Ministry of Economic Affairs

National Reform Programme 2014 The Netherlands

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Contents

1. Introduction

The government is taking measures so that the Netherlands will weather the crisis on the basis of a strong and sustainable economy. To do this, it is taking steps and implementing reforms intended to, on the one hand, compensate for the negative impacts of the crisis, while on the other, addressing foreseen developments such as demographic ageing. Structural reforms in various areas, including the labour market, the housing market, pensions, long-term healthcare and energy have been proposed or already been implemented. These reforms provide a stable and sustainable basis for the future.

The government's policy has three central pillars: sound public finances, a fair distribution of burden sharing and sustainable economic growth. The government is not pursuing these goals in a vacuum; social partners are doing their part by contracting and implementing agreements like the Social Accord, the Technology Pact and the Energy Agreement, involving a total of over 40 social organisations. Likewise, health care and labour market policies are to be carried out in closer consultation with local authorities. By doing so, service provision is brought closer to the customer.

1.1. Reading Guide

The National Reform Programme (NRP) is an annual report prepared for the European Commission and forms part of the European Semester framework, the annual cycle of economic and budgetary policy coordination. This NRP sets out how the government's policies contribute to implementation of the country-specific recommendations for the Netherlands as adopted by the Council in June 2013 and to achieving the targets of the Europe 2020 Strategy for smart, sustainable and inclusive growth. The European Commission will assess the NRP and shall, at the end of May, put a proposal to the Council for country-specific recommendations that reflect the current situation in the Netherlands.

The NRP has been prepared in accordance with the guidelines of the European Commission. Chapter 2 presents the macro-economic scenario and outlines the effects of the measures discussed. Chapter 3 describes how the government is implementing the country-specific recommendations for the Netherlands. The progress the Netherlands has made with regards to the Europe 2020 Strategy targets is described in Chapter 4. Chapter 5 outlines how the use of European structural funds is contributing to meeting these objectives. Finally, Chapter 6 reviews the involvement of Parliament, social partners and other organisations in the drafting of this National Reform Programme.

The National Reform Programme and the Stability Programme (SP) will be submitted to the European Commission in April. In the SP, the government reports primarily on the state of public finances in light of current macro-economic developments. The NRP focuses primarily on the package of policy measures. However, given that the two documents are closely related in terms of content cross-references are used in each where appropriate.

1.2. Priorities for growth

Although the NRP specifically addresses policies aimed at the country-specific recommendations and the goals of the EU 2020 Strategy, it is important to understand that this report is part of a broader process of European economic policy coordination. It is in this light that the European Council adopted the EU-wide growth priorities for the European Semester 2014 on 20 and 21 March. These priorities are based on the European Commission's Annual Growth Survey published in November, and are formulated along similar lines as those from the previous Semester. Member states are expected to take these priorities into account when formulating their national policies. The priorities are:

1. pursuing differentiated, growth-friendly fiscal consolidation
2. restoring normal lending to the economy
3. promoting growth and competitiveness
4. tackling unemployment and the social consequences of the crisis
5. modernising public administration

The Dutch government has endorsed these priorities, and is pursuing them at the national level in both its overall policies and in the specific reforms as described in more detail in this NRP.

The Netherlands considers sound public finances and abiding by European fiscal commitments a priority of utmost importance. In pursuit of this, the government, with majority support in Parliament, has agreed to include an additional package of measures in the 2014 budget amounting to further savings of 1% of GDP (€6 billion). The same holds for subsequently announced measures including the 'Budget Commitments' agreed in October 2013. Because budget consolidation should not come at the expense of long-term growth, the government is making additional investments in education and will exempt other major drivers of growth from budget cuts wherever possible.

In addition to the need to improve public finances, the government also endorses the second and third priority: the importance of normal lending to the economy and strengthening growth and competitiveness. The government has particular attention for the sectors hit hardest by the crisis and is taking targeted measures, for example by expanding options for arbitrary depreciation, maintaining the lower VAT rate for construction and expanding opportunities for start-ups and innovative enterprises to take advantage of supporting financing instruments such as Qredits for the SME sector. The government is also working with pension funds and insurance companies to establish a Netherlands Investment Institution (NII) to facilitate institutional investors to invest in the Dutch economy.

Technological developments, internationalisation and increased flexibility on the labour market also demand more dynamic labour market institutions. The government is implementing a number of structural reforms, including the modernisation of dismissal law, reducing the maximum duration of the publicly paid unemployment benefit, and raising the employee's tax credit to increase the incentive to work. The pension system is also being reformed, and the focus on investments in innovation and research is to be continued, in part through the Top Sector Approach designed to harness cooperation between industry and research institutions and promote valorisation. All these efforts are intended to strengthen the foundations for future economic growth.

The government shares the weight the Commission has put of the fourth priority, tackling unemployment and the social consequences of the crisis. The Social Accord signed with the social partners in April 2013, provides the basis for fighting unemployment. The government is working to improve the position of flexible staff, and has set up dedicated programmes to do so, including the Youth Unemployment Action Plan and the sector plans. Offering the prospect of work is the best way to fight poverty. In the new policy framework, local authorities will be given a greater role to enable them to provide a more tailored response to tackling poverty and help in debt reduction.

Finally, the Commission's fifth priority stresses the need to modernise public institutions. The Dutch government shares this priority, which is why of the Netherlands now has one of the most efficiently performing public sectors, one which puts the citizens' and enterprises' interests central to its activities. To further address this priority, the government has introduced the Enterprise File, and in early 2014 launched the Enterprise Square, a portal bringing together all relevant government information, such as legislation and business subsidies. In addition, the government continues to pursue the reduction of the administrative burdens for companies by a further €2.5 billion in 2017 (compared to 2012).

1.3. Results of the In-depth Review [1]

In the context of the European Semester, and more specifically the Macroeconomic Imbalance Procedure, on 5 March 2014 the European Commission published an in-depth review of possible imbalances into the Dutch economy. The conclusions of this review will be used for the formulation and adoption by the Council of new country-specific recommendations in June 2014.

Like last year, the Commission concluded that there are no excessive imbalances threatening the Dutch economy. The Commission did, however, conclude that the high level of private debt linked to the housing market constitutes an imbalance which requires monitoring and policy action. The Commission considers that the Netherlands is on the right track, and has implemented significant reforms that are contributing to a better-functioning housing market and will, in due course, reduce the volume of household debt. Redemption of mortgage loans will become standard practice again. Moreover, the maximum loan-to-value ratio for mortgages is being reduced from 106% in 2012 to 100% in 2018, and the maximum interest deduction will gradually be lowered to 38%. By reducing the maximum amount which can be borrowed and by creating incentives for mortgage redemption, high debt levels as well as associated risks will be limited.

[1] This response replaces the standard BNC fiche.

The Commission sees the implementation of reforms as positive, but notes that progress is too slow, and that tax-deductibility of mortgage interest should ultimately be eliminated entirely. The government has deliberately chosen for a sensible balance between the rate of change of the tax treatment of mortgages on the one hand and stability of the housing market and household incomes on the other. The government believes that the housing market currently benefits from stability which will give the housing market time to recover and considers it most prudent to not increase the speed of reforms.

In the in-depth review, the Commission also observes a number of other trends in the Dutch economy. For example, the Commission concludes that there are also imbalances in the rental market as a result of which the private rental market is underdeveloped, the supply of social housing is not fully reaching its target group and that inefficiencies exist in the functioning of housing associations. The Commission also stresses the importance of maintaining a high rate of reform in the rental market. The government's reforms in the rental market include allowing higher (income-based) rent increases, simplifying the housing valuation system, basing it more on the market value of the property, and forcing housing associations to focus more strongly on their core objectives. The total package of measures on both the rental market and owner-occupied housing market is further described in section 3.2 of the NRP.

The Commission also indicates that it intends continue its monitoring of the current account surplus. The primary causes of the high surplus are strong competitiveness, strategic location, the openness of the Dutch economy and the export of natural gas. The process of deleveraging in the Dutch economy also increases in current account balance through a reduction of import volumes. In this regard, the Commission also refers to underinvestments in the Netherlands. The government plans to promote domestic investment in a number of ways, such as by establishing a Netherlands Investment Institution (NII) and expanding the options for arbitrary depreciation.

In its analysis of the current account, the Commission also considers the wage-setting process in the Netherlands. Variation in productivity trends between industries are seemingly not being expressed in the wages agreed by the social partners in collective labour agreements. The Commission believes that the Dutch economy would benefit from a higher degree of wage differentiation in keeping with the differences in productivity trends between industries, while notably not arguing in favour of a generic wage increase, which could have strong negatives on employment. The Commission also notes that wage negotiations are primarily a responsibility of the social partners. In industries where scope for wage increases exists, social partners can decide to pursue this. This issue will be brought up in the administrative consultations between social partners and the government.

Finally, the Commission observes that robust competitiveness is a feature of the Dutch economy. Although world export market shares are declining somewhat, a trend that features in most developed economies, there are no signals that indicate at sharp rises in unit labour costs or production costs, not even in comparison to our most important trading partners. This does not take away that to opportunities to increase productivity further should be grasped to increase future economic growth. Here, the Commission rightly notes that innovation and research are important factors. The government echoes this observation, which is why the Coalition Agreement, the 2014 budget and the agreed measures following from these agreements are geared towards these objectives.

2. Macro-economic context and scenario

The Dutch economy has been in three recessions over the past four years. At the moment, the economy seems to be cautiously recovering. We are seeing the first tentative, positive signals: leading indicators such as industrial production, corporate investment and number of temporary staffing hours are on the increase. Furthermore, consumer confidence has been steadily increasing for over six months now. Nevertheless, the recovery remains fragile. The country continues to struggle with deleveraging pressures that leave little room for increased consumption. This is made all the more acute by underlying lower growth due to a structural reduction in labour supply.

Despite modest economic growth, in many respects the fundamentals of the Dutch economy are sound. The Netherlands has a highly qualified labour force, and the country's good infrastructure also constitutes one of the pillars of the Dutch economy. Moreover Dutch citizens have great faith in their institutions. These solid fundamentals make the Netherlands one of the most prosperous countries in the world today.

The government's policies are aimed at deleveraging and implementing the necessary structural reforms. These policies result in debt reduction, restoration of confidence in financial markets and the establishment of sustainable institutions in areas such as the housing market, the labour market and education. This will generate more room for sustainable economic growth. This chapter outlines the macro-economic scenario underlying the NRP and the macro-economic effects of the structural reforms based on data from the Netherlands Bureau for Economic Policy Analysis (CPB) [2].

[2] The macro-economic scenario underlying the NRP 2014 is based on the Macro Economic Outlook (MEV) 2014, the Central Economic Plan (CEP) 2014 and the CPB's updated analysis of the economic effects of the budget agreement for 2014 (Analyse economische effecten Begrotingsafspraken 2014).

2.1. Micro-economic Outlook for the Period of the Programme

After contracting in the first quarter of 2013, the economy returned to growth in the following three quarters, thereby formally putting an end to the recession. The turning point in the economy seems to be there.

Over the entire year 2013 the Dutch economy contracted by 0.8% according to the first figures from Statistics Netherlands (CBS). The NRP for 2013 assumed a contraction of ½ per cent for the year. Due to worse than expected economic developments, in the past year the Dutch economy contracted slightly more than estimated earlier. Despite this, the CPB forecasts growth of ¾ per cent for 2014, and growth of 1¼ per cent for 2015.

In a normal economic cycle, economic recovery in the Netherlands begins with an increase in exports, after which investments and consumption follow. Employment then picks up somewhat later. The current economic picture seems to fit these developments. On balance, export of goods and services made a positive contribution to growth in 2012 and 2013, with increases of 3.2 and 1.3%, respectively. The CPB forecasts that growth in exports as a result of the recovering world economy will increase to 2¼ per cent in 2014 and 4¼ per cent in 2015. Business investment contracted by 3.9% in 2013. With economic recovery and an improved economic outlook, the CPB projects investments to increase by 5% in 2014 and 5½% in 2015. The CPB does not expect growth in consumer spending or recovery in employment until 2015.

The signs of further recovery are encouraging. Businesses are more optimistic and starting to invest more. Industrial production has been expanding for a few quarters now. Another positive sign is that the number of hours of temporary staffing has been increasing for several consecutive months. There are also tentative signs that the housing market is stabilising.

For the time being, the recovery remains fragile, particularly considering the deleveraging processes taking place in both the public and private sectors. Although consumer sentiment is steadily becoming less pessimistic, consumer spending continues to decline. This is due to a reduction in real disposable income as well as asset losses, following falling house prices, as result of which purchasing power is negatively affected. In 2013, private consumption declined by 2.1%. Unemployment continued to rise strongly in 2013, to 6.7%, and is expected to continue to rise into 2014. The CPB forecasts an unemployment rate of 7¼ per cent, or 650,000 jobless, in 2014. Because of the delayed impact of economic recovery on employment, recovery in employment is not to be expected this year. The number of jobs will remain essentially flat in 2014. Unemployment will fall slightly in 2015, to 7%, as a result of a slight pickup in labour demand. The CPB expects median purchasing power to increase in 2014 by 1¼%, but this will be offset by rising unemployment and falling house prices and negative income developments from previous years, as a result of which consumption will continue to decline (by -¼%). A slight increase of purchasing power (+¼%) is forecast for 2015. In that year, consumption is expected to rise for the first time since 2010, by ½%, as a result of higher disposable income in both years.

The tentative recovery in expected economic growth is not only a result of prevailing economic conditions. Structural factors play a role, such as the structurally reduced increase in labour supply. The potential growth for the 2013-2017 period is estimated at 1.3% per year.

2.2. Macro-economic Impact of Structural Reforms

Short and medium-term

As described in the NRP 2013, the CPB estimates that due to the implementation of the Coalition Agreement economic growth in the 2013-2017 period will be 0.2 percentage points lower than the base path, putting annual growth expressed in GDP at an average of 1¼% per year [3]. On budget day 2013, the government presented its 'Six billion package' (also included in the budget memorandum) in order to comply with European fiscal rules. Initially, this package of budget cuts failed to obtain sufficient political support in the Senate. Therefore, in October 2013 the government reached an agreement with a number of opposition parties on several changes to the composition of the package. This package is known as the 'Budget Agreements 2014'. Table 1a shows that the negative impact of the Six billion package and the Budget Agreements 2014 on domestic spending will be relatively limited in the short and medium term. Growth in government spending in 2014 will be limited (-¾ percentage point), causing GDP growth to decrease (-¼ percentage point). In the medium term, consumption will decline by an average of ½ per cent per year, as compared to the zero growth in the base path (table 1b). In addition, annual investment growth will decline by ½ percentage point to 2¾ per cent, putting economic growth at an average of 1% per year, ¼% lower than in the base path.

Long term

The total package of measures will have a negative impact on domestic spending in the short and medium term, but contribute to improved functioning of the economy and sustainable economic growth in the long term. The government is implementing significant reforms in the housing market, the labour market, regarding pensions and health care. The measures in the owner-occupied housing market and rental housing market, for example, will promote mobility in the housing market and improve household resilience. Other measures will curb the growth in healthcare costs. A number of other reforms, like the modernisation of dismissal law and the increase of the retirement age, will lead to a future-proof labour market and pension system. Ultimately, these reforms will generate more economic activity and employment.

The measures implemented by the Rutte II government will increase structural employment by 0.6%. This increase corresponds with the estimated increase to be achieved by the Coalition Agreement as estimated by the CPB. The negative effects of changes to the Unemployment Benefits Act (reversal of the reduction to the benefit level in the second year of unemployment and allowing social partners to contractually compensate the reduction in duration and reference requirements) will be offset by the positive effects, particularly the lower healthcare allowance and employer contributions under the Budget Agreements. The lower healthcare allowance reduces the effective marginal tax rates for some employees, which provides an incentive for them to seek work or work more. In addition, various other, smaller measures, such as increase of the childcare allowance, will further incentivise work and have a positive impact on the labour supply. The demand for labour will be stimulated by lower employer contributions for occupational disability and unemployment.

[3] This will be the new base path for the 2015-2017 period.

Table 1a: Short-term Forecasts. % change, unless otherwise stated

	2013		2014				2015
	CEP 2013 *	Central Economic Plan 2014 [5]	Effect of six billion package [6]	Effect of Budget Agree-ments [7]	Total effect	Central Economic Plan 2014	Central Economic Plan 2014
Gross domestic product (gdp)	-½	-0.8	-¼	0	-¼	¾	1¼
Household consumption	-1½	-2.1	-¼	¼	0	-¼	½
Overheids-bestedingen	-¼	n.b.	-½	-¼	-¾	n.b.	n.b.
Government consumption	un-known	-0.5	un-known	un-known	un-known	½	-¼
Corporate investment	½	-3.9	-¼	¼	0	5	5½
Export of goods and services	2¾	1.3	0	0	0	2¼	4¼
Import of goods and services	un-known	-0.5	un-known	un-known	un-known	2½	4
Unemployment (% of the labour force)	6¼	6.7	0	0	0	7¼	7
Purchasing, static, median	-1¼	-1.1	un-known	un-known	un-known	1¼	¼
Collectively agreed wages in the private sector	1¾	1.5	0	0	0	1½	2
Consumer price index	2¾	2.5	0	0	0	1½	1½

** Macro-economic scenario for the National Reform Programme 2013*

Table 1b: Medium-term forecasts. % change, unless otherwise stated

	Figures for period 2015-2017		
	Base path % per year [8]	Total effect of Six billion package [9] and Budget Agreements %-point per year	Result % per year [6]
Gross domestic product (GDP)	1¼	-¼	1
Household consumption	0	-½	-½
Government spending	-¼	0	-¼
Gross corporate investment	3¼	-½	2¾
Export of goods and services	4½	0	4½
Unemployment (% of the labour force, end-of-year level)	6¼	½	6¼
Collectively agreed wages in the private sector	1¾	0	1¾
Consumer price index	2	0	2

4 Netherlands Bureau for Economic Policy Analysis (March 2013). Central Economic Plan (CEP) 2013.

5 Netherlands Bureau for Economic Policy Analysis (March 2013). Central Economic Plan (CEP) 2014.

6 Netherlands Bureau for Economic Policy Analysis (September 2013). Macro Economic Outlook (MEV) 2014.

7 Netherlands Bureau for Economic Policy Analysis (October 2013). Analysis of economic effects of Budget Commitments 2014.

8 CPB (November 2012), Updated analysis of the economic effects of the financial framework of the Coalition Agreement (Actualisatie analyse economische effecten financieel kader Regeerakkoord).

9 Netherlands Bureau for Economic Policy Analysis (September 2013). Macro Economic Outlook (MEV) 2014.

3. Country-specific Recommendations

In June 2013 the Council adopted four recommendations for the Netherlands on the basis of a proposal from the European Commission. These recommendations touch on fiscal consolidation, the housing market, demographic ageing and labour participation. The recommendation related to the subject of research and innovation was retracted in 2013. The recommendations identify major challenges and specific points for attention for the Dutch economy. The following sections outline the measures that have been taken or are to be introduced to address the recommendations.

3.1. Government Finances

3.1.1. Council Recommendation

The Council recommended that the Netherlands should take measures for a correction of the excessive deficit in a sustainable manner. The government endorses this recommendation, and is strongly committed to pursuing sound fiscal policies. The Council's recommendation reads as follows:

> Reinforce and implement the budgetary strategy, supported by sufficiently specified measures, for the year 2014 and beyond to ensure a timely correction of the excessive deficit by 2014 in a sustainable manner and achieve the structural adjustment effort specified in the Council recommendations under the EDP. Protect expenditure in areas directly relevant for growth such as education, innovation and research. After the correction of the excessive deficit, pursue the structural adjustment effort that will enable the Netherlands reaching the medium-term objective by 2015.

3.1.2. Policies in response to the recommendation

Economic conditions appear to be improving. Where the recovery was initially driven by exports, investments are picking up and private consumption is rising again in 2015. The Netherlands has addressed the recommendation by agreeing to at total of €6 billion (1% of GDP) fiscal consolidation measures, which was in accordance with the recommendations of the Commission under the excessive deficit procedure.

As result of the fiscal measures and the economic recovery the deficit is expected to fall below 3% in the period 2013-2015. This means the Netherlands will comply with the SGP deficit norm. The CPB projects that the deficit will have been reduced to 2.1% in 2015. The structural deficit will also decrease to 0.8% in that year, approaching the medium-term objective of 0.5%. Maintaining the previously agreed framework of spending and commitments will be a primary concern when drafting the 2015 budget. There will be particular focus on the implementation of measures already agreed in the Coalition Agreement and subsequent agreements. The already agreed commitments will result in a fiscal consolidation of €17 billion between 2014 and 2017, contributing further to achieving the medium-term objective. As stipulated in the Coalition Agreement and the national budget rules, the Netherlands remains fully committed to the European fiscal commitments. Further information on public finances and fiscal policy is set out in the Stability Programme.

3.2. Housing Market

3.2.1.Council Recommendation

The Council recommended that the Netherlands takes steps to further reform the housing market. The government endorses the importance of these reforms aimed at improving the balance between owner-occupied and rented housing, increasing freedom of choice and promoting mobility. These reforms will also contribute to a reduction of private debt in the Netherlands. The Council recommendation reads as follows:

> Step up efforts to gradually reform the housing market by accelerating the planned reduction in mortgage interest tax deductibility, while taking into account the impact in the current economic environment, and by providing for a more market-oriented pricing mechanism in the rental market, and by further relating rents to household income in the social housing sector. Refocus social housing corporations to support households most in need.

3.2.2. Policies in response to the recommendation

The overall package of measures with regards to the owner-occupied and rental markets contribute to a better functioning and more balanced housing market with fewer financial risks. The ambitious reform agenda has now largely been stipulated in law. The government has chosen for a considerate balance between the implementation of reforms on the one hand and safeguarding the stability of the housing market on the other. The short-term effects on the economy should also be taken into account: after implementation of significant reforms, it is important to restore stability and allow for the housing market to recover. The reforms will also contribute to the intended improvements in government finances.

Owner-occupied market

The government is taking steps on the owner-occupied market to limit high debt and the attendant financial risks for households. For example, as of 1 January 2013 the '*Revision of Fiscal Treatment of Owner Occupied Homes Act' (Wet herziening fiscale behandeling eigen woning)* has linked the right to mortgage interest tax deduction for new loans for owner-occupied homes to the condition that the loan must be fully redeemed by level payments over a period not exceeding 30 years. This restores the mortgage interest deduction to its intended purpose: promoting home ownership instead of maximising debt.

In addition, under the *Housing Market Measures Act 2014 II (Wet maatregelen woningmarkt 2014 II)*, the maximum rate for interest tax deductibility for both new and existing mortgages will be gradually reduced from 52% to 38% as of 2014. This will be enacted through a gradual transition process, in order to restore confidence in the housing market. Homeowners with mortgages dating from before 2013 will experience a negative impact on the value of their assets in so far this reduction results in lower prices. Policy stability and calm is also in the interest of this group.

Additionally, the maximum LTV (loan-to-value ratio) will be gradually reduced from 106% in 2012 to 100% in 2018. If the housing market recovers robustly, the government intends to reduce the LTV ratio further. A lower LTV leads to more tenable debt positions (both for consumers and loan providers) and less sensitivity to cyclical developments in the housing market. With these three measures, the government intends to permanently reduce the tax facilities available for mortgage interest tax deduction by over 40% by the end of 2042. Revenues generated through these measures are to be returned by reduced wage taxes and income tax through a gradual reduction of tax rates in the second, third and fourth bracket and an extension of the third bracket.

Finally, the upper band for eligibility for the National Mortgage Guarantee (NHG) will be gradually reduced to €225,000 by 1 July 2016. In the future, this upper band will be linked to the average house price. As a result, the NHG will focus again on homes up to an average price, as was the case in the period prior to July 2009 when the temporary increase of the upper band was introduced. In addition, on 1 January 2014 a policy excess of 10% was introduced for providers of new NHG-backed loans.

A number of measures have also been implemented to promote mobility in the housing market. The property transfer tax rate for homes has been permanently reduced from 6% to 2%. Extra funding for first-time buyer loans has also been made available. Since 29 October 2012, as a further measure to help households faced with a residual debt upon sale, a measure has been introduced to temporarily allow this group to deduct the interest on residual debt from the sale of the house for a period of ten years. Additionally, as of 1 January 2014 homeowners with NHG can, under strict conditions, co-finance their residual debt under a new NHG backed mortgage after the sale of their old home. These measures are intended to offer more freedom to existing homeowners wishing to move but who have been prevented from doing so until now because of residual debts. Until 1 January 2015, the upper limit for tax-free gifts has been increased to €100,000 as long as the gift is dedicated towards an owner-occupied home or the redemption of an owner-occupied home loan (including redemption of residual debt and renovations). Additionally, the limitation that the exemption was only applicable to gifts from parent to child has been eliminated; this means that the one-time gift may come from any source.

Rental market

The government is also taking steps to improve the functioning of the rental market and the allocation of social housing. Housing associations will focus more on their core tasks. The housing valuation system *(Woningwaarderingsstelsel, WWS)* for determining the maximum rent will be simplified and partially based on the actual value of the property as assessed under the Valuation of Immovable Property Act (WOZ). A more market value-based rent will promote mobility in the housing market. The exact details are still under discussion.

The government also allows for rent increases in excess of inflation as from 1 July 2013. The maximum rent increase over inflation is 1.5% for low-income households (up to €34,085), 2% for middle-income households (€34,085 to €43,602) and a maximum of 4% for higher (upper) middle income households (€43,602 and up). In 2013, rents, including inflation, rose by a nominal average of 4.1% (excluding rent harmonisation). Although still below the maximum permitted rent increase, this rent increase is notably higher than in previous years. The option to increase rents based on income will be an incentive for the higher income earners to leave the social housing sector, creating more room for the designated target group. The lower income earners will be (partially) compensated for rent increases through the housing benefit. Tenants whose income falls after an income-based rent increase will be granted a rent reduction as to ensure that social housing remains affordable. The additional rental income of landlords following these rent increases will enable them to pay an gradually increasing levy for landlords, which is designed to encourage them to work more efficiently and improve their operations.

A properly functioning housing market requires more freedom for investment in the liberalised segment of the housing market, and the middle segment in particular. The government is reducing impediments in the rental market by scaling back government interventions in the owner-occupied market and bringing rents in the regulated segment of the rental market more in line with the value of the property. Further legislation is being prepared to oblige housing associations to separate their SGEI activities from their non-SGEI activities[10]. When enacted, this will help protect the societal objectives and create a more level playing field in the commercial segment of the rental market. Associations have the option to choose between legal separation or an administrative separation. In the former case, the non-SGEI activities are placed in a separate legal entity. Associations opting for the administrative separation are allowed to exploit fewer non-SGEI activities. Those activities that are still allowed, should serve the associations' core objectives. In case of either a legal or an administrative separation, non-SGEI activities must be financed at market-standard conditions. The government is also relaxing the rules for the sale of housing association properties to private parties.

[10] SGEI = Services of General Economic Interest.

3.3. Demographic Ageing

3.3.1. Council Recommendation

The Council recommended that the Netherlands should take measures to improve the sustainability of public financing in light of the ageing population. The government endorses the recommendation, and is taking steps towards reforms of the pension system, ensuring a sustainable employability of employees, and containing the costs of long-term care. The Council's recommendation reads as follows:

> Adjust the second pension pillar, in consultation with social partners, to ensure an appropriate intra- and inter-generational division of costs and risks. Underpin the gradual increase of the statutory retirement age with measures to increase the employability of older workers. Implement the planned reform of the long-term care system to ensure its cost-effectiveness and complement it with further measures to contain the increase in costs, with a view to ensure sustainability.

3.3.2. Policies in response to the recommendation

Reform of the General Old Age Pensions Act (AOW)

The raising of the standard retirement age enacted into law in July 2012 will be implemented at an accelerated rate. The legislative proposal for this is expected to be handled in Parliament before the summer of 2014. Under the new proposal, the standard retirement age will have been increased to 66 in 2018 and 67 in 2021. Thereafter, the standard retirement age will be linked to life expectancy.

Effective retirement age

The effects of measures to curtail early retirement, including phase-out of early retirement plans, and incentives to encourage people to continue work, are being seen as increasingly successful. In 2013, the average retirement age was 63.9, up from 61 in 2006. In 2013, 65 was the standard age to retire (see figure 1).

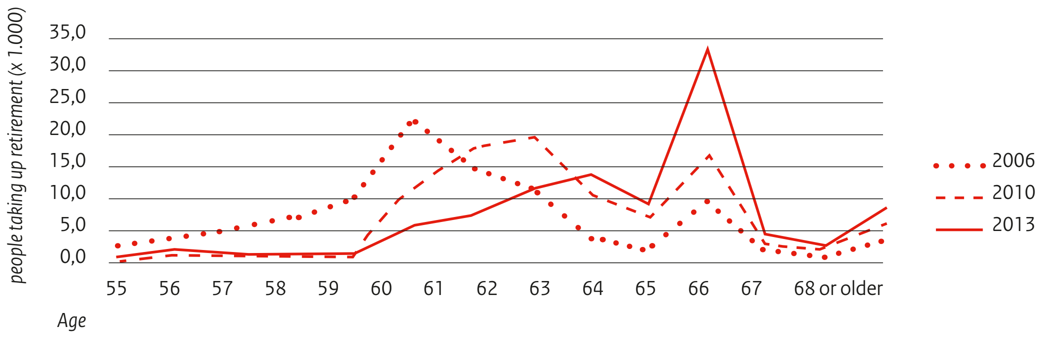

Figure 1 : Distribution of retirement age (source: CBS).

Supplementary pensions
As from 2014, the standard retirement age for supplementary pensions has been, as recommended, increased to 67, and as of 1 January 2015 it will be linked to the trend in life expectancy at 65 years of age. In addition, as from 1 January 2014 the maximum permitted annual accrual rates in average pay plans qualifying for tax relief has been reduced by 0.1 percentage points (from 2.25% to 2.15%). In the pension accord signed in December 2013, an agreement was made to further lower this maximum accrual percentage qualifying for tax relief (for average pay schemes) to 1.875%, as of 2015. The tax framework applicable for the voluntary individual pension accrual will also be adjusted accordingly. Under the new maximum accrual percentage, after 40 years of pension accrual the maximum accrued pension will be 75% of the average earned salary. As from 2015, employees with an annual income above €100,000 will no longer be able to accrue second pillar pension with tax relief on income above this threshold amount. They will still be able to contract a net annuity policy exempt from capital revenue tax.

Pension funds are expected to adjust their pension premiums (this has already happened to a certain degree), which could generate a positive effect on the income position of working people. Regulatory authority De Nederlandse Bank (DNB) will be given additional competences to monitor this. DNB will be enabled to conduct a generational balance test on the setting of the amount of the premium. Pension funds setting excessively high premiums may be subject to penalties of up to €1 million. This should ensure that the division of the costs and risks is inter-generationally balanced.

Financial Assessment Framework (FRF)
The government is preparing legislation for a new financial assessment framework, with, as core elements, a better division of financial shocks and tightening of the rules of indexation. This will result in a more balanced division of generation effects, because older people benefit from the dispersion of negative shocks (deduction from the nominal claim), and younger people from the dispersion of positive shocks (granting indexation). The adjusted recovery plan system coupled with clear commitments on indexation will make the division of risk clear in advance. The new review framework is planned to enter into effect from 2015.

Pension plan for self-employed persons without employees (ZZPs)
An agreement was reached in the pension accord that starting in 2015, a pension plan for self-employed persons without employees (ZZPs) is to enter into force, allowing these workers to accrue supplementary pension through an investment institution on a voluntary basis. At the moment that a ZZP applies for social assistance benefits, the pension accrual will not be designated as part of one's own property.

In 2014, the government will enter into discussions with the social partners, pension funds and other stakeholders on the long-term future of the pension system.

Promoting employability of older people
The Netherlands has a number of measures in place designed to make it attractive for employers to hire or to keep older employees and to stimulate older employees to remain employed. For example, the employer may be eligible for a deduction on social insurance contributions by hiring older benefit recipients[11] and under certain conditions the government can also take over the illness risk of older employees (no-risk insurance policy). Additionally, the options for placement on a trial basis (work with temporary retention of benefits) have been expanded. Alongside measures already taken, the cabinet is working with social partners on additional measures to help older people find work and promote permanent employability, with measures like the reintegration budgets, available to this end. In 2013 and 2014, an additional €67 million has been set for reintegration activities for the older unemployed. The government is also prepared to co-finance sector plans set up by the social partners, inter alia aimed at the promotion of older workers. Also, the cabinet is working on a legislative proposal to facilitate older employees continuing to work after having reached the statutory retirement age.

[11] This 'mobility bonus' will cover workers aged 50 and above until 2015, and thereafter the target group will be shifted to those 56 and older, in consideration of the increased labour participation among this category.

The government is stimulating investments in sustainable employability of (older) employees in several ways, such as organising meetings and communication campaigns focused on awareness-raising and activation of employers and employees. Moreover, the social system includes incentives for longer-term employability, such as a lowering of social insurance contributions for employers where they reduce the risks of absence due to illness and occupational disability

Reform of the long-term healthcare system
The government strives to develop a more tailored healthcare system, with more care being provided closer to home. The aim is to develop a ladder of care and support that starts with the care being provided within the patient's own environment, then scales up to local support by municipal services and community nursing, and finally ends with a public safety net for those who need intensive care provision. The proposed measures will yield permanent savings of approximately €3.5 billion. As a result, despite the growing demand for healthcare, spending on long-term care is not expected to rise in the period 2013-2017.

A number of measures went into force on 1 January 2013. For example, care for patients in the two lightest categories of intramural care (care intensity packages (ZZP) 1 and 2) has been transferred to outpatient care, and in 2014 this process was also initiated for category ZZP 3. Further, the target group for the personal healthcare budget has been limited and steps have been taken to improve inspections (door-to-door visits) and administrative processing of personal healthcare budgets. Funding of geriatric rehabilitation has been transferred to the Health Insurance Act (savings of €0.7 billion). The financial assets of patients will also weigh more heavily in determining personal payments for intramural care. In addition, in 2014 steps were taken to lower contributions paid to care providers in both intramural and extramural care.

The government intends to completely revise the long-term healthcare system. Components of extramural care, specifically supervision and the protected residence of mental health care clients, will be placed under a new legislative framework, the Social Support Act (WMO) as of 2015. Activities of a curative nature, such as long-term mental health care including treatment and home care by district nurses, will also be transferred from the Exceptional Medical Expenses Act (AWBZ) to the Health Insurance Act as of 2015.

Various measures announced in the coalition agreement led to the healthcare agreement (summer 2013) and consultative conclusions with the Association of Netherlands Municipalities (December 2013). Municipalities have indicated that they still endorse the idea behind the devolution of healthcare policies to the local level, but have a number of concerns, such as whether the financial framework in 2015 will be sufficient to fund the transitional entitlements. In order to address these concerns, the government has taken a number of measures, including making available €200 million in 2015 to cushion the transition to the Social Support Act and, as of 2016, structurally €200 million for innovation in support packages. The objective is to reach transitional arrangements with the Association of Netherlands Municipalities and other partners (representatives of insurers, care providers, clients) in early 2014. An element of the transitional arrangements is stronger cooperation between municipalities and insurers at the local level. Monitoring arrangements will also be agreed to ensure clients do not fall between the cracks.

The number of people in intramural care is being further reduced by providing care in the home to some new ZZP 3 and ZZP 4 care clients (ZZP 4 only for older clients). This leaves a strictly defined Long-Term Care Act (WLZ) for the elderly and disabled persons with acute care needs. Finally, the budget for municipalities to finance household help is being reduced and payments by patients will be further increased. The care agreement stipulates a gradual decrease of household help from 75% to 40%. The national programmes for chronically ill and disabled persons, the general reimbursement for chronically ill and disabled persons and the benefit payment for compensation of the mandatory personal contribution for health insurance, were eliminated as from the beginning of 2014. Municipalities receive a supplemental budget to allow them to offer directed, specially tailored care to people with a disability or chronic, psychological or psychosocial problems. The tax facility for specific care costs will be continued, in a modified form, as from the start of 2014.

3.4. Labour participation

3.4.1. Council Recommendation
The government agrees with the Council's recommendation to increase labour participation. Despite the high labour participation rate in the Netherlands, a comparison with other European countries indicates that participation needs to increase further. The government's policy closely follows the recommendation, which reads:

Take further measures to enhance participation in the labour market, particularly of people at the margin of the labour market. Continue to reduce tax disincentives on labour, including by a faster phasing-out of transferable tax credits for second income earners. Foster labour market transitions and address labour market rigidities, including by accelerating the reform of employment protection legislation and the unemployment benefit system.

3.4.2. Policies in response to the recommendation

By closing agreements with the social partners and opposition parties, the government has secured enough support, both political and social, to implement the needed structural reforms in the coming years.

The government's goal is for all to participate according to their ability and focuses in particular on the participation of people with a lower income. The increase of the employed person's tax credit for lower incomes is the best example. In 2013, the maximum employed person's tax credit was increased from 1,611 euros to 1,723 euros. In 2014, this amount was further increased to 2,097 euros, and will be increased over the coming years to 2,559 euros in 2017. This represents a substantial incentive for persons with lower or middle incomes to work. The poverty trap will be reduced by making the transition from social benefits to labour participation financially more attractive. The tax credit will be phased out starting at an income level of around forty thousand euros. People with an annual income of approximately €110,000 will no longer receive the employed person's tax credit.

Alongside generic measures aimed at broadly increasing labour participation, the government is also implementing policy specifically directed towards people in a vulnerable position on the labour market. These measures should be seen as supplementary to the policy directed towards older employees (see section 3.3.2).

Participation of people with a disability

The government regards it as very important for everyone in the Netherlands, with a disability or otherwise, to participate in the labour market. One of the goals of the new Participation Act proposed by the government is to enhance participation in the labour market by people with a disability. This act, which has now been approved by parliament, will replace the Work and Social Assistance Act (WWB), the Sheltered Employment Act (Wsw) and part of the Invalidity Insurance (Young Disabled Persons) Act (Wajong) when it enters into effect in 2015. From then on, only disabled young persons who are fully and permanently incapacitated to work are eligible to the Wajong. As from 2015, no new entrants will be admitted to the existing Sheltered Employment Act, from which time municipalities will arrange work for people who are only able to work in a sheltered working environment. Municipalities will be able to place people who do not qualify for sheltered employment and whose productivity is less than the statutory minimum wage with an employer, who will receive a wage cost allowance from the government amounting to the difference between the wage rate set for the employee and the statutory minimum wage, up to a maximum of 70% of the statutory minimum wage. The employer will pay the difference between the statutory minimum wage and the wage under the applicable collective labour agreement (CAO). In addition, there is an assistance and reintegration budget available to compensate certain associated costs, such as job coaching and workplace modifications. Municipalities are given a central role in the implementation of the Participation Act. It is the municipality that is closest to the individual, that knows the regional and local labour market, and that can offer the specially tailored services needed. This is why the municipalities are being given a leading role within the 35 regional work placement companies being set up to place the occupationally impaired with employees.

Arrangements have been made with employers on the number of jobs to be released in the coming years for people with a disability. Employers in the market have pledged to provide 100,000 jobs, with a further 25,000 committed by the government. The jobs commitment will be implemented in increasing increments until 2026 (2024 for the government). These commitments are mandatory, and the government will assess progress annually. If employers fail to deliver the extra jobs, a statutory quota scheme will be triggered. This is being presented in a legislative proposal to be sent to parliament in 2014. The first assessment will be conducted in 2015. By 2015, a total of 6000 extra private sector jobs and 3000 public sector jobs for people with a disability must have been created.

A mobility bonus comparable to that available to older and younger labour market participants will be extended to workers with a disability who are not covered by the Participation Act. An employer hiring a disabled worker will be eligible for a reduction on the premium of €7,000 for a maximum period of three years.

Participation of young people

Although the level of unemployment among young people in the Netherlands, at 11.3% (international definition), is relatively low in European terms, the recent rise in youth unemployment is a concern. The government has opted for a dynamic approach to be implemented jointly with the social partners, municipalities and educational institutions that consists of measures aimed at preventing and tackling youth unemployment.

Along with improving the connection between (vocational) education and the labour market, the government is taking action to further reduce the number of early school leavers (see section 4.4.2). In the academic year 2012/2013, there were 27,950 early school leavers, 8300 fewer than one year earlier. The School Ex programme encourages young people in secondary vocational education to continue studying longer and choose a course with greater relevance for the labour market. The programme places a particular emphasis on promising sectors such as the technical sector. This effort by the government is particularly geared towards young people in more vulnerable positions on the labour market, such as young people with a migrant background.

The government has provided extra funding (€25 million in 2013 and €36 million from the ESF funds in 2014) to address youth unemployment at the regional level. The labour market regions are using these resources to help give very young people work experience or to assist them in their search for work. One-third of the resources intended for the sector plans is being used to combat youth unemployment. The Dutch Ambassador for Tackling Youth Unemployment has been given the task of ensuring that regional and sector approaches strengthen each other. Attention is particularly directed towards vulnerable young people in a vulnerable position on the labour market, such as young people of a migrant background or without a basic qualification.

To make it more attractive for employers to hire young people with benefit entitlements the government introduced a temporary reduction on the premium for employers on 1 January 2014. For a maximum period of two years, employers will be able to deduct €3,500 from the employer contributions if they hire a benefit-entitled young person for at least 32 hours per week for a duration of at least six months.

Participation of women and non-working partners/secondary earners

The participation of women in the Netherlands is among the highest in Europe (71.9%, as compared to 62.3% in the EU-28). Women are thus fully active on the labour market, and there are no substantial impediments preventing women from access to work. At the same time, however, because the majority of Dutch women work part-time, a significant portion of Dutch labour potential is being underutilised, and only 52% of Dutch women are economically independent (as compared to 74% of men) [12].

At the same time several studies [13] have shown that women are largely content with their working hours and the work/life balance that those hours allow. Only 3% of Dutch women refrain from labour market participation or work part time due to a lack of facilities such as childcare, as compared to a European average of 30% [14]. It is also relevant to note that in contrast to some other European countries, part-time work in the Netherlands is generally paid in full proportion to full-time work, and offers comparable secondary employment benefits.

Nonetheless, the government is working to further strengthen the economic independence of women and increase the labour participation of women and non-working partners/secondary earners with a number of measures, one of the most significant being the increase of the employed person's tax credit for lower incomes as described above. The phasing out of the transferable tax credit [15] will only have a marginal effect because a fully individualised tax credit is primarily relevant to the choice of whether or not to enter the labour market. Since participation as such is high, and the vast majority of Dutch women earn an income, they already are in a position to take maximum advantage of the tax credit themselves, transferability to them is no longer relevant; consequently, an acceleration of the phasing out of the transferable tax credit will have little or no effect on the increase in the number of hours worked. The government is therefore maintaining

[12] Netherlands Institute for Social Research and Statistics Netherlands (2012), Emancipation Monitor 2012

[13] See, for example: Eurostat (2013), Labour Force Study: Proportion of underemployed part-time workers up to 21.4% in the EU27 in 2012, which indicates that only 3% of part-time workers in the Netherlands would prefer to work more hours, and SCP (2012), Aanbod van Arbeid, p. 59 et seq.

[14] European Commission (2010), Report on gender equality, p. 40 (source: Eurostat LFS).

[15] From a technical standpoint, the tax credits are not actually transferable, but rather a payment from the general tax credit to the partner with the lower income. However, because the Council's recommendation refers to transferability, for the sake of consistency we adhere to this terminology in this text.

the pace of the phasing out of the transferable tax credit over a period of 15 years initiated in 2009 in line with the recommendations of 2013.

The income-based combination deduction is a tax scheme that does provide an incentive to work more hours. This measure offers the lower-earning partner an additional tax deduction that increases as he or she earns more. This allows the lower-earning partner to receive up to 2,133 euros in extra deductions in 2014.

The government is considering ways to improve labour market effects with measures directed towards facilitating the combination of work and care. There is also an important role for employers and employees, who will have to reach new arrangements on the combination of work with informal care duties in private life, because it will help to prevent stress, absence though illness and exit from the labour process. The government remains in dialogue with social partners on the opportunities it sees in this area. It is also taking steps to adjust the legal framework to the new challenges on the labour market, by working towards more modern leave systems, such as unpaid paternity leave of three days to supplement the existing maternity leave, and expanding the existing schemes for care leave to improve the combination between work and informal care. The cabinet also intends to expand the use of the leave schemes to family relations in the second degree and to other persons in the employee's environment. The current legislative proposal for modernising the systems for leave and working hours already included an expansion for cohabitants.

The government is committed to facilitate the participation of single parents by reforming the system of child-related schemes. The legislative proposal sent to Parliament at the end of 2013 makes it viable once more for single parents (in practice, generally single women) to work after being on social assistance benefit. Previously, the allowances for the costs of children were far higher for single parents on social assistance than for working single parents, and the combination of working and caring for children was insufficiently rewarded, creating a poverty trap for single parents. The new legislation will enter into force in January of 2015.

Reforming labour law and unemployment benefits

The NRP 2013 describes the way the government wants to reduce the distance between permanent and flexible labour, and how unemployment benefits are to be adjusted to facilitate this. With these measures, the government wants to improve labour market effects, put a cap on high dismissal packages and improve the legal position of employees without permanent employment contracts.

The strengthening of the legal position of flexible staff, alongside the simplification of dismissal law and the reform of the unemployment benefit, is set out in the Work and Security legislative proposal which was sent to parliament at the end of November 2013. This legislative proposal was adopted by Parliament on 18 February 2014. It stipulates that the measures for strengthening the position of flexible staff will enter into effect on 1 July 2014. The adjustment of the chain scheme will come into effect one year later. In the new situation, flexible staff will be entitled faster by law to a permanent contract. The rules on successive contracts may be derogated from in collective labour agreements, but only if the use of temporary contracts is necessary because of the nature of the work in that sector.

The new rules governing dismissal will enter into effect on 1 July 2015, as will components of the adjustment of the unemployment benefit, specifically a refinement of the definition of suitable work (the criteria that determine whether someone seeking work must be obliged to accept a given job) and the salary offsetting which is applied from the first day of the unemployment benefit. The reduction of the maximum duration of the publicly funded unemployment benefit will be paid from public funds goes into effect on 1 January 2016, as do the other new clauses of the Unemployment Benefits Act as described in the NRP 2013. With this reform the government not only achieves a structural saving of €1.1 billion, but also generates a structural increase in employment. According to the CPB, the Work and Security Act will ultimately generate 20,000 new full-time jobs[16].

[16] Netherlands Bureau for Economic Policy Analysis (2013), Impact of Work and Security Act on employment ('Gevolgen Wet Werk en Zekerheid voor werkgelegenheid').

4. Progress on Europe 2020 Strategy

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

Table 2: EU headline targets of the Europe 2020 Strategy

	Target for the Netherlands	Result in 2012
Employment • Increase in labour participation from 69% to 75%	80%	76.6%
R&D • Increase in R&D spending from 1.9% to 3% of gdp	2.5%	2.16%
Energy Sustainability and Climate Change • 20% reduction of CO_2 emissions *non-ETS sectors* *ETS sectors*	 -16% not applicable	 -15.2% not applicable
• 20% of energy from renewables • 20% increase in energy efficiency	14% 1.5% per year*	4.5% 1.1% average a year (2004-2012)
Education • Reduction in percentage of early school leavers • Increase in percentage of 30 to 34-year-olds with post-secondary education	< 8% > 40%	8.8% 42.3%
Social Inclusion • At least 20 million fewer people suffering poverty and social exclusion	100,000 fewer *jobless households*	22,000 more than at the start of 2008

** In accordance with the Energy Efficiency Regulation*

4.1. Employment

4.1.1. National target

The government ambition is to increase labour participation and for everyone to contribute as much as possible and to the best of their ability. With regards to the employment target under the Europe 2020 Strategy, the government is aiming for an increase in the gross labour participation rate among 20 to 64-year-olds to 80% in 2020. In 2013, the gross labour participation rate had already reached 76.9% The CPB has calculated that as result of the Coalition Agreement, the labour supply in hours will expand up to and including the year 2017. The measures in the Coalition Agreement will lead to a structural increase in employment of 0.6%.

4.1.2. Policies to achieve the target

The government has launched various legislative and policy programmes to increase labour participation. Reforms in the labour market, including the modernisation of dismissal law and changes to enhance the activating nature of the Unemployment Benefits Act, will improve the functioning of the labour market due to enhanced labour mobility and higher labour participation. Additionally, the government has put forward the Participation Act to boost labour participation and allow individuals to call on their capacities to the maximum possible extent. The Participation Act replaces the Work and Social Assistance Act (WWB), the Sheltered Employment Act (WSW) and part of the Invalidity Insurance (Young Disabled Persons) Act (Wajong). An explanation of this initiative and associated policies aimed at promoting labour participation is provided in section 3.4, in response to the 2013 country-specific recommendation on labour participation.

4.2. Research and Innovation

4.2.1. National targets for the Europe 2020 Strategy

The Netherlands has set itself the target of spending 2.5% of GDP on R&D by 2020. According to the most recent (preliminary) data from Statistics Netherlands the Netherlands spent 2.16% of GDP on R&D in 2012 up from 2.04% in 2011. This increase in R&D expenditure was seen in both the private and public sectors and was considerable, not only as a percentage of GDP; in absolute terms R&D expenditures rose by 6.5%. The Netherlands holds the sixth place on the European Innovation Union Scoreboard.

Table 3 : R&D-expenditures in the Netherlands as % of gdp

	R&D expenditures in private sector	R&D expenditures in private sector	Total R&D expenditures
2011	1.14	0.89	2.03
2012	1.22	0.94	2.16

Source: Statistics Netherlands

4.2.2. Policies to achieve the target

The government continues to pursue close cooperation with the business sector, knowledge institutions and regional and local authorities to stimulate research and innovation. The government's enterprise policy and the Strategic Agenda for Higher Education, Research and Science are its most important policy guidelines.

The table below provides an overview of funding earmarked by the national government for research and innovation in the 2012-2017 period. The figures show a decrease in funding after 2013. In 2012 in 2013 funding stood at historically high levels. The gradual decline that has now set in, will bring back funding towards levels of the pre-crisis years (up to 2008). Relevant components of the Budget Agreements 2014 (of October 2013) have not yet been incorporated into these figures. The government has announced an additional €125 million of structural funding for programmes such as the open competitive programmes of the NWO (Netherlands Organisation for Scientific Research) and the Government's funds for co-financing Horizon 2020 [17].

Table 4: Long-term overview of funds for innovation and research, in millions of euros [18]

	2012	2013	2014	2015	2016	2017
Fundamental research	2,970	2,989	3,017	2,997	2,980	2,979
Applied research	483	437	389	359	339	336
Spending by ministries	1,453	1,481	1,375	1,215	1,084	1,016
Fiscal resources for R&D and innovation	1,494	1,701	1,694	1,725	1,621	1,606
Total	6,400	6,608	6,475	6,295	6,024	5,936

Cooperation between knowledge institutes, the business sector and public authorities

Innovation is stimulated by means of a generic and a specific track. The specific track consists of continuation of the top sector approach, with particular attention in 2014 for a stronger connection to societal challenges and regional activities, expanding opportunities for the business sector and simplification of instruments [19].

The innovation contracts for 2014 and 2015 signed by the figureheads of the top sector approach, heads of knowledge institutions and members of the government, represent a total private-sector commitment of approximately €1 billion annually. Together with public-sector investments of approximately €1 billion per year, this totals approximately to €4 billion of investments in the 2014-2015 period to strengthen the Dutch knowledge economy. The Top Consortiums for Knowledge and Innovation (TKIs) lie at the heart of the public-private partnership focused on knowledge and innovation. Programming research across the entire chain and bringing together the various public-private partnerships are responsibilities that could be transferred to the TKIs of the top sector approach.

The TKI allowance is intended to spur private financing of the public-private partnership within the TKI programmes. Over the coming two years, the top teams will ensure for harmonisation with European research programmes, particularly Horizon 2020. Further, it has been agreed that the TKIs must be flexible and accessible, with particular attention for the SME sector. To stimulate that SME sector's involvement the government has introduced in 2013 the Top Sectors Innovation Incentive for SMEs (MKB Innovatie-stimulering Topsectoren - MIT), which will be continued in 2014. In 2013, already some 1,800 businesses participated in one or more TKIs [20].

[17] Parliamentary Documents 2013-2014, 33 750 VIII, no.

[18] These figures are calculated based on the document 'Total investments in Science and Innovation 2012-2018' from the Rathenau Institute (2014). Since the NRP 2013, the Rathenau Institute has revised its calculation system, and this revision has had an impact on the amount of the resources for fundamental research. Unlike in that document, this table includes an extra 50 million (structural, beginning 2015) for Fundamental research as agreed in the Coalition Agreement 2012. In the table, the Innovation Box (€625 million annually) is included under Fiscal resources.

[19] Parliamentary documents 2013-2014, 32 637, no. 82.

[20] Parliamentary Documents 2013-2014, 32 637, no. 82, appendix 253397.

In addition, the top sector approach is aimed at cutting through innovation-inhibiting regulations and boosting internationalisation, fundraising and the accrual of human capital. In all these areas the national government is working with regional and local authorities. At the regional level, the public sector together with knowledge institutions and private sector partners has formulated the Smart Specialisation Strategies (S3). These strategies identify the regional strengths in the areas of research and innovation by sector, in the top sectors, and across sectors. The government intends to intensify this cooperation, and is doing so in several ways, including by working together with regional parties within the MIT. The Technology Pact will be further implemented in 2014. This is an initiative of schools, businesses, employees, and authorities at national, regional and local levels aimed at increasing the number of technically trained professionals at all levels. In the area of innovation-oriented procurement, public entities at all levels are aiming at increasing impact, promotion of innovative solutions, connecting Dutch parties with European funding and creation of more opportunities for the SME sector.

Within the generic track of the enterprise policy the available instruments are accessible to all innovative enterprises. Instruments like the tax credit for R&D (WBSO), the Research & Development Allowance (RDA) and the Innovation Box tax credit are policy tools specifically created to stimulate private R&D investments. To help small businesses to participate in the arrangement and to help them to expand their business, the government has increased the RDA percentage from 54% to 60% and lowered the rate in the first bracket of the WBSO (from 38% to 35%) and extended this bracket from €200,000 to €250,000. To provide SMEs with access to venture capital, the SME+ Innovation Fund (Innovatiefonds MKB+) has already been established. For 2014, the government has made an additional €75 million for early-phase financing available and has expanded the funding schemes BMKB, GO and Innovation Credit. The government is also investing in the Regional Development Associations (ROMs), including in a new ROM in the province of South Holland.

The Netherlands and the European Research Area (ERA)

The ERA asks for robust and effective research systems in all EU Member States, with competitive research financing through open calls. Although the Netherlands was not given a country-specific recommendation in this area, the government makes an ongoing contribution to the ERA. In 2014, the Netherlands is investigating in the multi-departmental study (Interdepartementaal Beleidsonderzoek, IBO) 'Scientific Research' how to optimally structure the Dutch academic system both now and with a view to the future. Through NWO, the government has provided a stimulus for co-financing participation in European programmes (€36 million for 2014-2017). An important development in the Netherlands and related to the ERA is the vision on open access to publications [21]. In this vision, the government announced it will endeavour to make the full transition to the Open Access Golden Road as of 2024. Furthermore, individual knowledge institutions in the Netherlands continue to make their own contributions to the ERA. The vision on science policy will be sent to parliament before summer 2014, and NWO and KNAW are working on a new strategy. Together with 49 other research financiers and research institutes in 25 countries within Science Europe, the NWO participated in drafting an ERA Roadmap in 2013. This roadmap sets out the specifics of how these parties will contribute to the ERA. In 2013, Dutch universities also indicated they will be making active contributions to ERA initiatives through European partnerships like CESAER (technical universities) and LERU (research-intensive universities), through knowledge exchange on issues such as gender equality and PhD positions. At the end of 2013, LERU presented a Roadmap for open access to research data. To increase the effectiveness and efficiency of publicly funded institutes for applied research, the government published a vision on methods and governance in 2013. The way forward in these areas requires new and more cohesive methods in programming and conducting this research, methods which are more closely tailored to the top sector policy and future challenges. In 2014, TNO will be releasing a new strategic plan, and all applied research institutions will be producing a joint strategic framework before the summer [22].

Monitoring of progress and evaluations

The Ministry of Economic Affairs has established an extensive monitoring system to evaluate the effectiveness of the enterprise policy and progress towards its goals (see, for example, the Enterprise policy monitor: enterprise policy in view 2013). Evaluations of specific instruments as well as numerous individual projects can be found on www.volginnovatie.nl and www.topsectoren.nl. The policy effects on the discretionary room for fundamental research is also the subject of monitoring in 2014 by a committee of the Royal Netherlands Academy of Arts and Sciences (KNAW).

[21] Parliamentary Documents 2013-2014, 31 288, no. 354.

[22] In July 2013, the government sent a vision of applied research to parliament (Parliamentary Documents, 2012-2013, Appendix to parliamentary document 32637, no. 68).

[23] Parliamentary Documents 2013-2014, 32 637, no. 82, appendix 253392.

4.3. Climate Change and Energy Sustainability

4.3.1. National targets for the Europe 2020 Strategy

The government pursues a realistic and ambitious green growth strategy, combining the pursuit of economic growth and greater competitiveness whilst harnessing the environment and capitalising on societal initiatives. On 6 September 2013, under the leadership of the Social and Economic Council of the Netherlands (Sociaal Economische Raad, SER), 40 public and private-sector parties, including employer associations, environmental groups, energy companies and the government, signed the Energy Agreement for Sustainable Growth (hereafter the Energy Agreement). This agreement sets out concrete goals for energy saving and renewable energy. In addition the government released its Climate Agenda on 4 October which includes a multiannual policy framework on resource efficiency and greenhouse gas emissions not covered under the Energy Agreement.

Central to the Europe 2020 Strategy are three, partly European ambitions. First the Netherlands has committed, in an European framework to 20% CO_2 emissions reductions compared to 1990 levels by 2020. This goal is to be achieved in part by the European Emissions Trading System (ETS). On the national level, the government has set a target of 16% CO_2 emissions reductions for sectors that do not fall under the ETS. To ensure that the EU's ambition of reducing CO_2 emissions by 80 to 95% in 2050 remains within reach, the government advocates a CO_2 emissions reductions target of at least 40% (compared against 1990 levels) by 2030. Secondly, the Energy Agreement includes the ambition to save a 100 PetaJoules by 2020. This ambition more than equals the European target. Thirdly, the Netherlands strives to increase the share of renewable energy as a percentage of energy consumption to 14% in 2020, up to 16% in 2023, as stipulated in the Energy Agreement.

4.3.2. Policies to achieve the target

The government is working on the national targets with policies aimed at reducing CO_2 emissions, promoting renewable energy and promoting energy efficiency and resource efficiency. Public sector institutions at other levels have an important role to play here. Implementation takes place particularly at the provincial and local level.

In 2011 greenhouse gas emissions in the Netherlands were approximately 8% below 1990 levels. In 2012 the share of renewable energy stood at 4.5% of gross final energy consumption. This share is set to increase significantly in the coming years. Many projects are currently in the preparatory phase and are foreseen to enter into production within one to three years. Primary energy consumption in the Netherlands has increased from approximately 2,720 PetaJoules (PJ) in 1990 to approximately 3,280 PJ in 2012 – an increase of nearly, on average, 1% per year. If energy efficiency would not have increased as of 1990, energy consumption would have reached 4,173 PJ in 2012. Energy saving has increased at an average rate of 1.1% annually. The government's existing and proposed policies aim to restrict primary energy consumption in 2020 to 2,541 PJ and final energy consumption to 2,183 PJ [24]. These figures do not yet include the measures from the SER Energy Agreement. The implementation of the commitments under this agreement could lead to a further reduction by 2020.

CO_2 reduction

The Netherlands considers the emissions trading system (ETS) as critical in the long-term development towards a sustainable energy supply. The objectives of the ETS will, by definition, be achieved as result of a falling emissions ceiling. The government, however, believes that the ETS should be strengthened, thereby taking into account the position of internationally competitive companies. For companies outside the ETS sectors, a package of policy measures under the Energy Agreement is expected to ensure that non-ETS sectors in the Netherlands will also meet the target of -16% by 2020. It was agreed under the SER Energy Agreement that, contingent on approval by the Authority for Consumers and Markets (ACM), the five oldest coal power plants (dating from the 1980s) would be decommissioned by 2017, and that the input exemption in the coal tax for power plants would be reintroduced as from 1 January 2016. Because the ACM did not grant this approval, the status of these initiatives is currently unclear.

[24] Gross energy use is made up of the total end consumption by end users, including households and industry. Primary energy consumption is the gross domestic consumption minus non-energy consumption of fuel. The assumptions underlying this assessment are GDP growth of 1.7% in 2010, 1.2% in 2011, -0.75% in 2012 and 1.25% in 2013. This follows the forecasts of the CPB. For the years 2014-2020, we assume economic growth of 1.5% in the first two years and GDP growth of 1.7% thereafter, allowing for uncertainty of 0.75%.

Renewable Energy
The subsidy scheme Promotion of Sustainable Energy+ (SDE+) scheme entails a €900 million stimulus package at its 2013 level, and is to be increased to €3 billion by 2020 and €3.2 billion by 2023. An important component of this scheme is that 4,450 MW of 'wind-on-sea' projects will be operational as of 2023. The current total stands at approximately 1,000 MW. Another aspect is that co-firing of biomass fuels in coal power plants is to be limited to 25 PJ by 2020.

There will also be opportunities to allow for citizens' initiatives to generate renewable energy locally and at decentralised level. Since 1 January 2014 a reduced rate in the energy tax system applies to these initiatives. There is an important role for provincial and municipal authorities in making proposed projects for local and regional energy generation from renewable sources happen. It is at this level of municipalities and provinces that potential resistance from society (particularly in the case of wind projects) has to be overcome, and it is at the national or local level that parties are faced with impediments in existing regulations. Finally, the Netherlands is living up to its obligation to ensure that at least 10% of final energy consumption in the transport sector comes from renewable sources. To this end inter alia bio fuels are used.

Energy efficiency
Energy conservation is a priority of the government. In accordance with the Energy Agreement, the Netherlands promotes energy efficiency through various measures. These measures promote energy conservation in the built environment, industry, agriculture, the services and transport sectors. Local authorities are increasingly making use of the options under the Environmental Management Act to promote sustainable (energy-neutral) construction and energy efficiency in industry.

The Netherlands is stimulating investments in energy-efficient business assets in several ways, such as the energy investment allowance (EIA) and the revolving fund for energy conservation in the built environment, which will create an investment pool up to €740 million. This fund will make it easier for both homeowners and renters to finance energy saving measures. A total of four hundred million euros is made available for landlords in the social housing sector to make energy-saving improvements to their properties. Further, the legal and non-legal requirements in this area are made stricter, and an expertise centre is being established to support and identify cost-effective energy saving measures for the built environment, the agro sectors and industry. Another policy goal is utilisation of residual heat, in particular by means of an improved CO2 sector system for the greenhouse growing sector, which takes effect as of 1 January 2015. Private sector partners have also signed the government's long-term Energy Conservation Pact 2008-2020, under which signatories must improve their energy efficiency by 30% compared to 2005 levels by 2020.

These measures will primarily have to be implemented at the local level, and local authorities will have to develop additional instruments tailored to the specific local conditions to do so. These will have to focus on market failures, communication and marketing strategies aimed at property owners and users and, finally, process optimisation with regards to implementation of energy conservation measures.

The Netherlands considers it important not only to look at increasing energy efficiency, but also to the use of natural resources in general. The government aims to create a circular economy, and it wants to stimulate the European market for sustainable raw materials and recycling of finite resources. Partly in the context of the flagship initiative 'A Resource Efficient Europe', the Netherlands has already introduced a wide range of measures to promote resource efficiency. For example, efforts are made to increase the sustainability of production chains by adopting a successful chain approach for materials (phosphate, paper, textiles). The recycling rate has increased to 83% by improving the separate collection of waste, partly enabled by means of Green Deals. The government also pursues a sustainable procurement policy. It has established high percentages for the procurement of sustainable products and has launched a joint programme with the business sector to find novel ways of sustainable procurement that encourage innovation. Finally, the Dutch government promotes and facilitates Corporate Social Responsibility.

4.4. Education

4.4.1. National targets for the Europe 2020 Strategy
The Netherlands wants to belong to one of the top five nations in the world in the field of education. The target the Netherlands has set is that by 2020 no more than 8% of young people between the ages of 18 and 24 leaves school without a basic qualification. The proportion of early school leavers has already been sharply reduced from 15.5% in 2002 to 8.8% in 2012. The number of people completing higher education in the Netherlands already

exceeds the Europe 2020 target of at least 40% in 2020. In 2012, this percentage stood at 42.3%.

The government will continue to implement policies to further improve the quality of education. The government is encouraged by the results of two recent OECD studies showing that the Netherlands is doing well in comparison. The PISA report of December 2013 reveals that the absolute scores remain approximately equal compared to the 2009 PISA report, but that the Netherlands' position relative to other countries has improved. In addition, the Netherlands finds itself among the top 10 'all-rounders': students who score well in mathematics, reading skills and natural sciences. Likewise, the PIAAC report published in October 2013 indicates that the Netherlands scores very well.

4.4.2. Policies to achieve the targets

The Netherlands pursues a policy designed to enhance the knowledge and expertise of teachers, strengthen core subjects, increase the number of teaching hours, increase the focus on the acquisition of knowledge and skills, provide special facilities to excellent pupils and students, improve students' choice of courses and enhance the transparency of educational performance. With these goals in mind, the government and the social partners signed the National Education Agreement [25] on 19 September 2013. It includes commitments on areas such as improving cooperation between educational sectors and making the teaching profession more attractive.

The Netherlands invests extra in education. In 2013, the government added €650 million to the schools' lump sum contribution. For 2015 and on, this will be €600 million for education and research. The extra funding is intended to be used in areas such as more and better activities in the classroom, preventing students to repeat classes, appropriate teaching, and hands on teaching and technical education in vocational education [26]. These measures are additional to those in the National Education Agreement.

Percentage individuals receiving higher education, increasing accessibility and quality

Since the year 2000, the proportion of 30 to 34-year-olds with higher education has risen from 26.5% to 42.3% in 2012 – an increase that has been achieved through organic growth and by encouraging students to complete their studies more quickly. Examples of the latter include better assistance with choice of study and formulating more detailed entry requirements for students in vocational education wishing to advance to higher professional education. Selection within a number of bachelor's or master's programmes (with fixed enrolment numbers or a specific educational concept) could also help students finish faster. Performance agreements have been made with all funded universities of applied sciences and academic universities on improving quality and student success rates, promoting institutional profiling and greater differentiation of teaching programs, and strengthening valorisation. On an experimental basis, performance-based funding has been linked to the performance commitments and results.

As indicated in the NRP 2013, the government intends to introduce a social lending system for new students starting with the academic year 2015/2016. On 11 December 2013, the Minister of Education, Culture & Science reached an agreement with parliament to postpone the legislative proposal and to inform parliament about a new proposal for the introduction of the social loan system before summer. This proposal will be embedded within an overall vision on higher education provision. The public transportation card for students will also be taken into account in this vision.

In 2013 the government and partners in the education and private sectors issued the 'Make it in the Netherlands' action plan for higher education. It contains measures directed towards recruiting, binding and integrating foreign students, particularly in sectors faced with a high demand for employees, such as certain technical sectors. Before the summer of 2014 a long-term vision of internationalisation in vocational education, higher vocational education and university education will be sent to parliament.

Early school leavers

Since 2005, the Netherlands has made intensive efforts to reduce the number of early school leavers. It has opted for an integrated, result-driven approach at the regional level. The Dutch approach for reducing the school drop-out rate is primarily aimed at prevention and focuses on the 12-to-23 age group: preventing young people from leaving school without any basic qualifications. The approach with performance agreements, a focus on grades and an active absenteeism policy is working. This approach ultimately leads to a significant reduction in the number of 18-to-24-year-olds not

[25] Parliamentary Documents 2013-2014, 33 750 VIII, no. 8, appendix 252747.

[26] Parliamentary Documents 2013-2014, 33 750 VIII, no. 95.

[27] Parliamentary Documents 2013-2014, 22 452, no. 35, appendix 270016.

staying in school and, as a result, failing to obtain a basic qualification.

The current policy will be continued in 2014, with extra efforts being devoted to the following priorities:

1. For academic year 2014/2015, an extra €2 million will be invested in the supervision of drop-outs and students aged 18 and 19 at risk of dropping out.
2. A pilot study, 'Early school leavers and the labour market', is tracking young people who left school in the 2011/2012 academic year without a basic qualification and investigating where they have ended up: back in education, in employment, or neither. In some regions, where these early school leavers have found work their employers are being asked to allow these young people to return to school for at least one day a week to allow them to obtain their basic qualification.

Vocational education
The action plan *Focus on Professionalism 2011-2015* [28] has established new foundations for secondary vocational education to improve the quality in this sector. The implementation of this plan is at full speed. At the end of 2013 the basis was established for quality agreements with secondary vocational education institutions in the areas of professionalization, academic success and practical training. These commitments are designed to support the goal of high-quality, challenging education. They are backed by a commitment of €250 million conditional on the concerned institutions and social partners further developing and adopting the agreements stipulated in the National Education Agreement. The measures announced in 2013 on facilitating work-study positions and creating qualification files have now gone into effect [29]. The restructuring of qualification files could contribute to better-structured curricula.

[28] Parliamentary documents 2013-2014, 31 524, no. 88.

[29] Qualification files describe the skills secondary vocational education students must have at the end of their education. Representatives of employers, employees and the educational sector determine for fields at the secondary vocational education level what the field involves, what its core tasks and working processes are and what a person must be able to do in order to operate as a starting professional in that field. The qualification files are approved by the Minister of Education, Culture & Science. This means that the qualification requirements for earning the secondary vocational education diploma are determined at the national level.

On 1 January 2014, the tax credits employers receive for providing work experience places was replaced by a more targeted subsidy scheme. The statutory duties of the current 17 sector-based Centres of Expertise for Vocational Education and Business are largely to be transferred to the Foundation for Cooperation in Vocational Education, Training and the Labour Market (SBB). This foundation will be tasked with creating the qualification files and accrediting the companies offering learning on the job positions. Further steps have also been taken in connection with the European alliance for work experience places and such places under the Technology Pact [30]. One of these measures constitutes an investment fund for public private educational partnerships in the regions in which the national government invests €100 million, to be followed by at least €200 million from employers and regional authorities.

4.5. Fighting Poverty and Social Exclusion

The Netherlands, compared to other EU Member States, has a relative good position when it comes to the number of people facing the risk of poverty and social exclusion. Nonetheless, there are concerns about poverty in the Netherlands. Particularly the increase in poverty among children merits special attention.
In 2012, the Netherlands together with the Czech Republic are member states where the risk of poverty and social exclusion are the smallest. According to the national definitions of poverty, the risk of poverty rose in 2012, but the Social and Cultural Planning Bureau (SCP) and Statistics Netherlands both expect this growth to level as of 2013 (Poverty Survey 2013). Within the EU, only Slovenia and the Czech Republic have a smaller net income disparity between the richest 20% and the poorest 20% of the population; in 2012 this figure for the Netherlands was 3.6 times (EU average: 5.1 times). Together with Latvia, Germany, Lithuania and Romania, the Netherlands is among the top five countries with the biggest drop in income inequality between 2008 and 2012 (-10%).

[30] The Technology Pact was signed on 13 May 2013 by public and private educational institutions, employers, employees, top sectors, students, the national government and regional authorities. These parties signed the Technology Pact to jointly implement specific and accountable actions to increase the number of technical personnel and improve the educational sector's connection with the labour market. The Technology Pact has a focus on primary education, secondary education, vocational education and higher education as well as the labour market for technical personnel. See also http://www.techniekpact.nl/over.

4.5.1. National target for the Europe 2020 strategy

The government has set itself the target of reducing the number of persons (aged 0 to 64) in a jobless household by 100,000 people in 2020 [31]. On the basis of the indicator used in the EU 2020-poverty target, the situation appears to be stabilising. In 2012, the percentage of residents in a jobless household (by the European definition) remained unchanged; as in 2011 it is at 8.7% [32]. According to the national target, however, (which is based on persons up to the age of 64, rather than 59 as in the European target), we see a slight decrease from 2011 to 2012. This decrease can be primarily contributed to the fact that people are working longer; the decrease is greatest among the group aged 60 to 64.

Table 5 : People in jobless households in NL

	2008	2009	2010	2011	2012
People in jobless households in NL (0-64) x1000	1,613	1,641	1,595	1,678	1,635

4.5.2. Policies to achieve the target

The government is of the opinion that work is the best way out of poverty. The creed being that work must pay. Consequently, the government is taking steps to reduce the poverty trap, such as the adjustments in the working persons' tax credits. The adjustments will be significantly increased for the low incomes. This will be done incrementally during this cabinet period. Phasing out the working persons' tax credits for higher incomes, requires an additional contribution from those higher incomes. As described in section 2.1, there are signs of a cautious economic recovery, but this does not follow through in a declining unemployment. Also with regard to the poverty target, the government must implement a number of measures in order to have more people actively involved in society. These must be directed towards promoting access to the labour market and to ensure an adequate minimum income (as described in the NRP 2013), as well as for the purpose of access to good assistance, including for risk groups. The policy to promote labour participation as described in section 3.2.2 will help reduce the number of households whereby each adult works less than eight hours per week. As described in section 3.4.2, the cabinet expects that the agreements made in the Social Accord will make employees with few hours of employment and temporary jobs eligible for permanent employment at a faster rate. This will give a positive contribution to the poverty target. The National Social Report (NSR) outlines a broader picture of the fight against poverty based on the three pillars of the EU Active Inclusion Strategy.

In 2012, 11.8% of all children (391,000) were living in low-income households. This may be considered low compared to the beginning of this century (when that number was nearly 490,000 children), but it is 47,000 more children than in 2011. By improving the financial position of single-parent families, in particular, poverty among children can be addressed. For this group, starting work after being on benefits has been made financially viable thanks to the reform of the child benefit schemes. The government has also provided extra funding for fighting poverty and debt. Special attention is not only given to children in poor families, but also to the working poor and the elderly with a small pension. The government's poverty and debt policy has had an intensification of 20 million euro in 2013. In 2014, this will be 80 million euro, and from 2015 on this will be a structural amount of 100 million euro. The bulk of this funding will be made available to municipalities. Municipalities are closest to the individuals, and have a better capability of understanding the local issues and to take appropriate steps in response to them. Based on this broad shared vision, the government has launched initiatives to decentralise measures concerning the care sector, young people and employment. The extra poverty resources can be used for additional income support in the form of special benefits (essential costs which individuals cannot pay for themselves). This can help the most vulnerable groups. The State Secretary of Social Affairs and Employment has called upon municipalities to devote special attention to applying this funding to the participation of children in poor families, preferably with an integrated approach. Debt prevention has also been identified as a specific point of attention [33]. To best enable municipalities to do this, the government will focus more on broad-based approaches, disseminating good practices and stimulating knowledge-sharing and cooperation. Promoting the cooperation between the private sector and food banks is an example of the joint efforts of the State Secretaries of Economic Affairs and Social Affairs and Employment. Good local examples can be found on the sites www.effectiefarmoedebeleid.nl and www.effectieveschuldhulp.nl. Some of the additional funding of the poverty policy is being used for Sports Boost and the Youth Sporting Fund. Funding will also be provided to other local organisations that promote the social participation of poor children, to help them be a good partner to municipalities.

[31] Results from assessment years 2008 to 2018. The ages on which the national definition is based are 0 to 64. The European definition is based on ages 0 to 59.

[32] According to data from Eurostat, which includes groups such as students.

[33] The priorities in this policy are addressed in more detail in the National Social Report 2014.

5. Structural Funds and the Europe 2020 Strategy

The effective use of the European Structural and Investment Funds (ESI Funds) contributes to achieving Dutch policy goals, including those related to the Europe 2020 Strategy. Four ESI Funds contribute to meeting the European targets regarding employment, research and innovation, sustainable energy and climate change, and social inclusion. These are the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF). In the 2014-2020 period, there is approximately €2 billion in European funding available for the Netherlands for the seven national and regional operational programmes of these funds [34].

The programmes are focussed on a limited number of thematic objectives, partly due to the limited and reduced budget. These objectives are related to the challenges facing Europe, which assures they contribute to the Europe 2020 Strategy. Innovation, labour participation and social inclusion, and an environmentally friendly, resource-efficient economy are the overriding funding priorities. Through the partnership agreements, the funds also actively contribute to promoting synergy and cohesion between the programmes.

The ERDF funds will be devoted primarily to the innovation and low carbon economy themes. Reaching out to the SME sector is of particular importance. With a focus on innovation, the four regional operational programmes contribute to the national policy for the top sectors and improved conditions for innovation. The programmes seek to establish a better connection between education and the labour market (particularly in reference to technically trained employees), promoting application-based knowledge, better and more innovation-oriented cooperation between businesses, knowledge institutions and the public sector and valorisation. In addition, the ERDF also promotes energy efficiency and stimulating research and innovation on low-CO2 technologies and innovative applications of new products, concepts and services.

[34] The available budget for the EFF is not yet known.

The new programmes under the European Territorial Cooperation (ETC) are, to a large degree, focused on the same thematic objectives, so they not only contribute to the Europe 2020 Strategy but also ensure maximum synergy with national instruments. Alongside innovation and the low-carbon economy, other priorities include promotion of efficient use of natural resources, adaptation to climate change, promotion of cross-border employment and strengthening the competitiveness of the SME sector.

The ESF contributes to increased participation by, on the one hand, incorporating unutilised labour potential into the labour process through active reintegration programmes and on the other hand by preventing premature departure from the labour force and providing incentives to remain active for a longer period. ESF funding can also be used for employment support, work placements for students in special needs education and for students receiving practical education and unable to obtain a basic qualification. This focus on active inclusion also makes a contribution to achieving the poverty target. Finally, in cooperation with the operational programme ERDF 2014-2020 West Netherlands, the Integrated Territorial Investments are used to improve access to employment in the Netherlands' four largest cities.

With the EAFRD, the Netherlands wants to contribute to a competitive, innovative, sustainable and future-proof agricultural sector. To this end, the Rural Development Programme (POP3) focuses on enhanced innovation, sustainability and competitiveness, and includes extra support for young farmers. To do so, the fund supports knowledge transfer and partnerships, backs market introductions of high-risk innovations and provides a general extreme weather insurance, and invests in modernisation and sustainability of agribusinesses and agricultural structural enhancement. POP3 supports a competitive, innovative, sustainable and future-proof agricultural sector primarily by contributing to efforts related to themes such as nature, water, climate, energy, environment, animal welfare and spatial planning. In this way POP3 also contributes to the European targets under the Habitats Directive and Bird Directive, the Nitrates Directive and the European Water Framework Directive.

According to the current timeline, the partnership agreement and the operational programmes for ERDF, ESF and EAFRD for the 2014-2020 period will be submitted to the European Commission in the first quarter of 2014. The operational programme for EMFF is expected to follow later due to the delay in the adoption of the EMFF regulation by the Council and the European Parliament.

6. Involvement of Stakeholders

Enacting the Europe 2020 Strategy and implementing the country-specific recommendations, both of which are reported on in this National Reform Programme, require a commitment not only from the central government. Social partners, local authorities and non-governmental institutions also play an important role in designing and implementing policy. As in previous years, these stakeholders have been consulted in the process of drafting this National Reform Programme. Nonetheless, the content and presentation of this document remains the responsibility of the government.

Before this NRP was drafted, a kick-off meeting was held. It provided representatives from ministries, social partners and local authorities the opportunity to discuss the themes as discussed in the NRP. Subsequently, at the beginning of February the local authorities presented their priorities with regards to this NRP. They have also been consulted later in the process via the VNG and the G32. The Labour Foundation, in which employer organisations and trade unions are represented, have also been consulted. Finally, stakeholders in a number of specific areas have been consulted. On poverty and social exclusion these were the European Anti-poverty Network Netherlands (EAPN) and the Social Alliance (a partnership of approximately 60 organisations working to fight poverty and social exclusion). Additional discussions were also held with the Association of Universities in the Netherlands (VSNU) and the NWO with regards to the European Research Area.

The government recognises the great importance of broad support for the Dutch position in the European Semester. It informs and debates on a regular basis with parliament on the various stages and steps within the Semester. After the publication of the most recent country-specific recommendations at the end of May 2013, parliament was informed of the government's position on the recommendations as issued. Following on from the publication of the Annual Growth Survey and the Alert Mechanism Report in November 2013, which launched the European Semester 2014, parliament was also informed of the government's vision of these analyses. Parliament has had opportunities to debate the content of these analyses prior to various Council meetings.

This National Reform Programme was submitted to parliament before it was sent to the European Commission. This allowed for first debating the measures and reforms at the national level. It is customary that the Minister of Economic Affairs has a debate on the NRP in parliament. Last year the National Reform Programme and the Stability Programme were also discussed in the Senate for the first time with the Ministers of Economic Affairs and Finance.

As usual, parliament will be informed about the Commission's country-specific recommendations for the Netherlands which the Commission will propose for the Netherlands as part of the European Semester 2014. Customarily, parliament can debate on the Dutch position with regard to these recommendations during the debates in preparation of the Council meetings at which the recommendations are discussed, these being the Employment Council and the Economic and Financial Affairs Council, and during the preparations for the European Council of 26 and 27 June 2014.

Appendix

Table 1 : Description of the measures taken and information on their qualitative impact

			Information on planned and already enacted measures								**Foreseen impacts**
CSR number	**CSR sub-category**	**Number and short title of the measure**	**Description of main measures of direct relevance to address the CSRs**					**Europe 2020 targets**	**Challenge/ risks**	**Budgetary implications**	**Qualitative elements**
			Main policy objectives and relevance for CSR	Description of the measure	Legal Administra-tive instruments	Timetable on progress achieved in the last 12 months	Timetable on upcoming steps	Estimated contribution to Europe 2020 targets	Specific challenges/ risks in mplemen-ting the measures	Overall and yearly change in government revenue and expenditure (repor-ted in mln. National currency) Contribution EU funds (source and amounts)	Qualitative description of foreseen impacts and their timing
CSR 1 Government finances	a) Correct the excessive budget deficit sustaina-bly by 2014.	1) Six billion euro package.	Reducing the budget deficit.	An additional package of consolidation measures that will improve the balance structurally by €6 billion (1% GDP) starting from 2014.	Budget act.	Budget year begins on 1 January 2014.	Not applicable.	Not applicable.	Not applicable.	Improvement of the EMU balance by €6 billion.	The EMU balance for 2014 is expected to come out at -2.9% thus ending the excessive budget deficit. The budget over 2013 will also be expected to come out under 3% due to better than anticipated economic growth.
	b) Expendi-ture of direct relevance to growth are spared.	Investment in education and innovation.	Promote long-term economic growth.	Despite consoli-dation measures, annually an additional €600 million (0.1% GDP) is earmarked for education quality and innovation.	Budget act.	Budget year begins on 1 January 2014.	Not applicable.	Not applicable.	Not applicable.	This measure will cost €600 million annually, but is already included in the six billion euro package..	This extra investment is intended to contribute to a high level of education of the population and an innovative economy.

	c) Structural adjust-ments to achieve the MTO in 2015.	Six billion euro package and other agree-ments.	Strengthen government finances in medium-term.	Since the coalition agreement of 2010, additional consolidation measures have been taken at various moments to improve the balance by a total of €51 billion (8% of GDP).	Budget act.	According to current forecasts, the EMU balance will improve from -4.1% in 2012 to -2.9% of GDP in 2013.	This is expected to put the structural balance in 2015 at -0.8%, close to the MTO.	Not applicable.	Not applicable.	Total consolidation between 2012 and 2017 is €51 billion, or an improvement in the balance of 8% of GDP.	These measures contribute to the sustainability of the government debt.

Country-specific recommendation 2: Housing market reform

CSR 2 **Housing market**	a) Limita-tion of high debt and related financial risks on the owner-occupied housing market.	1) Linking right to mortage interest tax deduction to redemption of mortgage debt.	Tax incentive for redemption of mortgage debt.	Linking right to mortgage interest tax deduction to at least annuity-based redemption schedule for new mortgages.	Revision of Fiscal Treat ment of Owner Occupied Homes Act	In effect from 1 January 2013.	Not applicable.	Not applicable.	Not applicable.	Structural revenue: €5.2 billion This revenue will only be realised in 30 years' time. From that moment on there will only be loans that fall under the new arrangements. Beginning in 2018, the revenue generated (together with the revenue from the lowering of the LTV) are to be returned by reduced wage taxes and income tax rates in the second, third and fourth brackets and an extension of the third bracket (€5.1 billion).	On the owner-occupied market, the government is taking action to limit high debt and the attendant financial risks for households and banks. This will contribute to a better-functioning and more balanced housing market with fewer financial risks.
		2) Lowering maximum deduction rate.	For both new and existing cases, the maximum deduction rate will be gradually reduced from 52% to 38%.	Annual linear reduction of maximum entitlement to mortgage interest deduction rate by 0.5 percentage points to a maximum of 38%.	Housing Market Measures Act 2014 II.	The first step, from 52% to 51.5%, was taken on 1 January 2014.	The rate will be erduced in 27 annual steps of 0.5 percentage points from 51.5% to 38%.	Not applicable.	Not applicable.	Structural revenue: €0.8 billion (over approx. 30 years) The budgetary revenue will be fully returned by reduced wage taxes and income tax rates.	

		3) Lowering of the maximum loan-to-value ratio (LTV).	Reduction of the LTV from 106% in 2012 to 100% in 2018.	Annual linear reduction of maximum LTV from 106% to 100%.	Financial Supervision Act (Conduct supervision of financial institutions decree).	Starting 2013, by one percentage point per year. As of 1 January 2014, the maximum LTV is 104%.	In four annual steps of 1%-point to a maximum LTV of 100% in 2018. In the event of robust recovery on the housing market, potentially further reduction of LTV.	Not applicable.	Not applicable.	Structural revenue: €0.8 billion (over approx. 30 years) The budgetary revenue will be fully returned by reduced wage taxes and income tax rates.	
		4) Limited eligibility for National Mortgage Guarantee (NHG).	The focus of the NHG will be linked again to the average house price.	The upper limit of NHG will be reduced to €225,000 as from 1 July 2016. Thereafter, the NHG will be linked again to the average house price.	Not applicable.	On 1 July 2013, the upper lmit was reduced to €290,000.	As of 1 July 2014, the upper limit will be reduced to €265,000. On 1 July 2015 this will be lowered to €245,000, and as of 1 July 2016 to €225,000. Thereafter, the NHG will be linked again to the average house price.	Not applicable.	Not applicable.	Not applicable.	
		5) Introduc-tion of a policy excess of 10% for providers of NHG-backed loans.	A policy excess for lenders will contribute to giving the right incentives for loan providers to exercise prudence in granting credit	For new NHG loans, the lender will carry an own risk of 10% of the loss guarantee	Not applicable.	As of 1 January 2014	Not applicable	Not applicable.	Not applicable.	Not applicable.	
	b) Promo-ting mobility in owner-occupied housing market.	1) Reduction of transfer tax.	Improving mobility on the housing market by lowering transaction costs.	Permanent reduction of transfer tax from 6% to 2%.	Legal Transactions Taxation Act.	Temporary reduction as of 1 July 2011, permanent reduction as of 1 July 2012.	No further steps expected.	Not applicable.	Not applicable.	Structural expenses: €1.5 billion.	This will make it financially easier to move up in the housing market by lowering transaction costs and removing barriers (by limiting transfer tax, deductibility of interest on residual debt, increasing gift entitlement).

		2) Tax deductibility of interest on residual debt.	Reduction of burden of residual debt as barrier to moving.	Interest on residual debt will be tax-deductible for a maximum period of ten years.	Wages and Salaries Tax Act 2001.	The deduction applies to residual debt arising on or after 29 October 2012 and before 31 December 2017.	Temporary measure.	Not applicable.	Not applicable.	Expenses accrue from €10 million in 2013 to €50 million in 2017.	
		3) Cofinancing residual debt under NHG-backed mortgage.	Reduction of burden of residual debt as barrier to moving.	Under strict conditions, residual debt can be cofinanced in a new NHG-backed mortgage.	Not applicable.	Starting 1 January 2014.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	
		4) Increase of upper limit of tax-free gifts dedicated towards an occupied home.	Redemption of an mortgage on owner-occupied home or purchase of financed home with less debt.	The upper limitfor tax-free gifts is raised to €100,000 if spent on an owner-occupied home (including redemption of residual debt). The restriction of gifts from parent to child is also eliminated.	Inheritance Tax Act.	Starting 1 October 2013, ending 1 January 2015.	Temporary measure until 1 January 2015.	Not applicable.	Not applicable.	Expenses: €20 million in 2013 and €80 million in 2014.	

	c) Impro-ving functio-ning of the rental sector and the allocation of social housing sector.	1) Bringing rent in social housing sector more in line with income.	Increasing rents based on income as an incentive for people with higher income to move into private market.	Landlords may increase rents above inflation by an amount of 1.5%, 2.0% or 4.0% depending on income of tenant. A portion of the extra revenues will be returned by a gradually increasing levy for landlords.	Dutch Civil Code, Rental prices of living space implementing act, Housing Markets Measures Act 2014 II.	As of 1 July 2013	The landlord levy will be evaluated after two years.	Not applicable.	Not applicable.	The revenue from the landlord levy will increase to €1.7 billion in 2017. To offset the potential extra rent increase of 1.5% above inflation, an extra budget for housing benefits will be made available to the target group, to total €420 million in 2017.	Basing rents more on the attractiveness of the property and the financial capacity of the tenant will increase the incentive for finding a good match between tenant and property (in the private or social sector).
		2) Determi-ning maximum rent more on attractiven-ess of property.	Linking rent prices to the attractiven-ess of the property will be more in line with the price mechanism of the private sector, leading to more realistic rent prices and incentives for higher incomes to move up to the private rental market.	The housing valuation system for determining the maximum rent will be simplified and is to be based for 25% on the attractiveness of the property (as assessed under the Valuation of Immovable Property Act (WOZ)). Lower incomes will be compensated with a higher housing benefit.	Rental prices of living space implementing act.	Not applicable.	Target date is 1 July 2014.	Not applicable.	Not applicable.	Not applicable.	

	d) Promo-ting the functio-ning of the private rental sector.	1) Segregating SGEI and non-SGEI activities of housing associati-ons.	Placing non-SGEI activities of housing associations in an administratively separate unit they have to operate under market-standard conditions to exploit (restricted) non-SGEI activities will improve the more level playing field in the mid-rental market.	Legislation designed to oblige housing associati-ons to separate their SGEI and non-SGEI activities is in preparation. Non-SGEI activities must be financed at market-standard conditions. Upon administrative separation, the association will fall under an intensified supervision system and its permitted non-SGEI activities will be more restricted.	Amendment law on the recognition of public housing institutions and amendment proposal.	Not applicable.	Legislation is in preparation. The aim is to have the new Housing Act enter into effect on 1 January 2015.	Not applicable.	Not applicable.	Not applicable.	Placing non-SGEI activities of housing associations in an administratively separate unit operating under market-standard conditions will improve the level playing field in the mid-rental market.
		2) Relaxation of rules of sale for housing associati-ons.	Relaxation of these regulations will create more room to make homes available through sale to third parties on the private housing market.	This will make it easier for housing associations to sell complex-based units to third parties. This refers specifically to liberalised and potentially to-be-liberalised rental units.	Sale of housing association units circular (MG 2013-02), element of the Manage-ment of the Subsidised Rented Sector (Manage-ment) Decree (BBSH).	As of 1 October 2013	Not applicable.	Not applicable.	Not applicable.	Not applicable.	

Country-specific recommendation 3: Response to demographic ageing

CSR 3 **Response to demograp-hic ageing**	a) Adjust-ment of second-pillar pensions.	1) Adjustment of regulations on second-pillar pension, in line with previous adjustment of first-pillar pension.	Reform of second-pillar pension for purposes of balanced distribution of intra/intergenerational costs and risks. After adjustment of age threshold of the first-pillar pension (General Old Age Pension) to 67, corresponding adjustment of pension age of second-pillar pension to 67.	After adjustment of age threshold of the first-pillar pension (General Old Age Pension) to 67, corresponding adjustment of pension age of second-pillar pension to 67.	Act approving increase of the General Old Age Pension Act retirement age.	Act sent to parliament on 27 July 2012, accepted on 15 November 2012.	Enters into effect on 1 January 2014.	The increase of the age threshold for second-pillar pension is expected to have a positive effect on labour participation.	Not applicable.	Not applicable.	Not applicable.
		2) Lowering of tax-incenti-vised accrual percentage for second-pillar pension.	Restriction of the tax facility for the accrual percentage limits future government expenses and is in line with the previous increase of the general old age pension retirement age.	The maximum tax-incentivised accrual percentage for the second-pillar pension will be lowered in 2014 from 2.25% to 2.15%, and in 2015 to 1.875%.	Act lowering maximum accrual and premium percentages for pension and maximising pension-earning income. Amendment of the Act lowering maximum accrual and premium percentages for pension and maximising pension-earning income and the Tax Plan 2014.	Legislative proposal was sent to parliament on 15 April 2013 and discussed by parliament in the first half of 2013. The amendment proposal following the Pension Accord was submitted on 20 January 2014.	As from 1 January 2014, lowering from 2.25% to 2.15%. In 2015, further lowering to 1.875%.	Not applicable.	Pension funds have until 2015 to adjust their schemes and processes to the new tax frame-work.	The lowering of the tax-incentivised accrual percentage for the second-pillar pension limits government expenses, thereby contributing to the sustainability of government finances.	

	b) Policy-suppor-ting measures intended to increase employa-bility of older employ-ees, to supple-ment increase of retire-ment age.	1) A package of financial and tax measures oriented towards promoting labour participa-tion of older employees.	Stimulating older employees to remain active on the labour market increases the effective retirement age.	Continuation of mobility bonus (reduction of social premiums for employers up to max. €7000). Facilitate continuation of working after retirement age. See also section 3.3.2.	Social Insurance (Funding) Act. Currently being prepared at the official level.	Mobility bonus introduced in 2013. Currently being prepared at the official level.	Not yet known.	This package of measures is expected to have a positive effect on the labour participation target under the EU 2020 strategy. Average effective retirement age has already been increased to 63.9.	Not applicable.	In 2014, the budgetary scope of the mobility bonus is €0.3 billion.	Not applicable.
		2) Increase of sustainable employa-bility of employees.	Encouraging employers and employees to focus on sustainable employability will increase the employability of the employee.	Organising events, seminars, conferences, information campaigns, providing information.	Not applicable.	Not applicable.	Not applicable.	The activities in this area are expected to contribute to meeting the EU 2020 target for labour participa-tion.	Not applicable.	Not applicable.	

	c) Reform of long-term health care.	Introduc-tion of the Long Term Care Act and Youth Act, and adjustment of the Social Support Act and Health Insurance Act.	More tailor-made care, delivered closer to home, and a sliding scale of care and support, that starts with the individual's own environment, local support by municipalities and community nurses, ending with a public safety net for severe care cases, should result in structural cost savings.	Place components of extramural care within the Social Support Act as of 2015. Shift activities of a curative nature from the Exceptional Medical Expenses Act to the Health Insurance Act. The remaining intensive care will be covered by the Long Term Care Act, and the current systems for home care and financial support for sufferers of chronic illnesses and the disabled will be adjusted. (for details, see section 3.3)	Long Term Care Act, Social Support Act, Youth Act and Health Care Act Claims Decree	IIn 2013, adjustments to the person-specific budget, allowing financial capacity to weigh heavier in determining the personal contribution for intramural care, and shifting geriatric care to the Health Care Act. The Youth Act was adopted in 2014.	In the first half of 2014, the proposals concerning adjustment of the Social Support Act 2015, Long Term Care Act and Health Care Act were presented to parliament. Implementation of the changes to the Social Support Act, Long Term Care Act, Health Care Act and Youth Care in 2015.	Not applicable.	Cooperation and coordination with and between the national government, municipalities, healthcare insurers and healthcare providers.	The intention is that of the total €28.5 billion in long-term care costs, a structural savings of €3.5 billion can be achieved in the period (2013-2017). This will offset the expected increase of €3.5 billion in long-term care costs in the same period.	Decentralisation and reform of long-term care is intended to result in more individual/custom work and increased efficiency. In view of the gradual implementation, the budgetary effects will be increasingly felt in the coming years. As such, the measures will contribute to increased sustainability of government finances.

Country-specific recommendation 4: Increase of labour participation and improvement of functioning of labour market

CSR 4 **Increase of labour participation and improve-ment of functioning of labour market**	a) Measures focused on more active participa-tion in the labour market	1) Introduc-tion of the Participa-tion Act and arrange-ments on job availability for disabled persons.	Decentralising the regulations in the Participation Act will increase the efficiency of these measures, and the expectation is that reintegration and active participation on the labour market of the target groups will increase.	Incorporate Work and Social Assistance Act, Sheltered Employment Act and portion of the Wajong into the new Participation Act.	Act implementing the Participation Act.	In February 2014, parliament approved the present proposal.	The legislative proposal is now being discussed in the Senate. The objective is to implement the Participation Act as of 1 January 2015.	The introduction of the Participation Act is expected to make a positive contribution to the EU 2020 target on higher labour market partici-pation.	Municipalities are given an important role in the implementation of the Participation Act.	Savings of €400 million are expected for 2017 as a result of the reduction in benefit entitlements. In the longer term, structural savings of €1.8 billion are foreseen (source: CPB).	Savings of €400 million are expected for 2017 as a result of the reduction in benefit entitlements. In the longer term, structural savings of €1.8 billion are foreseen (source: CPB).
		2) Creation of 125,000 jobs for people with a disability.	Making specific jobs available for people with a disability will improve this target group's access to the labour market.	Commitments on provision of jobs for people with a disability (a total of 100,000 in the private sector and 25,000 in the public sector (125,000 jobs in 2026)). If this number is not achieved, a quota is triggered.	Quota Act.	Consultations on the Quota Act are currently underway.	The legislative proposal will be sent to parliament before the summer of 2014.	This extra effort for participation in the labour market by people with a disability is expected to contribute to the EU 2020 target on higher labour market participa-tion.	If the committed number of jobs is not achieved within the set term, the quota will enter into effect.	Not yet known.	

	b) Measures intended to support young people on the labour market.	1) Approach to youth unemploy-ment.	Measures oriented towards reducing the distance to the labour market for young people contribute to labour partici-pation.	A specially designated ambassador for the Approach to Youth Unemployment promotes the cooperation at the regional and sectoral level between educational institutions, municipalities, employers, etc. The School Ex programme encourages young people in secondary vocational education to continue studying longer and choose a course with greater relevance for the labour market.markt-relevantie.	Not applicable.	Not applicable.	The ambassador for the Approach to Youth Unemploy-ment, Ms Mirjam Sterk, was appointed in April 2013 for a period of two years.	The Youth Unemployment Action Plan and schools' focus on relevance to the labour market will contribute to the achievement of the labour participation target under EU 2020.	Not applicable.	€25 million in 2013 and €36 million from the ESF fund in 2014.	
	c) A package of tax-related measures to stimulate access to the labour market and working more hours.	1) Phase-out of the transfera-bility of the employed persons' tax credit.	The phase-out of the transferability of the employed persons' tax credit will increase inactive partners' incentive to obtain income from work.	The transferability of the tax credit will be gradually phased out between 2009 and 2023.	The 'general tax credit austerity measure' is regulated in the Tax Plan.	In 2013, one-third of the supposed transferability of the tax credit was phased out.	This phase-out of the transferability will continue until 2023.	Eliminating the transferability of the tax credit will create an incentive to find work.	Not applicable.	Not applicable.	Given the gradual implementation, the changes in the allocation of the employed persons' tax credit will have reached their maximum effect in 2017. The simplification and reform of the child benefit schemes must commence starting 2015, and as from then will have a positive effect on labour participation.

		2) Increase of employed persons' tax credit for lower incomes and reduction for higher incomes.	The increase of the tax credit for this group will primarily have a positive effect on the lower end of the labour market, the labour participation of women and second-income earners.	Increase of the employed persons' tax credit for lower incomes, continuing over the period 2013-2015.	Tax Plan.	In 2013, the tax credit was increased from €1611 to €1723. In 2014, it was further increased to €2097.	The increase of the employed persons' tax credit will be further implemented in the period of 2014 to 2017, when the tax credit will reach its maximum of €2559.	The increase of the tax credit for lower incomes will increase the incentive to work. This will have a positive impact on the achievement of the labour participation target of the EU 2020 strategy. It will also make a positive contribution to reducing the number of jobless households.	Not applicable.	Increasing the employed persons' tax credit will lead to a structural €4.7 billion easing of tax burden.
		3) Reform and simplification of the number of child benefit schemes.	By reducing the poverty trap, parents (particularly single parents) will be given an incentive to enter the labour market.	In the new situation, single parents on benefits will be given an incentive to work, where in the old situation they would have suffered financially by making the transition from benefits to a four-day work week.	Multiple legislative proposals reduce the current eleven child benefit schemes to four: the child benefit, the child-specific budget, the childcare allowance and the income-dependent combination tax credit.	A legislative proposal was sent to parliament at the end of 2013, and is expected to be discussed in parliament in spring 2014.	The measures to be implemented around the child benefit schemes are to enter into effect as of 2015.	The proposed reforms will have a positive effect on the labour participation target of the EU 2020 strategy.	Not applicable.	The reform of the child benefit schemes will lead to structural savings of €501 million.

	d) Promotion of labour market transitions and rigidities.	1) Modernisation of dismissal law.	Modernising dismissal law and making it fairer and more activating will promote labour mobility (particularly for older employees) and labour participation. The functioning of the labour market will be improved by creating a new, fairer balance between permanent employees and flexible staff.	The legislative proposal means, in part, a simplification of dismissal procedures and the lowering of the maximum dismissal package.	Work and Security Act	The Work and Security Act was adopted by parliament in February 2014. It is presently before the Senate.	The modernised dismissal law is expected to enter into effect in July 2015.	The modernisation of dismissal law will have an activating and thereby positive effect on the labour participation target of the EU 2020 strategy.	Not applicable.	Not applicable.	
		2) Improvement of the position of flexible staff.	The functioning of the labour market will be improved by creating a new, fairer balance between permanent employees and flexible staff.	The temporary contract chain clause is reduced from three to two years.	Work and Security Act.	The Work and Security Act was adopted by parliament in February 2014. It is currently before the Senate (Upper House of the Dutch Parliament).	The reform of the unemployment benefit duration is expected to enter into effect on 1 January 2016.	The reform of the unemployment benefit will generate a structural increase of employment of 0.3% and will contribute to better functioning of the labour market, and thereby make a positive contribution to the labour participation target of the EU 2020 strategy.	Not applicable.	The adjustment of the unemployment benefit system will ultimately lead to structural savings of approximately €1.0 billion.	The adjustment of the Unemployment Benefits Act will increase employment structurally by approximately 0.3%, or 20,000 full-time jobs, as compared to unchanged policy.

		3) Reform of the unemploy-ment benefit.	The reform and modernisation of the unemployment benefit will promote labour mobility, and thereby labour participation.	The duration of the unemployment benefit financed from public funds will be capped at 24 months. People on unemployment benefits for longer than six months will be expected to accept any available work as suitable work.	Work and Security Act.	The Work and Security Act was adopted by parliament in February 2014. It is presently before the Senate.	The reform of the unemployment benefit duration is expected to enter into effect on 1 January 2016.	The reform of the unemployment benefit will generate a structural increase of employment of 0.3% and will contribute to better functioning of the labour market, and thereby make a positive contribu-tion to the labour participation target of the EU 2020 strategy.	Not applicable.	The adjustment of the unemployment benefit system will ultimately lead to structural savings of approximately €1.0 billion.	The adjustment of the Unemployment Benefits Act will increase employment structurally by approximately 0.3%, or 20,000 full-time jobs, as compared to unchanged policy.

Table 2: Quantitative Assessment of the Measures

CSR number		Methodological elements		Quantitative elements				
		Relevant features of the model used/estimation technique	Main macroeconomic simulation assumptions	Main outcome of macroeconomic simulations				
				Description	Annual effect on GDP and other macro-economic variables			
					2014	2015	2016	2017
CSR 1-5	Total package of measures included in the Coalition Agreement, Budget Agreements and Six billion package.	http://www.cpb.nl/publicatie/saffier-ii-1-model-voor-de-nederlandse-economie-2-hoedanigheden-voor-3-toepassingen http://www.cpb.nl/sites/default/files/publicaties/download/cpb-notitie-29okt2012-analyse-economische-effecten-financieel-kader-regeerakkoord.pdf http://www.cpb.nl/sites/default/files/publicaties/download/cpb-notitie-17okt2013-analyse-economische-effecten-begrotingsafspraken-2014.pdf	http://www.cpb.nl/publicatie/macro-economische-verkenning-2014	GDP	-½	-½	-½	-½
				Household consumption	-¼	-¾	-¾	-¾
				Gross corporate investment	-¼	-¾	-¾	-¾
				Export of goods and services	0	0	0	0
				Employment	-½	-½	-½	-½
				Contribution of production factors to potential GDP (labour, capital, TFP)	not available.	not available.	not available.	not available.

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

Progress on implementation	List of measures and their state of play that were implemented in response to the commitment	The estimated impacts of the measures (qualitative and/or quantitative)
	National 2020 headline targets	
National 2020 employment target: 76.6% (2012).	IThe most significant measures are set out in sections 3.3 and 3.4 of the NRP, including: • Increase of the statutory retirement age • Introduction of the Participation Act • Modernisation of dismissal law and limitation of unemployment benefit duration • Tax-related measures, including phase-out of employed persons' tax credit, phase-out of transferable tax credit.	Total package of measures is expected to have a structurally positive effect of 0.6% on employment.
National 2020 research and innovation target: increase in expenditure to 2.16% GDP (2012).	The most significant measures are set out in section 4.2 of the NRP, including: • Government co-financing for Horizon 2020 • TKI allowance • MIT scheme in cooperation with the regions • Tax facilities for R&D (WBSO, RDA, Innovation Box) • Financing instruments	Not available.
Greenhouse gas emission reduction target: -15.2% in the non-ETS sector (2012).	IThe most significant measures are set out in section 4.3 of the NRP. These measures are part of the SER Energy Agreement. For more details, see below.	As result of the measures as mentioned, emissions in the non-ETS-sector are expected to come out at 94-99 Mton, far below the target of 105 Mton.
Renewable energy target: 4.5% (2012).	The most significant measures are set out in section 4.3 of the NRP. The most significant measures comprise the SDE+ subsidy scheme, for the creation of 4,450 MW of wind-on-sea and 6,000 MW of wind-on-land energy in 2020.	The subsdies which fall under the SDE+scheme are designed so that the targets of 14% renewables by 2020 and 16% renewables by 2023 are within reach.

National energy efficiency target: 1.1% on average a year (2004-2012) .	The most significant measures are set out in section 4.3 of the NRP, including: • The energy investment tax deduction • A revolving fund for energy efficiency, providing a total capital of €740 million • CO2 sector system for greenhouse growing sector.	This energy savings package is expected to result in savings of 100 PJ of final energy consumption by 2020. This is more than the target of the European Directive.
National target for early school leavers: 8.8% (2012).	The approach to early school leavers is a priority for the Dutch government, which is implementing an integral, long-term approach. Significant measures include: • Solid and continued enforcement of the compulsory education requirement • Long-term performance contract between schools, municipalities and the national government • Performance commitments and performance bonuses upon decrease of early school leaving • Collective approach of regional professionals in education, youth care and the private sector • Regional programmes specifically targeting prevention of early school leaving • Measures focusing on students in the early years of secondary vocational education. In the coming period, the following initiatives will be undertaken: • In the academic year 2014/2015, €2 million extra will be invested in support of 18 and 19-year-old early school leavers and potential early school leavers. • A pilot study will be launched to ascertain where early school leavers from academic year 2011/2012 have ended up. For more information, see section 4.4 of the NRP.	The number of early school leavers decreased in the 2000-2012 period from 15.5% to 8.8%.

National target for 30 to 34-year-olds with higher education: 42.3% (2012).	The number of 30 to 34-year-olds with higher education increases as a result of natural growth of the share and measures focusing on finishing studies faster. The most significant measures comprise: • Extra attention for choice of study and performance • Performance commitments with individual higher education institutions • More attention to quality and the bridge between secondary vocational education and higher education.	The number of 30 to 34-year-olds with higher education is now 42.3%, which is above the national target (40%).
National poverty target: 22,000 more individuals in jobless households compared to 2008 (2012).	The most significant measures are set out in section 4.5 of the NRP, including: • Improvement of access to the labour market (see also section 3.3) • A guarantee of adequate income • Access to services for debt mediation (Municipal Debt Assistance Act, in effect from July 2012).	Not available.

Table 4: Overview of main reform commitments for the coming 12 months

Main (new or updated) commitments in the NRP for the next 12 months	Foreseen main measures and indication on whether they are CSR relevant	The estimated impacts of the measures (quantitative and/or qualitative)
Adjustment of second-pillar pension to first-pillar pension. Securing appropriate inter/intra generational distribution of costs and risks.	IFollowing on from the adjustment of the first-pillar retirement age to 67, the retirement age for second-pillar pension arrangements is also adjusted to 67 (effective January 2014). The maximum tax-incentivised second-pillar pension is lowered to 1.875% effective 1 January 2015. Development of a new fiscal review framework for the second-pillar pension, containing stricter rules on indexation and distribution of financial risks and shocks. For more details, see section 3.3 of the NRP. These measures are relevant to the country-specific recommendation on the sustainability of government finances in consideration of demographic ageing. .	A better distribution of inter/intragenerational costs and risks. A potential increase of net wages as result of lower pension premiums.
The promotion of labour participation and bringing people with a disability back into work.	IIntroduction of the Participation Act (expected 1 January 2015). For more details, see section 3.4 of the NRP. This measure is relevant to the country-specific recommendation on increasing labour participation.	Increasing labour participation.
Increasing labour participation of (single) parents on benefits and reducing the poverty trap.	Reform and simplification of child benefit schemes. For more details, see section 3.4 of the NRP. These measures are relevant to the country-specific recommendation on labour participation. .	Increase of labour mobility and employment.
Introduction of the Long Term Care Act, Youth Act and adjustment of the Social Support Act and Health Insurance Act.	Elements of extramural healthcare under the Exceptional Medical Expenses Act to be placed in the Social Support Act as of 2015; activities of a curative nature shifted from Exceptional Medical Expenses Act to Health Insurance Act; remainder of care under the Exceptional Medical Expenses Act placed under Long Term Care Act. For more details, see section 3.3. These measures are relevant to the country-specific recommendation on the sustainability of government finances in consideration of demographic ageing.	TBetter quality of healthcare and support and capping of (growth in) healthcare costs. In the 2013-2017 period, structural savings of €3.5 billion expected on a total of €28.5 billion.
Steps intended to reduce CO2 emissions and increase energy efficiency.	OImprove CO2 sector system in greenhouse Sector. Establish revolving fund for energy conservation in the built environment.	Betere kwaliteit van zorg en ondersteuning en beperking van de (groei van de) zorgkosten. In de periode 2013-2017 wordt een structurele besparing van €3,5 mld voorzien op een totaal van €28,5 mld.
Maatregelen gericht op het reduceren van Co2-uitstoot en verhoging energie-efficiënte.	Verbetering van het CO2-sectorsysteem glastuinbouw. Instellen revolverend fonds energiebesparing in de gebouwde omgeving.	Restriction of CO2 emissions. Increase in energy efficiency.
Main commitments under the National Job Plan	**Foreseen main measures and indication on whether they are CSR relevant**	**The estimated impacts of the measures (quantitative and/or qualitative)**
See package of measures relating to labour market as described in core text of the NRP.	For more details, see sections 3.3 and 3.4 of the NRP. These measures are relevant to the country-specific recommendation on labour participation.	