

Speech by Prime Minister dr. Jan Peter Balkenende, Netspar Conference, Tilburg, 30 March 2005

Societal innovation: new arrangements for enduring values

Ladies and gentlemen,

“It is quite wrong to think of old age as a downward slope. One climbs higher and higher with advancing years, with surprising strides.”

These optimistic words by writer George Sand set the tone for my address to this conference on ageing and life course. Growing older – entering a new phase of life – often opens up fresh opportunities. Every phase of life has its own possibilities. Let’s try to view them in a positive light.

Netspar also takes a positive approach. It provides the Netherlands with a new network that brings together top-class knowledge and experience on pensions, ageing and life course.

It is headed by one of the Netherlands’ best economists. And so it promises to become something special.

I am delighted with this development. The issues that concern you go to the very heart of our joint future. A future in which we want to safeguard a number of enduring values. Wellbeing and prosperity, development opportunities for all, and solidarity between young and old, rich and poor.

These values can only be safeguarded if the Netherlands makes better use of its human potential. Demographic ageing makes it essential to give our human capital our full attention. People such as Lans Bovenberg and Herman Wijffels – along with many others – have emphasised this again and again.

What we are talking about is societal innovation. To bring this about, organisations and arrangements should focus on improving the way people’s talents are used and maintained.

This afternoon, I would like to explore three key areas of societal innovation:

- First, a stimulating work situation.
- Second, constant personal development.
- And third, life course.

First let’s look at a stimulating work situation.

In Herman Wijffels’ report “Vitalising the knowledge economy”, I came across a worrying statistic. About three quarters of workers in the Netherlands go to work with little motivation.

It’s worth thinking about that. Lack of motivation undermines human creativity. People who do not enjoy their work are less likely to want to take part in improving work processes, products and services. Yet we need their commitment.

People are the carriers of innovation. Work should be organised with this in mind.

Every organisation gets the employees it deserves. Inspired leadership is needed to encourage people to always give their best. This includes everyday things like complimenting people and giving them positive feedback.

Sometimes it has to do with the way work is organised. I recently came across an example involving a cardboard factory. It introduced a separate production line for the most specialised work, where older employees work with newer ones. This has had a positive impact on all concerned. The older workers enjoy passing on their knowledge to the younger ones. Motivation has increased and fewer people take sick leave.

Inflexible control from above does not usually encourage workers to be innovative.

We need to understand where the greatest potential for innovation within an organisation lies. In classical, vertically integrated companies and organisations – which have everything they need in house – innovation could be decreed by management. But that type of organisation is becoming more and more rare. Companies are increasingly focusing on their core business and operate in open, interactive networks with other organisations.

It is at the contact points with the outside world – customers, suppliers, knowledge institutions, strategic partners – where innovation is jumpstarted. So those on the shop floor who maintain these contacts need plenty of elbow room.

This is easier said than done. Old top-down habits can be difficult to break. That applies to the government too, which wants to give professionals much more scope in sectors like education and care. Putting an end to decades of over-regulation is no easy task. But we have no choice if the innovation we need is to be given a real chance.

This calls for a different way of looking at jobs.

Jobs used to involve well-defined duties carried out at a fixed place in an organisation. But nowadays careers are becoming more diverse. And job hopping within and between organisations is becoming increasingly common.

In the future this change will need to be reflected in employment law. Arrangements that chain people to one place are no longer what we need. Instead of linking legal status and terms of employment to a narrowly defined job, we should attach them to people, who can move around within an organisation.

To make mobility possible, it should be easier to take rights that you have built up with you to your next job. Anyone who is faced with a pension shortfall or a social security shortfall when changing employer will think twice before taking the plunge. We need to keep this constantly in mind now that social security is becoming increasingly decentralised.

Ladies and gentlemen, the second area I want to look at is constant personal development.

Studies show that employees who follow training courses are:

- more productive;
- less likely to become unfit for work;
- less likely to be dismissed;
- and, if they do lose their job, find a new one more quickly.

Training is therefore an important success factor. For individuals and for our economy as a whole.

Serious staff shortages already exist in certain sectors, such as education and care. This trend will continue at the same pace as demographic ageing.

The unemployment problem will change radically within a generation. Instead of demand for labour being scarce, it will be the right knowledge and skills that will be in short supply.

Before long, everyone who can work will be needed. But we'll have to ensure that everyone is and remains properly equipped to do the job of their choice.

The Social and Cultural Planning Office sees growing autonomy for workers as the main labour market trend. Employees will need to show more flexibility, creativity and initiative. This will require a new attitude to training.

Pay talks often result in agreements on training that are directly linked to the work people do in their present jobs. But what we need is people who dare to think beyond that. Who dare to look to the future.

Not only young people, but also over-forty-fives. We are still too careless with our human capital. Above a certain age we seem to forget about learning.

Things are changing for the better, but far too slowly. In 1995 eleven per cent of people aged between 45 and 64 were following a course leading to a qualification. This figure has now risen to sixteen per cent. But twice as many young workers are studying for a qualification.

In 1995 twenty-one per cent of people between the ages of 45 and 64 were taking a course not leading to a qualification. This percentage has barely increased since then.

We need to think carefully about ways of giving people more scope to invest in their knowledge and skills. Including tax incentives. A question I have raised before is whether we shouldn't transform part of the employed person's allowance into a knowledge allowance.

You too can help improve individual training opportunities. I am now addressing those of you who represent pension funds and insurance companies. If I look at what you advertise, I mainly see products that enable the elderly to have a good time. We see youthful over-fifties on a boat with a tropical island in the background. But isn't it time to develop attractive products that enable people to continue to learn and develop?

Course providers should consider how they might contribute to constant personal development. A 20-year-old does not just have different needs than a 50-year-old. The way they learn is also different. There is a great variety of needs and wishes. The courses on offer do not always cater for them. There is still plenty of room for improvement.

Ladies and gentlemen, investing in training means investing in productivity. Another way of raising productivity is by investing in R&D. As you know, the European Union has agreed that we should aim to be spending three per cent of our GDP on R&D in five years' time. With businesses providing two thirds of the funds, and the government one third.

The Netherlands currently falls into the middle bracket in Europe, with 1.89 (one point eight nine) per cent. And the government provides nearly half the money. So businesses – which rightly place so much emphasis on innovation – need to make a considerable extra effort. I have more respect for criticism that comes from the shop floor or a research centre than from an armchair.

But the government too must make its contribution. I am not satisfied with being in the European middle bracket. My aim – and I also say this as chairman of the Innovation Platform – is to be a leader in Europe.

Our economy is slowly gaining momentum again. But let's resist the temptation to immediately spend the extra revenue. Fortunately we have another – more long-term –

instrument for giving the knowledge economy an extra boost. I'm referring to the Economic Structure Enhancing Fund, which benefited from extra gas revenue last year.

We are going to use these windfalls to boost the knowledge economy. We will also alter the way the Fund's resources are divided between investment in the physical infrastructure and investment in the knowledge infrastructure. At the moment, we are working on this as part of our preparations for the 2006 budget. In fact, last Saturday we decided to earmark half a billion euros for knowledge and innovation.

And now that the government is doing its share, we expect the business community to follow suit!

The third area we need to consider is life course.

Time and again, Lans Bovenberg has pointed out how much our life course has changed in the past few decades.

We now enjoy a longer and healthier old age. Every decade, life expectancy rises by about one and a half years. A precious gift.

But the number of years we spend working is declining. Young people are taking longer to study and to freewheel before they throw themselves into a job. And people are retiring at an ever younger age. About a third of our pension costs are now spent on schemes for early retirement. Sixty-one per cent of people in the 55 to 65 age group do not work at all.

In everybody's life there are two periods in which they need to be looked after: when they are young and when they are old. And in between there is a period in which they themselves provide care: for children and for the elderly.

The burden on the generation that provides care has steadily increased, in terms of both time and money. During our working career – between the ages of 30 and 55 – the burden often rises sky-high, with all the negative effects this entails. Including negative effects on economic innovation. Because the same overburdened workers are also expected to continue to develop and contribute to innovation in their own organisation.

One thing we know for certain: the pressure on those in work is going to become even greater as a result of demographic ageing.

So we cannot accept that people in their thirties and forties continue to contribute to generous early retirement schemes for people in their fifties. Society should stop having to foot the bill for the poor maintenance and premature writing off of human capital. We need a new form of solidarity, with a new balance between the rights and duties of different generations.

And the generation that requires much more of our attention than before consists of people in their thirties and forties.

The introduction of a life-course savings scheme marks a crucial change of direction. The scheme represents a radical new approach. We are no longer on a train to nowhere. But on one that offers good future prospects.

Schemes that promote early retirement will be limited. Instead, tax incentives will make it easier to combine work, care and study.

Instead of writing people off before their time, we want to invest in human capital. That will mean significant gains.

With the life-course savings scheme we are back on the right track. Let's consider some related questions. For instance: How can we make sure that the scheme delivers optimum results in the future?

Someone who makes full use of the scheme will be able to take a year's time-out three times during their working career, while receiving seventy per cent of their salary. But people first need to save. Suppose you start saving when you are 25. You can then take time out when you are thirty-two, for instance if your first child is born. And then you will have to save again before taking more leave. For young families this is not always easy to plan.

It should be attractive for people in their thirties to make use of the life-course savings scheme. And for people in their fifties to continue working longer in a way that meets their wishes. Why do we end our working career so suddenly when we reach a certain age? Why hasn't a part-time pension been introduced? Payment of part of our pension could be brought forward while we continue working longer – as was agreed with the social partners last autumn. We could work fewer hours, but until a later age. Even beyond the age of 65 if we want to. In other words, those in work would take longer to stop working altogether. All of us would gain.

I would call on employers and employees to think carefully about life-course plans and to bear younger people in mind. You pledged to do so last autumn. And it's now up to you to fulfil your pledge. I can't help noticing that pay talks still focus heavily on early retirement. While what is really needed is good life-course agreements.

Ladies and gentlemen, changes are needed to safeguard solidarity into the distant future. I am talking about real solidarity, which can withstand the demographic and economic developments in our own country and outside it.

You are representatives of social enterprises and knowledge institutions that watch over the finest thing we have: our future. Not only our individual future, but also our future as a society.

You can contribute to that future by being innovative. By designing new products that offer certain groups real prospects. Especially people in their thirties and forties.

You can play an important role by taking care of individual needs and requirements. Clarity is very important here. Don't make things too complicated. A pension is not a telephone subscription. For many people, freedom of choice goes hand in hand with a strong desire to know exactly what they're getting. You have a social responsibility to avoid a situation where clients can't see the wood for the trees.

Ladies and gentlemen, Benedict Spinoza once said: "All things excellent are as difficult as they are rare".

It was the Spinoza prize awarded to Lans Bovenberg that paved the way for Netspar. An excellent network, with a difficult but beautiful task.

We are fortunate that such an initiative between public and private partners has been launched in the Netherlands. You have taken up one of the most crucial issues of our time: societal innovation and the search for new arrangements to safeguard enduring values.

Bringing together brainpower, knowledge, experience and implementation capacity in this field is a major step forward. And I congratulate all parties involved.

The government welcomes the creation of Netspar. We would like to look upon you as critical, innovative and constructive partners in the debate on our pension and social insurance system. By pooling knowledge, we can also play an important role in the international debate on pensions, social security and demographic ageing.

The Innovation Platform believes that this is a key area for innovation

That's why the government recently pledged to support Netspar. I sincerely hope that Netspar will develop into a top-class institute that inspires others.

I wish you every success. We will remain in close touch.

Thank you.