National Reform Programme 2017
The Netherlands

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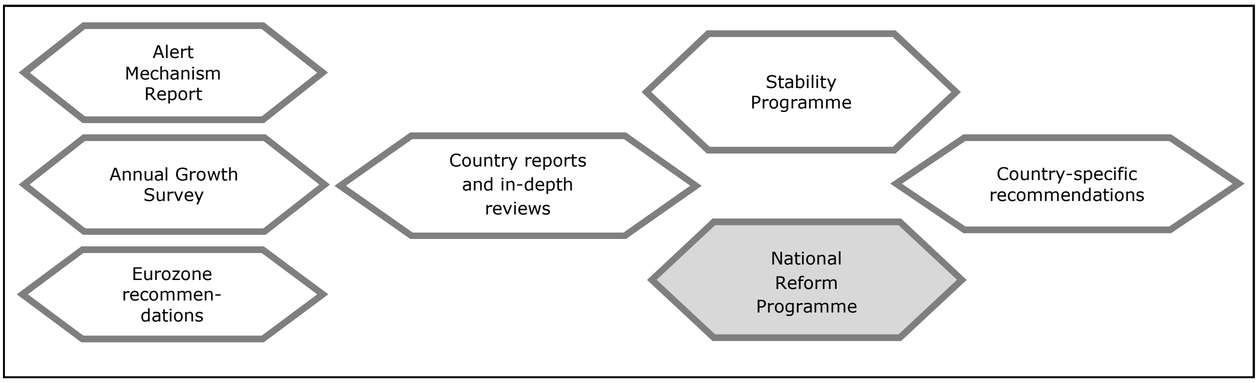
1. Introduction

1.1 European Semester

The European Semester is an annual cycle of economic, financial and budgetary policy coordination in the European Union, which starts in the autumn with the publication of the "Alert Mechanism Report" and the "Annual Growth Survey" by the European Commission. Since the 2015-2016 European Semester, the European Commission has issued its recommendations for the eurozone at the start of the European Semester. This may enable national policy measures to respond better to the challenges facing the entire eurozone. Following research in and contact with the Member States, the European Commission's country reports on the state of the economy and progress on country-specific recommendations from the previous Semester and the wider Europe 2020 strategy targets will be released in February.

The country report also contains an in-depth study for Member States, with the Alert Mechanism Report serving as a basis for further analysis of potential macroeconomic imbalances. Following on from this, by means of the Stability or Convergence Programme and the National Reform Programme (NRP) in spring, Member States report on the budget, the state of the economy and the economic reforms in the light of previous recommendations and the Europe 2020 strategy targets. Together with the country reports and bilateral contracts, these programmes serve as a basis for the new country-specific recommendations that the European Commission will propose in May and that will be adopted by the Council of the European Union in June, with or without amendments.

Figure 1: European Semester



As in previous years, the focus of this NRP lies on how the 2016 country-specific recommendations for the Netherlands have been and are being implemented as well as on progress towards national goals in the context of the Europe 2020 strategy. The NRP also includes a response to the Commission's findings and an assessment of the progress that has been achieved, as described in the Country Report The Netherlands 2017.[1] Finally, the NRP looks briefly at the relationship between progress on the country-specific recommendations and on the recommendations for the eurozone as a whole.

1.2 Structure of the document

The NRP has been prepared in accordance with the guidelines issued by the European Commission (Commission). Chapter 2 outlines the macroeconomic context. Chapter 3 describes the ways in which the government has implemented the 2016 country-specific recommendations for the Netherlands. It also contains an examination of the relationship between implementation of the country-specific recommendations and the recommendations for the eurozone as a whole. Chapter 4 describes the progress the Netherlands has made with regard to the Europe 2020 strategy objectives. Chapter 5 explains how the House of Representatives and Senate, social partners and local authorities were involved in the creation of the NRP.

[1] European Commission, 2017, "Country Report The Netherlands 2017", SWD (2017) 84.

In addition to this NRP, the Netherlands will also submit the Stability Programme (SP) to the Commission. The content of the two documents overlaps to a certain extent, for example in the area of macroeconomic forecasts. The SP reports primarily on budgetary developments and budgetary policy, while the NRP focuses on the package of policy measures. These documents refer to each other where relevant.

1.3 Country Report The Netherlands 2017

On 22 February 2017, the Commission published the Country Report The Netherlands 2017 within the framework of the European Semester.[2] This document contains an in-depth review of potential macroeconomic imbalances in the Dutch economy, an analysis of other structural economic developments and the Commission's assessment of the progress made on implementing the country-specific recommendations.

The country report covers a wide range of topics. Of particular importance is the Commission's finding that there are two macroeconomic imbalances in the Netherlands, although these are not excessive. The imbalances are rated in the lowest category on the scale. This means that the Commission will take no further action, but will continue to monitor developments.

The Commission drew attention to the high level of household debt in the Netherlands, primarily as a result of the institutional structure. In particular, the Commission considers the sensitivity to shocks of long-term balance sheets to be problematic. In this regard, it drew the same conclusion as in previous years. Household debt has fallen in recent years, whereas it had been following an upward trend for decades. The risk of new excesses has been reduced by stricter mortgage requirements such as the lower maximum Loan-to-Income (LTI) and Loan-to-Value (LTV) ratios and restrictions on the home mortgage interest deduction. The Commission believes that disruptions to the housing market, particularly the attractiveness of purchasing and social housing rents versus private-sector rents, continue to be relevant. New measures are necessary, and the home mortgage interest deduction should be phased out more quickly.

In addition to the housing market, the Commission also noted imbalances in the Netherlands' current account surplus. According to the Commission, the surplus is partially of a structural nature and can mainly be explained by high levels of saving among non-financial companies. This may be linked to the presence of large multinationals in the Netherlands, which is due to the favourable business climate. The Commission takes a positive view of the measures put in place to reduce this surplus. The easing of the tax and premium burden as part of the "five billion package" has contributed to the strengthening of domestic demand. The phasing out of in-house pension schemes is contributing to a reduction in the surplus. The Commission sees scope for further strengthening of the Dutch economy's potential for growth, by increasing expenditure on research and innovation and reforming the pension system.

Response

The Dutch economy is in good health, despite the fact that its economic potential is still not being fully exploited. In 2016, growth of 2.1% was recorded, which was the second year of growth above 2% and the third year of growth since the crisis. A similar level of growth is expected in 2017. The recovery is broad-based, with strongly increasing domestic demand and steadily growing exports. Despite the resilience of the Dutch economy, international risks remain. The decision of the British people to withdraw from the European Union is undoubtedly the biggest risk, due to the close trade and investment relationships between the Netherlands and the United Kingdom.

The government emphasises that in recent years various structural reforms have been implemented in the housing market, affecting both the owner-occupier and rental sectors. The reforms are

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[2] European Commission, 2017, "Country Report The Netherlands 2017", SWD (2017) 84.

contributing to a more balanced and stable housing market with more mobility, fewer risks for households and the financial sector and lower fiscal spending. The government's housing market policy will be examined in greater detail in Chapter 3.3.

The government acknowledges the Commission's analysis that the current account surplus is primarily caused by structural features of the Dutch economy, such as its advantageous geographical location, its business sector's ability to compete and the gas revenues. The government notes that efforts to limit the private debt burden make it difficult to reduce the current account surplus. The government would like to remind the Commission of the policy measures put in place in recent years, which have boosted domestic demand and reduced saving. The government welcomes the Commission's insights into the savings surplus of the Dutch business sector and the role of the Dutch pension system. These could contribute to the discussion on the balance between saving and investing in the Dutch economy.

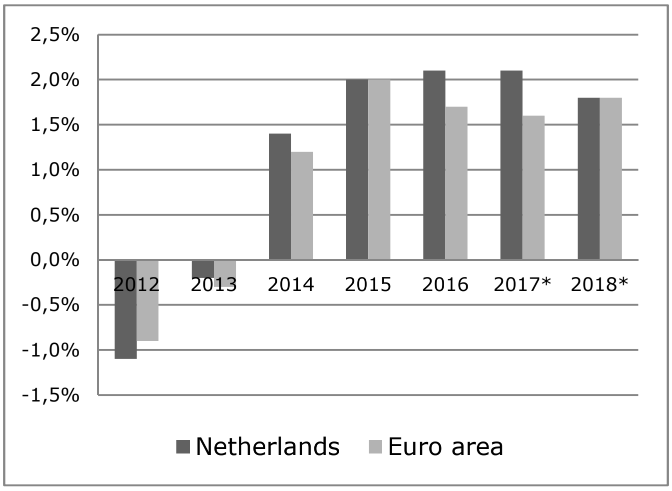
The government also wishes to add some perspective to the Commission's finding that the Netherlands has generally made limited progress in the past year towards implementing the country-specific recommendations. This cannot be considered in isolation from the progress made in previous years. In the first three years of the government's term, the Netherlands was one of the four top-performing Member States in terms of the level of implementation. Moreover, in the past year key measures have been put in place to further strengthen the Dutch economy. For instance, the tax wedge on labour costs was reduced by increasing the employed person's tax credit, on top of the labour tax relief already introduced in recent years (including the "five billion package"). Investment will be supported by the government's decision to set up a Dutch financing and development institution.[3] Invest-NL will facilitate profitable investments in companies and projects that, due to their uncertain risk/return ratios or long and uncertain payback periods, have been unable to attract sufficient financing in the market.

[3] House of Representatives, 2016-2017 , 28 165, No. 266.

2. Macroeconomic context

In 2016, the Netherlands recorded its third year of economic growth since the crisis. The Dutch economy grew by 2.2%, making the Netherlands one of the top-performing countries in the eurozone in terms of economic growth. For the first time, per capita income has exceeded pre-crisis levels. The budget was balanced for the first time in nine years. Furthermore, the Netherlands Bureau for Economic Policy Analysis (CPB) expects that the economic momentum will continue over the coming years.

Figure 2: Economic growth over the current government



Economic growth continues to be broad-based, with contributions from both domestic spending and exports. Gross capital investment increased by 4.8% in the past year. Compared with 2015, a smaller share of this investment consisted of housing investment and a larger share concerned business investment. Thanks to robust investment growth in recent years, the investment ratio is again above the long-term average. Household consumption experienced its strongest growth in years, with an increase of 1.7%. This is the result of an improvement in household purchasing power, high consumer confidence and the positive developments in the housing market. Exports also continue to contribute to economic growth, having gone up 3.9% in 2016. Export growth was therefore higher than the disappointing growth in world trade volume.

Forecasts for 2017 and 2018 are also positive. According to the CPB, economic momentum will be maintained, with an expected growth of 2.1% in 2017 and 1.8% in 2018. Rising employment will reduce unemployment, to 4.9% in 2017 and 4.7% in 2018. With unchanged policies, the budget surplus will rise further to 0.8% of GDP in 2018. In 2018, the debt ratio will fall to 55.5% of GDP, well below the EMU criterion of 60% of GDP.

The economic activity of the past year is reflected in the labour market. Unemployment has fallen over the past twelve months, from 588,000 people unemployed (6.6% of the workforce) in December 2015 to 482,000 (5.4% of the workforce) in December 2016. Employment increased by 2.3% in 2016 and is expected to rise by 1.9% in 2017. It is clear that the majority of the new jobs involve flexible contracts. The labour market is also becoming more dynamic. The number of vacancies arising during 2017 is expected to be close to the record level seen before the crisis.

Table 1: Short-term projections for the Dutch economy

	2016	**2017**	**2018**
Percentage change, unless otherwise stated	*Result*	*Estimate*	*Estimate*
Gross domestic product (GDP)	2.2	2.1	1.8
Household consumption	1.7	2.0	1.4
Government consumption	1.0	0.8	1.0
Investment (including inventory)	4.8	3.6	2.8
Export of goods and services	3.4	3.5	3.9
Import of goods and services	3.7	3.6	3.9
Unemployment (percentage of the labour force)	6.0	4.9	4.7
Unemployment (in thousands of people)	538	445	430
Purchasing power, static, median	2.7	0.1	0.3
Inflation (harmonised index of consumer prices)	0.1	1.6	1.4
EMU balance	0.4	0.5	0.8
Structural EMU balance	0.5	0.1	0.3
EMU debt (in % of GDP)	62.3	58.5	55.5

Source: Statistics Netherlands (CPB), Central Commission for Statistics of the Netherlands (CBS)

The economic growth is pronounced and remains robust in spite of uncertainties in the international arena. The open nature of the Dutch economy makes it vulnerable to developments in the global economy. At present, international risks are exerting a downward effect. The United Kingdom's decision to leave the European Union and the upcoming elections in the eurozone are increasing the levels of political uncertainty. Global trade has only moderately increased over the past year, but thus far the Dutch economy has proven resilient.

Past reform programmes have examined in detail the various packages of measures that have been implemented in recent years, namely the 2010 coalition agreement, the "spring agreement", the "2012 budget agreement", the "six billion package" and the "five billion package". The medium-term effects have also been mapped out.[4]

This NRP was written in the lead-up to the elections for the House of Representatives. At the time of writing, no new government has yet been formed. It is for the next government to determine what measures will be taken to further strengthen the Dutch economy. That government may wish to make use of an official exploration of potential investment and reform options, published in 2016 by the Study Group for Sustainable Growth.[5]

[4] NRP 2016, annex to "House of Representatives, 2015-2016, 21 501-07, No. 1351"; NRP 2014, Annex to "House of Representatives, 2013-2014, 21 501-07, No. 1148"; NRP 2013, Annex to "House of Representatives, 2012-2013, 21 501-07, No. 1041".
[5] Report of the Study Group for Sustainable Growth. Annex to "House of Representatives, 2015-2016, 34 300, No. 76".

3. Country-specific recommendations

In July 2016, the Council of the European Union adopted three recommendations for the Netherlands based on a proposal from the Commission. These recommendations concern budgetary policy, expenditure on research and innovation, the labour market, the housing market and the pension system, and identify major challenges and specific areas of concern for the Dutch economy. A more detailed explanation of each recommendation is contained in paragraphs 3.1 through 3.3. Paragraph 3.4 explores the relationship between Dutch government policy and the recommendations for the eurozone as a whole.

3.1 Budget measures & research and innovation

3.1.1 Council recommendation

The verbatim recommendation formulated by the Council states:

> Limit deviation from medium-term budgetary targets in 2016 and achieve an annual budgetary adjustment of 0.6% of GDP in 2017. Prioritise government expenditure on support for increased investment in research and innovation.

3.1.2 New policy based on the recommendation

Budget measures

The government has named healthy public finances as one of the pillars of government policy. Government finances have improved greatly in recent years. In 2016, a budget surplus was achieved for the first time and the actual EMU balance stood at 0.4% of GDP. According to the most recent CPB projection, in 2016 the structural EMU balance was 0.5%. This is an improvement of 1.5% over 2015. The Netherlands has therefore achieved the Medium-Term Budgetary Objective (MTO) (-0.5% of GDP). EMU debt fell from 65.2% in 2015 to 62.3% in 2016, which means the Netherlands is complying with the debt rule as well. For 2017, the CPB is projecting a structural EMU balance of 0.1% of GDP and a further drop in EMU debt to 58.5%. The Netherlands will thus also comply with the MTO and debt rule for 2017.

Research and innovation

Public and private investment in research and innovation is crucial for future economic growth. The government wishes to increase such investment to strengthen long-term growth. It also wants to keep within reach the Dutch target of spending 2.5% of GDP on research and development by 2020 (in 2015, this was 2.01% of GDP). Paragraph 4.2 explores the achievement of this target in greater depth.

In the current parliamentary term, the government has taken measures to consolidate government finances. Research and innovation expenditure has largely been exempt from this process. Measures were also taken to give an extra boost to private expenditure on research and innovation. Table 2 shows the trends in public expenditure on research and development (including corporate tax incentives) for the period 2015-2020. The current multi-year projections show a slight reduction in the absolute level of public funding for research and innovation. [6]

According to calculations by the Rathenau Institute, public funding for research and innovation will fall from 0.93% of GDP in 2016 to 0.84% in 2020. [7] If the Innovation Box is included (as in Table 2), it will fall from 1.13% of GDP in 2016 to 1.03% of GDP in 2020. It is unclear how great of an effect the decrease in public funding for research and innovation will have on private investment in research and

[6] The capital contribution of €2.5 billion for Invest-NL which the government decided upon on 10 February 2017 is not included in this table, since it is not known how much of these resources will be allocated to research and innovation.
[7] Rathenau Institute, 2017, "Publicatie Totale Investeringen in Wetenschap en Innovatie (2015-2021)".

innovation, and thus on the further progress of the Netherlands with regard to this country-specific recommendation.

Table 2: Resources provided by the Central Government for research and innovation (in mln euros, actual prices)

	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Fundamental research	3,329	3,396	3,367	3,317	3,335	3,353
Applied research at TO2 institutions[8]	406	404	375	361	359	359
Expenditure by Ministries, remaining	1,146	1,221	1,145	1,143	1,126	1,131
Tax incentives for research and innovation[9]	2,196	2,544	2,581	2,581	2,581	2,581
Total	**7,076**	**7,566**	**7,468**	**7,456**	**7,400**	**7,424**

Source: own calculations based on data from the Rathenau Institute[10] and Innovation Box[11]

The government has implemented a number of policy changes for 2017:

- The budget for the Promotion of Research and Development Act (WBSO) tax innovation scheme has been expanded by €33 million in 2017 and from 2018 will be increased by a further €85 million, so that the support percentages can be maintained as entitlements under this scheme increases.
- The TKI allowance scheme for the Top Sectors has had its name changed and been simplified; it is now called the "PPP allowance for research and innovation". Certain large and cross-sector collaboration projects can now apply for a project allowance directly from RVO.nl, instead of only from a Top Consortium for Knowledge and Innovation (TKI).
- The government will continue its intensification of the MIT (SME innovation stimulation for Top Sectors) scheme in 2017. The total budget dedicated by the central government and provincial authorities remains at €55 million.
- Top Sector top teams and ambassadors for knowledge institutions have been requested to draw up Knowledge and Innovation Agendas (KIAs) for the period 2018-2021 and – on the basis of these – draft a 2018-2019 Knowledge and Innovation contract. In addition to creating synergy between Top Sector KIAs and the National Science Agenda, there is a desire to connect the innovation agendas more strongly to societal challenges and key technologies. This ties in with the approach in Europe (Horizon 2020) and also provides an opportunity to link the innovation policy and the efforts of the business sector more closely to the Ministries' (knowledge)agendas. With this in mind, the Knowledge and Innovation contracts, in conjunction with the National Science Agenda, will be given a new focus on societal challenges and key technologies.
- The government has earmarked €32 million from the Education, Culture and Science budget for a fund to kick-start the National Science Agenda (Start-impuls NWA). This will give a flying start to the opportunities offered by the National Science Agenda for scientific breakthroughs and societal impact. Out of this budget, €20 million is reserved for thematic prioritisation of research in a number of routes of the National Science Agenda, €5 million is reserved for policy on talent, €5 million has been set aside for knowledge utilisation and valorisation and €2 million will be dedicated to bringing the knowledge agendas of other ministries in line with the pathways of the National Science Agenda. Through these initiatives, the National Science Agenda Kickstart Fund (Start-impuls NWA) will stimulate increased synergy and more public-private partnerships.
- The European framework programme Horizon 2020 and the European Regional Development Fund encourage private and public Research and Innovation expenditure. The government is devoting resources to government co-funding. The government is continuing the Encouraging European Research scheme (SEO scheme), set up in 2015, to increase the participation of publicly funded Dutch knowledge institutions in EU programmes for research and innovation.
- The government recently decided to set up a Dutch financing and development institution called Invest-NL.[12] Invest-NL will facilitate profitable investments in companies and projects that, due to their uncertain risk/return ratios or long and uncertain payback periods, have been unable to

[8] Excluding resources from the PPP allowance. These resources are included in the "Ministry expenditure" item.
[9] This includes the Promotion and Research Development Act (WBSO) and the Innovation Box.
[10] Rathenau Institute, 2017, "Publicatie Totale Investeringen in Wetenschap en Innovatie (2015-2021)".
[11] The Innovation Box resources were based on a projection by the Ministry of Finance which is consistent with the projection in the 2017 Budget Memorandum (€1,390 million in 2016, €1,365 million in 2017).
[12] House of Representatives, 2016-2017, 28 165, No. 266.

attract sufficient financing in the market. To that end, development capacity, existing funding tools and a capital contribution totalling €2.5 billion will be placed at the disposal of the organisation. Initiatives will thus be better able to draw on private funding, including from institutional investors as well as European funds and programmes.

3.1.3 Country Report The Netherlands 2017

In the Country Report, the Commission made no formal finding on the Netherlands' progress on the budgetary aspect of the recommendation. It did note that the Netherlands' government finances have significantly improved in recent years. The excessive deficit was corrected in 2013, and in 2016 the budget was brought back into balance. However, challenges remain with regard to the composition of expenditure. Research and innovation spending is lower than in leading European countries, and the Commission finds that no measures have been taken in the past year to increase spending in this area. This is hindering the development of a more innovation-intensive economy. The OECD has also advised the Netherlands to increase public investment in research and innovation.[13]

Response

In the Stability Programme, the government explains in greater detail how the Netherlands has met the European budgetary objectives.

The government agrees with the Commission that investment in research and innovation is crucial for future economic growth. Despite the spending cuts necessitated by the crisis, in the past few years public expenditure on research and innovation has been spared, in relative terms. Table 5 shows that both public and private investment in research and innovation (expressed as a percentage of GDP) increased in the period from 2011 to 2015.

From a historical perspective, public investment in research and innovation in 2016 and 2017 is at a relatively high level. Public funding for research and innovation peaked in 2016 at €6.2 billion (€7.6 billion if the Innovation Box is included). This amount will fall over the next few years to €6.1 billion in 2020. This is a less pronounced drop than was reported in previous years.[14] Investment in fundamental research remains stable. The WBSO budget was increased from 2015 levels to €1.2 billion in 2016; it will be maintained at this level for the next few years. However, contributions to TO2 knowledge institutions as well as other ministry expenditure on research and innovation will fall over the coming years.

The government notes that, with unchanged policies and a growing economy, public expenditure on research and innovation as a percentage of gross domestic product will fall. It is not considered likely that private expenditure on research and innovation could increase to such an extent that total investment in research and innovation would be anywhere near 2.5% of GDP by 2020. Consequently, the government shares the Commission's view that a greater effort is required to increase investment in research and innovation towards 2.5% of GDP. On 17 March 2017, the government presented a letter to the House of Representatives addressing the question of how this target can be reached.[15] It is for the next government to decide on the extent and shape of the public commitment of resources for research and innovation.

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[13] OECD, 2017, "Going for Growth: Country Notes Netherlands".
[14] Rathenau Institute, 2017, "Publicatie Totale Investeringen in Wetenschap en Innovatie (2015-2021)".
[15] House of Representatives, 2016-2017, 33 009, No. 40.

3.2 Labour market

3.2.1 Council recommendation

The verbatim recommendation of the Council states:

Address the remaining barriers to the hiring of staff on permanent contracts and promote progression from temporary to permanent contracts. Address the sharp rise in the number of self-employed persons, both by reducing tax distortions that encourage self-employment (without harming entrepreneurship), and by facilitating access by self-employed persons to affordable social protection.

3.2.2 New policy based on the recommendation

The government acknowledges the challenges surrounding the rise of flexible forms of work, particularly where these are motivated by institutional factors instead of the preferences of workers and employers/clients. At the same time, these forms of work are important for the economy. Flexibility goes hand in hand with competition and dynamism in the economy and labour market and is important for entrepreneurship.

Flexible versus permanent employment relationships:
Through the introduction of the Work and Security Act (WWZ), the government sought to reduce the gap between permanent and flexible labour by creating a new balance between flexibility and security in the labour market, making the system of flexible employment law, termination law and unemployment law more enabling and increasing job security and income security. The WWZ accordingly promotes sustainable and stable employment relationships.

The Dutch economy and labour market are recovering from the recession at a rapid pace: the number of jobs, the number of hours worked and the number of vacancies have all risen in recent quarters and unemployment has fallen further. This recovery is also reflected in a rise in both the number of employees on permanent contracts and the number of employees on flexible contracts. For the first time since 2009, the second and third quarters of 2016 saw a rise in the number of employees on permanent contracts, even compared to the same period the year before. This rise followed several years of decline. The number of employees on flexible contracts is increasing faster than the number of employees on permanent contracts. The percentage of permanent contracts is therefore falling. In the third quarter of 2016, 73.2% of all employees were on permanent contracts, compared with 73.8% in the same period of the previous year. These figures cannot be traced back to a potential influence of the WWZ. They do, however, contradict the frequent assertion that, because of the WWZ, employers are no longer offering permanent contracts.

A major legislative amendment such as the WWZ needs time to influence standard practice. It has therefore been agreed that the Act should be evaluated in 2020. For the first time since 2009, there has also been an increase compared to the previous year in the number of employees on permanent contracts. The levels of severance payments awarded by the courts have fallen. Employee Insurance Agency (UWV) procedure times have been shortened, as a result of which contract terminations are being sped up. And when problems arise, they are quickly resolved with the help of social partners. When the WWZ is evaluated, it will be possible to draw more definitive conclusions about the achievement of its intended purpose.

Self-employed persons:
To reduce the difference between the institutional treatment of self-employed persons and employees, the government has announced policy measures along the following three lines:

1. combating pseudo self-employment;
2. making it more attractive to employ staff;
3. accessible protection for self-employed persons.

With regard to combating pseudo self-employment, the Labour Market Fraud (Bogus Schemes) Act (WAS) came into effect on 1 July 2015. The WAS helps to keep the labour market balanced. The WAS enables clients to be held liable if any instances of underpayment are detected in their supply chain

(chain liability for wages). The Minimum Wage and Minimum Holiday Allowance Act (WML), specifically the adjustment of the minimum wage for clients, is another tool used by the government to bring about a more balanced ratio of employees to self-employed persons. Finally, the Declaration of Independent Contractor Status scheme was abolished on 1 May 2016, making way for the Assessment of Employment Relationships (Deregulation) Act (DBA Act). The aims of this legislation include establishing a better balance between the responsibilities of contractor and client in the assessment of their employment relationship, improving options for enforcement and reducing pseudo self-employment. In the run-up to the introduction of the DBA Act, it emerged that there was a certain amount of anxiety and uncertainty surrounding the application of the Act. Accordingly, a transition period will be in effect until 1 January 2018, allowing for recalibration of the criteria around employment agreements. At present, the DBA Act is not being enforced.

With regard to making it more attractive to employ staff, the government has structurally decreased the tax burden on labour, and in particular introduced the incentive allowance for employers providing employment to low-income workers (LIV) in early 2017. This is a form of support to cover the wage costs of employers who employ people at a wage of between 100% and 125% of the statutory minimum wage. The incentive allowance for employers providing employment to low-income workers reduces the difference in costs between employees and self-employed persons, thus contributing to a more balanced ratio of employees to self-employed persons.

Finally, the government is working towards providing accessible protection for self-employed persons. The pension position of self-employed persons is explicitly covered in the Perspective Memorandum on the Future Pension System[16] as a component of the theme of "an adequate pension for all working people". The document describes in further detail the different variations that could enable workers who do not fall under the collective, mandatory pension schemes to also accrue an adequate pension. As well as self-employed persons, it also covers employees in the so-called "white spot"[17] and flex workers. In addition, the government has launched an information campaign on disability insurance for self-employed persons, in collaboration with the Dutch Association of Insurers. The goal of this campaign is to enable more self-employed persons to make a conscious decision about whether or not to take out disability insurance. Finally, the government has put in place a variety of measures to promote good practice among clients when engaging self-employed persons.

The government acknowledges that, over the long term, a more fundamental solution for the system will be necessary to reduce the differences that have arisen between the institutional treatment of self-employed persons and of employees. Such a solution will require a broad base of support, which at present does not exist. Concerning the trend in the number of self-employed persons, there are a number of strongly differing opinions across society. Some see the growth as a risk, while others see the growth as a manifestation of changing preferences and entrepreneurship. A wide-ranging political and social debate is therefore required. The government will actively contribute to this debate, which will also cover related topics. Accordingly, at the request of the House of Representatives, the government has asked the Social and Economic Council (SER) to provide an opinion on a comprehensive system for continued payment of wages in the event of illness for both employees and self-employed persons. The SER is currently examining the issue of continued payment of wages in the event of illness for self-employed persons. The SER opinion should be seen as part of a long-term reform of the system, and is thus supplementary to the measures mentioned earlier.

3.2.3 Country Report The Netherlands 2017

The Commission is positive about cyclical trends in the labour market. Employment growth is steady and unemployment has fallen sharply. At the same time, the Commission believes there is a risk in segmentation of the labour market. Flexible forms of work account for an increasing share of total employment and the number of self-employed persons is still increasing rapidly.

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[16] House of Representatives, 2015-2016, 32 043, No. 337.
[17] A category of people in paid employment who are not accruing a supplementary pension with their employer.

Response
The government acknowledges the Commission's analysis that the rise of flexible forms of work brings challenges for the labour market, particularly where these are motivated by institutional factors instead of the preferences of workers and employers/clients. At the same time, the government considers that flexible forms of work are important for the economy. The government has reservations about the Commission's conclusion that only limited progress has been made with regard to implementation of the country-specific recommendation.

Through the introduction of the Work and Security Act, the government has acted to reduce the gap between permanent and flexible labour. The Act is scheduled for evaluation in 2020. Until then, the government believes it is premature to draw conclusions concerning the effect of the Act, notwithstanding the early encouraging signs described above.

To reduce the difference between the institutional treatment of self-employed persons and employees, the government has announced policy measures along the following three lines: combating pseudo self-employment, making it more attractive to employ staff and providing accessible protection for self-employed sole traders. Enforcement of the DBA Act has been suspended until 1 January 2018, with the exception of malicious acts. A significant proportion of the million or so self-employed persons who work independently are also not affected by the suspension. The government will use this period of suspension to investigate – in consultation with social partners and other stakeholders – how the underlying criteria of "free replacement" and "relationship of authority" can be fleshed out in a more concrete way, and in a way that is better aligned with the current social image of an employment relationship.

In addition, in line with the country-specific recommendation, the government is also working on providing access for self-employed persons to affordable social protection through the reform of the second pillar of the pension system and the information campaign that the government has launched in collaboration with the Dutch Association of Insurers.

The government acknowledges that, over the long term, a more fundamental solution will be necessary to reduce the differences that have arisen between the institutional treatment of self-employed persons and of employees. A wide-ranging political and social debate is needed to generate support for such a solution. The government will actively contribute to this debate.

3.3 Pension system and housing market

3.3.1 Council recommendation

The verbatim recommendation of the Council states:

Take measures to make the second pillar of the pension system more transparent, fairer for all generations and more resilient. Take measures to reduce the remaining distortions in the housing market and the preferential treatment for household debt, in particular by limiting the home mortgage interest deduction.

3.3.2 New policy based on the recommendation

Pension system

The government has done important work on the pension system: adjusting the Witteveen Framework, raising the age of eligibility for a state (AOW) pension, introducing a new financial assessment framework and regulations on administering funds and improving communication around pensions. These are important measures that are necessary to preserve the sustainability of the pension system at the present time. However, these measures are not enough to future-proof the system. It is also necessary to ensure that pensions are better aligned with how people live and work now, and to achieve a better connection to the personal circumstances and preferences of the heterogeneous participants. For example, if people could temporarily pay lower pension contributions during an expensive life stage, they could increase their current income at the expense of their pension income and achieve better "consumption smoothing" over the course of their lives. This would enhance the welfare of the population. At the same time, it may be desirable to maintain features of the current pension system with regard to solidarity and risk-sharing. This requires a strong, transparent system that people can trust.

During the National Pension Dialogue, opinions and preferences were collected from around the country. Based on these, the government outlined a new pension system with four main themes, namely:

1. a differentiated approach; an adequate pension for all working people;
2. a shift to a more actuarially-correct system of pension accrual;
3. moving towards a more transparent and simple pension;
4. more scope for customised solutions and options (including more focus on aligning compulsory pension savings with people's lives).

These main themes were then developed further and resulted in the "Perspective Memorandum on the Future Pension System" that the government submitted to the House of Representatives on 8 July 2016. In this Perspective Memorandum, the government mapped out the options for implementing the four main themes and the concrete steps that can be taken. The Notes also explore the framework conditions within which a new system must fit, and how the transition might be approached. In particular, it needs to be a system in which every working person can accrue an adequate pension, and a system that is better aligned with the labour market, so that changing jobs does not have an undesirable effect on pension accrual. The goal is a system that is easier to understand and is clear about what people can expect. A system people trust; one that is better tailored to the characteristics and needs of participants, and that retains the strengths of the current system: the ability to accrue a pension collectively, jointly and at a relatively low cost.

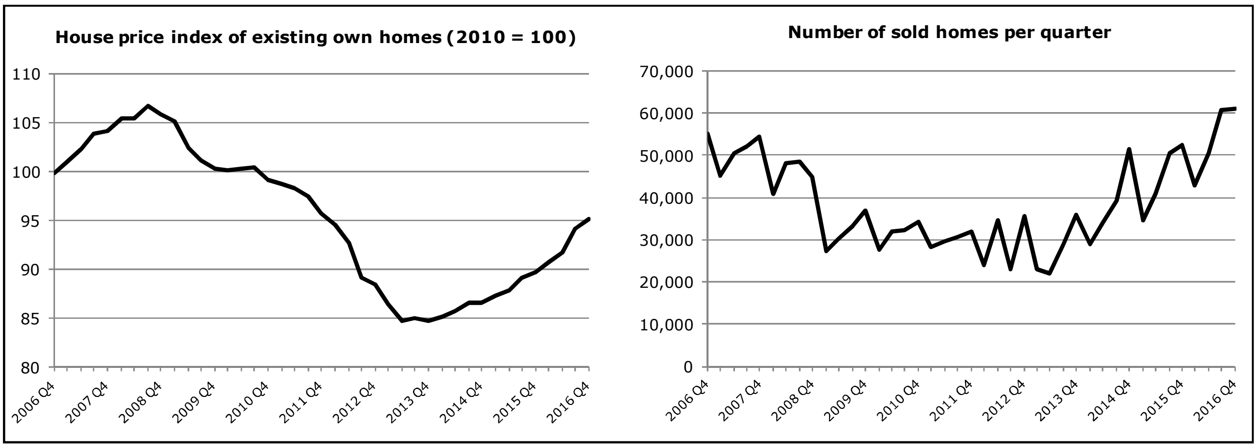
Changing the pension system is a major operation. People accrue their pensions over their entire working lives, and they want to be able to enjoy full lives in retirement. This requires a great deal of care – in the legal sense too. It requires sufficient preparation time for pension providers, and clear and timely communication with participants. Over this past term, hard work has been done on many fronts on the building blocks of a new system. However, we are not there yet. Although the ultimate introduction and implementation will take place in a future government term, there are plenty of issues requiring further elaboration in the short term. It is important to maintain momentum so that the new system can be introduced by 2020. The government will take the lead on these issues, and together with stakeholders in the pensions arena and social partners, with input from science as well as youth and senior citizens' organisations, will continue to work on this ambitious reform.

Housing market
This government has implemented a range of measures with regard to the housing market, including the owner-occupier market. These measures allow the high debt position of Dutch households and the associated risks to be contained in a balanced way. Thus, entitlement to the home mortgage interest deduction for new loans is subject to the condition that the mortgage must be fully repaid on an annuity basis within 30 years, while the maximum Loan-to-Value (LTV) ratio will be reduced to 100% in 2018. In addition, the maximum rate of the home mortgage interest deduction will be gradually reduced from 52 to 38 percent. These measures constitute the necessary steps towards a more stable housing market with lower levels of debt.

Although the number of households with negative equity mortgages remains high, this number has decreased from around 960,000 in late 2015 to close to 750,000 in mid-2016 due to the strong rebound in the housing market. The average level of negative equity of these households has also declined. In recent years, the government has put in place a number of measures to support this group, such as making interest on residual debt tax deductible and introducing the option of refinancing residual debt (subject to conditions) with the National Mortgage Guarantee (NHG). Lenders have also made significant policy adjustments. This has greatly improved the financeability of residual debt.

The housing market is picking up everywhere in the Netherlands. There are considerable regional differences, however; in urban areas in particular, the housing market is gathering momentum faster than in the rest of the country. National growth figures for the housing market therefore conceal the fact that growth is unevenly distributed across different parts of the country.

Figure 3: Trends in house prices and numbers of transactions



Source: Statistics Netherlands (CBS)

3.3.3 Country Report The Netherlands 2016

Summary
The Commission states that the Dutch pension system is performing well in terms of quality and adequacy, but has flaws in terms of equitable intergenerational distribution, transparency and flexibility over a lifetime. According to the Commission, the Netherlands has made limited progress, because while the government intends to reform the second pillar of the pension system, it still has not yet decided on how this reform should be implemented.

The Commission believes that the recovery in the Dutch housing market will continue. This has positive consequences for households' financial positions, including for households with negative equity mortgages. At the same time, the Commission notes that nominal mortgage debt is increasing – due in part to this recovery – which may increase imbalances. According to the Commission, the underdeveloped private rental market is also contributing to the high level of mortgage debt, particularly among young households. The Commission also notes that the reduction in the home mortgage interest deduction has not been accelerated. With regard to the recent measures in the rental market, the Commission states that it is still too soon to comment on their impact. The Commission cited as encouraging the linking of rents to incomes by means of income-related rent increases, with the aim of stamping out rent that is too low in comparison to level of income.

Response
The government acknowledges the Commission's analysis, but questions its conclusion that only limited progress has been made with regard to implementation of the country-specific recommendation. First, the reforms of recent years have helped to make public finances more sustainable and have contributed towards a more equitable intergenerational distribution of costs and risks. Measures such as adjusting the Witteveen Framework, raising the age of eligibility for a state pension and the new financial assessment framework have helped to make government finances more sustainable and have ensured a more equitable distribution of intra- and intergenerational costs and risks. However, these measures are not enough to future-proof the system. The task ahead is to maintain the values that underpin our pension system for the future. This requires a strong, transparent system that people can trust.

As mentioned above, following on from its "Perspective Memorandum on the Future Pension System", the government is currently working on the further elaboration of the four main themes, in close collaboration with all stakeholders. However, transitioning to a future-proof pension system will have significant effects, which must be distributed equitably and transparently. To this end, the government wants to develop a transition path in close consultation with social partners and the pension sector. The government has named 2020 as the year in which the move to the new system will occur.

It is clear that reforming the system of supplementary pensions is an extensive, complex and far-reaching exercise requiring further social dialogue and a careful approach to technical, legal, tax and governance issues. As good retirement provision is important for everyone, the government will proceed with great care. It would be irresponsible to implement this reform in a hasty manner, as the Commission appears to be suggesting.

The Commission's findings with regard to the housing market have already been discussed in paragraph 1.3. Over the past few years, the government has implemented the structural reforms it had announced for the owner-occupier and rental markets. These reforms have contributed to a more stable housing market with less risk for households and the financial sector, more mobility and lower tax expenditure. The measures put in place by the government have, in combination with low mortgage interest rates and the recovering economy, contributed to debt reduction and recovery in the owner-occupier market, which has continued in 2016.

3.4 Relationship with recommendations for the eurozone

On 9 March, 27 members of the European Council expressed support for the conclusions of the Chair of the European Council. The conclusions approved the recommendations[18] for the eurozone as a whole:

1. Pursue policies that support sustainable and inclusive growth in the short and the long term, and improve adjustment capacity, rebalancing and convergence. Prioritise reforms that increase productivity, improve the institutional and business environment, remove bottlenecks to investment, and support job creation. Member States with current account deficits or high external debt should raise productivity while containing unit labour costs. Member States with large current account surpluses should implement, as a priority, measures, including structural reforms and fostering investment, that help to strengthen their domestic demand and growth potential.
2. Aim for an appropriate balance in fiscal policies between the need to ensure sustainability and the need to support investment to strengthen the recovery, thereby contributing to an appropriate aggregate fiscal stance and a more balanced policy mix. Member States that, according to the Commission assessment, are at risk of not meeting their obligations under the SGP in 2017 should, on that basis, take, in a timely manner, additional measures to ensure compliance. Conversely, Member States that have outperformed their medium-term objectives are invited to continue to prioritise investments to boost potential growth while preserving the long-term sustainability of public finances. Member States that are projected to be broadly compliant with the SGP in 2017 should ensure compliance with the SGP within their national budgetary processes. Pursue fiscal policies in full respect of the SGP, while making the best use of the flexibility embedded within the existing rules. Overall, Member States should improve the composition of public finances by creating more room for tangible and intangible investment, and ensure the effective functioning of national fiscal frameworks.
3. Implement reforms that promote competitiveness, job creation, job quality, resilience and economic and social convergence, underpinned by an effective social dialogue. They should combine:
   i. reliable labour contracts which provide flexibility and security for employees and employers;
   ii. quality and efficient education and training systems and comprehensive lifelong learning strategies targeted at labour market needs;
   iii. effective active labour market policies to support labour market participation;
   iv. modern, sustainable and adequate social protection systems that contribute effectively and efficiently throughout the life cycle to social inclusion and labour market integration. Shift taxes away from labour, particularly for low-income earners and in Member States where cost competitiveness lags behind the euro area average, and make that tax shift budget-neutral in countries without the fiscal room for manoeuvre.
4. In line with the roadmap of June 2016, continue work to complete the Banking Union with regard to risk reduction and risk sharing, including a European Deposit Insurance Scheme and making the common backstop for the Single Resolution Fund operational at the latest by the end of the Fund's transitional period. Devise and implement an effective euro-area wide strategy to complement prudential supervisory action to address viability risks within the banking sector, including as regards the high level of non-performing loans, inefficient business models and overcapacity. In Member States with large stocks of private debt, promote orderly deleveraging.
5. Make progress on completing EMU, in full respect of the Union's internal market and in an open and transparent manner towards non-euro area Member States. Further advance the ongoing initiatives and work on the longer-term issues for EMU, taking due account of the Commission White Paper on the Future of Europe.

Broadly speaking, the government agrees with these recommendations and acknowledges them in its implemented policies. The government observes that the desired economic recovery is picking up. This

[18] Chair of the European Council, 9 March 2017, Conclusions of the Chair of the European Council.

is partly due to prudent budgetary policy and the reforms implemented by the government in previous years. The government is striving to resolve the remaining issues in an orderly manner to promote economic recovery. Its commitment to this task is explained in this Programme.

The most important recent measure that is relevant in light of the recommendations for the eurozone as a whole is the further reduction of the wedge on labour costs, such as through further intensification of the employed person's tax credit, on top of the labour tax relief already introduced in recent years (including the "5 billion package"). Investment will be supported by the government's decision to set up a Dutch financing and development institution: Invest-NL.[19] Invest-NL will facilitate profitable investments in companies and projects that, due to their uncertain risk/return ratios or long and uncertain payback periods, have been unable to attract sufficient financing in the market. In addition, measures such as the introduction of the Work and Security Act are contributing to a good balance of security and flexibility in the labour market, and the introduction of the incentive allowance for employers providing employment to low-income workers (LIV) is helping to support an active labour market policy.

[19] House of Representatives, 2016-2017, 28 165, No. 266.

4. Progress on the Europe 2020 strategy

On 17 June 2010, the European Council adopted the Europe 2020 strategy, the EU's growth strategy for the period 2010-2020. Five key policy areas were named: employment, research and innovation, sustainable energy and climate, education and social inclusion. The underlying targets in these areas, as set out in the table below, must be achieved by 2020. The European targets have been translated into specific national targets for the Member States, taking into account the starting positions of each country and their specific challenges. If all countries achieve their national targets, the Europe-wide targets will also be met.

Table 3: Overview of targets and results of the Europe 2020 strategy

Europe 2020 Strategy key EU targets	Netherlands national targets	2015 results
Employment		
Increase in gross labour force participation (20 to 64 years) from 69% to 75%[20]	80%	81.6% (2016)
Research and development		
Increase in research and development expenditure from 1.9% to 3% of GDP	2.5%	2.01%
Sustainable energy and climate		
20% reduction in CO_2 emissions		
Non-ETS sectors	*-16%*	*-24%*
ETS sectors	*N/A*	*N/A*
20% energy from renewable sources	14%	5.8%
20% increase in energy efficiency	1.5% per year[21]	1.2% per year (average for 2005-2013)
Education		
Reduction in percentage of early school-leavers	< 8%	8.2%
Increase in percentage of 30 to 34-year-olds with tertiary education	> 40%	46.3%
Social inclusion		
At least 20 million fewer people at risk of poverty and social exclusion	100 thousand fewer jobless households	40 thousand more than in 2008 27 thousand fewer than in 2014

The key targets will be discussed in detail in paragraphs 4.1 to 4.5.

Country Report The Netherlands 2017

With regard to the Dutch targets for the Europe 2020 strategy, the Commission noted in the country report that:

- Gross labour participation among 20 to 64-year-olds increased to 81.6% in 2016, well above the set national target. By 2020, a net labour force participation rate of 80% may be achievable.
- The total R&D level has stabilised at around 2% of GDP and is therefore below the Europe 2020 target of 2.5% of GDP. Public investment in research and innovation is lower than in the most innovative European economies.
- The Netherlands is expected to meet its target for greenhouse gas emissions and is on track to reach the energy efficiency target. However, the target for renewable energy remains a significant challenge.
- The target of at least 40% of 30 to 34-year-olds having completed tertiary education has been exceeded, and good progress has been made in reducing the percentage of early school-leavers.
- The number of households with extremely low levels of employment increased by 58,000 between 2010 and 2015. It therefore appears that achieving this goal will be challenging.

Response

- In 2016, the gross labour force participation rate was 81.6%, well above the EU average. The government has during this government term announced and implemented a range of legislative

[20] The employment target at the European level is defined in terms of net labour force participation (75% in 2020); the national target is defined in terms of gross labour force participation (80% in 2020).
[21] As per the Energy Efficiency Directive 2012/12/EU.

and policy initiatives to increase labour force participation. It is expected that labour force participation will continue to increase in the coming years, due to the economic recovery and the reforms that have been implemented.

- The government is continuing its efforts to increase investment in research and innovation to strengthen long-term economic growth and keep the target (2.5% of GDP in 2020) within reach. The government notes that, with unchanged policies and a growing economy, public expenditure on research and innovation as a percentage of gross domestic product will fall. It is not considered likely that private expenditure on research and development could increase to such an extent that total investment in research and development would be anywhere near 2.5% of GDP by 2020. Consequently, the government shares the Commission's view that a greater effort is required to increase investment in research and development towards 2.5% of GDP. On 17 March 2017, the government presented a letter to the House of Representatives addressing the question of how this target can be reached.[22] It is for the next government to decide on the extent and shape of the public commitment of resources for research and innovation.
- After the 2016 National Energy Outlook (NEV) stated that extra efforts were necessary in order to achieve the set targets on time, intensive policy work was carried out in cooperation with all partners of the Energy Agreement. See paragraph 4.3 for a more detailed explanation.
- The Commission rightly mentioned in the country report the good results of the Dutch education system, as well as the measures put in place by the government to improve the education system even further. Examples include the Human Capital ICT Innovation Agenda, the student loan system and the efforts made with respect to quality, incentivising talent, training places and early school-leavers.
- The rise in poverty figures at the start of the government term is inextricably linked to the effects of the crisis. The government notes that the past few years have seen a steady decline in poverty. Dutch poverty figures are also comparatively low from a European perspective. The government is confident that the policies it has implemented, in combination with the economic recovery, will lead to a reduction in poverty.

[22] House of Representatives, 2016-2017, 33 009, No. 40.

4.1 Employment

4.1.1 National targets

It is the ambition of the Netherlands to increase labour force participation and for everyone to participate according to their ability. The government's aim, within the context of the employment target in the Europe 2020 strategy[23], is to increase the gross participation rate in the 20 to 64-year-old group to 80% by 2020. In 2016, the gross labour force participation rate was 81.6%. This means the Netherlands has already achieved its national target.[24]

4.1.2 New policy aimed at achieving the targets

The government has already announced and implemented a range of legislative and policy initiatives to increase labour force participation. Raising the statutory retirement age, labour market reforms (including modernisation of employment termination law), redesigning the Unemployment Benefits Act to make it more enabling and the introduction of the Participation Act will improve the functioning of the labour market due to enhanced labour mobility and higher labour force participation. In this regard, good collaboration with social partners and municipalities was crucial, as the implementation of the Participation Act, among other things, has given them a central role. They are close to citizens, they know the regional and local labour markets and they can provide customisation.

The government has also made work pay better by reducing structural tax burdens on labour. On top of the labour tax relief already introduced in recent years (including the "5 billion package"), from 1 January 2017 labour market participation incentives have been enhanced by making work pay better, by increasing the employed person's tax credit, for example. The government is also committing resources to a financial contribution for employers to make it more financially attractive for them to employ people at the lower end of the labour market (incentive allowance for employers providing employment to low-income workers). These are people who earn between 100% and 125% of the minimum wage. This benefit reduces wage costs for employers.

The government is also focusing its attention on vulnerable groups. For instance, from 2017 the budget for provision of unemployment services by the Employee Insurance Agency (UWV) will be permanently increased to 160 million euros. This will allow the UWV to provide a more personalised service to job seekers on an unemployment (WW) benefit. That will increase the chance of a swift return to work. In addition, in 2017, training vouchers will be made available, enabling people to retrain in a profession with a better prospect of work. In 2017 and 2018, the government will be supporting projects focused on service provision to job seekers and on closer collaboration in the regions. The government is tackling long-term unemployment among people over fifty in conjunction with social partners through the Prospects for Over 50s Action Plan, which will be launched in 2017. The government is also offering employees and employers more opportunities to make arrangements within collective employment agreements concerning transition services, retraining and job-to-job assistance for employees in the event of redundancy. In addition, in 2017, the government is providing co-funding for the central municipalities in the labour market regions for projects focusing on increasing the economic independence of women.

Table 4: Description of the key EU 2020 measures

Progress towards achieving national employment targets	Status of measures aimed at the targets	Predicted impact of the measures (qualitative/quantitative)
National 2020 target: 80% (gross labour force participation rate of 20 to 64-yr-olds) 2016 result: 81.6%	Key measures: • The government made work pay better in 2017 by further increasing the employed person's tax credit. • To increase labour market opportunities for people on low incomes, the incentive allowance for	Stimulating both supply (e.g. by making work pay better) and demand for labour through a combination of measures is expected to have a positive effect on employment, particularly for older people and those in a vulnerable position in the labour market.

[23] The employment target at the European level (75% in 2020) is defined in terms of net labour force participation. In the Netherlands, the net labour force participation rate in the fourth quarter of 2016 was 77.6%.
[24] It should be noted that, in 2015, the CBS switched to the internationally-accepted definition of unemployment.

	employers providing employment for low-income workers (LIV) will be brought into effect in 2017. This is a financial benefit for employers who hire – or retain – an employee earning at or slightly over the statutory minimum wage. • With effect from 2017, the budget for provision of unemployment services by the Employee Insurance Agency (UWV) will be permanently increased to 160 million euros. This will allow the UWV to provide a more personalised service to job seekers on an unemployment (WW) benefit. In addition, in 2017, training vouchers will be made available, enabling people to retrain in a profession with a better prospect of work. That will increase the chance of a swift return to work. • Long-term unemployment among people over fifty is being tackled in conjunction with social partners through the "Prospects for Over 50s' Action Plan", which will be launched in 2017. 68 million euros have been set aside for this action plan in 2017 and 2018.	

4.2 Research and innovation

4.2.1 National targets for the Europe 2020 strategy

Many Member States have set a target of spending 3% of GDP on research and development (R&D) by 2020. The Dutch target is 2.5%, which takes into account the sector structure of the economy. In contrast to other countries, R&D-intensive sectors such as the automotive industry represent a relatively small part of the Dutch economy. According to the most recent (provisional) data from CBS, total R&D expenditure as a percentage of GDP increased to 2.01% in 2015 (up from 2.00% in 2014).

Table 5: R&D expenditure in the Netherlands as a percentage of GDP[25]

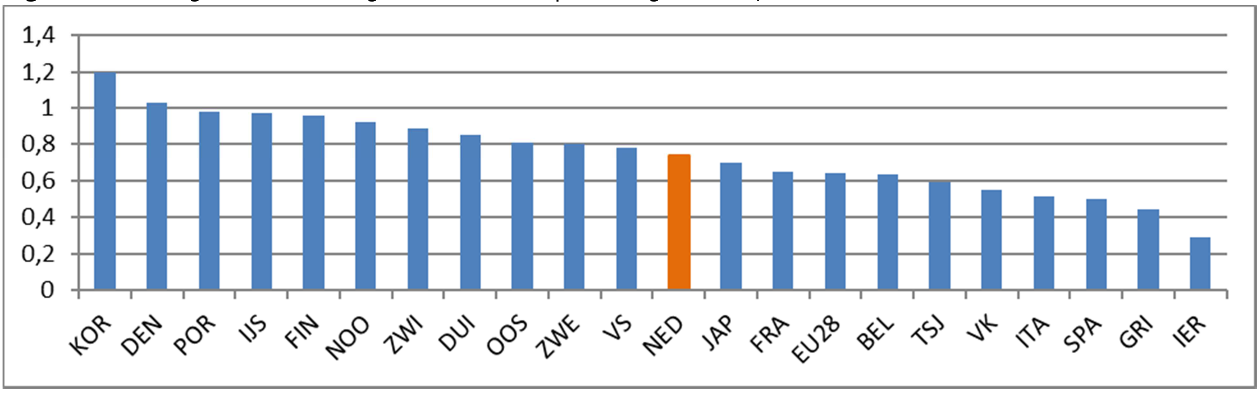
	Private sector R&D expenditure	Public sector R&D expenditure	Total R&D expenditure
2011	1.08	0.83	1.90
2012	1.10	0.84	1.94
2013	1.09	0.87	1.95
2014	1.12	0.88	2.00
2015*	1.12	0.90	2.01

Source: CBS, * = provisional

The 2.5% target includes both public and private R&D expenditure. There is no further breakdown of the proportions of public and private expenditure in this target. In contrast to public expenditure, which is above the international average (0.9% of GDP in 2015), private expenditure is still below EU and OECD averages. The absolute increase in R&D expenditure in the private sector coincided with growth in the GDP, which meant that private levels of R&D remained the same (1.12% of GDP for both years).

A comparison to other countries shows that public R&I investment in the Netherlands (0.74% of GDP) is above the EU average (0.64% of GDP). If the budget for the WBSO scheme – the tax incentives that promote direct private investment in R&I – were included in the calculations for Figure 4, the public investment figure for the Netherlands would be 0.17% higher. The Netherlands is one of the countries that make relatively extensive use of this type of incentive.[26] This policy fits with the research finding that tax incentives – provided they are well designed – stimulate private investment in research and innovation.[27] By contrast, with respect to private investment, the Netherlands is lagging behind other countries.

Figure 4: Direct government budgets for R&I as a percentage of GDP, 2015



Source: Rathenau Institute/Eurostat

[25] In this table, the distinction between the private and public sectors relates to conducting R&I, rather than the funding sources of R&I (as in Table 2 and Figure 3). The figures in this table cannot be compared to the figures published in the NRP in previous years, due to revisions of the GDP and changes in the methodology used to distinguish between the public and private sectors.
[26] OECD, 2017, "Measuring Tax Support for R&D and Innovation". Incidentally, the OECD does not count tools such as the Innovation Box when compiling its international overview.
[27] IMF, 2016, "Acting Now, Acting Together". In Chapter 2: "Fiscal Policies for Innovation and Growth". Dutch schemes were cited as an example of best practice in this report.

An OECD analysis shows that the Netherlands scores slightly below the OECD average for private expenditure if a correction is made for sector structure.[28] In the Netherlands, the sector structure is characterised by a small proportion of high-tech sectors in the gross added value of the market sector. The Netherlands also scores relatively highly for spending on non-technological knowledge capital.[29] Partly due to this, the Netherlands has achieved a relatively high level of labour productivity despite the relatively low levels of private R&I expenditure.

The government invests in research and innovation in close partnership with companies, knowledge institutions and local and regional authorities, as well as in the right preconditions (see also 4.4 Education). Its innovation policy has two tracks: generic and specific. Both tracks contain tools designed to stimulate private investment in research and innovation. Some of these tools are implemented by the Central Government together with local and regional authorities (MIT, Innovation Performance Contracts, funding and innovation-oriented procurement).

All companies benefit from the generic track of innovation policy, but particularly SMEs. Examples include reducing the regulatory burden, establishing a good connection between education and the labour market (Technology Pact), availability of risk-bearing business financing, fiscal incentives for innovation, maintaining a properly-functioning system for intellectual property and promotion of corporate social responsibility. Invest-NL (see paragraph 3.1.2) will take over and streamline the existing schemes for risk-bearing business financing.

The specific track of the innovation policy consists of the Top Sector strategy. The core of the Top Sector strategy involves public-private partnerships (PPPs) between companies, knowledge institutions and the government in the form of biannual innovation contracts based on Knowledge and Innovation Agendas. These contracts establish how the funds provided by the parties involved will be used; the government also contributes via the PPP allowance. The allowance is almost exclusively used for research in public knowledge institutions.

Although the Netherlands is not a leader in terms of the size of its budget for publicly-conducted research and innovation, it still produces excellent scientific results. This is reflected, for example, in the position of Dutch universities in international rankings. Twelve Dutch universities were in the top 400 in the 2016 Shanghai Ranking. For many years, Utrecht University has scored the best out of all Dutch universities. In the QS World University Ranking, the Netherlands has 3 universities in the top 100 and 12 in the top 200. In this list, the University of Amsterdam has the best score of the Dutch universities.

The Enterprise Policy Report shows that the government's policy measures are producing increasingly better results.[30]In 2016, the Netherlands remained in fifth place in the European Innovation Scoreboard rankings, but joined the group of Innovation Leaders (countries with a score of more than 20% above the EU average). In the World Economic Forum's Competitiveness Index rankings, the Netherlands climbed from fifth place to fourth place. The Netherlands also held onto fourth place in the European Commission's DESI (Digital Economy and Society) index.[31] This composite index shows the extent to which a country capitalises on economic and social opportunities offered by information and communication technology (ICT).

4.2.2 New policy aimed at achieving the targets

The new policy proposals and investment measures introduced by the government to help achieve the EU 2020 targets are described in paragraph 3.1. In addition, and where necessary, new elements are explained below.

[28] OECD, 2015, "STI Scoreboard 2015", pp. 188 and 189.
[29] Ministry of Economic Affairs, 2015, "2015 Enterprise Policy Monitor" and OECD (2015), "STI Scoreboard 2015", p. 39.
[30] Ministry of Economic Affairs, 2016, "Enterprise Policy Report 2016":
[31] European Commission, 2017, "The Digital Economy and Society Index".

The government is strengthening the Dutch science system by implementing the Vision for Science 2025, and is also contributing to the European target of creating a European Research Area (ERA). In May 2016, the Netherlands produced a document describing how the Netherlands is contributing to development relating to the various targets of the European Research Area (particularly in relation to the vision).[32]

Following on the 2025 Vision for Science, the government has worked with knowledge institutions, businesses, social organisations and government departments to issue the National Science Agenda. Strategic choices and cooperation are essential to strengthen the leading position of Dutch science. The government wants to deploy its funds in a more targeted way, focusing on scientific strengths, societal challenges and economic opportunities. In the short and medium term, the National Science Agenda will be reflected in the profiles of academic universities and universities of applied sciences, the planning of partners in the knowledge coalition, the direction of the development of national research institutes, and investment in major research facilities. Raising the profile of Dutch science with an individual agenda will also strengthen the Dutch position in international partnerships.

The Netherlands Organisation for Scientific Research (NWO) plays a key role in the science system as distributor of the second flow of funds. Policy developments, such as those in the area of the National Science Agenda and the Top Sectors, require increasingly coherent planning, interdisciplinary and multidisciplinary collaboration and cross-sector approaches in which NWO performs a central role. In 2016, work was done on establishing a new governance model. The new NWO organisation was launched on 1 February 2017.

To further strengthen Dutch science, in early 2017 the government published three policy papers and associated actions focusing on the implementation of open science[33] in the Netherlands (for which the most important parties in the field have developed a National Plan, at the request of the government[34]) and the improvement of valorisation[35] and policy on talent [36]. In December 2016, the new Dutch Road Map for large-scale research facilities was drawn up by the National Road Map Committee, showing the projects that may be eligible for funding in 2018.[37]

Research transcends borders: researchers work together across borders and use each other's knowledge and technologies. During its EU Presidency, the Netherlands successfully focused on open science, investment in research and innovation and the right preconditions for research and innovation.

The government is aiming to have Invest-NL become operational by 1 January 2018, so that it can take action in these areas where possible. There were four aspects to the recent decision to create Invest-NL:[38]

- First, Invest-NL will play a role in the risky activities of companies in the area of major transition projects. The Netherlands, like the rest of the world, is in favour of major transitions in areas such as energy, sustainability, mobility, food and digitisation of industry, and social domains such as health care, safety and education.
- Second, it is important that start-ups continue to grow into larger companies, so that new jobs can keep being created. Risk capital is extremely important for this. Based on a professional assessment of business cases, Invest-NL can acquire an interest in start-ups and scale-ups, either directly or through funds that invest in such companies, which will also make it possible for them to attract private equity. The Ministry of Economic Affairs' current tools for business financing will be passed on to Invest-NL and will be streamlined.

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[32] Dutch EU Presidency, 2016, "The Netherlands' contribution to the European Research Area".
[33] House of Representatives , 2016-2017, 31 288, No. 575.
[34] National Plan for Open Science, 2017. Annex to House of Representatives, 2016-2017, 31 288, No. 579.
[35] House of Representatives, 2016-2017, 31 288, No. 574.
[36] House of Representatives, 2016-2017, 31 288, No. 569.
[37] NWO, 2016, "2016 National Road Map for Large-Scale Research Facilities".
[38] See Footnote 11.

- Third, in the area of financing export and foreign investment, Invest-NL will provide support to Dutch companies in the international marketing of their products and their solutions to global issues. To this end, the existing tools of the various Ministries for international financing and development will be combined. Invest-NL will also make it possible for Dutch companies to compete for contracts with foreign parties requiring integrated solutions (from plan development and financing to performance). Invest-NL will therefore be the one-stop shop and financing partner for Dutch entrepreneurs and project owners looking for financing for investments in the Netherlands and for expansion of their activities into foreign markets.
- All of Invest-NL's activities are designed to complement the market. The conditions governing Invest-NL's activities include commercial principles and a fixed minimum positive return. To this end, it will be given a private legal form as a holding of the State with a statutory basis.

Table 6: Description of the key EU 2020 measures

Progress towards achieving national 2020 R&I targets	Status of measures aimed at the targets	Predicted impact of the measures (qualitative/quantitative)
National 2020 target: 2.5% of GDP 2015 result: 2.01% of GDP	Key measures: • funding public knowledge institutions; • tax instruments for R&I; • (WBSO, Innovation Box); • funding tools; • Future Fund; • Invest-NL; • matching and co-funding in the context of Horizon 2020 and EFRO; • PPP allowance; • MIT scheme, in collaboration with the regions; • NWA funds.	• Policy measures consist of either direct public R&I expenditure or the promotion of private R&I expenditure. • Because an overall decline in public funding for these measures is likely in the 2016–2021 period[39] and because the GDP is expected to increase more than in recent years, public R&I funding as a percentage of GDP will decline after 2015. • More Dutch projects in Horizon 2020 and better alignment with EU research and innovation priorities, together with more private investment in public-private partnerships, will lead to higher private R&I expenditure, better availability of risk capital and more transforming of knowledge into commercially-viable concepts.

[39] Rathenau Institute, 2017, "Publicatie Totale Investeringen in Wetenschap en Innovatie (2015-2021)".

4.3 Climate change and sustainable energy supply

4.3.1 National targets for the Europe 2020 strategy

The Netherlands is pursuing a realistic and ambitious green growth strategy that combines a commitment to economic growth and greater competitiveness with improving the environment and capitalises on social initiatives. In 2013, under the overarching coordination of the Social and Economic Council, the government entered into an Energy Agreement for sustainable growth with more than 40 parties, including the 32 largest municipalities in the Netherlands. Four of the ambitions set out in the agreement contribute to the European targets for climate change and a sustainable energy supply:

- reducing final energy consumption by an average of 1.5% per year;
- an additional reduction in final energy consumption of 100 Petajoules by 2020[40];
- increasing the share of renewable energy to 14% by 2020;
- a further increase in the share of renewable energy to 16% by 2023.

To support the implementation of the Energy Agreement, a Monitoring Committee was appointed with an independent chairperson. The Monitoring Committee oversees the progress of the implementation of the Energy Agreement and addresses any problems that may arise in a swift and appropriate manner.

In 2016, important steps were taken in implementing the Energy Agreement. After the 2015 National Energy Outlook (NEV) stated that extra efforts were necessary in order to achieve the set targets on time, intensive policy work was carried out in cooperation with the other parties to the Energy Agreement. The government's approach to renewable energy and energy efficiency is set out below.

The 2016 NEV showed that the renewable energy target for 2023 can be achieved. According to the 2016 NEV, delays in the procedures for granting permits and limited social support mean that the Netherlands is not on track to achieve the target set for onshore wind energy. To address these issues, efforts are being made in the area of environmental management, and there is a possibility that an area coordinator may be appointed. Conversely, a number of offshore wind projects have been successfully rolled out using a robust cost-reducing tendering system.

The Sustainable Energy Production Incentive (SDE+) scheme remains the most important tool for achieving renewable energy targets. In 2016, the SDE+ made another important contribution to achieving these targets. A total of eight billion euros was set aside for projects. For the first time, the budget will be divided between two rounds of calls. This means more room for adjustment and more opportunities to submit projects, which will benefit projects' lead times.

More intensive work on policy measures has given rise to a new scheme for small-scale renewable heating options, launched on 1 January 2016. Since no government tools existed for these options, although they had the potential to make an important contribution to achieving the renewable energy targets, the Sustainable Energy Investment Grant (ISDE) was created. Progress has also been made in other areas, such as manure mono-fermentation, geothermal power and renewable energy production in sports facilities, with the aim of enabling these elements to contribute to the achievement of the renewable energy target. Partly due to the efforts made with regard to this additional policy measure, achieving the target of a 14% share of renewable energy by 2020 is within reach.

The 2016 NEV made it clear that the pace of energy conservation in the Netherlands will be sufficiently high in the years ahead. The Netherlands is also well on course to meet the targets in the European Energy Efficiency Directive.
According to the 2016 NEV, the national target agreed in the Energy Agreement of an additional 100 PJ of energy savings is still out of reach, in spite of a clear improvement since the 2015 NEV.

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[40] A reduction of 100 PJ would easily surpass the European target of 1.5% as stated in the Energy Efficiency Directive 2012/12/EU.

It was therefore agreed in late 2016, in consultation with the parties to the Energy Agreement, to step up policy efforts on energy conservation. This includes additional energy conservation measures targeting the built environment and energy-intensive industry through the introduction of an energy efficiency obligation scheme. With these additional measures, the target of 100 PJ of additional energy savings is expected to once more be within reach.

Table 7: Description of the key EU 2020 measures

Progress towards achieving national 2020 climate and energy targets	**Status of measures aimed at the targets**	**Predicted impact of the measures (qualitative/quantitative)**
National 2020 target: 16% reduction of greenhouse gases in the non-ETS sector 2015 result: 24% reduction of greenhouse gases in the non-ETS sector	Key measures: • more fuel-efficient vehicle fleet; • energy conservation in the built environment; • increased use of renewable energy in horticulture.	The implemented and proposed policy measures are expected to lead to a further decline in emissions in non-ETS sectors between 2013 and 2020 of 29% in 2020 compared to 2005 levels.
National 2020 target: 14% renewable energy production 2015 result: 5.8% renewable energy production	Key measures: • annual calls for projects in the SDE+ scheme; • incentives for small-scale heating options through the ISDE scheme; • roll-out of offshore wind projects, tendering system; • reduced rate for local energy production; • agreements with provinces to achieve 6000 MW of onshore wind production.	Moderate growth was expected in 2016, but due to the effect of the operating grants provided under the SDE and SDE+ schemes, regulations for renewable energy in transport and energy performance standards for buildings, this share will grow substantially from 2017, swiftly followed by a dramatic catch-up.
National 2020 target: 1.5% energy efficiency per year 2013 result: 1.2% energy efficiency per year on average (2005-2013)	Key measures: • Implementation of measures from the Energy Agreement, including the energy performance incentive scheme for the rental and owner-occupier sectors. • European emissions requirements and national incentives for fuel-efficient vehicles have had a positive impact on the transport sector. • Proposed policy measures in the services sector, industry and the agricultural sector will lead to an increase in energy conservation.	It is estimated that these new policy measures will bring the target of 100 PJ of additional energy savings by 2020 back within reach. Some of the new policy measures still need further development. Even without these new measures, it is expected that the European energy efficiency target will be comfortably exceeded, provided that both existing and proposed policy measures are enforced (target = 482 PJ, projection for 2020 = 520 PJ).

4.4 Education

4.4.1 National targets for the Europe 2020 strategy

The Netherlands aims to be one of the top five nations in the world in the field of education. The percentage of tertiary graduates in the Netherlands remains relatively stable, exceeding the European target of at least 40%. In 2015, the percentage of tertiary graduates was 46.3%. With regard to the number of early school-leavers, the Netherlands has also already met the European target of a maximum of 10%. In 2015, 8.2% of young people aged 18 to 24 did not have a basic qualification. The Netherlands’ own ambition is to reduce the number of early school-leavers to 8% by 2020.

4.4.2 New policy aimed at achieving the targets

Higher education

In the Netherlands, there is a stronger focus on improving the quality and accessibility of higher education than on increasing the percentage of tertiary graduates – which, after all, is already 46.3%. In 2012, the Ministry of Education, Culture and Science (OCW) signed performance agreements with all research universities and universities of applied sciences concerning ambitions with regard to quality of education, study success, raising profiles and valorisation. In October 2016, the Higher Education and Research Review Committee delivered its opinion on the achievement of the performance agreements. It stated that the higher education institutions had achieved good results in terms of both quality of education and study success. The performance agreement tool will be evaluated in 2017. The lessons drawn from this evaluation will also be used to design new quality agreements, as indicated in the Strategic Agenda for Higher Education and Research for 2015–2025.[41]

In the coming period, it is important that universities of applied sciences continue to seek ways to improve study success, accessibility and equal opportunities in higher education. Accordingly, in the near future the Ministry of Education, Culture and Science will be investing in, among other things: a smoother transition between secondary vocational education and higher professional education, abolishment of financial contributions from students for selection procedures and the provision of 10 Comenius grants for lecturers in higher education. The aim of these grants is to stimulate equal opportunities.

Early school-leavers

To provide more young people with better future prospects, over the next few years the Ministry of Education, Culture and Science will continue the successful elements of the “Attack on Early School Leaving” programme, but with a number of adjustments. For example, more responsibility will be placed on regional parties. They will be requested to pay particular attention to young people in vulnerable situations. More parties will be encouraged to become involved in regional partnerships. To support the follow-up approach, the Ministry will provide suitable funding. In total, €140 million will be available annually for policy measures targeting early school leaving, both for regional use and for tackling the problem at school level. Schools and municipalities will work together to decide how they want to use the regional budget.

Table 8: Description of the key EU 2020 measures

Progress towards achieving national education targets	Status of measures aimed at the targets	Predicted impact of the measures (qualitative/quantitative)
National EU 2020 target: >40% of 30 to 34-year-olds having completed tertiary education 2015 result: 46.3% of 30 to 34-year-olds have completed tertiary education	Key measures: Implementation of the Strategic Agenda for Higher Education and Research	The proportion of 30 to 34-year-olds having completed tertiary education remains stable at over 40%
National EU 2020 target: <8% early school-leavers 2015 result: 8.2% early school-leavers	Key measures: Implementation of the follow-up approach for early school leavers	The number of early school-leavers will continue to decline to a maximum of 8% in 2020.

[41] Ministry of Education, Culture and Science (OCW), 2015, "Strategic Agenda for Higher Education and Research for 2015–2025". Annex to "House of Representatives, 2014-2015 , 31 288, No. 481".

4.5 Poverty and combating social exclusion

4.5.1 National target for the Europe 2020 strategy

The Netherlands has set itself the target of reducing the number of people (aged 0-64) living in households with a low work intensity ("jobless households") by 100,000 by 2020.[42] Based on the European indicator used for the Europe 2020 poverty target (based on people aged 0 to 59 years old), the percentage of people in jobless households remained steady from 2014 to 2015.[43] According to the national target, which is based on people up to the age of 64, rather than 59, a drop of 0.2% is discernible.[44] This equates to a reduction of 27,000 people (see Table 9). This decrease comes after two years of increases. This corresponds to the declining trend of poverty in the Netherlands. The most recent figures on poverty in the Netherlands, issued by the Netherlands Institute for Social Research, show that poverty has been falling since 2014.[45]

According to the Dutch indicator for jobless households (based on the target group of 0 to 64-year-olds), the number of people in these households has largely fallen with regard to single people, couples without resident children and couples/single parents with exclusively minor children. Couples and single-parent families with at least one adult child have seen an increase since 2014. People with income from work or from running their own business are appearing less and less in households with low work intensity, but people with income from a benefit are increasingly represented in these types of household. From the perspective of age, the proportion of 25 to 44-year-olds and 45 to 59-year-olds is increasing. They account for 30% of all people in households with low work intensity. Women are still over-represented in households with low work intensity, but the decrease in 2015 was more pronounced among women than among men. With regard to country of origin, the number of people from a non-Western background living in households with low work intensity rose by 8,000 since 2014, while among native-born Dutch people and immigrants from Western countries the number of people in households with low work intensity decreased (by 14,000 and 32,000 people respectively).

Table 9: Number of people in households with low work intensity

	2008	2009	2010	2011	2012	2013	2014	2015
People in households with low work intensity in the NL (0-64 years) x 1000	1,613	1,641	1,595	1,678	1,635	1,624	1,680	1,653

According to the "At Risk of Poverty and Social Exclusion" (AROPE) indicator, the risk of poverty and social exclusion in the European Union decreased in 2015 by an average of 0.7%. In the Netherlands, the risk of poverty and social exclusion fell by 0.1%. At 16.4%, the risk of poverty and social exclusion in the Netherlands is still significantly lower than the EU average, which is 23.7%. In 2015, the Netherlands was, after the Czech Republic and Sweden, the Member State with the lowest risk of poverty and social exclusion. Expectations for the future are positive. According to the most recent poverty figures from the SCP, the downward trend should continue over the next few years.[46] Despite the generally decreasing poverty risk, the risk of long-term poverty has increased slightly. [47] This relates to the likelihood that a household has had to make ends meet on a low income for at least four consecutive years.

[42] Results from measurement years 2008-2018. The age range in the national definition is 0-64 years. At the European level, this is 0-59 years.
[43] According to Eurostat figures, which also includes groups such as students.
[44] Because the national EU 2020 target is based on people up to the age of 64, there is no data for the 65+ group for this target, in spite of the retirement age having been raised. According to the low-income threshold used by the CBS to measure poverty in the Netherlands, the percentage of people aged 65 or older with a low income was 0.2% lower in 2015 than in 2014. However, the percentage of people aged 65 or older with a long-term low income rose by 0.3% from 2014 to 2015.
[45] SCP, 2016, "Armoede in Kaart" (Mapping Poverty). The Netherlands Institute for Social Research (SCP) employs a budgetary approach in which poverty is measured against standard costs established by the SCP in consultation with the National Institute for Budget Information (NIBUD). According to the central indicator (the "not much, but enough" criterion), for a single person, this threshold is 1,063 per month.
[46] SCP, 2016, "Armoede in Kaart" (Mapping Poverty).
[47] CBS, 2015, "Armoede en Sociale Uitsluiting" (Poverty and Social Exclusion).

4.5.2 New policy aimed at achieving the targets

The government believes that work is the best way out of poverty. Accordingly, in 2017 the government implemented an increase in the employed person's tax credit, as it has done in previous years, to make work pay better and ensure that workers can hold on to more of their wages. The changes of recent years mean that it has become much more attractive to get off a benefit and enter the workforce and that women with small part-time jobs can keep significantly more of the money they earn from working one additional day per week.

In addition, measures have been put in place to improve the purchasing power of both low-income workers and people on benefits. For example, in 2017 increases were implemented in both the healthcare benefit and the housing benefit. Dual-income households with children and single parents both benefited from the increase in the childcare benefit implemented in 2017. It meant they had to contribute less of their own money to the cost of childcare. From 2017, families with children will also receive a higher child budget supplement for the first and second child. Pensioners will benefit from the recent increase in the elderly person's tax credit and a higher state pension.

The CPB Central Bureau for Economic Policy Analysis' December projection showed a median increase in purchasing power of 0.7% for 2017,[48] making this the fourth year in a row to record a rise in purchasing power. Next year, around 82% of all households will experience an upward trend in purchasing power.

To prevent households from falling below the subsistence minimum, the Netherlands has a sound welfare system with adequate facilities and income support. If, for example, the main wage-earner was made redundant and all members of the family were counted for the "households with low work intensity" indicator, this would not automatically mean that the household had dropped below the subsistence minimum. Nevertheless, many families have been affected by the crisis and due to job losses or debt have had to make ends meet on a low income for a long period of time. From the outset, the government has therefore put poverty reduction high on the agenda. The coalition agreement contained a commitment to increase work on poverty and debt management policies. An amount of 100 million euros per year has been set aside for this purpose as a regular budget item. [49]

Furthermore, a bill was recently passed to simplify the calculation of the protected earnings level, which leaves people in debt with enough money to cover the basic costs of living. The new Act makes it easier to calculate the protected earnings level, and the garnishment process is set up in such a way that parties are better informed about each other's garnishment and debt recovery activities. It also means that the protected earnings level will be significantly better protected and will once more be the solid foundation it was intended to be.

Children must not be the victims of the financial situation in the family in which they grow up. Social exclusion can also lead to undesirable economic and social consequences if the talents of these children are not sufficiently utilised in the future. Each year, municipal authorities receive 90 million euros of the aforementioned 100 million euros, and in spending that money they are urged to pay special attention to children. Many municipalities set aside a significant portion of these funds for children, often through a Child Package which they use to provide children living in poverty with tangible material goods and promote participation in sports and culture. In 2016, 44% of all Dutch municipalities had a Child Package.[50] However, not all children are receiving the benefits. Accordingly, from 2017 the government is setting aside another 100 million euros as an ongoing budget item for municipalities and a number of social organisations working with children in poverty, on the understanding that the money will be paid to children in kind.[51]

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[48] House of Representatives, 2016-2017, 33 682, No. 15.
[49] See also previous NRPs.
[50] House of Representatives, 2016-2017, 24 515, No. 81.
[51] House of Representatives, 2016-2017, 24 515, No. 378. House of Representatives, 2016-2017, 24 515, No. 380.

In late 2015, the State Secretary for Social Affairs and Employment (SZW) requested the then-Ombudsman for Children to conduct a follow-up investigation into how child poverty can be tackled more effectively at a local level.[52] In mid-2016, the government asked the Social and Economic Council (SER) for advice on how child poverty could be radically reduced.[53] The Social and Economic Council has since issued an advisory report, "Opgroeien zonder armoede" (Growing up without poverty).[54] These insights will help ensure that all parties that can make contribution to combating child poverty can shape their policies more effectively.

The government is in favour of an integrated approach to poverty reduction. This means that every situation is examined from a broad perspective: from a lack of income to social exclusion. It also means looking at the role of and impact on various areas, such as work, healthcare, housing and education. During the Dutch EU Presidency in the first half of 2016, the Netherlands committed itself to placing the importance of an integrated approach to poverty high on the EU agenda and encouraging an exchange of knowledge between Member States. This resulted in Council Conclusions, to which all EU Member States committed, to prevent and combat poverty and social exclusion through an integrated approach. The Council Conclusions call on Member States to increase the exchange of knowledge, experiences and good examples. To encourage this exchange, an addendum was added to the Council Conclusions: a booklet containing good examples of integrated approaches to poverty from across Europe.[55]

For an integrated approach to poverty, constructive collaboration between all stakeholders, both public and private, is essential. In 2014 and 2015, the government therefore set aside four million euros per year via a subsidy scheme for national projects by social organisations to combat poverty and debt-related issues. This scheme will be continued in 2016 and 2017 and the intention is to add two more periods of time. The projects must target vulnerable groups; for 2016 and 2017, specific attention was focused on children growing up in low-income families, young people with financial problems, single-parent families, households with long-term low incomes and non-Western households. For an integrated approach, it is important to involve experts with practical experience. In 2016, EAPN Netherlands published a handbook commissioned by the Ministry of Social Affairs and Employment on how municipalities can use these experts. The "Inclusive City" City Deal was also signed in 2016.[56] Under this deal, municipalities and the Central Government will work together to solve the issues confronting municipalities in their efforts to reach targets within the social field. The municipalities involved describe the issues they have encountered. The government and municipalities then combine their powers to find solutions to these issues, with the perspective of the client, customisation and an integrated approach being of central importance, and consideration being given to all of the key areas of life, including health, well-being, work, income, housing, education and debt problems.[57]

Table 10: Description of the key EU 2020 measures

Progress towards achieving national targets for poverty and combating social exclusion	**Status of measures aimed at the targets**	**Predicted impact of the measures (qualitative/quantitative)**
National EU target: 100,000 fewer people in jobless households than in 2008. 2015 result: 40,000 more people in jobless households than in 2008. 27,000 fewer than in 2014	Key measures: • additional funding as an annual budget item for policy measures aimed at poverty and debt reduction (€100 million from 2015); • subsidy scheme for social organisations (€4 million in 2016 and 2017); • 100 million euros extra per year for child poverty (from 2017); • increase in tax credits for workers;	• Working on the minimum wage after coming off a benefit now pays better, and working an extra day per week is now more profitable for second earners. More single people, single parents and second earners with young children will be encouraged to enter the workforce. • More effective, efficient and sustainable prevention through a comprehensive approach to tackling

52 House of Representatives, 2015-2016, 24 515, No. 359.
53 House of Representatives, 2015-2016, 24 515, No. 357.
54 Social and Economic Council, 2017, "Opgroeien zonder armoede".
55 Dutch EU Presidency, 2016, "Integrated approaches to combating poverty and social exclusion".
56 Government Gazette, 2016, No. 15265.
57 "Inclusive City" City Deal, 2016, "Doen wat nodig is: experimenten die maatwerk mogelijk maken".

	• increase in benefits (healthcare benefit, housing benefit, child-related budget supplement, childcare benefit); • financial incentives for employers to hire people; • more intensive guidance for specific groups of unemployed people; • enabling experimentation within the Participation Act; • City Deals – solutions for integrated customisation within the social domain.	poverty and debt. • Specific investment in child poverty to prevent social exclusion and future disadvantage. • Strengthening collaboration between public and private parties to reach target groups more comprehensively and effectively. • More knowledge about the effectiveness of financial incentives and labour and re-integration requirements, in order to more effectively implement the Participation Act. • Impact of City Deals: bring about extensive reform in the social domain by developing integrated alternative arrangements in the areas of housing, work and income, healthcare, youth assistance and social support. The emphasis is on the most vulnerable households. These are often people who rely on multiple forms of support and would benefit from an integrated approach.

5. Involvement of Parliament and other stakeholders

The Central Government is not the only party involved in implementing the Europe 2020 strategy and the country-specific recommendations, both of which are described in this NRP. Social partners, local and regional authorities and non-governmental organisations also play an important role in shaping and implementing policy. As usual, they have been consulted in the process of drafting this NRP. The content and presentation of this document, however, remain the responsibility of the government. The social partners have produced their own document to explain how they have contributed to the Europe 2020 targets.[58]

The government attaches great importance to having a broad support base for the Dutch position in the European Semester. It keeps both the House of Representatives and the Senate informed with regard to the various stages and steps within the European Semester. After the proposals for the most recent country-specific recommendations were issued in May 2016, both the House of Representatives and the Senate were informed of the government's assessment of the proposed recommendations.[59] Following the publication of the Annual Growth Survey and the Alert Mechanism Report in November 2016 which launched the 2017 European Semester, both the House of Representatives and the Senate were informed of the government's view of these analyses.[60] The House of Representatives and the Senate have had ample opportunities to discuss the content of these documents with the government prior to various Council meetings (both verbally and in writing).

This National Reform Programme is submitted to both the House of Representatives and the Senate before being sent to the Commission. It provides an opportunity to debate the discussed measures and reforms at a national level. As in previous years, both the House of Representatives and the Senate will be informed about the country-specific recommendations that the Commission will propose for the Netherlands as part of the 2017 European Semester.

[58] See the Annex to the National Reform Programme: Labour Foundation, March 2017, "Contribution of social partners to the National Reform Programme in the context of the EU 2020 strategy: March 2016 – February 2017".
[59] House of Representatives, 2015-2016, 21 501-20, No. 1125;Senate, 2015-2016, CXVII No. F.
[60] House of Representatives, 2015-2016, 21501-20, No. 1170;Senate, 2015-2016, CXXI No. B.

Appendix A: Other tables

Table 11: Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 1

CSR 1: Budget measures & research and innovation		**Description of key measures and how they relate to the country-specific recommendations**				**Budget effects**	**Qualitative effects**
		Description of the measure	Statutory basis	Progress made in the last 12 months	Steps still to be taken		
Limit deviation from medium-term budgetary targets in 2016	Budgetary policy	N/A	State budget	According to the 2017 Winter Forecast, the Netherlands will comply with the MTO in 2016.	N/A	The actual EMU balance improves by 1.8% compared to 2015. EMU debt improves by 2.9%.	Helps improve the resilience of the Dutch economy
Budgetary adjustment of 0.6% in 2017	Budgetary policy	N/A	State budget	The Netherlands will also comply with the MTO in 2017, based on the Autumn Forecast.	N/A	The actual EMU balance improves by 0.3% compared to 2016. EMU debt improves by 2.0%.	Helps improve the resilience of the Dutch economy
Repurposing government expenditure to support R&I investment	Vision for Science 2025	The Dutch Science Agenda published in 2015 was implemented. The predictability and stability of first-flow funding will be increased by working with three-year averages. The benchmark for promotions in the first flow of funds will be capped at 20%. The new road map for large-scale research facilities will be adopted. The talent policy and impact of science are important development tracks for the future.		See Vision for Science Progress Report	N/A	Over the long term, a shift to supporting R&I investment	Establishing a link between fundamental research and application-oriented/practice-oriented research around scientific and social issues Contributing to multi-disciplinary and interdisciplinary research Enabling more joint planning by relevant parties Guiding Dutch efforts in relation to Horizon 2020/at a European level (National Science Agenda) More investment in large-scale research facilities by adopting a new road map for large-scale research facilities
Repurposing government expenditure to support R&I investment	Continuation of the expanded budget for the MIT scheme	Bigger budget for MIT projects for SMEs and knowledge institutions, in collaboration with the regions	National Economic Affairs subsidy scheme	In 2017, 55 million was again made available to companies through the MIT scheme.	N/A	Over the long term, a shift to supporting R&I investment	Coordinated use of tools and funds for SME innovation

Repurposing government expenditure to support R&I investment	Working on fiscal incentives for innovation (WBSO)	WBSO budget expanded	Budget Act/Tax Plan	An increase in the number of companies using these R&I tax schemes	N/A	Over the long term, a shift to supporting R&I investment	More investment in R&I by companies
Repurposing government expenditure to support R&I investment	Encouraging public-private partnerships	The TKI allowance has become the PPP allowance scheme	Budget Act	Increase in private contributions to PPP projects	Continuing to work on the number of PPPs for which a TKI allowance can be requested, stimulating a high proportion of private funding	Over the long term, a shift to supporting R&I investment	More investment in R&I by companies
Repurposing government expenditure to support R&I investment	Unlocking budget resources for quality of education, research and innovation	In the various consolidation packages of recent years, the quality of education, research and innovation was given a high priority by sparing these components of the budget as much as possible, and increasing them where possible. In the 6 billion package, for example, an additional €600 million per year (0.1% of GDP) was set aside for education quality.	Budget Act	The budget was implemented, including new policy measures	N/A	This measure costs €0.6 billion per year, but is already included in the €6 billion package.	The policy must contribute to a high educational level of the population and an innovative economy.
Working on preconditions for the improvement of private R&I expenditure	Future-proofed laws and regulations that provide sufficient scope for innovation, reform and entrepreneurship		Not yet applicable	Reports have been drawn up on situations in which innovation is hindered by regulations, in particular with regard to the rise of digital platforms and the sharing economy.	Exploring and trying out options to build more flexibility into laws and regulations to enable better responses to technological and societal developments	Over the long term, a shift to supporting R&I investment	Encouraging innovation through laws and regulations in specific cases, removing as many obstructions arising from regulations as possible and creating an attractive climate for research
Working on preconditions for the improvement of private R&I expenditure	Creation of Invest-NL			The government made this decision on 10 February 2017.	- draft legislation by mid-2017; - operational start in January 2018; - capital contribution of €2 billion.	Increasing availability of risk capital for innovation and upscaling	Greater leveraging of public research and innovation funds for private R&I investment and the demonstration and upscaling of innovations

Table 12: Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 2

CSR 2: Labour market		**Description of key measures and how they relate to the country-specific recommendations**				**Budget effects**	**Qualitative effects**
		Description of the measure	Statutory basis	Progress made in the last 12 months	Steps still to be taken		
Encouraging labour market transitions and removing labour market rigidities	Making employment termination law fairer and more enabling, which will increase labour mobility (particularly for older people) and promote labour force participation	Modernising employment termination law: simplifying termination procedures and reducing the maximum transition payment (not always paid to employee; might be used for training, for example)	Work and Security Act	The levels of severance payments awarded by the courts have fallen. Employee Insurance Agency (UWV) procedure times have been shortened, as a result of which contract terminations are being sped up. When problems arise, they are quickly resolved with the help of social partners.	Evaluation in 2020	Not applicable	Improved functioning of the labour market, limiting high severance payments and strengthening the legal position of employees without permanent employment agreements
	Better balance between permanent and flex workers	Improving the position of flex workers: duration of "chain provision" cut from three to two years; period between two consecutive contracts increased from three to six months	Work and Security Act	Increase in the number of employees on permanent contracts	New chain provision took effect on 1 July 2015.	Not applicable	
	Reducing the differences between the institutional treatment of self-employed persons and of employees	Policy measures along the following three lines: 1. combating pseudo self-employment; 2. making it more attractive to employ staff; 3. accessible protection for self-employed persons.	Assessment of Employment Relationships (Deregulation) Act (DBA Act) (among others)	DBA Act suspended until 1 January 2018, with the exception of malicious acts. During this transition period, a recalibration of the criteria of “free replacement” and “relationship of authority” will be explored.	A more fundamental solution is to reduce the differences that have arisen between the institutional treatment of self-employed persons and of employees.	Not applicable	

Table 13: Qualitative characteristics of measures aimed at country-specific recommendation (CSR) 3

CSR 3: Pension system & housing market		**Description of key measures and how they relate to the country-specific recommendations**				**Budget effects**	**Qualitative effects**
		Description of the measure	Statutory basis	Progress made in the last 12 months	Steps still to be taken		
Reforming the pension system	A pension system that is more transparent, fairer for all generations and more resilient	Developing the Perspective Memorandum	Not applicable	Following on from the framework memorandum and the work programme, the government submitted its "Perspective Memorandum on the Future Pension System" to the House of Parliament on 8 July 2016. In this Perspective Memorandum, the government mapped out the options for implementing the four main themes and the concrete steps that can be taken. The Memorandum also explores the framework conditions within which a new system must fit, and how the transition could be approached.	The government, social partners, pension providers and supervisory authorities, with input from science as well as youth and senior citizens' organisations, will continue to work hard over the next few years to make the new system possible by 2020.	Not applicable	The Perspective Memorandum aims for a system in which every working person can accrue an adequate pension, a system that is better aligned with the labour market, so that changing jobs does not have an undesirable effect on pension accrual. The goal is a system that is easier to understand and is clear about what people can expect. A system people trust; one that is better tailored to the characteristics and needs of participants, and one which retains the strengths of the current system: the ability to accrue a pension collectively, jointly and at a relatively low cost.
Taking measures to reduce the remaining distortions in the housing market and the preferential treatment for household debt, in particular by limiting the home mortgage interest deduction	Using fiscal incentives to encourage repayment of mortgage debt and reduce households' capital risks	Linking entitlement to home mortgage interest deduction to a requirement to repay new mortgages within 30 years, on at least an annuity basis	Tax Treatment of Homeownership (Review) Act	Implemented in 2013	Not applicable	Structural revenues of €5.2 billion	Huge debts and associated financial risks are limited for households and banks. This contributes to a better and more balanced housing market with fewer financial risks.
	Reducing the home mortgage interest tax deduction for new and existing cases	The maximum deduction rate in the 4th bracket will be reduced by 0.5% per year.	Housing Market Measures 2014 II Act	Implemented in 2014; as of 1 January 2017, the maximum deduction rate is 50%.	24 annual steps of 0.5% per year from 50% to 38%	Structural revenues of €0.77 billion	
	Reduction of maximum Loan-to-Value ratio (LTV)	Annual linear reduction of maximum LTV from 106% to 100% in 2018	Financial Supervision Act (Decree on Conduct of Business Supervision of Financial Enterprises, Temporary Mortgage Lending Scheme)	Implemented in 2013; as of 1 January 2017, the maximum LTV has been reduced to 101%.	1 remaining step of 1% to achieve a maximum LTV of 100% in 2018	Structural revenues of €0.2 billion	
	Linking the National Mortgage Guarantee (NHG) threshold to the average house price	As of 1 January 2017, the NHG threshold is again linked to the average house price, as was the case before the temporary increase in 2009.	Not applicable	On 1 January 2017, the NHG threshold was linked to the average house price (€245,000).	Not applicable	Not applicable	

Table 14: Overview of key new measures in response to the 2016 country-specific recommendations

	Key new measures for the coming 12 months	**Relationship to country-specific recommendations**	**Expected impact of the measures (qualitative/quantitative)**
CSR 1: Budget measures	• Budgetary adjustment of 0.6% in 2017.		Helps improve the resilience of the Dutch economy by improving the EMU balance and reducing EMU debt
CSR 1: Research and innovation	• WBSO and MIT budget expanded compared to 2016 budget. • Implementing the National Science Agenda (NWA) and launching a new Netherlands Organisation for Scientific Research (NWO) organisation. • The 2018-2019 Knowledge and Innovation contracts will be given a new focus on societal challenges and key technologies, in conjunction with the NWA. • The decision has been made to create Invest-NL.	The measures will increase government resources available for research and innovation and strengthen incentives for private parties to invest more in research and innovation in the Netherlands.	Over time, the measures are expected to have a positive effect on R&D levels, raising them towards 2.5% of GDP. Furthermore, the expectation is that the Netherlands will build a stronger international profile for itself in the areas of research and innovation, and that the impact of public investment will increase in favour of socially desirable transitions and future earning capacity.
CSR 2: Labour market	• Investigate – in consultation with social partners and other stakeholders – how the criteria of “free replacement” and “relationship of authority” can be fleshed out in a more concrete way that is better aligned with the current social image of an employment relationship. • Access to affordable social protection for self-employed persons.	Measures contribute to resolving issues concerning self-employed persons. Applies in particular to handling and reducing pseudo self-employment.	Measures contribute to sustainable and stable employment relationships.
CSR 3: Pensions	• Develop the Perspective Memorandum to prepare for the future pension system.	The envisaged reform will make the second pillar of the pension system more transparent, fairer for all generations and more resilient.	The government will take the lead on this ambition and will, together with stakeholders in the pensions arena and social partners, with input from science as well as youth and senior citizens’ organisations, continue to work on this ambitious reform, so that the new system can be introduced by 2020.
CSR 3: Housing market	• The maximum deduction rate in the 4th bracket will be reduced by 0.5% per year. • Annual linear reduction of maximum LTV from 106% to 100% in 2018 • As of 1 January 2017, the NHG threshold is again linked to the average house price, as was the case before the temporary increase in 2009.	Measures will be taken to reduce the remaining distortions in the housing market and the preferential treatment for household debt.	With regard to the owner-occupier market, the government has taken measures to limit high debts and the associated financial risks for households and banks. This will contribute to a better-functioning and more balanced housing market with fewer financial risks.

Table 15: Overview of the most important new measures in response to the Europe 2020 strategy

Europe 2020 Strategy key EU targets	Most important new measures for the coming 12 months	Relationship to Europe 2020 Strategy	Expected impact of the measures (qualitative/quantitative)
Employment	• As of 1 January 2017, labour force participation incentives have been enhanced through various measures to make work pay better, such as increasing the employed person's tax credit. • The government is also committing resources to a financial contribution for employers to make it more financially attractive for them to employ people at the lower end of the labour market (incentive allowance for employers providing employment to low-income workers). • Finally, the government is focusing its attention on vulnerable groups. For instance, from 2017 the budget for provision of unemployment services by the UWV will be permanently increased to 160 million euros, and training vouchers will be made available, enabling people to retrain in a profession with a better prospect of work. • The government is tackling long-term unemployment among people over fifty in conjunction with social partners through the Prospects for Over 50s Action Plan. • The government is also offering employees and employers more opportunities to make arrangements within collective employment agreements concerning transition services, retraining and job-to-job assistance for employees in the event of redundancy.	Contributes to increasing labour force participation.	Higher labour force participation, particularly among vulnerable groups.
Research and innovation	• A sum of €20 million has been set aside for thematic prioritisation of research in pathways of the National Science Agenda. • A sum of €5 million is reserved for talent policy under the National Science Agenda. • A sum of €5 million has been set aside for knowledge utilisation and valorisation as part of the implementation of the National Science Agenda. • A sum of €2 million will be dedicated to bringing the knowledge agendas of the Ministry of Education, Culture and Science and other ministries in line with the pathways of the National Science Agenda. More synergy will be pursued through joint planning, thus encouraging public-public cooperation.	Contributes to a better climate for research and innovation	More cross-sector collaboration
Sustainable energy and climate	• further expanding the scope for obligations under the SDE+ scheme with two rounds of calls; • also expanding the budget for the ISDE scheme; • a further commitment to promoting manure mono-fermentation, geothermal power and renewable energy production in sports facilities; • further promotion of energy conservation.	Contributes to achieving the target of attaining a share of renewable energy of 14% by 2020	
Education	• implementation of the Strategic Agenda for Higher Education and Research; • retention of successful elements from the previous approach to tackling early school-leaving. The approach largely concerns the existing target group, with a focus on young people in a vulnerable position and young people who have dropped out of school previously.	Contributes to keeping the percentage of tertiary graduates stable at over 40% and further reducing the total group of early school-leavers	• increasing the quality and accessibility of higher education and enhancing talent development and diversity within higher education as well as the connection between higher education and society; • further improving and embedding results of policy measures in the area of early school-leaving; Coherent approach to young people in a vulnerable position.
Social inclusion	Key measures:	The measures will help reduce poverty and social	• Better pay for working on the minimum wage

	• additional funding as a regular budget item for policy measures aimed at poverty and debt reduction (€100 million from 2015), which local authorities can use to shape and further develop their municipal poverty policies; • subsidy scheme for social organisations (€4 million in 2016 and 2017); • 100 million euros extra per year for child poverty (from 2017); • increase in tax credits for workers; • increase in benefits (healthcare benefit, housing benefit, child-related budget supplement, childcare benefit); • financial incentives for employers to hire people; • more intensive guidance for specific groups of unemployed people; • support programme to develop and further professionalise municipal debt counselling, with early detection and prevention among the themes/focus points for local government.	exclusion.	after coming off a benefit, and working an extra day per week is now more profitable for second earners. More single people, single parents and second earners with young children will be encouraged to enter the workforce; • more effective, efficient and sustainable prevention through a comprehensive approach to tackling poverty and debt; • specific investment in child poverty to prevent social exclusion and future disadvantage; • strengthening collaboration between public and private parties to reach target groups more comprehensively and effectively.