

THE NETHERLANDS

1. Overview of the system

Unemployment insurance pays 70 per cent of the last earned wage for a period of time dependent on age. A system of family related social assistance benefits is universally available, conditional on a means and a work test. Taxation is individual. Housing costs can be covered by a separate individual benefit. The 1995 APW earnings level is Gld 56 210. A so-called “compensation allowance” of Gld 5 025 is included in that amount (see 10.1.2). Earnings related benefits are based on gross earnings without the compensation allowance, thus Gld 50 685. All information in this chapter applies to 1 January, 1995.

2. Unemployment insurance

The unemployment benefit pays three types of benefit: the basic benefit, the extended benefit and the follow-up benefit. Follow-up benefits are classified as unemployment assistance benefits.

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

- basic benefit (NWW): 26 weeks in the last 12 months preceding unemployment;
- extended benefit (NWW): to have worked at least four in the last five years (four-out-of-five condition). Calendar years during which the person cared for children under 12 count fully for this requirement.

2.1.2 *Contribution conditions*

Extended benefit: at least 52 weeks in paid employment (hence contributed) in three of the last five years preceding unemployment.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

Basic and extended benefit: 70 per cent of gross earnings lost up to a maximum daily wage of Gld 286.84 (5 days per week).

2.2.2 Income and earnings disregards

If the claimant is working less than 5 hours/week, gross benefit is reduced by 30 per cent of gross earnings.

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

2.3 Tax treatment of benefit

Taxable.

2.4 Benefit duration

Basic benefit is paid for 6 months. The duration of the extended benefit varies with the employment record.

Employment (years)	Duration (extended benefit)
5 to 10	3 months
10 to 15	6 months
.	6 months increase for every additional five years of employment
.	
35 to 40	36 months
>= 40	48 months

2.5 Treatment of particular groups

2.5.1 Young persons

None.

2.5.2 Older workers

The benefit stops when the recipient turns 65.

3. Unemployment assistance

3.1 *Conditions for receipt*

3.1.1 *Employment conditions*

To have worked at least four in the last five years. Calendar years during which the person cared for children under 12 count fully for this requirement.

3.1.2 *Contribution conditions*

At least 52 weeks in paid employment (hence contributed) in three of the last five years preceding unemployment.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

Follow-up benefit: 70 per cent of the minimum wage (Gld 2 163.20 per month).

3.2.2 *Income and earnings disregards*

If the claimant is working less than 5 hours per week, gross benefit is reduced by 30 per cent of gross earnings.

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

3.3 *Tax treatment of benefit*

Taxable.

3.4 *Benefit duration*

One year.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

People under 23 whose employment record is too short to qualify for the extended benefit but who do meet the three-out-of-five condition are entitled to the follow-up benefit.

3.5.2 Older workers

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

4. Social assistance

4.1 Conditions for receipt

General assistance (ABW): every citizen older than 18 that has an income below the subsistence minimum may ask for (*bijstand*) to complement his income. School leavers under 21 have a 6-month waiting period.

Supplementary benefits act (TW): if recipients of an unemployment insurance or unemployment assistance have an income less than the minimum guaranteed income, a supplement can be paid under the supplementary benefit act. Amounts depend on family composition.

4.2 Calculation of benefit amount

The Dutch government specifies minimum benefit payment rates. The local governments can supplement these.

4.2.1 Calculation of gross benefit

General assistance (ABW):

Family situation	Proportion of the subsistence minimum ¹	Corresponding gross yearly benefit
Couples	100%	29 531
Lone parent families	90%	26 869
Single 23 or older	70%	22 334
Idem, sharing accommodation	60%	19 143

¹ The subsistence minimum amounts to Gld 1 803 per month + Gld 99.21 holiday allowance; the amounts in this column are the *net* guaranteed income levels (see also Section 4.3).

Supplementary benefit act (TW):

Family situation	Minimum guaranteed income (proportion of minimum wage ¹)	Maximum supplements (proportion of minimum wage ¹)
Single adults	70%	21%
Single parents	90%	27%
Married persons	100%	30%

¹ The minimum wage is Gld 2 163.20 per month; for singles aged under 23 the minimum guaranteed income is lower. Singles under 21 living with their parents can have no entitlements, neither have persons born after 31/12/1971 without dependent children under 12.

4.2.2 *Income and earnings disregards*

General assistance: no disregards; one-to-one income-test using the household net income. Individual housing benefits are excluded from the income-test. Savings and assets worth over Gld 9 000 (18 000 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 of social assistance should use this money to support their own subsistence.

Supplementary benefit act: for a period of two years a 15 per cent earnings disregard exists; all property is disregarded.

4.3 *Tax treatment of benefit*

The general assistance and benefits under the supplementary benefits act are normally taxable. The level of general assistance is defined on its net value; a net income level is guaranteed. The income taxes on the general 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;
- supplementary benefit act (TW): as long as unemployment benefits are received.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

General assistance:

	Monthly allowance	Holiday pay
Singles aged 21	924.76	60.24
Single aged 22	1 055.15	70.39

Notes: The table assumes own (not shared) accommodation.
Lower benefits rates are paid to persons under 21.

Supplementary benefit act: singles under 23 have lower minimum guaranteed incomes.

4.5.2 *Older workers*

None.

5. **Housing benefits**

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

5.1 *Conditions for receipt*

All families, whether or not dependants 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 maximum taxable income to be eligible for housing benefits is Gld 30 000 for singles and Gld 42 000 for others under 65 years of age. The maximum rent which may be subsidised is Gld 12 575. The housing benefit equals the rent minus an own contribution. The basic own contribution depends on taxable income, which is determined using the following formula:

$$\frac{(TI - \text{mininc}) \times \text{avgrent} / \text{avginc} + (\text{avginc} - TI) \times \text{minrent}/\text{mininc}}{\text{avginc} - \text{mininc}} * TI$$

Symbol	Significance	Value
TI	taxable income	taxable income; if below mininc: equals mininc
minrent	minimum own contribution	3 820
avgrent	own contribution	7 490
mininc	level at which reduction starts	22 400 for singles <65 29 200 for others <65
avginc	average income	28 400 for singles <65 39 500 for others <65

If the basic own contribution exceeds rent, housing benefits equal zero. Otherwise, an additional own contribution needs to be subtracted from the benefit.

The additional own contribution depends on the level of rent and is calculated by dividing the rent into rent brackets. For each bracket, the contribution towards the additional own contribution is calculated. The sum of those is the total additional own contribution.

Additional own contribution below the age of 65	
Rent	Own contribution
<4 600	0%
4 600 - 5 200	5%
5 200 - 5 800	10%
5 800 - 6 400	15%
6 400 - 7 000	20%
7 000 - 7 600	30%
7 600 - 8 200	35%
8 200 - 8 800	40%
8 800 - 9 265	45%
9 265 - 12 090	100%

5.2.2 *Income and earnings disregards*

The benefit is income related as described in Section 5.2.1.

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 Gld 6 015.

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*

Due to a recent change in which benefits are no longer dependent on family size, there are three categories. Only the category for children born before 2 October 1994 is considered in this overview.

6.2.1 *Calculation of gross benefit*

For children born before 2 October 1994:

Child benefit net rate per child per quarter	Age groups		
	0-5	6-11 and 18-24	12-17
Families with			
1 child	284.66	406.65	528.65
2 children	331.88	474.12	616.36
3 children	347.63	496.61	645.59
4 children	379.25	541.79	704.33
5 children	398.23	568.90	739.57
6 children	410.88	586.97	763.06

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*

None.

7. **Child-care benefits**

There are local schemes to reduce child-care centre fees. Some employers pay a part of the child-care cost for their employees.

8. **Employment-conditional benefits**

An extra tax allowance exists for working lone parents (see Section 10.1.1).

9. **Lone-parent benefits**

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

10. **Tax system**

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

A number of allowances exist:

- all contributions to the unemployment, sickness and invalidity;
- work related expenses;
- a basic allowance of Gld 6 074, doubled if the partner earns too little to use the basic allowance. If the lower earning partner is not able to use his/her entire basic allowance, the entire basic allowance is transferred to the higher earning partner (the lower earning partner will pay tax over the first earned guilder);
- a lone parent allowance of Gld 4 860, increased with 6 per cent of gross income for a working lone parent (maximum Gld 4 860). Gross income is defined as gross earnings minus deductible social security contributions but including the compensation allowance and the ZFW employer's share in the obligatory health insurance.

The calculation of work related expenses is explained in Section 10.1.2.

10.1.2 The definition of taxable income

(0)	gross income
(1)	- ZW/WW/WAO allowance
(2)	+ ZFW employers' share
(3)	+ private medical insurance: employer's share
<hr/>	
	subtotal I
(4)	- intermediate work related expenses
<hr/>	
	subtotal II
	subtotal I
(5)	+ compensation allowance
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	subtotal III
(6)	- work related expenses
<hr/>	
	subtotal IV: taxable income
(7)	- personal / basic allowances
(8)	taxable sum
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Explanation of the numbers:

- 1) all contributions for unemployment (WW), sickness (ZW) and invalidity (WAO);
- 2) of the sum of gross earnings (0) exceeding a "franchise" worth Gld 14 049 (Gld 54 per day for 261 days in a year). Contributions are paid over earnings up to Gld 50 180 if gross earnings are below Gld 58 950 (obligatory health insurance ZFW); above that earnings level the person has to insure privately;
- 3) employers' contribution in private insurance (if gross earnings are more than Gld 58 950) is assumed to be fixed at Gld 1 000 (note that employees with gross income above Gld 58 950 are privately insured so that ZFW contributions are not paid: 2) will be zero);
- 4) intermediate work related expenses are calculated as:
 - 8 per cent subtotal I;
 - or Gld 237, whichever is higher;
 - or Gld 2 139, whichever is lower;
 - people without a job have, instead of work related expenses, a standard allowance: Gld 584.

This calculation is needed to calculate the base for the compensation allowance:

- 5) 11.75 per cent of subtotal II or Gld76 350, whichever is lower. Note that unemployed people also receive the compensation allowance.

Subtotal II will be discarded; the calculation continues from subtotal I:

- 6) work related expenses:
 - 8 per cent of subtotal I plus (5);
 - or Gld 237, whichever is higher;
 - or Gld 2 139, whichever is lower;
 - people without a job have, instead of the work related expenses, a standard allowance of Gld 584;
- 7) basic and lone parent allowances.

10.1.3 *The tax schedule*

Income tax brackets (annual)	Income tax rates (%)
0 - 44 439	6.15
44 350 - 88 696	50
88 696+	60

The level of the means-tested benefits is fixed as a net value. The benefit supplier is due to pay the taxes of which the levels are based on the family type.

10.2 *Treatment of family income*

Spouses are taxed individually. The family income is assessed jointly if one partner is not able to use the basic allowance of Gld 6 074, in which case the entire basic allowance is transferred to the other partner.

10.3 *Social security contribution schedule*

- 1) schemes levied on gross income:
 - sickness and unemployment: 1%+2.55% (1%+2.6% for unemployed people) of gross income up to Gld 74 360;
 - invalidity: 9.4 per cent of daily gross income (0) exceeding a so-called “franchise” of Gld 99 (max. Gld 25 740 per year). The franchise is calculated towards income from work, to which category the unemployment insurance and assistance benefits also belong. Contributions are due on annual income up to Gld 74 360;

- obligatory medical insurance: 1.1% of (0) up to Gld 50 180, plus Gld 198 per adult. Both contributions cease to be payable if gross income exceeds Gld 58 950/annum;
 - private insurance premium (if gross income exceeds Gld 58 950).
- 2) schemes levied on the first income tax bracket:
- (14.55+1.8+6.3)% of the taxable sum (8) for general schemes (old age pension, widows and orphans pension and disability);
 - 8.85% of the taxable sum (8) plus Gld 110 per adult for exceptional medical expenses.

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

In 1994 and 1995 contributions to invalidity insurance were not made by people earning less than Gld 99 per day (in both years there were 260 working days). Thus, someone working 16 hours in two days per week does not have the same franchise as someone working 16 hours in five days per week.

12. Policy developments

12.1 Policy changes introduced in the last year

From January 1 1995, the amount of child benefit per child no longer depends on the size of the family.

12.2 Policy changes announced

Housing benefits are extended on 1 July 1995 for families with children. From 1 July 1997, housing benefits will depend on the number of persons in a family.

From March 1995, substantial changes were introduced in the unemployment benefit scheme. A flat-rate benefit was introduced for persons who did not work 4 out of 5 years preceeding unemployment; this change will most strongly affect young workers with a limited employment record.

From 1 January 1996 the ABW (general assistance) has changed:

- there are now only three national payment norms, which can be supplemented by local governments;
- the beneficiary’s partner can also be obliged to look for work;
- one parent with children under 5 years of age is no longer obliged to look for work;
- the social services offices will intensify the help supplied to its clients to help them finding work;
- a job-offer is sooner judged “suitable” for the beneficiary;
- there are more possibilities for checks.

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The annual tax/benefit position of an unemployed single person, 1995 (Guilders)

	Initial rate unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	22 334
Non-means tested benefits		
Unemployment insurance	39 323	0
Total	39 323	22 334
B. Income tax and social security contributions		
Allowances	8 851	219
Taxable income	30 472	22 370
Income tax	1 874	1 002
Social security contributions	12 489	5 352
Total	14 363	6 354
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	0	4 306
Non-means tested benefits		
Total	0	4 306
D. Net income out of work (A-B+C)	24 959	20 286
E. Net income in work	33 447	33 447
F. Net replacement rate (D/E) (per cent)	75	60

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The annual tax/benefit position of an unemployed married couple with two children, 1995 (Guilders)

	Initial rate unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	29 531
Non-means tested benefits		
Unemployment insurance	39 323	0
Total	39 323	29 531
B. Income tax and social security contributions		
Allowances	14 925	289
Taxable income	24 398	29 182
Income tax	1 500	1 048
Social security contributions	10 885	5 655
Total	12 385	6 703
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	1 812	4 306
Non-means tested benefits		
Family benefits	2 954	2 954
Total	4 766	7 260
D. Net income out of work (A-B+C)	31 704	30 086
E. Net income in work	38 642	38 642
F. Net replacement rate (D/E) (per cent)	82	78

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The annual tax/benefit position of a lone parent with two children, 1995 (Guilders)

	Initial rate unemployment benefit (21 months)	After 5 years (indefinite)
A. Taxable benefits		
Means-tested benefits		
Social assistance benefits	0	26 869
Non-means tested benefits		
Unemployment insurance	39 323	0
Total	39 323	26 869
B. Income tax and social security contributions		
Allowances	13 809	263
Taxable income	25 512	27 030
Income tax	1 569	990
Social security contributions	10 927	5 333
Total	12 496	6 323
C. Non-taxable benefits		
Means-tested benefits		
Housing benefits	0	4 306
Non-means tested benefits		
Family benefits	2 954	2 954
Total	2 954	7 260
D. Net income out of work (A-B+C)	29 781	27 006
E. Net income in work	39 729	39 729
F. Net replacement rate (D/E) (per cent)	75	70