

**Paul VAN LEEUWE**

*Scientific Council for Government Policy of the Netherlands*

Paris, 24 February 2006

## **KEEPING OLDER WORKERS IN THE WORK FORCE** *An Assessment of Recent Policies in the Netherlands*

Lecture in the International Seminar for Experts “Labour Market Reform in Europe – Learning from the Best Practices”, organised by the Cicero Foundation in the series *Great Debates* in Paris, 23 – 24 February 2006

### **Introduction:**

Labour, the influence of ageing and the position of elderly people on the labour market is part of a bigger project of the Science Council that includes labour market dynamics, labour mobility, flexibility and security.

This study of the Science Council is greatly facilitated by a new database of the Dutch Central Bureau of Statistics (CBS). This so called ‘Social Statistical Compilation’ (SSB) is a large micro dataset, which provides stylized facts to model labour market dynamics, job creation, job destruction and worker reallocation. And what is even more important, it provides data on job-flows and worker-flows and on job-turnover and worker-turnover.

For those data the statistical bureau has linked the existing official economic statistics with the administrative, governmental databases of the social security system, the fiscal administration of the Inland Revenue and the municipal registry offices with the population records. Much use is made of the social-fiscal numbers which are assigned to every (economic active) person and the identification records of all enterprises and business plants. The SSB contains information on the 16 million inhabitants of the Netherlands, 8 million workers, 4 million benefit receivers and 500 thousand business companies.

These data enable us to describe in detail the characteristics of people who are working (by age, gender, income, origin), of people leaving or entering the labour market, of people moving to another job and of those staying in the same job. It is also possible to describe in detail the characteristics of business establishments (size, industry branch, age, wage bill) that - continue, create and destroy jobs and to describe how many workers are newly hired by firms and how many separate.

**Figure 1: Social Statistical Compilation**

**CHARACTERISTICS:**

**16 MILLION INHABITANTS BY:**

AGE  
 GENDER  
 LABOUR MARKET STATUS  
 SOURCE OF INCOME  
 INCOME  
 PRESENT EMPLOYMENT  
 FORMER EMPLOYMENT  
 TENURE OF PRESENT EMPLOYMENT  
 COUNTRY OF ORIGIN

**500.000 BUSINESS ENTERPRISES BY:**

INDUSTRY SECTOR  
 SIZE  
 AGE  
 JOBS: NUMBERS CREATED AND DESTROYED  
 EMPLOYEES: BY AGE, INCOME, GENDER, ORIGIN, AND TENURE

LABOUR MARKET;  
 SUPPLY SIDE BY:  
 FLOWS INTO AND FROM LABOUR MARKET TO INACTIVITY AND BENEFITS  
 DEMAND SIDE BY:  
 JOB-FLOWS, CREATED, DESTROYED EN CONTINUED

**MATCH BETWEEN SUPPLY (WORKERS) AND DEMAND (JOBS)**

**This introduction is organised as follows. The first section briefly describes some figures on job and worker flows on the Dutch labour market between 1999 and 2004. The second section deals with the characteristics of elderly people. The third section deals with the policy challenges which ageing entails for the labour market and explores the main areas for policy reform. Section four reports on the various policy reforms that have been implemented in the Netherlands (such as the reforms of the existing pension systems - including a removal of early retirement schemes, a shift towards greater financial incentives, as well as improved incentives to participate in the labour market). Section five confronts these measures with the aforementioned challenges and indicates areas for further action. In section six some conclusions will be drawn.**

## **Section 1: Labour market dynamics, job- and worker-flows:**

***Figure 2: JOB AND WORKER FLOWS 1999 – 2004***  
(Yearly averages)

<i>NUMBER OF JOBS</i>	<i>7,5 MILLION</i>
<i>Yearly growth</i>	<i>100/150 THOUSAND</i>
<i>SEPARATIONS</i>	<i>2 MILLION</i>
<i>NEW HIRES</i>	<i>2,2 MILLION</i>
<i>DESTROYED JOBS</i>	<i>650 THOUSAND</i>
<i>Of which employees leave the labour market</i>	<i>200 THOUSAND</i>
<i>NEW CREATED JOBS</i>	<i>800 THOUSAND</i>
<i>Of which new entrants join the labour market</i>	<i>350 THOUSAND</i>
<i>TOTAL PEOPLE LEAVING THE LABOUR MARKET</i>	<i>600 THOUSAND</i>
<i>TOTAL PEOPLE JOINING THE LABOUR MARKET</i>	<i>750 THOUSAND</i>
<i>NUMBER OF WORKERS CHANGING JOBS</i>	<i>1,5 MILLION</i>

### **LABOUR MARKET FLOWS:**

Although the Dutch Labour market experienced between 1999 and 2004 a (satisfactory) yearly growth of employment of around 1,5 to 2 % per year, the labour market flows were much larger. More than 25% of the contracts were terminated and the same number of contracts was agreed. Every year nearly 10% of the jobs were destroyed and more than 12% new jobs were created. Of those 650 thousand destructed jobs, 200 thousand people left the labour force. Every year 600 thousand people left the labour force; 400 thousand jobs they left were continued. 750 thousand people every year joined the labour market. 350 thousand went to newly created jobs; 400 thousand went to existing jobs.

### **MOBILITY:**

The flows on the labour market are not evenly distributed amongst the different groups that participate on the labour market. Figure 3 gives an indication of the movements among full timers and part timers and between male and female. Full time – Males have a relatively low mobility. Data are also available on labour market flows and the age distribution of workers in the different sectors of industry.

***Figure 3: LABOUR MOBILITY: - TOTAL – FULL TIME / PART TIME – MALE / FEMALE  
IN % OF RESPECTIVE GROUP***

	TOTAL – FULL TIME / PART TIME – MALE / FEMALE				
<b>JOB SWITCHERS:</b>	<b>20%</b>	<b>15%</b>	<b>30%</b>	<b>17%</b>	<b>20%</b>
<b>SEPERATIONS/NEW HIRES:</b>	<b>26%</b>	<b>20%</b>	<b>50%</b>	<b>22%</b>	<b>30%</b>
<b>DESTRUCTION/CREATION:</b>	<b>10%</b>	<b>5%</b>	<b>13%</b>	<b>8%</b>	<b>10%</b>
<b>LEAVING/JOINING LAB.M:</b>	<b>10%</b>	<b>5%</b>	<b>25%</b>	<b>8%</b>	<b>12%</b>

**In the Netherlands the working population in manufacturing, transport, finance and the public sector are male and relatively old. In the rest of the - fast growing -service industry, the composition of the workforce is much more gender mixed, younger, and on more flexible work arrangements.**

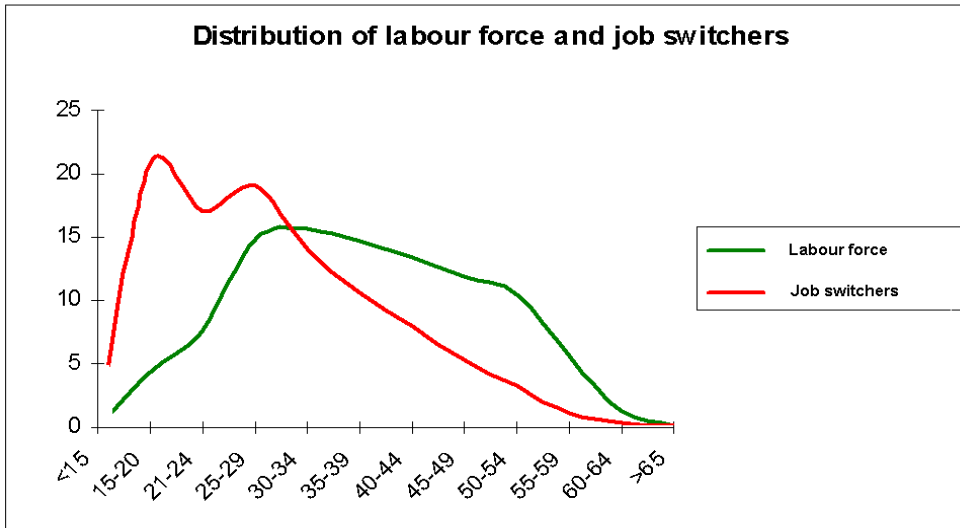
## **Section 2: Characteristics of older workers.**

**Older people offer potential value to business, to the economy and to society. Unfortunately they often represent an untapped and discriminated resource, as many public measures and private workplace practices pose serious barriers to work. Many of these policies and practices are relics from a bygone era.**

**There is a need to look beyond traditional stereotypes about ageing in order to benefit from the growing numbers of older citizens, many of whom would choose to work for longer given appropriate policies and workplace practices.**

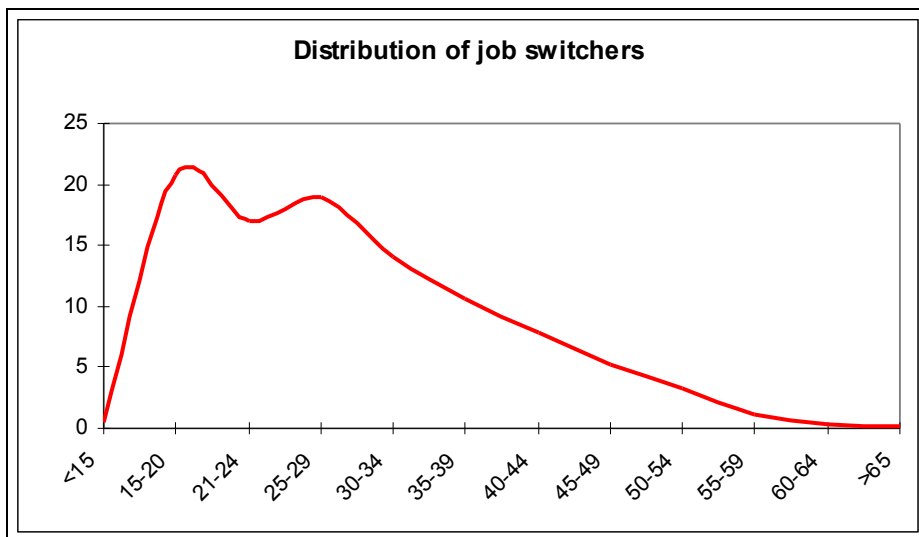
**We will start with some graphs in which the position of older workers is clearly visible. Most of the drawings speak for themselves.**

**Graph 1: Age distribution of the labour force and age distribution of job switchers.**



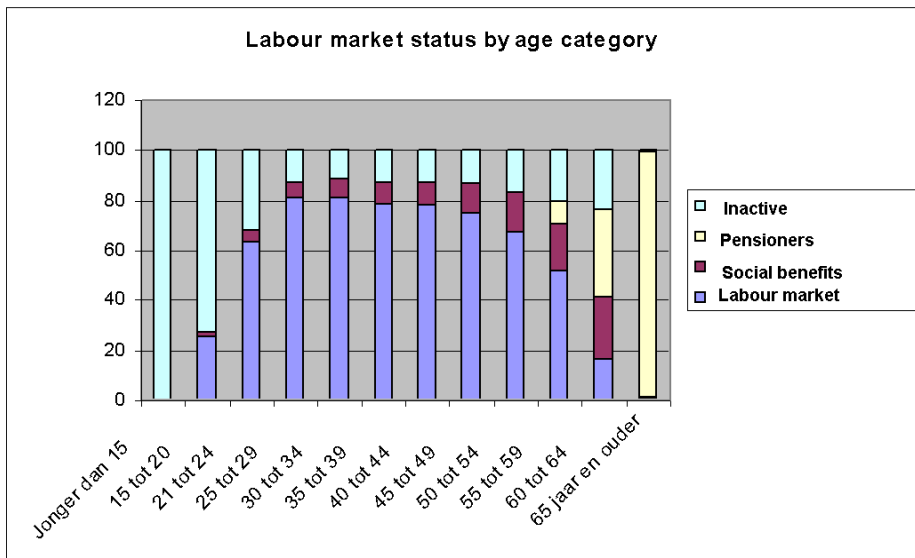
**The age of the labour force is normal, evenly distributed. The age-distribution of job-switchers is completely skewed.**

**Graph 2: Age distribution of job switchers,**



**The skewed age-distribution of job-switchers: young people change jobs, after 55 hardly any employee changes jobs**

**Graph 3: Labour market status by age category**

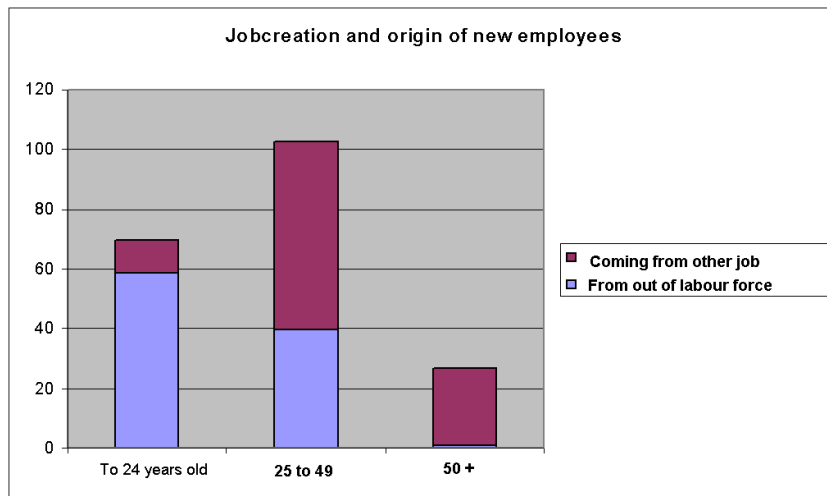


**In the younger age-brackets youngsters are inactive – without income (school-going). Continuing through the ages, people earn a living by working. Some (partners in households) stay inactive, without income. A steadily growing number gets a benefit. Over 50 years of age retirement entitlements grow bigger. In later life nearly everybody get a (stat) pension benefit, mostly supplied by the public sector.**

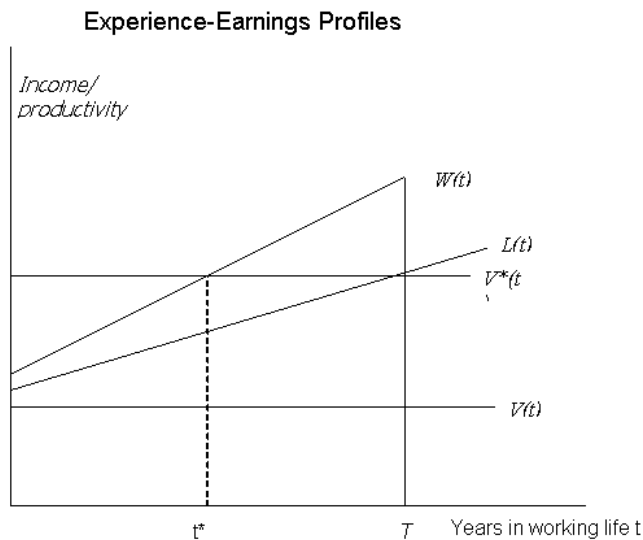
**Graph 4: Job destruction and destination of redundant employees**



**In the younger age brackets employees confronted with the destruction of their job find another job. Older workers disappear from the labour market.**

**Graph 5: Job creation and origin of new employees**

Newly created jobs are filled with young – new – entrants to the labour market. In the older age brackets, hardly anybody returns to the labour market

**Graph 6: Productivity/wages: Experience-Earnings Profiles**

### ***Reduced productivity:***

There is a notion that a worker's productivity declines significantly after some age. If older workers are less productive than younger workers, employers in a competitive labour market are forced to pay older workers a lower wage rate than younger workers. That does not happen. Some argued that morale would be adversely affected by lowering the wages for older workers.

Whether productivity is affected by age is a complex issue. A possible cause of age related productivity decline is the reduction in cognitive abilities over a person's life span. Some abilities such as perception speed show relatively large decreases from a young age, while others, such as verbal abilities, show only small changes throughout the working life. Although older workers have longer experience they may learn at a slower pace and have reductions in their memory and reasoning abilities.

The empirical evidence is mixed. A survey of human resource executives shows that older workers are seen as being more reliable and having better skills and work-friendly behaviour than their younger counterparts. Using an employer-employee dataset show that prime age workers are just as productive as younger workers but those aged 55 and over are less productive. Some studies find that young workers with little experience and older workers are less productive than those of prime age.

It is however clear that there is a problem. Older aged workers are often paid more than their younger colleagues. When their productivity is declining - and downward wage flexibility is limited, redundancy for older workers is looming. Other employers are not willing to employ these redundant workers.

#### *Delayed-payment.*

An alternative way to approach the imbalance between wages of older workers and their productivity is the so-called delayed payment.

It is customary to pay workers less than their productivity when young and more when old. The consequence is that there is a discrepancy between spot wages and spot VMP (value of the worker's marginal product).

It is a general practice that earnings grow more rapidly than productivity as worker acquires experience. In effect, young workers are paid less than they are worth and older workers are paid more. In this way the present value of lifetime wages are equal to the present value of lifetime productivity. Doing so creates incentives that would be absent if workers were paid wages that follow life-cycle productivity more closely. It may pay the firm to set up a scheme that creates incentives.

In the figure:  $L(t)$  is the workers reservation wage, also indicating the alternative use of time. At  $T$  the value of leisure is identical with productivity and retirement takes place. If the worker is paid  $V^*(t)$  during his/her lifetime, there is no incentive. Because of the lack of incentives lifetime productivity will be lower than potential ( $V^*(t)$ ), Most likely, will not actually be  $V^*(t)$ , but instead will be  $V(t)$ , reflecting the lower level of effort which occurs throughout the entire lifetime because of backward induction.

Instead of paying exact lifetime productivity, workers over their lifetime are offered  $W(t)$ , steadily rising wages. The lower initial wage means that over the lifetime, the firm breaks even. Reputation works to keep the firm from terminating the worker when it needs to begin paying more than the worker's productivity.

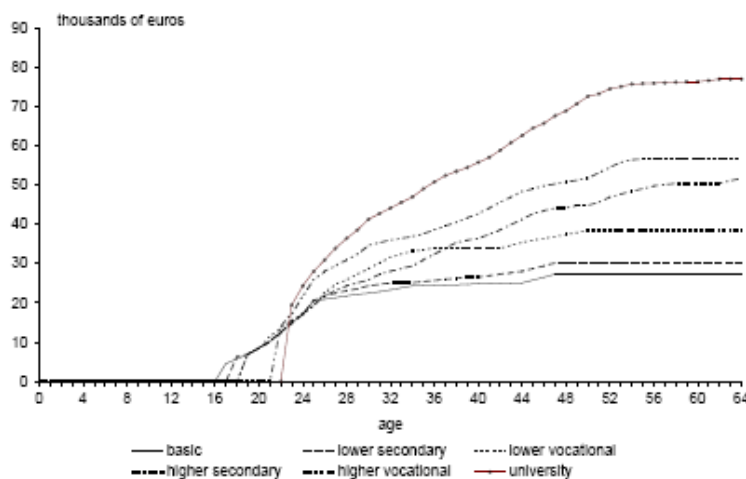
Thus a profile with rising wages over a lifetime results in higher lifetime productivity and thus higher lifetime wages, than would wages follow lifetime productivity more exactly. Also workers prefer the higher wage profile; therefore the market is dominated by firms that pay with an upward-sloping age-earnings profile. But this profile influences and distorts labour supply and labour demand decisions. When wages are set apart from current productivity workers will react to wage level rather than their productivity.

Workers make decisions on two margins: effort per hour and hours per lifetime. A wage profile that induces an efficient level of effort per year - or per hour - will not guarantee an efficient choice of hours per lifetime. Other instruments are needed. An older worker will be immobile, because another employer will not willing to pay a wage that is higher than productivity. This other employer did not get the advantages of the lower wage when the employee was younger. Dealing with this problem is at the heart of the labour market/ aging problem.

A solution lies in more wage flexibility for older workers. Flexibility in adjusting wages to productivity may well be important to maintain the demand for older workers even though declining wages will reduce the supply of older workers. There can be a link here with pension arrangements for early retirement as overly generous replacement rates may generate strong disincentives to downwards adjustment of wages.

**Graph 7: Lifetime profiles of labour costs for six levels of education**

Figure 3.3 Lifetime profiles of labour costs for the six levels of education



This graph indicates the continuing rise of labour-costs during the lifetime of an employee, which indicates the reduced productivity/ wage ratio

## CONCLUSIONS:

### Figure 4: Summary labour market characteristics of elder people

#### *PROBLEMS WITH OLDER PEOPLE*

- \* *SERIOUS DEFORMED IMAGE OF OLDER WORKERS*
- \* *THEIR NUMBERS ARE CONSTANTLY INCREASING,*
- \* *THEIR PARTICIPATION IS LOW, THEY HAVE ALTERNATIVE INCOME (ALMOST ALWAYS PROVIDED BY THE PUBLIC SECTOR)*
- \* *THEY HAVE EXIT ROUTES*
- \* *ONCE OUT / ALWAYS OUT*
- \* *WHEN THEY WORK, THEY ARE IMMOBILE*

\* *SERIOUS DISCREPANCIES BETWEEN WAGES AND PRODUCTIVITY*

### **Section 3: Challenges and main areas of policy reform.**

#### *The challenges:*

Population ageing poses challenges for public pension and early retirement systems and there is a need for reforms of these systems in order to cope with these challenges. Without changes in existing policies ageing could cause a marked slowdown in economic growth and may result in a sharp deterioration of public finances.

Population ageing is occurring less rapidly in the Netherlands than in most of the EU, partly due to the positive contribution of international migration. Nevertheless the proportion of persons - aged 65 and over - to the working-age population (the old-age dependency-ratio) is projected to almost double, from 22% in 2000 to 40% in 2050. If the behaviour on the labour market does not change there is a risk that the labour force will stop growing over the next few decades. To offset some of the pressure from an ageing population, it will be important to increase labour market participation, particularly after the age of 55.

In the Netherlands the labour force participation rates have risen recently for both men and women. Between 1995 and 2003 we recorded a 10 percent increase in employment rates for men over 50. Although these increase came from a (very) low base.

One obstacle to further improvement is the widespread culture of early retirement. These arrangements allow workers to leave well before 65. Average effective retirement age is only 61 years for men and 59 for women. (2 years below the OECD average). A further range of different pathways facilitate exit from the labour market: in 2002 ca. 13% of persons aged 50-64 are on disability benefits, 6% on early retirement schemes, 3% on unemployment benefits and 3% on social assistance.

#### *Policy reform:*

Raising employment rates of older workers and increasing effective retirement ages remains a priority. However these reforms will not be enough to encourage later retirement. Measures are also required to adapt wage-setting practices to greying workforce, to tackle discrimination, and negative attitudes to working at an older age, to improve job skills of older people to better "activate" older jobseekers. Relatively little is known about what have been or should be doing in these areas.

A comprehensive set of policy actions will be needed to ensure that we can meet the ageing challenges<sup>1</sup>.

---

<sup>1</sup> Some circumstantial policies: Sometimes it is heard that one way to mitigate the vicious circle of aging, public finance deterioration and retarded growth would be to implement tighter fiscal policies aimed at reducing public debt. This would lower future interest payments and create "room" for increased age-related spending. Another 'solution' is immigration as another way to meet the ageing challenge.

***Figure 5 summary policy challenges***

POLICY CHALLENGES  
LABOUR MARKET POSITION FOR OVER-50S

*THE BOTTOM-LINE: INCREASE PARTICIPATION RATES;*

THERE TO:

- \* CLOSE EXIT ROUTES
- \* INCREASE FINANCIAL INCENTIVES TO STAY ACTIVE
- \* BETTER CORRESPONDENCE BETWEEN LABOUR COSTS AND PRODUCTIVITY
- \* INCREASE WAGE FLEXIBILITY
- \* INCREASE MOBILITY AND ADAPTABILITY
- \* INCREASE EMPLOYABILITY
- \* FACILITATE POSSIBILITIES FOR ENTREPRENEURSHIP
- \* IMPROVE IMAGE OF ELDERLY WORKERS

**Reforms with the largest potential effects on participation concern labour market reform and the reform of pension systems.**

***Pensions: incentives to retire under regular retirement provisions, obligatory or quasi-mandatory schemes***

**If incentives for retirement were made neutral labour-force participation of persons in the 55-65 age group could rise by up to 20 percentage points.**

**The official retirement age in the Netherlands is 65 years. Everyone reaching that age receives the state pension, based on the minimum income. For nearly everybody this minimum income is topped-up by occupational private pensions. The target income – based on a full-working life for pensioners from this combined public/private pension system - is 70% of the final salary.**

**These private occupational pensions are capital-based and are on a much safer footing than the pay-as-you go systems elsewhere in the EU.**

**Accept discussions on the entitlement-age in the Netherlands, there are no far reaching ideas for reform.**

**However, the occupational private employer-employee arrangements permit earlier retirement in the absence of access to public insurance and transfer programmes. These occupational schemes (bridge pensions and lump-sum redundancy payments) are fiscal attractive and mostly part of occupational pension schemes.**

**In the Netherlands these occupational private early retirement schemes are collectively agreed and the early retirement schemes cover a large proportion of the work force and offer considerable incentives to leave work early. The contributions to these schemes have been tax-deductible. Tax breaks are always a problem: they are often provided to induce saving but may be more effective in triggering a reallocation of saving that would have taken place anyway rather than in stimulating new savings. On top of that they benefit the well off at the costs of the taxpayer. The Dutch government has decided to progressively phase out this allowance. In future such tax allowances are only granted to collectively agreed pre-pension schemes that tie in with occupational pension schemes and pay reduced benefits to those who leave work early and higher benefits to those who leave work late.**

**Three different characteristics of pension systems affect the retirement decision of older workers:**

- \* The benefit level,**
- \* The expected gain, in terms of future higher benefits, from continuing to work instead of retiring**
- \* The age of entitlement to benefits**

**Reforms undertaken in this policy area should aim at these three characteristic.**

*The benefit level and the expected gain, in terms of future higher benefits, from continuing to work instead of retiring:*

**To assess the incentives to retire two main factors influence the retirement decision:**

- 1) The replacement rate: defined as the ratio of annual pension benefits to earnings just prior to retiring,**
- 2), Pension wealth, the present value of the future stream of pension payments.**

**Lower pension benefits - gross or from higher taxes on the benefits, make these less attractive. People will be stimulated to continue working. In all EU countries the governments have been active in reducing or removing incentives for early retirement over the past decade.**

**When working life is lengthened an additional incentive will be a higher future pension. Nowadays - also in the Netherlands - there are hardly any facilities to continue pension saving after reaching the retirement age. Measures are being prepared to change this**

**Another incentive to work longer will be the opening of a possibility to add the entitlements to early retirement to future pension benefits when working longer.**

*The age of entitlement to benefits*

**Statutory retirement ages or strong incentives built into public pension schemes mean that working beyond 60 or 65 is discouraged.**

**Increase in the early and sometimes normal retirement age under regular retirement schemes will be a key measure, which is sometimes combined with more flexible retirement and stronger incentives to continue work.**

#### ***CLOSING THE OTHER EXIT PATHWAYS***

**Various social transfer programmes can permit earlier retirement than under regular retirement schemes. Disability and unemployment benefits schemes give healthy and work ready persons strong incentives to retire long before they qualify for an old age pension.**

**Given the variety of pathways to enter retirement, policies changes- both the level of benefits and the entitlement conditions will have to be tightened up to limit the access to these alternative arrangements.**

#### ***LABOUR MARKET***

**The labour market is the key to successful policy adjustment, since ultimately it is the economic output of a country that determines its capacity to sustain high quality welfare systems.**

**The average number of hours worked per person employed in the Netherlands and the EU is low, especially compared with the US. This might reflect a stronger preference for leisure; it may also be caused by institutional distortions, which could be removed by appropriate policies. Reaching the 60% employment target for older workers in 2020 while certainly representing a dramatic turnaround compared with the trend of recent decades towards ever earlier retirement. Removing existing obstacles to labour market participation would make important contributions to the ageing problem.**

**Achieving the necessary extension in working lives will not be easy. It not only requires that tax/benefit and wage systems provide financial incentives for people to remain active and invest in building human capital, but also means that there must be job opportunities for older people with appropriate skill sets. While improving incentives to remain in the labour market is important, those who do so must also keep their jobs or be able to find new ones if they are laid off. Policies that improve the overall functioning and flexibility of the labour market may be particularly important for older workers, who may be more vulnerable to dismissal and less attractive to hire.**

**As individuals move towards retirement investment in marketable skills through training declines as the period over which this investment can be amortised becomes progressively shorter. The incidence of training falls with age. This has to be reversed if policy reforms to increase the retirement ages must succeed.**

**Greater flexibility in the working hours will also be important in retaining in the labour force those older workers who are willing to work but only part time.**

**Perhaps the most challenging aspect of efforts to rise effective retirement ages is the need to change the expectations and behaviour of employers and employees alike.**

Moreover the concept of ageing is evolving and with life expectancy projected to continue rising, retirement behaviour may also need to adjust continuously.

In some cases older workers may face discrimination on the basis of their age. Higher perceived risk attached to older people is a concern in hiring practices. Policies to tackle age-discrimination, and promote life long learning, flexible retirement pathways and healthy work conditions need to be considered.

#### **Section 4: Policy reforms in the Netherlands**

Raising the employment rates of older workers and increasing effective retirement ages remains a priority. A number of reforms have already been taken to strengthen older workers incentives to remain active longer, including the progressive abolition of early retirement schemes, the reform of the disability insurance schemes and the re-instatement of job-search requirements for older unemployed people. Also the establishment of a high level task-force on Older People and Employment, an Action Group on Grey work and the introduction of a law banning age discrimination.

The reforms that have been taken more specifically:

Early retirement is less attractive and will progressively be abolished:

\* Existing pay-as-you-go early retirement schemes have been replaced by capital-funded neutral pre-pension schemes, as part of regular old age pensions. The fiscal facilitation of early retirement schemes for people born after 1950 is abolished. Most of the remaining schemes will expire by 2015. Meanwhile early retiring will lead to a reduced pension and retiring later to an augmented pension. Tax deductibility of the pre-pension contributions will be abolished for everyone under the age of 55.

\* The disability benefit pathway to early retirement is being curtailed. There has been a rather limited restricted access to these permanent benefits in the past leading up to a large number of older people in the disability insurance. More and extensive screening of persons applying for and already receiving these benefits close this direct exit route to early retirement. Also a system of experience rating for disability insurance premiums paid by employers has been introduced (PEMBA). This is intended to discourage use of disability benefits as a workforce management tool. To counter the side effect of employer's reluctance to hire older persons who might more likely go into disability, exemptions from payment of a number of social security contributions are introduced when people at risk are hired.

\* The older unemployed are now obliged to look for a job. It has been decided to reduce the duration of unemployment benefits and to re-instate job-search requirements for older unemployed. To encourage older unemployed to accept a lower wage job, entitlements to future benefits will not be reduced. Also older persons accepting a lower paid job or a part-time job will keep their existing pension rights.

\* **Measures to change employer's perception of older workers.** A high level task force on older people in employment has been established to identify factors to improve employment prospects among the over-50s. There is a new law banning age discrimination and plans for facilitating continuation of work after 65.

\* **New guidelines for redundancies.** The rule allowing selective dismissal of older workers has been abolished. The last-in-first-out rule and the principle of dismissals mirroring the age composition of the workforce are now generally applied. This will lead to a more uniform protection against redundancy irrespective of age and seniority.

### Section 5: Measures and challenges, room for further reform

Challenges and measures give the following resume:

#### Figure 6: Challenges and measures in the Netherlands.

- \* close exit routes
    - \* early retirement abolished
    - \* restricted access to disability
    - \* compulsory application for unemployed over 57
    - \* shortening duration of unemployment benefit period.
  - \* increase incentives to stay active
    - \* continuation of entitlement of benefits and pensions when accepting a lower-pay-job
  - \* perception change and image improvement of older workers
    - \* High level Task-Force on Older People
  - \* increase employability of older workers
    - \* special emphasis in active labour market policy for older workers
  - \* better correspondence between labour costs and productivity
  - \* increased mobility
  - \* increased employability
- \* no measures
- 

**Apart from the drastic measures in the exit-routes, the harvest is not overwhelming!**

**Implementing further reforms must involve the last three above mentioned labour market areas were up till now no measures are taken.**

**Possible elements of a further overall strategy for employing the over-50s could contain:**

**Figure 7: Measures for the next decade.**

*\* Increase the retirement age over 65. (f.i. 67) Official retirement age can gradually rise in line with increased life expectancy.*

*\* Use the new individual-life-course saving scheme for peak-hour moments in working life - i.e. coping with family responsibilities and invest in training - and not as an alternative route to early retirement.*

*\* Remove obstacles to hiring and retaining older workers, all legal and institutional obstacles should be removed. Far reaching reconstruction of pay systems and wage flexibility schemes should be introduced.*

*\* Promote the employability of (older) workers: lifelong learning for all ages, reintroduce corporate training tax deductions for workers. Develop instruments to validate skills acquired on the job. Improve working conditions. Increase labour market assistance to older people looking for work.*

**Section 6: Conclusions.**

The previous sections have provided several indications of the challenges the Netherlands face in the light of ageing populations and of the policies that have been enacted so far.

Policies encouraging higher employment rates of older workers would go a long way towards mitigating the consequences of ageing.

This positive development runs counter to numerous incentives and institutional arrangements encouraging premature withdrawals from active life.

People remain active for a smaller and smaller part of their lives. Current pension systems and other social transfers induce older workers to anticipate their retirement decision. Suppressing these incentives will delay retirement and help alleviate the burden of ageing. Steps towards further reducing early withdrawal from the labour force are necessary.

Next to continued pension reforms and the further tightening access to other benefits programmes permitting early retirement, the improvement of the employment situation of older workers is crucial.

Encouraging more wage flexibility for older workers, increasing emphasis on life-long learning and training of older workers and increasing the demand for and supply of jobs for low paid workers (through job subsidies?) will be part of this approach.

**PvL/THE HAGUE/21.02.2003**

JOB AND WORKER FLOWS 1999 – 2004  
(Yearly averages)

NUMBER OF JOBS	7,5 MILLION
Yearly growth	100/150 THOUSAND
SEPARATIONS	2 MILLION
NEW HIRES	2,2 MILLION
DESTROYED JOBS	650 THOUSAND
Of which employees leave the labour market	200 THOUSAND
NEW CREATED JOBS	800 THOUSAND
Of which new entrants join the labour market	350 THOUSAND
TOTAL PEOPLE LEAVING THE LABOUR MARKET	600 THOUSAND
TOTAL PEOPLE ENTERING THE LABOUR MARKET	750 THOUSAND
NUMBER OF WORKERS CHANGING JOBS	1,5 MILLION

JOB AND WORKER FLOWS 1999 – 2004  
(Yearly averages)

	Full time	Part time
NUMBER OF JOBS	6 MILLION	1,5 MILLION
SEPARATIONS	1,3 MILLION	0,7 MILLION
NEW HIRES	1,4 MILLION	0,9 MILLION
DESTROYED JOBS	350 THOUSAND	200 THOUSAND
Of which employees leave the labour market	140 THOUSAND	60 THOUSAND
NEW CREATED JOBS	560 THOUSAND	240 THOUSAND
Of which new entrants to the labour market	190 THOUSAND	160 THOUSAND
TOTAL PEOPLE LEAVING THE LABOUR MARKET	350 THOUSAND	250 THOUSAND
TOTAL PEOPLE ENTERING THE LABOUR MARKET	400 THOUSAND	400 THOUSAND
NUMBER OF WORKERS CHANGING JOBS	1,0 MILLION	0,5 MILLION

JOB AND WORKER FLOWS 1999 – 2004  
(Yearly averages)

	MALE	FEMALE
NUMBER OF JOBS	4,5 MILLION	3,0 MILLION
SEPARATIONS	1,0 MILLION	1,0 MILLION
NEW HIRES	1,0 MILLION	1,1 MILLION
DESTROYED JOBS	300 THOUSAND	300 THOUSAND
Of which employees leave the labour market	150 THOUSAND	100 THOUSAND
NEW CREATED JOBS	400 THOUSAND	400 THOUSAND
Of which new entrants join the labour market	150 THOUSAND	200 THOUSAND
TOTAL PEOPLE LEAVING THE LABOUR MARKET	300 THOUSAND	300 THOUSAND
TOTAL PEOPLE ENTERING THE LABOUR MARKET	350 THOUSAND	450 THOUSAND
NUMBER OF WORKERS CHANGING JOBS	0,75 MILLION	0,75 MILLION