
THE NETHERLANDS 2001

1. Overview of the system

Unemployment insurance pays 70 per cent of the last earned wage for a period of time dependent on age. Supplements are available for those whose benefits are lower than the minimum income. After the unemployment benefit expires, social assistance is available conditional on a means test and registration at the job office. A system of family related benefits is universally available Housing costs can be covered by a separate individual benefit. The 2001 AW earnings level is NLG 74 067. Unemployment and social assistance are taxable, family and housing benefits are not. Earnings related benefits are based on gross earnings. In general, the information refers to the situation on 1st January and 1st July 2001.

2. Unemployment insurance

The unemployment benefit (WW) includes three types of benefits: 1. the earnings related benefit (at least half a year up till 5 years), 2. the follow-up benefit (2 years, for people 57½ and older till a maximum of 3½ years) and 3. the short-term benefit for persons that are not eligible for 1. and 2. (2. and 3. are minimum-wage related benefits).

The unemployment benefits might be supplemented by the “Supplementary Benefits Act” (TW), if the benefit is below minimum income.

2.1 Conditions for receipt

2.1.1 Employment conditions

- *Earnings-related benefit / follow-up benefit*: to have worked 26 weeks in the last 39 weeks immediately preceding unemployment, plus to have worked at least 52 days or more during four of the last five years. Calendar years during which the person cared for children under 6 count fully for this requirement. Calendar years during which the person cared for children between 6 and 12 qualify for 50 % of this requirement;
- *Minimum-wage related benefit (short-term)* (the follow-up benefit is also minimum-wage related): 26 weeks in the last 39 weeks immediately preceding unemployment.

 2.1.2 *Contribution conditions*

- *Earnings-related benefit / follow-up benefit*: at least 52 days in paid employment (hence contributed) in four of the last five years preceding unemployment. Employees are insured compulsory.

2.2 Calculation of benefit amount

2.2.1 *Calculation of gross benefit*

2.2.1.1 *Earnings-related benefit*:

salary-related unemployment benefit is 70 per cent of former gross earnings up to a maximum daily wage of NLG 337,33 per day (5 days per week, that is NLG 87 706 per year).

2.2.1.2 *Minimum-wage related benefit*:

70 per cent of the minimum wage (or 70 per cent of the daily wage if this is less than the minimum wage, i.e. because of part-time work).

Gross minimum wage 2001 (guilders)

		incl. holiday pay
1 Jan.	2.544,10	2.747,63
1 July	2.601,30	2.809,40
year	2.572,70	2.778,52

2.2.1.3 *Supplementary Benefits Act (TW)*

The TW provides assistance to people who get a benefit from one of the employee insurance schemes (evt: such as the WW, WAZ, Wajong, WAO, Wamil or ZW schemes) if their income (plus that of their partner) falls below the minimum guaranteed income (this being the gross legal minimum wage plus 8 per cent holiday pay divided by 21.75).

Supplementary benefit equals the difference between the applicable minimum guaranteed income level and the total income of the beneficiary and his or her partner.

As of 1 July 2001, the minimum guaranteed incomes were set as the following gross amounts

SiNLGe person	70% of minimum wage
Lone parents	90% of minimum wage
Married persons and couples living together	100% of minimum wage

The term 'income' covers all work-related earnings, including most social security benefits, of claimants and their partner. Any property such as a private home, or capital such as savings, is disregarded.

For two years at most, part of the work-related income (up to a maximum of 15% of the minimum wage) is disregarded.

The maximum rates of supplementary benefits are:

- 30% of the minimum wage for married persons and couples living together;
- 27% of the minimum wage for lone parents;
- 21% of the minimum wage for single persons.

Supplementary benefit will never be more than the difference between the daily earnings or the basis on which the benefit has been calculated and the benefit to recompense for loss of income.

There is no entitlement to supplementary benefit:

- for unmarried persons under 21 living with their parents;
- for persons living with a partner (either married or not) born after 31 December 1971 who do not have any children under 12 living at home.

2.2.2 Income and earnings disregards

If the claimant is working less than 5 hours/week, gross benefit is reduced by 70 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

2.3 Tax treatment of benefit

Taxable.

2.4 Benefit duration

The duration of the earning-related benefit varies with the employment record.

Employment (years)	Duration (extended benefit)
4	6 months
5 to 10	9 months
10 to 15	12 month

6 months increase for every additional five years of employment

35 to 40	48 months
>= 40	60 months

Follow-up benefit: 2 years.

Short-term benefit: 6 months.

2.5 Treatment of particular groups

2.5.1 Young persons

None.

2.5.2 Older workers

Persons from 57.5 years old no longer have to look for work. The benefit stops when the recipient turns 65.

3. Unemployment assistance

3.1 Conditions for receipt

3.1.1 Employment conditions

A person who is still unemployed after the earnings-related benefit expires is entitled to the follow-up benefit (see 2.1.1).

3.1.2 Contribution conditions

The same as for the earnings-related benefit (see 2.1.2).

3.2 Calculation of benefit amount

3.2.1 Calculation of gross benefit

Follow-up benefit: 70 per cent of the minimum wage or 70 per cent of the daily wage if this is less than the minimum wage (see 2.2.1.2.).

3.2.2 Income and earnings disregards

If the claimant is working less than 5 hours per week, gross benefit is reduced by 70 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked.

3.3 Tax treatment of benefit

Taxable.

3.4 Benefit duration

Two years .

3.5 years if a person is 57.5 years or older on the first day of unemployment.

3.5 Treatment of particular groups

3.5.1 Young persons

None.

3.5.2 Older workers

Persons that are 57.5 or older at the moment they loose their job have continued entitlements for the follow-up benefit until their 65th birthday.

4. Social assistance

4.1 Conditions for receipt

The Dutch National Assistance Act guarantees a minimum income to any Dutch inhabitant who does not have sufficient means of existence. Beneficiaries are mainly persons who are no longer entitled to benefits under the social insurance schemes such as unemployment insurance benefits and disability benefits, persons without a work history.

Entitlement to social assistance is – in general - dependent on the claimant seeking employment and being registered with the local employment agency. (see 4.5.2 and 4.5.3).

4.2 Calculation of benefit amount

General social assistance payments are intended to cover normal costs of living, including the costs of food, housing, heating, furniture and recreation. The Dutch national government specifies three minimum basic benefit payment rates. There are three basic rates related to family composition.

4.2.1 Calculation of gross benefit

General social assistance (ABW)*:

Family situation	Proportion of the subsistence minimum	Corresponding net yearly benefit (excl. holiday allowance)	Corresponding net yearly benefit (includ. holiday allowance)
Couples	100%	26 660	28 024
Lone parent families	90%	23 994	25 222
Single 23 or older	70%	18 662	19 617

* Inclusive of municipal top-ups which are assumed to be available with their maximum value (20 per cent of the social minimum).

4.2.2 Income and earnings disregards

General assistance: no disregards; one-to-one income-test using the household net income. Family benefits and individual housing benefits are excluded from the income-test. Savings and assets worth over NLG 10 300 (NLG 20 600 for couples) are taken into account. The own dwelling is disregarded only up to a certain maximum. If the value of the house minus the mortgage exceeds this maximum, the recipient can get social assistance as a loan.

4.3 Tax treatment of benefit

The level of general assistance is defined on its net value; a net income level is guaranteed.

The income taxes on the social assistance benefit are not paid by the recipient, who thus receives a net benefit, but are transferred to the tax inspector by the municipality that is administering the benefit.

4.4 Benefit duration

- General assistance (ABW): as long as there is a need;
- Additional allowances: as long as there is a need.

4.5 Treatment of particular groups

4.5.1 Young persons

Young people between 18 and 21 years of age are deemed to be in work, education or in the WIW (Law Involving Sheltered Employed). Furthermore, until the age of 21 parents are supposed to provide financial support to their children. Therefore, municipalities are only obliged to provide benefits to applicants in this age group in exceptional circumstances.

General national assistance for young persons:

	1 Jan. excl. hol. all.	+	1 July excl. hol. all.	+	year average
single < 21 years with children	822,61	41,48	834,14	42,98	10.447
one is >21 years and one is <21, with children	1.925,94	97,11	1.952,91	100,62	24.459
both <21 years old, with children	1.203,90	60,70	1.220,78	62,90	15.290
single <21 years, no children	381,29	19,22	386,64	19,92	4.842
both <21 no children	762,57	38,45	773,28	39,84	9.685
one >21 one <21, no children	1.484,62	74,85	1.505,40	77,57	18.855

Note: local municipalities can decide to give additional allowances.

4.5.2 Older workers

People receiving social assistance with an age of 57.5 years or older are not required to look for work.

4.5.3 Lone parents

Lone parents must start looking for work if their youngest child is 5 years or older.

5. Housing benefits

Housing benefit is based on rent levels restricted by minima and maxima and dependent of gross family income.

5.1 Conditions for receipt

All families, whether or not dependents are present, are eligible.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

Housing benefit is based on rent levels and taxable income. The underlying principle is that every household always pays part of the rent itself. This is referred to as the 'standard rent'. In 2001 the monthly standard rent for people with a minimum income was NLG 358 (households with two or more people aged 65 or older), NLG 362 (a person aged 65 or older living alone) and NLG 366 (households containing people under 65). There was a higher standard rent for people with a higher income.

Three levels of benefit are paid in the case of rents above the standard rent:

- the difference between the standard rent and the 'quality allowance limit' (NLG 658 in 2001) is paid in full;
- 75% of any additional rent above the quality allowance limit is paid; The idea behind this is that people should pay a contribution if they rent a more expensive (and therefore better quality) home;
- the amount by which the rent exceeds the 'cap' (in 2001 this was NLG 942 for one and two person households and NLG 1 010 for three or more person households) is only eligible for benefit in the case of people aged 65 and older, people living alone and the handicapped. They receive benefit amounting to 50%.

Monthly house rents up to NLG 1 149 qualify for housing benefits.

5.2.2 Income and earnings disregards

Persons are eligible for housing benefits if their (capital-)income is lower than NLG 40 500 for a single or NLG 59 700 for others.

5.3 Tax treatment of benefit

Not taxable

5.4 Treatment of particular groups

5.4.1 Young persons

The maximum rent level above which benefits cannot be calculated are NLG 643 per month.

5.4.2 Older workers

None.

6. Family benefits

6.1 Conditions for receipt

All children under 18 qualify for child benefits.

6.2 Calculation of benefit amount

The amount of the child benefit depends on the age of the child.

6.2.1 Calculation of gross benefit

Children born from 1 Jan. 1995 [in NLG] (per child, per quarter)

	1 Jan. 2001	1 July 2001	year
0-6 years	360,11	367,60	1.455,42
6-12 years	437,27	446,37	1.767,28
12-18 years	514,44	525,14	2.079,16

Children born before 1 Jan. 1995 [in NLG] (per child, per quarter)

	1 Jan. 2001		1 July 2001		year	
	6-12 (85%)	12-18 (100%)	6-12 (85%)	12-18 (100%)	6-12 (85%)	12-18 (100%)
Families with						
1 child	437,27	514,44	446,37	525,14	1.767,28	2.079,17
2 children	493,94	581,10	504,20	593,18	1.996,28	2.348,56
3 children	512,81	603,31	523,48	615,86	2.072,58	2.438,34
4 children	554,33	652,15	565,86	665,72	2.240,38	2.635,74

6.2.2 Income and earnings disregards

These benefits are not income related; they are not included in any means test.

6.3 Tax treatment of benefit

Not taxable.

6.4 Treatment of particular groups

Since 1-5-1997 parents of handicapped children can get a supplementary benefit, as a partial compensation of the extra costs (TOG-arrangement). Age of the children: 3-18 years. Benefit for parents of handicapped children (mental and physical): NLG 406.30 per 3 month.

7. Child-care benefits

There are two forms of formal child care in the Netherlands:

- 1) Continuous care for children aged 0-4 years which lasts longer than 5 and max. 10 hours per day;
- 2) Child care for children aged 0-4 which lasts shorter than 5 hours per day.

Next there exist a variety of possibilities for extracurricular child care aged 4-12, before and after regular school hours and during school holidays. There exist also a great variety of informal (private) child care arrangements.

In the Netherlands most children only stay for a part of the working week in child care. On average 1,8 children share on child care place. In 2001 there where child care capacity in formal child care arrangements for 21% of all children between the age of 0-4 years. Children 4 year of age and older go to school.

7. Child-care benefits

1) Full-time child care

In the Netherlands most children only stay for a part of the working week in child care. On average 1,8 children share on child care place. In 2001 there where child care capacity in formal child care arrangements for 24% of all children between the age of 0-4 years.

The average costs for fulltime childcare (2440 hrs/year) for children aged 0-4 years in 2011 were 23,400 NLG.

2) Different types of child care

There are three forms of formal child care in the Netherlands:

Continuous care for children aged 0-4 years which lasts longer than 5 and max. 10 hours per day;

- 1) Child care for children aged 0-4 which lasts shorter than 5 hours per day;
- 2) Extracurricular child care for children aged 4-12 (after and before school times) and during school holidays.

The third category does not belong to the child care arrangement that will be considered in this study. It is mentioned to give a complete picture of Dutch child care arrangements. From the age of 4 years children have to go to school.

There exist also a great variety of informal (private) child care arrangements.

7.1 Calculation of the benefit amount

3)/4) Price parents are charged in detail

The amount parents have to pay for childcare depends on their terms of employment, their income, the number of children in childcare, the number of days and the number of hours per day. About 24 % of the childcare for children aged 0-4 years is subsidized formal childcare, in 62 % employers are paying part of the costs and 14 % of the childcare is paid entirely by parents themselves.

The benefits for childcare (either subsidized by local government or by employers) are based upon an advise of the ministry of Health, Welfare and Sports. Since 2001 the fee's (and benefits) are no longer based on the net income but on taxable income of the most recent tax report. The monthly fee per child for subsidized child care is a function of the parents' pooled taxable income and the number of children using childcare. For the first child using childcare the minimum contribution rate is 106 NLG for each child per month in the case that the parent's have an income of no more than 2,499 NLG per month. For the first child is the highest contribution rate 1,163 NLG when the parent's have an income higher than 8,770 NLG per month. The parental fee for second (and third etc.) children ranges from 106 NLG a month for the lowest incomes to 350 NLG for the highest incomes.

These are the amounts for fully day care (5 days a week) for children up to 4 years. For half day care about 60% of the amount applies.

5) Lone parents

Working lone parents that are working and earning less than the social minimum have a right to fully paid childcare. Also lone parents that started working en stopped receiving social assistance have a right to a fully paid childcare for the first year of work. In these cases the municipality pays the full child care costs. For a whole day childcare (5 days a week, full-time), the amount is NLG 19,900 per year. For a half day childcare, the amount is NLG 13,135 per year. For less than 5 days the amount is reduced accordingly.

There are no figures for 2001. In 2000 1,616 children (in full-time equivalents, which means 5 days per week) profited the whole day care subsidy. In the same year about 286 children in full-time equivalents (5 days a week) profited the whole day care subsidy for half day childcare.

Tax deductions

Nearly all parents can deduct the costs for formal child care, but note that only 21% of all children are in formal childcare.

1) Child care < 5 hours per day

If the employer pays child care, the employee can deduct min. NLG 51,50 for the first child and max. NLG 566,50 and min. NLG 51,50 and max. NLG 170,50 for the second child. The max. deduction applies to a income higher than NLG 9625.

If the parent is paying for child care the min. deduction is NLG 224 per child and the maximum deduction is NLG 9064 and NLG 2728 for the second child. The max. deduction applies to a income higher than NLG 9625.

2) Childcare > 5 hours per day

If the employer pays child care, the employee can deduct min. NLG 77,25 for the first child and max. NLG 849,75 and min. NLG 77,25 and max. NLG 255,75 for the second child. The max. deduction applies to a income higher than NLG 9625.

If the parent is paying for child care the min. deduction is NLG 366 per child and the maximum deduction is NLG 13596 and NLG 4092 for the second child. The max. deduction applies to a income higher than NLG 108.800.

For childcare the current system of income dependent benefits will be replaced by a tax credit in 2004. The childcare system will become fully demand driven. Parents will receive an income dependent tax credit.

8. Employment-conditional benefits

An extra single-parent tax credit exists for working lone parents (see Section 10.1.1).

9. Lone-parent benefits

There is a special tax credit, but specific benefits do not exist.

10. Tax system

Since January 2001 a new tax system is implemented.

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

In 2001, most standard allowances were abolished, and tax credits were introduced. However, the following standard allowances remained:

Schemes for employees

Employees' social security contributions (see 2.1.) are deductible with the exception of the health insurance contribution. The employers' health insurance contribution is subject to tax.

10.1.1.2 Standard tax credits

There are a number of standard tax credits, described below. For a single person the tax credits are limited to the amount of tax payable. For a taxpayer with a partner, the tax credits are limited to the amount of his/her tax payable plus the tax payable by the partner after deduction of the partners' tax credits.

- General tax credit. This credit amounts to NLG 3 473. It is also available to partners without income.

The following additional tax credits may apply depending upon the individual situation of the taxpayer and his or her family.

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs
 Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

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- Work credit. This credit is the sum of 1.751 per cent of the income from work with a maximum of NLG 284 and 10,75 per cent of the income from work with a franchise of NLG 16 219 (for older than 65 respectively 0,783% of NLG 127 and 4,803% of the earnings). The maximum work credit is NLG 2 027 which will be reached at the minimum wage level (NLG 32 431 gross income per year). The Tax Credit is paid up to the amount of tax paid. For a person 65 year and older the maximum is NLG 906;
 - Child credit. A single person with at least one child below 16 years of age receives a credit of NLG 84 if his or her income does not exceed NLG 120 104. A taxpayer with a partner is only entitled to the child credit if his or her income exceeds the income of the partner and the joint income does not exceed NLG 120 104;
 - Additional child credit. If a person receives the ordinary child credit and the joint income does not exceed NLG 60 052, he or she is also entitled to the additional child credit of NLG 423;
 - Combination credit. A single person or partners with children below the age of 12 years are entitled to a combination credit of NLG 304, if the individual income from work exceeds NLG 8 679;
 - Single parent credit. A single parent is under certain conditions entitled to the single parent credit of NLG 2 779;
 - Additional single parent credit. A single parent who is entitled to the single parent credit receives an additional credit of 4.3 per cent of his or her income from work, with a maximum of NLG 2 779;
 - Young disabled credit. A disabled taxpayer who receives a social benefit for the disabled and who does not receive the elderly credit, is entitled to a credit of NLG 1 067;
 - Elderly credit. A person at the age of 65 years or over with an income below NLG 61 052 receives an elderly credit of NLG 520;

10.1.2 The tax schedule 2001

Slice of Taxable Income (NLG)	Tax Rate (%)	Social securities contributions	
		< 65 years	> 65 years
0 – 32 769	2,95	29,4	11,5
32 769 – 59 520	8,2	29,4	11,5
59 520 – 102 052	42	-	-
102 052 and over	52	-	-

The contributions for the general social security schemes are levied on the first and second slice of income. Individuals of 65 years and over pay 11.5 per cent (for widows and orphans pensions and

exceptional medical expenses) and individuals younger than 65 years pay 29.4 per cent (for widows and orphans pensions, exceptional medical expenses, and old age income provision).

10.2 Treatment of family income

Spouses are taxed individually. Partners are each entitled to the General Tax Credit. If one of the partners has little or no income and therefore does not use his or her own tax credit in full, he or she can receive part or all the amount directly from the Tax Department, in the form of a provisional refund for instance. (see 10.1)

10.3 Social security contribution schedule

Employees' contributions

Schemes for employees:

Unemployment: 5.25 per cent of gross wage less compensation allowance (ceiling NLG 87 957) with a franchise of NLG 30 537 (this contribution is only for the general unemployment fund);

Public insurance for medical care if gross earnings are below NLG 65 700: 1.7 per cent of the gross earnings below NLG 59 247 plus a fixed amount of NLG 346 a year for each adult.

General schemes (levied combined with income tax):

Old age pension: 17.9 per cent of taxable income in the first and second tax bracket.

Survivors pension: 1.25 per cent of taxable income in the first and second tax bracket.

Exceptional medical expenses: 10.25 per cent of taxable income in the first and second tax bracket.

11. Part-time work

11.1 Special benefit rules for part-time work

Seasonal workers have different qualifying conditions for the basic unemployment insurance benefit.

11.2 Special tax and social security contribution rules for part-time work

Not applicable.

12. Policy developments

The focus on labour market re-integration goes ahead, also for older people (50+).

In 2004 the current system of income dependent benefits for childcare will be replaced by a Childcare tax credit.