

**Speech by Ms. Martine Durand, Deputy Director of OECD Directorate for Employment, Labour and Social Affairs, on the occasion of the launch of the OECD review of Ageing and Employment Policies for the Netherlands**

**The Hague, 5 September 2005.**

Mr. State Secretary, ladies and gentlemen, it is my great pleasure to be here in The Hague today, with my colleague Anne Sonnet, on the occasion of the release of the OECD review of Ageing and Employment Policies in the Netherlands. First of all, I would like to thank you and your staff for organising this event, and I am very grateful to you, Mr. van Hoof, for being here today. Your presence certainly indicates the importance the Dutch government attaches to policies aimed at increasing employment opportunities for older workers.

The report on the Netherlands you have in front of you is the 17th in a series of 21 OECD country reports that have been published as part of a thematic review launched in spring 2001 by the OECD Employment, Labour and Social Affairs Committee to examine policies to improve labour market prospects for older workers in OECD countries. We are reaching the end of this thematic review and a synthesis report, comparing experiences across countries and drawing the main lessons from the review, will be presented and discussed at a Policy Forum held at ministerial level in Brussels next month, on the 17th and 18<sup>th</sup> of October. I am certain that, as head of the Dutch Delegation to this Forum, Mr. State Secretary, you will contribute greatly to the debates by sharing the rich experience of the Netherlands on this issue.

**The challenges facing the Netherlands**

Population ageing is occurring less rapidly in the Netherlands than in most other OECD countries, partly due to the positive contribution of international migration. Nevertheless, the proportion of persons aged 65 and over to the working-age population (the so-called old-age dependency ratio) is projected to almost double, from 22% in 2000 to 40% in 2050. If behaviour on the labour market does not change, there

is a risk that the labour force will stop growing, or even decline slightly, over the next few decades. This could lead to higher public expenditures, labour force shortages and slower economic growth. To offset some of the pressure that an ageing population will place on the Dutch economy, it will be important to increase labour market participation, particularly after the age of 55.

In some respects the Netherlands is well placed to meet this challenge. Labour force participation rates have risen recently for both men and women. In addition, the Netherlands is, with Finland, one of the OECD countries that have best succeeded in reversing the long-term trend of declining employment rates for older men. Between 1995 and 2003, the Netherlands recorded a 10 percentage point increase in employment rates for men aged 50 and over. However, these improvements have been from a rather low base.

Thus, there is clearly a basis for further improvement. In 2003, the employment rate of older people in the Netherlands was the 13<sup>th</sup> lowest among the 30 OECD countries (6 percentage points below the OECD average for women and 2 percentage points for men), and well below the level of the best-performing OECD countries (for example, the Dutch employment rate for older women was 27 percentage points below that of Norway and 10 percentage points for older men, Chart 1).

One obstacle to further improvement is the Netherlands' widespread culture of early retirement arrangements which allow workers to leave the labour force well before 65. As a result, the average effective retirement age is only 61 for men and 59 for women -- that is about 2 years below the corresponding OECD averages. A range of different pathways facilitate this option: in 2002, 13% of persons aged 50-64 were on disability benefits, 6% on early retirement schemes, 3% on unemployment benefits and 3% on social assistance.

### **Policy has begun to respond**

A number of reforms have already been taken or are currently envisaged to strengthen older workers' incentives to remain active longer -- including the progressive abolition of early retirement schemes, the

reform of the disability insurance scheme, the re-instatement of job-search requirements for older unemployed people, the establishment of the High-Level Task Force on Older People and Employment and of the Action Group on Grey at Work and the introduction of a law banning age discrimination. All these go in the right direction.

### **Further reform is needed**

But further reform is needed. What is essential is to push ahead with a comprehensive package of measures that will change perceptions and practices with regard to age and prepare workers for the prospects of working longer. This implies a complete break with the culture of early retirement. The OECD report contains a number of recommendations that are put forward as possible elements of such a comprehensive strategy for employing the over-50s. Let me just pick up a few of them:

- *To further strengthen the work incentives embedded in the retirement and welfare systems, we recommend first that the **retirement age be gradually raised in line with increased life expectancy** as it is the case in Sweden and Austria for instance. If the retirement age remains unchanged, based on projected life expectancies at age 65, Dutch men could spend about 18 years in retirement and Dutch women 21 years in 2050 compared with 13 and 18 years, respectively in 1980 (Chart 2). A similar condition should be applied to the minimum age at which flexible retirement can be taken under occupational pension schemes. Second, it is important to **prevent the new individual life-course savings scheme from becoming an alternative route to early retirement**. Opportunities to take leave through this scheme should help workers cope with their family responsibilities and enable them to invest themselves in training that will make them better prepared and motivate them to work longer. But the scheme should not be chosen only at the end of a career. Third, **the new disability scheme should continue to be closed off as a pathway to early retirement** and reassessment for disabled workers aged 50-55 with possibilities of recovery should be considered.*

Encouraging people to remain active longer only makes sense if there are jobs available to them. So, the role of employers also deserves attention.

- *To remove obstacles to hiring and retaining older workers*, it is important to **continue to promote age diversity programmes** in firms through information campaigns sponsored by the government and the social partners. The high-level Taskforce on Older People and Employment and the Action Group on Grey at Work are good practices that the OECD will be recommending to other countries in its Synthesis Report. **Barriers to work after 65 should be removed** and an age-neutral approach to collective dismissals should be more widely implemented. **The state, as an employer, should also implement good practices in the public sector.**

Finally, reforming pensions and income support arrangements and encouraging employers to be more receptive to an age-diverse workforce are only part of the battle. The extent to which older workers remain active will also depend on their own employability.

- *To raise the employability of older workers*, it is important to promote lifelong learning at all ages and in particular **to reach those who are not accustomed to participating in training** – i.e. workers with low education and skill levels – and to develop age-specific training tools to promote higher take-up of continued training at all ages. In general, skills acquired on the job are not sufficiently assessed or measured. This is a particular disadvantage for the older unemployed, 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.** Finally, **promoting better health at work is an essential complement**, as better working conditions for all workers throughout their working lives is a measure with lasting benefits: work is less strenuous and early retirement less frequent.

- Older workers may need special help to remain or get back into employment. **Employment services have a special role to play** in this regard. They should develop an innovative strategy with a special focus on job-search assistance, skill assessment and recruitment opportunities in the private sector, taking account of local labour market conditions. Reinsertion providers in the public sector should collect information on good practices and diffuse it widely to all providers at the local and national levels. The Ministry of Social Affairs and Employment should commission evaluation studies.

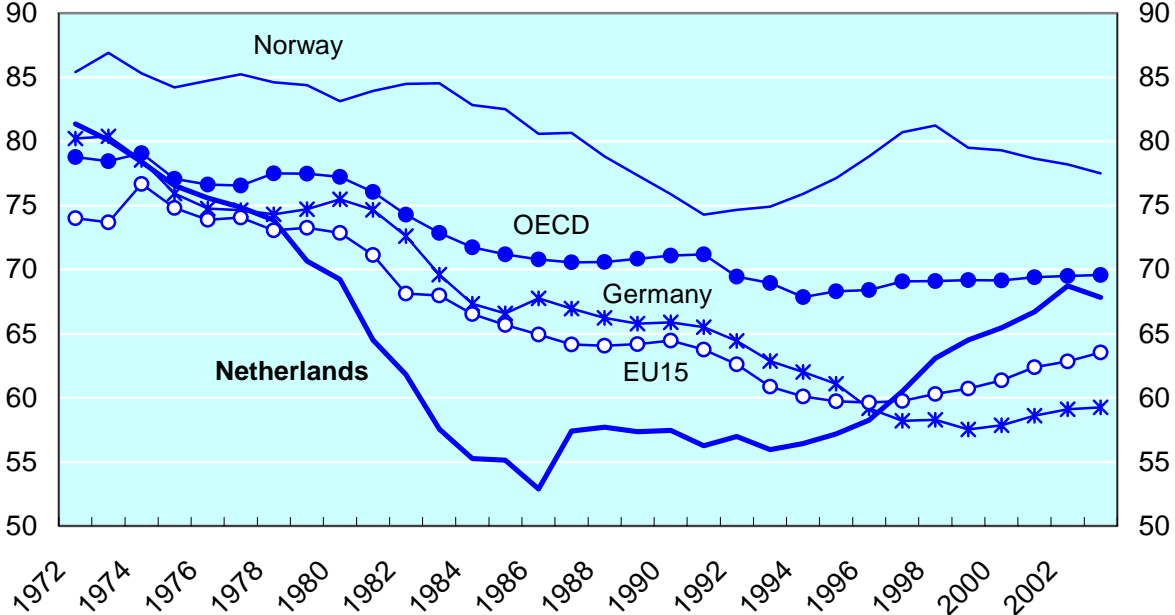
Mr. State Secretary, ladies and gentlemen, I would like to end my intervention by acknowledging that success will depend on how the reforms are implemented in the future and this is a shared responsibility among all players. I hope that this OECD report will contribute to the ongoing debate on the challenges posed by an ageing workforce in your country.

Thank you.

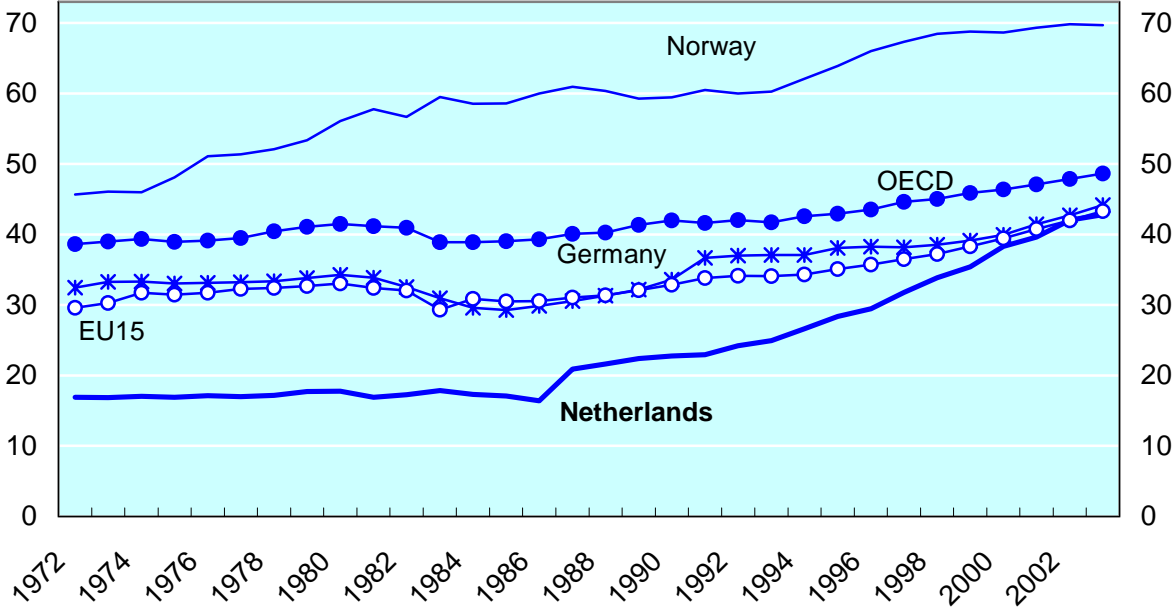
**Chart 1. Employment rates of older workers (50-64) are now higher than in the past but remain below OECD averages, 1972-2003**

Percentages

**Men**

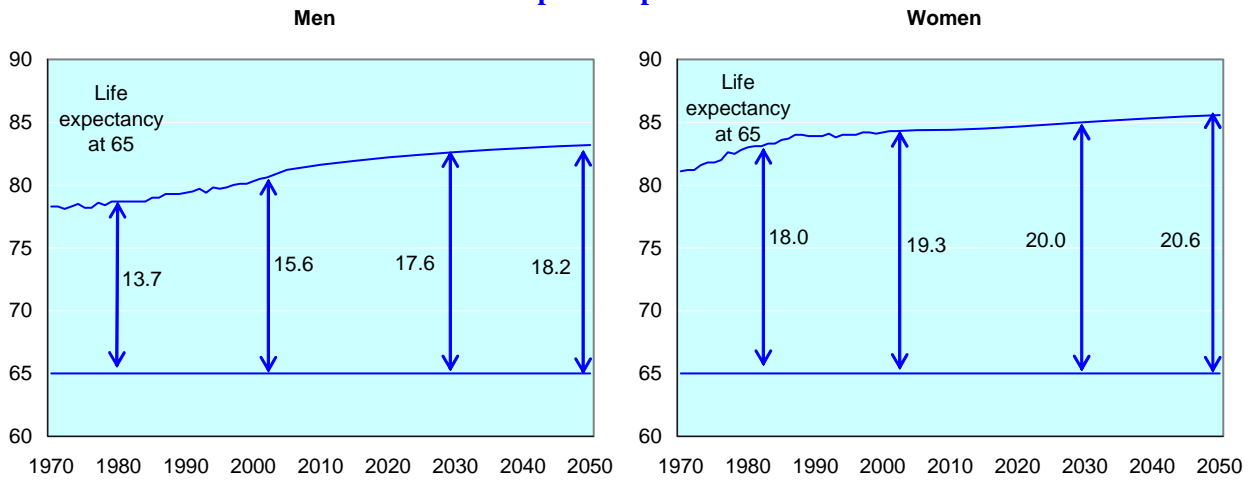


**Women**



Source: National labour force surveys

**Chart 2. Both men and women can expect to spend more time in retirement than in 1970<sup>a</sup>**



a) Based on projected life expectancies at 65 for men and women and assuming retirement takes place at the official age (65).

Source: Statistics Netherlands (CBS)