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Excellencies, ladies and gentlemen,

Migration has always occurred. But mass migration is rare. It is something that we have not witnessed in the Netherlands for a long time. In the second half of the twentieth century we saw only two relatively modest flows of labour migrants. First, Dutch people who, in search of space, opted for a future in large and sparsely populated countries such as Canada or Australia and, second, workers from the Mediterranean countries who came to the Netherlands to work.

Between 1950 and 1960 more people left the Netherlands than entered it. But even at the peak of emigration the net outflow remained limited to just under 50,000 a year.

Since 1960 the number of immigrants has exceeded the number of emigrants from the Netherlands. Indeed, in the last 40 years of the twentieth century the number of immigrants exceeded the number of emigrants by between 25,000 and 50,000 annually. Less than a quarter of the immigrants came as labour migrants. The majority entered the Netherlands for the purpose of family establishment or family reunion, asylum or study.

As yet there have been no large migration flows to or from the Netherlands within the European Union. In recent years only one in six of the people settling in the Netherlands from abroad came from another Member State of the European Union.

Mobility within the European Union is low. Each year only 0.2 percent of the population of the EU migrates to another Member State. This is just one tenth of the migration within the United States. Migration to the Netherlands from the other countries of the European Union amounts to only 0.12 percent.

People are relatively averse to relocation. This is partly due to the limitations inevitably imposed by language. But another factor putting a brake on migration is that in more and more households both partners go to work.

Most businesses, too, are averse to relocation. But what we are seeing to an increasing extent is that they are transferring their production to other countries. In recent years, this shift has mainly been to Eastern Europe or to Asian countries because labour there is cheap. 40 percent of Dutch industrial companies expect to move operations to low wage countries in the next six years.

Nor is this phenomenon new. In the 1960s and 1970s we saw the textile and leather industry relocate from the Netherlands to other countries, particularly Italy, where labour was much cheaper. I do not regard the relocation of businesses as a bad thing, certainly not as long as other – and preferably more – businesses and jobs take their place.

A factor that is of much greater importance to the economic development of the European countries than the extent to which they allow immigration is the proper functioning of their labour markets. That is to say, we should reduce unemployment and provide growing employment.

This means that there is a need for workers to be geographically mobile within countries. Unfortunately, factors such as a working spouse or partner, an attractive home and children of school age may mean that people decide to draw benefits rather than accept work outside their own region in an effort to resolve all the problems facing them.

I recently heard that after the fall of the Berlin Wall many people from the former East Germany maintained that they could not find work in Berlin, even though the city was booming. So they claimed benefits. It was only when they were told that there was work for them in Baden Württemberg that it suddenly transpired they could also find work in Berlin!

What is certainly every bit as important for a properly functioning labour market as geographic mobility is job mobility. Nowadays, it is no longer sufficient for most people to learn a trade or profession just once in their lifetime. Instead of first learning and then working, people will have to learn and work throughout their working lives in order to ensure that they remain employable.

This has meant that expenditure on training per employee almost doubled in the Netherlands between 1990 and 1999 from €417 to €826. Moreover, the number of employees receiving refresher training increased from a quarter in the period from 1992 to 1994 to over a third in the period from 1998 to 2000 and to 40 percent now.

Nonetheless, we Europeans have too often decided to cease investing in older employees. Instead, we have sent many older staff home. We have not retrained them or given them refresher training, but have simply replaced them by young people who have the advantage of more recent training. This is easier and cheaper – so the employers have reasoned. But this is now definitely a thing of the past. In the coming years there will be fewer young people joining the labour market, which will instead be dominated by older people.

As is evident, for example, from a study carried out by the World Economic Forum on the effects of ageing societies, labour migration does not provide a solution to the problem of an ageing population. The Dutch Central Planning Office (CPB) shares this opinion. It notes that labour migrants are often followed by other migrants – in the context of family reunion and family establishment – who tend on average to participate in the labour market to a lesser extent.

In 2001, over 13 percent of the working population in the Netherlands was drawing benefits. But the proportion of immigrants receiving benefits was 22 percent. The proportion of social security benefit claimants among immigrants is much higher than average, especially among first generation, non-Western immigrants. It would therefore be advisable to take further steps to promote participation in the labour market, before examining the possibilities of labour migration as a solution to labour market problems.

We must increase participation in the labour market by making much better use of existing knowledge, expertise and energy. In short, we must keep more older people working longer. We must enable more women and men to combine paid work with duties in the home. We must help more people with a partial incapacity for work to find and retain employment. And we must help more young people to find work.

Good education is necessary for this purpose, education linked to work trial placements, education that can make use of practical training periods. A well-educated younger generation offers the best prospects for a prosperous future.

Our Invalidity Insurance Act (WAO) is renowned way beyond our borders. Almost one in seven Dutch employees is to some extent incapacitated for work. This high proportion is due mainly to the fact that over a period of many years we have looked only at what people could no longer do: the incapacity for work took precedence. Now we wish to look first and foremost at the possibilities which people still have. This is why there is to be a new system for people with a disability, a system that encourages all parties to regard the preservation of employment as the highest priority.

The participation of women in the labour market has been increasing in the Netherlands for many years. But it is still mainly women who take the small part-time jobs and are most likely to combine their work with care and household functions. Women are still hardly represented in top positions in companies and other organisations. Here, too, we see a potential pool of knowledge and expertise that is still insufficiently tapped by Dutch businesses.

This is also true of the potential of older employees. In the 1980s we introduced early retirement in order to provide room in the labour market for a greater number of young people. But in an ageing society we can no longer afford to promote early retirement at or around the age of sixty by means of tax incentives.

To be able to keep older staff in employment for longer and to enable people to combine work better with other functions, the Dutch government is introducing a “life-course scheme”. This is a programme that will enable men and women to develop their talents to the full, both at work and in their private lives, at study and during leisure time, in providing care for their children and close relatives and in times of deliberation and reflection, in short, throughout their entire working life.

The maximum amount that people can save with the help of tax incentives is one and a half times their annual salary. Anyone who does this can take over two years' leave at 70 percent of their salary. Tax is paid only at the moment that leave is actually taken. After using up all or part of their entitlement, employees may build up the entitlement to the maximum again.

The scheme provides people with a larger number of up-to-date alternatives. It provides, above all, freedom of choice. There is less emphasis on the collective and on obligations, and greater freedom to save – according to one's own inclination and needs – for different forms of leave, even and above all during one's career.

Striking the right balance between learning, work, care and leisure throughout one's life, this is what we want to achieve – rather than focusing entirely on early retirement.

The scope of labour migration in Europe is small (just 0.2 percent). The Dutch Central Planning Office (CPB) has calculated that if there were to be completely free movement of workers from the new EU Member States, between 5,000 and 10,000 extra labour migrants and 10,000 extra seasonal workers would come to the Netherlands by 2006.

These can hardly be said to be startling numbers – in any event, not numbers that are sufficiently large to solve problems in the labour market, nor numbers that could cause the 'meltdown' of social security systems.

The European labour market still hardly exists. However, the countries of the European Union do have labour markets that closely resemble one another. The problems in these labour markets must be solved first and foremost by raising the degree of labour force participation, particularly at the lower end of the labour market. Almost a fifth of the people looking for work received only basic education. The number of jobless in this category who are looking for work is 22 percent higher than in all other educational categories.

It follows that the prospect of finding work will be extremely unfavourable for the least educated in the next few years. Once we have improved this prospect, we can then remove the obstacles to labour mobility within the European Union.

We are facing three major challenges in the next few years. First of all, we must improve the operation of the social security system and ensure that it focuses on inducing people to find work. Second, we must invest in training. Lifelong learning must become commonplace. And, third, we need a radical change in attitudes. People must once again consider it perfectly normal to be in work.

If we succeed in this, the European welfare state need not be jeopardised. After all, the welfare state can be maintained only if we have a well-trained working population, a smoothly functioning labour market and a system of benefits designed to induce people to find work.