



CPB Netherlands Bureau for Economic
Policy Analysis

How will Dutch long-term unemployment recover?

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Long-term unemployment is a problem:

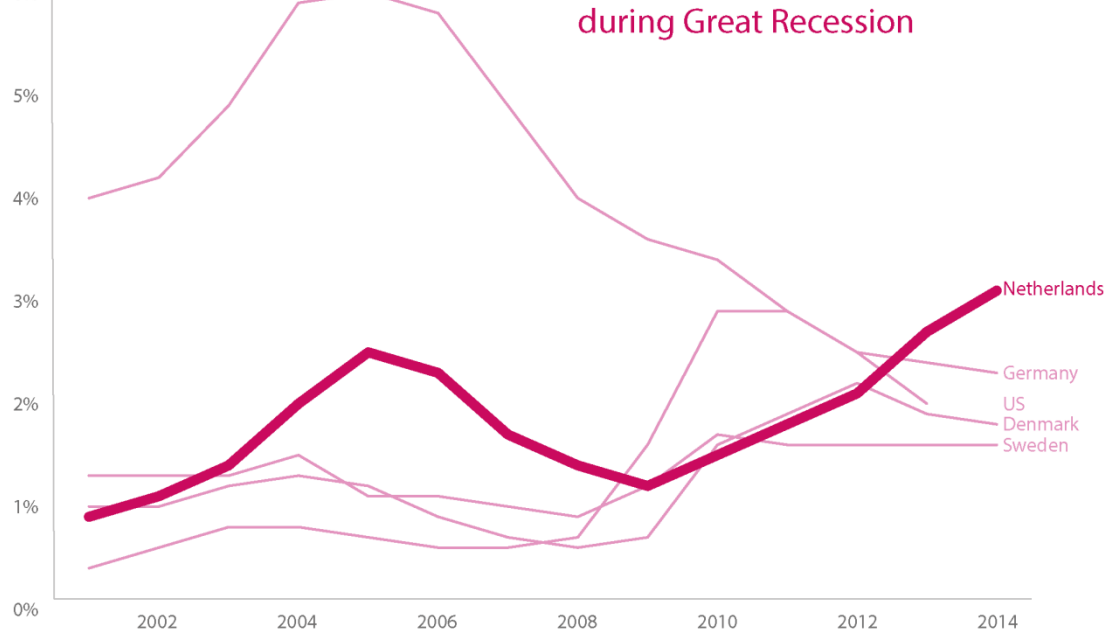
- Unhappiness
- Permanent income losses
- Loss of skills and human capital
- Lower tax incomes
- Higher social security expenditures
- Potentially lower economic growth due to discouragement



Current heap of long-term unemployment: a cyclical or structural problem?

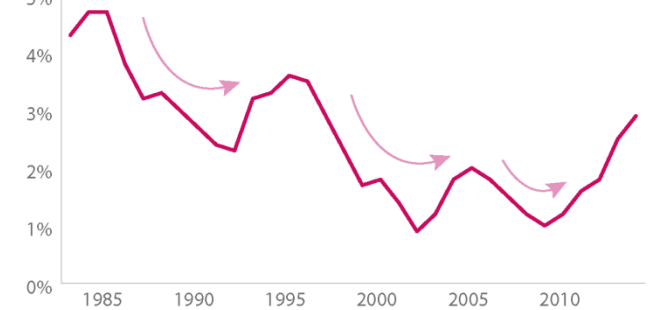


long-term unemployment
as % of labour force



...But this is largely a cyclical phenomenon:
it declines again after recessions

long-term unemployment
as % of labour force

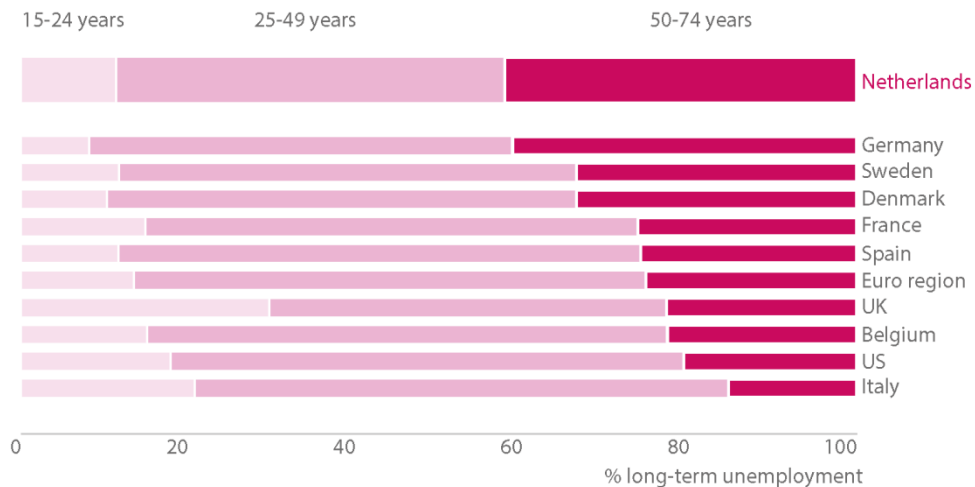


Recovery may be

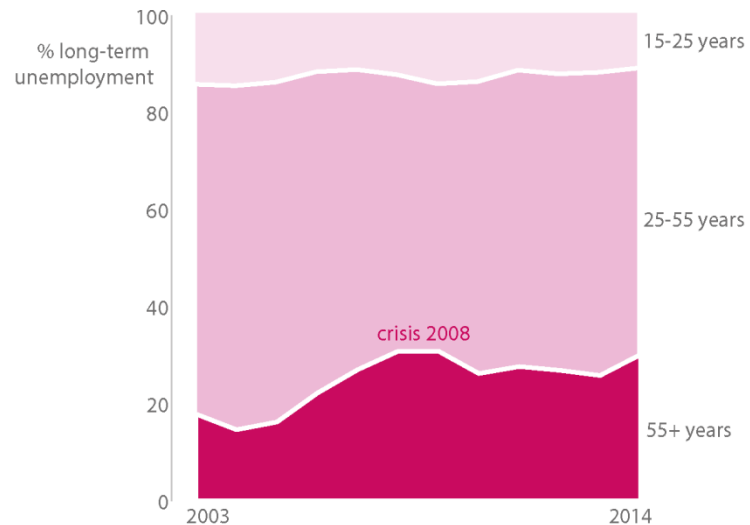
- **quicker** due to increased flexibility
- **slower** due to higher share older workers



Netherlands has a high share of unemployed aged 50+

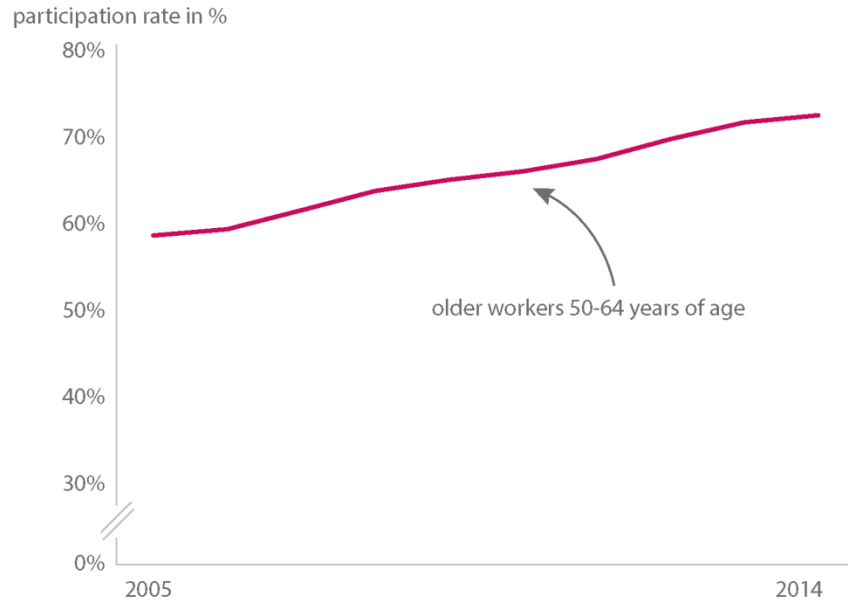


...that rose before the crisis: a structural problem





Collateral damage: high share of unemployed 50+ may be the result of successful policies to stimulate participation of older workers.



- abolishing early retirement schemes
- job search requirements
- last-in-first-out by age group
- increasing retirement age



Not all labour institutions have sufficiently adapted to this higher participation rate:

1. Unemployment benefits
2. Employment protection
3. Wage costs higher for older workers



1. Unemployment benefits

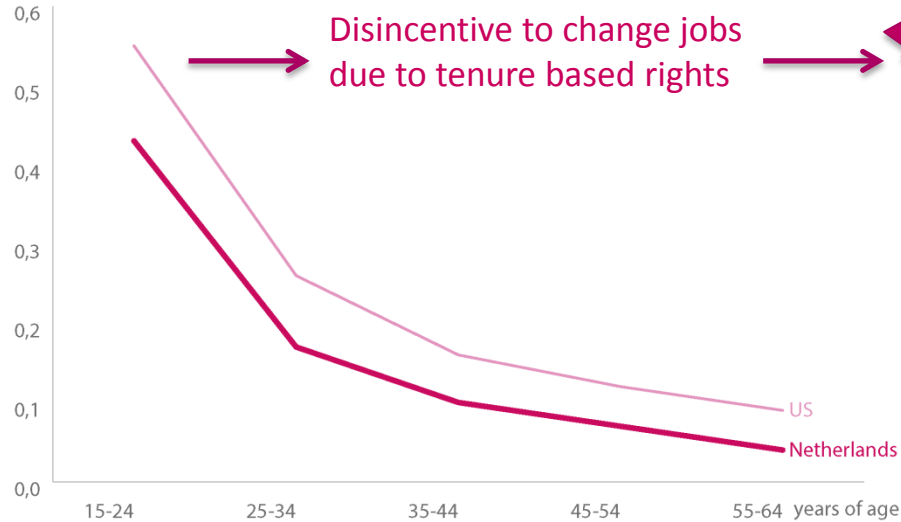
- Older workers have longer benefit rights
- Many unemployed do not lower desired wages with unemployment duration
- WWZ shortens maximum benefit duration, but older still have longer rights





2. Employment protection

share of jobs with
a duration < 1 year



Disincentive to change jobs
due to tenure based rights

Employability of
older workers

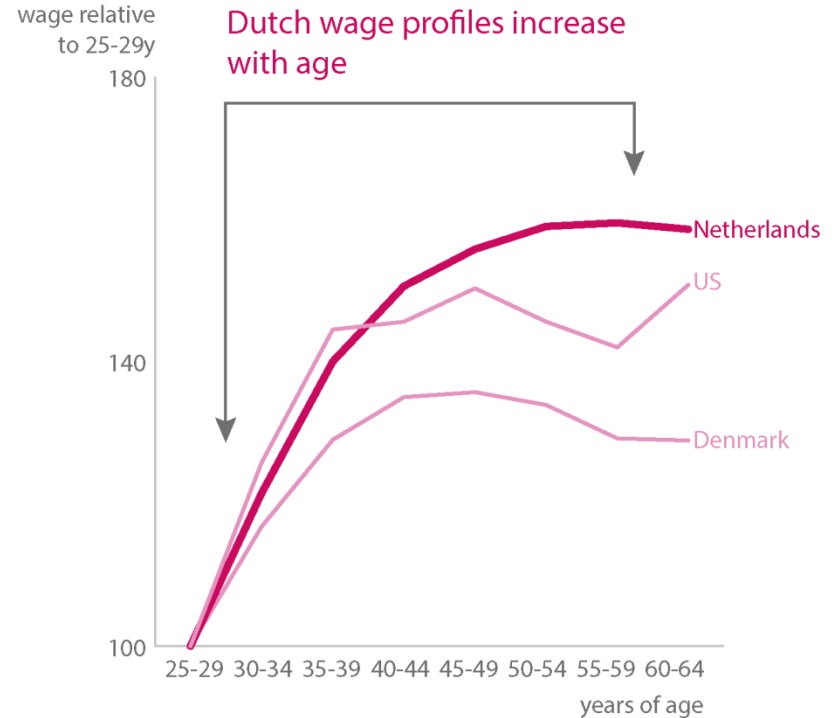
Stuck in shrinking
occupations

WWZ abolishes age based rights,
but not tenure based rights



3. Wage costs higher for older workers

- Dutch wage profiles increase with age
- Collective labour agreements include extra days off for older workers, fewer shift work, etc.





Conclusion

- Good news: to a large extent long-term unemployment will recover automatically
- But structural reforms necessary in labour market for older workers



Thank you!

