



Key findings

- The normal retirement age for the Netherlands in 2017 is 65 and 9 months, rising to 67 in 2021, thereafter it is linked to life expectancy. This would mean that someone who enters at age 20 in 2016 is likely to be able to retire at 71.
- The gross replacement rate for an average wage worker is 97% and the net replacement rate exceeds 100% far above the OECD average of 63% and 73%, respectively.
- Poverty rates among the 66+ are very low at 3.7% compared to 12.5% for the OECD on average.
- The basic pension can only be taken at the normal retirement age, there is no flexibility. Occupational pensions on the other hand typically provide more flexibility.
- Working hours in the Netherlands are already relatively flexible with more than 80% of 65+ and 47% of 55-64 year olds working part-time compared to 49% and 21%, respectively, for the OECD average.

Overview – Replacement rates are high and part-time work at older ages is common

The future of occupational pensions is hotly debated in the Netherlands. Life expectancy is increasing in the Netherlands as in other OECD countries. A longer retirement period puts pressure on the financial sustainability of both the basic pension and the defined benefit occupational pensions in the Netherlands. Pension liabilities increase with rising life expectancy and ageing has a potentially negative effect on interest rates and investment returns, making it difficult for pension funds to live up to pension promises. The financial crisis and subsequent low interest rates have prompted a fierce debate in the Netherlands about the future of its occupational schemes. Some want to change the parameters of the current system while others are in favour of a more radical switch to a defined contribution system or more hybrid solution like defined ambition pensions, keeping some of the intergenerational risk-sharing of the current system.

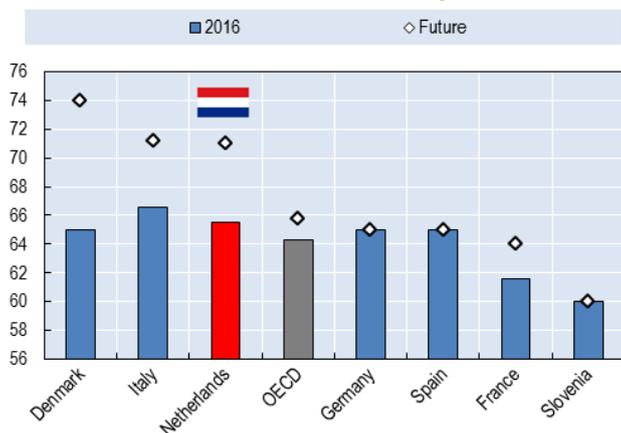
The age at which the Dutch are eligible for the basic pension is rising due to increasing longevity. In the last two years the Netherlands is one of the three OECD countries that legislated an

increase in the normal retirement age. In doing so it brought forward an already planned increase. The normal retirement age will rise from 65.75 years in 2017 to 67 in 2021, after which it will increase in line with life expectancy. The Netherlands is one of the few OECD countries together with Denmark, Finland, Italy, Portugal and the Slovak Republic to do so. According to current life expectancy projections the retirement age will reach 71 in 2067 in the Netherlands, being then the second highest normal retirement age in the OECD after Denmark. During the same period the OECD average will increase from about 64 to 66 years.

Such a high retirement age will help maintain a high level of pensions. Future replacement rates in the Netherlands are among the highest in the OECD. The net replacement rate for a full-career average-wage worker is about 100% compared with an OECD average of 63%. In addition the residence-based basic pension provides a solid basis for people with limited occupational pension benefits. Replacement rates for low earners are therefore even higher. Currently, poverty rates among 66+ year-olds are at 3.7%, the lowest in the OECD with Denmark and France.

Future retirement age is high in the Netherlands

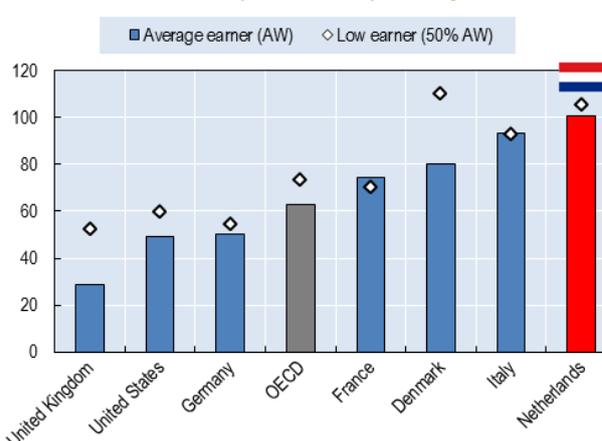
Current and future retirement ages



Source: [Figure 1.4].

Net replacement rates are high in the Netherlands

From mandatory schemes, by earnings level

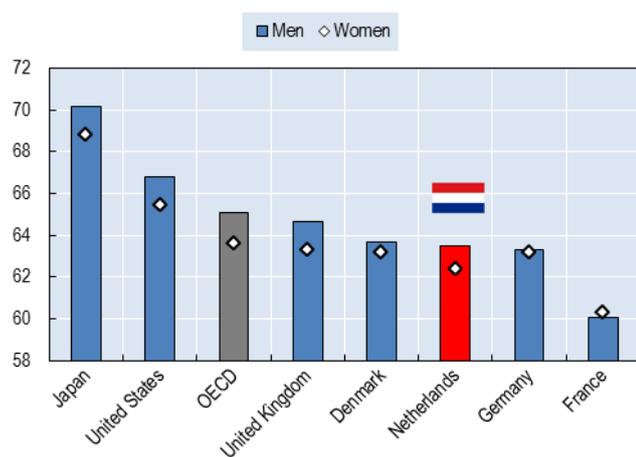


Source: [Figure 1.8].

Longer lives, the increasing diversity of work trajectories and the growing desire for more autonomy in modern societies are motivating calls for more flexible retirement. Some workers are able and motivated to work longer for the income, the social interactions or simply because they like their job; others want to stop working earlier because of health problems, to pursue other interests or, as is increasingly the case, to care for elderly relatives or grandchildren. In the European Union, almost two-thirds of citizens say it appeals more to them to combine a part-time job and partial pension than to fully retire. An AEGON survey in 2015 indicated that 46% workers in the Netherlands envision flexible retirement. Another survey referenced in Chapter 2 found that three-quarters of employers were in favour of a more flexible retirement age.

Options to retire early, late or gradually are available in many occupational schemes in the Netherlands. In the Netherlands the average age of labour market exit is 63.5 for men and 62.3 for women, well below the normal retirement age of 65.75. At the same time a significant share of 65-69 year-olds (13%) works after the normal retirement age. Yet, as in the other OECD countries, taking phased retirement (deeltijdpensioen) – working part-time while receiving a partial pension – is still rare in the Netherlands, only 12 000 employees used phased retirement in 2014. The basic pension cannot be taken flexibly.

The Dutch exit the labour market relatively early
Average age of labour market exit, 2016



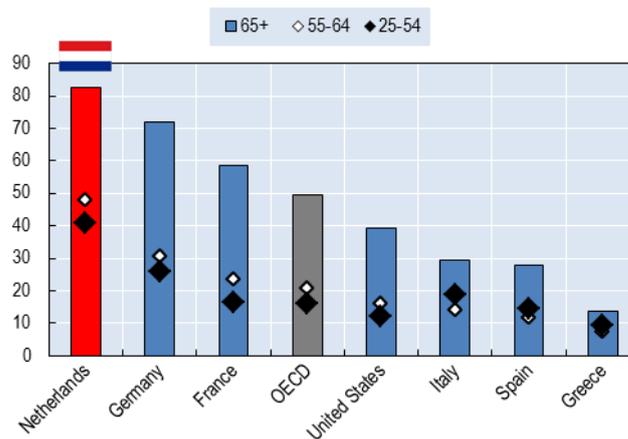
Source: [Figure 1.6].

Many older workers in the Netherlands already work part-time, in line with the general high prevalence of part-time work in the country. The share of part-time work in total employment after age 65 ranges from little over 10% in Greece to more than 80% in the Netherlands. Even if part-time work is common among all age groups in the Netherlands, the share increases particularly steeply for older ages. The average hours worked for 65-69 year olds is about 22 per week, compared to a little over 30 for 50-64 year olds.

Even if flexible retirement is often seen as a way to extend working lives it is not entirely clear that these schemes make people work longer. Offering greater flexibility through the pension system might lead some workers to continue in employment while receiving retirement benefits but it might also entice those who work full-time and retire late at the moment to reduce their working hours. Flexible retirement schemes in the Netherlands have the potential to be seen as (partial) early retirement schemes given the relatively early ages at which they are available. But even slightly shorter careers in the Netherlands will still provide relatively high replacement rates compared to many other OECD countries.

Part-time work is common in the Netherlands among older workers

Share of part-time work in total employment by age, 2016



Source: [Figure 2.9].