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## THE NETHERLANDS 2002

### 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 2002 AW earnings level is EUR 35 010. 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 2002.

### 2. Unemployment insurance

The unemployment benefit (WW) includes three types of benefits: 1. the earnings related benefit (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 (max. half a year) 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. Insurance is compulsory for employees.

**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 EUR 159 per day (5 days per week, that is EUR 41 340 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, 2002 (in EUR)**

		Including holiday pay
1 January	1 206.60	1 303.13
1 July	1 231.80	1 330.34
Year	1 219.20	1 316.67

**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 (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 2002, the minimum guaranteed incomes were set as the following gross amounts**

Family situation	Per cent of minimum wage
Single person	70%
Lone parents	90%
Married persons and couples living together	100%

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.

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- 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.

**Duration of the earning-related benefit**

Employment (years)	Duration (extended benefit)
4	6 months
5 to 10	9 months
10 to 15	12 months
	(6 month increase for every additional 5 years of employment)
35 to 40	48 months
>= 40	60 months

Follow-up benefit: 2 years (for workers older than 57½ maximum 3½ years).

Short-term benefit: 6 months.

### 2.5 *Treatment of particular groups*

#### 2.5.1 *Young persons*

None.

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2.5.2 *Older workers*

Persons from 57.5 years old no longer have to look for work (going to be abolished in 2003). 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 65<sup>th</sup> 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	
		Holiday allowance: excluded	included
Couples	100%	12 564	13 198
Lone parent families	90%	11 308	11 878
Single, 23 or older	70%	8 795	9 238

\* 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 EUR 4 820 (EUR 9 640 for couples and lone parents) 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.

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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 January		1 July		Year average
	Base	+ holiday allowance	Base	+ holiday allowance	
Single < 21 years with children	4 683.84	236.16	4 308.24	244.20	4 736.22
One is >21 years and one is <21, with children	10 956.00	552.96	11 097.84	571.80	11 589.30
Both <21 years old, with children	6 854.88	345.60	6 937.32	357.48	7 247.64
Single <21 years, no children	2 171.04	109.44	2 197.20	113.16	2 295.42
Both <21 no children	4 342.08	218.88	4 394.28	226.44	4 590.84
One >21 one <21, no children	8 453.16	426.24	8 554.80	440.76	8 937.48

Note: local municipalities can decide to give additional allowances.

##### **4.5.2 Older workers**

People, 57½ or older who receive social assistance 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 dependents are present or not, are eligible.

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**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 2002 the monthly standard rent for people with a minimum income was EUR 162 (households with two or more people aged 65 or older), EUR 164 (a person aged 65 or older living alone) and EUR 166 (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” (EUR 298 in 2002) is paid completely (=100%).
- 75% of the costs 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 2002 this was EUR 427 for one and two person households and EUR 458 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 EUR 541 qualify for housing benefits.

**5.2.2 Income and earnings disregards**

Persons are eligible for housing benefits if their income is lower than EUR 16 948 for a single or EUR 22 711 for others.

Next, their capital income must be lower than EUR 31 424 for a single or EUR 27 090.68 for a household (highest earner must be younger than 65 or EUR 43 517.52 if the highest earner is older than 65).

**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 EUR 298 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 January 1995

In EUR per child, per 3 months

Age	1 January 2002	1 July 2002	Year
0-6 years	168.88	172.57	682.90
6-12 years	205.06	209.55	829.22
12-18 years	241.25	246.53	975.56

##### Children born before 1 January 1995

In EUR per child, per 3 months

Families with	1 January 2002		1 July 2002		Year	
	Age 6-12 (85%)	Age 12-18 (100%)	Age 6-12 (85%)	Age 12-18 (100%)	Age 6-12 (85%)	Age 12-18 (100%)
1 child	205.06	241.25	209.55	246.53	829.22	975.56
2 children	231.63	272.51	236.71	278.48	936.68	1 101.98
3 children	240.49	282.93	245.75	289.12	972.48	1 144.10
4 children	259.96	305.84	265.65	312.53	1 051.22	1 236.74
5 children	271.64	319.58	277.58	326.57	1 098.44	1 292.30
6 children	279.43	328.74	285.55	335.94	1 129.96	1 329.36

#### 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 May 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): EUR 190.54 per 3 months.



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**7. Child-care benefits**

**7.1 Types of child care available**

**7.1.1 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 is no data for 2002) there where child care capacity in formal child care arrangements for 22.5% of all children between the age of 0-4 years.

The average costs for full-time childcare (2 440 hours/year) for children aged 0-4 years in 2002 were EUR 11 321.

**7.1.2 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 maximum 10 hours per day.
- Child care for children aged 0-4 which lasts less than 5 hours per day.
- 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.

**7.2 Calculation of the benefit amount**

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 20% of the childcare for children aged 0-4 years is subsidized formal childcare, in 63% employers are paying part of the costs and 13% of the childcare is paid entirely by parents themselves.

The benefits for childcare (either subsidized by local government or by employers) are based upon a decision of the Ministry of Social Affairs and Employment in 2002 (previously the Ministry of Health, Welfare and Sport). Since 2002 the fees (and benefits) are no longer based on the net income but on the 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 EUR 50 for each child per month in the case that the parents have an income of no more than EUR 1 189 per month. For the first child the highest contribution rate is EUR 551 when the parents have an income higher than EUR 4 175 per month. The parental fee for second (and third, etc.) children ranges from EUR 50 a month for the lowest incomes to EUR 165 for the highest incomes.

These are the amounts for full day care (5 days a week) for children up to 4 years. For half day care 66% of the amount applies.

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**7.3 Treatment of particular groups**

**7.3.1 Lone parents**

Municipalities can provide free child care for children of lone parents who receive social assistance provided their income is lower than 130% of the minimum income. The first year after a lone parent accepted work, the municipality continues to provide fully paid childcare. For whole day childcare (5 days a week, full-time), the amount is EUR 9 423 per year. For half day childcare, the amount is EUR 6 219 per year. For less than 5 days the amount is reduced accordingly.

There are no figures for 2002. In total municipalities paid for about 7 000 places in 2001. 1 488 children (in full-time equivalents, which means 5 days per week) profited from whole day care. In the same year about 333 children in full-time equivalents (5 days a week) profited from half day childcare. 3 309 children (in full-time equivalents) aged 4-12 were in after school day care and 1 849 children (full-time equivalents) aged 0-12 were cared for by host parents.

**7.4 Tax treatment of benefits**

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

- Child care < 5 hours per day  
If the employer pays child care, the employee can deduct a minimum EUR 22.60 and maximum EUR 270.55 per month for the first child and minimum EUR 22.60 and maximum EUR 81.35 for the second child. The maximum deduction applies to an income higher than EUR 4 805. (If the parent is paying for child care see 10.1.1.2 for tax credits).
- Childcare > 5 hours per day  
If the employer pays child care, the employee can deduct a minimum EUR 39 for the first child and maximum EUR 466.50, and minimum EUR 39 and maximum EUR 140.25 for the second child. The maximum deduction applies to a income higher than EUR 4 805. (If the parent is paying for child care see 10.1.1.2 for tax credits).

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. (see section 10.1.1)

**10. Tax system**

Since January 2001 a new tax system has been 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 EUR 1 647 (person older than 65 years of age EUR 737). It is also available to partners without income. The tax credit is paid to a person with low income (income must be lower than EUR 5 100).

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

- Work credit. This credit is EUR 949 (the sum of 1.729 per cent of earnings with a maximum of EUR 133 and 10.621 per cent of earnings exceeding EUR 7 692) for a person younger than 57 (for older workers the tax credit is increased: age 57-59 EUR 1 119, age 60-61 EUR 1 289 and age 62-65 EUR 1 460). The Tax Credit is paid up to the amount of tax paid.
- Furthermore in 2002 a premium of EUR 2 269 is paid to benefit claimants that accept a full-time job; EUR 1 361 after one year of work and EUR 454 after the second and third year of work.
- Child credit. The basic child credit is EUR 40 at a household income lower than EUR 56 191. Families with income less than EUR 25 704 receive an additional maximum amount of EUR 428 plus EUR 30 with three or more children. The tax credit phases out to 0 at an income of EUR 56 191. Families with an income lower than EUR 28 096 receive an amount of EUR 341.
- Combination credit is introduced for families with children making childcare more affordable to working parents. A single person or partners with children below the age of 12 years is entitled to a combination credit of EUR 190 if the individual income from work exceeds EUR 4 060.
- Single parent credit. A single parent is under certain conditions entitled to the single parent credit of EUR 1 301. Also an additional tax credit is paid. The amount is 4.3% of the income from work outside the household and maximum EUR 1 301.

10.1.2 *The tax schedule 2002*

Income tax brackets (annual in EUR)	Income tax rates (%)
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0 – 15 331	2.95
15 331 – 27 847	8.45
27 847 – 47 745	42
47 745 and over	52

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. 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:

- Unemployment: 4.95 per cent of gross wage less compensation allowance (ceiling EUR 41 499) with a franchise of EUR 14 355 (this contribution is only for the general unemployment fund).
- Public insurance for medical care if gross earnings are below EUR 30 700: 1.7 per cent of the gross earnings below EUR 28 188 plus a fixed amount of EUR 240.84 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.