation is, however, complex – which heightens the need for a concerted approach to reforms of EPL, age limits and wage formation.

## Persistent negative attitudes among employers

While there is clearly awareness of the urgent need to manage age diversity at the workplace and have active ageing policies at the national level, in practice company interests seem to support such initiatives only occasionally. According to Skugor and Bekker (2012), employers’ attitudes to older workers are not much different from what they were a decade ago. Most company measures concerning older workers are not very innovative, and seem more

focused on lightening their workload than on improving employability. Recent surveys do, however, point to a positive reversal of the trend.<sup>2</sup>

Furthermore, van Dalen et al. (2010) found that older workers who did not perform as required nonetheless tended to be tolerated at the workplace. Hardly any measures were taken to improve performance; employers simply waited until (early) retirement could be used as a solution to the problem. Van Dalen, Henkens and Schippers (2010) found that Dutch employers do not consider older workers to be a valuable asset in resolving future labour market shortages. As a consequence, “employment measures” boil down to granting older workers an easy and relaxed way out of the labour market.

### *Policy measures to change attitudes*

The Dutch Government has taken several steps to improve the negative images of older employees. A task force, “Grey at Work” (2004–08), aimed to educate and inform the general public and employers about the benefits and expertise that older employees can bring to the workforce; all of its tools remain available on its website. In 2004, the government initiated the “Temporary Subsidy Regulation to Stimulate Age-awareness Policies”, with the aim of developing and implementing age-awareness policies intended to increase the working lives of the employees. From 2004 to 2010, a total of 444 age-awareness policy projects were carried out by firms and branches over a variety of sectors. In almost half of the firms evaluated, the projects contributed to a more positive image of older workers and to a decrease of prejudices, especially among managers. Furthermore, greater attention began to be paid to the problems and needs of (older) employees. Some employers implemented measures for sustainable work ability and improved the motivation of employees.

The project ESF Age<sup>3</sup> remarked that none of the activities of this programme was in itself unique. However, as part of a concerted activity to raise awareness of the issues of the ageing workforce, this programme does have some helpful methods and processes that are potentially transferable. One lesson to be drawn is the value of a broad approach with concerted use of available measures over a longer period, which can improve the likelihood of a more fundamental change in attitudes toward older workers. Another is that initiatives to change attitudes toward older workers should be well co-ordinated with the Sustainable Employability programme, which now seems to be a widely used approach in the Netherlands.

### *A sharper focus on age management*

Henkens, van Solinge and Cozijnsen (2009) showed that the personal characteristics of each individual older employee played an important part in the supervisor’s support for retaining them. It appeared that supervisors

withdrew their support whenever they had the feeling that an older worker was looking forward to retirement. In such cases, they were very hesitant to raise the topic of extending working life. This is an important conclusion, since the older workers themselves perceived their supervisor's support for remaining in the workforce as an important motivation to delay retirement.

Labour organisation and management are central elements in the Sustainable Employability programme. Within this universal concept, how to provide adequate support to individual staff members is a key issue. Employees in different phases of their career and different age brackets may have different support needs, and methods for stimulating their work efforts may differ.

Ilmarinen (2013) stated that ageing societies need age management on three levels: the individual, the enterprise, and society. He added that these three levels must interact and support each other. He defined age management at the enterprise level thusly: "Age management takes into consideration the age-related factors in daily management, including the arrangements and organisation of work and work tasks for individuals so that everybody, regardless of age, can achieve their own corporate goals." He added that the list of age-related facts is rather long, but that does not mean that managers and supervisors should be trained to be experts in occupational gerontology. The goal is that they know the most important facts and are able to avoid the myths and stereotyping of older people in working life. This could serve as a guideline on how to integrate age management in the regular training of managers.<sup>4</sup>

### ***Towards more sustainable employability***

In 2011, Dutch social partners agreed on a social charter in which they outlined a route towards a new form of industrial relations, with a view to sustainable employability. Training, vitality, working conditions, diversity and individual choices are the charter's main elements. Sustainable employability concerns not just older workers but all workers (Skugor and Bekker, 2012). The aim of the social partners is to conclude collective labour agreements that take into account the individual capacities and capabilities of workers. The charter also calls for the decision-making process to be brought closer to the workers in the older age groups, to encourage them to work longer and invest in training and the renewal of skills.

In line with the country's strong social dialogue, the charter resulted in the Sustainable Employability programme implemented in April 2012, in agreement between the government and the social partners. The goals are to prevent unemployment and illness as well as to improve productivity levels in the whole working population, regardless of age. Firm participation is voluntary and encourages dissemination of good practices through

networking. Around 1 000 firms are involved so far. The role of the government is to provide legislation supporting an extension of working life and appropriate training and education for adults. The Ministry of Social Affairs and Employment has established a small team to promote the programme and co-ordinate activities.

The target group for the Sustainable Employability programme is made up of those firms that are already performing well, in the sense that they are early adopters of the concept. Firms work along different lines to implement sustainable employability in a way that is appropriate for them. Box 4.4 exemplifies this by showing how a Dutch pharmaceutical company is aiming to enforce sustainable employability through implementing a work-life balance concept.

#### Box 4.4. **Astellas: Work-life balance in the centre**

The pharmaceutical company Astellas has as an aim to foster a workplace where all employees can feel secure as they focus on their tasks; and promote a diversity that will attract a broad range of employees. They have developed a flexible yet comprehensive approach to match the needs and characteristics of each of the countries and regions where they are present. The Dutch branch has combined this approach with the Employer of Choice notion to implement a sustainable employability vision, covering:

- *Work-life balance*: Options include flexible working hours, part-time work and working from home.
- *Improving employee health*: Health promotion programmes, and a progressive approach toward mental health checks.
- *Respect for human rights*: Equal opportunities for employment and training, employee health and safety, and prevention of harassment at the workplace.
- *Respect for diversity*: Promoting opportunities for women, and facilitating work for employees with health impairments.
- *Occupational safety and health*: Initiatives aimed at ensuring safety and preventing work-related accidents.
- *Labour management and communication*: Engage employees by holding open discussions in which they can voice their concerns and ideas.

As a result of implementation, 85% of employees are more proud of the company than they expected; 79% rate Astellas as an above-average company to work for; and work-life balance has improved for 62%.

Changes in practices are often motivated by challenges met by employers. One example is the Norwegian company Oslo Airport AS (Box 4.5). Through systematic focus on health promoting measures they retain important senior competence longer, facilitating transfer of experience, from senior to junior as well as from junior to senior. The initiative is inspired by the more than one decade old tripartite Inclusive Workplace Agreement.

This diversity across firms is a good basis for learning and synergies; the challenge could be to avoid fragmentation and a lack of focus. Similar initiatives have been tried in the Netherlands in the past, but these had limited success. It is too early to measure the effects of the programme, but the Labour Foundation and the Ministry of Social Affairs will monitor its activities and development. Since the Sustainable Employability programme seems to play a prominent role in Dutch labour market policy, outcomes from the monitoring should be used actively in any further policy making, and should also be the basis for more formal evaluations. The effects of the programme on older workers should be one of the key issues in implementation as well as in evaluation. One aspect that may be challenging to evaluate is the extent to which good practices are adopted by firms that are not participating in the programme.

### ***“Work-to-work” transitions to support mobility***

The great responsibility assigned Dutch employers for costs related to sick leave and disability among their employees may have resulted in increased prevention, as intended. These measures are not, however, likely to support greater job mobility. People associated with high risks of health impairment may experience bigger problems in (re-)entering the labour market if for some reason they lose their job. Moreover, employers do not have the same level of responsibility in layoff situations as they have for the sick and disabled. That gap can increase the risk of dismissals for people with high sickness or disability risks.

Euwals et al. (2013) discuss policy options to improve employment for older people, and to avoid a bias towards dismissals to sidestep reintegration responsibilities. One of the alternatives is to tax firms through higher contributions to unemployment insurance if older workers are dismissed. Over the period 1987-2008 France had in place a layoff tax to discourage layoffs of workers above the age of 50 (Delalande tax). The mechanism was changed several times during this period, providing an opportunity to evaluate the effects on hiring and firing. Behaghel, Crépon and Sédillot (2008) found that the tax had a negative effect on the hiring of unemployed older workers, but mixed effects on layoffs; the net effect was ambiguous. The experience demonstrates the risk of aggravating “insider/outsider” effects.

#### Box 4.5. Oslo Airport – enable informed decisions about work and retirement

Oslo Airport AS is the managing company of the airport, and has 510 employees. Average age of the staff is 46 years, and 27% are above the age of 55. They include a number of competencies and occupations, but male dominated occupations as fire and rescue crews and maintenance of the runway explains why 75% are men. A comprehensive health promoting programme is one of the explanations why effective retirement age increased from 63 to 66 years over a three years period. Some main elements are:

- A long-term perspective, starting with discussions with unions, company health care and line managers.
- Started up with a pilot project for one group of senior employees (the fire and rescue crew), including mandatory fitness training during working hours and information and training about diet and physical activity. After nine months, most of them had improved their fitness, and reduced blood pressure and levels of cholesterol.
- After the initial phase, the project was implemented on a broad basis in the organisation as part of a life-cycle approach, based on four pillars; health, competence, management and flexible working hours.
- Physical activity for all employees is a centerpiece with an aim to encourage people to exercise at least 30 minutes of physical activities per day; “friendly competitions” and activities as “lunch walks” create relationships across professional and organisational borderlines, and improve work environment.
- All staff above the age of 58 is invited to a senior seminar. One of the tasks is to make a list of what they will miss if they stop working. In general this is a lot, and most people decide to continue, in their present job or they change to other jobs.
- A main aim of the seminars is to encourage seniors to take informed decisions about their future. Employees must be pro-active and discuss their future career with their supervisors and line managers.

Employees above the age of 62 have three weeks extra holiday. The explanation is that even if work ability may decrease by age, work achievements may increase if the working conditions are supportive.

Rather than relying on measures to protect certain groups, a combined approach that includes removal of barriers on the employers’ side, cost reductions, and increased employability can be more targeted toward removal of the structural problems facing older workers, and have more impact in the long run. The government’s Budget Memorandum 2014 (Ministry of Social Affairs and Employment, 2013) includes new measures to offset this negative impact on hiring and job mobility. The government has proposed a budget of EUR 300 million over 2014-15 to support “work-to-work” projects and training across sectors. The aim is to avoid

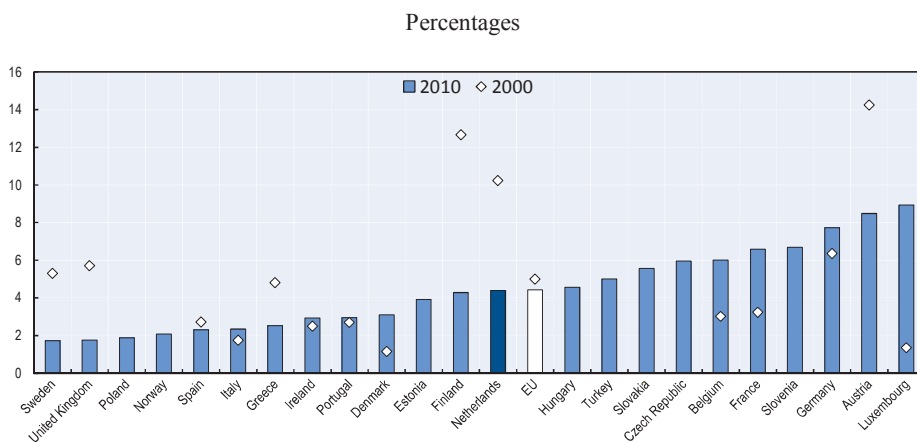
unemployment through layoff, by helping workers enter directly into a new job. The concrete measures are still to be decided among the social partners.

These measures are not exclusively for older workers. Still, measures to help workers enter directly into new jobs can be especially important for them. Older unemployed people have difficulties getting back to work; measures to support easier work-to-work transitions for this age group should be a priority, and is an essential accompaniment of reforms of EPL and unemployment insurance. Public subsidies require targeting vulnerable groups, such as older workers. A new labour market structure being discussed in the social dialogue should take this into account, to concretise well-designed obligations and responsibilities in the “work-to-work” projects.

## Age discrimination


The incidence of direct age discrimination in the workplace declined from 2000 to 2010 (Figure 4.9), and reached the average EU level.

Figure 4.9. Age discrimination at the workplace, 2000 and 2010



*Note:* Percentages of workers aged 50 or more declaring they were the victims of discrimination on the basis of age, or were witnesses to age discrimination at the workplace during the last 12 months.

*Source:* OECD estimates, based on the European Survey of Working Conditions, 2000 and 2010.

*StatLink*  <http://dx.doi.org/10.1787/888932982597>

This does not lessen the need to consider whether changes in society and the labour market are raising new issues of concern. Problems that older people in search of new jobs are facing cannot be explained solely in terms of disadvantages relating to costs and productivity; there is evidence of persistent negative stereotyping. This means that enforcement of age

discrimination legislation, including surveillance and the use of sanctions when necessary, must be part of any policy to obtain a more flexible labour market. Efforts to change attitudes and perceptions must cover the whole population, not just employers.

Previously, the Commission for Equal Treatment was in charge of administering and enforcing this legislation. In 2011, that body was merged with other institutions into a new institution, the College of Human Rights. The College has a somewhat broader mandate: to fulfil Dutch obligations to the United Nations with regard to human rights. Its mandate is to judge cases, supply reports and recommendations in the human rights field, advise in the law-making process, and raise awareness of human rights. The main complaints received by the College concern gender, handicap, sickness and age. In 2012, a total of 212 verdicts were issued.

The year 2004 saw passage of the Equal Treatment Act on the Grounds of Age (WGBL). The main aim of the Act is to guarantee equal treatment and prevent age discrimination in employment. In 2009, the government commissioned an evaluation of the Act (Ministry of Social Affairs and Employment, 2009). The main conclusion of the evaluation was that assessing discrimination on the grounds of age is not easy. Exceptions involving objective justification do work, but are also very complicated. The context of a specific situation can prove objectively justified – meaning that there may be different treatment on the grounds of age, but such treatment does not constitute discrimination. This can be very difficult for businesses and private persons to comprehend. Still, the evaluation concluded that the Act works very well in practice, meaning the Equal Treatment Commission works effectively with it. Also, awareness of age discrimination has greatly increased, through public campaigns that reveal the various ways and places it can occur. Evaluation of the Act did not result in any modifications made to the law.

With funding from the Dutch Ministry of Social Affairs and Employment, the Age and Society Expertise Centre (*Expertisecentrum LEEFtijd*) and the Equal Treatment Commission (now merged into the College for Human Rights) created a “checklist” to provide employers with a tool to clarify what is allowed and what is prohibited in the text of a vacancy notice.

The Centre is also carrying out a project entitled “Vacancies for all ages”. Through this project, classified ads for job vacancies placed in newspapers and on the Internet are screened for age discrimination. Employers responsible for placing offending classifieds receive a letter explaining why that particular notice is discriminatory, and they receive information about equal treatment legislation. This project was first



launched in 2005 and has been repeated every year since then. According to the Equal Treatment Commission, the number of unlawful ads has declined.

Despite these efforts, the recruitment of older workers remains low, even if it has recently increased (Table 2.1). One aim should be to at least reach the EU average. Closer monitoring of the recruitment process would then be required, both to gather information about how it works and to reveal discriminatory decisions. Dialogue between the College of Human Rights and the social partners should be strengthened, and equal treatment included as an explicit element in the Sustainable Employability programme.

### Key policy recommendations

The employment rate of workers above the age of 55 has increased considerably over the past decade in the Netherlands. Long-term unemployment is, however, high among older workers, and the hiring rate of older workers is low.

This indicates that employers are increasingly willing to retain workers until an older age, but they remain reluctant to recruit older people. Impacts of the age/productivity gap and negative stereotypes are not well documented. This lack of evidence represents a challenge in policy making. To increase employers' willingness to retain and hire older workers a comprehensive approach is required – including efforts to improve attitudes toward older workers; engendering respect for anti-discrimination legislation; removing age barriers; and ensuring a better match of wage and productivity. The following measures could be considered as elements in such a strategy:

- *Wage-setting procedures should be adjusted, and focus more on performance and less on tenure and seniority.* The strong Dutch tradition of social dialogue could be the basis for development of adequate, balanced criteria for more performance-based wage setting.
- *Review age limit rules. In parallel with reforms of wage setting and EPL, removing age as the sole mandatory reason for retirement should be an aim.* Age is not a reliable indicator for judging workers' productivity or employability.
- *Age-neutral personnel treatment should be included as a target in EPL reform.* Legislation against age discrimination must also be enforced through regular monitoring of recruitments and dismissals

and dialogue between the College of Human rights and social partners should be formalised.

- *Measures to reduce cost disadvantages and increase the employability of older workers should be better targeted.* Subsidies should be targeted towards promoting recruitment of older workers. Measures in collective agreements should be redirected from lightening the workload to improving employability.
- *New practices among innovative firms in the Sustainable Employability programme should progressively become national standards.* Sustainable employability as a key approach to improving working conditions must be accompanied by measures, diffusion and enforcement to ensure that new practices are also reaching most firms not willing or able to attend the programme.

## Notes

1. [www.mejudice.nl/artikelen/detail/ontslagrechtversoepling-door-de-lens-van-de-manager](http://www.mejudice.nl/artikelen/detail/ontslagrechtversoepling-door-de-lens-van-de-manager).
2. [www.ecorys.nl/contents/uploads/factsheets/294\\_1.pdf](http://www.ecorys.nl/contents/uploads/factsheets/294_1.pdf), p. 8.
3. The ESF-Age Network, supported by the European Social Fund (2010-13), had as its aim to identify, validate and disseminate high-level strategies to manage the ageing workforce in Europe effectively ([www.esfage.eu](http://www.esfage.eu)).
4. The Netherlands has already tried one- to three-day training courses for managers and supervisors (Ilmarinen, 2013).

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## Chapter 5

### **Strengthening the employability of older workers in the Netherlands**

*In addition to adequate economic incentives and better employer practices, employability and willingness to stay on working are prerequisites to increasing the employment rates for older workers. This chapter provides an overview of measures that have been taken to boost the employability of older workers. Suggestions are made for ameliorating some of these measures: reducing inequalities in training participation by age and skill; helping private and public employment agencies provide better employment assistance; and improving working conditions.*

Exactly how a person makes the transition from work to retirement is influenced by a number of factors. Debrand and Sirven (2009) showed that personal factors influencing an individual's retirement decision are age, health status, level of education and household structure. As to the wider context, Debrand and Sirven found confirmation that workplace conditions and the spouse's employment status have an impact, as well as pensions and disability schemes. Damman, Henkens and Kalmijn (2011) found in a study of Dutch men that midlife experiences influenced their retirement planning, which draws attention to the importance of a life-cycle approach to keep people in work longer.

According to the Dutch national survey on labour conditions, the majority of workers report high and increasing job satisfaction, and that they enjoy good working conditions. There are also trends that give cause for concern. Among those less educated in the working-age population, about 50% find their job physically onerous, while among the highly educated, about 50% found their job mentally stressful. Van Kalmthout (2012) found, based on the annual monitoring of sustainable employability, that those who are satisfied with their working conditions are most likely to be willing to work until retirement age.

In a study of the labour market for people aged 45-64, König and ter Haar (2010) found that men and those who were more highly educated were more willing to work than women and those less educated. Tijdens (2012) found that 81% of employees felt welcome at the workplace, while 19% felt that the employers wanted them to leave. Full-time workers feel more welcome than part-time workers.

Overall, these studies show that choices between work and retirement depend on not one but a multitude of factors. In order to promote sustainable employability and high productivity in the Dutch workforce, the government has identified three key policy areas for development: education and training, preventive intervention, and age awareness.

## **Learning and bringing new skills by training**

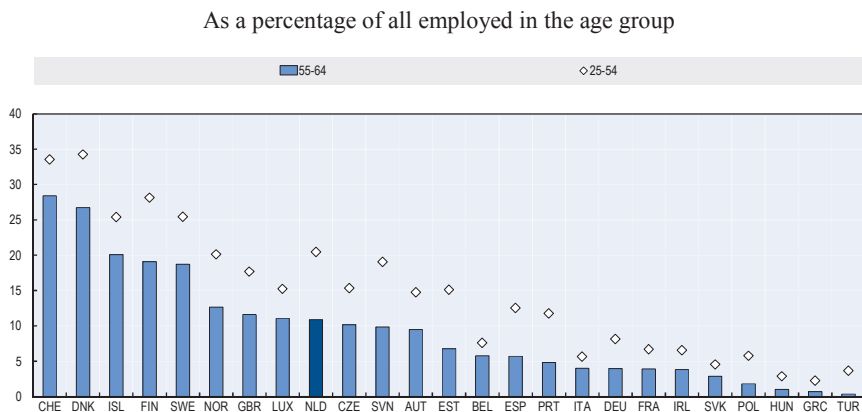
### ***Trends in training participation***

In the Netherlands as in most other OECD countries, employment rates for the older age groups are higher among people with higher education than among those with less education, and the more educated can anticipate remaining in work a greater number of years. This difference is more pronounced for women than for men (Chapter 2). Among the 55-64 age group (both genders), 25.9% had tertiary-level education in 2011. This is higher than the OECD average of 23.8% (Table 2.1).



The percentage of employees participating in job-related training in the Netherlands is mid-range in relation to other European countries (Figure 5.1). But the age gap in training participation is higher in the Netherlands than in many other OECD countries.

Figure 5.1. **Incidence of job-related training by age group, European countries, 2011**



Source: OECD estimates based on the European Union Labour Force Survey (EU-LFS).

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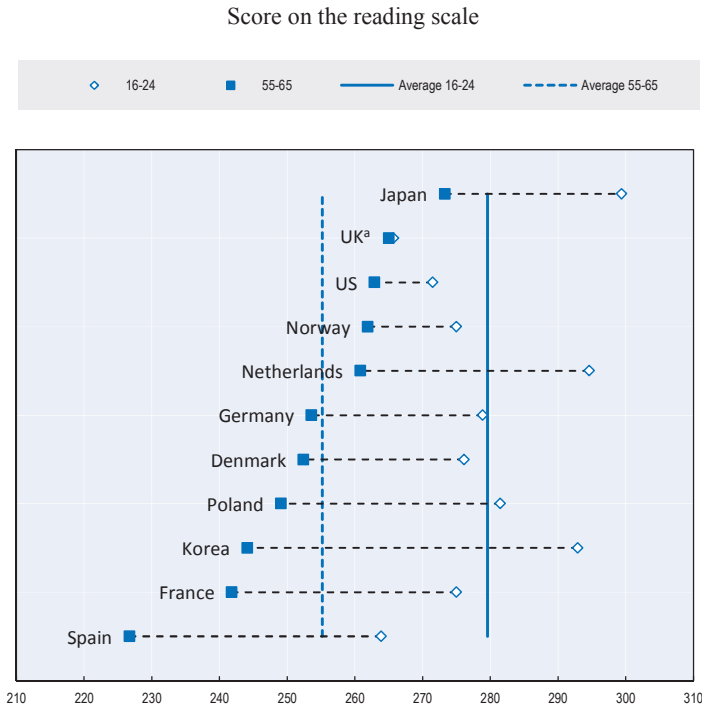
### *A life-cycle approach to prevent skill obsolescence*

The Survey of Adult Skills – PIAAC (OECD, 2013a) provides new insights into the levels of some of the key information-processing skills in society and how they are used at work and at home. The survey assessed a number of these: literacy, numeracy and problem solving in the context of technology-rich environments.

Even if there are large individual variations, older adults were generally found to have lower proficiency in these skills than their younger counterparts. The results indicate that literacy in the age group 55-65 is somewhat higher in the Netherlands than the OECD average. Still, the age gap is high, since literacy in the 16-24 group is even higher (Figure 5.2).


The OECD (2013a) associates the decline in proficiency both with differences in the amount and quality of opportunities that individuals have had to develop and maintain proficiency over their lifetimes, and with the effects of biological ageing. Comparison of the average scores of adults of the same age in two surveys – the Dutch International Adult Literacy Survey 1994, and the Dutch Survey of Adult Skills 2012 – reveals that the onset of age-related lacunae in key information-processing skills occurs at around the age of 42 (Figure 5.3).

Figure 5.2. Progress in literacy skills for two generations, selected OECD countries, 2012



a) England and Northern Ireland.

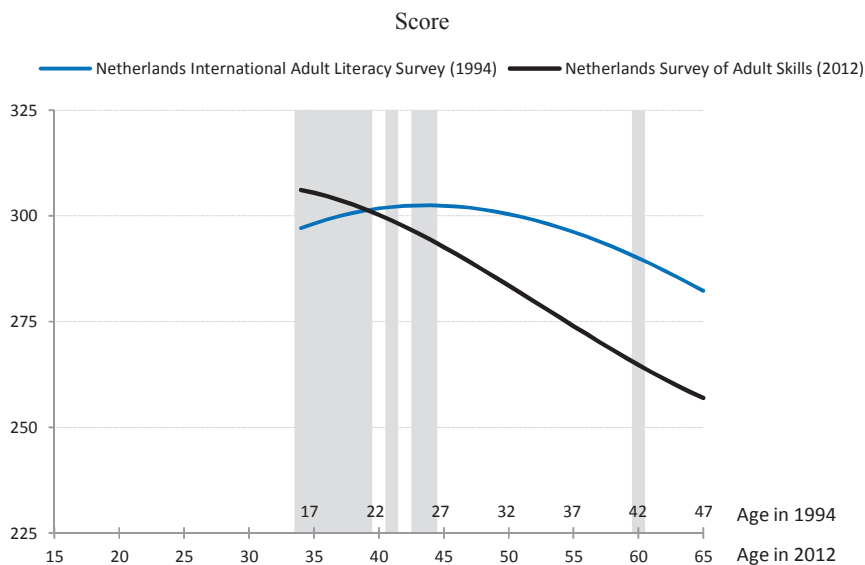
Source: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264204256-en>.

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Skills, as measured in the PIAAC survey, are one of several factors determining work ability and productivity. The relatively early onset of deterioration of foundation skills stresses the importance of setting training and education into a life-cycle perspective. Cognitive skills can be developed, maintained or lost over the lifetime, depending on the interplay between the negative effects of ageing (Smith and Marsiske, 1997) and the positive effect of certain behaviours and practices (Reder, 1994).

Learning during childhood and young adulthood is thought to be important. Certain evidence suggests that educational interventions in adulthood can also slow or reverse age-related deterioration in skills. OECD (2013a) points to a clear relationship between participation in organised adult learning and the average level of key information-processing skills.

Figure 5.3. Effect of ageing on literacy proficiency



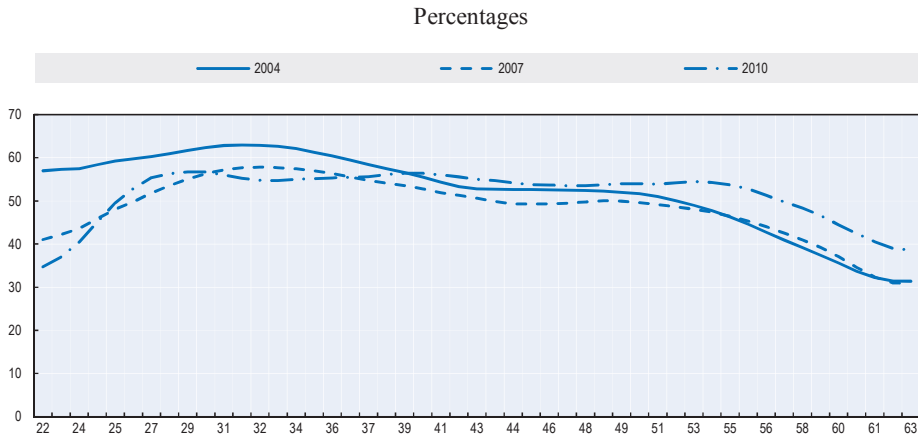
Source: International Adult Literacy Survey (1994-98); Survey of Adult Skills – PIAAC (2012), Annex B, Tables A5.2 (L), A5.4 (L) and B5.2. For more information on the PIAAC survey: [www.oecd.org/site/piaac/](http://www.oecd.org/site/piaac/).

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Desjardins and Warnke (2012) refer to evidence that training and education, as well as a number of physical, social and mental activities, can help mitigate the age-related decline in cognitive skills. For young people, leaving secondary school with well-developed skills in literacy, numeracy, and the use of ICT is a good platform for further development of skills. But that is not all; what adults do, both at and outside work, is clearly linked to proficiency, and highlights the importance of learning and development at all ages.

The Dutch Life Long Learning Survey provides comprehensive information covering workers of all ages about formal and informal learning, knowledge development, employability, and job content (Figure 5.4). The data show a trend shift over time. While training participation in 2004 clearly declined with age, data from the 2010 survey indicate that training participation remains stable until workers are in their mid-50s. Even if training participation is still declining among workers from that age on, the participation rate increased considerably from 2004 to 2010.

Figure 5.4. Incidence of training by age, Netherlands, 2004, 2007 and 2010



Source: Borghans, L., D. Fouarge and A. de Grip (2011), “Een leven lang leren in Nederland” [Lifelong Learning in the Netherlands], ROA-R-2011/5, Maastricht.

StatLink  <http://dx.doi.org/10.1787/888932982673>

There are various explanations for the declining participation rates. Fouarge and Schils (2009) give several reasons: the payback period is shorter; early investments in training are the most productive; human capital is depreciated; and older workers are less trainable. In addition, pension systems and access to early retirement are important factors in determining the payback period (Bassanini et al., 2007; Fouarge and Schils, 2009). The increasing pension age may help lengthen the payback period, as well as the investment period. Distance to retirement is also a key factor affecting employers’ and workers’ decisions, through a “horizon effect” (Hairault, Langot and Sopraseuth, 2010).

STAR (2011) noted that as employees grow older, their participation in training decreases – even in connection with developments relevant to their positions. This is primarily the case for workers who have been with the same employer for a long period. The mindset of older workers, primarily those with a lower level of education, makes them less likely to even consider the option of participation in training, and they often have little affinity for or positive experience with formal education.

### Box 5.1. Training during the life cycle and working longer

Studies of the effects of training by age show divergent results and a multitude of important factors. This can be explained by the complexity of the issue.

A number of these studies show that training of older workers have an impact on their capacity to delay retirement. De Grip and van Loo (2002) found that training could be useful for older workers who face depreciation of their knowledge. Picchio and van Ours (2013) and Gielen and van Ours (2006) found that training leads to retaining, in general but also for older workers.

Jobs with learning potential are also important. Examining panel data that included older workers, Allen and de Grip (2007) found that workers reported skill obsolescence more frequently in jobs with high learning potential. However, that perception had no significant real connection with eventual loss of the job, since workers in these jobs participate more often in training that compensates the skill obsolescence.

Training is more attractive when it relates directly to the work situation. Picchio and van Ours (2013) argue for age-related subsidies for training in firms. Experiments show that even if older workers are less willing to train generally, their willingness is higher when the training is offered by employers than when offered by public authorities (Borghans, Fouarge and de Grip, 2011). Furthermore, Gielen and van Ours (2007) suggested that investments in company-specific human capital are preferable over general human capital development, as it is easier to engender competitiveness on the part of older workers when they experience the work situation as the platform.

Informal training can be just as efficient as formal training. The ROA Life Long Learning Survey offers the opportunity to examine more closely the roles played by both types. The survey indicates that informal learning accounts for 93% of time spent with learning content, while only 7% is related to formal learning. Borghans, Fouarge and de Grip (2011) found that one learns just as much from one hour of informal learning as from one hour of formal learning. They also found that significant changes in job tasks have stimulating effects on knowledge development and training, generally but also among older workers.

Motivation for training is a must. Fouarge, de Grip and Montizaan (2011) remarked that commitment to training declines with age, but personality is also a strong determinant, as intrinsic motivation and openness for learning.

### *Previous experience*

In 1998, the government introduced tax deductions for the corporate training of older workers (i.e. those aged over 40). Leuven and Oosterbeek (2004) found that introduction of the deductions decreased the participation of workers younger than 40 in corporate training, and increased the participation of those over 40. The net effect on participation in corporate training was, however, negative, and so the fiscal instrument was abolished in 2004.

In 2005 the Ministry of Social Affairs and Employment and the Ministry of Education, Culture and Science undertook joint efforts to stimulate and facilitate co-operation at the regional level among local and regional governments, the PES, educational institutions, employers and employees. One specific aim was to stimulate the learning environment in small and medium-sized enterprises, and thereby increase the employability of older workers. The efforts were mostly directed toward workers with few skills and jobseekers. At least 500 companies across 14 sectors are being advised on how to promote learning; the advice given and procedures developed during the project can still be accessed.<sup>1</sup> The experience of using financial measures to stimulate individual training has been less than satisfactory. Life-Course/Vitality Savings schemes were implemented as tax relief instruments to allow employees' savings to be used relatively freely for training or other measures to maintain employability. Ultimately however, most of the money was used for early retirement purposes.<sup>2</sup> These schemes have now been abolished.

OECD (2012) stated that the combination of EPL that tightens with seniority and the strong seniority elements in wages creates strong incentives to keep the same job as long as possible, thereby reducing the return on non-firm-specific human capital accumulation.

Ongoing and planned reforms of the Dutch labour market highlight the needs of training and education. Previous experience should be used as input in design of new policies.

### ***Instruments to validate skills acquired on the job***

Employees acquire new competences and skills during their career as a result of their work tasks or job-related training. Currently, these skills are not sufficiently assessed or measured. This is a particular disadvantage for older individuals, whose initial qualifications may be outdated. Validation is necessary to be able to recognise those skills adequately, and to render them transparent to potential employers. This instrument is especially valuable for older workers, because they often acquire skills on the job but do not have certificates to prove it.

In the Netherlands, the instrument to validate skills acquired on the job is the *Ervaringscertificaat* (Experience Certificate). In recent years its use has increased through campaigns (television, radio and billboards), a quality code, and regional infrastructures for learning and working. The Certificate is also included as part of collective labour agreements in several sectors, and is paid for by a number of training and development funds. The government contributes with fiscal support. In 2008, 12 500 people received an *Ervaringscertificaat*; in 2011, the number had increased to 17 700. This validation of prior learning reduces the asymmetric information between

workers and employers, and therefore makes it easier for workers to switch jobs. The government now focuses on the quality aspect of the certificate. The next step is an agreement with social partners to increase the accessibility and use of the instrument.

Expanding the use and importance of the *Ervaringscertificaat* in job search and recruitment can increase older workers' willingness to invest in training and skills development through work, since the validation could increase the likelihood of getting some return for their efforts. More should therefore be done to make employers aware of the quality of the certificate and how it can be used in the recruitment process. Such consultations with employers can also stimulate improvements in that process, and be a way to disseminate information and share good practices.

The *Ervaringscertificaat* can stimulate labour mobility as well as making the individual "ready for job search" as soon as layoffs occur. If evaluations can show that it is an efficient measure, mid-career and older workers should be encouraged to validate their experience, and not just in case of unemployment.

### ***The way forward: Better co-ordination and targeting***

Valuable experience has been gained from the opportunities and challenges of previous training initiatives, and considerable resources are available for training in the Netherlands. But the diversity in related responsibilities among employers, employees and the public authorities leaves an impression of fragmentation, and there is room for better co-ordination and targeting. Most training is financed by firms. Collective funds within most sectors provide additional financial support for training, but those funds are sector-specific. They do not support training to promote mobility across sectors, and unemployed people are no longer eligible to benefit from that support.

Through collective agreements and collective funds, social partners are already deeply involved with and have responsibilities for training. The elements are thus in place to develop an approach likely to provide returns on investments and efforts. The government and social partners have agreed that sectorial training and development funds will increasingly be devoted to broader forms of vocational training; funding for personal learning budgets; and recognition of accredited prior learning and vocational training trajectories. The investment should promote both sustainable employability and mobility.

Studies illustrate the complexities of training, and conclude that training measures must be adapted to the life cycle to be efficient (Box 5.1). Young employees will have relatively fresh formal education and limited work

experience, while for older workers it will be the reverse. Training needs will thus change over the life cycle, and meeting those evolving needs should become a standard element in career development in order to promote sustainable employability of the individual employee. The PIAAC results (OECD, 2013a) highlight that the mid-career phase should focus especially on updating skills so as to prevent skill obsolescence, improve employability as workers grow older, and ensure a sufficient payback period.

Transferring new, updated competences from younger to older workers can be used as a way to train older workers. Currently, it is usually the other way around, where competences from workers close to retirement are transferred to younger staff members (mentoring). Moreover, experience from different tasks/industries can in some occupations be useful to build new competences and careers. Co-operation across sectors could allow synergies to improve the learning effects and support a flexible labour market, where workers have abilities as well as opportunities to move across tasks and industries.

Training for the older unemployed is not linked to specific jobs. If jobseekers bring with them financial resources or a real commitment to training, that could allay doubts employers may have about eventual skill levels, and so make them less reluctant to hire. Older workers are often well experienced and qualified for jobs, but may lack knowledge of recent technical developments. Job-specific training supported by collective funds could be one element to make “work-to-work” projects successful. Individuals can also feel more positive about spending their transition budget on training and education purposes within a framework where a new job is the likely outcome. Training could be more closely matched with the recruitment process. Matching vacancies and training should be explored especially for positions difficult to fill.

## **The Public Employment Service (PES)**

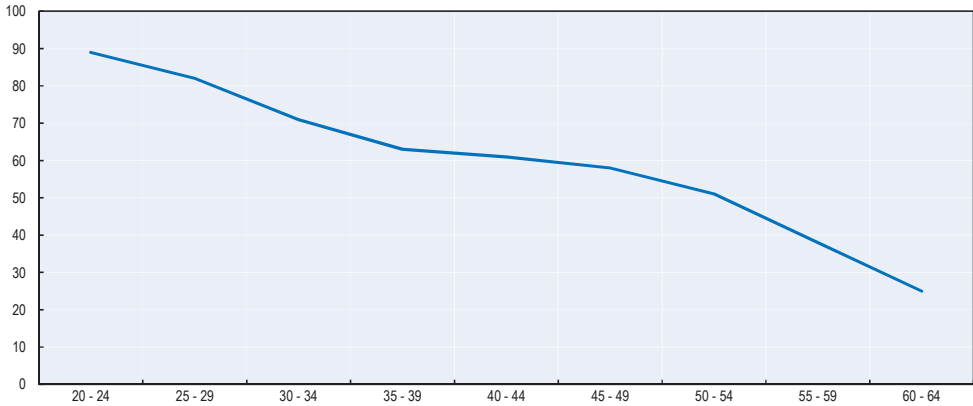
### ***“Work-to-work” transitions***

Studies have shown that each year, only 6% of those unemployed in the Netherlands who are over 55 and want to work actually find a job (European Commission, 2012). And the difficulty finding a job grows the older one becomes. Figure 5.5 shows that the probability of returning to work after one year of unemployment over the age of 60 in the Netherlands is about one-third that for the middle-aged unemployed. Most of the older jobseekers who actually find a job are given a temporary employment contract. In 2012, one-third of the unemployed over the age of 55 had been out of a job for over three years.



Figure 5.5. **Re-employment probability one year or more after losing a job, Netherlands, 2010**

Percentages



Source: de Jong, W. et al. (2012), “Werkhervattingskansen na instroom in de WW” [Re-employment after unemployment], Statistics Netherlands, The Hague.

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The fact that older unemployed people have great difficulty returning to normal jobs makes “work-to-work” transitions (i.e. to avoid having layoffs in a firm result in unemployment) a heartening approach. But it is crucial that the PES target the special needs of this age group and improve employers’ knowledge about older workers and the assets they represent.

### ***Balancing mainstreamed services and targeted special needs***

Most of the support and measures offered by the PES are mainstreamed. There are no specific target groups, but the PES does make a distinction between jobseekers who are assumed to be autonomous and those who need assistance. Since 2012, unemployed people have to apply for benefits electronically through the PES website. This enables a direct linkage to vacancies aligned with the jobseeker’s preferences and qualifications.

After three months of unemployment, jobseekers over the age of 55 (and all other jobseekers) will have a face-to-face contact with a work coach, and be eligible for a package of more intensive measures. This period of more intensive coaching and measures covers unemployment spells with a duration of between four and 13 months. Long-term unemployed persons

will normally only receive online services after 13 months and will have to accept any suitable job offer.

A survey among users of the PES Web service<sup>3</sup> indicates that the majority of users so far did not feel adequately supported by the site. Efforts should be made to remove technical obstacles and improve the users' satisfaction. A well-functioning site that can merge search profiles with vacancies may be useful in offering jobseekers dedicated assistance. It could also provide fresh insight into employers' recruitment practices, for example by comparing job offers to individuals who have similar experience but different ages.

### ***Step up and evaluate initiatives to help older jobseekers back into work***

Because of the greater difficulties that the older unemployed face in being rehired, the PES has taken a set of actions to help this group. In 2007-09, the Action Plan Talent 45+ was implemented on the request of Parliament to reduce the relatively high number of people aged 45 and over on unemployment benefits or social assistance. The new methods developed through the Action Plan are now standard practice in the PES. For example, fresh information on the dos and don'ts for the older unemployed seeking a new job can be found on its national website.<sup>4</sup>

In 2010, the PES narrowed the scope of its concept to the 55-and-over age group (Talent 55+). The project is now designed to promote these jobseekers and send a signal that they are needed in the labour market. Core measures are network meetings and activities at a national level to promote and change the image of older jobseekers.

In the network meetings, 12-15 people meet a total of 10 times; the meeting is facilitated by a dedicated work coach from the PES. The aims include supporting and inspiring each other, exchanging experiences, and sharing job networks. Tips and information about how to start one's own company are also on the agenda. Typical challenges in this age group are outdated knowledge about the job-search and interview techniques; outdated job networks; and a lack of jobs in their occupations. These meetings are becoming both increasingly standardised at a national level and more targeted to the special challenges facing each group. Older jobseekers are offered a competence test before they join the networks.

The measure has not been formally evaluated so far, but participants reported that they became more confident, gained more insight into their own competences, and became more capable of making their own choices (European Commission, 2012). The rate of re-employment six months after the end of participation in the networking group was in 2012 about 30%. As a result of these efforts, an unemployed person aged 55 and over who

participates in the networking groups has four times more chances of finding a job than someone who does not. The measure is assessed as relatively cost-efficient, partly because it stimulates “self-help”, and members of the network often decide to continue to meet on a voluntary basis after the ten meetings organised by the PES. The networking groups were previously targeted at highly motivated and often well educated people, which may have resulted in some selection effects. Currently, the networking approach is being expanded to broader groups of older jobseekers.

A major challenge reported by the PES is how to convince employers that older workers are an asset. Substantial efforts are currently under way to change employers’ image of older workers. Zandvliet, Gelderblom and Gravenstein (2011) also remarked that low interest and insufficient knowledge about older workers among employers are bottlenecks to recruitment. Efforts to strengthen relations between employers and prospective employees should therefore accompany initiatives to improve employability. The PES can play an important role here, since it has in-depth knowledge about older jobseekers and established networks with employers.

The networking groups can be a tool to strengthen relations between employers and older jobseekers. Work coaches supported by representatives from the employer side can give older jobseekers insight to employers’ priorities in recruitment processes, and show employers the resources and potential represented by many older jobseekers. A closer link to employers can make it easier for jobseekers to take the right steps to get back to work – for example regarding training, certification of informal learning, and other measures to better match employers’ requirements.

### ***Active Labour Market Programmes (ALMPs)***

ALMPs in the Netherlands mainly consist of reintegration programmes administered by the PES and municipalities; tax relief for employers for wage costs and education; and sheltered employment. The ALMP budget, including the PES and its administration, amounted to approximately 1.1% of Dutch GDP in 2011 (OECD, 2013b). About 4.2% of the labour force participated in an active measure.

The programmes for activation and reintegration in the Netherlands have seen major reforms over the past decade. Centralisation took place in 2009, through a merger of the previous reintegration agency (CWI) and the benefit agency (UWV). The new PES is organised with benefits and job placement as separate branches. After 2005, the responsibility for collecting benefit contributions was transferred to the tax agency *Belastingdienst*.

As a consequence of reforms, municipalities took a larger stake in parts of the reintegration process. Outsourcing often takes place in co-operation with the social workplace (*Sw-bedrijf*), which is closely connected to municipalities. There are now restrictions on outsourcing to commercial companies; a commercial company will be involved only in complex cases. Since introduction of the current Welfare Act in 2004, most municipalities use the so-called Work-First programmes.

The Work-First approach combines requirements for work activities and improving participants' skills. Work-First projects were initiated by municipalities for people close to the labour market and for relatively new recipients of municipality benefit. The programmes vary across municipalities because of local circumstances and different policies.

From 2009 on, Work-First programmes have been expanded to groups of "hard to employ" unemployed, as well as to the long-term unemployed. In fact, Work-First is now supposed to cover all recipients of municipality benefit. Despite this expansion, the outflow from Work-First to the labour market has remained constant since 2006, at about 40%. That outflow is higher than outflows from the previous, conventional reintegration instruments; 22% in 2005.<sup>5</sup> In spite of the relatively encouraging rates of outflow to work at an aggregate level, Gautier and van der Klaauw (2009) pointed out that there is no convincing empirical evidence of the impact of these programmes, and de Koning (2010) also referred to lack of evaluation.

There appears to be substantial information available that could be used for evaluation purposes. Municipalities are obliged to report statistics on a regular basis about the number of people on social assistance and provide several background characteristics (age, sex, household situation, ethnicity, etc.). Twice a year they have to report on reintegration activities at an individual level. It is possible to combine data with the Dutch *Polisadministratie*, which UWV and Belastingdienst use for those employed, enlarging the opportunities for evaluations.

The proposed shorter duration of the maximum period for unemployment benefits makes tight co-operation between the PES and the municipalities increasingly important to ensure efficient activation. The considerable freedom municipalities enjoy in designing their own policies and deciding which groups are most in need of their assistance can be instrumental in generating evidence-based sharing of experience, and ascertaining the most efficient measures. But to realise that potential, evaluations and monitoring of implementation must be more systematic than they are today. The low return rates to work of older workers highlight the need to look further into how older jobseekers are prioritised, and to determine which measures are efficient for them. The government should

use the results actively to formulate targets and requirements for the PES and the municipalities.

OECD (2013c) examined local and regional labour market aspects in more detail and presented a set of guidelines for local management of demographic changes (Box 5.2). Combined with results from more rigorous evaluations of the active measures, this could form a good basis for further policy design.

#### Box 5.2. Local management of demographic changes

- *Developing regional networks for local action* in order to establish national and regional policy support for demographic transition, and to raise the awareness of local authorities and business of the impact on the labour market.
- *Place-based strategies, highly contingent on context.* These should consider economic, social and institutional diversity in order to maximise both the local and aggregate potential for economic development.
- *A territorial approach* that anticipates and manages demographic decline instead of combating it.

Source: OECD (2013), *Demographic Change in the Netherlands: Strategies for Resilient Labour Markets*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5k3xnhvzhmxn-en>.

### ***European Social Fund (ESF) subsidies are underutilised***

Municipalities have a fixed budget for municipality benefits; if they exceed this budget they will have to finance it themselves, but if they spend less they may keep the difference. This measure has been an incentive to reduce expenditures (Stegeman and van Vuren, 2006), which could be achieved through a more effective reintegration policy or by stricter eligibility for those receiving a benefit.

ESF offers substantial co-financing of re-employment projects, to be coupled with domestic funds. Projects target, among others: the unemployed who are not eligible for unemployment benefits; older workers over 55 with a municipal benefit; and the partially disabled who receive a municipal benefit as a supplement to their disability benefit. The projects must aim to increase the participant's sustainable employment.

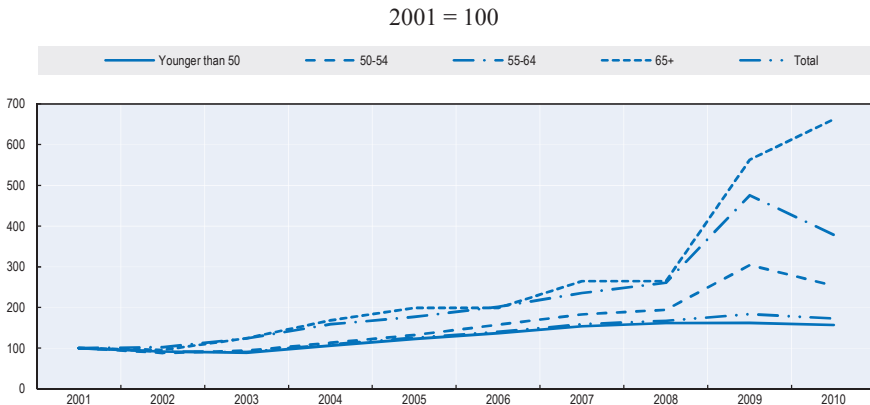
The ESF budget subsidises parts of projects that are initiated by municipalities. From 2007 to 2013, EUR 199.2 million was available for these projects. However, only 8% of the available budget was used in the period 2007-11 (König et al., 2012). The underutilisation of available resources from ESF is something of a puzzle. Several possible reasons have

been mentioned: administration is complex and costly; there is little trust in the subsidy continuing; municipalities and companies have set other priorities because of the crisis. Because municipal budgets for reintegration are decreasing, the demand for ESF subsidies is expected to increase. The limited use of available funds so far may indicate that initiatives targeted towards these groups have not been accorded the highest priority. More concrete requests on the municipalities' part could ensure that older individuals are given the same priority as other age groups.

### *Self-employment – potential, but a risk of low-quality jobs*


Over the past decade, start-ups by self-employed individuals over the age of 50 have increased considerably (Figure 5.6), and self-employment is relatively high in the older age groups (Figure 5.7). The PES organises workshops and competence tests for older jobseekers considering self-employment.

Figure 5.6. Number of start-ups by age of founder, Netherlands, 2001-10



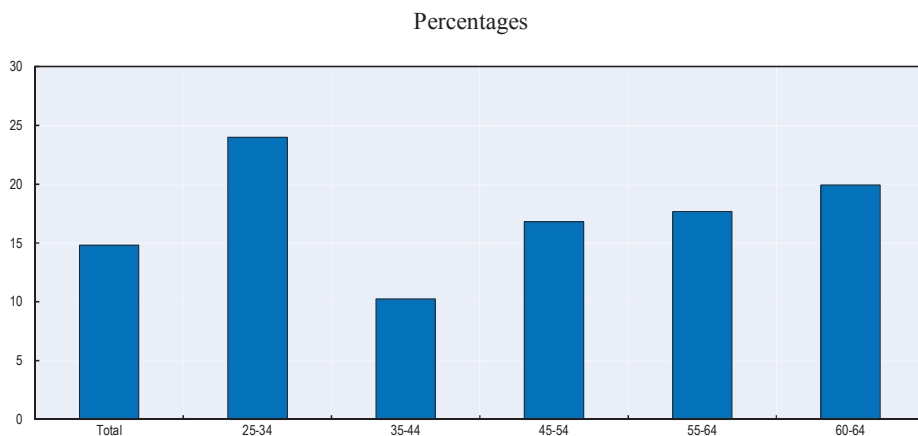
Note: Registration at the Chamber of Commerce became mandatory in 2009.

Source: Dutch Chamber of Commerce, various years.


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On the whole, Bruins (2007) found that older self-employed persons were less ambitious than younger entrepreneurs, and to a greater extent found that they launched the start-ups out of necessity. But there are also start-ups that are motivated by a wish to carry out special activities, or by some sort of social innovation. Most of the start-ups have little capital. Been and Knoef (2013) also found that self-employment was primarily born of necessity; they did not find any support for a hypothesis that self-employment is a measure to increase flexibility in the hours worked.

Figure 5.7. Self-employment by age group, Netherlands, 2012



Source: Statistics Netherlands (CBS), <http://statline.cbs.nl>.

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Bruins (2007) found that older starters had fewer entrepreneurial skills, but had more sector experience and were better trusted in their networks. After a few years, the development of the market proved a challenge for many of them; they had relied on serving old networks, and were less able to renew their products and circle of potential customers. Nonetheless, the study found that this could be a suitable career for many middle-aged and older people, since they possessed many of the requisite characteristics to succeed with a start-up. For instance, they are capable of realistic self-assessment, they can draw on established networks, and they have the necessary knowledge and experience.

Steps are being taken by the government to promote and facilitate self-employment. Important instruments are loans, income support via an allowance to prepare a start-up while receiving social benefits, and training. If the person already receives unemployment benefits, there are two options: i) working hours spent on starting up a company are deducted from unemployment benefits; ii) a special “starters arrangement”: over a period not longer than 26 weeks, the beneficiary can be exempted from applying for jobs while they are starting their own company. Starters can keep the earnings they gain, but 29% of their benefit is cut. The work coach must accept the starters arrangement.

It is also possible to start a company with municipality benefits. Under certain conditions, loans are available. The benefit from the municipality will be stopped once the company is viable. On the whole, the instruments are

assessed to have increased the number of start-ups (Kok, Hop and Prins, 2009). The payback procedures for loans, however, are complicated, which may be seen as a barrier. Experience from previous projects should be studied to see how the process could be facilitated and better targeted (Box 5.3).

Van Solinge (2012) found that the self-employment option has so far been chosen primarily by older workers who are more privileged in terms of social and financial capital and psychological resources. Self-employment could eventually become of interest for a broader group of seniors. Training that provides skills and knowledge may stimulate older individuals, particularly women and less skilled people, to create their own jobs.

### Box 5.3. “Starting to last”

Over the period 2004-08, in co-operation with UWV, the Tilburg Community conducted a project for unemployed persons over the age of 45. Given the name “Starting to last”, the project aimed to encourage and facilitate self-employment. It was a success, in the sense that many of the participants were successful in moving towards entrepreneurship or finding a paid job. But the project also showed that some of the positive aspects can be traps. The set preparation period could prevent mistakes, but also prolonged the period before something concrete could start to take place. On the other hand, room for the person’s own initiative led to less focus in the programme. Rapid initiation of the self-employment process can, moreover, be difficult to reconcile with benefit reciprocity, a problem that was solved in this project by flexibility granted by the PES.

*Source:* Westhof, F., P. Vroonhof, M. Tang and G. Berkelmans (2007), “Duurzaam en ondernemend de uitkering uit” [Sustainable Benefit from Entrepreneurship], EIM, Panteia, Zoetermeer.

Most entrepreneurs will face certain challenges or barriers when starting a business. The impact of these challenges can differ to some extent across age groups. Policy design and measures to promote entrepreneurship should take this into account. The observation that older entrepreneurs are less capable of renewing networks is important input for planning further support activities. OECD/European Commission (2012) concluded that older people have the potential to provide economic and social benefits. They added that there is a group of successful, growth-oriented older entrepreneurs providing jobs for other people and able to offer mentoring, financing and other support – an aspect that could be lead to improved networking and the renewal and updating of skills. To promote senior entrepreneurship, they formulated a set of policy recommendations that can serve as guidelines for further initiatives (Box 5.4).



#### Box 5.4. How to make self-employment a positive experience

- Create positive awareness of the benefits of entrepreneurship for older people among older people themselves, and in society in general.
- Assist business start-ups by older people by supporting relevant business networks for older entrepreneurs and providing training to fill gaps in knowledge of entrepreneurship skills for those who spent their working life as employees.
- Ensure that older entrepreneurs have access to financing schemes, recognising that some groups of older entrepreneurs (e.g. those starting a business while unemployed) may need start-up financing while others (e.g. those with high incomes) may not.
- Highlight the possibility of acquisition rather than start-up of a business, as a means into entrepreneurship for an older person. It may be quicker and less risky, and can facilitate another person retiring who may wish to do so.
- Encourage older people to play a role in promoting entrepreneurship by others through becoming business angels or by mentoring younger entrepreneurs.
- Ensure that tax and social security systems do not carry disincentives to entrepreneurship for older people, including investment in other businesses.

*Source:* OECD/European Commission (2012), “Policy Brief on Senior Entrepreneurship – Entrepreneurial Activities in Europe”, Luxembourg.

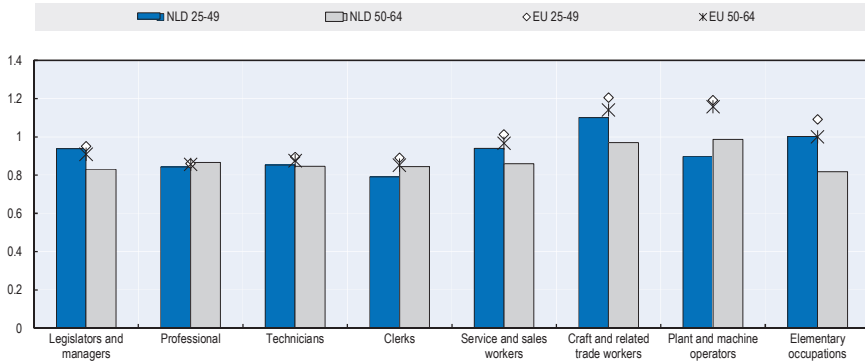
## Working conditions

### *Improve working conditions for all*

Dutch employees generally have better working conditions than the European Union average (Figure 5.8). The level of strenuousness is in many occupations lower for older than for younger workers. But older professionals, clerks, and plant and machine operators find on average their working conditions more strenuous than do their younger colleagues.


About 75% of the age group over 55 reported to the Dutch National Survey of Labour Conditions that they had good working conditions in 2012.<sup>6</sup> The rate has been increasing over time. But there are still issues of concern. Even if it is declining, the share reporting high work pressure was around 40%. Moreover, an increasing share of the respondents reported burnout and stress-related problems, and indicated these as reasons for leaving their jobs.

Figure 5.8. Index of strenuous working conditions by age group and occupation, Netherlands and Europe, 2010



*Note:* The index can be read as the within-occupation, within-country variation compared to the strenuous working conditions across the whole sample's responses. The items range from physical to mental stress experienced at work.

*Source:* OECD estimates based on the 5<sup>th</sup> European Survey of Working Conditions.

*StatLink*  <http://dx.doi.org/10.1787/888932982749>

In December 2009, the Ministry of Social Affairs and Employment submitted to the Dutch Parliament a policy memorandum on sustainable employability and the labour market participation of older workers. The memorandum announced the intention of the Dutch cabinet to create a climate for investing in productivity, employability and mobility of workers. Three key areas for policy development were identified: education and training; age-aware human resource management (HRM) strategies in companies; and the development of instruments for preventive interventions. The primary aims are to eliminate legal barriers, to optimise the work-life balance, and to adapt the legislation on occupational health to trends in society.

With respect to health, attention is paid to both physical and psychological aspects. Exposure to certain forms of physically strenuous work can be harmful and cause sickness and occupational disability. Surveillance and inspections are performed by the Dutch Labour Inspectorate (*Inspectie SZW*), which is tasked with monitoring compliance with several laws and detecting fraud and other illegal activities within the field of employment and social affairs. The *Inspectie SZW* was established in 2012 through a merger of the former Labour Inspection, the Inspection of Work and Income and the Social Intelligence and Investigation Service of the Ministry of Social Affairs and Employment. The Inspectorate aims to

enforce these activities through a more centralised and more uniform approach. The organisation is still new and the results should be monitored.

### ***Health and family circumstances matter***

The health status of workers is still an issue in the context of being able to work until the official retirement age. Data from the National Survey of Labour Conditions showed that even if the share of workers reporting that they are able to work until retirement age is increasing over time, still only 50% of the 45-55 age group reported in 2010 that they were able to do so. Data from the Employee Panel 2011, published by the Dutch Research Centre for Education and the Labour Market (ROA/APG), showed that the employer's involvement in the welfare of the employees, the opportunity to work part time, and the possibility to take on less mentally demanding job tasks are important factors in inducing employees to retire at a higher age.

Over the past two decades, new legislation regarding absence due to illness and occupational disability has drawn attention to the importance of an occupational health and safety policy. An increasing number of firms are implementing a “vitality policy”, which looks after their employees' health and lifestyle. The Dutch Labour Foundation has recommended introducing a personal employability scan as a basis for further advice and discussion of adjustment in working conditions, tasks, working hours, etc. (STAR, 2011). Whenever relevant, a medical examination should be included as part of the employability scan. One example of such a scan used in the Netherlands is the Work Ability Index (Ilmarinen, 2006).

### ***Work ability scans and career management***

Work ability is defined by Ilmarinen (2006) as the degree to which an employee is mentally and physically capable of executing his current job. Since 1997, the Work Ability Index (WAI) is used in the Netherlands to contribute to improving personal work ability for all age groups.

The Index is based on a questionnaire that poses several questions probing the health condition, mental vitality and performance capacity of the employee, and establishing the physical and mental requirements of their current job. The results can lead to a review of, for example, health or human resource measures, on a personal as well as on an organisational level. One of the keys to successful use of the WAI has been the development of individual and company-wide scores. Since their introduction the questionnaire has been able to be benchmarked against a database of other scores. On that basis, employers can be supported in finding appropriate training, job design, and measures to improve health and career development.

The experience so far is that the stakeholders of WAI have been encouraged to share good practices by establishing networks.<sup>7</sup> In addition to its networking purposes, the database offers a unique package of information for designing evidence-based measures and policies, both in a preventive approach and to facilitate reintegration. Goedhard, Goedhard and Goedhard (2011) found a certain decline in work ability by age, but they also found that work-related stress has a stronger adverse impact than age.

### ***Best practices should be the source of new national standards***

Altogether, there is substantial evidence that skill development, labour organisation and working conditions are all important to boost employability and productivity with age. The Labour Foundation stresses the need for good age management and an age-conscious staff policy. Employability scans or performance reviews and promotion of internal mobility through duty rotation, internships, etc. are mentioned by the Foundation as possible measures. Regular assessment of workers can facilitate interventions such as preventive health measures and training and skill updating.

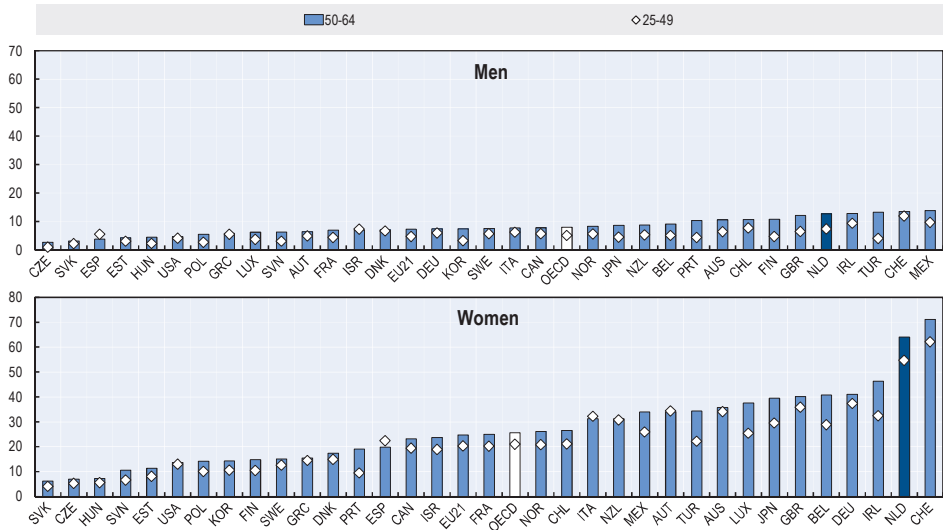
In spite of the efforts done, Fouarge, de Grip and Montizaan (2011) found that only one-third of all employers take part in some kind of sustainable employability activity. This can be one reason that employees often report being dissatisfied with the HR policies at their workplace. Since 2012, the Sustainable Employability programme (Chapter 4) has been the main approach to increasing employability and improving attitudes toward older workers. Experience from previous and other ongoing projects in the same domain should be drawn upon in the new programme to ensure that potential synergy effects across programmes and measures are realised. Work ability scans and the resulting database of scores should be used to set measurable targets and benchmark them.

Success criteria will be the extent to which more firms are encouraged to join the programme, and practices developed within the Sustainable Employability approach become standards in firms outside this network. The Labour Inspectorate could have an important role in assessing whether additional actions are necessary to change nationwide standards and ensure that new, good practices can help improve working conditions for all Dutch employees.


### ***Part-time work***

Among OECD countries, the Netherlands has the highest incidence of part-time work for all age groups. The share is particularly high for older women. In 2012, 64% of women aged 50-64 worked part time (Figure 5.9). Dutch men also have a higher incidence of part-time work than the OECD average. The self-reported incidence of involuntary part-time work is low.

Figure 5.9. **Share of part-time work by gender and age, OECD countries, 2012**  
As a percentage of employment in the age group



Source: OECD estimates, based on national labour force surveys, and EU-LFS for Switzerland.

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Flexibility and choice in working hours is positive. The possibility of working part-time can enable people who are not willing or able to work full-time to be employed, and can make it easier for families to find a good work-life balance. Access to part-time work has contributed to the labour participation of women, but can be a barrier to their economic independence as well as to their promotion to higher positions. A Dutch working mother with two grown children has on average earned less than half of the total working-life earnings of otherwise similar female employees.<sup>8</sup> The much higher part-time share among prime-aged workers compared with most other countries (Figure 2.7) is remarkable. There is little evidence that a high share of part-time work during a career keeps women in employment longer than in other countries. Training of older, part-time workers can be infrequent, because the expected return will be less than for a full-time worker. This can diminish employability.

Keuzenkamp et al. (2009) concluded that even if there is scope for expanding part-time jobs, workers themselves tend to consider things to be fine as they are. It is mainly the government that considers the short hours of many part-time jobs to be a problem. For the government, increasing female labour participation now goes hand in hand with increasing their working

time. The Task Force *Deeltijd Plus* (Portegijs, 2009) was founded in order to encourage female part-timers to work more.

Part-time workers are a potential source of labour supply, and should be part of a broad strategy to meet an ageing labour force. There must be a balance between full-time and part-time work, which can best be obtained by enabling those who wish and can to continue in full-time jobs. OECD (2013d) includes examples of how the social partners in the municipality sector in Norway work together to promote more full-time work. It is crucial that rules, regulations and attitudes are neutral to the choice of working hours. Measures to stimulate part-timers to work more are welcome and should continue.

### Key policy recommendations

Even if employment rates among older workers have increased substantially over the past decade, employability is lagging behind in the sense that participation in training and education is declining with age. Older unemployed people experience great difficulties in seeking new jobs. In spite of substantial efforts, there is still a challenge to develop training measures that are attractive for older workers and employers, and that will improve their prospects in the labour market.

Several steps have been taken to improve working conditions and raise awareness of the potential older workers represent. As isolated actions they may have had a positive impact, but the overall effect so far is limited. More should be done to disseminate information about how support needs differ over the life cycle, and to gain acknowledgement that older workers are not obsolete within the labour market simply because they have needs different from those of younger age groups.

The following measures should be considered to improve the employability of and working conditions for older workers:

- *Training measures for older unemployed persons should to the extent possible be directly linked to a specific job.* Rather than giving unemployed older people training first and then helping them to seek jobs, a more successful approach could be to match them with an adequate job and then supply the training necessary for them to be fully productive in that job. This can involve better use of activation measures, and make older unemployed more willing to invest their own transition budget in training.
- *The PES and the municipalities must co-operate closely to increase re-entry to work for the older unemployed.* Evidence from the large

diversity in “Work-First” programmes across municipalities could be drawn on in designing efficient activation policies and measures, by setting up rigorous evaluations and monitoring implementation of the programmes.

- *Mobilise labour resources* by supporting initiatives to facilitate longer part-time shares and full-time work.

## Notes

1. Accessible via [mkbservicedesk.nl](http://mkbservicedesk.nl).
2. [www.rijksoverheid.nl/onderwerpen/levensloopregeling/documenten-en-publicaties/rapporten/2011/07/04/evaluatie-levensloopregeling.html](http://www.rijksoverheid.nl/onderwerpen/levensloopregeling/documenten-en-publicaties/rapporten/2011/07/04/evaluatie-levensloopregeling.html).
3. [www.fnv.nl](http://www.fnv.nl).
4. [www.werk.nl](http://www.werk.nl).
5. [www.rwi.nl](http://www.rwi.nl) (Council for Work and Income).
6. <http://statline.cbs.nl/StatWeb/publication/?VW=T&DM=SLN&L&PA=71204ned&LA=NL>.
7. A number of case studies are available at [www.blikopwerk.nl](http://www.blikopwerk.nl).
8. [www.oecdbetterlifeindex.org/topics/work-life-balance/](http://www.oecdbetterlifeindex.org/topics/work-life-balance/).

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