2018 OECD ECONOMIC SURVEY OF THE NETHERLANDS
Towards more inclusive labour markets
The Hague, Monday 2 July 2018

Economic performance is strong and public finances are sound.

The financial and trade sectors face downside risks.

Reforms are needed to move toward an even more inclusive society better integrated in a global world:

- Simplifying the tax system
- Making labour market more inclusive
- Tackling population ageing
Growth is projected to remain robust

Real GDP
Annual % change

Source: OECD Economic Outlook Database.
Unemployment has fallen considerably

Unemployment rate
% of labour force

Source: OECD Economic Outlook Database.
Public debt is below 60% of GDP

Gross public debt in EU countries
Maastricht definition, % of GDP, 2017

Source: OECD Economic Outlook Database.
Budget balance has turned positive

Overall budget balance
% of GDP

Source: OECD Economic Outlook Database.
Labour taxes account for most of the revenues

Tax structure
% of total tax revenues, 2016 or latest available

Source: OECD Revenue Statistics Database.
House prices are rising rapidly in major cities

Real house prices
Index 2007 = 100

Source: Statistics Netherlands (CBS).
The Netherlands is very open and exposed to rising protectionism

Trade openness,
Sum of exports and imports as a percentage of GDP, 2017

Source: OECD Economic Outlook Database.
Some sectors will be hit by Brexit, others will gain

Percentage change in gross Dutch exports of selected sectors

Source: OECD calculations using the METRO model.
Key recommendations
Macro-financial policy and tax

**Macro-financial policy**

- Continue the gradual phasing out of mortgage interest rate deductibility.
- Take macro-prudential actions.
- Develop contingency plans to minimise possible economic disruptions from Brexit in selected sectors, such as food and agriculture.

**Tax**

- Ratify the BEPS multilateral instrument, as planned.
- Impose a withholding tax on dividend, interest and royalty earnings transferred to low-tax jurisdictions, as planned.
- Reduce the number of exemptions and other tax expenditures.
- Raise the lower VAT rate. If needed, introduce targeted income support to compensate low-income households.
Work contracts are increasingly flexible

Employees with a temporary contract
% of total employment

- On-call worker (zero-hours contract)
- Other temporary contracts

Note: On-call workers are available on demand for carrying out work.

Source: Statistics Netherlands (CBS).
Self-employment has risen rapidly

Change in the ratio of self-employed in total employment between 2005 and 2016
Percentage point

Source: OECD Employment and Labour Market Statistics Database.
Most self-employed are not covered for disability risks

% of individuals covered by invalidity insurance

Source: Statistics Netherlands (CBS).
Tax incentives play a large role in stimulating self-employment

Tax burden
% of net income, 2017

-20  0  20  40  60  80  100
Minimum wage

Employees

Self-employed excluding supplementary pension and insurance

-20  0  20  40  60  80  100
Modal wage

Note: The modal wage is the most frequent.
Source: Government of the Netherlands.
Employment protection varies significantly between contract types

Strictness of employment protection
Scale from 0 (least stringent) to 6 (most restrictive)

There is a large gender gap in part-time work

Women part-time employees
% of total part-time employment

Training to support workplace changes for older workers is low

% of workers aged 50-64 who received training or support when their work tasks changed

Source: European Centre for the Development of Vocational Training.
Key recommendations
Making labour market more inclusive

Supporting self-employed in a more balanced way

• Phase out the permanent self-employment tax deduction and introduce minimum coverage for sickness and disability insurance for workers regardless of their contract.

• Lower social security expenses, for instance by reducing the generosity for sickness insurance.

Addressing part-time gender gap

• Increase the period of paid paternity leave, above what is currently planned.

• Maintain existing provisions to keep childcare affordable and ensure the high quality of services.

Improving the employment of vulnerable workers

• Improve the targeting of employment support policies to vulnerable groups.

• Introduce individual lifelong learning accounts targeted specifically at vulnerable workers.

• Allow more flexibility in tasks and hours worked for senior persons.
Retirement age will increase markedly, reflecting past policy changes

Retirement age for men entering the labour market at age 20

Spending on long-term care is high

Long-term care expenditure by government and compulsory insurance schemes
% of GDP

Encourage social partners to agree on a new pension contract to ensure pensions funds’ sustainability and facilitate transfers of pension rights across funds.

Periodically assess the need for new health professionals and adjust the institutionalised limit on medical students accordingly.
For more information


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