

## NETHERLANDS

*Labour utilisation rates are relatively low, mainly because of low average annual hours worked, combined with low employment of those aged 55 and above, and account for the wide income gap vis-à-vis the United States.*

### Policies supported by indicators

#### **Reform disability benefit schemes**

Labour utilisation has been held back by extensive use of disability and sickness leave schemes as routes to early retirement, reflecting high benefits and negotiated supplements to such benefits that are extended by the government to cover a large part of the workforce.

**Actions taken:** A new disability scheme provides stronger financial incentives to work for those with residual work capacity.

**Recommendations:** Extend work capacity reassessment to beneficiaries above the age of 50 and assist the reintegration of the partially disabled into the workforce. Stop the administrative extension of wage agreements that include clauses for topping up disability benefits.

#### **Reduce marginal taxes on labour income**

High marginal income taxes, combined with a steep phasing out of childcare subsidies, weaken incentives to increase hours worked and deter low-income earners, in particular second earners, from full-time participation.

**Actions taken:** The taper rate for withdrawing childcare subsidies has been reduced somewhat.

**Recommendations:** Continue lowering effective marginal tax rates by, for instance, further reducing the taper rate for withdrawing childcare subsidies for second earners.

#### **Strengthen competition in network industries**

Legal barriers to entry in network industries remain substantial and exemptions from competition law are widespread. Local government ownership in public transport, electricity and gas hinders third-party access in these industries. Moreover, excessive licensing requirements to establish a national roadfreight business limit entry in this sector.

**Actions taken:** Ownership separation in the gas and electricity sectors has been achieved at the national level and the extent of exemptions from competition law has been somewhat reduced.

**Recommendations:** Facilitate third-party access by securing effective vertical separation in network industries owned by local governments, introducing cost-based access pricing and privatising such activities. Adopt a “silence is consent” rule for issuing licenses.

### Other key priorities

- Ease restrictions on large-format retail store operators, and remove remaining obstacles to shop-opening hours, in particular on Sundays.
- Ease land-use zoning restrictions to stimulate supply of housing.