Ministry of Economic Affairs

National Reform Programme 2015 The Netherlands

Contents

1. Introduction

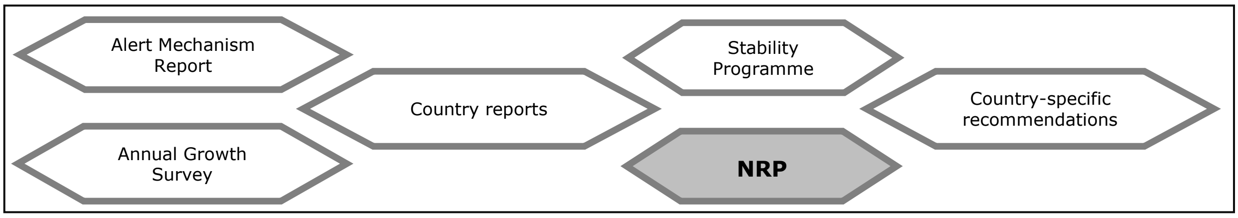
1.1 European Semester

The European Semester is an annual cycle of economic and budgetary policy coordination, which starts in November with the publication of the 'Alert Mechanism Report' and the 'Annual Growth Survey'. In April, Member States report on the government finances and economic reforms in response to the country-specific recommendations in respectively the Stability Programme (SP) and the National Reform Programme (NRP). Both programmes are assessed by the European Commission, after which the European Council proposes new country-specific recommendations.

1.2 Streamlining

The European Commission intends to streamline and strengthen the European Semester. The effectiveness of economic policy coordination in the European Semester has to improve. The Commission notes that Member States should give more follow up to the country-specific recommendations. That is why the Commission wants greater focus on the implementation by Member States. This greater focus is already shown, for example, in the country reports that the Commission released on 26 February 2015 for 16 of the Member States[1] and in which a single economic assessment was presented. The earlier publication of the country reports allows for greater transparency and possible feedback on the Commission's findings. The country reports and the NRPs will both be used for drafting new country-specific recommendations, which will be adopted by the Council in June 2015.

Figure 1: European Semester



The Commission also announced that it would present proposals for simplifying or reducing the reporting requirements in the European Semester (SP and NRP). They should be proportional and have a clear added value. In spite of the intentions, the Commission stated at the end of 2014 that the reporting requirements for 2015 would remain unchanged. The Commission wants to discuss changes first with the Member States.

In anticipation of proposals for the streamlining of reporting requirements, the Netherlands has prepared a more concise NRP than in previous years and devoted more attention to how the 2014 country-specific recommendations for the Netherlands have been and are being implemented.[2] The NRP also includes a feedback on the Commission's analysis, as described in the 'Country Report Netherlands 2015'.[3,4]

The Netherlands is considered a *best-practice* in Europe concerning the involvement of stakeholders in the European Semester. The manner in which social partners, local authorities and non-governmental institutions are consulted in the process of drafting the NRP is therefore continued in 2015. In the light of the streamlining and strengthening of the European Semester the Netherlands will discuss whether further improvements can be made.

[1] For an overview of country reports, see: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm.
[2] A table containing a summary of the policy measures that have already been implemented and reported in previous NRPs has been included for each country-specific recommendation.
[3] European Commission, 26 February 2015, 'Country Report Netherlands 2015', SWD(2015)38.
[4] This response replaces the standard BNC fiche.

1.3 How to read this document

The NRP[5] has been prepared in accordance with the guidelines issued by the European Commission. Chapter 2 outlines the macro-economic context. Chapter 3 describes the implementation of the country-specific recommendations for the Netherlands. The progress the Netherlands has made with regard to the Europe 2020 Strategy targets is described in chapter 4. Finally, chapter 5 reviews the involvement of the parliament, the social partners, the local authorities and other non-governmental organisations that were engaged in the creation of the NRP.

The NRP and the SP will be submitted to the European Commission in April 2015. The contents of the two documents overlap to a certain extent, for example in the area of macro-economic prospects. In the SP, the government reports primarily on the state of public finances in the light of current macro-economic developments. The NRP focuses on the package of policy measures. Given that the two documents are closely related in terms of content cross-references are used in each where appropriate.

1.4 Country Report Netherlands 2015

On 26 February 2015 the European Commission published the Country Report Netherlands 2015, in which, in addition to the in-depth review of possible imbalances into the Dutch economy, the progress in implementation of the 2014 country-specific recommendations is described. Like last year, the Commission concluded that there are no excessive imbalances threatening the Dutch economy. The Commission did, however, conclude that the high level of private debt linked to the housing market constitutes an imbalance which requires monitoring and policy action. The Commission considers the risks associated with the imbalance low. It is therefore scaled in the lowest of the five categories of imbalances the Commission makes use of. It implies that no further steps are foreseen and that the Netherlands is not subject to sanctions under any aspect of the macro-economic imbalance procedure. The Commission confirms that the housing market reforms that the government has implemented have contributed to the recovery of the market but notes that progress is only limited in further reforms that are needed. At the same time, the Netherlands needs to find the right balance between deleveraging, in particular of households, and giving sufficient support to domestic demand to sustain the economic recovery.

In its analysis of saving and investments, the Commission looks deep into saving patterns of Dutch households and non-financial corporation sectors. The Dutch regulatory framework provides strong obligations and incentives to save in pension schemes. The Commission notes that Dutch households have relatively low liquid assets that could be tapped when negative shocks hit income or wealth. The Commission also points out the relatively high savings in pension schemes for young generations, partly as a result of the flat rate contributions usually used. In addition, the Commission states that the high savings could lead to suboptimal allocation of capital and could possibly reduce the long-term growth prospects of the Dutch economy.

Response to the Commission analysis

There are clear signs of gradual economic recovery. In 2014 the Dutch economy grew by 0.9%. Growth is expected to accelerate to 1.7% in 2015. The recovery is, for the first time in years, also driven by domestic demand. However, there are still some (macro-economic) uncertainties which may affect the economic recovery. On the one hand a sharper drop in energy prices and depreciation of the euro than is currently foreseen could accelerate the economic recovery. On the other hand there are still several downward risks, like geopolitical tensions, low inflation and slow economic recovery in the Eurozone, which could slow down the recovery.

The Dutch housing market was hit hard by the crisis. Over the past years the government has successfully implemented a number of structural reforms of the housing market, both for the (social) rental and the owner-occupied sectors. These reforms result in a better functioning housing market with more mobility, less financial risks for households and the financial sector, and lower

[5] This document is translated from the Dutch NRP. In case of different interpretation of the original (Dutch) text and this (English) translation, the original Dutch text should prevail.

fiscal spending. Moreover, they have helped to restore consumer confidence, which contributed to the recovery of the housing market. The housing market and the Dutch economy are largely intertwined. Stepping up reforms may negatively impact household consumption and affect the recovery of the housing market and would thus harm the Dutch economy as a whole.[6]

The government welcomes the Commission's assessments concerning the saving patterns of Dutch households. Recently published studies from the Netherlands Bureau for Economic Policy Analysis[5] (CPB) and the Dutch Central Bank (DNB)[7] have shown similar views. As explained in Chapter 3.2 of the NRP, the government has made further progress in the implementation of policies with regard to the reduction of the high level of private debt. Furthermore, chapter 3.3 discusses the initiative of the government to start a National Pension Dialogue, in which the question of an appropriate intra- and inter-generational distribution of costs and risks will be raised. In addition, the government has implemented measures to limit the mandatory pension savings.

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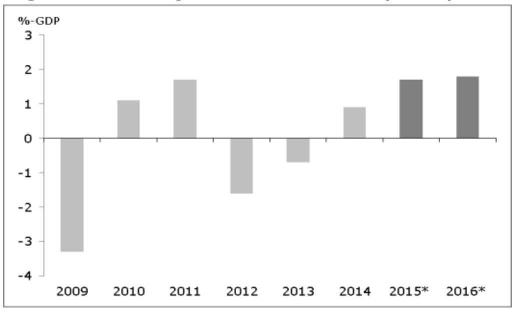
[6] CPB Policy Brief, March 2015, '*De Nederlandse consumptie: goede tijden, slechte tijden*'.
[7] DNB, Occasional Studies, volume 13.1, '*De vermogensopbouw van huishoudens: is het beleid in balans?*'.

2. Economic situation and outlook[8,9]

The Dutch economy grew by 0.9% in 2014. The CPB expects that the economic growth will accelerate to 1.7% in 2015 and 1.8% in 2016.

Figure 2: GDP growth 2009-2016 (*CPB)



For the first time in years, growth is not only driven by export, but as well by domestic demand. In line with increasing industrial production, a higher capacity utilisation in the industrial sector, and the increasing manufacturer's confidence, growth in business investments will accelerate to 3.8% in 2015 and 4.5% in 2016. After three years of decline, consumption grew in 2014 by 0.1%. Consumer spending is expected to increase by 1.5% in 2015 and 1.7% in 2016.

The statistics indicate that the labour market was recovering since mid-2014. The labour market is expected to continue to recover this year and next. On the one hand employment is growing (in particular in the market sector). At the other hand, the labour supply is expected to increase due to higher participation rates. As a result, there will be a modest decline in the number of unemployed to 645,000 in 2015 and 635,000 in 2016.

Table 1: Short-term estimates

Percentage change, unless stated otherwise	**2013***	**2014***	**2015****	**2016****
Gross Domestic Product (GDP)	-0.7	0.9	1.7	1.8
Household consumption	-1.6	0.1	1.5	1.7
Government consumption	-0.3	-0.3	0.2	0.1
Total investments (including inventories)**	-5.3	1.5	3.8	4.5
Business investment**	-2.5	1.4	5.3	5.8
Export of goods and services	2.0	4.0	4.6	4.8
Import of goods and services	0.8	4.0	4.9	5.3
Unemployment (in % of labour force)[10]	7.3	7.4	7.2	7.0
Unemployment (in thousands persons)	647	660	645	635
Purchasing power, static, median	-1.3	1.4	1.2	0.0
Inflation (harmonised index of consumer prices)	2.6	0.3	-0.1	0.9
EMU balance	-2.3	-2.3	-1.8	-1.2
Structural EMU balance	-0.4	-0.2	-0.5	-0.5

Source: * CBS, **CPB

There are still (macro-economic) uncertainties surrounding the economic recovery. The openness of the Dutch economy makes it sensitive to global economic influences. There are both upward and downward risks. Since mid-2014, the lower energy prices and deprecation of the euro have contributed to the economic recovery. An even stronger decline than already foreseen could accelerate the economic recovery even further. Moreover, the impact of the ECB's quantitative easing on the Eurozone's economy may be more positive. Possible downward risks that could slow economic recovery are the crisis around Greece, a possible worsening of the conflicts in Eastern Ukraine and the Middle East and continued low inflation, together with a loss of aggregate demand in the Eurozone and losses in consumer and investor confidence. Where, last few years, the downward risks dominated, the downward and upward risks are now more in balance with each other.

[8] CBS, February 2015.
[9] CPB, March 2015, *'Centraal Economisch Plan 2015'*.
[10] In November 2014, CBS published a revision of the working population statistics over 2013, in which the definitions were adjusted to make them in line with the internationally agreed definitions and in which the data collection improved by being the first in Europe to conduct the Working Population Survey (WPS) via the Internet. Starting in February 2015, the additional indicators for the labour market on the basis of the WPS have also been aligned with the ILO definition. Also Eurostat has implemented the changes. The 'Country Report Netherlands' of the Commission still contains pre-revision statistics. As a result, there is currently a difference between the labour market statistics in this NRP and the report of the Commission. Unemployment, for example, is on average 0.6% higher according to CBS figures.

The NRPs of the past years have already discussed in detail the different packages of fiscal consolidation measures that have been implemented, specifically the government coalition agreements, the budget agreements and the six billion package. The medium-term impact of those packages was also analysed.[11] It showed that the total package of measures had a negative impact on domestic spending over the short term, but contributes to an improved functioning of the economy and sustainable economic growth in the long run. The improved government finances in 2015 are a direct result of the efforts that the government has taken over the past few years (including lower collective expenditures on (primarily) care and social security), the economic recovery and the lower interest expenditures.

[11] NRP 2014, annex to Parliamentary Documents 21 501-07, no. 1148 and NRP 2013, annex to Parliamentary Documents 21 501-07, no. 1041.

3. Country-specific recommendations

In June 2014, the Council adopted four recommendations for the Netherlands on the basis of a proposal from the European Commission. The recommendations touch on the government finances, the housing market, demographic ageing and labour participation. The recommendations identify major challenges and specific points for attention for the Dutch economy. A more extensive discussion of each recommendation is contained in paragraphs 3.1 through 3.4.

3.1. Government finances

3.1.1 Council Recommendation

The Council advised the Netherlands to take measures to ensure sustainable government finances. The Council's recommendation reads as follows:

Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0.5% of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure reaching the medium-term objective and maintain it thereafter, and ensure that the debt rule is met in order to keep the general government debt ratio on a sustained downward path. Protect expenditure in areas directly relevant for growth such as education, innovation and research.

3.1.2 New policy based on the recommendation

Today's statistics and forecasts show that the budget deficit of -2.3% of GDP in 2014 will decline to -1.8% of GDP in 2015 and -1.2% of GDP in 2016. The Netherlands thus complies with the Stability and Growth Pact (SGP) deficit objective. The declining deficit is the result of fiscal consolidation measures, the economic recovery and lower interest payments. For the first time since 2009, the collective expenditures are declining. The natural gas revenues are declining substantially due to lower production and lower natural gas prices. The structural deficit is estimated -0.2% of GDP for 2014 and -0.5% of GDP in both 2015 and 2016. As a result, the Netherlands is also meeting the medium-term objective (MTO) of the preventive arm of the SGP. As the public debt ratio is declining from 69% of GDP in 2014 to 67.8% in 2016, the Netherlands complies to the debt rule.

On the basis of current insights, the Netherlands is satisfying all of the objectives of the SGP. The Netherlands remains fully committed to the European fiscal commitments. Further information on public finances and fiscal policy is set out in the Stability Programme.

Growth-friendly expenditures

The government continues to pursue close cooperation with businesses, knowledge institutions and regional and local authorities to promote research and development (R&D) to strengthen the foundations for future economic growth. The government allocates part of the public funds to boost private investments in R&D. The efforts have resulted in a modest increase in investments in R&D by private parties over the past years. Moreover, the size of public-private partnership programmes of the Top Consortia for Knowledge and Innovation (TKIs) have increased from approximately €620 million in 2013 to €900 million in 2014, of which approximately 35% was contributed by private parties. In addition, Dutch companies also invest considerably in non-technological innovations, which results into productivity gains.[12]

[12] *Monitor Bedrijfslevenbeleid 2014*, annex to Parliamentary Documents 2014/15, 32 637, no. 151.

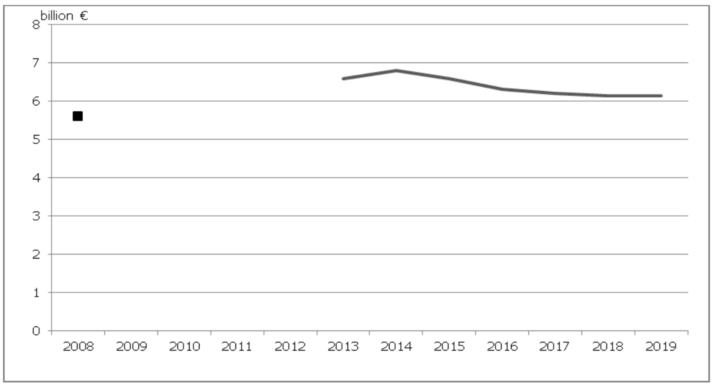
Table 2: Long-term overview of public funds for innovation and research (in millions of euros)

	2013	2014	2015	2016	2017
Fundamental research	3,066.4	3,163.4	3,217.3	3,192.8	3,175.9
Applied research	449.8	428.3	364.0	345.6	333.8
Spending by ministries	1,443.8	1,518.0	1,335.3	1,206.9	1,140.0
Fiscal resources for R&D and innovation	1,628.1	1,693.6	1,667.6	1,570.7	1,555.6
Total	**6,588.2**	**6,803.3**	**6,584.2**	**6,315.9**	**6,205.3**

Source: Own calculation based on data from Rathenau and resources of the Innovation box

Table 2 and figure 3 show the development in public R&D investments (including indirect tax incentives to companies) over the years. The year 2008 was an important benchmark, as it was the last year before the crisis. At start the annual budget increased as a result of temporary policy measures to offset the effects of the crisis. After, the government had to take fiscal consolidation measures to bring government finances back under control. Education and R&D expenditures were spared. Policy measures were also taken, amongst others, to provoke private R&D investments. It is difficult to predict how the decline in public budgets for R&D will affect the total R&D-expenditures as percentage of GDP. Chapter 4.2 explains in detail the new policy measures for achieving the national R&D target set by the Netherlands in the context of the Europe 2020 Strategy.

Figure 3: Development of public expenditures in R&D



Source: Own calculation based on data from Rathenau and resources of the Innovation box

3.1.3 Country Report Netherlands 2015

The Commission is positive about the improved Dutch government finances. The fiscal consolidation measures that have been implemented ensure that the public deficit will decline further in the years to come. The Commission also notes that there is a need to strengthen the foundations for future economic growth. Due to the ageing population and the declining potential for even higher labour participation, future economic growth will increasingly have to come from productivity growth. The Commission emphasises therefore the importance of investments in education and R&D. Although the education budget remains at a high level, the Commission notes a decline in public R&D budgets.

Response to the Commission analysis

The government is strongly committed to pursue sound fiscal policies. The fiscal consolidation measures have resulted in that the Netherlands is no longer subject to the excessive deficit procedure of the SGP. The government is now concentrating on the objectives of the preventive arm procedure. As stipulated in the coalition agreement and the national budget rules, the Netherlands remains fully committed to the European fiscal budget agreements.

The government notes that the education budget is not only remaining at a high level, but is being increased. In the coalition agreement the budget was increased structurally by €600 million annually. An additional €600 million structurally was appointed for education in the 2014 budget agreement. Moreover, an additional sum up to €620 million structurally will become available for investments in higher education as a result of the study allowance reforms.

The government acknowledges that R&D is crucial for (future) economic growth. By efficient use of the public budget, the government incentives scientists, knowledge institutions and businesses to excel in science and in converting that science into leading and competitive products and services. At the end of the day, those parties are the drivers of innovation.

Table 3: Description of the measures taken and information on their qualitative impact[13]

CSR government finances and relevance		**Description of the most important measures and how they relate to country-specific recommendations**				**Budget effects**	**Qualitative effects**
		Description of measure	Legal foundation	Progress made over last 12 months	Steps still to be taken		
Ensuring that the Netherlands continues to meet all the objectives of the SGP (e.g. preventive arm and debt objective)	Reducing the budget deficit and strengthening government finances over the medium term	The total of budget consolidation measures implemented between 2012 and 2017 improves the balance by a total of €51bn (approx. 8% of GDP)	Budget Act	Not applicable	Not applicable	Long-term improvement of the EMU balance	See stability programme
Sparing expenditures that are directly important for growth	Promoting long-term economic growth	The various consolidation packages of the past years have taken the quality of education and innovation into account by protecting those parts of the budget as much as possible and, where possible, to intensify them. An additional €600m (0.1% of GDP) per year was earmarked for education quality in the €6bn. package	Budget Act	Budget year begins on 1 January 2014	Not applicable	This measure costs €0.6 bn. per year, but has already been included in the €6 bn. package	The policy must contribute to a high level of education of the population and an innovative economy

[13] Table 1 of the reporting tables of the guidance on the content and format of the NRP.

3.2 Housing market

3.2.1 Council Recommendation

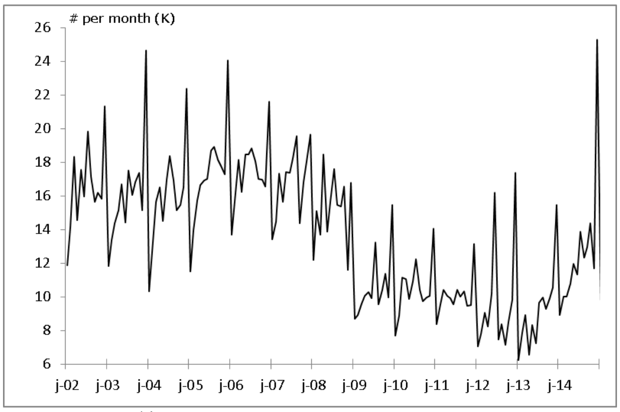
The Council advised the Netherlands to accelerate the reforms of the housing market. The Council's recommendation reads as follows:

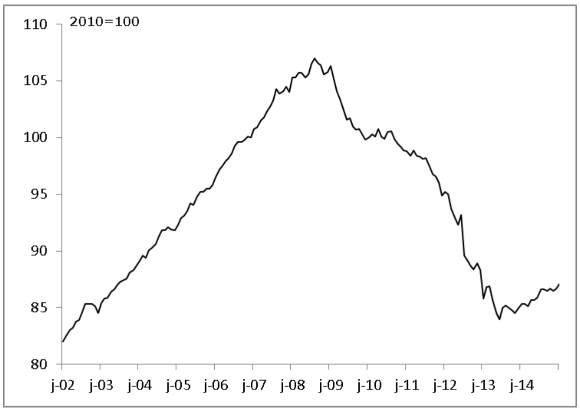
When the economic environment allows, step up efforts to reform the housing market by accelerating the reduction in mortgage interest tax deductibility, by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. Monitor the effects of the social housing reforms in terms of accessibility and affordability for low-income households. Continue efforts to refocus social housing policies to support households most in need.

3.2.2 New policy based on the recommendation

The government endorses the importance of improving the functioning of the Dutch housing market. The housing market was hit hard by the financial and economic crisis. Over the past years, the government has successfully implemented a number of structural reforms, both for the (social) rental and the owner-occupied sectors. The overall package of measures results in a better functioning housing market with more mobility, less financial risks for households and the financial sector, and lower fiscal costs. Moreover, they have helped to restore consumer confidence, which contributed to the recovery of the housing market. Since reaching the bottom of the housing market in June 2013, housing prices have been gradually increasing. Figure 4 shows that transactions have gone up in the in the second half of 2014. Moreover, the nominal price level has gone up moderately. The demand in the owner-occupied sector is growing again due to improved affordability, which is the result of low interest rates and the strongly declined house prices.

Figure 4: Recovery of the number of transactions (left) and the moderate recovery of housing prices (right)





Source: CPB[14]

Reforms in the owner-occupied market

The government is taking steps on the owner-occupied market to limit high debt and the accompanying financial risks for households. The right to mortgage interest tax deduction for new loans, for example, is linked to the condition that the loan must be fully redeemed by level payments over a period not exceeding 30 years. In addition, the maximum Loan-to-Value (LTV) will be gradually reduced to 100% in 2018. The maximum rate for interest tax deductibility for both existing and new mortgages will be gradually reduced from 52% to 38%. The gradual decline limits potential negative effects on capital for home owners. Revenues generated through these measures are returned by reduced income taxes through a gradual reduction of tax rates in the second, third and fourth bracket and an extension of the third bracket.

Now that the housing market is showing signs of improvement, it is important to support that recovery. This requires a balanced approach. Government policy is therefore focussed on safeguarding the stability to allow the housing market to recover. A number of measures have been implemented to promote mobility in the housing market, in particular for home-owners with

[14] CPB, March 2015, *'Centraal Economisch Plan 2015'*.

an underwater mortgage[15]. Households faced with residual debt upon sale are allowed to deduct the interest on the residual debt. On 1 January 2015, the period in which the interest is tax deductible was extended from 10 to 15 years. Additionally, home-owners with NHG can, under strict conditions, co-finance their residual debt under a new NHG backed mortgage.

Reforms in the rental market
Major reforms have been introduced to improve the functioning of the rental market and the allocation of social housing. Part of the measures will be stipulated into law this year. The reform of the housing valuation scheme (WWS) will be effective from 1 October 2015. The measure will ensure that the popularity of the location of the rented object is partly reflected in the maximum permitted rent. This will increase the financial possibilities to invest in regions where demand exceeds supply.

The government allows for rent increases in excess of inflation. Depending on the income of tenants, the maximum rent increase over inflation is 1,5%, 2% or 4%. The boundaries of the income categories are adjusted annually. The policy measure works as an incentive for higher income earners to leave the social housing sector, creating more room for the designated target group. The low income earners will be (partially) compensated for rent increases through the housing benefit. Tenants whose income falls after the income-based increase will be granted a rent reduction as to ensure that social housing remains affordable. The additional rental income of landlords following these rent increases will enable them to pay a gradually increasing levy for landlords, which is designed as an encouragement to work more efficiently and to improve operations.

The revision of the Housing Act ensures a clear separation of Services of General Economic Interest (SGEI) activities and non-SGEI activities[16]. This ensures that social capital is secured, encourages social housing corporations to concentrate on their core societal objectives and creates a more level playing field in the rental market. Social housing corporations are required to split non-SGEI activities from SGEI activities legally, administratively or (for relatively small housing corporations) in their administration. State aid, both direct and indirect, is only allowed for SGEI activities. The support that social housing corporations (could) receive consists of loans backed by a government guarantee, restructuring and project support, and reduced asking prices for land offered by municipalities. The law will come into force on 1 July 2015. Housing corporations are required to have completed the split of their activities by 1 January 2017.

The previously introduced requirement that demands social housing corporations to dedicate at least 90% of the available social housing to the target group (income up to €34,911, price index 2015) remains in force. The revision of the Housing Act includes a temporary increase (until 1 January 2021) of the income limit for lower middle income groups (€34,911 to €38,950). Social housing corporations may assign a maximum of 10% of the homes that become available to this group. In addition, an allocation requirement (*passendheidsnorm*) have been introduced. 95% of allocations to lower income households entitled to housing benefits have to concern social housing dwellings with a rent under a certain threshold.[17] This prevents that tenants with low incomes are being housed in relatively expensive homes and also contributes to the affordability of housing benefits.

3.2.3 Country Report Netherlands 2015
The Commission acknowledges that major reforms have been implemented in the housing market and that government policy has helped to restore confidence in the market. Nevertheless, the

[15] The balance of the mortgage loan is higher than the fair market value of the property.
[16] SGEI: Services of General Economic Interest: social housing dwellings and directly linked social property. Non-SGEI activities include expensive rental dwellings and owner-occupied houses and commercial property.
[17] The amount of housing benefits one receives depends on the income in relation to the rent. The higher the rent, the higher the share of the rent that the housing benefits recipient will have to pay. The base rent is the minimum amount that a housing benefits recipient must pay. The part of the rent above the base rent up to the so called ´quality discount limit´ is compensated in full. The rent between the ´quality discount limit´ and the cap is partially compensated depending on age and the type of household. Depending on the type of household, a lower part, or nothing, of the part of the rent up to the maximum rent limit is also compensated.

Commission notes that, despite the recovery of the housing market and the economic environment, the partial phasing out of mortgage interest deductibility has not been stepped up.

The Commission repeats its earlier finding that the rental market is not functioning properly. The policy intervention in the social housing and the owner-occupied sectors crowd out the commercial rental market. The amendments to the home valuation system should overcome this. In addition, the revision of the Housing Act may help to improve the functioning. It allows the use of state aid only for core social tasks and will thus avoid market distortions. The Commission states that the commercial rental market may be enlarged through the sale of more non-social housing dwellings by social housing corporations.

Response to the Commission analysis
The overall package of measures for the owner-occupied and rental markets contribute to a better functioning and more balanced housing market. It is important to allow the housing market to recover. Although there are clear signs of economic recovery, it is beset by uncertainties. Also the recovery in the Dutch housing market is still fragile. Since the housing market reached its bottom in June 2013, housing prices have been slowly increasing. In 2014 the average increase was 0.9%. However, there were significant regional differences.

The housing market and the Dutch economy are largely intertwined. Stepping up efforts may negatively affect the recovery of the housing market and would harm the Dutch economy as a whole, including unemployment and consumption levels. That is why the government has not taken any further steps to reduce the mortgage deductibility or to accelerate the scheduled transition path.

The government gives priority to a better functioning rental market. It has communicated a clear message to both social housing corporations and investors that it strives for a more balanced housing market. This has led to an increased interest by investors in the Dutch (commercial) rental market. With the amendments to the home valuation scheme, the local market conditions will be better reflected in rents. In areas with more scarcity of affordable rental dwellings it will become more profitable to invest.

The government underlines the importance of implementing the revision of the Housing Act. As a result, social housing corporations will further concentrate on their core social tasks. The allocation requirement stresses the responsibility of housing corporations to provide affordable housing for low income households. The package of policy measures is expected to contribute to the development of the commercial rental market in the years to come.

Table 4: Description of the measures taken and information on their qualitative impact[18]

CSR government finances and relevance		Description of the most important measures and how they relate to country-specific recommendations				Budget effects	Qualitative effects
		Description of measure	Legal foundation	Progress made over last 12 months	Steps still to be taken		
Limiting debt and risks to home ownership	Limiting high debt and related financial risks	Linking right to mortgage interest tax deduction to at least annuity-based redemption schedules for new mortgages	Revision of Fiscal Treatment of Owner Occupied Homes Act	In effect in 2013	Not applicable	Structural revenues €5.2bn.	On the owner-occupied market, the government is taking policy measures to limit high debt and the attendant financial risks for households and banks. This will contribute to a better functioning and more balanced housing market with fewer financial risks
	Lowering the maximum tax deduction rate	For both new and existing cases, the maximum tax deduction rate will be gradually reduced by 0.5%-points per year from 52% to 38%	Housing Market Measures Act 2014 II	Started in 2014. As of 1 January 2015, the maximum deduction rate is 51%	26 annual steps left of 0.5%-points per year from 52% to 38%	Structural revenues €0.77bn.	
	Lowering the maximum Loan-to-Value (LTV) ratio	Annual linear reduction of maximum LTV of 106% to 100% in 2018	Financial Supervision Act (Decree on Conduct of Business Supervision of Financial Undertakings)	Started in 2013. As of 1 January 2015, the maximum LTV has declined to 103%	3 annual steps left of 1%-point to a maximum LTV of 100% in 2018	Structural revenues €0.2bn.	
	Limiting eligibility of National Mortgage Guarantee (NHG)	Reduction of upper limit of NHG to €225,000 as of 1 July 2016. Thereafter the NHG will be linked to average housing price	Not applicable	On 1 July 2014, the upper limit for NHG was reduced to €265,000	On 1 July 2015, the upper limit will be reduced to €245,000 and on 1 July 2016, to €225,000	Not applicable	
	Policy excess for lenders to give incentives to exercise prudence in granting credits	For new NHG loans, the lender will carry an own risk of 10% of the loss guarantee	Not applicable	In effect in 2014	Not applicable	Not applicable	
Promoting mobility in owner-occupied market	Improving mobility by reducing transaction costs	Permanent reduction of transfer tax from 6% to 2%	Legal Transactions Taxation Act	In effect in 2012	Not applicable	Structural expenses increasing to €1.5bn. in 2018 (2015: €1.2bn.; 2017: €1.4bn.)	The policy measures will make it financially easier to move up in the housing market by lowering transaction costs and removing barriers (by limiting transfer tax, deductibility of interest on residual debt, gift entitlement)
	Reducing the burden of residual debt as a barrier for moving	Interest on residual debt is tax-deductible for a maximum period of 15 years (measure was extended from 10 to 15 years as of 1 Jan 2015)	Income Tax Act 2001 and Tax Act 2015 (extension to 15 years)	The deduction applies to residual debt arising on or after 29 October 2012 and before 31 December 2017	Temporary measure	Expenses accrue from €10m. in 2013 to €50m. in 2017. The extension to 15 years leads to additional expenses of €15m. per year	
	Reducing the burden of residual debt as a barrier for moving	Under strict conditions, residual debt can be co-financed in a new NHG-backed mortgage	Not applicable	As of 1 January 2014	Not applicable	Not applicable	

[18] Table 1 of the reporting tables of the guidance on the content and format of the NRP.

	Redemption of mortgage on owner-occupied home or purchase of financed home with less debt	Regular upper limit for tax-free gifts is €52,752 by gift from parent to child	Inheritance Tax Act	The upper limit was increased temporarily. From 1 January 2015, the upper limit is back to its regular level	Not applicable	Not applicable	
	Reducing housing expenses for second home on sale	Second home on sale may be (temporarily) rented and the interest is deductible for 3 years	Wage and Salaries Tax Act 2001	Permanently as of 1 January 2015	Not applicable	Structural expenditures €5m. per year	
Improving the functioning of social rental sector	Bringing rent for rental houses more in line with income so that high income earners will be incentivised to move into the private market	Landlords may increase the rent above inflation with a maximum of: 1.5%: up to €34,229; 2%: €34,229 to €43,786; 4%: above €43,786. Additional income for landlords will be returned by a gradually increasing levy for landlords	Dutch Civil Code, Rental prices of living space implementing Act, Housing Market Measures Act 2014 II	In effect in 2013	A new policy initiative to replace the income-dependent rent increase may be submitted to parliament in Q3 2015	The revenues from landlord levy will increase to €1.7bn. in 2017. Budget for housing benefits increases to €420m. in 2017	Basing rents more on the attractiveness of the property and the financial capacity of the tenant will increase the incentive for finding a good match between tenant and dwelling (in the private or social sector)
	More market based price mechanism: maximum rental price linked to the attractiveness of dwelling	25% of the maximum rent determined by the Housing Valuation Scheme (WWS) will be based on the attractiveness of the property (as assessed under the Valuation of Immovable Property Act (WOZ). Lower incomes will be compensated with a higher housing benefit	Rental prices of living space implanting Act	Proposal will be submitted to House of Representatives after review by Council of State	Target date is 1 October 2015	Not applicable	
	Increasing the affordability of social housing for the lowest income groups	Introduction of an allocation requirement. 95% of allocations to lower income households entitled to housing benefits have to concern social houses with a rent under a certain threshold	Revision of the Housing Act	In effect 1st of July 2015	Act will come into effect in stages starting on 1 July 2015	Revenues starting in 2016 of €15m. Increasing to €20m. in 2017	
Protecting social capital of social housing corporations and improving level playing field for a better functioning rental market	Social housing corporations have to concentrate primarily on SGEI. If corporations want to develop non-SGEI activities, it has to be done under standard market conditions, without state aid support	Social housing corporations must split SGEI and non-SGEI activities. Non-SGEI activities must be financed at market standard conditions. Upon administrative separation, the association will fall under an intensified supervision system and its permitted non-SGEI activities will be more restricted	Revision of the Housing Act	In effect 1st of July 2015	Takes effect on 1 July 2015. Implementation by housing corporations before 1 January 2017	Revenues have not yet been processed in the budget	Placing non-SGEI activities of housing associations in an administratively separate unit operating under market standard conditions improves the level playing field in the mid-rental market

3.3 Demographic ageing

3.3.1 Council Recommendation

The Council advised the Netherlands to take further steps to improve the sustainability of the government finances, with an eye on the ageing population. The Council's recommendation reads as follows:

> *Implement reforms of the second pillar of the pension system, ensuring an appropriate intra- and inter-generational distribution of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers. Implement the envisaged reform in the area of long-term care with a view to ensure sustainability, while ensuring fair access and the quality of services and monitor its effects.*

3.3.2 New policy based on the recommendation

The government endorses the recommendation and is undertaking reforms in the areas of pensions, employability of older workers, and containing the costs of long-term care.

Reform of the General Old Age Pensions Act (AOW)

The government coalition agreement announced that the raising of the standard retirement age enacted into law in July 2012 will be implemented at an accelerated rate. The legislative proposal[19] to make that possible is expected to be handled in parliament before the summer of 2015. Under the new proposal, the retirement age will be raised to 66 years in 2018 and 67 by 2021. Thereafter, the standard retirement age will be linked to life expectancy.

Reform of supplementary pensions

As from 2014, the standard retirement age for supplementary pensions has been, as recommended, increased to 67 years. As from 2015, the standard retirement age will also be linked to life expectancy at 65 years. In addition, the government has reduced the maximum accrual percentage qualifying for tax relief and reformed the financial assessment framework (see table 5).

In August 2014, the government has started a National Pension Dialogue with society and parliament about the long-term future of the Dutch pension system. In January 2015, the part of the dialogue with society was finished. One of the subjects raised during this stage of the dialogue was the distribution of costs and risks within and between generations. A progress report was sent to parliament earlier this year.[20] Before the summer of 2015, the government will send a policy discussion paper to parliament, with options for the future of the supplementary pension system. The subject of the intra- and inter-generational distribution of costs and risks will be also covered. The policy discussion paper facilitates further political decisions.

Promoting the employability of older workers

The Netherlands has a number of policy measures in place to make it more attractive for employers to hire or retain older workers and for older employees to stay (longer) in employment. For example, the employer may be eligible for a deduction on social insurance contributions by hiring older benefit recipients[21] and under certain conditions the government can also take over the illness risk of older employees (no-risk insurance policy). Besides, there is the option for probationary placement (employment with temporary retention of benefits). Moreover, the government supports the labour-market position of older workers through the '50-plus works action plan'. The action plan is based on empowering the job-seekers themselves and actively approaching employers for this target group. The government has budgeted €101 million for this project. In addition, the sectoral plans aim to support the retention of skilled workers and to strengthen sustainable employability. Furthermore, meetings are being organised and information is being provided to raise awareness and to activate employers and employees. Furthermore, the social system includes incentives for sustainable employability, including a reduction of social

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[19] Parliamentary Documents 2014/15, 34 083, no. 2.
[20] Parliamentary Documents 2014/15, 32 043, no. 241.
[21] The 'mobility bonus' applies as of 1 January 2015, for benefit recipients who are 56 years old or older.

premiums for employers who reduce the risks of absence due to illness and occupational disability. The government has also submitted a legislative proposal to parliament[22] that makes it more attractive for employees to continue to work after they have reached the standard (AOW) retirement age and for employers to hire these employees. For example, the proposal stipulates that the legal minimum wage also applies to workers who have reached the standard retirement age. In addition, the proposal expands the possibilities for temporary contracts and limits the duration of wage payment by employers in the event of illness from 2 years to 6 months.

Reforming long-term care
The government has completely revised the long-term healthcare system. Components of extramural care, specifically supervision and the protected residence of mental health care clients, were placed under the new legislative framework, Social Support Act (Wmo 2015). Activities of a curative nature, such as the long-term mental health care (less than 4 years) and the treatment and health care by district nurses have been transferred from the Exceptional Medical Expenses Act (AWBZ) to the Health Insurance Act. In addition, the Youth Act and the new Long-Term Care Act (Wlz) took effect on 1 January 2015. The latter act enshrines the rights of the most vulnerable clients (the elderly, handicapped, clients with long-term psychiatric conditions) who are in need of care. The proposed measures will result in structural savings of approximately €3.5 billion. The municipal budget for household help has been reduced (structural reduction of the household help expenditures to 40%).

Transitional agreements have been made with the Association of Netherlands Municipalities and other partners (representatives of insurers, care providers, clients). To ensure clients do not fall between the cracks, monitoring agreements have been made and contact points have been established.

3.3.3 Country Report Netherlands 2015
The Commission states that important reforms have been implemented to rise the retirement age and to link it to the average life expectancy. It is still necessary to take steps with respect to the distribution of costs and risks within and between generations. In addition, they emphasize the importance of the long-term care reforms that have been initiated for the sustainability of public finances. Accessibility and quality of the long-term care are important concerns with respect to the decentralisation of long-term care.

Appreciation
The government shares the opinion of the Commission that the reforms that have been undertaken, have resulted in a more resilient pension system. The effective retirement age rose further in 2014 to 64.1 years[23] due to the implementation of the legislative changes and regulations to curtail early retirement. This is well above the European average. The changes to the financial assessment framework have also resulted in a more balanced distribution of costs and risks between generations. Older people benefit from the distribution of negative shocks (less and more gradual reductions on entitlements) and young people benefit from the distribution of positive shocks (indexation). Through the National Pension Dialogue and in other ways, the government is working on further improvements of the pension system.

The government also acknowledges the importance of the concerns identified with regard to accessibility and quality of long-term care. To ensure accessibility and quality, the reforms are being monitored closely.

[22] Parliamentary Documents 2014/15, 34 073, no. 2.
[23] CBS, February 2015.

Table 5: Description of the measures taken and information on their qualitative impact[24]

CSR dealing with ageing and relevance		Description of the most important measures and how they relate to country-specific recommendations				Budget effects	Qualitative effects
		Description of measure	Legal foundation	Progress made over last 12 months	Steps still to be taken		
Adjusting the second pillar pension (supplementary pensions)	Balancing intra- and inter-generational costs and risk distribution	Adjusting the second pillar pension in line with first pillar pension (general old age pension Act): retirement age to 67 years	Act approving the increase of the general old age pension retirement age	Entered into force in 2014	Not applicable	Not applicable	Contributes to the sustainability of public finances and a better balance between intra- and inter-generational costs and risk distribution
	Containing future government expenditures	As of 2015 income > €100K is no longer tax deductible. Reduction of max accrual percentage qualifying for tax relief of second pillar pension from 2.25 to 2.15% in 2014 and to 1.875%, on income up to €100K, in 2015	Act reducing maximum accrual and premium percentages for pension and maximising pension-earning income	Entered into force in 2014	In 2015 further reduction to 1.875%	Contains tax expenditures for the government	
	Better balance between intra- and inter-generational costs and risk distribution	Modernisation of the financial assessment framework: modification of indexation rules and distribution of financial risks and shocks	Pension Act	Entered into force in 2014	Not applicable	Total effect is positive (based on austerity applied to Witteveen framework and revision of FTK)	
	Better balance between intra- and inter-generational costs and risk distribution	National Pension Dialogue about the long-term future of the Dutch pension system with society and parliament	Not applicable	Orientation phase and dialogue phase with society completed	Policy discussion paper with policy options will be send to parliament in summer 2015	Not applicable	
Improving the employability of older workers	Stimulating older employees to remain active in the labour market	Package of financial and tax measures: continue the mobility bonus and facilitate continued employment after retirement age. See also para 3.3.2	Social Insurances Financing Act	Mobility bonus introduced in 2013	As yet unknown	€359m in 2015 for the premium reduction for occupationally disabled (€90m) and the elderly (€269m)	Improved employability and labour-market participation of older employees
	Improving employability of employees	Promoting the sustainable employability of employees by means of, among other things, the '50-plus works' action plan, organising meetings and providing information	Not applicable	Not applicable	Not applicable	Not applicable	
	Improving employability of employees	Act approving increase of the general old age pension retirement age: measures to make continued working/employing workers who have reached the retirement age more attractive	Act approving increase of the general old age pension retirement age	Submitted to parliament in November 2014	To be dealt with in parliament in 2015	Not applicable	
Reforming long-term health care	Structural savings by restructuring the long-term care lead to, among other things, better care-to-need and partial decentralisation of long-term care	Allocation of long-term care to several different domains: implementation of the Long-Term Care Act, Youth Act, and amendments to the Social Support Act and Health Insurance Act. Due regard for the objectives of care and support. Amendments to home care and financial support for the chronically ill and handicapped regulations	Long-Term Care Act, Social Support Act, Youth Act, and Health Care Act Claims Decree, Health Insurance Act	Entered into force in January 2015	Support in implementing the policy measures	Of the total costs of €28.5bn, a saving of €3.5bn structurally can be achieved in 2013-2017. This offsets the expected increase in costs of 3,5bn so that long-term care costs remain unchanged	Decentralisation and reforms results in care-to-need and efficiency. Due to gradual implementation budgetary effects will become increasingly visible over the next years

[24] Table 1 of the reporting tables of the guidance on the content and format of the NRP.

3.4 Labour participation

3.4.1 Council Recommendation

The Council recommended the Netherlands to enhance the labour participation. Although labour participation in the Netherlands is already high compared to other European countries, a further increase in participation is desired. The Council's recommendation reads as follows:

> *Take further measures to enhance labour market participation particularly among people at the margins of the labour market and to reduce tax disincentives on labour. Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities. In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.*

3.4.2 New policy based on the recommendation

The government's goal is for all to participate according to their ability and focuses in particular on the participation of people with a lower income. The NRPs of the past few years[25] have already set out in detail a wide range of policy initiatives to achieve that objective. This concerns both generic measures, such as increasing the employed person's tax credit, and policies specifically directed towards people in a vulnerable position on the labour market (e.g. Participation Act, reforms to child benefit schemes, measures to reduce early school leavers, and measures aimed at the labour participation and economic independence of women[26]). The measures to enhance labour participation should be seen as supplementary to policy initiatives aimed at older employees (see section 3.3.2). In addition, the government has implemented major reforms to deal with rigidities on the labour market (in particular the Unemployment Act and dismissal law reforms through the Work and Security Act). The most important policy initiatives are presented in table 6. Finally, the government has consulted social partners about wage-setting. The government emphasises that wage-setting is primarily the responsibility of the social partners and that they (can) make use of the existing institutional framework.

Sectoral plans

In the Social Agreement struck on 11 April 2013, the government and the social partners in the Labour Foundation agreed on a structural approach for the Dutch economy and the labour market, with the aim of giving as many people as possible a fair chance to work and to gain financial self-sufficiency. The social partners have indicated that they are willing to assume their responsibility on the labour market. Providing job security and preventing unemployment are key. By providing a tailor-made (inter-)sectoral approach, employment is to be retained and unemployment prevented both in the present and future. People who are at risk of losing their job can remain employed deploying (inter-)sectoral mobility and education. The government wants to promote these (inter-) sectoral efforts so that stakeholders will truly get to work effectively and efficiently to achieve the objectives of the Social Agreement.

In 2014, the first and second instalments of €439 million of co-financing[27] were granted to the sectoral plans submitted by the social partners to contribute to the functioning of the labour market. The sectoral plans, for instance, contain measures in the areas of vocational education, apprenticeship placements, and health. The sectors will contribute at least an equal amount to the sectoral plans. For 2015, the third instalment of €150 million is available for the sectoral plans co-financing scheme. The focus of the third round sectoral plans is specifically on promoting work-to-work and unemployment-to-work transitions. It concerns activities aimed at promising occupations in sectors and regions where jobs are created or vacancies are hard to fill. Sectors that, for instance, actively work at mediation to new work or offer (re)training programmes to assist people to get a job, may qualify for co-financing by submitting a sectoral plan. To support this initiative,

[25] NRP 2014, annex to Parliamentary Documents 21 501-07, no. 1148 and NRP 2013, annex to Parliamentary Documents 21 501-07, no. 1041.
[26] Examples of current projects aimed at labour participation of women include '*Kracht on Tour*' (Empowerment Tour) and *'Eigen Kracht'* (At Your Own Force). Those projects aim to encourage and support women to work (more) so that they become more independent and have a stronger position in society, and to make agreements about these activities with regional stakeholders (including municipalities and businesses).
[27] One-third of all public resources to be used[27] One-third of all public resources to be used for co-financing sector plans is aimed at promoting the inflow of young people into jobs.

the additional instrument Bridging Unemployment Insurance is introduced. The focus aligns with the Work and Security Act (WWZ), which made necessary changes to structurally promote transitions in the labour market. The changes will take effect in stages (partly on 1 January 2015, 1 July 2015 and 1 January 2016).

Bridging Unemployment Insurance (Brug-WW)
The new instrument Bridging Unemployment Insurance offers additional support to enable transitions with substantial retraining. Brug-WW increases the possibilities for taking necessary retraining while continuing to receive unemployment benefits. The retraining programme must be substantial and directed towards a promising occupation or, for unemployment benefits recipients, towards retraining necessary to be able to find employment in one's own occupation. In addition, one of the conditions is that a job guarantee of at least one year must be offered. The social partners are given the opportunity to deviate collectively from the timeframe of one year. Under the 2015 sectoral plans co-financing scheme, this specifically concerns activities aimed at promising occupations in sectors and regions where jobs are created or vacancies are hard to fill. The occupations concerned and the training that is necessary need to be specified in the sectoral plans. The Brug-WW stimulates employees to actively work on their own job transition during a period of unemployment or before becoming unemployed. As a result, unemployment benefits will serve as a bridge between an old and a new job even more than is currently the case.

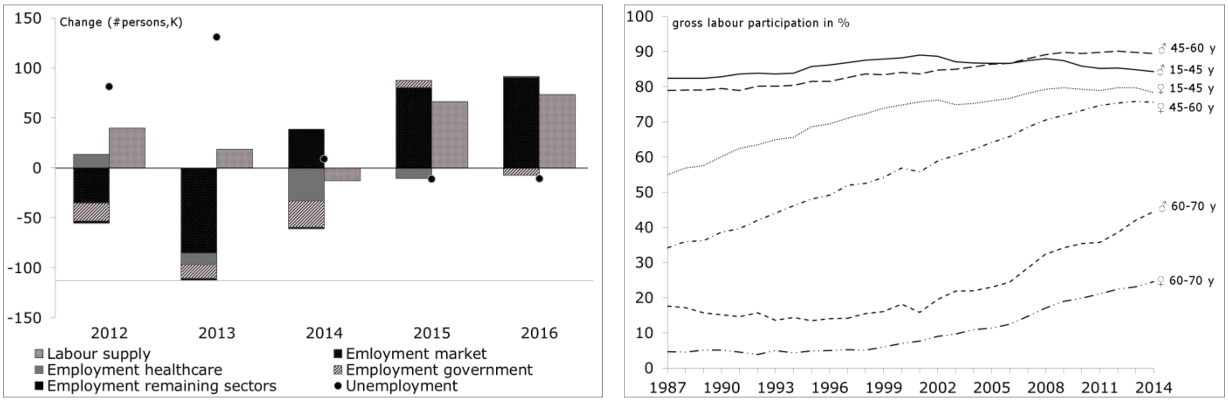
Reform of the tax system
At the time of writing, the government is working on a proposal for a reform of the tax system to promote employment. The financial incentives to work will have to be strengthened. Entering the labour market and working more hours have to become more rewarding. Growth and development have to become more natural for entrepreneurs, and the business climate will have to continue creating new jobs in the future. In the run-up to the budget for 2016, the government will be presenting its proposals.

3.4.3 Country Report Netherlands 2015
The Commission is positive about the Dutch labour market policies. At 76.3%, (net) labour participation in the Netherlands is above the European average of 69.8%[28]. Unemployment is low and is on a decreasing path. It continues to be necessary, however, to exploit the labour potential further for long-term growth. The labour participation of groups with a distance to the labour market (women, immigrants, the elderly and the disabled) remains a challenge. Long-term unemployed and the low rate of transition from flexible to permanent work are also increasingly causes for concern.

Response to the Commission analysis
The most recent estimates by the CPB confirm the picture that the recovery of the labour market is ongoing. Employment in the private sector is increasing (see figure 5). In addition, the number of discouraged workers is declining slightly. In particular, the labour participation of women and people above 50 years of age is increasing. The number of people who participate in the labour market in 2015 and 2016 will increase nearly as strongly as the new jobs that are being created. On average, unemployment is expected to decrease slightly from 7.4% in 2014 to 7% in 2016.

[28] European Commission, 26 February 2015, ‘Country Report Netherlands 2015’, SWD(2015)38, page 36.

Figure 5: Growth of labour supply and employment (left) and growth of gross labour participation (right)



Source: CPB

In spite of the relatively low unemployment and high level of labour participation, promoting employment and stimulating labour participation by making social security more activating, by making work more rewarding, and with specific policy measures aimed at people with a vulnerable position in the labour market, remain a priority for the government. The reforms in the form of the Participation Act and the Work and Security Act, in combination with initiatives such as the sectoral plans and the Brug-WW, contribute to this to a significant degree, as acknowledged by the Commission.

Table 6: Description of the measures taken and information on their qualitative impact[29]

CSR labour market and relevance		**Description of the most important measures and how they relate to country-specific recommendations**					**Budgetary effects**	**Qualitative effects**
		Most important objective and relevance for CSR	Description of measure	Legal foundation	Progress made over last 12 months	Steps still to be taken		
Increasing labour participation	More efficient execution thanks to decentralisa-tion and increase of re-integration and active participation in the labour market by the target groups	Implementation of the Participation Act and agreements about job availability for people with a handicap. The Work and Social Assistance Act, the Sheltered Employment Act, and part of the Invalidity Insurance (Young Disabled Persons) Act have been incorporated into the Participation Act		Implementation of the Participation Act	Achieved in 2014 and in effect as of 1 January 2015	Not applicable	Savings of €400m. expected in 2017 due to lower number of benefit recipients, expected structural savings of €1.8bn. (Source: CPB)	Additional efforts with respect to participation in the labour market are expected to result in higher rates of labour participation
	Better access to the labour market for people with a disability	Agreements about 125,000 jobs for people with a disability: 100,000 in the private sector and 25,000 jobs in the public sector. Failure to achieve the targets will result in quotas being imposed		The Jobs Agreement and Handicapped Workers Quota Act (BQA Act)	The legislative proposal is under consideration by the Senate	Implementation in 2015	Not yet known.	
	Retention of employment and prevention of unemployment by increasing inter-sectoral mobility and (re)training possibilities	Sectoral plans and Brug-WW. Brug-WW offers support by increasing the possibilities for taking necessary (re)training while continuing to receive unemployment benefits		SZW subsidies framework Act; sector plans co-financing scheme (2015)	1st and 2nd instalment sector plans under way (duration maximum 2 years), Brug-WW starts on 1 March 2015	3rd instalment in 2015	€150m. in 2015 for the sectoral plans co-financing scheme	
	Reducing the distance to the labour market for young people	Youth Unemployment Plan: The Youth Unemployment Plan Ambassador; programmes to encourage young people in secondary vocational education to stay longer in school; extra support for regional youth unemployment plan; temporary premium-reduction for young people on benefits scheme		Not applicable	Ambassador appointed in April 2013 for a period of two years	In Q2 of 2015, the parliament will be informed about the follow-up steps to be able to continue to offer opportunities to young people in the next two years	€50m. in 2013 and €41m. from the ESF in 2014	
Encouraging entering the labour market and working more hours	Increasing stimulus for the inactive to obtain income from work	Gradual phasing-out over 15 years of the transferability of the employed persons' tax credit by $6^{2}/_{3}$% per year (from 2009 to 2023). People born before 1-1-1963 are exempted		Tax plan	In 2014, the so-called transferabili-ty of the tax credit is being reduced further	The reduction of the transferability is being continued until 2023	Structural savings of €1.4bn. (achieved in 2036)	Due to the gradual implementation, the changes in the earned income tax credit will achieve the maximum effect in 2017

[29] Table 1 of the reporting tables of the guidance on the content and format of the NRP.

	Increasing the rate of participation of the lower end of the labour market, of women, and of second income earners	Increasing the earned income tax credit for lower-income earners and reducing it for higher-income earners	Tax plan	Maximum earned income tax credit is increased for lower-income earners by €374 and reduced further for higher-income earners	Staggered increase up to 2017 (to a maximum of approx. €2,650 including correction for inflation)	Structural savings of €4.8bn.	The simplification and reforms of the child benefit scheme should start in 2015 and will have a positive effect on labour participation from that time forward
	Simplifying and applying austerity measures to child benefit schemes by reducing the poverty trap to stimulate the labour market participation of parents	Reforming and simplifying number of child benefit schemes (number to be reduced)	Legislative bill with amendments to multiple Acts	Achieved in 2014	Takes effect on 1 January 2015	Structural savings of €501m.	
Promoting labour market transactions and eliminating labour market rigidities	Dismissal law being made fairer and more activating leading to higher labour mobility (especially for older employees) and stimulating labour participation	Modernisation of dismissal law: simplification of dismissal procedures and reduction of the maximum transition allowance (not always paid to employee; could be used for, for example, retraining)	Work and Security Act	Achieved in 2014	Takes effect on 1 July 2015	Not applicable	Improved functioning of the labour market, limiting excessively high dismissal payments, and strengthening the legal position of employees without a permanent employment contract
	Better balance between permanent and flex work	Improving the position of flexible staff: duration of consecutive temporary contracts shortened from 3 years to 2; period between 2 consecutive contracts extended from 3 to 6 months	Work and Security Act	Achieved in 2014	New consecutive temporary contract rules take effect on 1 July 2015	Not applicable	
	Promoting labour mobility and labour participation	Reforming unemployment benefits: duration of publicly funded unemployment benefits to a maximum of 24 months. At > ½ year of receiving unemployment benefits, acceptance of any available work. Adjusting the duration of unemployment benefits in stages (1 month per quarter) in the period January 2016 to July 2019	Work and Security Act	Achieved in 2014	Different parts take effect at different stages. 1 July 2015: mandatory acceptance of suitable work. 1 January 2016: changes to duration and accrual of unemployment benefit entitlement	Structural savings of approx. €1.1bn.	Structural employment will increase due to changes to unemployment benefits by approximately 0.3% - i.e. 20,000 full-time jobs - in comparison with unchanged policy

4. Status of Europe 2020 Strategy

The Europe 2020 Strategy is the EU's ten-year growth strategy which was adopted by the European Council on 17 June 2010. The aim of the strategy is to promote smart, sustainable and inclusive economic growth in the EU. To this end five key targets, covering employment, research and innovation, sustainable energy and climate, education, and social inclusion have been formulated. By 2020 the various sub targets as set out in the table below, have to be achieved. The targets at the European level are translated into specific national targets for the Member States, taking into account country specific conditions and challenges. By meeting all national targets, the EU-wide objectives will be achieved.

Table 7: Overview of targets and results of the Europe 2020 Strategy[30]

EU headline targets of the Europe 2020 Strategy	Target for the Netherlands	Result in 2013
Employment		
Increase in labour participation (20 to 64 years) from 69% to 75%[31]	80%	76.8%
R&D		
Increase in R&D spending from 1.9% to 3% of GDP	2.5%	1.98%
Sustainable energy and climate		
20% less CO_2 emissions		
Non-ETS sectors	*-16%*	*-19%*
ETS sectors	*N/A*	*N/A*
20% energy out of renewable sources	14%	4.5%
20% increase of energy efficiency	1.5% per year[32] (cumulative 480 PJ)	1.2% per year (average 2004-2012)
Education		
Reduction in percentage of early school leavers	< 8%	9.2%
Increase in percentage of 30 to 34-year-olds with post-secondary education	> 40%	43.1%
Social inclusion		
At least 20 million fewer people at risk of poverty and social exclusion	100,000 fewer jobless households	11,000 more than at the start of 2008

The sections in this chapter outline the progress the Netherlands has made towards achieving the national targets in the context of the Europe 2020 Strategy.

Country Report Netherlands 2015

The Country Report Netherlands 2015 does not include an extensive analysis with respect to the progress achieved on the Europe 2020 Strategy targets. An overview table showing the progress of the national objectives is included in the annex to the Country Report.

- The European Commission considers the Dutch national target with respect to increasing gross labour participation to 80% ambitious but feasible.
- The Commission notes that the Netherlands is currently not on track to reach its national Research and Development (R&D) 2.5% target and would need additional efforts to reach it.
- With respect to greenhouse gases in the non-ETS sectors, the Commission states that the emissions will decrease by 15% and that 1%-point is needed to achieve the 2020 national target.
- The Commission notes that the statistics are showing that the SDE and the new SDE+ scheme seem to deliver the first results. Nevertheless, with a share of energy out of renewable sources of 4.5% in 2013, the Netherlands is not on track to achieve its national 2020 target.
- Although the primary and the final consumer consumption of energy went down in the 2005-2012 period, the Commission notes that the Netherlands has to increase its efforts regarding energy efficiency.
- The Commission notes in the annex that there has been good progress in the national education targets and it is likely that the national targets will be met.
- In the area of poverty, the Commission notes a marginally increase of 11,000 in the number of persons in jobless households up to 2013.

[30] Table 3 of the reporting tables of the guidance on the content and format of the NRP.
[31] The employment objective at the European level is defined in terms of net labour participation (75% in 2020), the national objective is defined in terms of gross labour participation (80% in 2020).
[32] As per the Energy Efficiency Directive 2012/12/EU.

Response to the Commission analysis

- In 2014, gross labour participation was 76.5%, well above the European average. Labour participation is likely to increase further in line with the economic recovery and the labour market reforms.
- The percentage of GDP that was spent on R&D rose slightly in 2013. Chapter 3.1 explains in more detail the declining trend in public R&D funding. Part of the public funds is allocated to boost private investments in R&D.
- The Netherlands National Energy Outlook[33] shows that the (cumulative) national non-ETS target will be met in 2020. This is explained in chapter 4.3.
- As clarified in chapter 4.3, a strong willingness is required to achieve the renewable energy and the energy efficiency targets of the national Energy Agreement.
- It is striking that a number of critical comments are being made concerning the Dutch education system, while the (positive progress of the) education targets remain unmentioned.
- In spite of the marginally increase in the number of persons in jobless households, the Netherlands is, after the Czech Republic, the Member State where the risk of poverty and social exclusion is the smallest. Furthermore, the rising trend since the start of the crisis appears to have been reversed over the past two years.

4.1 Employment

4.1.1 National target

It is the ambition of the Netherlands to increase labour participation and for all to participate according to their ability. In the context of the employment target of the Europe 2020 strategy,[34] the government is aiming for an increase in the (gross) labour participation rate among the 20 to 64 years old age group to 80% in 2020. In 2013, gross labour participation was 76.8%.[35] In 2014, it declined slightly to 76.5%. The CPB has calculated that as a result of the coalition agreement, the employment will increase structurally with 0.6%.

4.1.2 New policy aimed at achieving the target

The government has launched various legislative and policy programmes to increase labour market participation. The raise of the legal retirement age, the labour market reforms, including the modernisation of the dismissal law and changes to enhance the activating nature of the Unemployment Benefits Act, will improve the functioning of the labour market due to enhanced labour mobility and higher labour participation. Additionally, the government has implemented the Participation Act as of 1 January 2015, which aims to help as many people as possible, both those with an occupational disability and those without one, to find work. The Participation Act replaces the Work and Social Assistance Act, the Sheltered Employment Act, and part of the Invalidity Insurance (Young Disabled Persons) Act. The government also introduced new measures this year, including the sectoral plans and the Brug-WW. An explanation of those initiatives and associated policies to promote labour participation is included in section 3.4.2 (see also table 5) in reaction to the 2014 country-specific recommendations in the area of labour participation.

Table 8: Description of the most important Europe 2020 Strategy policy measures[36]

Status of achieving national employment targets	Status of measures related to the targets	Predicted impact of the measures
National 2020 target: 80% ((gross) labour participation 20-64 yr. olds) Result in 2013: 76.8%	Most important policy measures: Raising the legal retirement age Implementation of the Participation Act Modernisation of dismissal law and limiting duration of unemployment benefits and tightening rules concerning 'suitable work' Tax measures, including the lowering of tax credits, lowering of transferable levy reductions Sectoral plans and Brug-WW	The total package of measures that are foreseen will result in a structural positive effect of 0.6% on employment

[33] PBL, October 2014, 'Nationale Energieverkenning 2014'.
[34] The employment objectives at the European level (75% in 2020) are defined in terms of net labour participation. In the Netherlands, the net labour participation in 2013 and 2014 was, respectively, 75.9% and 75.4% respectively (after statistical revision).
[35] In November 2014, the CBS published a revision of the working population statistics over 2013. In the report, the definitions were changed to align with the internationally agreed definitions. Moreover, the data collection was improved by being the first Member State to conduct the Working Population Survey (WPS) via the Internet. Starting in February 2015, the additional indicators for the labour on the basis of the WPS have also been aligned with the ILO definition.
[36] Table 3 of the reporting tables of the guidance on the content and format of the NRP.

4.2 Research and Innovation

4.2.1 National target

Many Member States have set a national target of spending 3% of GDP on R&D by 2020. The Dutch objective is set on 2.5% of GDP due to the sector structure of the economy. R&D-intensive sectors, such as the automotive industry, represent a relative small share of the economy. According to the most recent statistics from CBS, R&D spending in the Netherlands in 2013 amounted to 1.98% of GDP. Both the privately and the publicly financed share showed a moderate increase in the 2011-2013 period. The Netherlands was in sixth position on the European Innovation Union Scoreboard 2014.[37]

Table 9: R&D expenditures in the Netherlands as % of GDP[38]

	Private sector	Public sector	Total
2011	1.08	0.83	1.90
2012	1.14	0.83	1.97
2013	1.14	0.84	1.98

Source: CBS

4.2.2 New policy aimed at achieving the target

The government is continuing the close collaboration with businesses, knowledge institutions and other levels of government with the aim of stimulating research and innovation. The 2025 Vision for Science[39] and the top sector policy, with a generic and a specific track, are the most important policy strategies.

Innovation

Within the generic track of the enterprise policy, the available instruments will remain accessible to all innovative enterprises. Private R&D investments are being stimulated through the R&D Promotion Act (WBSO), the R&D Allowance (RDA) and the Innovation Box tax credit scheme. An evaluation is under way to determine whether, starting in 2016, the RDA can be merged with the WBSO to create a single integrated tax credit scheme.

The structure of the SME+ Innovation Fund[40] is being continued in the Future Fund. In this fund the solid foundation for financing innovative and fast-growing SMEs is being continued.[41] In addition, a (start) capital of €200 million was appointed in 2014 to further increase access to risk capital for innovative SMEs (€100 million for the Dutch Venture Initiative II, possibly co-financed by the EIF) and to promote investments in fundamental and applied research (€100 million for large-scale research facilities and public-private cooperation projects aimed at societal challenges). At the European level, the framework programme Horizon 2020 promotes private and public R&D investments. The Dutch government is allocating resources for the co-financing and matching for Horizon 2020.[42]

The specific track consists of the continuation of the top sector approach. Many results are visible. There are more public and private partnerships created and the (financial) contribution of private parties increases. Also involvement of SMEs increased. The results are reported in the Progress Report on Enterprise Policy.[43] In the next years (SME) instruments will be simplified, regional clusters and ecosystems will be strengthened and special focus will be given to find solutions for societal challenges through public-private cooperation. Moreover, it is important to increase the amount of graduates in vocational-technical education (intermediate (preparatory) secondary vocational education).

[37] The European Commission is expected to publish the Innovation Union Scoreboard 2015 in April 2015.
[38] The figures in this table are not comparable with the figures published in previous years in the NRP due to a revision of the GDP and a revision that the CBS carried out on the private R&D expenditures.
[39] Annex to Parliamentary Documents 2014/15, 29 338, no. 141.
[40] Parliamentary Documents 2014/15, 35 000-XIII, no. 11.
[41] The Dutch Venture Initiative (I and II), the Regional Development Agencies, the innovation credit, the Seed Capital scheme (risk capital), and the early-phase financing scheme are increasing SME access to financing.
[42] The 'budget agreement 2014' announced the structural allocation of an additional €100m. €50m is available for central government co-financing and €25 million for matching (total €50m available).
[43] Annex to Parliamentary Documents 2014/15, 32 637, no. 151.

The Top Sectors Innovation Incentives for SMEs (MIT-scheme) stimulates innovation in the SME sector, in particular the involvement in the top sector approach. Applications for the MIT-scheme must fit within the innovation agendas of the top sectors. In 2015, the cooperation that began in 2014 with the provinces of Limburg and North Brabant will be expanded to all regions. The scheme will have a budget of €55 million in 2015 (was €30 million in 2014). In addition, a generic Innovation Performance Contracts (IPC) scheme will be published in 2015.[44] The scheme stimulates SMEs to cooperate and to start together an innovation initiative.

The Netherlands and the European Research Area[45]
In November 2014, the government published the '2025 Vision for Science: choices for the future', in which ambitions and science policies were formulated to maintain the high quality of the Dutch science system. The formulated ambitions and policies will contribute to the European Research Area (ERA), which aims to ensure the free movement of researchers, knowledge and technology. At the national level, the knowledge coalition was asked by the department of Education, Culture & Science and the department of Economic Affairs to develop a broad-based national Science Agenda. The agenda can help science to excel and to make an even more significant contribution to society and the economy. In addition, the vision mentions:

- The direct funding opportunities for independent, curiosity-driven research will be maintained;
- the predictability and stability of university funding will be increased by working with three-year averages and by reducing the promotion bonus;
- a permanent national commission for large-scale scientific infrastructure is to be established at the Dutch Organisation for Scientific Research (NWO) to ensure strategic, transparent, coordinated and integrated decision-making;
- it must be possible for scientists to pursue a broad career and the potential of women scientists has to be better utilized;
- the ambition concerning open access of publications and sharing research data was reaffirmed. The Netherlands is a frontrunner in Europe and aim to connect with like-minded Member States.
- the NWO is being asked to make an active contribution to the creation of the ERA, e.g. by means of the Joint Programming Initiatives, which seek to streamline and combine research expertise at the European level.

The partnership approach for the ERA is reflected by the involvement of, primarily, the Association of Dutch Universities (VSNU) and the NWO in the implementation of the policy measures from the Vision for Science and the contributions that they and other stakeholders involved have made. For example, since 2014, the VSNU has been part of a European consortium of employers that is guiding the establishment of a European pension fund for researchers, thereby improving mobility. The Dutch Network of Woman Professors (LNVH), the VSNU, the NWO and the department of OCW form a task force to better utilize the talent of women scientists, especially with respect to the submission and assessment of research proposals.

Monitoring and effects measurement
The department of Economic Affairs will be releasing an evaluation of the innovation and enterprise policy in the second quarter of 2015. Input for the evaluation are the regular monitoring and impact assessments, such as the Enterprise Policy Monitor 2014.[46] Evaluations of individual instruments, as well as data on numerous projects, can be found at www.volginnovatie.nl and www.toposectoren.nl. In 2014, a multi-departmental study (IBO) was carried out on how to optimize the structure the Dutch academic system. The Royal Netherlands Academy of Arts and Sciences (KNAW) will report in 2015 on the consequences of policy developments such as the profiling of universities, enterprise policy and Horizon 2020 for Dutch science.

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[44] Parliamentary Documents II 2014/15, 34 000-XIII-XIII, no. 149.
[45] Since 2012, Member States report in the NRP about their contribution to the European Research Area (ERA). The ERA aims to contribute to the free movement of researchers, knowledge and technology. The ERA Communication highlights five policy priorities: 1. A more effective national research system; 2. European cooperation and large-scale research facilities; 3. HRM policy; 4. Gender balance in research; 5. Knowledge circulation.
[46] Annex to Parliamentary Documents 2014/15, 32 637, no. 151.

Table 10: Description of the most important Europe 2020 Strategy policy measures[47]

Progress of achieving national R&D target in R&D	Status of measures related to the targets	Predicted impact of the measures
National 2020 target: 2.5% of GDP Result in 2013: 1.98% of GDP	Most important policy measures: Financing public knowledge institutions Tax instruments for R&D (WBSO, RDA, Innovation box) Financing instruments (including DVI I, Seed Capital, innovation credit, early-phase financing (VFF) and regional development agencies (ROM) Matching and co-financing in the context of Horizon 2020 Top consortia for Knowledge and Innovation (TKIs) allowance MIT-scheme, in collaboration with the regions Open competition NWO resources Innovation and research expenditures by the departments	Policy measures either contribute directly to public R&D expenditures or indirectly promote private R&D expenditures. Due to declining public budgets in the 2013-2017 period,[48] and as a result of the economic recovery, the share of public R&D expenditures as a percentage of GDP is likely to decline after 2013. More Dutch projects in Horizon 2020 and better alignment to EU research and innovation priorities, more private investment and public-private cooperation in SME and leading sectors, higher private R&D expenditures, better availability of risk capital, more valorisation of knowledge, more high-tech R&D and innovative procurement

4.3 Climate change and energy sustainability

4.3.1 National targets

The Netherlands pursues a realistic and ambitious green growth strategy, combining the pursuit of economic growth and greater competitiveness whilst harnessing the environment and capitalising on societal initiatives. In 2013, the government entered into an Energy Agreement for sustainable growth with more than 40 public and private-sector parties. Two of the ambitions of the agreement act as national targets in the European 2020 Strategy[49]:

- Improving final energy efficiency by 1.5% per year[50] (and the ambition to save a 100 petajoules by 2020);[51]
- An increase in the share of renewable energy as a percentage of energy consumption to 14% by 2020 (and up to 16% in 2023).

To support the implementation of the policy measures agreed on in the Energy Agreement, a permanent standing committee has been installed with an independent chairperson and full participation of all parties involved in the agreement. The committee monitors the implementation and addresses problems quickly and adequately. In 2014 major progress was achieved in implementing policy measures. The National Energy Outlook 2014 (NEO) shows that additional efforts are needed to achieve all the objectives of the Energy Agreement. The NEO takes policy measures into account up to May 2014. Since then, new policy measures have been developed and implemented with respect to onshore and offshore wind energy and energy efficiency.[52]

The Netherlands will amply meet its European target for the emission reduction in the non ETS-sectors in 2020. The cumulative non-ETS target (a reduction of 16% in 2020 versus 2005) relates to the greenhouse gas emissions in the sectors that are not regulated by the European Emissions Trading Scheme (ETS). The cumulative target is set for the period 2013-2020 at 897 megatons of CO_2 equivalents. Under policy measures already formalised, the cumulative greenhouse gas emissions amount to about 811 megatons (equal to a reduction of -24%).

4.3.2 New policy aimed at achieving the targets

Major progress was achieved in the area of onshore wind energy. The Planning Vision for onshore Wind power was formalised in March 2014. In this planning vision preferred sites for large-scale onshore wind generation[53] are designated. Eleven of the twelve provinces (except for Friesland) also designated preferred sites for onshore wind generation in their provincial planning visions. The sites are defined to be able to generate 6,000 megawatt onshore wind power before 2020. In

[47] Table 3 of the reporting tables of the guidance on the content and format of the NRP.
[48] Rathenau, February 2015, '*Voorpublicatie totale investeringen in wetenschap en innovatie 2013-2019*'
[49] Besides the objectives set in the Energy Agreement, the Dutch government is committed to the national target of CO_2 emissions that is not regulated by the European Emissions Trading Scheme (ETS).
[50] In accordance with article 3 and 7 of the Energy Efficiency Directive 2012/12/EU.
[51] Energy savings of 100 PJ would more than equal the European target as stated in the Energy Efficiency Directive 2012/12/EU.
[52] Parliamentary Documents 2014/15, 30 196, no. 257.
[53] Large-scale wind projects > 100 megawatt.

addition, a new offshore wind energy legislative proposal[54] and the roadmap offshore wind energy were sent to parliament in order to achieve 3,500 megawatts of wind power at sea in 2023.

Several changes have been made in the SDE+ scheme 2015 (the renewable energy incentive scheme) to increase the number of renewable energy projects eligible for the incentive scheme and to increase the cost effectiveness of projects. From 2015 on, the co-firing of biomass in coal power plants is eligible for SDE+ up to a maximum of 25 petajoules per year. The biomass which is used must comply to sustainability criteria. Moreover, in the SDE+ 2015 scheme the number of full load hours is differentiated per municipality. Onshore wind projects in municipalities with a relatively high wind supply will be able to produce more renewable energy and will require less subsidy than projects in less windy areas. And finally, there will be an annual tender for offshore wind power. The yearly tender will contribute to efficient use of the available space, is aimed to realize a cost reduction of 40% and will accelerate the scaling up of offshore wind power.

The Renewable Energy Directive creates the opportunity to co-finance renewable energy projects abroad through the so-called cooperation mechanisms. The mechanisms are set up to achieve national targets for renewable energy more cost-effectively. The progress of achieving the 2020 and 2023 renewable targets will be evaluated in 2016. By amendment of the SDE+ Decree the option is created to allow foreign projects to compete for subsidy under the SDE+ scheme. The possibilities for cooperation with EU Member States are being investigated.[55]

Energy efficiency is an important pillar in the Energy Agreement. In July 2014, the government provided €400 million subsidy for landlords in the social housing sector for investments in energy efficiency for the period 2014-2017. In addition, two revolving funds were established. One revolving fund is aimed at energy savings for tenants and homeowners (€300 million). The other revolving fund is aimed at energy savings in dwellings in the rental sector (€300 million).

Table 11: Description of the most important Europe 2020 Strategy policy measures[56]

Status of achieving the national climate and energy targets	Status of measures related to the targets	Predicted impact of the measures
National 2020 target: -16% reduction of greenhouse gasses in the non-ETS sector (equals 897 Mtonnes cumulative) Result in 2013: -19% greenhouse gas reduction in the non-ETS sector	Most important policy measures: Less polluting vehicles Energy efficiency in the built environment More renewable energy generation in horticulture	With the established policies it is likely that the 2020-target will be met. Emissions in the non-ETS sector will decline further to -24% in the period 2013-2020 and amount to a cumulative 811 Mtonnes, well under the target of 897 Mtonnes
National 2020 target: 14% renewable power generation Result in 2013: 4.5% share of energy out of renewable sources	Most important measures: Annual budget available for renewable energy projects in the SDE+ scheme Preparation for offshore wind power (roadmap and legislative framework) Reduced rate in the energy tax system for local renewable energy generation Agreements with provinces for achieving 6,000 MW onshore wind	Over the next few years, moderate growth is expected, but due to the SDE and the SDE+ scheme incentives, regulations for renewable energy in transport, energy performance standards for buildings and fiscal measures, the share will accelerate starting in 2017
National 2020 target: 1.5% final energy efficiency per year (480 PJ cumulative in the period 2014-2020) Result in 2013: Average annual energy efficiency gains of 1.2% (2005-2013)	Most important measures: Implementation of measures from the Energy Agreement, among others the rental sector energy performance stimulus scheme European emissions standards and national stimulus for low-pollution vehicles have a positive impact on the transport sector 'traffic and transport' Intended policy measures in the services sector will lead to an increase in energy savings	The target of the Energy Efficiency Directive is expected to be within reach with the already implemented and intended policy measures (432-591 PJ cumulative in the period 2014-2020). An initial estimate is that the impact of the measures in the Energy Agreement will achieve 19PJ - 61 PJ of the target of 100 PJ. Many new policy measures are being developed

[54] Parliamentary Documents 2014/15, 34 058, no. 2.
[55] Parliamentary Documents 2014/15, 34 000-XIII, no. 20.
[56] Table 3 of the reporting tables of the guidance on the content and format of the NRP.

4.4 Education

4.4.1 National targets

The Netherlands wants to belong to one of the top five nations in the world in the field of education. The number of people completing higher education in the Netherlands already exceeds the Europe 2020 Strategy target of at least 40%. The percentage is relatively stable in the Netherlands and stood in 2013 at 43.1%. The Netherlands is also meeting the European target of no more than 10% of young people between the ages of 18 and 24 leaving school without a basic qualification. The national target set by 2020 is no more than 8% early school leavers. The proportion of early school leavers in 2013 was 9.2%.

4.4.2 New policy aimed at achieving the targets

In 2015 the existing education policy will be extended and anchored. The National Education Agreement and the Teachers' Programme 2013-2020 which are the basis for the sectoral agreements, are being implemented. A new Higher Education and Research Strategic Agenda will be published in mid-2015 containing the policy intentions for the next years.

Higher Education

Education policy in the Netherlands is focused more on improving the quality of higher education than on increasing the share of people completing higher education, which is already at 43.1%. In 2012, performance agreements have been made with all funded universities of applied sciences and academic universities on improving the quality and student success rates, promoting institutional profiling and greater differentiation of teaching programs, and strengthening valorisation. Part of the education funding has been linked to the performance commitments and results. When formulating the performance agreements in collaboration with the institutions, a balanced set of indicators was developed that consist of indicators for study success (one-third) and of indicators related to quality of education (two-thirds).

A midterm review of the performance agreements was carried out in 2014, which showed positive results. All of the universities of applied sciences and academic universities made progress in achieving their intentions to strengthen institutional profiling and greater differentiation of teaching programs. The development of Centres of Expertise for Vocational Education, Training and the Labour market, in which education and research institutes and businesses work together, is also on track. The performance agreements are helping the institutions in setting up institution strategies and to internally discuss profiling and education quality. In 2016, an evaluation will be held to determine whether the performance agreements have been realized.

As indicated in previous NRP’s, a social lending system is introduced for new students starting in the academic year 2015/16. The basic grant will disappear and is replaced by a social lending system that the government provides for all students. Income-linked supplementary grants will be increased and the lending conditions will be made more 'social'.[57] With the new system, the government intends to secure access to education. The budgetary returns of the reforms will be reinvested in improving the quality of higher education and research.

Early school leavers

The government developed the ‘Approach to early school leavers 2012-2015’ to reduce the number of early school leavers. In 2015 the policy approach for reducing early school leavers will become part of the quality agreements with the secondary vocational education institutions. Successful elements from the policy approach will be continued, for example the regional partnerships with institutions for secondary education and upper secondary vocational education, municipalities and other partners, the performance based funding and transparency about the performance of educational institutions. It is currently explored how the policy approach can be embedded into

[57] Students can borrow a study advance at a favourable interest rate and, when their study is completed, do not have to pay more than 4% of their income to repay the loan. The repayment terms are being extended to a maximum of 35 years. Former students who earn minimum wage or less, do not have to repay the loan. The supplementary grant is being increased for students whose parents do not earn enough to pay their share (in full) of the cost of the education. This grant will be significantly higher for the lowest income groups than the current supplemental grant, so that, in principle, those students will not require more study advance than their fellow students with parents with a higher income.

existing legislation and regulations. The consequences of the policy changes that went into effect on 1 August 2014 will be included (for example inclusive education).

Table 12: Description of the most important Europe 2020 Strategy policy measures[58]

Status of achieving national education targets	Status of measures related to the targets	Predicted impact of the measures
National EU 2020 target: > 40% of 30-34 year olds with tertiary education Result in 2013: > 42.3% of 30-34 year olds with tertiary education	Most important policy measures: Implementation of the performance agreements by the institutions for higher education, including measures to improve study success	The share of 30-34 year olds with a tertiary education remains stable above 40%
National EU-2020 target: < 8% of premature school leavers Result in 2013: 9.2% of early school leavers	Most important measures: Embedding the early school leavers plan in existing legislation and regulations	The number of early school leavers continues to decline to a maximum of 8% in 2020

4.5 Poverty and social exclusion

4.5.1 National target

The Netherlands has set itself the target of reducing the number of people (aged 0 - 64) in a jobless household by 100,000 in 2020.[59] On the basis of the European indicator that is used for the Europe 2020 Strategy poverty target, the percentage of persons in jobless households rose from 8.9% to 9.3% in 2013.[60] However, according to the national target (which is based on people up to the age of 64, rather than 59), a slight decrease is visible between 2012 and 2013, as was the case in the year before. This decrease can primarily be attributed to the fact that people are working longer; the sharpest decrease occurs in the group of 60-64 year olds. To prevent households from dropping below the subsistence level, the Netherlands has a comprehensive social system in place, with adequate services and income support. If the main earner in a household is dismissed and as a result all members of the household are to be counted for the 'jobless households' indicator, it does not automatically mean that the household will fall under the subsistence level. Research shows that in 2008, 69% of people on unemployment benefits were living below subsistence level; in 2012, the percentage has decreased to 52%.

Table 13: People in jobless households

	2008	2009	2010	2011	2012	2013
People in jobless households in the NL (0-64 years old) x 1,000	1,613	1,641	1,595	1,678	1,635	1,624

In the European Union, the risk of poverty and social exclusion has declined slightly over the past year, by an average of 0.2%. In the Netherlands, on the other hand, the percentage has increased (by 0.9% in 2013), primarily among single-parent households, benefits recipients, children and immigrants. Nevertheless, the Netherlands remains in a relatively good position in comparison with other Member States. The Netherlands is, after the Czech Republic, the Member State where the risk of poverty and social exclusion is the smallest.

The group of immigrants is overrepresented in the different risk groups. The share of non-western households with a low income declined sharply between the years 2000 and 2010. In three years' time, that reduction has been virtually wiped out and the percentage of 32% in 2013 is almost equal to the percentage in 2000. However, the share of non-western immigrants in jobless households does show a decline by 0.8% points in comparison with 2012. The Social and Cultural Planning Bureau (CPB) and CBS expect a slight decrease in poverty in 2014 and 2015. The prospect that the labour market will gradually improve in 2015 and more strongly from 2016 onwards, contributes to this.

[58] Table 3 of the reporting tables of the guidance on the content and format of the NRP.
[59] Results from measurement years 2008-2018. The age in the national definition ranges from 0-64 years old. At the European level, this is 0-59 years old.
[60] According to Eurostat figures, in which, for example, students are counted as well.

4.5.2 New policy aimed at achieving the target

The government believes that work is the best way out of poverty and that work must be rewarding. The government devotes special attention to improving the financial position of single-parent households (in which relatively speaking the poorest children grow up), by making work more rewarding. On 1 January 2015, the Child-care Schemes Reform Act entered into effect. As a result of this reform, there is no longer a poverty trap for single parents who take up employment after having been on social benefits. The financial incentive for this group to find work has been made stronger. In addition, various policy measures to stimulate employment have been taken, such as an increase in the employed persons' and general tax credit. Furthermore, it will become more attractive for employers to hire people. Examples include the social premium reduction for young people on benefits which also apply to jobs of 24 hours or more per week (previously 32 hours) starting on 1 July 2015 and the Brug-WW, which, as part of the third instalment of the sector plans, puts downward pressure on the costs for employers who want to hire employees from another occupation or sector.

The government is making extra money available to combat and prevent poverty and debts (€80 million in 2014 and €100 million annually starting in 2015). This is explained in more detail in the National Social Report 2014.[61] The government has also reserved €70 million in 2014 for purchasing power compensation; under this scheme, the lowest incomes received a one-time benefits payment.[62] Benefits recipients and working people with a low income were eligible for the scheme.

With the Fund for European Aid to the Most Deprived (FEAD), the Netherlands is supporting social organisations in their efforts to avoid and reduce social isolation among retired elderly people with a low disposable income.

Table 14: Description of the most important Europe 2020 Strategy policy measures[63]

Status of achieving national poverty and social exclusion target	Status of measures related to the targets	Predicted impact of the measures
National EU target: reducing the number of jobless households by 100,000 in 2020 Results in 2013: 11,000 more people in jobless households than in 2008	Reform of child-care schemes Structural extra resources for policies aimed at poverty and debt reduction (in 2014 €80m. and €100m. starting in 2015) Subsidy scheme for social organisations (€4m. in 2014 and 2015) Participation Act Premium reduction for benefits recipients	Moving from benefits to paid employment is made more rewarding. More (single) parents with young children will be stimulated to find work. In 2013, a substantial decline in that group was visible among the jobless households (-22,000). More effective, efficient and sustainable reduction of poverty and debts through an integrated approach. Strengthened cooperation between public and private parties resulting in a broader and more effective target group outreach

[61] Annex to Parliamentary Documents 33, 750-XV, no. 64.
[62] A couple received a one-time payment of €100, a single parent received €90, and a person living alone received €70.
[63] Table 3 from the uniform format directives of the NRP.

5. Stakeholder involvement

Implementing the country-specific recommendations and enacting the Europe 2020 Strategy require a commitment not only from the central government, but also from social partners (trade unions and employer organisations), local authorities and non-governmental institutions. These stakeholders play an important role in the Netherlands in designing and implementing policies. As in previous years, the stakeholders have been consulted in the process of drafting the NRP. Nonetheless, the content and presentation of this document remains the responsibility of the government. The social partners have made their own document to explain how they have contributed to the Europe 2020 objectives.[64]

The Netherlands is seen as a *best practice* with respect to the engagement of stakeholders. In response to the streamlining of the European Semester, the government shall discuss with social partners, local authorities and non-governmental institutions whether further improvements can be made.

The government recognises the great importance of broad support for the Dutch position in the European Semester. It therefore informs and debates on a regular basis with parliament on the various stages and steps within the Semester. After the publication of the most recent country-specific recommendations in June 2014, parliament was informed of the government's position on the recommendations as issued.[65] Following on from the publication of the Annual Growth Survey and the Alert Mechanism Report in November 2014, which launched the European Semester 2015, parliament was also informed of the government's vision of these analyses.[66] Parliament has had opportunities to debate the content of these analyses prior to various Council meetings.

This National Reform Programme was submitted to parliament before it was sent to the European Commission. This allowed for first debating the policy measures and reforms at the national level. As usual, parliament will be informed about the new country-specific recommendations that the Commission will propose for the Netherlands as part of the European Semester 2015.

[64] See annex to the National Reform Programme: Contribution to the NRP by the social partners.
[65] Parliamentary Documents 2013/14, 21501-20-880.
[66] Parliamentary Documents 2014/15, 21501-20-924.

Other required annexes

Table 15: Quantitative analysis of the coalition agreement, the budget agreement and the €6 billion package[67]

Package of measures[68]	**Annual effect on the GDP and other macro-economic variables (in % points)**		
	2015	2016	2017
GDP	-½	-½	-½
Household consumption	-¾	-¾	-¾
Business investments (gross)	-¾	-¾	-¾
Export of goods and services	0	0	0
Unemployment (% of the working population)	n.a.	n.a.	1½
Employment	-½	-½	-½
Contribution of production factors to the potential GDP (labour, capital, TFP)	n.a.	n.a.	n.a.

Table 16: The most important new measures to implement the country-specific recommendations 2014[69]

	Important new measures for the next 12 months	**Relationship to country-specific recommendations**	**Expected impact of the measures**
CSR 1: government finances	On the basis of the current insights, the Netherlands is meeting the requirements of the preventive arm	Meet the requirements of the preventive arm (SGP)	See the Stability Programme
CSR 2: housing market	Decree to amend housing valuation scheme	Contributes to a more market-oriented price mechanism on the housing market	WWS being amended so that the attractiveness of the home is expressed better in the maximum rental price (25%)
	Taking effect of the revision of the Housing Act	Contributes to the reprioritisation of the social housing policy in support of the most needy households	Implementation of strict separation of SGEI and non-SGEI activities of housing corporations
CSR 3: ageing population	National pension dialogue, Working after retirement age Act	The National Pension Dialogue will lead to a policy discussion paper about the future of the (supplemental) pension system, in which attention is paid, inter alia, to intra- and inter-generational distribution of the costs and risks The Working after retirement age Act promotes the employability of older workers	Contributes to improved sustainability of government finances, a more balanced intra- and inter-generational costs and risk distribution and better employability of older workers
	Support in the implementation of long-term care reforms by implementation of the Wlz, Youth Act, and amendments to the Wmo and Zvw.	Contribution to the execution of the intended reforms in the area of long-term care	The reforms result in more efficiency and better care-to-need and contribute to better sustainability of government finances
CSR 4: labour participation	3rd instalment sector plans aimed at helping people to get or to keep jobs	Increases the rate of labour participation	Higher level of labour participation
	Implementation of the Brug-WW	Increases the rate of labour participation	Higher degree of labour participation by expanding the possibilities to attend necessary education while retaining the unemployment benefits

[67] Table 2 of the reporting tables of the guidance on the content and format of the NRP.
[68] For relevant data concerning estimates and the model used, see: http://www.cpb.nl/publicatie/saffier-ii-1-model-voor-de-nederlandse-economie-2-hoedanigheden-voor-3-toepassingen, http://www.cpb.nl/sites/default/files/publicaties/download/cpb-notitie-29okt2012-analyse-economische-effecten-financieel-kader-regeerakkoord.pdf, http://www.cpb.nl/sites/default/files/publicaties/download/cpb-notitie-17okt2013-analyse-economische-effecten-begrotingsafspraken-2014.pdf and for the most important economic assumptions, see:http://www.cpb.nl/publicatie/macro-economische-verkenning-2014.
[69] Table 4 of the reporting tables of the guidance on the content and format of the NRP.

Table 17: Overview of objectives and achievements of Europe 2020 Strategy[70]

Main targets of the Europe 2020 strategy	The most important new measures for the next 12 months	Relation to Europe 2020 Strategy	Expected impact of the measures
Employment	3rd instalment sector plans and Brug-WW	Contribute to increasing the rate of labour participation	Extra efforts to support work-to-work and unemployment-to-work transitions (possibly in combination with training or retraining) are expected to result in higher rates of labour participation
R&D	Science Vision, Future Fund and matching in the context of Horizon 2020	Contribute to the increase of the R&D expenditures in the private and the public sector	More investments in research facilities and risky public-private cooperation projects (Future Fund), more Dutch projects financed in Horizon 2020 and better alignment with EU research and innovation priorities (matching), Science Vision ensures, inter alia, for more private involvement in science and a more attractive research climate
Energy sustainability and climate	SDE+ scheme 2015, offshore energy tender, rental sector energy performance stimulus scheme	Contribute to more sustainable renewable energy production and energy efficiency	An increase in renewable energy projects (and production) More energy efficient (social) rental sector
Education	Implementation of new system of study allowance and implementation of the performance agreements, with the plan for dealing with early school leaving becoming part of the quality agreements made with the secondary vocational education as from 2015	Contribute to keeping the percentage of higher educated people stable at above 40% and reducing the number of early school leavers	Improving the quality of higher education and safeguarding access; further improvements to and safeguarding of results from policy in the area of early school leaving
Social inclusion	Reform of child-care schemes, structural additional resources for poverty and debt policy (in 2014 €80m. and starting in 2015, €100m.)	For (single) parents, working becomes more rewarding than receiving benefits Less risk of poverty due to integrated approach of poverty and debts	Work is made more rewarding More (single) parents with young children will be stimulated by this programme to find work More effective, efficient and sustainable counter-poverty and counter-debt activities through integrated approach to poverty and debts Strengthening the cooperation between public and private parties and therefore reaching target groups more broadly and more effectively
For the most important measures in support of the national jobs plan, see the chapters that relate to the labour market (3.3, 3.4, and 4.1 of the NRP)			

[70] Table 4 of the reporting tables of the guidance on the content and format of the NRP.