



Succession problem is greater in the Netherlands than the rest of Europe

Family companies are in demand

> From the annual Family Business Survey by consultancy PriceWaterhouseCoopers it appears that 57 per cent of Dutch family concerns expects to transfer the company or sell it within five years. In the rest of Europe the percentage is markedly lower, at 29 per cent. The survey provided several other interesting insights. Thus among other things it appears that, although it's a hot item, many family concerns are insufficiently prepared for their company succession.

In the years ahead Dutch family businesses will face huge changes. The baby-boomers who took over the companies from their parents or who set up their own firms are retreating everywhere. In total some 80,000 major shareholding directors will need to consider their succession, the researchers found.

Most entrepreneurs (60 per cent) express their first preference for handing over the company to the next generation. The rest would rather sell to another company or the existing management. None of those polled made an initial choice for an exchange listing or sale to an investment company. Entrepreneurs in other European countries have fewer problems with these latter two options. Nonetheless half of the foreign major shareholding directors still expressed a preference for handing over to the following generation.

Family firms seem to be in demand. At least two out of every three entrepreneurs has been approached to sell the company. Most major shareholding directors are prepared to split up the company if it would improve the selling price.

Entrepreneurs not well prepared

Even if the number of company transfers increases dramatically in the years ahead, many entrepreneurs appear to be insufficiently prepared for any future sale. Thus 40 per cent of the entrepreneurs who want to sell within two years have not yet chosen a successor. Preparations also appear to be lagging in other areas. Consider arranging the company succession in a will,

drawing up legal arrangements covering accession and resignation, and measures to temper the imposition of death or capital transfer taxes. Steef Klop, partner with PriceWaterhouseCoopers and co-initiator of the Dutch section of the survey, calls the results alarming. After all: "The continuity of family firms is vitally important for the Dutch economy and society."

Solutions

The message for family firms is clear. The earlier contacts are established with potential buyers or specialist intermediaries, the more favourable the sale will turn out to be. Not only at a financial level, but for example also in terms of the conditions for the existing staff.

Entrepreneurs who want to hand over the company to family members can also learn lessons from the survey report. Around half of the Dutch companies do not appear to have a family statute or family council. It is just such legal arrangements which can assist in allowing transfers to run smoothly and to prevent or resolve any eventual deadlocks in the family firm. ■

The Family Business Survey was conducted among 1,086 major shareholding directors and others in charge in the 12 most important EU member states.



Entrepreneurs also determine the effect of greying

> The baby-boom generation is going on pension; we are becoming older, and birth figures are dropping. Society is changing through globalisation and structural ageing. What is the effect of this on the labour market? Over the longer term it will reach equilibrium, but first it will hurt, predicts Dr. Frank Cörvers, head of labour market dynamics research at the University of Maastricht (The Netherlands). The challenge: a better utilisation of the labour potential.

Another 30 years and the ageing will peak: a quarter of the Dutch will be 65 or older and the number of those over 80 will rise spectacularly. Who will then do the work, and where will companies get qualified staff? From abroad? Since 1 May the borders have been thrown open to people from Eastern Europe. But we won't make it just with Eastern Europeans, Cörvers warns. "The qualification requirements are too strict for that. Therefore, it would help a lot if more people would get to work here."

Of every hundred people below 65 in the Netherlands, currently less than two-thirds work. Of the unskilled, half. "The other half doesn't even look for work," notes Cörvers. "Poles are coming to the Netherlands, but here too there is a labour reservoir. This is because of the welfare state. The incentive to work is not extremely high. We should also be able to work a little longer. At 30 hours the Dutch working week is the shortest of all industrialised nations."

Before tackling the effect of ageing on the labour market, Cörvers wants to set aside a misunderstanding, namely that globalisation will cause industrial companies to leave the Netherlands. "The industry is not disappearing, but employment opportunities within the industry are. Sales and export can continue to grow for those who are able to adapt their production processes cleverly. Providing speed and quality is the challenge here.

Companies with high quality standards, such as the metal industry, companies with capital-intensive processes, high-tech, the top of the market where quality and customised work count, these can all remain in the Netherlands."

Effects and measures

And so to the effects of ageing. Cörvers: "The key is how you view the consequences. The labour market adapts itself to the situation. Over the longer term it will undoubtedly tend towards a new balance. But I think this is too simple. It is precisely about the period leading up to that balance: people leave, experienced staff leave gaps behind. Perhaps through all sorts of regulations you could have people staying longer, or transferring their knowledge to the young part-time, but at a certain point it stops. It's not the case that the bulk of companies will have problems because of the ageing, but company closures will occur, production will be transferred and foreigners will need to be recruited." At the same time education will need to ensure new growth, notes Cörvers. "Some companies succeed in attracting these people at an early stage. The companies visit schools, work on their corporate image, launch campaigns. This costs a lot of time, money and effort. Whether ageing is a problem also depends on the quality of the entrepreneur. Anyone who does not anticipate early enough will come off badly."

Working longer, training longer and retiring later will also be

issues in the battle against ageing. "Companies need to keep investing longer in employees, also at the end of their careers." And Cörvers believes politicians also need to be galvanised into action. "The Netherlands is fairly well prepared, through women's participation, childcare and fiscal measures. But take a look at Italy and Germany. There they have let the whole thing slide substantially..."

Europe

The European labour market benefits from free movement, says Cörvers. Shortages and excesses can compensate for each other by promoting mobility. "Too little use is currently being made of this. It happens in the higher segment, but in the lower segment the financial incentives have to be extremely high. That's generally the current situation for people from Eastern European countries, who often work here below their skills level. Over the course of time salaries in the various EU countries will converge, and it will be mainly the higher-trained people who will continue to migrate, and then only if there are attractive (also non-financial) facilities which they don't have in their own countries, for example training and research opportunities. After all it's every nation for itself. There is barely an issue of a European labour market."

Does Cörvers believe that ageing has a braking effect on economic growth? "An important factor is the entry of Eastern European countries into the EU. This will

ensure a substantial growth in Europe over the years ahead. Through strong growth in the countries themselves and through more trade between European nations. I'm not too gloomy about counter-forces. Energy and the environment will be more expensive, and that puts on the brakes. On the other hand it's favourable because it leads to technological renewal. Economic growth can also be extracted from an improvement in government service provision: a clean sweep through bureaucracy!"

With the ageing factor Cörvers anticipates no positive or negative consequences for growth over the longer term. "The stronger companies will survive. There will be a tendency towards a new equilibrium with quality and sustainability. That there are then plenty of older people who consume a lot can itself create more demand for labour. The economic growth figures will drop in Europe through a decline in population growth, but the growth per inhabitant will rise further. With as its characteristic: more quality than quantity." ■



Ageing pressure and scope within the labour market

The long-anticipated decline in the working population has begun, and the shrinking working population is rapidly becoming older. Between now and 2040 the number of people aged 20-65 will drop by a million (CBS forecast (Statistics Netherlands)). The (slight) population growth will be through those 65 years and older. It is not only education and the government, where many of those over 55 currently work, which must adapt to an older working population, but also the hospitality industry, trade and commercial service provision. Problem? The OESO sets off the ageing pressure (percentage of Gross National Product necessary for pensions) against the scope within the labour market. Result: countries with a high ageing pressure have a lot of scope

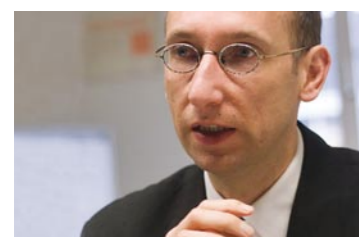
within the labour market, while those with a low ageing pressure in fact have little. The extremes are the United States and Italy. The USA has a low ageing pressure and little scope for increasing labour deployment. Italy is precisely the opposite. In general the liberal welfare states (Britain, Ireland, Canada, Australia) are inclining more towards the US, while more corporatist states (Austria, Germany, France, Belgium) incline towards Italy. The Netherlands 'floats' somewhere in-between. This appears to be relatively comfortable: labour deployment doesn't have to increase too drastically to absorb the ageing pressure.

Source: L. Groot etc. in ESB (2006).

Carrard Services leading in 'Mission Handicap'

Two years before it was decreed in France in 2005 that companies had to include people with a disability in their labour complement, Carrard Services, the French subsidiary of Vebego, had already implemented the system voluntarily. With improved results. Since 1994 France has been working towards integrating more people with a disability into the labour process. Considerable progress has been made since then. From having 2.7 per cent of handicapped people in the workplace (nationally)

in 1994, the share leapt to 4.3 per cent in 2005. Although the nature and geographical distribution of operations don't make the objective easy for Carrard Services – cleaning and facilitative services are not the lightest work – the company succeeded after just one year, in 2004, in meeting its target of having 6 per cent of disabled people in the workplace – and it has maintained this ever since. Since December 2004 the objective has been established in a company covenant.



Labour market economist
Frank Cörvers

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