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 increased during Great Recession...But this is largely a cyclical phenomenon: it declines again after recessions.

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

- WWZ abolishes age based rights, but not tenure based rights.
- Disincentive to change jobs due to tenure based rights.
- Employability of older workers.
- Stuck in shrinking occupations.

Graph: Share of jobs with a duration < 1 year, by age group (US and Netherlands).
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!