National Reform Programme 2012

Contents

1. Introduction

1.1 Content National Reform Programme

The second European semester commenced on 23 November 2011 with the European Commission's publication of the 2012 Annual Growth Survey. The European semester refers to the period of intensive coordination at EU level of the member states' economic and budgetary policies. Both the National Reform Programmes (NRPs) prepared under the Europe 2020 strategy and the Stability and Convergence Programmes (SCPs) prepared under the Stability and Growth Pact (SGP) are discussed during this period. The 2012 European semester will be the first to use the recently reinforced economic governance structure. Known as the six-pack, it reinforces the SGP and tightens up budgetary surveillance. The macroeconomic imbalance procedure will also take effect for the first time.

The Spring European Council of March 1st and 2nd confirmed the Commission's priorities, as laid down in the Annual Growth Survey: pursue differentiated and growth-friendly fiscal consolidation, restore normal lending to the economy, promote growth and competitiveness, tackle unemployment and the social consequences of the crisis and modernise public administration. The Dutch government took these EU priorities into account when drafting this National Reform Programme. In accordance with the European Commission's wishes, this National Reform Programme considers the country-specific recommendations made to the Netherlands and the Dutch obligations under the Euro Plus Pact. It also includes a macroeconomic scenario and the Dutch actions to achieve the main objectives of the Europe 2020 strategy. This National Reform Programme builds on the 2011 National Reform Programme that the Netherlands submitted to the European Commission in April 2011.

1.2 Relationship with the Stability Programme

To streamline the European semester process, the National Reform Programme and the Stability Programme were prepared and submitted to the European Commission together. Regarding several fields there is some overlap between the two documents, for example regarding the field of the macroeconomic picture. These matters are considered in accordance with the approaches taken by the two documents. The Stability Programme focuses on macroeconomic developments, budgetary developments and their determinants whereas the National Reform Programme considers policy measures for the priorities of the Europe 2020 strategy. Where appropriate, the two documents include cross-references.

1.3 The government's ambitions

The Commission's priorities to strengthen growth, as endorsed by the European Council, are critical to restore confidence in the financial markets and strengthen the potential for smart, sustainable and inclusive economic growth and jobs. This is particularly important in view of the current low level of consumer confidence arising from the great uncertainties in the world economy and the euro zone. Both the EU and national governments must implement structural reforms to strengthen growth, improve the performance of labour-, services- and product markets and increase competitiveness. This will help restore confidence in the short term and simultaneously strengthen economic growth potential and the sustainability of public finances in the long term.

2. Country-specific recommendations and the Euro Plus Pact

To achieve the objective of sustainable, smart and inclusive growth and jobs in the EU, structural weaknesses in the European economies must be eliminated. To close the 2011 European semester, the Council accordingly made a number of country-specific recommendations to each member state. The euro countries plus Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania reached agreement on the Euro Plus Pact during the Spring European Council of March 2011. The pact's objective is to exert additional political pressure for structural reform in a number of important areas to increase EU competitiveness.

The left-hand column of the table below presents the country-specific recommendations made to the Netherlands and the measures the Netherlands is taking under the Euro Plus Pact. The right-hand column presents the current situation in these areas.

Country-specific recommendations	**Dutch measures**
1. Implement the budgetary strategy for the year 2012, in line with the Council recommendations on correcting the excessive deficit, setting the high public debt ratio on a downward path. Thereafter, progress towards the medium-term objective in line with the Stability and Growth Pact requirements, respecting the overall spending ceilings and consolidation requirements, thereby ensuring that consolidation is sustainable and growth-friendly, by protecting expenditure in areas directly relevant for growth such as research and innovation, education and training.	• This recommendation is consistent with the government's stance that fiscal consolidation is of great importance. • Economic conditions have recently deteriorated, as illustrated by new forecasts by the Netherlands Bureau for Economic Policy Analysis (CPB) regarding economic growth and the budget deficit. • The government is fully committed to adhere to the recommendations made regarding the excessive deficit procedure. To this end the government will seek support in parliament to take additional measures in order to decrease the budget deficit so that the 3% target will be reached in 2013. *See also chapter 3 and the Stability Programme*
2. Take measures to increase the statutory retirement age by linking it to life expectancy, and underpin these measures with others to raise the effective retirement age and to improve the long-term sustainability of public finances. Prepare a blueprint for reforming long-term care in view of an ageing population.	*Pension agreement:* • The statutory retirement age will be raised in 2013 by one month and after that it will be raised further in steps. • At the latest in 2019 the statutory retirement age will be 66 years and in 2024 67 years. • In 2014 the statutory retirement age for additional pensions will be raised to 67 years. • The vitality scheme includes measures to lengthen working lives and promote long-term employability (mobility bonuses, vitality savings scheme, work- to-work budget, intersectoral training budget, lower tax threshold to deduct training expenses and a transitional scheme for the life-course savings scheme). *See also section 4.1*

	Long-term care: • The Netherlands has begun taking measures to reform long-term care with a view to establishing a high-quality care system for the most vulnerable. In addition to a limited increase in all long-term care funding, this government has the intention to invest extra funds in staff and training, particularly in care for the elderly. It will also strengthen the position of clients, in part through a Framework Act. Where possible, legislation will be simplified or abolished. • The reforms include measures relating to restricting access to the exceptional medical expenses (AWBZ) scheme (IQ measure), transfer of parts of the AWBZ scheme to the social support scheme and the healthcare insurance scheme, the new framework for young people and the separation of housing and care. This approach is laid down in the letter on the long-term care programme and the first progress report on the reform of long-term care. • Furthermore, the Social and Economic Council of the Netherlands (SER) has been asked to publish an advisory report on how to keep health care affordable for future generations. It will issue its report at the beginning of next year. In addition, the ministry of Finance and the ministry of Health, Welfare and Sport have established a taskforce that has to come up with proposals to keep health care expenditures in control. • Originating from the supplementary agreement, measures in health care will be taken to limit the increasing costs for the AWBZ scheme, own contributions for rising health care costs will rise (where low-incomes will be compensated by a relating increase in health care benefits) and agreements will be reached with institutions,
3. Enhance participation in the labour market by reducing fiscal disincentives for second-income earners to work and draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.	• It is the intention of the government to introduce the Work Capacity Act (Wet Werken naar Vermogen) in 2013: it will combine schemes for disability benefits and social assistance in order to strengthen work incentives in the social security system. The key principles are 'work in preference to benefits' and 'work must pay'. The measures are also based on possibilities of people instead of limitations. • It is the intention of the government to design savings on childcare in such a way to limit negative effects on participation

	(link with hours worked, a proportional increase in the parental contribution and introduction of a fixed parental contribution). • The system of child-related schemes will be reformed. It will be made more transparent and the poverty trap will be eliminated for single parents on social assistance. • The double tax credit for breadwinner families will be gradually phased out to make work more attractive to non-working partners. • The double tax credit in the reference minimum wage will be phased out to prevent benefit payments from exceeding the minimum wage and thus forming a disincentive to work. • Employers are going to pay for the first six months of the unemployment benefits (WW). In return severance pays will be limited. The remaining chunk of the severance pay will be used for retraining, education and work-to-work routes. • The government has announced a broad package of measures to improve the relevance of education to the labour market and strengthen the relationship between the two. To prevent them from dropping out, vulnerable young people will receive extra support with finding a job after leaving school. *See also section 4.1*
4. Promote innovation, private R&D investment and closer science-business links by providing suitable incentives in the context of the new enterprise policy ('Naar de top').	• The government presented a detailed letter on business sector policy in September 2011, inviting the topsector teams to present R&D innovation contracts and human capital agendas. They have been drafted in close cooperation with industry and knowledge institutions. • On the basis of these letters, the government will decide in spring 2012 how the public funds available for the topsectors will be applied. • Structurally, funding amounting to approx. €2.1bn will be invested in business sector policy. This redeployment of public funds will leverage greater private sector investment in R&D, which will also benefit knowledge institutions. • The government will widen the scope for private innovation by means of extra generic reductions in taxes and contributions (RDA: a tax credit for non-labour costs of R&D) and by increasing the availability of risk capital through the SME+ Innovation Fund. Furthermore, public

	authorities will tailor their purchasing policies more actively to innovation. • The private sector will cooperate with knowledge institutions and implement the research agendas in the innovation contracts through public-private Top Consortiums for Knowledge and Innovation (TKIs). The private sector will contribute at least 40% to the TKIs in 2015. *See also section 4.2*
Euro Plus Pact	**Dutch measures**
Competitiveness: the introduction of a new industry policy, consisting of a sectoral approach with more demand-side management by industry, fewer special-purpose grants, more generic reductions in taxes and contributions and more freedom for entrepreneurs.	• The government recently rolled out the new topsector policy. This policy adopts an integrated approach and covers the full range of government policy. Topsectors are key to the approach; it entails more demand-side management by industry in formulating government policy. • As well as innovation contracts (see above), the topsectors submitted action agendas in June 2011. They include actions to remove obstacles facing innovative entrepreneurs. The topsector teams will work with the government to achieve this. • The topsector teams prepared human capital agendas in early 2012. They include proposals to improve the match, through education, between labour supply and labour market requirements. Special attention will be paid to science and technology. • The government will widen the scope for private innovation by means of more generic reductions in taxes and contributions (RDA: a tax credit for non-labour costs of R&D) and by increasing the availability of risk capital through the SME+ Innovation Fund. Furthermore, public authorities will tailor their purchasing policies more actively to innovation. • The government has the intention to complete the integration with foreign policy this year. *See also section 4.2*
Employment: Further increase the activating effect of social security and reduce dependency on benefits through the introduction of a scheme to reform existing schemes for the lower end of the labour market.	• The government intends to introduce the Work Capacity Act (Wet Werken naar Vermogen) in 2013: it will combine schemes for disability benefits and social assistance in order to strengthen work incentives in the social security system. The key principles are 'work in preference to benefits' and 'work must pay'. The measures are also based on possibilities of

	people instead of limitations. • The government has the intention to design savings on childcare in such a way to limit negative effects on participation (link with hours worked, a proportional increase in the parental contribution and introduction of a fixed parental contribution). • The system of child-related schemes will be reformed. It will be made more transparent and the poverty trap will be eliminated for single parents on social assistance. • The double tax credit for breadwinner families will be gradually phased out to make work more attractive to non-working partners. • The double tax credit in the reference minimum wage will be phased out to prevent benefit payments exceeding the minimum wage and thus forming a disincentive to work. • Employers are going to pay for the first six months of the unemployment benefits (WW). In return severance pays will be limited. The remaining chunk of the severance pay will be used for retraining, education and work-to-work routes. • The government has announced a broad package of measures to improve the relevance of education to the labour market and strengthen the relationship between the two. To prevent them from dropping out, vulnerable young people will receive extra support with finding a job after leaving school. *See also section 4.1*
Sustainability of public finances: introduction of a new Act to embed the Stability and Growth Pact agreements in national legislation.	• The Sustainable Public Finances Act (Wet Houdbare Overheidsfinanciën) will provide the necessary statutory instruments, at both national and EU level, to achieve and maintain sustainable public finances and will thus implement relevant European agreements. • The Bill gives central government and local authorities a joint and equal obligation to respect the objectives of the Stability and Growth Pact (SGP) and achieve a structural budgetary balance. • Introduction depends on amendments that may still have to be made to allow for the principles the Commission will publish on the correction mechanism under the Stability, Coordination and Governance Treaty for the economic and monetary union. • The government expects to submit the Bill to the House of Representatives before

	summer 2012, and it is intended to enter into force on January 1st 2013. *See also the Stability Programme*
Financial stability: introduction of a new Act that will provide more powers than the statutory instruments of the Financial Supervision Act and the Bankruptcy Act to intervene in financial institutions.	• The Financial Enterprises (Special Measures) Act (Interventiewet) supplements and strengthens the government's powers to intervene in financial enterprises. • Two categories of measures are proposed. The first provides for a timely and orderly liquidation of enterprises in problems. The second serves the more fundamental objective of ensuring the stability of the financial system as a whole. • The Bill has been submitted to public consultation and has been passed by the House of Representatives. It is currently before the Senate. The Intervention Act is expected to enter into force in mid-2012.

3. Macroeconomic situation

Actual outcomes versus forecasts

The macroeconomic scenario underlying the Dutch government's National Reform Programme is the scenario outlined by the Netherlands Bureau for Economic Policy Analysis (CPB).[1]

In 2011 the economy as good as achieved the medium-term forecast made in the previous NRP of average growth of 1¼% of gross domestic product (GDP). Economic growth was 1.2%. By the end of 2011, the Dutch economy had recovered nearly 60% of the contraction seen in 2008 and 2009. GDP is still about 2% below the peak before the Great Recession in the first quarter of 2008.

Investments in 2011 were higher than the medium-term forecast but private consumption was noticeably lower. Goods exports increased by 4.3%, thereby lagging behind the forecast, due to the deterioration in the external circumstances. The public sector contributed slightly more to growth than was forecasted.

Table 1: Medium-term forecasts (% change, unless otherwise stated)	**2011** forecast, MEV 2012[2]	**2011** actual, CEP 2012[3]	**2012** forecast, CEP 2012	**2013** forecast, CEP 2012	**2014** forecast, CEP 2012	**2015** forecast, CEP 2012
Gross domestic product (GDP)	1½	1.2	-¾	1¼	1½	1½
Consumer price index	2½	2.3	2¼	1¾	2	2¼
Unemployment (% of the labour force, international definition)	4¼	4.5	5½	6	6	5½
Labour supply (persons)	-½	0	1¾	¼	0	¼
Active labour force	-¼	0	½	-¼	0	¾
Goods Exports	6½	4,3	-1¾	3¾	6¼	6¾
Contract wages, market sector	2¼	1.4	1¾	1½	2	2¼
Private consumption	0	-0.9	-½	½	½	¼
Public consumption	0	0.6	-1	0	-¼	-¼
Gross corporate investment (excluding housing)	9¼	7.2	-3¼	7½	6¾	5½

The Dutch economy entered its second recession in three years in the second half of 2011. The deterioration in macroeconomic conditions last year, especially in the second half, is also reflected in the economic underperformance relative to the short-term forecasts that served as the basic scenario for the 2012 budget.[2]

House prices fell, real wages declined and consumer confidence sank to a historic low. Household consumption was therefore disappointing, with a contraction instead of the forecast stagnation. There was a marked increase in investments, albeit less than that forecast in September 2011. Public consumption increased by more than the MEV forecast in 2011.

On account of the deterioration in internal and external economic circumstances, GDP growth was ultimately half a percentage point less than forecast in September 2011. The economy benefited from the growth in the active labour force, whereas a decline had been forecast for the short and medium term.

Unemployment developed less favourably in 2011 than forecast in September. The decline in unemployment that began in 2010 continued at the beginning of the year but unemployment

[1] The macroeconomic scenario underlying the 2011 National Reform Programme was based on CPB documents 2010/33 and 2010/213, "Analyse economische effecten financieel kader" and "Actualisatie Economische Verkenning 2011-2015", and on the Central Economic Plan (CEP) 2012. The new scenario is presented in the Central Economic Plan (CEP) 2012.
[2] Netherlands Bureau for Economic Policy Analysis, September 2011. Macro Economic Outlook (MEV) 2012.
[3] Netherlands Bureau for Economic Policy Analysis, March 2012. Central Economic Plan (CEP) 2012.

began to rise again in the middle of the year. In June 2011 unemployment had been equal to 4.1% of the labour force but 4.9% were jobless in December (both figures according to the international definition). The increase in the rate of unemployment was attributable chiefly to the rising supply of older workers (45-75-year-olds). The average rate of unemployment in 2011 was 4.5%, a quarter of a percentage point higher than the MEV estimate.

New macroeconomic forecasts for the short and medium term

The Dutch government's budget cycle and the NRP 2012 are now based on new growth forecasts published by the CPB in March 2012. The scenario takes account of all measures agreed and announced by the coalition parties by February 2012. The CPB forecasts average growth in gross domestic product of 1% in 2011-2015, a quarter of a percentage point lower than that in the medium-term forecast used in the previous NRP.

The decline in growth in 2011 has had repercussions on the outlook for 2012. Instead of expanding, the economy is expected to contract in 2012. In the short term, the CPB expects GDP to contract by ¾% in 2012 and then recover, growing by 1¼% in 2013. Following GDP contraction and stagnation in the first half of 2012, GDP is forecast to grow hesitantly in the second half of the year, chiefly due to the upturn in world trade.

On balance, household consumption will contract in 2012 owing to the decline in capital and income. Corporate investments, public consumption and exports will on balance also make negative contributions to annual growth.

As in 2011, actual growth in 2012 is expected to be lower than forecast in the previous NRP. Part of the lost ground will be made up within the 2015 forecast horizon. The estimates for 2014 and 2015 are slightly more optimistic than in the past. This is simply a recovery effect, with the economy returning to its potential and slowly closing the output gap. On balance, however, the Dutch economy will show no growth over a period of six years.

The recession of 2011 and 2012 has made little difference to the potential growth outlook. The average potential growth of 1½% in 2011-2015 will be derived, more so than forecast, from the labour supply and less from an increase in labour productivity.[4] Equilibrium unemployment is estimated at about 4% in 2015. The recent recession will increase actual unemployment to an annual average of 6% of the labour force in 2013 and 2014. In 2015, too, the average rate of unemployment will remain well above the equilibrium rate: 5½% versus about 4%.

Actual public finances and new short- and medium-term forecasts

Economic contraction has had an impact on public finances. The EMU deficit in 2011 will be 0.8% of GDP higher than estimated when the budget was adopted in September 2011 and an estimated 1.7% of GDP higher in 2012. At 4.6% of GDP, the estimated EMU balance will be the same in 2013 as in 2012 and will then decline. If policy remains unchanged, the EMU debt will rise from 65.6% of GDP in 2011 to 76.0% of GDP in 2015. More information on the development of public finances is available in the Stability Programme.

[4] The composition is influenced by the change from the national to the international definition of unemployment.

Box: The Alert Mechanism Report

The Alert Mechanism Report presents the first version of a scoreboard to identify imbalances for the macroeconomic imbalance procedure and a qualitative economic and financial assessment of these imbalances.

The European Commission does not classify the Netherlands as a country in which there may be harmful imbalances. It refers to potential risks in the relatively high level of private debt but notes that the net financial asset position of households is positive.

The government has taken measures to mitigate the risks of private debt. A stricter code of conduct for mortgage loans (GHF), for example, addresses excesses in mortgage lending and encourages repayments. Integrity supervision of the financial sector has been strengthened and Basel III has tightened up bank capital and liquidity requirements. In addition, excessive debt-financing of acquisitions in the private sector has been addressed by restrictions introduced in this year's Tax Plan on the acquiree's deduction of interest payments.

The government intends to propose additional measures. From 2013 onwards new mortgages have to be amortised fully during their maturity of 30 years and have at least to be amortised by annuity to qualify for mortgage interest deductibility. The Loan-to-Value ratio will be gradually reduced to 100% to further limit the risks of high mortgage debt,

4. Thematic coordination

4.1 Labour market

4.1.1 National target

The government's ambition is to increase labour participation; it wants everyone to work as much as possible and to the best of their ability. The government has set a target of to increase labour participation (20- to 64-year-olds) to 80% by 2020.[5] In 2011 labour participation was about 76%.

4.1.2 Policy to achieve the participation target

To achieve the national target a series of reforms has been initiated so that everyone can participate to the best of their ability wherever possible. Demographic ageing and the decline in the labour force will make it necessary to work longer. Employers and employees must seek sustainable employability and employees must continue to develop their skills. To prevent young people being excluded from the labour market, the match between education and the labour market will be improved, where (health) care is an important element as well.

Pension agreement

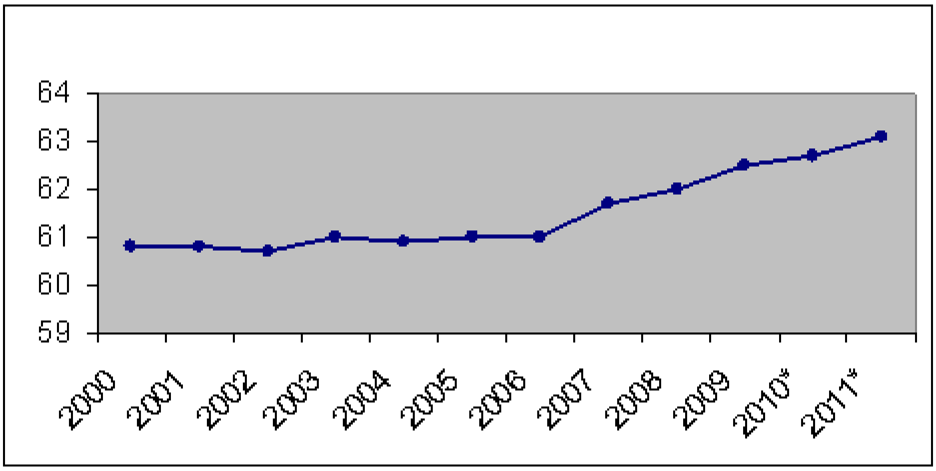
The statutory retirement age will be raised. To this end, a first step will be taken already in 2013 by raising the statutory retirement age with one month. In the years hereafter the statutory retirement age will be raised further in steps. At the latest in 2019 a statutory retirement age of 66 years will be reached, and at the latest in 2024 a retirement age of 67 years will be reached. A transitional regime will limit the income effects of people who have limited capabilities to compensate for this loss. After that the statutory retirement age will be coupled to life expectancy.

In 2014 the statutory retirement age for additional pensions will be raised to 67 years. This measure will only affect new pension accumulations. In addition to raising the target age, maximum fiscal accumulation percentages for additional pensions will be revised downwards,

Effective retirement age increased further in 2011

The Netherlands has taken measures in recent years to restrict early retirement (including the abolition of early retirement and pre-pension schemes). The average age at which employees retired rose to over 63 in 2011 (2006: 61). By increasing the statutory retirement age, the further phasing out of early retirement schemes and by encouraging people to work longer, the effective retirement age is expected to rise further in the years ahead.

Figure 1: Effective retirement age (Source: CBS)



Vitality scheme

In consultation with the social partners, the government has developed a vitality scheme in order

[5] According to the national definition, a working week of at least 12 hours.

to increase labour force participation of older workers and increase long-term employability. The social partners and the government are jointly seeking to increase long-term employability. The Labour Foundation (Stichting van de Arbeid), for example, has drawn up 'Policy Agenda 2020: investing in participation and employability'. The vitality scheme will come into force on 1 January 2013. It contains measures to address three themes (longer working, mobility and career facilities). The government considers promoting long-term employability to be a task for employers and employees. The government has a supporting role. The vitality scheme comprises the following measures: mobility bonuses (premium discounts for employers hiring older employees and older benefit recipients), a vitality savings scheme (salary savings scheme with tax incentives for employees), a work-to-work budget (training budget to promote mobility in case of impeding dismissal), a budget for intersectoral training (to promote intersectoral mobility), a lower tax threshold for the deduction of training costs and a transitional scheme for the current life-course savings scheme. The work-to-work budget and the intersectoral training budget are currently being finalised in consultation with the social partners.

<u>Work Capacity Act (WWNV) (Wet Werken naar Vermogen)</u>
The Work Capacity Act aims to help people with occupational disabilities to find a job at a regular employer. The WWNV looks at the potential people have, not their limitations. It reforms the Work and Social Assistance Act/Investment in Young People Act (WWB/WIJ), the Incapacity Insurance (Young Disabled Persons) Act (WAJONG) and the Sheltered Employment Act (WSW). Its local implementation will enable municipalities to get more people into work, make more targeted and effective use of their budgets and cut costs. The WWNV will scale back the social security system to what it was meant for: providing benefit payments for a temporary safety net (en route to work), restrict the WAJONG to the long-term incapacitated, and provide sheltered employment for those who can work only in sheltered workplaces. Reintegration funds will be applied selectively for vulnerable groups to increase the effectiveness of reintegration. There will be a single reintegration budget; various budgets will be unringfenced to enable municipalities to use available funds more effectively.

<u>Childcare and child benefit schemes</u>
For many parents, childcare is a prerequisite for participation in the labour market. There has been an explosive growth in public expenditure on childcare in recent years. The use of childcare has more than doubled but the costs have tripled. The current economic climate does not permit such an increase in expenditure and cuts are being sought that minimise the impact on participation. Childcare benefits, for example, will be linked to the number of hours worked. This will address the improper use of the benefit and produce a saving without having a direct impact on participation. Parents can receive childcare for up to 230 hours a month per child. The government has also opted to make a proportional adjustment to the parental contribution and introduce a fixed parental contribution per month. By sparing those on the lowest incomes, a proportional adjustment will prevent a worsening of the poverty trap as far as possible and by combining this adjustment with a fixed parental contribution, the marginal cost of an extra hour of childcare will not increase as fast.

The government wishes to reform child benefit schemes. Their cost has risen sharply since 2005, the system is complex, with no fewer than 12 schemes, some of which are inconsistent with each other, and the system has an adverse impact on single parents receiving social assistance. When single parents enter employment, they are less well off in the current situation. In February, the Minister of Social Affairs and Employment (SZW) sent a letter to the parliament elaborating on the main points of the plans: the number of schemes will be reduced to four (two income support schemes and two schemes to promote the combination of work and children) and the poverty trap for single parents on benefits will be eliminated. Further details will follow after the summer of 2012.

<u>Double tax credit</u>
The transferable tax credit available to breadwinner families is being phased out over 15 years as from 2009. Two groups were exempted: breadwinner families with children under 5 and families with a non-working partner born before 1 January 1972. The exemption for families with young children will be abolished and the age limit for non-working partners will be moved to 1 January

1963. These measures will encourage non-working partners to start working. Phasing out this tax credit gradually will prevent a significant negative impact on income and purchasing power.

The double tax credit in the reference minimum wage will be phased out over 20 years as from 2012. If it is not, a number of benefits at minimum wage level (provided for by the Work and Social Assistance Act (WWB), Older and Partially Incapacitated Unemployed Workers Income Scheme Act (IOAW), Surviving Dependants Act (ANW), Supplementary Income Scheme for the Elderly (AIO) and Social Security Supplements Act) will increase faster than the net statutory minimum wage. Benefits could then eventually exceed the minimum wage, which would create a disincentive to accept a job.

Aligning education and the labour market

At the start of the crisis the Netherlands launched the Youth Unemployment Action Plan. It has three tracks: improving the transition from school to work, reducing the school dropout rate and making agreements with employers on work placements and traineeships. The social partners are involved. The Action Plan has led to successful regional alliances. It is now a matter of retaining and, where necessary, consolidating them.

In the letter on private sector policy, the action plan for secondary vocational education (MBO) and the strategic agenda for higher education, science and research, the government announced a broad package of measures to increase the relevance of educational courses to the labour market and strengthen the match between education and the labour market. The number of Centres of Expertise at higher professional level and Centres for Innovative Skills at MBO level will be increased during the current government's term of office. The MBO qualification structure will be simplified. Measures will be taken to encourage both MBO and higher education institutions to develop a more distinct profile and strengthen the relevance of their courses to the labour market.

Extra coordination is required to help vulnerable young people make the transition from school to work. A good regional network of education, labour market and support services is required. This is primarily the responsibility of municipalities and young people themselves. The government is supporting municipalities with a variety of measures, such as bridging classes to brush up pupils' language skills, the national programme to tackle dropout, additional services for young people at increased risk of dropping out and pupil support advisory teams to help young people with multiple problems. In addition, the Youth Unemployment Action Plan has contributed to the development of a robust infrastructure in the 30 labour market regions in recent years.

Other measures

- In line with the Social and Economic Council's (SER) advisory report entitled 'Tijden van de Samenleving' (Time and Society), the government is seeking to increase labour participation in terms of persons and hours, without placing more pressure on time, by increasing flexible, time- and location-independent working, facilitating better coordination of existing social services with work and promoting wraparound daycare for 4- to 12-year-olds.
- Employers are going to pay for the first six months of the unemployment benefits (WW). In return severance pays will be limited. The remaining chunk of the severance pay will be used for retraining, education and work-to-work routes. In this manner redundancy schemes are transformed into activating schemes that are used for training and guidance to another job, The duration and amount of unemployment benefits remain unchanged.
- Under the Own Strength Programme ("Eigen Kracht"), agreements were reached with 21 large municipalities (including the four largest) in September 2011 to encourage unemployed women with few qualifications and no right to social benefits to participate in the labour market.

4.2 Research and innovation

4.2.1 National target

The Netherlands has set itself the target of spending 2.5% of gross domestic product on research and development (R&D) by 2020. The government will pursue this ambitious target by implementing its new policy for the business sector ("Naar de Top") in 2012 and the Quality in Diversity strategic agenda ("Kwaliteit in verscheidenheid"), which presents a long-term scenario for higher education, research and science. The government recognises that R&D expenditure is an important input indicator but a country's innovative capacity should be assessed mainly on its output. Innovation output depends on other factors besides R&D, such as human capital, entrepreneurship and public authorities implementing a coherent facilitating policy.

According to the latest figures from Statistics Netherlands (CBS), R&D expenditure in the Netherlands amounted to 1.82% of GDP in 2009 and 1.83% of GDP in 2010. The temporary crisis measures in 2009 and 2010 are expected to raise the figure for 2010. The impact of this temporary boost will fade in subsequent years. The impact of the new government's measures (described below) should gradually become visible as from 2012.

4.2.2 Policy to achieve the target

The government announced the main points of a new enterprise policy on 4 February 2011 ('To the Top', Tweede Kamer 2010-2011, 32637 no. 1), followed in September 2011 by a more detailed letter ('To the Top! Private sector policy in action(s)', Tweede Kamer, 2011-2012, 32637, no. 15). The first letter was primarily a response to the action agendas (considered below) that the topsectors drew up in June 2011 to strengthen the competitiveness of the Netherlands in general and of the topsectors in particular. The second letter invited the topsector teams to present innovation contracts for research and development and human capital agendas at the end of 2011. The government has since received both and will announce in early 2012 how the resources available for the topsectors will be applied (see table 2).

The new approach centres on exploiting the opportunities associated with increased global competition and emerging societal challenges. The Netherlands is lagging behind, particularly with regard to private sector R&D expenditure. Businesses, especially small and medium-sized enterprises (SMEs), make relatively little use of the research carried out by public knowledge institutions. This is a lost opportunity, because Dutch science is of world class. The challenge is to position the Netherlands strongly in rapidly expanding markets and enable businesses and knowledge institutions to find innovative solutions to societal challenges. Local authorities are working on this through their cluster and campus-based approach to promote cooperation between industry (especially SMEs), research, education and the public sector. Through the Quality in Diversity strategic agenda for higher education, research and science, the government is encouraging the creation of centres of excellence in academic research and a more distinct profile, as well as closer cooperation among knowledge institutions and with other public and private parties. This should create more focus and mass. The aim is to at least maintain the high quality of Dutch academic research and reinforce the impact on economic topsectors and national and European grand challenges.

The private sector policy is an integrated approach that covers the entire range of government policy: from foreign policy to education policy, from the regulatory burden to research policy and from development cooperation to infrastructure and ICT. It centres on nine topsectors (Agri-Food, Chemicals, Creative Industry, Energy, High-Tech Systems and Materials, Life Sciences & Health, Logistics, Horticulture & Source Materials, Water). The sectoral policy agendas, innovation contracts and human capital agendas (including a master plan for science and technology) are being prepared in close collaboration between industry and knowledge institutions. The steering group for head offices monitors the business climate for foreign enterprises and contributes to an international acquisition strategy. Taken together, this requires more demand-side management by the private sector to help formulate government policy for these sectors. Central government, provinces and cities are working on this together and are helping to incorporate topsectors in regional smart specialisation strategies. Where appropriate, topsector teams also address cross-sector themes (ICT) and social issues such as the transition towards a biobased economy.

Businesses and knowledge institutions will implement the research agendas in the innovation contracts through Top Consortiums for Knowledge and Innovation (TKIs). TKIs should be at least 40% privately funded by 2015. With this policy, the Netherlands is closely adhering to the flagship initiatives 'Innovation Union', 'A Resource Efficient Europe', 'A Digital Agenda for Europe' and 'An Industrial Policy for the Globalisation Era'.

With effect from 2012, the government will broaden the R&D tax credit scheme by introducing a €250 million RDA, rising to €500 million in 2014. This switch from subsidies to fiscal incentives means fewer application desks, lower implementation costs and a smaller administrative burden. The SME+ Innovation Fund will be launched at the same time to increase the venture capital available to entrepreneurs in the form of loans and equity interests.

Table 2: Summary and description of measures in the new business policy and research and science policy that are expected to contribute the most to achieving the Netherlands' R&D targets

Measure	**Description**
Top sectors *sectoral agendas*	Structurally, public funding of up to approx. €1.4 billion will be applied in nine top sectors: Agri-Food, Chemicals, Creative Industry, Energy, High-Tech Systems and Materials, Life Sciences & Health, Logistics, Horticulture & Source Materials, and Water. The business community, knowledge institutions and government prepared action agendas for each sector in June 2011. They have been translated into innovation contracts to identify research lines and human capital agendas to match demand and future supply on the labour market. This restructuring of public funds will leverage private sector investment in R&D, which will also benefit the knowledge institutions.
1. Integrated government policy per sector	The action agendas identify sector-specific obstacles and regulatory problems in all manner of areas. Solutions will be implemented by the government.
2. Integrated long-term knowledge and research agendas per top sector	To promote the use of first-rate knowledge, demand-driven knowledge agendas will be prepared by each top sector team, resulting in innovation contracts between businesses, knowledge institutions and the public sector. In due course, the Netherlands Organisation for Scientific Research (NWO) and the Royal Netherlands Academy of Arts and Sciences (KNAW) (fundamental research) will provide €350 million for rival research proposals that will be judged on their academic quality, social and economic impact and private commitment. The Netherlands Organisation for Applied Scientific Research (TNO), the Large Technology Institutions (GTIs) and the Agricultural Research Service (DLO) (applied research) will provide €250 million. To optimise the embedding of demand-side management and articulation, research funding will be at least 40% cofinanced by the private sector by 2015.
3. Targeted foreign policy	In the first quarter of 2012 the top sectors will work out how foreign policy can provide support, for example through economic diplomacy, trade missions, targeted acquisition of top academic talent and knowledge-intensive foreign businesses, and proposals to involve businesses more closely in development cooperation. Budget: €310 million per annum.
Freedom for entrepreneurs *generic instruments*	Generic innovation and business instruments, including the R&D tax credits (WBSO, RDA) and tax relief for innovation (innovation box) (budget approx. €1.9 million per annum in

	2015), will benefit the private sector as a whole. A single application desk will be set up for businesses wishing to use the instruments.
4. SME+ Innovation Fund	A government innovation fund will make it easier for businesses to attract risk capital. Funds will be applied in such a manner that successful innovations replenish the fund. The government's contribution to the fund will rise to €115 million per annum in 2015.
5. Procurement of innovation	Public authorities will make far more active use of their procurement budgets to use innovations to overcome social issues. They will do so in part through the Small Business Innovation Programme (SBIR).
Quality in Diversity strategic agenda	Several fundamental changes in direction are needed to future-proof the Netherlands' higher education system. Both the government and the institutions must change their policies.
6. Education	Restructuring the range of courses on offer, more distinct profiling, more differentiation and less fragmentation. Education will be better geared to differences in students' aptitudes and abilities and to the needs of the labour market. This must lead to more researchers, PhD students and PhD graduates in the Netherlands.
7. Cooperation	Cooperation in the knowledge chain of fundamental research, practical research, applied research and innovation; network organisations with joint, public-private knowledge building instead of each having its own expertise, in order to make better use of research.
8. Profiling	Profiling and specialisation of institutions, focusing on strengths, reflecting quality and a strong profile in the funding of universities and institutions of higher professional education. National research and innovation potential will be reinforced by greater focus, combining strengths and combating fragmentation and duplication.

4.3 Energy, climate and mobility

4.3.1 National targets

- The Netherlands considers the European core objectives to be the policy drivers in the Europe 2020 theme of 'Energy, climate and mobility', with the associated flagship of 'Natural resources efficiency'. The Netherlands is committed to cut CO_2 emissions by 20% by 2020 and to attain 14% renewable energy in 2020. The Netherlands will vigorously seek to increase energy efficiency but will not set a quantitative target.
- At various levels of administration (water authorities, provinces, municipalities) similar or stricter local policy targets have been set.

4.3.2 Policy to achieve the targets

CO_2 reduction

The sectors participating in the Emission Trading Scheme (ETS) are bound to make their contribution to the overall target, given the automatic decrease of the emission rights volume. Furthermore, policy measures in non-ETS sectors will most likely ensure attainment of their contribution as well. To this end, in 2011 the government prepared a strategy on 'climate policy en route to 2020'. It includes policy measures in the field of transport, a CO_2 settlement system in the glasshouse horticulture sector, the Action Plan for Energy Conservation in the Built Environment and agreements to ensure achievement of the non-ETS objective. Should a small shortfall in greenhouse gas reductions nonetheless arise, a decision will be taken on the most cost-effective way to eliminate it.

The Netherlands also prepared a Sustainability Agenda in 2011. It sets out the government's priorities and main actions to create a green economy. Two policy instruments will make an additional contribution to achieving the 2020 targets: the Green Deal with society and the Local Climate Agenda. For the longer term, the government issued the 'climate letter en route to 2050',[6] which summarises the challenges facing the Netherlands in a competitive, climate-neutral Europe in 2050.

The Green Deal commenced in 2011 with businesses, provinces, municipalities and non-governmental organisations signing nearly 60 Green Deals with central government on energy conservation, renewable energy and CO_2 reductions. An initial analysis of this first round of Green Deals found that they supported and strengthened the policy to achieve the CO_2 reduction and renewable energy targets. A new round of Green Deals with a wider sustainability focus will be concluded in 2012.

The 'Local Climate Agenda 2011-2014: Working on the Climate'[7] is a co-production of central government and local authorities (municipalities and water boards). Local authorities increasingly formulate distinct ambitions in the field of climate and sustainability, thus making a contribution to climate and sustainability targets. The main priorities are making existing housing and other buildings more energy efficient and making new buildings energy neutral, improved chain mobility, sustainable goods transport, green gas and electric transport, local sustainable economies, corporate energy savings through enforcement, local sustainable energy production, smart grids, and transition to climate-neutral cities and regions.

Most local authorities implement their own policies and instruments to achieve the CO_2 reduction target. They adopt an integrated approach that takes account of the local and wider economy, social targets (eradicating fuel poverty) and sustainability. In this way they are giving a face to the transition to climate-neutral cities and regions. Municipalities are also carrying out pilot schemes for, for example, electric transport and efficient goods transport. Their approach includes making

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[6] http://www.rijksoverheid.nl/onderwerpen/klimaatverandering/documenten-en-publicaties/brieven/2011/11/18/klimaatbrief-2050.html
[7] http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2011/11/02/lokale-klimaat-agenda-2011-2014-werk-maken-van-klimaat.html

existing houses more energy efficient, for example in collaboration with housing associations, and making offices and industrial estates more sustainable.

A green tax package will be proposed in order to, amongst other things, reduce the use of fossil fuels by taxing energy-related products more heavily. One can think of a natural gas tax (aardgasheffing), coal tax, "red diesel" fuels, tap water and a eurovignette,

There will be 200 million of additional funds for promoting sustainability in the economy. This funds can be used, amongst other purposes, for insulating homes and sustainable construction. Research will be done to investigate the possibility to qualify solar panels for the low VAT rate.

Renewable energy

The Sustainable Energy Incentive Plus Scheme (SDE+) is the most important instrument for achieving the European objective. The first results since its introduction in mid-2011 have been encouraging. With 12% renewable energy expected in 2015, in line with the indicative path provided by the European Commission, the Netherlands is on track to achieve its 14% renewable energy target by 2020.

The government is also promoting innovation through close collaboration between the private sector and knowledge institutions. In addition to these general measures to support energy transition, in the coming years local authorities will encourage investments in networks (e.g. smart grids, heat networks), sustainable production (solar and wind energy, geothermal energy, fermentation, biomass) and the use of alternative energy in urban and regional transport. The Directive includes an obligation to use at least 10% renewable energy, including biofuels, in transport. It sets sustainability requirements for biofuels; only sustainable biofuels count towards the target. The Netherlands would welcome sustainability requirements for solid biomass as well.

Energy efficiency

The Netherlands has not set a separate target for energy efficiency. Energy conservation serves the government's two targets of a 20% CO_2 reduction relative to 1990 and 14% renewable energy in 2020. The government considers a further reduction in energy consumption to be very important for both industry (lower costs) and private individuals (more disposable income). There is still a lot of potential to improve energy efficiency in the built environment, as illustrated by the approach taken by several municipalities that are working with housing associations. CO_2 reduction and improved energy efficiency in the transport sector require a change in behaviour as well as technical measures. This is being targeted by such programmes as *Mobility Management*, *Multiyear Agreements*, *New Driving Style* and *Sustainable Logistics*. Finally, a *Sustainable Mobility Scheme* (Proeftuinen Duurzame Mobiliteit) governs experiments targeted at full scale implementation of innovative techniques such as electric vehicles.

In accordance with the Directive on energy end-use efficiency and energy services (2006/32/EC), the Netherlands submitted its second National Energy Efficiency Action Plan in June 2011. It includes a calculation of the savings achieved by the non-ETS sectors in the period 2007-2010 and the saving expected in 2016. In accordance with the Directive they are measured in GWh. The energy saving in 2010 was 26,497 GWh and the saving expected for 2016 is 74,620 GWh. This figure is comfortably above the target set by the Commission for the Netherlands (51,190 GWh).

Phasing out environmentally-harmful subsidies

In principle, the Netherlands supports the abolition of environmentally harmful subsidies. As many subsidies were introduced to achieve targets that were not primarily related to the environment, the determination of relative importance of targets needs a case-by-case assessment. Furthermore, there is a need to define 'environmentally harmful subsidies' at EU level in order to clearly address phasing-out any such subsidies at this very level. A European approach is necessary to avoid border effects and prevent Dutch companies becoming less competitive than businesses in other EU countries. An international approach is particularly important as certain fossil fuel duties and exemptions are direct consequences of Community law or international treaties concluded by the Netherlands, such as duty exemptions for aviation and shipping. The Netherlands also believes environmentally harmful subsidies should be addressed in EU policy.

Resource productivity

Resource productivity in the Netherlands is high, as illustrated by the volume of raw materials consumed relative to national income (see table). This does not mean, however, that the environmental burden due to resource consumption is low. Resource productivity provides little information about resource supply security of resources. In order to improve this indicator, it should consider e.g. land and water used (anywhere) to make biotic products. As The Netherlands is a major ‘importer’ of land it would welcome sustainability criteria for all biotic resources. Concrete actions to promote sustainable resource use in the Netherlands (and elsewhere) are mainly set out in the Raw Materials Memorandum (Grondstoffennotitie) and the Waste Letter (Afvalbrief).

Resource productivity in the Netherlands 2004-2008

	2004	**2005**	**2006**	**2007**	**2008**
GDP (€ millions)	503,111	513,407	530,833	551,645	561,597
DMC (million kg)	254,851	260,917	262,078	272,928	278,147
GDP/DMC	**1.97**	**1.97**	**2.03**	**2.02**	**2.02**

4.4 Education

4.4.1 National targets

The national early school leaver target for 2020 is unchanged: the proportion of young people aged 18 to 24 without basic qualifications should be no more than 8%. The number of people completing higher education in the Netherlands has already exceeded the European target of at least 40% by 2020. It is still expected that, by 2020, 45% of 30- to 34-year-olds will be graduates. The government will continue to implement policy to improve the quality of education.

4.4.2 Policy to achieve the targets

The Netherlands is striving to secure a position in the world's top five knowledge economies by 2020, with students attaining outstanding academic results. Improved quality of teaching and incentives for better performance are vital if this aim is to be achieved. The government's education policy focuses on creating the conditions under which pupils, students, teachers and institutions can excel. Particular emphasis is placed on increasing the knowledge and abilities of new and current teachers, on strengthening core subjects, on increasing teaching time, on focusing on both knowledge and skills, on dedicated facilities for excellent pupils and students, on transparency of educational performance and on allowing selection in higher education, while keeping education accessible to all.

<u>Proportion of 30- to 34-year-olds with higher education qualifications, wider accessibility and quality</u>

The proportion of 30- to 34-year-olds with higher education qualifications in the Netherlands has increased from 26.5% in 2000 to 41.4% in 2010. It was, and continues to be, achieved through organic growth, by encouraging students to complete their studies more quickly so as to improve the completion rate.

Higher professional education institutions and universities have received approximately €80 million per annum in recent years to improve their completion rates and €2.15 million for educational guidance interviews. Based on the evaluation of the pilots for educational guidance interviews, it was decided to roll them out more widely. In association with this it was first decided that both students and institutions had a right to an activity that could lead to advice on a suitable course of study. Secondly, prospective students must in future register before 1 May so that there is enough time for such an activity. To improve the completion rate, a measure was introduced in 2011 to tackle the problem of students who spend too long studying. Those who take more than a year extra to complete a bachelor's or master's degree will be charged €3,000 on top of their tuition fees.

The completion rate is high on the agenda at many higher professional education institutions but the collective agreements made in recent years do not do justice to differences in their efforts and performance. It has therefore been decided to make individual agreements with the institutions. The decision was announced on the presentation of the Quality in Diversity strategic agenda, which implements the recommendations of the Veerman Committee for Future-Proof Higher Education as government policy. The strategic agenda's main goals are an improvement in quality, more differentiation in education, greater profiling of institutions and greater valorisation. The state secretary will conclude individual performance agreements with all higher professional education institutions and universities by 15 September 2012 in order to achieve the strategic agenda's aims. The framework agreements, concluded with the Association of Dutch Universities (VSNU) and the Council for Higher Professional Education (HBO-raad) in December 2011, provide a framework for the performance agreements and lay down common goals. The conclusion of the performance agreements and the actual achievement of the goals have financial consequences for the institutions. The funding model will be adapted accordingly. More than 7% of educational funding is earmarked for 'quality and a strong profile'.

Wider access to higher education also depends on a good match between secondary vocational education (MBO) and higher professional education (HBO) and on the quality of MBO. Research has shown that the students who are the most likely to drop out are those who opt for an unrelated post-secondary course. The government has therefore decided to pass a law allowing HBO institutions to set requirements on the previous education of students with an MBO background so as to improve the continuity of learning. Furthermore, with effect from the 2013/2014 academic year most four-year MBO courses will be shortened to three years with an increase in the number of supervised teaching hours. With regard to general secondary education, this will make the route to higher professional education via secondary vocational education more attractive. The policy to improve the quality of MBO was laid down in the Focusing on Skills Action Plan (Focus op vakmanschap) in 2011. The emphasis on mastering the core subjects in MBO led to Dutch and mathematics being made compulsory in August 2010 and the introduction of national exams for level 4 pupils as from the 2012/2013 academic year. English will be compulsory for level 4 MBO pupils as from 2012/2013. Following a pilot scheme in the 2013/2014 school year, it is the intention to phase in a national exam for English too.

Early school leavers

The Netherlands has been attempting to reduce the number of early school leavers since 2001. It has opted for an integrated approach with the government, municipalities, education institutions and youth care services working together at regional level. The approach has been successful. The percentage of early school leavers in the Netherlands fell from 15.5% in 2000 to 10.1% in 2010. The Netherlands has set itself the goal of reducing the school dropout rate to no more than 8% by 2020. The Dutch measures to reduce the dropout rate are directed primarily at preventing young people leaving school without any basic qualifications. The main measures are:

1. Keeping adequate and comprehensive absenteeism and dropout records. Following a change in the law, non-government-funded educational institutions, too, will record absenteeism and dropouts in the national online absentee registration system. As a result, other groups of pupils, such as those from non-government-funded institutions that are currently incorrectly classified as early school leavers, will be included in the Education Database from 2012 and absenteeism and dropout records will therefore be more complete. The law was amended in 2011 to enable the Education Inspectorate to supervise the absenteeism policies and absenteeism registration of educational institutions.

2. New three-year voluntary performance agreements will be concluded in 2012 between the Ministry of Education, Culture and Science, municipalities that act as regional registration and coordination centres for school dropout and secondary and secondary vocational education institutions that include incentives for schools to reduce the number of early school leavers. Schools will receive a financial reward for every potential early school leaver who remains in education. This will encourages schools to take responsibility for effective early school leaver policies.

3. Regional responsibility for the conclusion of result-oriented voluntary agreements. Municipalities that act as the contact point for school dropout in the 39 statutory Regional Registration and Coordination Regions (RMC regions) play a key role. As well as the performance-related grants agreed in the voluntary agreements, the RMC regions receive funding to set up educational programmes designed to develop policies to prevent early school leaving. Best practices are actively circulated and shared through a government website and regional and national meetings.

4. Additional services for overburdened young people. These additional services combine regular education with support and, if necessary, help in finding work. The regions presented their additional services and shared their experiences and knowledge during an information fair in 2011. This extra measure was evaluated in 2011. The final conclusions are expected in June 2012. Structural funding will be available from the Ministry of Education, Culture and Science's budget from 2012 and the services will be an integral part of the measures to prevent early school leaving. As from 1 August 2012, the regions will submit a single application for all the measures they take to prevent early school leaving, including additional services.

5. Additional initiatives to prevent early school leaving in the MBO system that will be taken in 2012 include more teaching time in the first year, intensive supervision, career orientation and coaching. Structural funding of €150 million is available for this purpose.

4.5 Social inclusion

4.5.1 National target
The government has set itself the target of reducing the number of people (aged 0 to 64) in a jobless household by 100,000 by 2020.[8] The age range for the national target is 0 to 64, compared to 0 to 59 at EU level.

In comparison with the other EU member states, the Netherlands is in a relatively good position regarding the number of people at risk of poverty and social exclusion. The government intends to involve more people in society by reducing the number in jobless households. This will reduce the number of people at risk of poverty and social exclusion. A study by the Netherlands Institute for Social Research (Uit de armoede werken) found that the route out of poverty is usually through paid employment. A study by the Work and Income Inspectorate (Dat Werkt) also found that work was the best way out of poverty. People with little to spend participate less in society. A study by the Institute for Social Research (Voorbestemd tot achterstand?) also found that the social inclusion of children depends on their parents' participation: the example set by parents and whether they have work and an education is crucial in determining whether children are destined to live in poverty. Giving families more money is not the answer. The key lies in education and work (see also section 4.1).

The National Social Report (NSR) will be prepared in parallel with the NRP this year. The NSR will consider social inclusion, pensions and care.

4.5.2 Current situation
The government recognises the importance of combating poverty and promoting social inclusion. Like many other stakeholders,[9] it defines poverty chiefly as the lack of opportunities to participate. Participation, including social participation, and income play a role in this. Since having a job is the best way to combat poverty, the government is focusing on increasing employment and employability (see section 4.1 for the implementation of the policy).

The reason that people with a job can also have low incomes, has mostly to do with having a job with insufficient hours. More than 70% of those earning less than the low-income threshold work part time. A third work less than 20 hours a week. Stakeholders have pointed at the growing number of the self-employed without personnel who have a low income. The number of people in this group who have had a low income for a long period of time (four years or longer) is reasonably stable. In 2010 only 21,000 (2.6%) of the self-employed and 21,000 (0.6%) of employees had an income below the low-income threshold for four years or longer.

Although unemployment in the Netherlands was relatively low in 2009, the proportion of people in jobless households was average at just over 8%,[10] partly because the relatively high per capita social security payments relieve some of the financial pressure to find work.[11]

Single parent families and households that rely chiefly on unemployment benefit are risk groups on account of their low work intensity. The table below gives the figures that are currently known. It shows that there was an increase in the number of people living in jobless households in 2009 relative to 2008. 2009 saw the largest economic contraction in decades (-4%). When seen in this light, the increase in the number of people in jobless households was limited. Their number fell markedly in 2010 relative to 2008 and 2009.

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[8] Results from 2008-2018.
[9] As well as the social partners, local authorities and such stakeholders as the European Anti-Poverty Network (EAPN) and the Social Alliance were consulted.
[10] According to data from Eurostat, which include, for example, students.
[11] As those unfit for work are often not actively looking for paid work, they are not included in the jobless labour force.

Table: Jobless households

(in thousands of people)		2008	2009	2010	2018*	#
People in jobless households	0-64	1,613	1,641	1,595	1,513	-100

**target in 2020 (when the figure for 2018 will be known)*

4.5.3 Policy to achieve the target

These ambitions will be pursued in a climate of sweeping public spending cuts to make the national budget sustainable. The government's actions consist of targeted investments on the one hand and more broadly-based economy measures on the other.

Focus on work

The government considers labour participation to be the key in preventing poverty and social exclusion. It is therefore trying to get as many people as possible into work:

- by building in more incentives for people to work;
- by making it more attractive for employers to take on people with the aid of wage dispensation;
- by eliminating disincentives in existing regulations and improving organisational aspects.

The measures arising from these principles are described in section 4.1; they are also relevant to reduce the number of people in jobless households. They are summarised below, as are a number of additional measures for vulnerable groups.

Government actions

- The principles are 'work in preference to benefits' and 'work must pay'. Examples include the measures for the lower end of the labour market (integration of the Work and Social Assistance Act (WWB), Incapacity Insurance (Young Disabled Persons) Act (WAJONG) and Sheltered Employment Act (WSW)), the phasing out of the double tax credit in the reference minimum wage and the introduction of household means testing that takes account of the income of all family members to determine the right to benefit. In this respect, stakeholders recognise the importance of the government's approach to employers in addition to the measures considered above (see also the NSR). The government intends to give municipalities discretion over a social participation budget, to which the WSW budget and part of the WAJONG (without barriers) reintegration budget have been added, as of 1 January 2013. This should make it easier for municipalities to get people into work using fewer funds. Local authorities believe this measure will lead to a structural reduction of €690 million in the decompartmentalised social participation budget as from 2015. The government thinks decompartmentalised the funds will increase efficiency and notes that reintegration budgets have never been fully exhausted in the past and that about €400 million was reserved on the introduction of the Work Capacity Act (WWNV) for relevant companies that provide sheltered employment.
- With the introduction of the WWNV, moreover, municipalities can use wage dispensation alongside the existing reintegration instruments. In 2012, municipalities must amend their bye-laws on how to deal with applications for assistance from people who cannot find work by themselves.
- As a part of the package of additional measures, the government intends to let pay for the first six months of the unemployment benefits (WW). In return severance pays will be limited. The remaining chunk of the severance pay will be used for retraining, education and work-to-work routes. In this manner redundancy schemes are transformed into activating schemes that are used for training and guidance to another job, The duration and amount of unemployment benefits remain unchanged.
- A 'release' for single parents with children under the age of 12 will be introduced on 1 January 2012. 12.5% of their income from part-time work, up to a maximum of €120, will be 'released'. This income will not be included in or will be excluded from the income deducted from benefit receipts. The new release will be available to a wider group than in the past. In addition, a proposal is currently being prepared to eliminate the poverty trap for single parents and make it worthwhile for them to work.
- Young people's access to assistance will be tightened up. Despite the economic crisis, the government does not want young people to become dependent on benefit payments; they must work or study, benefiting from the opportunities of government-funded education.

- To mitigate the accumulation of income effects on vulnerable groups such as the chronically ill, the disabled and the elderly, crisis payments will be increased by €90 million. The increase will be accompanied by a €40 million cut in crisis payments by limiting the income threshold to 110% of the guaranteed minimum income. The net increase of €50 million will be added to the Municipalities Fund as from 2012. Municipalities will thus be able to provide income support to these specific target groups in the form of crisis payments.
- Several other measures also contribute to the Netherlands' poverty and participation policy. They include the Municipal Debt Assistance Act and the obligation for municipalities to draw up a bye-law on child participation. These are considered in the National Social Report prepared in parallel with the NRP.

5. Horizontal evaluations

Debate in parliament
The National Reform Programme will be presented to the House of Representatives before it is submitted to the European Commission. The Minister of Economic Affairs, Agriculture and Innovation and a parliamentary committee had a written procedure on April 25th 2012 to discuss the National Reform Programme.

Cooperation with local authorities, social partners and NGOs
Achieving the Europe 2020 objectives will require the commitment not only of central government but also of other stakeholders such as social partners and local authorities. As in previous years, these parties were consulted when drafting this National Reform Programme. The European Anti-Poverty Network (EAPN) and the Social Alliance (a network of about 60 organisations engaged in combating poverty and social exclusion) were also consulted. Social partners have taken the initiative to prepare separate documents outlining their contribution to the National Reform Programme and the Europe 2020 strategy.