

THE NETHERLANDS

1997

1. Overview of the system

Unemployment insurance pays 70 per cent of the last earned wage for a period of time dependent on age. A system of family related social assistance benefits is universally available, conditional on a means and a work test. Taxation is individual. Housing costs can be covered by a separate individual benefit. The 1997 APW earnings level is Gld 59 719. A so-called “compensation allowance” of Gld 5 060 is included in this amount (see 10.1.2). Earnings related benefits are based on gross earnings without the compensation allowance, thus Gld 54 659. All information in this chapter applies to 1 January, 1997.

2. Unemployment insurance

The unemployment benefit includes three types of benefits: the minimum-wage related benefit, the earnings-related benefit and the follow-up benefit. Follow-up benefits are classified as unemployment assistance benefits.

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

- minimum-wage related benefit (NWW): 26 weeks in the last 39 weeks immediately preceding unemployment;
- earnings-related benefit (NWW): To have worked 26 weeks in the last 39 weeks immediately preceding unemployment plus to have worked at least 52 days or more each year of the last five years. Calendar years during which the person cared for children under 6 count fully for this requirement. Calendar years during which the person cared for children between 6 and 12 qualify for 50 % of this requirement.

2.1.2 *Contribution conditions*

Earnings-related benefit: at least 52 days in paid employment (hence contributed) in four of the last five years preceding unemployment.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

Minimum-wage related benefit: 70 per cent of the minimum wage (or 70 per cent of the daily wage if this is less than the minimum wage, i.e. because of part-time work)

Earnings-related benefit: 70 per cent of gross earnings lost up to a maximum daily wage of Gld 294.42 (5 days per week).

2.2.2 Income and earnings disregards

If the claimant is working less than 5 hours/week, gross benefit is reduced by 30 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

2.3 Tax treatment of benefit

Taxable.

2.4 Benefit duration

Minimum-wage related benefit is paid for 6 months. The duration of the earning-related benefit varies with the employment record.

Employment (years)	Duration (extended benefit)
4	6 months
5 to 10	9 months
10 to 15	1 year
.	6 months increase for every additional five years of employment
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35 to 40	48 months
>= 40	60 months

2.5 Treatment of particular groups

2.5.1 Young persons

None.

2.5.2 *Older workers*

Persons from 57.5 years old no longer have to look for work. The benefit stops when the recipient turns 65.

3. Unemployment assistance

3.1 *Conditions for receipt*

3.1.1 Employment conditions

A person who is still unemployed after the earnings-related benefit expires is entitled to the follow-up benefit. (see 2.1.1)

3.1.2 Contribution conditions

The same as for the earnings-related benefit (see 2.1.2).

3.2 *Calculation of benefit amount*

3.2.1 Calculation of gross benefit

Follow-up benefit: 70 per cent of the minimum wage (or 70 per cent of the daily wage if this is less than the minimum wage (Nlg 2 220.40).

3.2.2 Income and earnings disregards

If the claimant is working less than 5 hours per week, gross benefit is reduced by 30 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

3.3 *Tax treatment of benefit*

Taxable.

3.4 *Benefit duration*

Two years.

3.5 years if a person is 57.5 years or older on the first day of unemployment.

3.5 Treatment of particular groups

3.5.1 Young persons

None.

3.5.2 Older workers

Persons 57.5 or older at the moment they loose their job have continued entitlements for the follow-up benefit until their 65th birthday.

4. Social assistance

4.1 Conditions for receipt

The Dutch National Assistance Act guarantees a minimum income to any Dutch national who does not have sufficient means of existence. Beneficiaries are mainly persons who are no longer entitled to benefits under the social insurance schemes such as unemployment insurance benefits and disability benefits, persons without a work history, and persons who unexpectedly lose income. Entitlement to social assistance is dependent on the claimant seeking employment and being registered with the local employment exchange.

4.2 Calculation of benefit amount

General social assistance payments are intended to cover normal costs of living, including the costs of food, housing, heating, furniture and recreation. The Dutch national government specifies three minimum basic benefit payment rates. There are three basic rates related to family composition:

4.2.1 Calculation of gross benefit

General social assistance (ABW):

Family situation	Proportion of the subsistence minimum	Corresponding net yearly benefit (excl. holiday allowance)
Couples	100%	22 542
Lone parent families	90%	20 287
Single 23 or older	70%	15 779

4.2.2 Income and earnings disregards

General assistance: no disregards; one-to-one income-test using the household net income. Individual housing benefits are excluded from the income-test. Savings and assets worth over Gld 9 500 (19 000 for couples) are taken into account. The own dwelling is disregarded only up to a certain maximum. If the value of the house minus the mortgage exceeds this maximum, the recipient of social assistance should use this money to support their own subsistence.

4.3 Tax treatment of benefit

The level of general assistance is defined on its net value; a net income level is guaranteed. The income taxes on the social assistance benefit are not paid by the recipient, who thus receives a net benefit, but are transferred to the tax inspector by the municipality that is administering the benefit.

4.4 Benefit duration

- general assistance (ABW): as long as there is a need;
- additional allowances: as long as there is a need.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

Young people between 18 and 21 years of age are deemed to be in work, education or in the Youth Work Guarantee programme (JWG). Furthermore, until the age of 21 parents are supposed to provide financial support to young people. Therefore, municipalities are only obliged to provide benefits to applicants in this age group in exceptional circumstances.

General national assistance for young persons:

	family type	Monthly allowance
< 21 years with children	single parent	Nlg 744.64
one is >21 years and one is <21	married	Nlg 1743.42
both >21 years old	married	Nlg 1089.77
<21 years and no children	single	Nlg 345.13
	married both <21 years	Nlg 690.26
	married one>21 one<21	Nlg 1343.91

Note: local municipalities can decide to give additional allowances.

4.5.2 *Older workers*

People receiving social assistance with an age of 57.5 years or older are not required to look for work.

4.5.3 *Lone parents*

Lone parents must start looking for work if their youngest child is 5 years or older.

5. **Housing benefits**

Housing benefit is based on rent levels restricted by minima and maxima independent of family size and gross family income.

5.1 *Conditions for receipt*

All families, whether or not dependants are present, are eligible.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

Housing benefit is based on rent levels and taxable income. The maximum taxable income to be eligible for housing benefits is Gld 36 500 for singles and Gld 48 600 for others under 65 years of age. (For households where the oldest person's age is over 65, other values apply) The minimum monthly own contribution to the payment of house rents is Gld 339; the own contribution increases with the taxable income. Monthly house rents up to Gld 1 085 qualify for housing benefits.

5.2.2 Income and earnings disregards

The benefit is income related as described in Section 5.2.1.

5.3 Tax treatment of benefit

Not taxable

5.4 Treatment of particular groups

5.4.1 Young persons

The maximum rent level above which benefits cannot be calculated are Gld 6 900.

5.4.2 Older workers

None.

6. Family benefits

6.1 Conditions for receipt

All children under 18 qualify for child benefits.

6.2 Calculation of benefit amount

The amount of the child benefit depends on the age of the child.

6.2.1 Calculation of gross benefit

For children born on or after 1 January 1995 are:

0-6 years	299.50
6-12 years	363.68
12-18 years	427.86

For children born before 2 October 1994:

Child benefit net rate per child per quarter	Age groups			
	Families with	0-5	6-11 and 18-24	12-17
1 child		299.50	427.86	556.22
2 children		346.47	494.96	643.45
3 children		362.12	517.32	672.52
4 children		394.32	563.32	732.32
5 children		413.64	590.92	768.20
6 children		426.53	609.33	792.13

For children born after 1 October 1994 and before 1 January 1995 and children who have reached the age of 6, 12, or 18 after 1 October 1994:

Child benefit net rate per child per quarter	Age groups			
	Families with	0-5	6-11 and 18-24	12-17
1 child		299.50	363.68	427.86
2 children		346.47	420.72	494.96
3 children		362.12	439.72	517.32
4 children		394.32	478.82	563.32
5 children		413.64	502.28	590.92
6 children		426.53	517.93	609.33

6.2.2 *Income and earnings disregards*

These benefits are not income related; they are not included in any means test.

6.3 *Tax treatment of benefit*

Not taxable.

6.4 *Treatment of particular groups*

None.

7. Child-care benefits

There are three forms of formal child care in the Netherlands: 1) care in centres that are subsidised by the local government; 2) spaces in a child care centre rented by employers; 3) unsubsidised private child care. Formal child care accounted for about 16 percent of all child care in the Netherlands in 1996. The fees for subsidised child care depend on the parents' income.

7.1 *Calculation of the benefit amount*

The monthly fee per child for subsidised child care is a function of the parents' pooled net income. The net income is defined as gross earnings plus taxable benefits minus income and social security taxes.

For the first child, parents pay a fixed amount (Gld100) plus 25 percent of the difference between the net income and the social minimum. The social minimum equals the basic social assistance payment rate for the relevant family type. The maximum payment is Gld 1 088.

For the second child, parents pay a fee equal to 30 percent of their contribution for the first child.

8. Employment-conditional benefits

An extra tax allowance exists for working lone parents (see Section 10.1.1).

9. Lone-parent benefits

There is a special tax allowance, but specific benefits do not exist.

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

A number of allowances exist:

- all contributions to the unemployment, sickness and invalidity;
- work related expenses;
- a basic allowance of Gld 7 102, doubled if the partner earns too little to use the basic allowance. If the lower earning partner is not able to use his/her entire basic allowance, the entire basic allowance is transferred to the higher earning partner (the lower earning partner will pay tax over the first earned guilder);
- a lone parent allowance of Gld 5 682, increased with 6 per cent of gross income for a working lone parent (maximum Gld 5 682). Gross income is defined as gross earnings minus deductible social security contributions but including the compensation allowance and the ZFW employer's share in the obligatory health insurance.

The calculation of work related expenses is explained in Section 10.1.2.

10.1.2 The definition of taxable income

(0)	gross income
(1)	- WW/WAO allowance
(2)	+ ZFW employers' share
(3)	+ private medical insurance: employer's share
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	subtotal I
(4)	- intermediate work related expenses
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	subtotal II
	subtotal I
(5)	+ compensation allowance
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	subtotal III
(6)	- work related expenses
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	subtotal IV: taxable income
(7)	- personal / basic allowances
(8)	taxable sum
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Explanation of the numbers:

- 1) all contributions for unemployment (WW) and invalidity (WAO);
- 2) Contributions are paid over earnings up to Gld 51 939 if gross earnings are below Gld 60 750 (obligatory health insurance ZFW); above that earnings level the person has to insure privately;
- 3) employers' contribution in private insurance (if gross earnings are more than Gld 60 750) is assumed to be fixed at Gld 1 000 (note that employees with gross income above Gld 60 750 are privately insured so that ZFW contributions are not paid: 2) will be zero);
- 4) intermediate work related expenses are calculated as:
 - 10 per cent subtotal I;
 - or Gld 247, whichever is higher;
 - or Gld 2 598, whichever is lower;
 - people without a job have, instead of work related expenses, a standard allowance: Gld 606.

This calculation is needed to calculate the base for the compensation allowance:

- 5) 9.90 per cent of subtotal II or Gld 78 700, whichever is lower. Note that unemployed people also receive the compensation allowance.

Subtotal II will be discarded; the calculation continues from subtotal I:

- 6) work related expenses:
 - 10 per cent of subtotal I plus (5);
 - or Gld 247, whichever is higher;
 - or Gld 2 598, whichever is lower;
 - people without a job have, instead of the work related expenses, a standard allowance of Gld 606;
- 7) basic and lone parent allowances.

10.1.3 *The tax schedule*

Income tax brackets (annual)	Income tax rates (%)
0 - 45 960	5.05
45 961 – 92773	50
92774+	60

The level of the means-tested benefits is fixed as a net value. The benefit supplier is due to pay the taxes of which the levels are based on the family type.

10.2 *Treatment of family income*

Spouses are taxed individually. The family income is assessed jointly if one partner is not able to use the basic allowance of Gld 7 102, in which case the entire basic allowance is transferred to the other partner.

10.3 *Social security contribution schedule*

1) schemes levied on gross income:

- unemployment: 2.70% (2.70% for unemployed people) of gross income up to Gld 76 734;
- invalidity: 8.45 per cent of daily gross income (0) exceeding a so-called “franchise” of Gld 104 (max. Gld 26 622 per year). The franchise is calculated towards income from work, to which category the unemployment insurance and assistance benefits also belong. Contributions are due on annual income up to Gld 76 734;
- obligatory medical insurance: 1.35% of (0) up to Gld 51 939, plus Gld 216 per adult. Both contributions cease to be payable if gross income exceeds Gld 60 750/annum;
- private insurance premium (if gross income exceeds Gld 60 750).

2) schemes levied on the first income tax bracket:

- (15.40+1.65+6.35)% of the taxable sum (8) for general schemes (old age pension, widows and orphans pension and disability);
- 8.85% of the taxable sum (8).

11. **Part-time work**

11.1 *Special benefit rules for part-time work*

Seasonal workers have different qualifying conditions for the basic unemployment insurance benefit.

11.2 *Special tax and social security contribution rules for part-time work*

In 1997 contributions to invalidity insurance were not made by people earning less than Gld 102 per day (there were 260 working days). Thus, someone working 16 hours in two days per week does not have the same franchise as someone working 16 hours in five days per week.

12. Policy developments

12.1 *Policy changes introduced in the last year*

With the introduction of the new National Social Assistance Act in 1996, there has been a marked cultural change throughout the social administration. There is a strong focus now on labour market re-integration. The responsibility for earnings' disregards was with local governments starting in 1997, who may determine how the disregards will be implemented.

Social assistance has been split into two parts: a national guaranteed basic standard and a local additional allowance. Local governments determine this allowance. Beneficiaries under the new National Assistance Act are mainly persons who are no longer entitled to benefits under the social insurance schemes such as unemployment benefits and disability benefits, persons without a work history, and persons who suddenly lost income (i.e. divorced).

12.2 *Policy changes announced*

From January 2000, local governments will be fully financially responsible for the additional allowances. They will get a fixed block grant to finance these allowances

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The annual tax/benefit position of an unemployed single person, 1997 (Guilders)

	Initial rate Unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	16 089
Non-means tested benefits		
Unemployment insurance	41 790	0
Total	41 790	16 089
B. Income tax and social security contributions		
Allowances	9 722	7 708
Taxable income	32 068	9 673
Income tax	1 619	0
Social security contributions	13 088	216
Total	14 707	0
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	0	5 772
Non-means tested benefits		
Total	0	5 772
D. Net income out of work (A-B+C)	27 083	21 861
E. Net income in work	36 274	36 274
F. Net replacement rate (D/E) (per cent)	75%	60%

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The annual tax/benefit position of an unemployed married couple with two children, 1997 (Guilders)

	Initial rate Unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	23 971
Non-means tested benefits		
Unemployment insurance	41 790	0
Total	41 790	23 971
B. Income tax and social security contributions		
Allowances	16 824	14 810
Taxable income	24 966	9 161
Income tax	1 261	0
Social security contributions	11 014	432
Total	12 275	432
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	3 312	6 387
Non-means tested benefits		
Family benefits	3 097	3 097
Total	6 409	9 484
D. Net income out of work (A-B+C)	35 924	33 023
E. Net income in work	42 200	42 200
F. Net replacement rate (D/E) (per cent)	85%	78%

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The annual tax/benefit position of a lone parent with two children, 1997 (Guilders)

	Initial rate Unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	20 883
Non-means tested benefits		
Unemployment insurance	41 790	0
Total	41 790	20 883
B. Income tax and social security contributions		
Allowances	15 495	13 390
Taxable income	26 295	7 493
Income tax	1 328	0
Social security contributions	11 226	216
Total	12 554	216
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	3 312	6 387
Non-means tested benefits		
Family benefits	3 097	3 097
Total	6 409	9 484
D. Net income out of work (A-B+C)	35 645	30 151
E. Net income in work	43 200	43 200
F. Net replacement rate (D/E) (per cent)	83	70