

NETHERLANDS

The GDP-per-capita gap vis-à-vis the best performing countries can mostly be explained by relatively low labour utilisation, arising from short hours worked and low participation of specific groups.

Policy priorities

Reform disability benefit schemes

Challenge and recommendations: To lower the extensive use of disability and sickness leave schemes, it was recommended that work capacity reassessment, introduced for those below the age of 50 in the 2006 reform, be extended to beneficiaries above the age of 50 and the reintegration of the partially disabled into the workforce be assisted. It was also recommended that the administrative extension of wage agreements that include clauses for topping up disability benefits be terminated.

Actions taken: Rather than extending reassessment to people above the age of 50, the government has decided to exempt people aged between 46 and 50 from being reassessed under the new rules.

Strengthen work incentives for second earners

Challenge and recommendations: High effective marginal tax rates weaken incentives to increase hours worked and deter low-income earners and particularly second earners from full-time participation. It was recommended that effective marginal tax rates be lowered, for example through further reducing the taper rate for withdrawing childcare subsidies for second earners.

Actions taken: In 2007, the employer contribution to child care was made compulsory and the government has reserved extra funds to further lower the costs of child care. Furthermore, the government has decided to phase out the transferability of the tax credit for non-working partners over a 15-year period.

Strengthen competition in network sectors

Challenge and recommendations: Local government ownership in public transport, electricity and gas constitutes effective barriers to entry. It was recommended that effective vertical separation be secured in these network industries, cost-based access pricing be introduced and such activities be privatised.

Actions taken: Full ownership separation of the energy distribution networks from the supply companies will be implemented from July 2008. Companies are given two and half years to accomplish such separation. Competitive tenders have opened up public transport activities to private operators. In several bigger cities, however, public transport companies are still owned by local governments.

Promote competition in retail distribution services

Challenge and recommendations: In order to strengthen competition and employment in retail distribution, it was recommended that restrictions on large-format retail stores be eased, and remaining obstacles to shop opening hours be removed, in particular on Sundays.

Actions taken: No action taken.

Reform residential zoning regulation

Challenge and recommendations: To stimulate supply of housing, it was recommended that restrictions for residential zoning be eased.

Actions taken: No action taken since early 2006 when the new National Spatial Strategy (*Nota Ruimte*) was adopted, allowing for somewhat less restrictive zoning and decentralised decision making.