

Abstract

Promoting labour
participation among
older people

SIER

THE SOCIAL AND ECONOMIC COUNCIL IN THE NETHERLANDS

The Social and Economic Council (Sociaal-Economische Raad, SER) advises government and parliament on the outlines of national and international social and economic policy and on matters of important legislation in the social and economic sphere.

Employers, employees and independent experts are equally represented in the SER. Their recommendations voice the opinion of organised industry.

In addition to its advisory function, the council is responsible for the execution of certain laws.

A brochure on tasks, structure and procedures of the SER can be obtained, free of charge, from its Sales Department. Please also visit the SER's home page on the Internet: (www.ser.nl). It offers a host of information, such as the composition of the Council and its committees, press releases and the latest news.

© 2000, Sociaal-Economische Raad

All rights reserved. Sections from the SER advisory reports may be used for the purpose of quotation, with due acknowledgement of the source of the publication.

Social and Economic Council
Bezuidenhoutseweg 60
P.O. Box 90405
2509 LK The Hague
Telephone 070 - 3 499 499
Telefax 070 - 3 832 535
E-mail: ser.info@ser.nl
Internet: <http://www.ser.nl>

Sales Department
Telephone: 070 - 3 499 505

Promoting labour participation among older people

©2000, Sociaal-Economische Raad

All rights reserved. Sections from the SER advisory reports may be used for the purpose of quotation, with due acknowledgement of the source of the publication.

This is an abstract of the SER-advisory report:

Bevordering arbeidsdeelname ouderen

1999, 212 pp., ISBN 90-6587-731-2, order no. 99/18, f 25,00

Translated by: Balance, Maastricht/Amsterdam

Order no. 99/18E

ISBN 90-6587-735-5

Table of contents

1. Summary of the advisory report 5
2. Conclusion 8

1. Summary of the advisory report

Request for an advisory report

On 12 May 1999 the cabinet asked the Social and Economic Council (SER) to issue an advisory report on the policy to promote labour participation among older people. The background to the request is the fact that only just over a quarter of people over 55 years of age are currently in paid employment. Even by comparison with other countries this figure is low. The cabinet regards increasing labour participation among older people to be important, partly in view of the ageing of the population and falling birth rate. This increase is necessary in order to be able to meet the demand for qualified labour and to maintain an adequate base for the social security system. The aim is to reach a situation, in phases, where half of all over-55s are engaged in paid employment by the year 2030. In order to achieve this, the government believes that first and foremost a change of mentality is needed; employers must recognise the growing need to maintain the employability of older workers, and for employees it should become more natural to continue working to a later age. But this also means that it must be possible and attractive for older people to continue to work. This in turns means that existing policy that stimulates the early retirement of employees must be reviewed, that involuntary departure from the workforce (through unemployment and incapacity for work) must be prevented as far as possible and that reintegration of older job-seekers into the labour process should be stimulated. In its request for an advisory report, the government mentions a large number of possible measures – without making any specific choices – relating to both the social policy of companies and to supporting measures the government should provide, for instance through legislation and information provision.

Causes of low participation

To supplement the government's analysis, the Council also asked itself what factors underpin the current low level of labour participation among older people. The Council has concluded that the current low participation rate in employment by older people is largely the result of conscious and institutionalised policy. In response to rising unemployment in the seventies and eighties, the opportunities for older workers to take early

retirement were expanded. Many employees were able to stop working early by means of early retirement schemes. But the Disability Benefits Act (WAO) and the Unemployment Benefits Act (WW) also offered them a way of leaving the labour process. The Disability Benefits Act did so mainly through its lenient policy towards eligibility and payment of benefits. Under the Unemployment Benefits Act, one of the factors was the older workers guideline, which allowed employers to give priority to older employees when making staff redundant. In addition to these exit routes, individual circumstances (personal health and the household situation in particular), and, to a degree, work-related factors, play an important role in early retirement. Other factors include the negative image of older employees and the influence of employers, for whom the higher average costs of salaries, pensions and other employment conditions schemes for older employees could be a significant factor. The Council finds that policy must effectively address the causes of the current low labour participation among older workers.

General view of the Council

Labour participation among older workers must be increased, not only because of the current shortages on the labour market but also because of the structural ageing of the Dutch population and the related need to preserve an adequate base for the social security system. Making better and longer use of accumulated experience is also important for a properly functioning labour market.

Employment participation among older people has risen slightly again in recent years. The Council expects that with the tightness on the labour market and its capacity to adjust, it will become more attractive for older people to continue working longer. It nevertheless deems this rise to be a fragile one. This rising trend must be reinforced, and that calls for an extra effort.

The point of departure should be that in principle all persons below the age of 60 who are fit for work should participate in the labour process. At the same time, specific attention needs to be paid to intensifying the policy aimed at curbing the influx into disability benefits and at the reintegration of recipients of disability benefits.

In this context, the Council refers to the recommendations made by the Labour Foundation (Stichting van de Arbeid¹).

Labour participation among persons of 60 years and older must also be increased. For many of these people this will not involve full participation but establishing a process that enables gradual retirement on the basis of individual preferences. Transforming early retirement schemes into flexible pension schemes is of great importance to this. In general, the policy should be aimed at normalising the labour market position of older workers; existing arrangements to protect them that were acceptable in the socio-political context of the seventies and eighties need to be reconsidered.

The Council distinguishes two main policy tracks. The first should involve the continuation, and where necessary the further development of, an adequate age-conscious human resources policy in companies. The second should involve an improvement of the incentive structure of employment conditions and retirement schemes. In the advisory report the Council assesses the specific policy options in the areas of the social policy of companies, the labour market policy, social security and taxes and pensions. See the following pages for a summary of the Council's recommendations.

1 Stichting van de Arbeid, Beperking ziekteverzuim en instroom in de WAO, publication no. 5/99, The Hague 1999.

2. Conclusion

The Council agrees with the cabinet that the government, employers and trade unions must pursue a cohesive policy aimed at structurally increasing labour participation among older people. The Council expects that with the tightness on the labour market (and its capacity to adjust), it will soon become more attractive for older workers to continue working longer.

Nevertheless, the Council feels that, besides an intensification of current policy, an extra effort is needed to maintain and boost the current increase in their labour participation in the future. To this end, the Council has recommended two policy tracks.

The first track concerns a continuation of age-conscious, and in time age-independent, human resources policy at company level. The Council notes that the versatility, flexibility and mobility of employees on the labour market generally decline when they are older than forty years; consequently, by middle age people have already set their sights on early retirement. This is a major reason for the current low rate of labour participation among older people, which needs to be tackled by means of an age-conscious human resources policy from the moment that employees enter the labour process. Policy specifically targeting older workers comes too late. The core aim of the age-conscious human resources policy advocated by the Council is to keep employees as motivated, deployable and mobile for as long as possible, even at an older age, by increasing their employability.

The second track concerns an improvement of the incentive structure of employment conditions and retirement schemes (such as early retirement schemes); these schemes should provide the right incentives for both employers and employees to promote longer participation in or integration and reintegration into the labour process. The Council agrees with the Labour Foundation (Stichting van de Arbeid) that the employment conditions schemes should also help to stimulate labour participation among older workers. These schemes must help to create the conditions under which older employees can continue to play a full part in the production process and must not contain any obstacles to their participation in the labour process.

In the advisory report the Council gives its considered evaluation of the policy measures deemed conceivable by the cabinet. Based in part on the pros and cons listed in the request for an advisory report, the Council believes that on balance a number of these measures are ineffective. In their stead, the Council has formulated recommendations to employers and trade unions, the parties to collective bargaining agreement, companies and employees, together with a number of additional proposals directed to the government.

According to the Council, employers and employees can make it attractive both for over-40s to participate in the labour process and for employers not only to continue employing people in this age group but also to hire them. At decentralised level, employers and employees (including the government as employer) bear the responsibility of ensuring that older employees are better equipped to participate in the labour process. Employers and employees can also help the government to meet its responsibility of ensuring that older workers who no longer participate in the labour process are provided with the instruments they need to give them the opportunity to return in the short term.

The Council therefore makes the following recommendations, further to those of the Labour Foundation in the policy paper *Age & Work* (Leeftijd & Arbeid, 1997), to parties at decentralised level (parties to collective bargaining agreements, companies and employees):

- Pursue a future-oriented employability policy. Employers must continually invest in the employability of all employees, and employees should, with a view to maintaining or improving the skills relevant to their professional expertise, invest in their own employability and mobility on the internal and external labour market. In addition, it is recommended that the sectoral training and education funds should be stimulated to create more scope for training in general of older job-seekers so that they can secure the necessary qualifications to remain employable and mobile on the labour market for as long as possible.
- Periodically review all elements of the employment conditions structure from the perspective of the contribution that the employment conditions schemes should also provide to promoting labour participation among older employees. The Council agrees with the Labour Foundation that an imposed unilateral downward adjustment of job and/or salary levels for older employees is not an option.

- Opt for sustainable financing of the employment conditions schemes specifically targeted at older workers (such as early retirement schemes, senior days, bonuses for older employees) in a way that does not lead to an increase in the labour costs of older employees. Possible examples include the build-up of entitlements or savings schemes (such as transforming early retirement schemes to flexible pension schemes) so that more sustainable financing is generated over a longer period of the career within the collective framework of the scheme. In this way, schemes can also be tailored to the individual.
- Assess ways in which the options within the package of employment conditions can actively contribute to and be incorporated into an age-conscious human resources policy.
- Assess whether it is possible in practice to take a more flexible approach towards continuing to work after the termination of the employment contract at the start of the (flexible) pension, for instance by concluding a new employment contract. In this context, the Council assumes that in general the start of the pension results in the termination of the employment contract.
- Be less strict in assessing non-traditional recruitment categories (including older job-seekers) when filling vacancies; with a view to their influx into the labour process, the age-conscious human resources policy for the incumbent staff should also contain instruments aimed at (recruitment) activities on the external market (such as introduction courses and orientation programmes).
- Offer extra-statutory income supplements with respect to unemployment benefits reservedly, as these remove the incentive for older workers to return to work. The money devoted to such schemes should be used primarily to create opportunities for the transfer of older workers to suitable employment and to improve their employability.
- In the event of collective redundancies, allow the human resources policy to take into account the chances on the labour market of those affected, by adopting the principle that the group made redundant should reflect the age composition of the company's workforce.
- Progressively continue the process of transforming early retirement schemes into pre-pension or flexible pension schemes. The decision to leave the labour process at a particular point in time ought to influence the pension entitlements in accordance with actuarial fairness.

In addition to these recommendations to companies and employees, the Council makes the following proposals with regard to government policy:

- In the campaign aimed at achieving a change in mentality, concentrate on improving human resources and employability policy. In other words, the focus should be on increasing the employability, flexibility and mobility of over-40s in particular.
- Place the emphasis in voluntary agreements on working conditions with industry on measures which make it possible and attractive for older people to work longer.
- Stimulate the bodies responsible for implementing social security (agencies and municipalities) to take the lead in an age-conscious approach to older job-seekers (tailored advice, intensive individual counselling, education and training).
- Use the current job creation instruments in a preventive and age-specific fashion and employ them in a policy aimed at promoting mobility among older workers (for instance, in the shape of inter-sectoral mediation).
- Allow scope within the job creation policy to continue, and where possible intensify, a sectoral approach, so that bottlenecks in specific sectors can be tackled in a customised fashion.
- Gradually reintroduce the job-search requirement for unemployed benefit recipients over the age of 57½ once a number of conditions have been met. It must be plausible that older job-seekers have a realistic chance of finding a suitable job. The definition of the concept of suitable work for which the job-search requirement applies must take sufficient account of the age and work experience of the persons concerned. If on the reintroduction of the job-search requirement the persons concerned are divided into categories, this requirement should first be introduced for unemployed persons with a good chance of finding work. The reintroduction of the job-search requirement should be phased in by gradually raising the age limit for the job-search requirement so that it extends to new, older unemployed benefit recipients. The Council is aware that opinions differ on when the job-search requirement can be reintroduced and what precise conditions should be attached to it.
- Subject to strict conditions (in particular with regard to financial means), consider more far-reaching forms of differentiation of the sectoral unemployment benefits premium (specifically by continuing the creation

of premium groups) after the results of the evaluation surveys are returned.

- Employ tax measures to reduce the labour costs of older employees and to (partially) compensate for the extra costs of increasing their employability, such as a reduction of the employer's contributions for specific categories of older employees (employees changing jobs, job-seekers eligible for unemployment benefits or otherwise).
- Remove obstacles to the reintegration of older partially incapacitated persons arising from extra pension costs through the Reintegration of Disabled Employees Act.
- Give individual employees the statutory right to revise the basis of calculation of their pension, as mentioned in the request for an advisory report, if the salary on which their pension is based is reduced as the result of a change in working time or move to a job with a lower salary.
- Consider disqualifying from tax breaks early retirement schemes that come into being after a particular date.
- Investigate whether pre-pension and flexible pension schemes are designed in such a way that they allow employees to make a conscious choice between continuing to work and retiring and do not create any barriers to working longer (after the pivotal age). If the study shows that this is not the case, the draft advisory report recommends that the relevant provisions of the Fiscal Treatment of Pensions Act be re-evaluated.

The Council believes that this combination of recommendations and proposals can lead to an adequate and sustained increase in labour participation among older workers. This mix will also contribute to the change in mentality the cabinet is seeking, in the sense that it will become more natural for employees to continue working longer and that employers will recognise the growing need to employ older workers in the labour process.

Translated publications

Abstracts of recent opinions in English, French and German

99/18E

Promoting labour participation among older people

1999, 12 pp., ISBN 90-6587-735-5

99/05E

Social Security in the Netherlands

2000, 30 pp., ISBN 90-6587-734-7

99/16E

The Eastern enlargement of the European Union

1999, 20 pp., ISBN 90-6587-729-0

99/04E

Higher Education and Research Plan 2000

1999, 20 pp., ISBN 90-6587-719-3

98/18E

European Social Dialogue

1998, 19 pp., ISBN 90-6587-710-X

98/09E

ICT and the consumer

1998, 21 pp., ISBN 90-6587-692-8

98/08E

Socio-economic policy 1998-2002

1998, 27 pp., ISBN 90-6587-701-0

98/04E

Agenda 2000: financing and enlarging the European Union

1998, 18 pp., ISBN 90-6587-686-3

96/09E

Reform of the Common Agricultural Policy

1996, 24 pp., ISBN 90-6587-632-4

96/09D

Reform der Gemeinsamen Agrarpolitik

1996, 25 pp., ISBN 90-6587-633-2

96/09F

Reforme de la politique agricole commune

1996, 25 pp., ISBN 90-6587-634-X

96/05E

Towards an innovative economy

1996, 33 pp., ISBN 90-6587-631-6

95/09E

The extension and further development of the European Union

1995, 35 pp., ISBN 90-6587-592-1

95/01E

The European Social Policy of the future

1995, 19 pp., ISBN 90-6587-587-5

94/03E

Dutch medium-term socio-economic policy (1994-1998)

1994, 23 pp., ISBN 90-6587-562-X

93/16E

Socio-economic relations with Central and Eastern Europe

1993, 30 pp., ISBN 90-6587-565-4

93/04E

Environment, trade and sustainable developments: Some international issues

1993, 40 pp., ISBN 90-6587-531-X

93/01E

A regulatory tax on CO₂-emissions and energy use

1993, 25 pp., ISBN 90-6587-521-2