

NETHERLANDS

Priorities supported by indicators

Lower marginal effective tax rates (2005, 2007, 2009)

Recommendations: Reduce social transfers and tax subsidies for owner-occupied housing and broaden VAT tax base to finance lower labour income taxes. Phase out or reduce measures which increase the marginal effective tax for second earners.

Actions taken: The government has taken measures to reduce the effective cost of childcare for workers. Employer contributions to childcare were made compulsory in 2007 and the transferability of the tax credit for non-working partners is being phased out over a 15-year period.

Reform disability benefit schemes (2005, 2007, 2009)

Recommendations: Improve assessment of regional social security offices' performance. Reform periodic medical reassessment of disability recipients and extend it to persons above age 50. Phase out the dependency of initial disability benefits on previous earnings and exclude the benefits from wage agreements.

Actions taken: Medical gate-keeping has been improved through stricter claim assessment and reassessment of existing cases. Eligibility conditions for disability leave have been tightened somewhat, and economic incentives for hiring partially disabled workers have been strengthened through an in-work wage subsidy based on the hypothetical earnings capacity of benefit recipients. However, in 2007, the maximum age for medical reassessment was lowered to age 46.

Strengthen competition in network industries (2005, 2007)

Recommendations: Secure effective vertical separation in local-government owned network industries, privatise such activities and introduce cost-based access pricing. Adopt a "silence is consent" rule for issuing licenses.

Actions taken: Full ownership separation of the energy distribution networks from the supply companies is being implemented from 2008 and is to be completed by the end of 2010. Competitive tenders have opened up public transport activities to private operators.

► **Ease employment protection legislation for regular contracts (2009)**

Recommendations: Simplify the dismissal system, including appeal procedures. Clarify the rules governing layoffs. Reduce severance payment rights of older workers to the levels of other workers.

Actions taken: Courts have adopted new guidelines to determine the amount of severance payments.

Simplify administrative procedures (2005)

Recommendations: Simplify and publicise procedures and regulation, extend one-stop shop services to accepting notification and issuing permits.

Actions taken: Since 2005, significant simplifications to administrative procedures have been implemented.

Other key priorities

► **Promote competition in retail distribution services (2005, 2007, 2009)**

Recommendations: Liberalise retail distribution by phasing-out restrictions on shop-opening hours, relaxing the regulation for large scale outlets and easing zoning regulations.

Actions taken: In 2005, restrictions on large outlets and decision-making powers were decentralised.

Reform residential zoning regulation (2005, 2007)

Recommendations: Ease land-use zoning restrictions to stimulate housing supply.

Actions taken: In 2006 the government moderately eased zoning restrictions and decentralised decision-making.

► **Reduce incentives for the long-term unemployed to stay inactive (2009)**

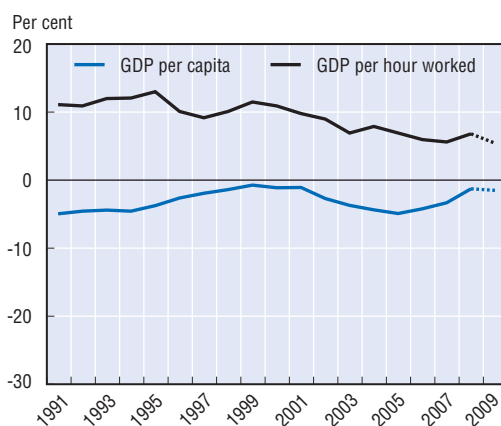
Recommendations: Strengthen activation policies for the long-term unemployed and shorten the duration of unemployment benefits.

Actions taken: No significant action taken.

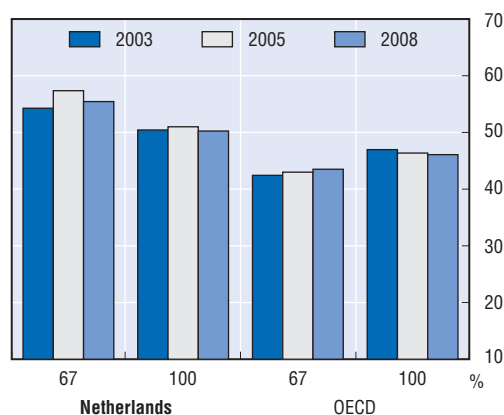
NETHERLANDS

- The small income gap vis-à-vis the top performing OECD countries remains at par, reflecting lower average working hours offset by relatively high productivity.
- Reforms have reduced disincentives to work longer hours, particularly for second earners. The administrative burden has been notably reduced, and reforms in network sectors have been implemented. However, employment protection legislation remains overly strict, restrictions on shop opening hours continue to hinder competitive pressures, and excessive unemployment benefit duration undermines the job-search incentives of the long-term employed.

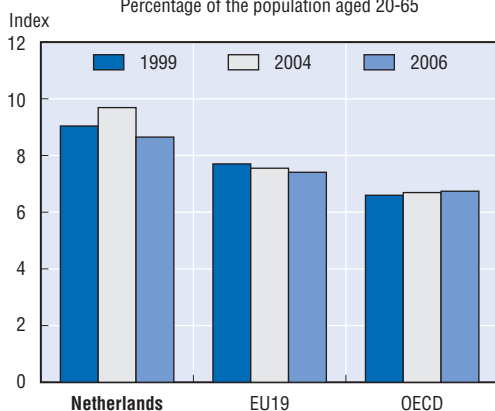
A. A small gap in GDP per capita remains
Gap to the upper half of OECD countries¹



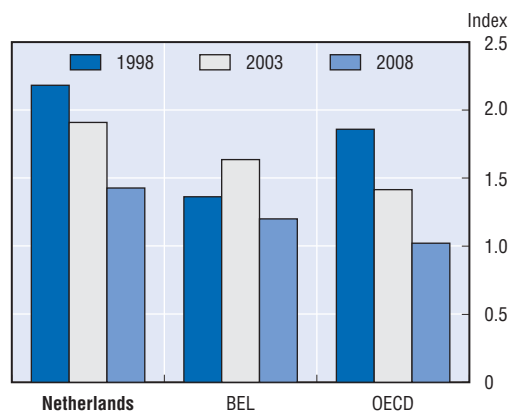
B. Marginal tax wedges are relatively high
Percentage of total labour compensation²



C. The share of working-age population receiving disability benefits is high³
Percentage of the population aged 20-65




D. Legal barriers to entrepreneurship have been reduced but could be lowered further⁴



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Evaluated at 67% and 100% of average earnings for a single person with no child.
3. Disability benefits include contributory, non-contributory and work injury benefits.
4. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: OECD, Taxing Wages Database; Chart C: OECD (2003), Transforming Disability into Ability and OECD estimates; Chart D: OECD, Product Market Regulation Database.

StatLink  <http://dx.doi.org/10.1787/786611566183>