

## NETHERLANDS

### Priorities supported by indicators

#### **Lower marginal effective tax rates on labour income (2007, 2009, 2011)**

**Recommendations:** Reduce subsidies for owner-occupied housing and broaden the VAT tax base to finance lower labour taxes. Reduce the effective marginal tax rate arising from benefits such as the family-income based tax credit, second-earner tax credit, housing and child benefits.

**Actions taken:** In 2009 the government introduced several income-based tax credits to reduce disincentives to higher participation and hours worked for low-income workers and second earners.

#### **Reform disability benefit schemes (2007, 2009, 2011)**

**Recommendations:** Tighten gate-keeping and medical controls for existing benefit recipients. De-couple benefits from past earnings over the disability spell and exclude them from wage agreements.

**Actions taken:** In 2010 some reforms to limit entry into the disability programme for young people (Wajong) came into force. The government's proposals to further restrict entry into disability schemes for those (partly) able to work and to make work pay by 2013 are still to be passed through parliament.

#### **Ease employment protection legislation for regular contracts (2009, 2011)**

**Recommendations:** Relax employment protection legislation for regular contracts by making the dismissal system simpler and more predictable. Cap severance payments, particularly for older workers.

**Actions taken:** In 2009 local courts adopted new guidelines on severance payments awarded through judicial procedures, which should result in somewhat lower severance payments. The 2010 coalition agreement stipulates capping severance pay at EUR 75 000, limited to public and care sector workers.

#### **Strengthen competition in network industries (2007)**

**Recommendations:** Privatised local-government-owned network industries and secure effective vertical separation. Introduce cost-based access pricing. Adopt a "silence is consent" rule for issuing licenses.

**Actions taken:** In 2006 a law was passed stipulating full ownership separation of the energy distribution networks from supply companies by 2011. This has been overruled by the court of appeal in 2010.

### Other key priorities

#### **Increase the scope of the unregulated part of the housing market (2007, 2011)**

**Recommendations:** Deregulate the rental sector. Shift taxation of housing away from purchase to ownership and ease the strict land regulation.

**Actions taken:** In 2011, the transaction tax was temporarily lowered and rent regulation in high-scarcity areas and for high-income groups was loosened.

#### **Reform the unemployment benefit system (2009, 2011)**

**Recommendations:** Maximum unemployment benefit duration should be lowered and benefits should decline more rapidly throughout the unemployment spell. Lower the cap on unemployment benefits to further enhance the job-search incentives of the high-skilled.

**Actions taken:** No significant action taken.

#### **Promote competition in retail distribution services (2007, 2009)**

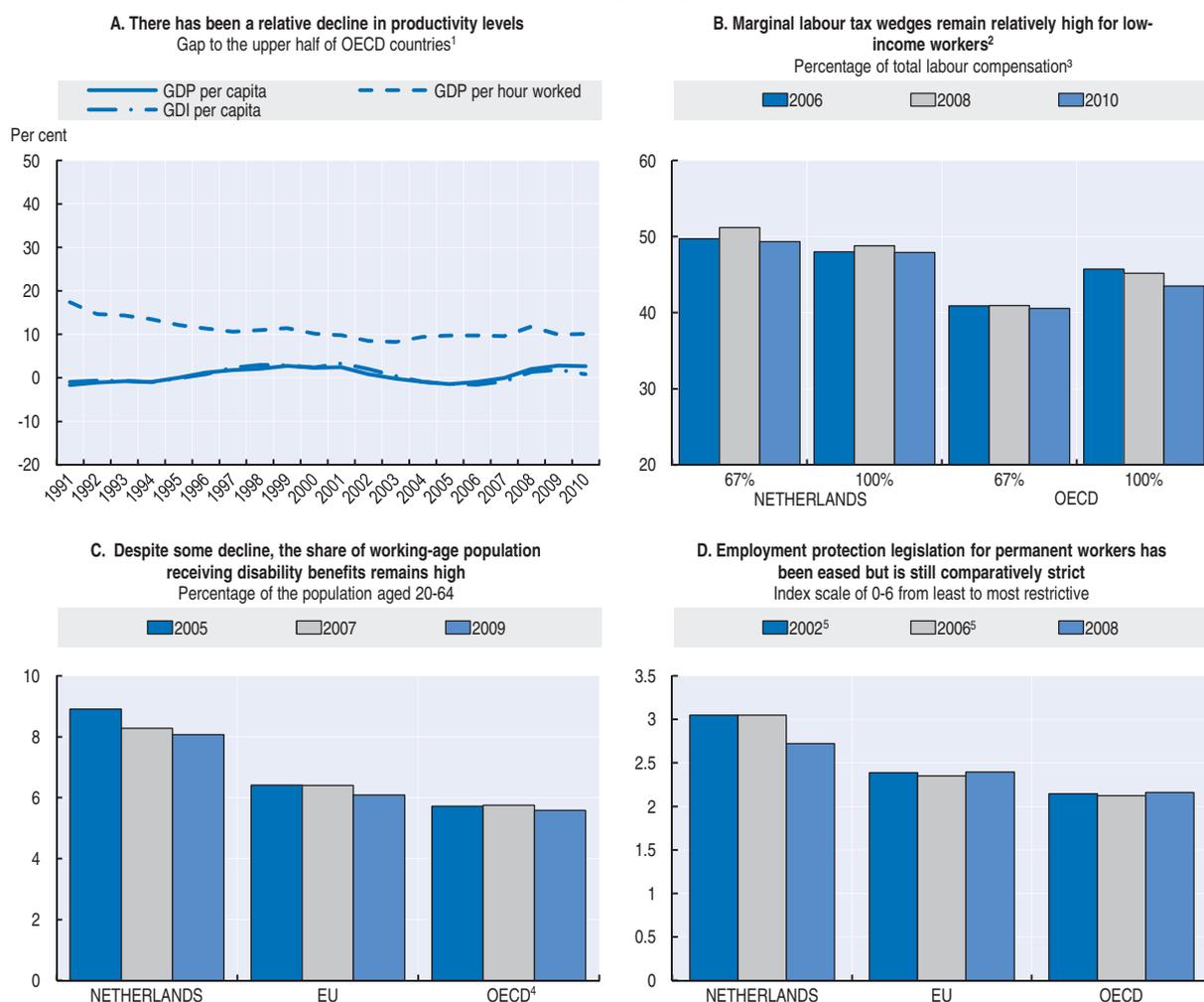
**Recommendations:** Phase-out existing restrictions on shop-opening hours. Facilitate the entry of large retail stores and ease zoning regulations.

**Actions taken:** No significant action taken.

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- Over the past two decades, GDP per capita has remained roughly in line with that of the upper half of OECD countries. The positive gap in hourly productivity has remained stable since the mid-2000s, and is being offset by relatively low hours worked.
- Among key priority areas, the government initiated reforms in the disability system to increase employment and improve gate-keeping, but most laws are yet to be approved. Current plans to reduce severance payments foresee limiting them for public and care sector workers. Some actions have been taken to improve the functioning of the housing market, but not in the area of unemployment benefits and retail trade regulation.
- Outside priority areas, temporary crisis-related measures that helped mitigate the employment impact of the downturn included a short-time work scheme and expanded opportunities for employers to offer temporary contracts.

## Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
3. Evaluated at 67% and 100% of average earnings for a single person with no child.
4. Excluding Chile, Iceland and Turkey.
5. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *Taxing Wages Database*; Chart C: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*; Chart D: OECD, *Employment Database*.

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