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**AGEING AND LIFE COURSE ISSUES: THE CASE OF THE CAREER BREAK SCHEME (BELGIUM)
AND THE LIFE COURSE REGULATION (NETHERLANDS)**

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AGEING AND LIFE COURSE ISSUES: THE CASE OF THE CAREER BREAK SCHEME (BELGIUM) AND THE LIFE COURSE REGULATION (NETHERLANDS)

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1. Introduction

1. This paper on ageing and life course issues will focus on the end of the career as a crucial element in the life course of employees. In many OECD countries increasing the labour market participation of persons over 50 is an important policy challenge. The reasons are well-known: the growing share of elderly people in the population is expected to lead to a growing ratio of older inactive persons per worker and a decline of the active labour population. In turn, this could put pressure on social security expenditure and have consequences for economic performance in terms of innovation capacity and productivity growth (De Koning, 2005; OECD, 2005).

2. There is however a great deal of variety in type and urgency of the older (non)-worker problem. Taking the employment rate of older workers as an indicator of the magnitude of the problem, we see that this rate varies between less than 50% to over 80% in OECD countries (OECD, 2005). Studies showed that this variety can be explained by factors like the way pensions rights are acquired, the existence of generous early retirement systems, the age dependency of the wage structure, participation to education and training, the type of labour demand, the economic climate. Also the availability of possibilities enabling the combination of work and other activities like part time work could be a determinant (Schmid, 2006).

3. Policy makers have become susceptible to the problem, and initiatives have been taken to reform early retirement systems, to create incentives for employers to recruit older person and to stimulate age aware HR management,... The policy initiatives can take the form of a holistic strategy, a complete programme covering several aspects or can be more dispersed through a set of different measures. They can be implemented at different levels (national, regional, local) and involve different actors (government, social partners, individual companies) (Wilthagen & van Velzen, s.d.).

4. In this paper, we would like to explore the way specific policy measures at national level can contribute to the objective of a more active work force in the age group of 50+ by learning from experiences translated into research and evaluation studies. To this purpose we selected measures stimulating flexible working conditions for older workers, by means of part time work or phased retirement. The measures we selected involve government, social partners, sectors and individual companies and employees. Moreover, they are illustrations of the hypothesis that the possibility for career modulation in function of life course episodes will contribute to a longer career.

5. In what follows we will present a detailed analysis of two policy measures focussing on part time work and phased retirement in Belgium and the Netherlands. Apart from this, information is added from countries like Denmark, Sweden, Germany, the UK and the US. We use a common framework to present and compare the systems. Thereafter we assess the possible effects of these instruments on the labour market situation of older workers.

2. Phased retirement and part time work for older workers

2.1. Use of phased retirement systems

6. A study on early and phased retirement in European companies revealed that phased retirement is more likely to be used as a work-life balance tool by older workers, whereas early retirement is used as a staff adjustment tool in case of mergers or economic restructuring. Phased retirement was defined as a reduction of working time (numerical flexibility) with the purpose to promote the employment of older people. Early retirement is more frequently offered than phased retirement. Also the take up of early retirement is higher. Phased retirement, which is a more recent instrument compared to early retirement and less institutionally embedded, is mostly used in Dutch and Belgian companies. Although less than in the Netherlands and Belgium, Austria, Slovenia, Germany and Denmark have a relatively high percentage of working time reductions of older workers among companies.

7. Whether a company offers the option to reduce working time to its older workers depends on the size of the establishment, the sector, the experience with part time work and the management attitude towards older workers. Since there are only a few operational elements influencing the take up of phased retirement, it seems that the decision regarding the take up is based on the employees own choices. In addition to work life balance interests, financial aspects regarding the income out of work and the future income out of pension seem to play an important role (European Foundation for the Improvement of Working and Living Conditions, 2006).

8. Another study (Bredgaard & Tros, 2006) studied the effects of policy changes in the early retirement pathways on company level. The authors analysed the availability and use of flexibility instruments for older workers like part time contracts, reduced working time, dispensation from inconvenient working hours, part time retirement, reduction of work load. 4 countries were studied: The Netherlands, Belgium, Denmark and Germany. Overall, there seems a relatively low availability and use of this type of instruments. Reduced working time and part time retirement are the most common instruments *available* in 50% of the sample companies but the use is lower than the availability. The study conclude that in the Netherlands and Denmark a more proactive and preventive approach is used than in German and Belgian companies where the legalistic and centralised approach prevails. In all countries however managers seem aware of the fact that strategies towards older workers are needed.

9. We can conclude from this that in a European context the Netherlands and Belgium have a relatively high experience with part time work and other flexibility instruments for older workers but the type of flexibility instruments used is different. Policy changes in the Netherlands to promote the employability of older workers have been more radical e.g. a more complete reform of the early retirement system and have started earlier than in Belgium.

10. In the next section, we provide more information on the policy context as an introduction to the analysis of two specific policy measures to promote flexibility among older workers: the 'end of career break' in Belgium and the life course scheme in the Netherlands.

2.2 Overview time credit/career break in Belgium and life course scheme in the Netherlands

2.2.1. Active ageing and life course policy in Belgium and the Netherlands

Belgium

11. Already in the eighties, a system of a partial interruption of the career has been introduced in Belgium which gave the employees the possibility to reduce the number of working hours for a maximum of five years without losing their social security rights e.g. pension benefits of a fulltime work regime.

They were partially compensated for the income loss by a remittance of the government. Initially the employer had to replace the employee by a full time unemployed person entitled to benefits. At the end of 1990s, this restriction was somewhat loosened, to be finally abolished in 2001. In 2002 this measure has been replaced by the time credit system, with extra possibilities for employees aged 50 years or older (Devisscher, 2004; OECD, 2003)¹. This measure will be discussed hereafter.

12. At the same moment the time credit system was introduced, the *Fund for the Promotion of Quality of Working Conditions* was established that grants subsidies to employers that take specific actions to improve the working conditions for their employees older than 55 years (OECD, 2003). A regulation was also introduced creating the obligation for employers to provide *outplacement for 45-plus employees* that are made redundant.

13. The Belgian government has recognized the fact that the current regulation financially promotes early retirement both from the point of view of the employee as the employer (Flemish Government, 2005²). Therefore, financial stimuli have been introduced to stimulate the older people to find work or stay at work and employers to recruit and keep them (OECD, 2003)³:

- With the *Activa Plan* partial reductions of social security are given to the employer if he recruits persons aged 45 years or older who were unemployed for at least 18 months and an activation premium is given to the unemployed (up to €500 for a fulltime job), which can be deducted from the net-wage by the employer.
- A loan can be acquired with the *Participation Fund* by persons of 50 years or older to start up a business
- The *employers' contributions* on the wages of employees older than 58 years are reduced by €1600 per year.

14. The *Generation Pact*, approved in 2005 by the Council of Ministers, introduced a framework for far going reforms concerning the end of career debate. This has lead to a loosening of conditions for employees over 50 years of age to enter the time credit system. Another proposal was the possibility for older workers that carry out a physically hard job to be able to shift to a lighter function, within of without the same company, and if necessary, temporary compensated for the income loss. Next to that, the age limits for early retirement have been raised from 58 till 60 years including the requirement regarding the number of years in employment that will be increased up to the level of 35 years in 2012 (both for men and women). Current exceptions, for example for physically hard jobs, will be maintained.

15. Initiatives have also been taken on the regional level to promote the employment of older workers. Flanders has created a complementary system to the federal time credit system by financially supporting the oldest workers in the social profit sector who want to work part-time (*'landingsbanen'*) (OECD, 2003). Wallonia gives financial benefits to employees in bottleneck functions aged 50 years or older and that take time credit at the end of their career. In addition, the *'Tandem Plan'* gives the older

¹ Devisscher S. (2004), The career break (time credit) scheme in Belgium and the incentive premiums by the Flemish Government, Discussion Paper, Peer Review of 19-20 February 2004, Brussels.

² Flemish Government (2005), Strategisch rapport pensioenen België 2005, Antwoord op "Preparation of the 2005 National Strategy Reports on Adequate and sustainable pensions Guidance Note prepared by the Commission and endorsed by the Social Protection and Economic Policy Committees – January, 2005", Brussels.

³ OECD (2003), Ageing and Employment Policies Belgium, Paris.

workers the possibility to reduce their working hours by half and keeping 85% of their wage. Again this measure gives priority to bottleneck functions (Devisscher & Van Pelt, 2006).

Netherlands

16. The Netherlands have been *transforming the pension system* since the late nineties. It started with shifting from a pay-as-you-go funding of early retirement, the so-called VUT schemes, to pre-pension schemes based on individual capital savings. These actuarially neutral schemes have led to a substantial delay of the effective exit rate. In 2004 the social partners have come to the decision to abolish the purely early retirement schemes in due course and abandon the favourable measures for pre-pension schemes. As an alternative, the life course scheme would make it possible for workers to save for early retirement (OECD, 2005)⁴. This scheme will be discussed hereafter.

17. As in Belgium, *financial measures* are being taken to make it more attractive for employers to employ and retain older workers and for older employees to stay at work. A reduction in social security contributions is granted for employers that keep workers of older than 55 years old, and that recruit workers over 50 years. Next to that, a deduction in the personal taxes is granted according to age. If an employee decides to change to a part-time or lower-skilled job within 10 years before the regular retirement age of 65, the pension will be calculated based on the previous higher wage.

18. Next to the life course scheme that will be discussed later, *part-time pension* is also possible. Pension payments can be received while the employment is partly continued, while pension can still be accrued over that part.

19. The Dutch government provides financial support for *experiments* that encourage (inter)sectoral mobility for older workers who carry out physically demanding or monotonous work and that want to be transferred (temporarily or permanently) to other branches of industry (Dutch government, 2005)⁵.

2.2.2. Focus on two life course policy measures in Belgium and the Netherlands

20. We present and compare the two systems mentioned above: the time credit/career break scheme in Belgium and the life course scheme in the Netherlands. Their final objective is to improve the quality of the life course of working persons by offering better possibilities to combine work and personal life throughout the career. The two systems contribute to active ageing in a direct and an indirect way:

- Directly, they provide incentives for persons over 50 to choose a part time work as an alternative for early exit through early retirement or alternative exit routes (disability pensions, unemployment, and inactivity).
- Indirectly, they provide the possibility for a better distribution of the workload over the life course, which in theory could lead to longer careers.

21. The following table gives an overview of the main characteristics of the two measures.

⁴ OECD (2005), Ageing and employment policies Netherlands, Paris, 2005.

⁵ Dutch government (2005), 2005 National Strategy Report on Adequate and Sustainable Pensions: the Netherlands, The Hague.

Table 1 Description and comparison of time credit/career break and life course scheme

| Country | Belgium | The Netherlands |
|-------------------------------------|--|--|
| Name of policy measure | Time credit/career break | Life course scheme |
| Date of creation | 2002/1985 | 2006 |
| Target group | All employees, specific conditions for 50+ with career of minimum 20 years | All employees |
| Entitlement conditions | Right for all employees after consent employer | Right for all employees to participate, but take up of leave must be approved by employer |
| Financial incentive | Lump sum monthly allowance | Reallocation of wage |
| Type of incentive | Subsidy for full time or part time (1/2 or 1/5) career break, 1/5 reduction for 50+ | Saving account for the individual employee (max amount 210% of gross annual wage), 3 to 4% "interest rate", employee takes up savings as full time or part time leave, tax reduction |
| Implementation | RVA (government institution for labour provision) | Private financial institutions |
| Cost for government | Number of beneficiaries * allowance | Tax delay and reduction |
| Relation with pension system | Career breaks count as work for establishment of pension rights, 50+ career breaks precede (early) retirement | Interaction with pre-pension system Leave period can be used as (partial) pre-pension leave |
| Period of use by employee | Max. 1 year full time or half time reduction; max. 5 years 1/5 reduction For 50+ persons: extra part-time reduction (1/2 of 1/5) unlimited until retirement | Max. 3 years of full time leave (except for prolonged care leave of max. 18 weeks) |

Source: RVA/Ministry of Social Affairs NL

22. In the *Dutch life course scheme* every employee can save up to 12% of gross income per year with a maximum of 210% in total. When the maximum amount is reached, they can take 3 years of full time leave receiving the saved amount under the form of a monthly income of 70% of their wage. In this way employees can save for up to 3 years of early retirement.

23. In the transitional phase, it has been made possible for 51-55 year olds to save more than allowed to be able to save the maximum allowed in a shorter period of time. Employees of 56 years or older, can keep saving in the pre-pension scheme. However, it has been made possible to shift the pre-pension savings to the life course saving account (<http://home.szw.nl>).

24. In the *Belgian time credit system*, every employee can take time credit for up to 1 year full or half time and maximum 5 years for one fifth reduction if working fulltime before. He is compensated for the income loss by the government. Next to that, extra credit time has been created for employees of 50 years or older. If they have had a working career of at least 20 years and at least 3 years of seniority within the same firm, they can reduce their working time until their retirement with half or one fifth (Devisscher & Van Pelt, 2006).

25. A collective labour agreement in a sector or company can raise the possibilities for time credit up to five years full time (<http://www.rva.be>).

26. In principle, there are two major differences between the two systems. We focus on the possibilities for older workers.

1. *The way the time credit is financed:* In the Dutch system the employee decides to reallocate a part of his wage. The Dutch government delays tax on the gross income saved on the life course account till the employee is remitted. However, an income tax reduction is granted per year that one has saved on the life course account. Next to that, the capital gains are exempted from taxes. In Belgium, the employee does not have to save income and gets a partial compensation of the government for the income loss during the leave.
2. *The flexibility for the employee:* In the Dutch system an employee can save throughout his life and take leave for maximum 3 years in one time and can choose for one up to five days leave per week. In Belgium an employee has a standard right of 1 year leave during the whole of his career, next to that from the age of 50 until retirement the employee can take only half-time or one-fifth reduction. However, in both systems the employer has to give his consent.

3. Effectiveness of policy measures for part time work and phased retirement

27. This third chapter will analyse the effects of the policy instruments discussed in chapter two. In order to assess the effectiveness, we use the following criteria: the coverage and the use of the measures, the direct and indirect effects and the interaction with other policy measures. We highlight some aspects regarding the cost-effectiveness of the programmes. The evaluation criteria can be defined as follows (Wadensjö, 2006; <http://www.evaled.info>):

- *Coverage:* the evolution of the number of participants or beneficiaries, their profile
- *Direct effects:* effects of a public intervention on its direct beneficiary, excluding all repercussions on other groups. In the case of working time reduction/part time work, examples of direct effects are the decrease of numbers of hours worked by the beneficiaries, the number of beneficiaries in employment, higher effective retirement age of beneficiaries, evolution of the number of companies where the measure is applied
- *Indirect effects:* effects which spread throughout the economy and the society or environment, beyond the direct beneficiaries of the public intervention. We also include effects on the beneficiaries that are uncertain or not necessarily uniquely due to the intervention under examination. Examples: prevention of early exit (number of persons in employment that would have been out of employment, number of persons working part time that would have continued to work full time), prevention of illness, effects on wages, on recruitment behaviour of companies, and on the labour market supply of persons younger than 50
- *Total effect:* aggregation of direct and indirect affects taking into account the trade-off between positive and negative effects. Examples: increase in labour supply of 50+ measured by the amount of hours worked by 50+ employees and the total number of 50+ persons in employment (part time versus full time)
- *Cost-effectiveness:* relating the effects of the intervention to the financial inputs needed to produce those effects.

3.1 Time credit/career break system in Belgium

- Coverage

28. The number of participants to the Belgian career break system has grown strongly. In 2006 nearly 211.000 persons were entitled to compensation from the career break scheme. Compared to the total number of employees in Belgium about 5,9% of the employees participated in the career break scheme in 2006. With respect to the type of career break, the 1/5 working time reduction has become the most popular form. The introduction of the 50-plus career break has not missed its effect: there has been a remarkably rise of the share of 50-plus employees in the total number of beneficiaries (47% in 2006). Considering only the 50-plus persons, the share of participants rises to nearly 15% (RVA, RSZ, 2006).

29. Career breakers have a specific profile. A large share of them belongs to a two earner family with relatively high wages. Among the younger age groups women dominate strongly but among 50-plus persons men represent about 47% of the users. The career break is used relatively more in services sectors (public administrations, health, private services, education, financial sector) than in the industry. Employees of larger companies make more use of career breaks than employees in smaller enterprises (Devisscher & Van Pelt, 2005/2006). Although all employees can in principle benefit from a career break under the time credit/career break scheme, it is clear that its use has until quite recently been limited to a rather privileged group of persons.

- Direct effects and indirect effects

30. When analysing the effects of the time credit/career break scheme we further disaggregated the direct and indirect effects into positive or pull effects and negative or push effects. The concept of pull and push effects is used in accordance with the transitional labour market theory (Schmid, 1997). The results are based on the analysis of career paths of career breakers before, during and after their career break, on a survey among career breakers and on relevant literature. The career paths of career breakers were compared with those of a control group of employees without a career break. The main findings with respect to the effects of career break system in Belgium are summarised in the table below⁶.

⁶ A more detailed description of the effects can be found in the study, and will be inserted in the final version of the paper.

Table 2 Effects of the time credit/career break system

| | Positive/pull (increase of labour supply, attraction towards labour market) | Negative/push (decrease of labour supply, stimulating exit from labour market) |
|------------------------|---|---|
| Direct | <ul style="list-style-type: none"> • Number of persons in employment remains stable during career break, number of hours worked decreases • Part time workers increasing their number of hours worked after break | <ul style="list-style-type: none"> • Decrease of number of persons in employment and in number of hours worked after career break • Full time and part time workers decrease number of hours worked after break |
| Indirect | <ul style="list-style-type: none"> • Replacement of career breakers by unemployed persons • Prevention of early exit by creating possibility for part time work • Making labour market more attractive, especially for women • Creating possibilities for entrepreneurship and self-employment | <ul style="list-style-type: none"> • Incentive to stop working earlier than foreseen • Alternative pathway to early retirement, no postponement of retirement age • Number of persons working part time that would have continued to work full time in absence of the scheme |
| Other indirect effects | <ul style="list-style-type: none"> • Career breakers have a more transitional career path compared to the average Belgian worker • Before the introduction of the time credit, career breakers used to take a career break during several years, with negative effects on their career (job content, promotion, earnings, productivity)⁷ • Costs and benefits for employers: additional organisational costs, uncertainty about the return of the employee on one hand, positive effects like employee satisfaction, image building, part of compensation and benefits scheme on the other hand | |

Source: IDEA Consult, OSA/Steunpunt WAV (2006)

- Total effect

31. When assessing the total effect of the career break measure, we come back to the main objective of the system, namely to lengthen the careers of employees by offering an alternative end of career pathway and by redistributing the workload over the life course of the individual.

32. On a macro-level the effects on labour supply measured in full time equivalents and in number of person in employment (part time, full time, employee or self-employed) have been estimated. There is no evidence that the activity rate of over 50 persons with a career break is higher (one to three years after the career break) than that of a control group of 50-plus employees, rather on the contrary. One of the explanations is that in many companies, 50-plus persons started to reduce their working time as a preparation for their early retirement or official retirement (as a complement) but not as a substitution of the early retirement. This is possible since the duration of the 50-plus career break is not restricted.

33. In general, it is a problem that many career breakers do not return to the labour market after the career break. The share of persons becoming inactive (ill, staying at home, pension, unknown,...) is

⁷ It is possible that this trend changed during the last years but recent information is not available on this point.

considerably higher among the career breakers than among a control group of employees. Once inactive, it is much harder to reactivate the individuals for the labour market especially for the over 50. Remarkably, it seems that for women over 50 the 'inactivity trap' is smaller than for men. Women over 50 may indeed temporarily reduce their working time to take care of parents or for grand children.

34. In summary, for the direct effects of the career break measure on the labour supply the negative consequences dominate. If the positive indirect consequences dominate the negative indirect ones, then we could conclude that there is a real contribution. In the past we believe this was already the case for the younger age groups, where we see that persons – mainly women - return to the labour market to full time jobs or part time jobs. The system enabling a work load redistribution over a longer periods in an individual career seems to work well for women that build in a career break after some years of work. They can choose either a full time or a part time break but for a relatively short period (maximum one year) (Román et al, sd).

35. Postponing the early exit from the labour market remains a challenge given the more reactive and legalistic approach of Belgian companies towards the organisation of the end of careers, and given the fact that there are still relatively generous (early) retirement possibilities. However, according to Eurostat figures the effective retirement age in Belgium shows an upward trend. This may be a first indication that not only the attitude towards retirement is changing but also the retirement decisions are being influenced. There are pertinent changes in policy measures like the increase of the early retirement age, the discouragement of alternative exit through time credit, incentives for age aware policies. There is indeed a significant increase in the use of part time career break for 50-plus: in 2006 about 15% of employees aged 50 or over is participating.

36. On a micro-level we can conclude that there is a need for this type of policy instrument. Persons taking a career break are very satisfied. The only negative consequence is that the workload may increase for part time workers. It happens often that the number of tasks and responsibilities is not sufficiently adapted to their working time reduction. A survey also showed that the career break can be a first step in a change of the career path, mostly by reducing the number of hours worked.

- Cost-effectiveness

37. As mentioned before, the cost-effectiveness considers the relation between the costs of the measure and the results of the measure. Let us first have a look at the factors influencing the costs of the career break measure. We focus on the direct expenditure, including the amount spent on the allowances for the career breakers. This amount is influenced by the number of beneficiaries, the type and the duration of their career break. The direct costs increase each year. In 2006, the cost of the career break system amounted to approximately 607 million euro. The expenditure in 2006 was 23% higher than in 2004 (RVA, 2007). The weight of the career break measure in the total social benefit expenditure is about 10% (FPS Budget and Control, 2007). The budget represents approximately 0,2% of GDP (2006)⁸.

38. Other costs are not included in the direct expenditure. These are related to the administration of the measure. The administrative burden is rather heavy given the complexity of the regulation. Different rules apply according to sector (public, private, social profit) and moreover, sector agreements can create additional conditions for career breaks (social dialogue process). Another type of costs is caused by the financial implications for the social security system since pension rights are accrued as if one remains working with the same intensity as before the career break. Finally, regional governments have an additional budget on top of the federal budget for their supplementary allowances. In 2005, the budget for

⁸ Expenditure for early retirement benefits amounts to 0,5% of GDP in 2006.

the incentive premiums of the Flemish government attained 3,4% of its total expenditure on labour market policies.

39. In order to be cost-effective, the measure should reach the best of results given its current costs and in comparison with the alternative. Examples of alternatives are: self supporting end of career schemes in companies including reduction of workload, job rotation et cetera, part time unemployment, part time retirement, full time retirement, bridge jobs, mentoring programmes, employment pools on a regional or sector basis. By the way it is designed the measure seems to perform well on a micro-level. Elements that support this finding can be found in the satisfaction among career breakers, the partial compensation for income loss, the potential benefits for employers. On a macro-level, there seems room for improvement but further investigation is needed. For instance, the synergy with the other mechanisms needs to be explored further, and from this analysis modifications can be suggested not only to the time credit career break system but to the broader set of policy instruments, thereby safeguarding the principles of organisational feasibility, individual choice, employment security and income security.

3.2 Life course scheme in the Netherlands and evidence from other OECD countries

- The Netherlands

40. Since the 1st of January 2006 employees can participate to the life course scheme by opening a life course saving account offered by one of the financial institutions. Until now, the number of users is lower than expected. About 5% of all employees participated in 2006. Several explanations can be given. First of all, it takes some time before the stakeholders become familiar with the system. Secondly, since 1994 there is a “saving wage” scheme that is financially more interesting especially for low and middle income earners. The wage saved under that scheme can also be used to finance periods of unpaid leave. Lower incomes only profit from the tax reduction, which is a fixed amount and not dependent on the other fiscal benefits that are related to the saved income. If the two schemes would be integrated, the cover would increase substantially. Thirdly, the recent reform in the health insurance system seems to be a higher priority for employees. Occupation with this reform may delay the entrance into the life course scheme (Ministry of Social Affairs, 2005; Caminada & Goudswaard, 2006)

41. Several experts have already proposed modifications to the scheme, e.g. integration with the saving wage scheme. The big difference between the life course scheme and the saving wage scheme is that it is an entitlement for all employees whereas the saving wage scheme was not automatically accessible for all employees. It was designed as a company based initiative (www.cbs.nl; Caminada & Goudswaard, 2006)

42. In an international perspective, the life course scheme is very innovative for at least two reasons. If successful, it should contribute to a life course approach throughout the career of an employee. It is also expected that many employees will save for early retirement. From a governance perspective, the scheme is innovative since it is a combination of a saving mechanism and a fiscal instrument in collaboration with the private financial markets. The direct cost for the government does not exist of expenditure on allowances but in the fact that tax incomes are postponed in the time, and that they are lower because of the tax credit provided when the amount saved is used for remuneration during the leave.

- Other OECD countries

43. Next to the Netherlands and Belgium, many other OECD countries have experience with instruments facilitating phased retirement. We briefly introduce interesting mechanisms in Finland, Sweden, the US and Japan. When analysing the effects of the different schemes, the evidence is rather ambiguous. Some mechanisms facilitating a gradual transition between work and retirement through part

time work seem to contribute to the objective of prevention of early exit and longer working careers, others do not.

44. In Finland, employees have the possibility to choose their pension age between 63 and 68. Moreover, they can opt for a part time pension from the age of 58. This option is conditional on the approval of the employer. The part time pension benefit compensates for half of the income loss due to part time retirement. The old age pension is not negatively affected by the part time pension. The system is quite often used: in the age group 60-64 about 25% of employed persons participate to this scheme. A study based on retirement intentions of persons that took a part time pension (or not) concludes that the possibility for part time pensioning does not lengthen the careers (Ilmakunnas & Ilmakunnas, 2006). This increasingly popular instrument seems to contribute rather to the satisfaction of individual needs than to the sustainability of the pension system. Although the employment rate among the 60-64 age group has risen sharply in Finland, other factors than the part time scheme seem to be responsible.

45. In Sweden, part time pension was subject to many reforms and was eventually abolished in 2001. In its latest form, the eligible age was 61 years old. 55% of the income loss was compensated. The employee needed to work a minimum of 10 hours per week. However, study results highlight a positive effect of this system on the total labour supply of older workers with the part time pension. The effect may be larger for women than for men (confer the Belgian career break scheme). Also other effects were mentioned: effects on the health status and the future take up of disability pensions. Also the number of hours worked before the part time scheme and the number of hours worked during the part time retirement play a role. The system was abolished mainly because it was considered to be too expensive but recently some form of part time pension has been reintroduced (Wadensjö, 2006).

46. Finally, we would like to discuss a type of phased retirement that is a combination of working time reduction, work load reduction and internal or external job mobility. The so-called bridge jobs occur both in Japan and the US, countries with a high employment rate among older workers. These jobs allow older workers to continue to work until the ordinary retirement age and in some cases even longer (Wadensjö, 2006). Facing the ageing of the workforce both countries seem to have also taken an interest in end of career and life course instruments. In the US there is a general interest of employees for phased retirement. Surveys indicated that many workers aged 50 and over are hoping to phase into retirement (Sloan Work and Family Research Network, 2005). The Japanese government is considering the introduction of a kind of career break scheme in the context of the high workload faced by Japanese employees.

4. Conclusions

47. Finally, we will draw conclusions from the preceding analysis paying attention to the usefulness and relevance of the phased retirement programmes in relation to the end of career challenge that is present in many OECD countries. The results should however be put into a broader perspective since many factors influence the transition into retirement: the institutional context, the prevailing policy strategy towards ageing and employment, the social security model, the demographic situation, et cetera.

48. The conclusions can be summarised in the following way:

- First of all, it is clear that a wide range of instruments promoting a gradual transition from work to full time retirement is available: part time pension, part time work, bridge jobs, job rotation, mentoring programmes,... The instruments can be characterised according to the type of financial incentive, the link with the pension system, the entitlement conditions, consequences for pension rights, type of actor responsible for coordination and implementation, thematic focus (e.g. care, training) or not... Until now, the actual use of these instruments is rather limited.

There seems to be room for expansion since there is a growing awareness among governments and in companies. Employees are also willing to consider a change in their work regime.

- Life course schemes are rather unique. Belgium has a system of part time and full time career breaks since 1985. The Netherlands introduced a very innovative life course saving scheme in 2006, but was experimenting with wage saving accounts since 1994.
- Whatever the type of gradual retirement incentive, there seem to be a common objective: their implementation should lead to an increase in the labour of supply of older worker by keeping persons at work and by avoiding early exit. Through a reduction of the work load, it should be more feasible for older workers to stay working but at the same time have more time for other activities like care tasks, leisure or voluntary work. The possibility to combine a reduction in work load with a change of job content could also work in a positive way. The question addressed in this paper is the extent to which such systems do indeed contribute to the objective. Therefore, we have looked at the effects found in research.
- Detailed research on the effects of the Belgian career system revealed that is difficult to calculate the total impact since we have a range of direct and indirect effects produced by the scheme. The direct and indirect effects can have both positive or negative consequences for the labour market supply of older workers. However, the balance seems positive at a micro-level and especially for persons younger than 50, taking relative short periods of working time reduction. For over 50+ persons however, there is no evidence that the possibility to reduce their working time leads to a postponement of the retirement. On a macro-level, the effect is ambiguous. Many persons do not return to the labour market and the share of persons in employment is much lower among career breakers than among persons of the control group. This is of course a negative outcome. Studies on the Dutch career break show that it is expected that persons will save mainly for financing early retirement.

49. Despite all of this, we are inclined to conclude that the systems are valuable and relevant tools supporting the policy objective of active ageing. Taking into account evidence from other OECD countries (Finland, Sweden, US and Japan), we derive a number of conditions that are needed to enhance the effectiveness of the tools. The first condition is that the set of social and labour market policy programmes, measures and legislation is *consistent* towards the stimulation of the labour market position of older workers. There needs to be coherence between unemployment schemes for older workers, retirement systems (early retirement and old age pensions), invalidity schemes, policies to stimulate flexible working conditions and also life long learning.

50. Secondly, the policies need to be delivered through a multi-stakeholder model taking into account objectives, needs and preferences of government, intermediary actors (sectors), individual companies and employees. The way social dialogue is operating, is related to this point.

51. Thirdly, the systems should be checked on their relevance for target groups. Especially the participation of persons in low skilled and or low/middle paid jobs to the schemes we discussed seems rather limited.

52. Finally, it is important to decide upon the most appropriate type of financial incentives that are needed to induce a positive effect on the participation of older workers. Subsidy schemes like the Belgian career break system are relatively costly and offer many rights without obligations. Further investigation into the factors influencing the behaviour of companies and employees with respect to the end of the career may be useful

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