National Reform Programme
2013
The Netherlands

Contents

1. Introduction

1.1 The National Reform Programme

Since taking office in November 2012, the Government of the Netherlands has started implementing the Coalition Agreement, in consultation with the House of Representatives and the Senate. The Government's ambition is to ensure that the Netherlands emerges from the crisis with a stronger, more sustainable and more inclusive economy.

The National Reform Programme is an annual report for the European Commission in the context of the European Semester, the annual cycle of economic and budgetary policy coordination. This National Reform Programme, which will be submitted to the European Commission in April, explains how the government's policies will implement the country-specific recommendations adopted by the Council in 2012 and help to achieve the targets of the Europe 2020 strategy for smart, sustainable and inclusive growth. The European Commission will then assess the National Reform Programme and make a proposal to the Council at the end of May for country-specific recommendations that reflect the current situation in the Netherlands.

The National Reform Programme has been prepared in accordance with the guidelines of the European Commission. Chapter 2 presents a macro-economic scenario for 2012 and 2013. Chapter 3 describes how the country-specific recommendations for the Netherlands, adopted by the Council in July 2012, are being addressed. The progress the Netherlands has made in meeting the targets of the Europe 2020 strategy is described in Chapter 4, and Chapter 5 outlines how the use of structural funds contributes to meeting the aims of the Europe 2020 strategy. Finally, Chapter 6 reviews the involvement of parliament, the social partners (employers' organisations and trade unions) and other organisations in the drafting of the National Reform Programme.

The Stability Programme prepared under the Stability and Growth Pact will be submitted to the European Commission at the same time as the National Reform Programme. In the Stability Programme, the government reports on the state of the public finances in light of current macro-economic developments. In view of the close relationship between the contents of the National Reform Programme and the Stability Programme, where appropriate the two documents contain cross-references.

1.2 The annual EU priorities to promote growth and analysis of possible imbalances

The European Semester of economic policy coordination is an important instrument for fostering stability and growth in the EU member states. The policies described in this National Reform Programme are guided by the Europe 2020 strategy and the country-specific recommendations adopted for the Netherlands. In addition, these policies also reflect other analyses and decisions made in the context of the European Semester. This section outlines the measures the Netherlands takes in relation to the EU-wide priorities to strengthen growth in 2013 and the conclusions of the European Commission's in-depth review of the Netherlands.

<u>Priorities for growth</u>
On 14 and 15 March 2013, the European Council adopted the EU-wide priorities for growth for the European Semester of 2013 on the basis of the European Commission's Annual Growth Survey. The member states and the European Commission are expected to take these priorities into account in their policies. Those 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 endorses these priorities and is pursuing them with the measures set out in the Coalition Agreement and in this National Reform Programme.

The Netherlands attaches great importance to sound public finances. The government has opted to restore government finances by making savings of 16 billion euro, on top of the measures already agreed by the previous government. The government is designing the spending cuts in a manner that is conducive to growth and friendly to the environment. The austerity measures will not affect investments in education, research and innovation. A number of tax exemptions will also be phased out: the exemption from taxation for coal used for purposes other than as fuel, the lower excise duty for red diesel and the exemption from motor vehicle tax for vintage cars used on an everyday basis. One of the reasons for this is the negative effect of these tax exemptions on the environment. Further information on fiscal policy is provided in the Stability Programme.

The second priority for 2013 is to promote a healthy financial sector and restore normal lending to the economy. The Government supports lending to business with guarantees, such as the Business Loan Guarantee scheme (Garantie Ondernemingsfinanciering) and the SME Loan Guarantee scheme (Borgstelling MKB Kredieten). The Business Loan Guarantee scheme will become permanent, with an annual ceiling of 400 million euro, which will help companies to meet their funding requirements. To provide more help for small start-ups, the ceiling for loans from the micro-financing organisation Qredits will be raised from 50,00 to 150,000 euro. There will also be more scope for providing risk-bearing capital to young, innovative companies from the SME+ Innovation Fund.

Strengthening growth and competitiveness is the third priority for 2013. The Government endorses this priority and is preparing various measures to strengthen the capacity for growth. Dutch policy on research and innovation is described in sections 3.4 and 4.2, which discuss the policy in relation to recommendation 4 and the progress towards achieving the target for research and development in the Europe 2020 strategy, respectively. The Government is also enhancing the competitiveness of the Dutch economy by making structural reforms in areas such as the labour market (section 3.3 and 4.1) and the housing market (section 3.5).

The fourth priority for 2013 is to tackle unemployment and the social consequences of the crisis. The Government recognises the importance of this priority and is introducing various reforms to improve the operation of the labour market in the Netherlands. The policies relating to this priority are described in greater detail in sections 3.3 and 4.1 on measures to promote job creation and section 4.5 on measures to prevent social exclusion.

The fifth and final priority specified by the Commission is to modernise public administration, by increasing the efficiency, transparency and quality of government. This priority is clearly reflected in government policy. The Government is endeavouring to create a central government that operates more cheaply, more flexibly and more efficiently. Its aim is to decentralise a large number of the government’s tasks, which will allow for a more tailored approach and increase the engagement of citizens. Another of the Government’s objectives is a structural reduction of the administrative burden for companies, professionals and citizens by 2.5 billion euro in 2017.

<u>Results of the in-depth review</u>
As part of the European Semester, and more specifically the Macro-Economic Imbalance Procedure, on 10 April 2013 the European Commission published an in-depth review of possible imbalances in the Netherlands. In its report, the Commission concluded that the high level of private debt related to the housing market constitutes an imbalance in the Dutch economy. The government recognises the importance of reducing the volume of mortgage debt and is taking significant steps to accomplish that, for example by encouraging households to pay off their mortgage. The measures are described in section 3.5 on the reform of the housing market.

2. Macro-economic context and scenario

The Netherlands is facing difficult economic times. The Dutch economy is in recession for the third time since the outbreak of the financial and economic crisis in 2008, mainly as a result of low domestic spending. Nevertheless, the structural position of the Netherlands is sound. The Netherlands is one of the most prosperous in the world. Luxembourg is the only country in the European Union with a higher gross domestic product (GDP) per capita. In the last three years, the Netherlands has climbed from 10th to 5th place in the World Economic Forum's ranking of most competitive economies. The Netherlands is also among the top five countries in terms of labour productivity. Dutch universities rate highly in prestigious rankings such as the Times Higher Education Supplement. Thanks to our competitiveness, good infrastructure and attractive business climate, the Netherlands is well positioned as the 'gateway to Europe'. In short, the Netherlands is a prosperous country with solid foundations.

The Netherlands chooses to implement reforms aimed at strengthening the economic structure, using a tailored approach in view of the fragile state of the economy.
The macro-economic scenario underlying the National Reform Programme that is sketched in this chapter is based on data from the Netherlands Bureau for Economic Policy Analysis (CPB).[1]

2.1 Macro-economic outlook for the period of the programme

According to the first figures from Statistics Netherlands (CBS), the Dutch economy contracted by 0.9% in 2012. In the National Reform Programme for 2012, a contraction of ¾% was forecast for 2012. For 2013 as a whole, the CPB forecasts a contraction of ½% of GDP, with a recovery anticipated only in the second half of the year. For 2014, GDP is expected to grow by 1%. The potential annual growth for the period 2013-2017 is estimated at 1.3% a year. Accordingly, potential annual growth is lower than it has been in earlier periods: 1.8% a year in the period 2003-2007 and 1.6% a year in the period 2008-2012. Structural growth in both the labour supply and labour productivity will be lower than it previously was. This is due to the ageing of the population and the slower pace of technological progress. The labour supply is expected to grow by 0.4% a year and labour productivity by 1.0% in this cabinet term.

As in 2012, domestic spending will make a negative contribution to the growth of GDP in 2013. Public spending will be lower because of austerity measures. For several years now, households have to deal with a decline in real disposable incomes, as well as wealth losses due to falling house prices. After a decrease of 1% in 2011, consumption by households declined by 1.4% in 2012 according to the latest figures from the CBS, which is in line with the forecast of -1½%. Also in 2013 household consumption will remain suppressed and is therefore expected to fall to the same extent as it did in 2012.

Business investment, which had grown by 10.2% in 2011, contracted by 2½% in 2012. The turnaround is mainly due to decreased business activity. Both exports of domestically produced goods and domestic spending declined sharply. Business investment is forecast to increase by ½% in 2013 and by 2¼% in 2014.

The volume of total exports of goods increased by 2.2% in 2012. This was entirely due to growth in re-exports. Exports of domestically produced goods declined because of a sharp slowdown in growth of the relevant world trade. In 2013, by contrast, the relevant world trade is expected to pick up slightly, so both re-exports and exports of domestically produced goods will increase. Exports of goods are expected to rise by 3¼% in 2013 and 5% in 2014, and will therefore remain the engine of growth for the Dutch economy.

[1] The macro-economic scenario underlying the National Reform Programme in 2012 was based on the Macro Economic Outlook (MEV) 2012 and on the Central Economic Plan (CEP) 2012. The new scenario is based on the CPB's reports Macro Economic Outlook 2013, *Actualisatie analyse economische effecten financieel kader Regeerakkoord* and *Decemberraming*.

In 2012 there was a simultaneous decline in demand for labour and growth of the labour force. Consequently, unemployment rose to 5.3% of the labour force. Weak economic growth will slow demand for labour in the private sector in 2013, and because of shrinking production unemployment is expected to rise to 6¼% of the labour force in 2013 and to 6½% in 2014. The unemployment rate will therefore reach its highest level since 1996. In European perspective, however, unemployment in the Netherlands is still low.

2.2 Macro-economic impact of structural reforms

The CPB forecasts an average economic growth of 1¼% a year for the period 2013-2017. This estimate takes account of the measures set out in the Coalition Agreement. The average annual growth would therefore be 0.2 percentage-points lower than in the base path, i.e., before the implementation of the Coalition Agreement.

On balance, the level of consumption will not grow over the period 2013-2017 and will therefore be 0.3 percentage-points lower than in the base path. Because of lower wage costs, exports of goods and services will grow by 0.1 percentage-points faster annually. On average, exports will grow by 4.5% a year.[2]

The labour supply in hours will increase up to and including 2017 by virtue of the Coalition Agreement. With the policy package, public sector employment will decline annually by 1 percentage-point more than in the base path. The decline will now be 1¼% a year. Employment in the health care sector will grow by 1 percentage-point less per year than in the base path as a result of the Coalition Agreement. Consequently, employment in this sector will grow by 1½% a year. Because of these effects, unemployment will rise to 6¼% of the labour force. This means the unemployment rate will be 1.2 percentage-points higher in 2017 than prior to the introduction of the reform package and will exceed the equilibrium unemployment rate of 3.4%.

Although the reforms in the Coalition Agreement could have an suppressing effect on domestic demand in the short term, they are essential for the country's long-term prosperity. For example, the reforms in the housing market will stimulate movement in the rental and owner-occupied segments of the market and, hence, labour mobility. This will yield a structural welfare gain of 0.3% of GDP. The reforms in the labour market, such as the simplification of the dismissal law, will also lead to greater labour mobility. Other measures will remove obstacles to entrepreneurship, for example by reducing the regulatory burden and by increasing access to capital. These reforms will pay off in terms of increased business activity, more jobs and a structurally stronger economy. Structurally, the measures in the Coalition Agreement will generate 0.6% more employment.

[2] Netherlands Bureau for Economic Policy Analysis, March 2013. Central Economic Plan (CEP) 2013.

Table 1: Short and medium-term forecasts
% change, unless otherwise stated

	2012	**2012**	**2013**	**2014**	**2013-2017[3]**		
	Forecast, CEP 2012[4]*	Forecast, CEP 2013[5]	Forecast, CEP 2013	Forecast, CEP 2013	Base path, updated	Effect of Coalition Agreement	Result
Gross domestic product (GDP)	-0.75	-0.9	-0.5	1.0	1.5	-0.2	1.25
Consumer price index	2.25	2.5	2.75	2.0	2.0	0.1	2.0
Unemployment (% of the labour force, international definition)	5.5	5.3	6.25	6.5	5	1.2	6.25
Labour supply (persons)	1.75	1.5	0.75	0.25	n.a.	n.a.	0.25
Active labour force (persons)	0.5	0.6	-0.25	0.25	n.a.	n.a.	0.25
Exports of goods	-1.75	2.2	3.25	5.0	n.a.	n.a.	5.75
Exports of goods and services					4.5	0.1	4.5
Contract wages, market sector	1.74	1.6	1.75	2.0	2.25	-0.6	1.75
Private consumption	-0.5	-1.5	-1.5	0.25	0.25	-0.3	0
Public consumption	-1.0	-0.2	-0.25	0.5	0.5	-0.7	-0.25
Gross corporate investment (excluding housing)	-3.25	-2.5	0.5	2.25	3.5	-0.3	3.25

* Macro-economic scenario for the National Reform Programme 2012

[3] Netherlands Bureau for Economic Policy Analysis, November 2012. '*Actualisatie analyse economische effecten financieel kader Regeerakkoord*'.

[4] Netherlands Bureau for Economic Policy Analysis, March 2012. Central Economic Plan (CEP) 2012.

[5] Netherlands Bureau for Economic Policy Analysis, March 2013. Central Economic Plan (CEP) 2013.

3. Country-specific recommendations

In July 2012, the Council adopted five recommendations for the Netherlands on the basis of proposals from the European Commission. These recommendations are related to fiscal consolidation, demographic ageing, labour participation, innovation and the housing market and identify major challenges for the Dutch economy. The following sections outline the measures that have been taken in relation to each recommendation.

3.1 Government finances

3.1.1. Council's recommendation

The Council recommended that the Netherlands should take measures for a durable correction of the excessive deficit. The government agrees with this recommendation and is strongly committed to pursuing a sound budgetary policy. The Council's recommendation reads as follows:

Ensure timely and durable correction of the excessive deficit. To this end, fully implement the budgetary strategy for 2012 as envisaged. Specify the measures necessary to ensure implementation of the 2013 budget with a view to ensuring the structural adjustment effort specified in the Council recommendations under the excessive deficit procedure. Thereafter, ensure an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, and ensure sufficient progress towards compliance with the debt reduction benchmark whilst protecting expenditure in areas directly relevant for growth such as research and innovation, education and training. To this end, after the formation of a new Government, submit an update of the 2012 Stability Programme with substantiated targets and measures for the period beyond 2013.

3.1.2. Policies in response to the recommendation

The government has taken measures to implement the various elements of the recommendation. In the Coalition Agreement and the Budget Agreement for 2012, important decisions were taken with a view to reducing the budget deficit. The measures in the Coalition Agreement will yield savings of 16 billion euro during the government's term of office. The measures in the Coalition Agreement will also reduce the government debt and create the prospect of structurally sustainable public finances. The Coalition Agreement is expected to lead to a sustainable surplus of 1% in the long term. The government is committed to pursuing a green and growth-friendly budgetary policy. There will be additional investment in education and fundamental research. In accordance with this recommendation, details of the Dutch budgetary strategy were submitted to the European Commission on 11 December 2012.[6]

Public support is crucial for getting the public finances in order and carrying out the reforms set out in the Coalition Agreement. The government is engaged in a dialogue with parliament and the social partners to secure that support. In the middle of February, the government reached agreement with three opposition parties on reforms in the housing market. On 11 April 2013, the government made agreements with the social partners covering the full spectrum of labour market policy, the so-called 'Social Agreement'. Further information about budgetary policy, the budgetary consequences of the Social Agreement and the decision-making on the measures that have been agreed can be found in the Stability Programme.

[6] Parliamentary Documents 2012/13, 21 501-07, no. 978.

3.2 Demographic ageing

3.2.1. Council's recommendation

The Council recommended that the Netherlands should take measures to improve the sustainability of public finances in light of the ageing of the population. The government acknowledges the importance of such measures, since ageing represents a threat to the sustainability of the welfare state. The Council's recommendation reads as follows:

> *Take measures to increase the statutory retirement age, including linking it to life expectancy, and underpin these with labour market measures to support raising the effective retirement age, whilst improving the long-term sustainability of public finances. Adjust the second pension pillar to mirror the increase in the statutory retirement age, while ensuring an appropriate intra- and inter-generational division of costs and risks. Implement the planned reform in long-term care and complement it with further measures to contain the increase in costs, in view of an ageing population.*

3.2.2. Policies in response to the recommendation

The government has implemented various measures to improve the sustainability of public finances, including reforming the General Old-Age Pensions Act (AOW) and supplementary pensions, the limiting of the possibilities of taking early retirement and reforming long-term care.

Reform of the General Old Age Pensions Act

Under the Raising of the State Pension and Standard Pension Retirement Age Act (*Wet Verhoging AOW- en pensioenrichtleeftijd*) of 12 July 2012, the retirement age will be raised incrementally with effect from 2013 and will eventually be automatically linked to life expectancy. The retirement age will be increased by one month in 2013 and each of the two succeeding years.

The Coalition Agreement provides for the retirement age to be raised more quickly in subsequent years than envisaged in the schedule already included in the law. With this accelerated rate, the retirement age will be 66 in 2018 and 67 in 2021. Thereafter, the retirement age will be linked to life expectancy, as already provided for in the law. The bill to implement this change will be tabled in parliament in 2014. From the second half of 2013, the raising of the retirement age will be combined with a transitional scheme to compensate for loss of income due to the higher retirement age. Under this scheme, a benefit will be paid to compensate people who, on 1 January 2013, were covered by an existing early-retirement or pre-pension plan that ends on or after the age of 65. The benefit will be means-tested. The transitional scheme will take effect in the second half of 2013.

Table 2: Accelerated increase in the retirement age

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Existing law	65+1	65+2	65+3	65+5	65+7	65+9	66	66+3	66+6	66+9	67
Coalition Agreement	65+1	65+2	65+3	65+6	65+9	66	66+4	66+8	67	*	*

*linked to life expectancy

Reform programme for supplementary pensions

Under the Raising of the State Pension and Standard Pension Retirement Age Act (*Wet verhoging AOW- en pensioenrichtleeftijd*) of 12 July 2012, the standard retirement age for supplementary pensions (for accrual of new pension entitlements) will be raised to 67 with effect from 1 January 2014, and will be linked to the trend in life expectancy at 65 years of age as of 1 January 2015. In addition, with effect from 1 January 2014, the maximum permitted annual accrual rates qualifying for tax relief will be reduced by 0.1 percentage-points.

In addition to these reforms, the government has proposed reducing the maximum permitted annual accrual rates by a further 0.4 percentage-points from 2015 (in average-wage terms), which will enable people to save a maximum pension of 70% of their average earned salary after 40 years of pension build-up. The government has also proposed capping the pensionable salary at 100,000 euro. Social Partners will be given the opportunity until 1 June 2013 to come up with an alternative or to work out the above measures, with a maximum budgetary impact rising to a structural 250 million. For the purpose of this effect a working group has started in which the Ministry of Social Affairs and Employment and the Ministry of Finance will participate. The tax framework for voluntary pension accrual by individuals, particularly self-employed persons, will be adjusted accordingly. According to a recent study by the CPB, the inter-generational effects of these changes will be limited.[7] The financial assessment framework will be revised to allow for more conditional pension contracts under which the size of pension benefits will depend on life expectancy and on developments in the financial markets, subject to the fiscal framework for pensions. The review of the financial assessment framework is expected to have force of law from 1 January 2015. These changes will make a major contribution to straighten the government finances.

<u>Effective retirement age</u>
The Netherlands has taken measures in recent years to limit early retirement (including the abolition of early-retirement and pre-pension schemes). The average age at which employees retire has risen sharply for the sixth consecutive year. The average effective retirement age is now 63.6 years. By raising the retirement age, further phasing out early-retirement schemes and encouraging people to work longer, the effective retirement age is expected to rise further in the coming years.

<u>Reform of long-term care</u>
In the Coalition Agreement, the government presented a wide range of measures to improve the sustainability of funding for long-term care. Like its predecessor, this government's aim is to develop a more tailored system of health care, with more care being provided closer to home. The proposed measures will yield savings of approximately 3.5 billion euro. As a result, despite the growing demand for care, spending on long-term care is not expected to rise in the period 2013-2017.

Various measures have already come 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, the target group for the personal health care budget has been limited and funding of geriatric rehabilitation has been transferred to the health insurers (total savings of 0.7 billion euro). The financial assets of patients will also weigh more heavily in determining personal payments for intramural care. As a result, clients will be charged a higher personal contribution, which will generate additional income of 80 million euro a year.

Various new measures announced in the Coalition Agreement are currently being fleshed out in consultation with municipalities, health insurers, health providers and other stakeholders. The government plans to strike large parts of long-term care, such as personal assistance and care, from the Exceptional Medical Expenses Act (AWBZ) and add the bulk of the means to the municipalities (gemeente fonds). In addition, activities of a curative nature, such as long-term mental health care and home care by district nurses, will be transferred from the AWBZ to the Health Insurance Act (Zvw). The number of people receiving intramural long term care will be further reduced by treating more new patients in the care intensity packages 3 and 4 at home. This will leave a clearly defined core AWBZ scheme for the elderly and the handicapped who require intensive intramural care, amounting to roughly a third of the current AWBZ. Finally, the budget for municipalities to finance household help will be reduced and payments by patients will be further increased. The Chronically Ill and Disabled Persons (Allowances) Act (*Wet tegemoetkoming chronisch zieken en gehandicapten)* (Wtcg) will be repealed. The effect of these measures is described in a policy letter "Hervorming langdurige ondersteuning en zorg".

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[7] Netherlands Bureau for Economic Policy Analysis, 1 February 2013. Generatie-effecten versobering pensioenopbouw.

3.3 Labour participation

3.3.1. Recommendation of the Council

The Council recommended that the Netherlands should take measures to increase labour participation. The government agrees with this. Despite the high labour participation rate in the Netherlands, participation needs to increase further because of the rising dependency ratio. The Council's recommendation reads as follows:

> *Enhance participation in the labour market, particularly of older people, women, and people with disabilities and migrants, including by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities.*

The government regards structural adjustments as essential to allow the labour market to function better. The Coalition Agreement includes proposals relating to the dismissal of employees, unemployment benefit and the Participation Act. The government also wants to improve the balance between flexible and permanent employment. On 11 April 2013 the government and the social partners concluded an agreement on a package of measures to stimulate the economy and improve the operation of the labour market, with the objective of giving the greatest number of people a fair chance of finding work and achieving economic independence.

This section explains how the measures in the Coalition Agreement and the Social Agreement will address the various elements of the recommendation. The government is pursuing various avenues to increase labour participation among older people, the unemployed and secondary earners (usually women), people with a handicap and young people. Many of the measures that the government feels are necessary fall under the Participation Act, which is due to be introduced on 1 January 2015 to replace the Work According to Capacity Act.[8]

Labour participation of older people

The government and social partners are jointly seeking ways of increasing the labour participation of older workers and promoting permanent employability. For example, the Labour Foundation (*Stichting van de Arbeid*) has drawn up the 'Policy Agenda 2020: investing in participation and employability', which has been backed up by the introduction of a 'mobility bonus' for companies that hire older benefit recipients (lower social insurance contributions for employers) and a 'work bonus' (tax credit) for older workers who were born in 1949, 1950, 1951 or 1952 and have an income of between 17,139 and 33,326 euro. To promote sustainable employability, the tax allowance for training costs has been expanded and agreements have been made with the social partners on the co-financing of sectoral plans designed to allow companies to retain skilled employees, for 'from work to work' programmes and for intersectoral training schemes. A sum of 300 million euro has been earmarked for these measures in 2014 and 2015. To tackle unemployment among older workers, the employee benefits agency UWV will receive 67 million euro for 2013 and 2014 to expand its activities such as network meetings, inspiration days, matching programmes, training courses and other reintegration activities. Finally, a task force is being established to streamline the efforts to combat unemployment, which will include representatives of the Labour Foundation, employers, trade unions, the UWV, the Ministry of Social Affairs and Employment, municipalities and the Ambassador for Tackling Youth Unemployment. The policy designed to raise the effective retirement age is described in section 3.2.

Participation of the unemployed and secondary earners

Simplification of child-related schemes

The Coalition Agreement includes an agreement to reform and introduce savings in the system of schemes for children. The current system includes ten child-related schemes, some of which overlap and have contradictory effects. Accordingly, the system as a whole is complicated for parents, difficult to implement and not always logical. Furthermore, it is often not worthwhile for

[8] Parliamentary Documents 2012-2013, 29817, no. 98.

single parents receiving social assistance to work (the poverty trap). This poverty trap for single parents is mainly due to the fact that allowances for the costs of children are far higher for single parents on social assistance than for working single parents, and the combination of working and caring for children is insufficiently rewarded.

The aim is to simplify the system, increase labour participation and provide income support for those who need it most, so the number of child-related schemes will be reduced to four: two that, together, are designed to provide income support (the General Child Benefit Act and the Child Allowance Act) and two designed to promote labour participation (the income-dependent combination tax credit and the childcare allowance). The effect of these schemes will be to make it financially attractive for single parents receiving social assistance to go to work. The government expects the reforms of the child-related schemes to be enacted in legislation by July 2014 at the latest.

Phasing out of double tax credit
The transferable tax credit for breadwinner families is being phased out over a period of 15 years from 2009. In 2013, the general tax credit for partners without an income will be reduced to two-thirds of that of the primary earners as an incentive to non-working partners to work. For a further explanation of tax measures such as the double tax credit in the reference minimum wage, see section 4.5, 'An adequate minimum income'.

<u>Participation of people with a disability</u>
The government regards it as very important for everyone in the Netherlands, with a disability or otherwise, to participate in society and in the labour market. One of the reasons for the new Participation Act announced by the government is to enhance participation in the labour market by people with a handicap. With this act, the government will introduce a single scheme by which it hopes to create greater opportunities for people who are currently sidelined: opportunities for regular work or, if that is not possible, other forms of participation. The Work and Social Assistance Act (WWB), the Sheltered Employment Act (Wsw) and part of the Disablement Assistance Act for Handicapped Young Persons (Wajong) will be consolidated in the Participation Act in 2015, from which time the Wajong will only apply for handicapped young persons who are fully and permanently incapacitated for work. No new entrants will be admitted to the existing sheltered employment scheme with effect from 2015, 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 80% of 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. The employer will pay the difference between the statutory minimum wage and the wage under the applicable collective labour agreement (CAO).

Thirty-five regional public employment services will be established to help people with an occupational disability find work with a regular employer. Municipalities will take the lead in the public employment services, which will be run in association with the employers, trade unions and the UWV. Some elements of the plan have still to be fleshed out. Municipalities will have discretion in deciding what support people need and possess a wide range of instruments to assist people who require help in finding and performing work.

It is essential that employers play an active role in providing regular jobs for people with a handicap and little prospect of employment. Agreements have been made with the employers on the number of jobs that will be provided for people with a handicap in the coming years. Employers in the private sector (including health care) have guaranteed to provide 2,500 additional jobs in 2014 and 5,000 in 2015, rising to by 1,000 jobs a year to 10,000 additional jobs in 2020, and ultimately a maximum of 100,000 extra jobs in 2026. From 2014, the government will create an additional 2,500 job openings for people with a handicap each year for a period of 10 years, thus guaranteeing a total of 25,000 additional jobs from 2024. Agreements will be made with employers in the public sector on how this target will be reached.

A statutory quota scheme containing the above annual targets will be introduced to create a structural situation in 2025. The quota will be activated if the agreed number of jobs has not been created, which will be evaluated for the first time at the end of 2016, when at least 11,000 additional jobs should have been created in the private sector for people with a handicap. The social partners and municipalities will be consulted before the quota is introduced.

Participation of young people

Although the level of unemployment among young people in the Netherlands is relatively low in European terms, the rising youth unemployment demands action. The government has opted for a dynamic approach to be carried out jointly with the social partners, municipalities and educational institutions that consists of measures aimed at preventing and tackling youth unemployment.

The government has earmarked an additional 50 million euro to provide a boost for regional efforts to tackle youth unemployment and has launched School Ex 2.0, a programme intended to encourage young people in secondary vocational education (MBO) to continue studying longer and to choose a course with greater relevance for the labour market. These measures will build on the positive experience gained with the Youth Unemployment Action Plan in 2009 and the methods and infrastructure developed by the regions at that time. The additional funds will be used to encourage young people in the regions to follow an education and to help them in their search for work.

The regional approach will be supported by a sectoral campaign. The government has called on the social partners to consider the employment of young people in the sectoral plans that they draw up, for example by providing sufficient places for traineeships and work placements. Agreements will be made on this in the Technology Pact.[9] The government is willing, under certain conditions, to provide co-financing for the sectoral plans.

The government not only wants to tackle youth unemployment, but also prevent it by providing a high standard of education that meets the needs of the labour market. The government is therefore adopting measures to improve the match between education and the labour market. Another of the government's priorities is to reduce the number of early school leavers, since young people who leave education with a basic qualification are more active in the labour market and less often unemployed. The policy aimed at improving education and reducing the number of early school leavers is explained in section 4.4.

Balance between permanent and flexible employment, protection against dismissal and unemployment benefit

There is a need to find a new balance between flexibility and security. To this end, the government will reform the procedures for terminating employment contracts and, at the same time, take steps to prevent the improper use of temporary contracts.

Protection of flexible staff

The government and the social partners want to strengthen the position of flexible staff and tackle sham employment constructions. From 1 January 2015, the government will introduce a number of amendments to the labour laws to improve the position of flexible staff, including measures relating to successive temporary employment contracts and improper use of 'triangular' employment relationships.

The rule that temporary contracts are automatically transformed into a permanent contract after the third successive temporary contract or after a period of three years will be revised. In the new situation, a contract will become permanent after two years, unless the chain of temporary contracts has been broken by an interval of six months or longer. Consequently, temporary employees will qualify for a permanent contract sooner. The rules on successive contracts (but not the six month period) may be derogated from in collective labour agreements, but only if the use

[9] The government wants to tackle the scarcity of technical personnel, together with the social partners and the education sector. The Technology Pact, which will be adopted for this purpose in the spring of 2013, is intended to enhance the cooperation between the education sector and business, improve the quality of technical education and attract more young people to technical professions.

of temporary contracts is necessary because of the nature of the sector. Zero-hour contracts will no longer be allowed in the health care sector.

The government and social partners want to prevent the abuse of triangular employment relationships (recruitment from employment agencies, payrolling, contracting). It has been agreed that employment relationships will always be transparent to prevent any misunderstanding regarding the employee’s position. The special rules on dismissal that currently apply for payrolling will also be scrapped. To prevent legal abuses with the use of sham constructions, the government has prepared an Action Plan on Sham Constructions, the main priorities of which are to tackle sham self-employment, prevent the avoidance of payment of the minimum wage and social insurance contributions and enforce collective labour agreements. In that context, additional inspectors, eventually rising to 35, will be temporarily appointed by the Inspectorate SZW.

Amendment of dismissal law
The current dismissal law will be amended to make it more activating, fairer and simpler and so ensure that employees and employers know where they stand sooner and that employees in similar situations are treated equally. In contrast to the existing situation, the rules on termination of employment will be largely regulated in a single law. Employers will no longer be able to choose the redundancy procedure, but will have to follow the specific procedure that applies depending on the reason for the redundancy. If an employee is made redundant for commercial reasons or because of long-term incapacity for work, the procedure via the UWV will have to be followed. The procedure via the courts will be compulsory if an employment contract is being terminated because of a work-related conflict or for other personal reasons. This will end the inequality before the law. No redundancy procedure will be required if the employee agrees (subject to a reflection period of two weeks) to the termination of the contract in writing. The written consent will not have a negative effect on the employee’s unemployment benefit (in terms of culpability). If the UWV rejects a redundancy application, the employer can apply to the court to terminate the employment contract, while if the application is approved the employee who is made redundant can apply to the court to restore the employment contract. The regular appeals procedure will apply.

To make it easier for redundant employees to find new work, employers will pay a transitional allowance to employees who have been employed for two years or longer. The allowance will amount to a third of a month’s salary for every year of service and half a month’s salary for every year of service in excess of ten years, up to a maximum of 75,000 euro or a year’s salary, whichever is higher. In light of their vulnerable position in the labour market, until 2020 there will be a transitional scheme for employees over the age of 50. The allowance for these employees who have more than ten years of service will be one month’s salary for every year they have been employed beyond the age of 50. SMEs with fewer than 25 employees will be exempted from this scheme.

The right to a transitional allowance will lapse in the event of serious culpability on the part of the employee. The court may, in the event of serious culpability on the part of the employer, award compensation (with no fixed maximum) in addition to the transitional allowance. The criteria have still to be fleshed out, but the number of cases is expected to be very small.

Changes to unemployment benefit
The goal is to help people who are threatened with redundancy to find another job and so avoid becoming unemployed. It is important that anyone who nevertheless does have to claim unemployment benefit finds new work as quickly as possible. Employers and employees are primarily responsible for preventing unemployment and are committed to doing so in order to preserve the current level and duration of unemployment benefit. The government will reduce the maximum period for which unemployment benefit is paid from public funds to 24 months.

The reform of the dismissal law will also make a direct contribution to curbing unemployment and the length of time people remain out of work through the introduction of the transitional allowance, which will help employees to find new work if they are made redundant. More importantly, both employers and employees will prevent unemployment as far as possible by investing in training and job mobility throughout an employee’s career.

Given the difficult economic conditions, the government wants to postpone the planned reorganisation of unemployment benefit for eighteen months and introduce the changes in stages. Because of the more gradual changes, the years of service already accrued will be respected for the unemployment benefit paid from public funds until 2016. Employees will continue to be entitled to one month's unemployment benefit for every year of employment before 2016. From 2016, the duration of unemployment benefit will be gradually reduced by one month per quarter. The accrual of entitlement to unemployment benefit will also change to one month for each year of service in the first 10 years of employment and half a month for each year of service in subsequent years. The definition of suitable work for the purposes of unemployment benefit will also become stricter and other income will be deducted from the benefit from the first day.

The government recognises that it is still difficult for older workers to find a job. In response to that, the government will retain the Income Provision for Older Unemployed Persons (IOW) until 2020 for employees who become unemployed at the age of 60 or older; the IOW scheme will be evaluated in 2020. The IOAW scheme for older or partially disabled unemployed person will be gradually phased out; employees who were born before 1 January 1965 will still be able to make use of the IOAW scheme.

<u>More activating social security</u>
The government intends to increase the activating nature of social assistance benefits. In that context, the obligation to look for work and to cooperate with their reintegration, and the duty to contribute according to one's ability in return for benefits, will apply for everyone. Only people who are fully and permanently incapacitated for work will be exempted from the duty to cooperate with the process of reintegration. There will no longer be exemptions for other specific groups. The Work and Social Assistance Act will allow municipalities to suspend payment of social assistance for three months for anyone who fails to meet the requirement of applying for jobs. Benefit payments will only resume on request by the individual concerned. The obligations in the Work and Social Assistance act will be enforced more strictly and the requirements relating to looking for and accepting work and the duration and amount of the related sanctions will be harmonised.

3.4 Innovation and research

3.4.1. Council's recommendation

The Council recommended that the Netherlands should take measures to stimulate research and innovation. The government agrees with this recommendation. Research and innovation are important drivers of long-term economic growth. The Council's recommendation reads as follows:

Promote innovation, private R&D investment and closer science-business links, as well as foster industrial renewal by providing suitable incentives in the context of the enterprise policy, while safeguarding accessibility beyond the strict definition of top sectors and preserving fundamental research.

3.4.2. Policies in response to the recommendation

With its enterprise policy, the government is implementing the recommendation in association with the business sector, knowledge institutes and regional and local authorities.[10] This policy is a continuation of the top sector approach launched by the previous government. The government will promote private spending on research and development (R&D) and fundamental research and annual public funding for research and innovation will increase by more than 0.7 billion euro to around 6.5 billion euro in the period 2008-2016. However, up to 2016, spending will be 0.7 billion euro lower than in the peak years of 2010-2012 as a result of the expiry of temporary crisis measures.[11] The table below provides an overview of expenditure for research and development in the period 2008-2016.

Table 3: Long-term overview of funds for innovation and research
(in millions of euro)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fundamental research	2,975	3,122	3,183	3,234	3,280	3,282	3,334	3,344	3,368
Applied research	512	503	488	455	453	407	384	368	361
Fiscal resources for R&D	797	1,054	1,497	1,546	1,777	1,753	1,765	1,698	1,698
Spending by ministries	1,317	1,590	1,778	1,677	1,545	1,354	1,273	1,094	973
Total	*5,601*	*6,269*	*6,946*	*6,912*	*7,055*	*6,796*	*6,756*	*6,504*	*6,400*

Cooperation between knowledge institutes, the business sector and public authorities

The principal aim of the top sectors approach – in terms of innovation and research – is to promote closer cooperation between knowledge institutes, businesses and public authorities in the programming of fundamental and applied research, with special attention to the challenges facing society in the near future, including issues relating to sustainability. This will increase the applicability of scientific research for both commercial and social purposes and thus increase the return on the public funds devoted to research. That effect will be enhanced by the fact that the top sector approach incorporates elements of foreign policy, education policy and policies to reduce the administrative burden. Another objective is to secure the active involvement of the ministries and of regional and local authorities in the strategy, not only financially but also by using their procurement policies to help meet the government's target of devoting 2.5% of the public procurement budget to the promotion of innovative solutions.

In the course of 2012, the parties collaborating in the top sectors established 19 Top Consortiums for Knowledge and Innovation (TKIs), which have started to implement the research agendas in the Innovation Contracts. In these contracts companies, researchers and the government have

[10] The enterprise policy is described in 'To the Top (*Naar de top*)' (Parliamentary Documents 2010-2011, 32637 no. 1) and 'To the Top! Private sector policy in Action(s) (*Naar de top! Het bedrijfslevenbeleid in actie(s)*)' (Parliamentary Documents 2011-2012, 32637 no. 15).

[11] For a detailed list, see the '*Memo meerjarig budgettair beeld innovatie en onderzoek en topsectorenbeleid'* (Parliamentary Documents 2012-2013, 32637, no. 47).

made agreements on how the resources earmarked for knowledge and innovation will be used in each top sector to build on existing scientific excellence and to meet the need for innovative solutions to societal problems. The TKI allowance, which is intended to spur private financing for TKI projects, took effect in 2013. Starting in 2014, the TKI allowance will be increased by 110 million euro to 200 million euro a year. Part of these funds will be available to co-finance EU projects.

The government will also make available approximately 22 million euro in 2013 to stimulate the involvement of SMEs in the top sectors. The Top Sectors Innovation Incentive for SMEs (*MKB Innovatiestimulering Topsectoren* - MIT) scheme provides instruments that will enable companies to perform feasibility studies, carry out R&D-related collaborative projects or temporarily hire highly qualified employees. Top teams will update the innovation contracts in 2013. The actual themes have largely been determined and correspond closely with various flagship initiatives that serve as catalysts for achieving the Europe 2020 targets: 'Innovation Union', 'A Resource Efficient Europe', 'A Digital Agenda for Europe' and 'An Industrial Policy for the Globalisation Era'. Efforts will also be made to integrate top sectors in the regional smart specialisation strategies.

Stimulating private R&D spending

Stimulating private spending on R&D is a primary aim of the enterprise policy. The most important instruments are the SME+ Innovation Fund (*Innovatiefonds MKB+)* and tax facilities, such as the tax credit for R&D (WBSO), the Research & Development Allowance (RDA) and the tax relief for innovation (the Innovation box). These are generic instruments and are therefore available to every innovative company, regardless of their sector, and approximately two-thirds of the companies that use the facilities are SMEs. The resources for tax facilities will be reduced by 93 million euro in 2014, and that amount will be increased to 160 million in 2015. In 2013, the government will conduct an integral assessment regarding the details of the cuts in the relevant tax facilities in the coming years.

Following the evaluation in 2012, there was a budget-neutral reallocation of the funds for the WBSO in 2013, which has enhanced the facility's efficiency and effectiveness. The rates for the WBSO were lowered, the salary threshold for the first bracket was raised and the ceiling was maintained at 14 million euro. The changes are expected to encourage companies to conduct more R&D. Additionally, in 2013, a Fund-of-fund (for joint participations with the European Investment Fund in 'later stage venture capital' funds) was launched. This is an important component of the revolving SME+ Innovation Fund, which will increase the availability of venture capital for entrepreneurs. Other instruments include the Seed Capital scheme, the Fund-of-fund instruments for corporate financing and the Innovation Credit (*Innovatiekrediet*) aimed at project financing. The threshold for the Innovation Credit has been lowered to improve access to the scheme for small companies.

Investment in fundamental research

The importance of fundamental and applied research for innovation and for the Dutch economy and society is fully endorsed by politicians, the government, knowledge institutes and the business sector. The government has also decided to proceed with the Quality in Diversity (*Kwaliteit in verscheidenheid*) strategic agenda, with its long-term perspective on higher education, research and science.

The Coalition Agreement provides that 275 million euro will remain available via the Netherlands Organisation for Scientific Research (NWO) for programme-related research for the top sectors. A further 150 million euro will be provided to strengthen fundamental research (50 million euro of which will come from a realignment of priorities). A substantial portion of this sum will be used to facilitate participation in the European research programme, 'Horizon 2020'.

Of the increased amount announced in the coalition agreement, the government will invest 100 million euro a year in research via the NWO. This increased spending will start at 25 million euro in 2014, rising to 75 million euro in 2015, 2016 and 2017 and reaching 100 million from 2018. In addition, the government will devote a lump sum of 50 million euro from the additional annual funds for the Top Consortiums for Knowledge and Innovation to further stimulate public-private partnerships in the area of fundamental research via the NWO. The sum will be spent in instalments of 25 million euro in 2014, 15 million euro in 2015 and 10 million euro in 2016. In this way, the government will provide a firm boost for fundamental research, both independent research and the research carried out in the joint programmes with the top sectors.

Dutch research policy will also contribute to the development of the European Research Area (ERA), the planned open European area where researchers, knowledge and technology can circulate freely. In its Communication on the ERA, the European Commission requested member states to undertake a number of actions,[12] many of which are already addressed by Dutch policy.[13] For example, the Netherlands already has competitive research financing, as requested by the Commission, through the funding provided through the NWO (which, as previously mentioned, will be increased further), and has had a system of international visitations for years. Other examples are the fact that all vacancies in the Dutch academic world are published on the international website *Academic Transfer* and a large number of Dutch universities have requested the "HR Excellence in Research" logo from the European Commission, to identify them as institutions that provide a good and stimulating working environment. The ministries of Education, Culture and Science and Economic Affairs promote *gender* diversity in the senior ranks of companies, organisations and institutions through the Talent to the Top Foundation, among other things, and a substantial share of the 150 million euro in additional funds will be used for participation in European collaborative projects. Given the autonomy of the research institutions in the Netherlands, the government will take further steps to develop the ERA in consultation and collaboration with the institutions (and, where relevant, the private sector).

Monitoring of progress and evaluations

The Ministry of Economic Affairs has established an extensive monitoring system that will be used to evaluate the effectiveness of specific instruments and enterprise policy as a whole. The recommendations in the report 'Durf te meten', produced by the expert group on the measurement of the effects of enterprise policy (Theeuwes Commission) will be followed, as reported in the Minister of Economic Affairs' reaction to the report on 13 December 2012.[14] Information about the use of the instruments to promote innovation is also published on the website www.volginnovatie.nl. Data on the effects of the policy changes will become available during this government period, when more is known about the use of the instruments and the change in private R&D spending (along with other indicators).

The effect of the policy on the discretionary room for fundamental research is being monitored by a committee of the Royal Netherlands Academy of Arts and Sciences (KNAW), which is exploring the possible effects for scientific research of the policy of profiling by universities and the top sectors policy introduced by the previous government. The committee presented a report with its initial reflections to the State Secretary for Education, Culture and Science in February 2013, and the state secretary will publish her reaction before the summer of 2013. The KNAW committee will present a second report at the end of 2014, by which time the initial effects of the policy will be starting to emerge.

[12] European Commission, 17 July 2012. 'A Reinforced European Research Area Partnership for Excellence and Growth' (COM(2012) 392).

[13] Parliamentary Documents 2012-2013, 22 112, no. 1473.

[14] Parliamentary Documents 2012-2013, 32637, no. 45.

3.5 Housing market

3.5.1. Council's recommendation

The Council has recommended that the Netherlands should take measures to reform the housing market. The government also feels that reform of the housing market is essential and its intention is to permanently improve the operation of the housing market with a better balance between owner-occupied and rented housing, more freedom of choice and greater mobility. In time, the Dutch economy will also benefit from this. The Council's recommendation reads as follows:

> Take steps to gradually reform the housing market, including by: (i) modifying the favourable tax treatment of home ownership, including by phasing out mortgage interest deductibility and/or through the system of imputed rents, (ii) providing for a more market-oriented pricing mechanism in the rental market, and (iii) for social housing, aligning rents with household income.

3.5.2. Policies in response to the recommendation

Various measures were adopted in relation to the housing market in 2012, others will be fleshed out during the remainder of the government period. The measures will improve the operation of the housing market and reduce the burden on the public finances. The measure will also slow the growth of the volume of mortgage debt in the Netherlands, which will benefit financial stability. There is broad support for the measures and the government has reached agreement on the housing market reforms with three opposition parties.

<u>Owner-occupied market</u>
From 1 January 2013, the interest on new mortgages will only be tax deductible for loans that are entirely paid off in at least equal monthly instalments over a period not exceeding 30 years, which will provide a strong incentive for home buyers to repay their mortgage during the term of the loan. For existing mortgages, the pre-1 January 2013 tax rules will continue to apply so that home owners are not suddenly confronted with a large increase in housing costs. They will not have to make repayments on an existing loan in order to remain entitled to mortgage interest deductibility. Besides encouraging house buyers to repay the mortgage during the term of the loan, the amount they can borrow will also be reduced. The maximum loan-to-value ratio of mortgages will be reduced in increments of one percentage-point a year from 106% in 2012 to 100% from 2018. The permanent reduction of the property transfer tax to 2% from 1 July 2012 has removed a major obstacle to moving house and will promote mobility in the housing market. These measures have already taken effect.

Making repayment on an annuity basis a condition for mortgage interest deductibility for new mortgages and the permanent reduction of the property transfer tax represent significant steps. The final element of the reform of the owner-occupied segment of the market will involve reducing the maximum rate for interest deductibility for new and existing mortgages to 38% in 28 annual increments of half a percentage-point starting in 2014. The proceeds from this measure will be returned to those affected by it in a budget-neutral fashion. As a temporary measure to preserve the maximum possible mobility in the owner-occupied market segment during the transition phase, the interest on any residual debt left on the sale of a house will remain deductible for 10 years.

<u>Rental Market</u>

Market-oriented rents
The property valuation system used to establish rents will be simplified and based on a combination of the existing system and the actual value of the property as assessed under the Valuation of Immovable Property Act (WOZ). A proposal to this effect will be made in the course of 2013. By basing rents more on market value, the property's appeal (because of its location, for

instance) will be reflected more accurately in the rent. This will promote mobility in the housing market and help to reduce waiting lists for social rental housing in areas where it is scarce.

Income-dependent rent increases
Landlords will be allowed to increase rents by more than the rate of inflation every year. The annual rent increase will also become income-dependent. This will bring the rent paid by tenants with relatively high incomes, who do not belong in the target group for the social rental sector, more into line with their income. This gives them an incentive to move to the commercial rental or owner occupied sector. For tenants with a household income of up to 33,000 euro, the rent can be increased each year by 1.5% plus the rate of inflation. Rents for tenants with incomes of between 33,000 and 43,000 euro can be increased by 2% over inflation. For incomes over 43,000 euro, the maximum rent increase will be 4% above the rate of inflation. The maximum annual rent increase of 1.5% plus inflation will be fixed by the Minister of Housing and the Central Government Sector. The bills providing for the additional income-related rent increases are currently proceeding through parliament and are expected to enter into force on 1 July 2013. In 2014, a proposal will be submitted for the application of a rent pooling approach, which means that only the landlord’s total rental income (the total sum of the rent increases) would be capped. This would allow landlords to raise relatively low rents by more than relatively high rents. The higher rent increases will contribute to a better functioning rental market, since rents will be raised towards a level more in line with market rates. The additional rental income of landlords will be skimmed off with a levy for landlords, which will make a positive contribution to the public finances.

The government will present proposals to improve the functioning of the housing associations, the basic principle being that they should focus on their core task of providing social rental housing.

4. Progress with the Europe 2020 strategy

Europe 2020 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 which end five key targets, covering employment, innovation, education, social cohesion and sustainability, have been formulated to be achieved by 2020. Each EU member state determines its own national targets in each of these areas. This chapter outlines the progress the Netherlands has made in achieving the goals that it has set itself in relation to the principal EU targets.

Table 4: Europe 2020 targets

EU's headline targets	Netherlands' target	Figure in 2011
Employment • Increase labour participation from 69% to 75%	80%	75.9%
R&D • Increase R&D spending from 1.9% to 3% of GDP	2.5%	2.04%
Energy sustainability and climate change • 20% reduction of CO_2 emissions • 20% of energy from renewables • 20% increase in energy efficiency	20% 16% 1.5% a year*	8% 4.3% 1.1%, average since 2004
Education • Reduce the percentage of early school leavers • Increase the percentage of 30 to 34-year-olds with third-level education	8% > 40%	9.1% 41.1%
Social inclusion • At least 20 million fewer people suffering poverty and social exclusion	100,000 fewer *jobless households*	+ 65,000

* In accordance with the Energy Efficiency Regulation

4.1 Employment

4.1.1. National target

The government's ambition is to increase labour participation and for everyone to work as much as possible and to the best of their ability. The government's target is to increase gross labour participation (among 20 to 64-year-olds) to 80% by 2020. The labour participation rate was 76.6% in 2012. The CPB has calculated that the labour supply in hours will expand, up to and including 2017, as a result of the Coalition Agreement. The measures in the Coalition Agreement will produce a structural increase in employment of 0.6%.

4.1.2. Policies to achieve the target

The government has launched a number of legislative and policy programmes to increase labour participation. Reforms in the labour market, such as simplification of the law on dismissals and changes to enhance the activating nature of the Unemployment Benefits Act, will improve the functioning of the labour market, with greater labour mobility and higher labour participation. The policies designed to promote labour participation are explained in section 3.3 in the reaction to the country-specific recommendation in 2012.

4.2 Research and innovation

4.2.1. National targets

The Netherlands has set itself the target of spending 2.5% of GDP on R&D by 2020. According to the most recent data from the CBS, R&D expenditure in the Netherlands was 2.04% of GDP in 2011, up from 1.85% of GDP in 2010. This increase was mainly the result of an improved use of the definition of R&D by the CBS, which resulted in the embrace of R&D spending by a larger number of companies. Consequently, R&D spending by the private sector in 2011 was 1.07% of GDP compared with 0.89% in 2010. The EU also intends to introduce an indicator of the output of innovation. The Netherlands is in favour of this, and of monitoring developments with respect to human capital and entrepreneurship.

4.2.2. Policies to achieve the targets

The policies designed to promote research and innovation are explained in section 3.4 in relation to the country-specific recommendation in 2012.

4.3 Energy sustainability and climate change

4.3.1 National targets

The government has opted to pursue a realistic and ambitious strategy of green growth, with due regard for space and security. This strategy combines the pursuit of economic growth and greater competitiveness with improvement of the environment, making use of social initiatives. Climate and energy are two of the areas in which the strategy of green growth will be applied. The government intends to set out a stable and ambitious long-term policy that enjoys wide political and public support. It has three key ambitions. First, in the context of the Europe 2020 strategy, the Netherlands has committed itself to reducing CO_2 emissions by 20% in 2020 compared with 1990. In addition, the government is currently formulating new CO_2 targets for the period after 2020 in light of the EU's ambition of keeping the target of an 80% to 95% reduction of CO_2 emissions by 2050 within reach. Second, energy conservation is a priority for the government and it will implement the Energy Efficiency Directive this year. Third, in the Coalition Agreement the envisaged share of renewables in energy consumption in 2020 has been fixed at 16%. Accordingly, the national target has been raised by two percentage-points

Steady progress is being made towards achieving these goals. In 2011, greenhouse gas emissions in the Netherlands were approximately 8% below the level in 1990. According to the most recent estimate, the Netherlands is on course to meet the mandatory EU targets for CO_2 emissions. Renewable energy accounted for 4.3% of gross final consumption in 2011. With the financial resources reserved in the Coalition Agreement it will be possible to meet the target of 16%, according to the Netherlands Environmental Assessment Agency. Primary energy consumption has risen steadily in the Netherlands, from around 2720 PetaJoules (PJ) in 1990 to around 3250 PJ in 2011, an average growth of 1% a year, but the volume of activity has increased more rapidly. The pace of energy conservation has averaged 1.1% a year since 2004.

4.3.2 Policies to achieve the targets

The government is meeting its national targets with policies to reduce CO_2 emissions, to promote renewable energy and to promote the efficient use of energy and natural resources.

The State Secretary for Infrastructure and the Environment will send a letter on climate policy to parliament before the summer of 2013, with a long-term roadmap for policies on mitigation and adaptation, which will be followed by an action plan. The Social and Economic Council (SER) is also currently drafting a national Energy Agreement, the results of which will be incorporated in the formulation of future policies.

CO_2 reduction
A joint European ceiling of -21% in 2020 (compared with 2005) has been established for all sectors participating in the EU's Emissions Trading System (ETS), and, by definition, companies covered by the ETS meet the current European target. For companies outside the ETS sectors, there is a package of policy measures that is expected to ensure that non-ETS sectors in the Netherlands will also meet their target of -16% by 2020. To this end, in 2011 the government drew up a 'Strategy on climate policy en route to 2020',[15] which encompasses policy measures in all non-ETS sectors (built environment, agriculture, transport and small industry/energy). For transport, this includes CO_2 standards for passenger cars and vans, and for agriculture a CO_2 cap and trade system in the greenhouse horticulture sector.

The Netherlands also prepared a Sustainability Agenda in 2011, setting out the government's aim of creating a more sustainable society and enumerating its priorities and the main actions it would take to create a greener economy. Two policy instruments aimed at working with societal partners, the Local Climate Agenda and the Green Deals programme will help achieving the targets for the reduction of greenhouse gases in 2020 and beyond. Other priorities are local generation of

[15] Parliamentary Documents 2012-2013, 32 813, no. 41.

renewable energy, green gas and energy conservation in the built environment. For the longer term, the previous government published the 'Climate Letter 2050', in which it set out the challenges facing the Netherlands on the road to a competitive, climate-neutral Europe in 2050.[16] The government will produce a follow-up this year in the form of a roadmap for further implementation of the EU's climate strategy and designed to establish a stable and broadly supported policy framework that will generate the actions needed to remain on course to meet the EU's long-term target of reducing CO_2 emissions by 80% to 95% by 2050. In the transport sector, CO_2 reduction and improvements in energy efficiency call for technical advances, but also a change of behaviour, which programmes such as *Mobility Management*, *Multiyear Agreements*, *New Driving Style* and *Sustainable Logistics* are intended to bring about. In the last few years, pilot projects have been conducted as part of the Sustainable Mobility programme (*Proeftuinen Duurzame Mobilitieit*) to experiment with innovative techniques such as electric vehicles with a view to their full-scale implementation.

Renewable energy

In 2011, the Sustainable Energy Incentive Scheme (SDE) was replaced by the more cost-effective SDE+ scheme. Spending on renewable energy is set to rise from 900 million euro in 2013 to 3.8 billion euro in 2020 in light of the government's target of 16% renewable energy. From this year, spending on the SDE+ will be covered entirely from a new surcharge for renewable energy along the lines of the energy tax. The costs and benefits of the policy will be evaluated in 2016, partly in the context of European policy.

In accordance with the Renewable Energy Directive of 5 April 2009, at the end of 2011 the Netherlands sent the European Commission a progress report on the production of energy from renewable sources in the Netherlands in the period 2009-2010. The Netherlands is on course to meet the target of a share of 14% for renewable energy in 2020. Given the budget earmarked by this government for the period up to 2020, a more ambitious target of 16% renewable energy in 2020 is feasible.[17]

The directive requires that at least 10% of final consumption of energy in transport comes from renewable sources, including biofuels. Only sustainable biofuels that meet the criteria for sustainability laid down in the directive can count towards meeting the target. In 2015, the Netherlands will comply with the indicative path prescribed by the European Commission.

Energy efficiency

Energy conservation is a stated priority of the government. Instruments used by the government to promote energy efficiency include an energy tax on gas and electricity, duties on motor fuels and participation in the EU Emissions Trading System. The government also encourages companies to invest in energy-efficient equipment with the Energy Investment Allowance, among other measures. The key to government policy is intensive cooperation between central government and other public authorities, market parties, housing associations, consumer organisations and other stakeholders in the endeavours to meet the objectives for energy conservation. This is explicitly reflected in the long-term voluntary agreements on energy efficiency for the built environment and industry, the innovation programmes and the pilot project Blok-voor-Blok, a programme in which partners share their knowledge and experience to stimulate large-scale energy efficiency in existing buildings. The government regards innovation as an important instrument for improving energy conservation, particularly in terms of moving towards energy-neutral design in the construction and renovation of buildings. There are various programmes to achieve this including *EnergieSprong* and *Gebieden Energy Neutraal.* It is also an objective of the Top Consortium for Knowledge and Innovation in the Built Environment in the Energy top sector.

In a letter to parliament on 13 February 2013, describing its plans for an integrated approach to tackling the problems in the housing market,[18] the government announced the creation of a

[16] Parliamentary Documents 2011-2012, 32 813, no. 3.

[17] Netherlands Environmental Assessment Agency, 'Analyse van de milieu- en natuureffecten van *Bruggen Slaan*, Regeerakkoord VVD-PvdA dd. 29 oktober 2012, een Quick Scan'; 9 November 2012, PBL number 500285002.

[18] Parliamentary Documents 2012-2013, 32 813, no. 41.

revolving fund of 600 million euro for energy conservation, to be financed with 150 million euro from public funds with mandatory co-financing of 450 million euro from the private sector. This fund will make it easier for owners/occupants of buildings and landlords to finance measures to improve energy efficiency. The Green Deal approach will also be continued during this government period and will be expanded with at least one deal with energy companies and housing associations to accelerate the process of increasing the sustainability of existing housing, offices, schools and other buildings through energy conservation. Another programme that has started involves a joint project with the sector to identify, and where possible remove, obstacles that prevent home owners' associations from implementing energy-saving measures.

The Netherlands is implementing the Energy Efficiency Directive (2012/27/EC) and will draft additional policies this year designed to achieve annual energy savings of 1.5% among end users in every sector, in accordance with the provisions of Article 7 of the directive. The government is currently investigating what policies will be needed, and they will be announced in mid-2013.

The Netherlands feel it is important to look for ways of increasing efficiency not only in the use of energy, but also of natural resources in general. The government's aim is to create a circular economy and it wants to stimulate the European market for sustainable raw materials and the recycling of scarce materials, partly with a view to strengthening the competitiveness of the Dutch economy. To clearly identify how efficiently natural resources are used, the commonly applied indicator of 'resource productivity', on which the Netherlands scores well, should be supplemented with indicators for biotic resources, such as the use of biodiversity, land and water in the Netherlands and elsewhere in the world. Partly in the context of the Europe 2020 flagship initiative 'A Resource Efficient Europe', the Netherlands has already introduced a wide range of measures to promote resource efficiency. Through Green Deals, for example, efforts are being made to increase the sustainability of production chains by adopting a successful chain approach for some materials (phosphate, paper, textiles) and increasing the recycling rate to 83% by improving the separate collection of waste. The government is also pursuing 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 forms of sustainable procurement that encourage innovation. A further objective of the Dutch government is to promote and facilitate Corporate Social Responsibility.

4.4 Education

4.4.1 National targets

The standard of education and science in the Netherlands is high, but the country's ambition extends further: the Netherlands wants to become one of the top five knowledge-based economies in the world. The target the Netherlands has set itself is by 2020 no more than 8% of young people between the ages of 18 and 24 will leave school without a basic qualification. The proportion of early school leavers has already been sharply reduced from 15.5% in 2000 to 8.8% in 2012. And while the number of people who have completed higher education is already higher than the European target of at least 40% by 2020, having risen to 42.3% in 2012, the government expects the proportion of 30 to 34-year-olds who have completed higher education to be 45% in 2020. The government will continue to implement policies to further improve the quality of education.

4.4.2 Policies to achieve the targets

The present government will continue those policies of its predecessor that were designed to enhance the knowledge and expertise of new and existing teachers, strengthen core subjects, increase the hours of teaching, increase the focus on the acquisition of knowledge and skills, provide special facilities for excellent pupils and students, improve the choice of course by students and increase the transparency of educational performance.

<u>Proportion of 30 to34-year-olds with a higher education, increasing accessibility and quality</u>
The proportion of 30 to 34-year-olds with a higher education has risen from 26.5% in 2000 to 42.3% in 2012 - an increase has been achieved through organic growth and by encouraging students to complete their studies more quickly. In recent years, the institutions of higher professional education and universities have received around 80 million euro a year to improve the success rate of students and 2.15 million euro for educational guidance interviews. Following pilot projects in the period 2009-2011, it was decided to extend educational guidance interviews throughout higher education.[19] By extension, it was decided that students are entitled to more support, such as trial enrolment in a course or an educational guidance interview, to help them decide on a particular course of study. Furthermore, from the 2014-2015 academic year, prospective students will have to enrol no later than 1 May in order to give themselves enough time for such an activity.

The government plans to introduce a loan system for new students, also starting in the 2014-20115 academic year. Under the new system, students (and parents) will be required to pay more towards the costs of their upkeep. Loans will be made available on favourable terms, to be repaid according to the student's ability after graduation. Studies by the CPB and the Netherlands Institute for Social Research (SCP) suggest that the effects of this measure on the number of enrolments of new students will be small.[20] Furthermore, the supplementary grant for students with parents with a lower income will be retained. The proceeds from the introduction of the student loan system will be invested in the quality of education.

In response to the recommendations of the Veerman Committee for Future-Proof Higher Education in 2010 and the ensuing strategic agenda in 2011 and framework agreements, by the end of 2012 performance agreements had been concluded with practically every university and institution of professional education to improve the quality of education, to increase the completion rate among students, to promote institutional profiling and greater differentiation of teaching programmes and to strengthen valorisation. Financial consequences are attached to the performance agreements and actually meeting the performance targets. The funding model has been adjusted accordingly,

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[19] The Kohnstamm Institute, December 2011. 'Studiekeuzegesprekken: on zoek naar maatwerk'. The Kohnstamm Institute concluded that both candidate students and interviewers were generally positive about the usefulness of the interviews. It is impossible to draw any firm conclusions about whether the educational guidance interviews reduce the drop-out rate or improve a student's progress in a course, but experience does suggest that they have a greater positive influence on a student's progress than on the drop-out rate.

[20] Parliament, session year 2012–2013, 24724 no. 106. '*Beantwoording technische vragen, gesteld tijdens het AO op 13 februari 2013 over the hoofdlijnenbrief studiefinanciering 'Toekomstbestendige studiefinanciering voor sterke onderwijskwaliteit*.' [20] Netherlands Bureau for Economic Policy Analysis, January 2013. '*Deelname-effecten of the invoering of the sociaal leenstelsel in the bachelor- en masterfase'*. Netherlands Institute for Social Research, November 2012. '*Sociaal en cultureel rapport 2012'*.

with more than 7% of the funding of education based on the criterion ‘quality and profile’. The system of performance-related agreements will be evaluated in four years’ time.

Wider access to higher education requires a good match between upper secondary vocational education (MBO) and higher professional education (HBO) and a high standard of education at MBO level. The policy to improve the quality of MBO education was laid down in the action plan 'Focusing on Skills’ in 2011, in which the focus was on measures to improve the quality of vocational education, reduce the number of qualifications and courses, simplify the system of vocational and adult education and improve the management and operations of schools.

The present government has adopted the objectives of this action plan, but is implementing parts of it differently. For example, the central exams for Dutch and maths, the subjects made compulsory for level-4 MBO pupils in 2010, will be introduced a year later, in the 2013-2014 school year (and another year later for level-2 and level-3 pupils). For English, which has been a compulsory subject for level-4 MBO pupils since the 2012-2013 school year, the exams are set by the institutions themselves. As provided for in the action plan, most level-4 MBO courses will be shortened from four to three years, while at the same time the number of supervised teaching hours will be increased.[21] The introduction of this measure has also been postponed by a year, until August 2014. The changes will make the route to higher professional education via secondary vocational education more attractive in relation to general secondary education.

The government has also announced measures to facilitate the creation of work experience places and qualification files. From 1 January 2014, the tax credits that employers receive for providing work experience places will be replaced by a more targeted subsidy scheme, which will reduce the costs. The creation of qualification files and a number of other statutory duties of the Centres of Expertise for Vocational Education and Business will probably be centralised in the Foundation for Cooperation in Vocational Education, Training and the Labour Market (SBB), which was established in 2011. At the same time, the structure of the qualification files will be simplified, a process that started in 2011.

Research has shown that MBO pupils who go on to study an unrelated subject often drop out. It was therefore decided in 2011 to make it possible for institutions of professional education to specify additional requirements in terms of prior education for students with an MBO background in order to improve the continuity of their studies. The bill to regulate this measure was sent to parliament in January 2013.

<u>Early school leavers</u>
The Netherlands has been making intensive efforts to reduce the number of early school leavers since 2005. It has opted for an integrated, result-driven approach at the regional level, which has had success. The percentage of early school leavers fell from 15.5% in 2000 to 8.8% in 2012. The measures taken in the Netherlands to reduce the school drop-out rate are primarily aimed at preventing young people from leaving school without any basic qualifications. The government is devoting special attention to the drop-out rate from technical vocational courses as part of more wide-ranging measures being taken to strengthen technical vocational education in the context of the Technology Pact. The emphasis on reducing the number of early school leavers in MBO education is reflected in closer monitoring of the results of measures at extra meetings between officials of the Ministry of Education, Culture and Science and directors of MBO schools. The current policy to reduce the number of early school leavers will be continued in 2013.

1. *Comprehensive policy to prevent absenteeism:* Truancy is still the most important warning sign that a pupil might drop out of school. Schools are therefore strongly encouraged to ensure that their absenteeism policy is in order, i.e., that they register and report absenteeism and take measures to prevent it. Since 1 August 2009, all secondary schools and MBO institutions are obliged to report the absence of young people up to the age of 23 to the Dienst Uitvoering Onderwijs via the online absenteeism registration system.

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[21] Exceptions are possible if the standard of vocational education would suffer. At the request of the Ministry of Education, Culture and Science, the Council for Vocational Education (MBO Raad) has drawn up a list of courses for which an exception should apply, which extends to approximately 15% of the total number of courses.

2. *Voluntary agreements:* In 2012, new voluntary long-term performance agreements were concluded between the Minister of Education, Culture and Science, municipalities that act as regional registration and coordination centres for school drop-outs and educational institutions. The principles remain the same: performance agreements, transparency in the figures on early school leavers and financial rewards for schools that keep the annual drop-out rate below a predetermined target.

3. *Intensification of regional approach*: In 2002, 39 statutory Regional Registration and Coordination Regions (RMC regions) were established. In each RMC region, one municipality serves as a contact point for coordinating the notification and registration of early school leavers and for arranging alternative places for them in education. The alderman for education in the contact municipality directs the process in each RMC region. The partners in the chain within the RMC region, such as school inspectors, RMC officials, employers, debt counsellors, probation officers and youth care workers, must focus on the needs of the young people.

4. *Programmes to support the regional approach:* On 1 August 2012, the 'Early school leavers' scheme took effect. Under this scheme, in addition to the performance-related subsidies, the regions receive funds to set up programmes to prevent children from dropping out of school. The programmes are based on an analysis of the regional figures on early school leavers.

5. *Emphasis on the first years of an MBO course:* Additional measures adopted in 2012 to reinforce efforts to reduce the drop-out rate at MBO level included longer supervised teaching hours in the first year, intensive counselling, career guidance and coaching. Structural funding of 150 million euro has been made available for these measures.

4.5 Fighting poverty and social exclusion

4.5.1 National target

The government is earmarking additional money to combat poverty. Anyone who is unable to find work through no fault of their own is guaranteed a benefit of at least subsistence level. The government has set itself the target of reducing the number of persons (aged 0 to 64) in a jobless household by 100,000 in 2020.[22] Work is the best sustainable way out of poverty. People who have little to spend participate less in society.

Compared to other EU member states, the number of people facing the risk of poverty and social exclusion is relatively small in the Netherlands. In 2011, according to the European definition, the percentage of the population living in a jobless households had risen to 8.7% from 8.2% in 2010,[23] indicating that, despite the country's relatively good score in EU terms, the risk of poverty in the Netherlands demands attention.

Table 5: Jobless households
(in thousands of people)

	2008	2009	2010	2011
People in jobless households in the Netherlands (aged 0-64)	1,613	1,641	1,595	1,678

4.5.2 Policies to achieve the target

The government is implementing various measures to secure the active participation of more people in society. The measures are aimed at promoting access to the labour market, guaranteeing an adequate minimum income and ensuring access to a high level of assistance for groups at risk. Steps are also being taken to cushion the effects of measures on the incomes of vulnerable groups. In addition, the measures to promote labour participation (described in section 3.3) and to promote job creation (described in section 4.1) will also contribute to reducing the number of jobless households.

<u>Inclusive labour market</u>
There are various laws to ensure that the labour market is open to everyone. They include the Equal Treatment Act, anti-discrimination laws and reintegration provisions in the Work and Social Assistance Act (WWB), the Unemployment Benefits Act (WW), the Work and Income (Capacity for Work) Act (WIA) and the Incapacity Insurance (Young Disabled Persons) Act (Wajong). Special attention is devoted to ensuring access to these schemes for groups that are less self-reliant or cannot automatically benefit from the measures and to avoiding distinctions between insiders and outsiders. Proposed measures to improve access to the labour market are described in sections 3.3 and 4.1.

<u>An adequate minimum income</u>
The Netherlands has a comprehensive social security system. The main schemes are:

- The General Old Age Pensions Act (AOW) for an income for the elderly;
- The Unemployment Benefits Act (WW) for loss of income due to unemployment;
- The Work and Income (Capacity for Work) Act (WIA) for incapacity for work;
- The Surviving Dependants' Act for loss of income due to the death of a breadwinner;
- Continued payment of salary for employees who are unable to work due to illness;
- The Work and Social Assistance Act (WWB) for people with insufficient income or capital to support themselves and who do not qualify for other benefits.

[22] Results from the survey years 2008 – 2018. The age range in the national definition is 0-64. At the EU level, it is 0-59.

[23] According to data from Eurostat, which also include students, for example.

The amount of the benefit under the WWB is linked to the minimum wage, giving rise to a system where the prosperity of benefit recipients rises in line with that of working people. Due to this link, and the activating nature of the system, the percentage of the population with a low income[24] fell from 16% in the mid-1990s to 8.7% in 2011.[25]

Additional measures

The government will be taking radical measures to repair the government finances in the coming years. These measures will affect the purchasing power of everyone in the Netherlands. The government wants to ensure that the burden is shared equally and will analyse the cumulative effects of measures for specific groups of people to prevent anyone suffering financial hardship because the government is demanding too much from them. It will consider in particular the capacity of people with low and middle incomes to absorb the effects of the proposed measures.

Under the Municipal Debt Assistance Act (*Wet Gemeentelijke Schuldhulpverlening*), which entered into force in July 2012, municipalities have the statutory responsibility to provide debt counselling, including advice on preventing debt and assistance for those already in debt. In that context, it is important that integrated counselling is provided that includes all the help that a person requires, which can relate to more than just the person's financial situation and could include other relevant factors, such as the existence of possible obstacles to reintegration or their family situation.

The maximum amount of the working person's tax credit has increased from 1,611 euro to 1,723 euro in 2013. For high incomes (around 70,000 euro) the tax credit has been reduced to 550 euro. To improve the financial situation of low- and middle-income groups, the maximum tax credit will be increased further to around 2,730 euro in the coming years, while for higher incomes of around 111,000 euro a year, it will be phased out completely. The increase in the working person's tax credit will make work more rewarding for people with low incomes. The effect of the poverty trap will be reduced, making it more attractive financially for benefit recipients to find a job.

The general tax credit will also be increased and will in future be related to income, so people with a low income will benefit financially. They will also benefit from the introduction of means testing for the health insurance excess. Finally, the double tax credit in the reference minimum wage will be reduced more slowly in the period 2014-2017: by 2.5 percentage-points a year rather than 5 percentage-points. This is a temporary measure to sustain the purchasing power of people on a minimum income which was agreed in the Coalition Agreement. In the normal situation, benefit recipients, like single earners, will be entitled to a single general tax allowance so that it will still pay for them to work.

In 2014 the government will intensify its policy on poverty with 80 million euro and from 2015 structurally with 100 million euro..Consequently, the most vulnerable groups will receive additional help. Greater attention will be devoted to the working poor, families with children and elderly persons with a low income. For essential costs that individuals cannot afford to pay themselves, the municipalities can provide an allowance in the form of special assistance. Some of the additional funds for the poverty policy will go to Sports Boost (´Sportimpuls´) and the Youth Sporting Fund (´Jeugdsportfonds´), two programmes that provide subsidies to encourage participation in sport, particularly among children from low-income households.

[24] The low-income threshold is established by the CBS. It is based on the level of social assistance in 1979. It is also the threshold used to formulate policies, because the income threshold is only adjusted for inflation and thus reflects a stable purchasing power level over time.

[25] Armoedesignalement 2012 (CBS/SCP)

5. Structural funds and the Europe 2020 strategy

It is not only Dutch policy measures that contribute to achieving the objectives of the Europe 2020 strategy. The effective use of structural funds contributes to the realisation of the Dutch targets. In the Netherlands there are four EU structural and investment funds which are dedicated to improving economic competitiveness and increasing employment. These are the European Fund for Regional Development (EFRD), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The EU provided more than 2.5 billion euro for the programmes of these funds in the period 2007-2013.

The anticipated results of the current programmes for the period 2007-2013 are promising. Almost all of the funds have already been committed. More than 60% of the EFRD resources have been devoted to innovative projects and SMEs, thus contributing to the Europe 2020 objectives. Up to now, more than 3,000 start-up companies have been helped and innovation has been promoted at more than 13,000 companies. It is estimated that the investments have resulted in the creation of more than 25,000 jobs in the Netherlands.[26] The European Territorial Cooperation (ETC) programmes occupy a special position in the EFRD since, by definition, they have a cross-border dimension, which gives them distinct added value in addition to the national instruments. In the current period, the ESF programme has been dedicated to increasing the labour participation of people with few prospects in the labour market, such as the elderly and people with a handicap, as well as helping current and former prisoners and pupils in special needs secondary education to find paid employment. The ESF programme also invests in training programmes organised by sectors and companies for unskilled workers and in projects to promote social innovation and permanent employability. The EAFRD focuses on strengthening competitiveness and sustainability in the agricultural sector, and the EFF is dedicated to enhancing innovation and sustainability in the fisheries sector. EFF funds have been committed to a total of 382 projects.

The operational programmes for ESF, EFMAF[27] and EFRD for the period 2014-2020 are due to be submitted to the European Commission at the end of this year. The operational programme for EAFRD may follow later, mainly because of its connection with the first pillar of the Common Agricultural Policy. Partly because the budget is relatively small and is declining, the programmes will focus on targets for a small number of themes relating to the challenges facing Europe, thus assuring their contribution to the Europe 2020 strategy. The programmes and the priorities within them have still to be finalised, possibly after consultation with relevant partners. The funds are expected to focus on innovation, sustainability and labour participation in the coming period, as well as actively promoting synergy and cohesion between the programmes through partnership agreements. EFRD funds will be devoted mainly to meeting the targets on the themes of innovation, including innovative SMEs, and a low-carbon economy. At the same time, the fund will be used mainly to promote the regional aspect of the top sectors approach. The new ETC programmes will be largely devoted to the same thematic objectives and will therefore not only contribute to the Europe 2020 strategy, but also have maximum synergy with national instruments. The focus of the ESF will be on reintegration into the labour market and promoting permanent employability among the working population. The EFMAF will pursue sustainability in the fisheries sector through innovation, collective actions and measures to strengthen the fisheries chain. The EAFRD funds will be used mainly to promote innovation and sustainability for a future-oriented competitive agricultural sector and green/blue services.

[26] For further information, see the Mid Term Evaluation EFRO D2 2007 – 2013, and the National Strategic Report 2012.

[27] From 2014, the Fund for Maritime Affairs and Fisheries (EFAMF) will replace the EFF.

6. Involvement of stakeholders

Implementing the country-specific recommendations and achieving the Europe 2020 targets require a commitment not only from central government, but also from the social partners, local authorities and non-governmental organizations. As in previous years, therefore, these stakeholders were consulted during the drafting of this National Reform Programme. Others who were consulted include the European Anti-Poverty Network (EAPN) and the Social Alliance (a network of about 60 organizations engaged in combatting poverty and social exclusion). The social partners have prepared separate documents outlining their input to the National Reform Programme and the Europe 2020 strategy.

The government recognizes the great importance of broad support for the Netherlands' position in the European Semester and will seek the close involvement of parliament in the various stages of the European Semester. Parliament has been informed about the *Annual Growth Survey a*nd the *Alert Mechanism Report*, which kicked off the European Semester for 2013. Parliament debated the content of these analyses prior to various meetings of the Council.

The National Reform Programme was submitted to parliament before it was sent to the European Commission. As a rule, a debate is arranged between the Minister of Economic Affairs and parliament on the National Reform Programme.

As usual, Parliament will also be notified as soon as possible about the Commissions proposal for country-specific recommendations for the Netherlands, which is expected at the end of May. Customarily, the 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 (the Employment Council and the Economic and Financial Affairs Council) and during the preparations for the European Council of 27 and 28 June.