

NETHERLANDS

Despite a decline in the unemployment rate to one of the lowest levels in the OECD area, under-utilisation of labour resources in the Netherlands still accounts for most of the wide income gap vis-à-vis the United States.

Policy priorities

Reduce tax wedges on labour income

Challenge and recommendations: To strengthen incentives to work, it was recommended that room be made for reductions in taxes on labour income by lowering government expenditure on social transfers and by limiting the exemptions from the standard VAT rate.

Actions taken: The government has decided to reduce the duration of unemployment benefits as of 2006 and to increase support for pre-school children, as well as for attending school-age children outside school hours.

Further reform disability benefit schemes

Challenge and recommendations: To reduce the number of days lost on sickness leave and the proportion of the working-age population on partial or full disability benefits, it was recommended that the new schemes planned for 2006 be implemented and that social partners be prevented from topping up benefits.

Actions taken: In October 2004, a tighter claim-assessment (*het Schattingsbesluit*) was introduced and a re-evaluation of existing cases started. In June 2005, the Parliament decided on the new disability scheme (WIA), providing stronger financial incentives to work for those with residual work capacity and eliminating benefits for those with modest disabilities.

Simplify administrative procedures

Challenge and recommendations: To lower the high administrative burden, it was recommended that the cost of compliance be reduced by linking government agencies with each other, that the one-stop shop services be extended and regulations simplified.

Actions taken: The cabinet has presented measures to make a major reduction in the administrative burden for private enterprise, accumulating to 25% (€ 4 billion) in 2007. As a first step to simplify the licence and permit procedures, the government installed a taskforce which has reported in June 2005.

Remove barriers to product market competition

Challenge and recommendations: To foster product market competition, it was recommended that the retail end of electricity and gas distribution networks be privatised, that unwarranted anti-competitive practices in the professions be eliminated and that restrictions on large-format retail store operators be eased.

Actions taken: The government decided to oblige the sector to split off the electricity grids from the distribution and sale businesses. National restrictions on large retail outlets have been abolished and decision-making power concerning the location of outlets has been decentralised.

Ease residential zoning restrictions

Challenge and recommendations: To stimulate the supply of housing and reduce the excess burden of taxation, it was recommended that residential zoning restrictions be eased and that tax subsidies to owner-occupiers be phased out.

Actions taken: The government has presented its policy on zoning in the National Spatial Strategy (*Nota Ruimte*), allowing for less restrictive practices and decentralising decision authority.