Economic Partnership Programme

With this report, the Netherlands implements the requirement arising from the two-pack to submit an Economic Partnership Programme when new recommendations are specified in the context of the excessive deficit procedure. In this report an update is given of the policy implemented by the government to make structural improvements to the economy and public finances and, in that way, to also contribute to solid public finances in the longer term. This report uses as its basis the country-specific recommendations as determined by the Council because these recommendations are important for improving the economic and fiscal policy. The present European debt crisis demonstrates, after all, the major economic and financial interconnectedness among Member States. Sensible economic and fiscal policy is in the interest of all Member States.

Last spring, the European Commission proposed country-specific recommendations for the Netherlands in four areas. These recommendations are in the areas of fiscal consolidation, reforms on the housing market, measures relating to ageing and increasing participation in the labour force and the functioning of the labour market. The government is undertaking action in this area by means of the policy agenda, based in part on the agreements reached previously with parliament, employers and employees and social organisations, such as the Pension Agreement, the Social Agreement, the Housing Agreement and the Health Care Agreement. For each recommendation, this report focuses on what the government's policy response is.

HEREBY RECOMMENDS that the Netherlands take action within the period 2013-2014 to:

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

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

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

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

Recommendation 1: fiscal consolidation

The Netherlands attaches great importance to healthy public finances to guarantee the prosperity of current and future generations. The Netherlands is strongly committed to the adequate and careful application of the European budget rules. Within the framework of the excessive deficit procedure, the Dutch authorities would need to implement additional consolidation measures of at least 1 percent of GDP in 2014 on top of the measures already included in the baseline scenario. To this effect the government has presented in the Budget Memorandum, a substantial structural consolidation package of 6 billion euro (1 percent of GDP). The government is convinced that, in the light of the current economic situation, the additional 6 billion euro policy package is an effective and correct implementation of the recommendations within the framework of the excessive deficit procedure. The Dutch government has also submitted the Sustainable Public Finances Act to anchor in law the European budgetary agreements arising from the Stability and Growth Pact and supplemented by the Euro-plus Pact, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and the Council Directive on requirements for budgetary frameworks of the Member States. In this way the course has been set for sound public finances and a sturdy foundation has been put in place for strengthening economic growth. The Sustainable Public Finances Act is discussed below. The individual budgetary measures are further described in both the Draft Budgetary Plan and the Effective Action Report.

Sustainable Public Finances Act

The Netherlands has pursued a stringent budgetary policy for years. Since the early 1990s that policy has been characterised by:

1. The use of fixed expenditure ceilings
2. Principal of automatic stabilisation on the revenue side of the budget
3. Budget policy based on the long-term figures and the macro-economic forecast of the relevant variables by the CPB.

With the Sustainable Public Finances Act (the HOF bill) the Netherlands is anchoring this trend-based budgetary policy in general terms. The three basic principles that are crucial for the budgetary policy to be implemented are included in the Act (see also Article 2, paragraph 2). Moreover, with the HOF bill, the tightened European budgetary rules are implemented, including achieving a balanced budget in the medium term.

The bill obliges the Netherlands to take sufficient measures when, on the basis of the economic forecast by the CPB, the expectation is that the national and all European budget rules will not be complied with. The same applies when the European Commission or Council indicates that the budget policy of the Netherlands is not leading to adequate compliance with European budget rules. The bill also contains a correction mechanism which comes into operation in the event of significant deviations from the so-called 'medium term objective' (MTO) or the change procedure in accordance with the MTO as prescribed by the European Commission. During the structuring of this corrective mechanism, full consideration was given to the seven social principals as presented by the Commission[1].

In addition, the bill includes the obligation that all government sectors contribute to compliance with the European budgetary rules, including the medium term objective. After all, the revenue and expenditure by local government bodies are part of the general government balance and the gross government debt. Respecting the European budget objectives is therefore a joint task for central government and local government bodies. Based on a number of European agreements, local government bodies have to be involved in the HOF bill.

In January 2013 a path to the general government balance was agreed upon for the period through 2017 in the financial agreement with the local government bodies. The financial agreement contains an ambition and a standard for the balance path of the local government bodies. The agreed ambition corresponds to the estimate by the CPB for the balance of the local government bodies, following continued implementation of the Coalition Agreement, in the period 2014-2017. The agreed upon standard for the general government balance of the local government bodies

[1] Common principles on national fiscal correction mechanisms, COM (2012) 342 final.

offers some margin with respect to the ambition. In the event of any deviation from the ambition it is, therefore, not immediately necessary for local government bodies to take other measures.

Major objectives and relevant country-specific recommendations	**Information on planned and already implemented measures**				**Anticipated effects**
	List of measures[2]	**Description of the measure**	**Plan for follow-up steps**	**Specific challenges/risks during implementation of measures**	**Qualitative elements**
Sustainable correction of the excessive deficit and the pursuit of a medium-term objective of structural budget balance.	Anchoring of national and European budgetary rules in (secondary) legislation	The bill requires additional measures to be taken when, based on forecasts by the CPB Netherlands Bureau for Economic Policy Analysis, the national and/or European budgetary rules will not be realised or when the European Commission orders this to be done. The bill also includes a corrective mechanism that takes effect in the event of significant deviations from (the change project to) the MTO.	Entry into force no later than 1 January 2014		

Recommendation 2: housing market

The recommendations of the European Commission, which are set by the European Council, underscore the importance of reforming the housing market and in that sense can be seen as support of government policy and the Housing Agreement. With the sum total of measures on the owner occupied housing market and the house rental market, work is aiming on achieving a balanced housing market with fewer financial risks. The government chooses a sensible balance between the speed of the reforms on the one hand, and stability in the housing market on the other. The choice is now being made to set out the necessary reforms by lowering the mortgage interest tax deductibility - the fiscal subsidies on the owner occupied housing market are being wound down by 40 percent. This is being done with attention for the short-term effects on the economy; a gradual transitional phase has been put in place so that, in this difficult period, no unnecessary further pressure is placed on the housing market. The government also chooses for additional measures within the scope of limitation of the National Mortgage Guarantee Scheme (NHG) and LTV to strengthen the shock-resistance of households. Flexibility is also promoted on the rental market, renters are gaining more instruments to set rental prices according to the

[2] The various fiscal measures are discussed in the Draft Budgetary Plan and the Effective Action Report.

attractiveness of homes, the ability to pay of renters and the structure of the housing corporation sector is being improved.

Owner occupied housing market

The government is taking measures to limit the high debts and the connected financial risks:

- The right to mortgage interest taxdeductibility for new mortgages has been linked since 1 January 2013 to the complete and at least annuity repayment of the mortgage loan. For that reason the mortgage interest tax deductibility is once again going to do what it is supposed to: promote private home ownership rather than maximising debts.
- Starting in 2014 the maximum mortgage interest tax deduction rate for both new and existing cases will be reduced in 28 steps of a half percentage point per year to 38 percent. The revenues of this will be returned by means of an extension of the third tax bracket.
- The loan-to-value (LTV) will be gradually limited to 100 percent in 2018. With robust recovery of the housing market, proposals will be made for the eventual LTV ratio.
- The decision was recently made to continue gradually phasing out the cost limit of the National Mortgage Guarantee Scheme to 225,000 euro as of 1 July 2016, and in future the scheme will be linked to the average home price. In this way the instrument better aims for the target group (low- and median-income earners) and the original intent of the scheme.

At the same time measures have been taken to promote turnover:

- The rate of the transfer tax upon house sale has been permanently lowered to 2 percent.
- The central government's contribution to starter loans was increased in 2013 from 20 million euro to 50 million euro. In that way approximately 11,000 starter loans can be granted.
- Since 29 October 2012 the interest over remaining debts may be deducted for tax purposes for a period of ten years. In that way more room is offered for current home owners that would like to move house but are dealing with remaining debts.
- As of 1 October of this year until 1 January 2015, the limit for tax-free gifting will also be raised to 100,000 euro to be spent on a person's own home (including repayment of remaining debts and refurbishments). The limitation on gifts from parent to child has temporarily been repealed. This means that a person can receive a one-time gift from any random third party of a maximum of 100,000 euro for their own home.
- The government is also seeking to include remaining debts on conditions in financing under a National Mortgage Guarantee Scheme (NHG) with a more and better focussed structure.

Rental market

To improve the functioning of the rental market and the allocation of social rental homes, the following measures will be taken:

- The housing evaluation system (WWS) for determining the maximum rental price will be simplified and based on a combination of the existing WWS and the value of the home under the Valuation of Immovable Property Act (WOZ value). By basing the rents more on the market value, the attractiveness of the home will be better expressed in the rental price, a fact that contributes to turnover and consecutively promotes the availability for the target group. Low incomes will be protected by means of a higher subsidy on rents. The effective date that is being targeted is 1 July 2014.
- Additionally the government has expanded possibilities for above-inflation rent increases as of 1 July 2013, whereby the possibility is offered to increase the rents more quickly for higher incomes. The maximum rent increase above inflation is 1.5 percent for lower incomes, 2.0 percent for median incomes and a maximum of 4 percent for higher incomes. This combats the skewed income-to-rent ratio and promotes turnover. Renters who, following income-dependent rent increase, are confronted with a drop in income will receive a rent reduction. A portion of the extra rental income from renters will be creamed off by means of a landlord levy.

For a well-functioning housing market it is important that room is also created for investments in the liberalised portion of the rental market.

- On the demand side, the government is reducing the obstacles by reducing the government interventions on the concurring house purchasing market, by bringing the rental prices in the regulated portion of the rental market more in line with the desirability of the home and by introducing income-dependent rental increases above inflation.

- Measures are also being taken on the supply side. Legislation is currently being prepared, for example, that will require housing corporations to split their Services of General Economic Interest (DAEB) activities and non-DAEB activities.[3] Associations can choose for a legal or administrative split. With a legal split the non-DAEB activities are carried out by a separate legal person. Associations that choose an administrative split face stricter supervision. In addition, fewer non-DAEB activities are permitted and what is permitted must be at the service of the core business. Both with a legal and administrative split non-DAEB activities must be financed under market conditions. Additionally, the government is relaxing the rules for the sale of corporation houses to private parties.

Major objectives and relevant country-specific recommendations	**Information on planned and already implemented measures**				**Anticipated effects**
	List of measures	**Description of the measure**	**Plan for follow-up steps**	**Specific challenges/risks during implementation of measures**	**Qualitative elements**
Limitation of high debts and related financial risks on the house purchasing market	Mortgage interest deductibility is linked at least to annuity repayment	The mortgage interest deductibility for new cases is linked to the complete and at least annuity repayment of the loan.	As of 1 January 2013		Over-indebtedness is being tackled, as a result of which households are more shock-resistant, the restrictions on deductibility are being returned in lower taxes on salary and income.
	Lowering of maximum mortgage interest deductibility rate	For both new and existing cases, the maximum mortgage interest deductibility rate is being phased back to 38%.	Starting in 2014 in 28 steps of one half of a percentage point per year.		
	Lowering of maximum LTV	The LTV will gradually be phased back to 100% in 2018.	Starting in 2013 by one percentage point per year.		
	Lowering NHG cost limit	The cost limit of the National Mortgage Guarantee Scheme (NHG) will gradually be lowered to €225,000.	To €265,000 as of 1 July 2014, to €245,000 as of 1 July 2015 and to €225,000 as of 1 July 2016.		
Promotion of turnover in the house purchasing market	Lowering of the transfer tax	The transfer tax will be permanently lowered to 2%.	Already in effect.		It will be made easier financially to move on the housing market.
	Government grant for starter loans	The grant from the central government for starter loans will be increased by €30 million.	One time in 2013		
	Interest on remaining debt	The interest on remaining debts	As of 29 October		

[3] DAEB is the Dutch term for Services of General Economic Interest.

	tax-deductible	will be tax-deductible for a maximum period of 10 years.	2012		
	Increase in the limit of tax-free gifting for expenditures on one's own home.	The limit for tax-free gifts will be increased to €100,000 for expenditures on one's own home (including repayment of remaining debt). The limit from parent to child has also been removed.	As 1 October 2013 through 1 January 2015.		
	Remaining debts	The government is working to also include remaining debts under strict conditions as part of a more focussed and better structured National Mortgage Guarantee Scheme (NHG).			
Improvement of functioning and allocation of the subsidized rental sector	The maximum rental price will be more based on the attractiveness of the house.	The housing evaluation system for determining the maximum rental price will be simplified and will be based for 25% on the attractiveness of the house (WOZ value). Low incomes will be compensated with a higher housing benefit.	Target date: 1 July 2014.		By basing rents more on the attractiveness of the home and the financial capacity of the renter, the incentives for a good match between renter and home increase.
	Income-dependent rent increase	Depending on the income, landlords may raise their rents above inflation by 1.5%, 2.0% and 4.0%. A portion of the extra rental income will be creamed off by means of a landlord levy.	As of 1 July 2013		
	Differentiation in rent increases	A proposal will be made whereby the total rental income (rent)	A proposal will be made in 2014. The intention is		

		will be maximised, as a result of which landlords will have the opportunity to increase relatively low rents to relatively high rents.	to implement this plan in 2015.		
Promotion of the private rental sector	Split of DEAB and non-DEAB activity of social housing associations.	Legislation is currently being prepared that requires housing corporations to split their DAEB activities and non-DAEB activities. Housing corporations can choose for a legal or an administrative split. In both cases, non-DAEB activities must be financed under market conditions. With the choice of an administrative division, the corporation is subjected to a more stringent regulatory regime and the number of permitted non-DAEB activities will be more limited. Additionally, the government is relaxing the rules for the sale of association houses to private parties.	Legislation is being prepared		By continuing to promote a level playing field, private parties are given more space in the rental sector.

Recommendation 3: ageing

The cabinet finds that the recommendations of the European Commission, which are set by the European Council, build upon the government's already implemented policy. The government is working hard - together with the social partners - to achieve a stronger pension system, improving employability of older workers and a more robust system for long-term care.

Division of costs and risks in the supplementary pensions

In the texts accompanying the recommendations, the European Commission indicates that the Netherlands has fully complied with the recommendation from 2012 to increase the retirement age and to link the retirement age to the development of the life expectancy (both for the first and the second pillar). The Commission sees as the most important follow-up question for the system of supplementary pensions to ensure a suitable division of costs and risks intra- and intergenerationally. The government agrees with the Commission that a fair division of costs and risks is crucial to the acceptance of the system. It has become clear that the current system is vulnerable to shocks and that the combination of both high ambitions and major certainty will have to be modified. To achieve this the government is taking the following measures:

- The government is working on modifying the financial supervision of the pension schemes. In that way it is being ensured that the degree of certainty with which pension benefits have to be paid out as included in the Dutch Pensions Act is also being realised. Within the framework of the Financial Assessment Framework Act, the CPB Netherlands Bureau for Economic Policy Analysis has also been asked to calculate the intergenerational effects of the proposed changes. These results will be included in the further decision making with respect to the revision of the Financial Assessment Framework. This reflects the importance that the government attaches to the balanced distribution between the interests of younger and older participants.
- Additionally the government has sent a bill to parliament that proposes the lowering of the maximum tax-efficient pension accrual. This bill is now before the Lower House. For this bill, as well, the CPB Netherlands Bureau for Economic Policy Analysis has been asked to calculate the so-called generational effects. These calculations showed that, assuming the proposed lowering of the pension accrual results ina corresponding lowering of the premiums, generation effects are negligible.
- Since the publication of the Commission's recommendation, the parliament has adopted the Pension Fund Governance (Further Measures) Act. This law operates on an adequate representation of all parties within the pension fund governance and, in that way, contributes to a fair distribution of costs and risks between and within generations.

Employability of older workers

The participation of seniors has increased considerably in recent years. By way of comparison, the average retirement age in 2006 was still 61 years, and that has now risen to 63.6 years. The expectation is that, partly as a result of the increase of the retirement age, the rising trend will continue in the coming years. Unemployment among seniors is relatively low. However, if older workers become unemployed, their chances of finding a job are considerably lower than for other age groups. To increase the employability of seniors, the government is working on the following measures:

- The government has implemented a mobility bonus for hiring older social assistance claimants and a 'keep working bonus' for older employees. The mobility bonus is a premium discount for employers. An employer hiring an unemployed person aged 50 years or older receives a bonus of 7,000 euro per year for a maximum of 3 years. The 'keep working bonus' is a tax credit for employees between 61 and 65 years of age with a low income.
- The government, together with social partners, has drawn up plans - in the form of a menu for employment sectors - to support employment in the short term. For example, sectors can request a contribution for job placement services or funding for training certificates for skills obtained in practice and coaching programmes by older employees. The sectors are expected to provide co-financing.
- The government started with a sustainable employability project in order to encourage and facilite employees and employersto improve employability in real terms. If employers and employees discuss what is needed to continue to do the work in an effective, healthy and motivated manner and take necessary measures in a timely manner, missed work due to illness and unemployment can be avoided pre-emptively.
- Together with the Dutch Employee Insurance Agency (UWV), the government has drawn up a specific activity plan for older unemployed people. The number of networking activities, matching activities, training courses and other reintegration activities will be expanded.

- Finally the government notes that the modification of the dismissal law also improves opportunities for seniors on the labour market. Because firing costs for older employeesdecrease, it becomes more interesting for employers to hire older employees.

Reform of long-term care

The government will decentralise substantial parts of the long-term care system to municipalities or transfer these aspects to the Healthcare Insurance Act and further revise the system of long-term care on a national government level.

- The legislation for the intended revision of the entire long-term health care system is currently being prepared. The goal is to send all of the necessary bills to the Lower House sometime this autumn.
- At the heart of the policy is the idea of enabling people, by means of support and care, to continue to live at home for as long as possible. Initially this will be done with the help of their circle of immediate family and friends. Secondly an appeal can be made to municipalities and health insurers and finally, for the most vulnerable, care is available through the core Exceptional Medical Expenses Act (AWBZ).
- Together with social partners, the government has entered into a healthcare agreement for long-term care, in which agreements have also been reached regarding the control of the costs in the coming years, among other things through mitigated wage trends.

Major objectives and relevant country-specific recommendations	**Information on planned and already implemented measures**				**Anticipated effects**
	List of measures	**Description of the measure**	**Planning of follow-up steps**	**Specific challenges/risks during implementation of measures**	**Qualitative elements**
Improvement of the financial supervision of the pension funds; enabling a different balance between certainty and ambition	Bill reforming financial assessment framework	Assuring a realistic and feasible pension ambition with a transparent allotment of risks.	Bill late this year to the Lower House		The supervision parameters will be enriched in such a way that the degree of certainty with which 97.5% of pensions can be distributed - as included in the Pensions Act - will become a reality.
Lowering of the annual accrual; taking into account the longer accrual period in the annual accrual	Bill lowering maximum accrual and premium percentages	Limiting of the fiscal space for pension still to be accrued	Bill is currently being handled in the Upper House		Lower mandatory pension contributions More spending room and, in turn, great consumption and more free savings Structural savings of EUR 1.4 billion
Improvement of employability of older employees	Introduction of mobility bonus	A premium discount for employers that hire older social assistance claimants.	Has already been implemented.		Increase the opportunities for older social assistance claimants to find another job.
	Introduction of a work bonus	A tax credit for employees between 61	Has already been implemented.		Contributes to a later retirement age

		and 65 years of age with a low income.			
	Start of sector plans, sustainable employment project and expansion of UWV reintegration projects	In partnership with employers and employees and with the UWV (the body implementing employee insurance schemes), concrete measures have been formed on sector level to support employment opportunities in the short term. Within these projects, specific attention has been given to the position of older employees.	Implementation has commenced.		Support the employment opportunities in the shorter term.
Revision of the long-term care system	Bills Review of the Dutch Social Support Act (WMO) And replacement of the current Exceptional Medical Expenses Act (AWBZ)by means of a new long-term care (LTC) law.	By placing care that is delivered at home largely in the hands of the municipalities, care is delivered more in the proximity of the recipient. Greater customisation is possible in the comprehensive demand for care. This also enables people to live at home for longer. The quality of the delivered care will increase and simultaneously the costs can decrease.	Bills in the autumn to the Lower House		In the Rutte II coalition agreement, approximately 1.7 billion in savings have been realised for the decentralisations. The mandate for the remaining intramural care totals 0.5 billion.

Recommendation 4: increase labour force participation and improve the functioning of the labour market

The government considers the recommendations of the European Commission, which are set by the European Council, as support for planned policy. To satisfy the recommendations of the Commission, it is important for the proposed policy to actually be implemented and to have the intended effect. Among other factors, successful implementation depends on public support. This support has been ensured now that the government, together with social partners, has reached a Social Agreement with respect to various major labour market issues.

Labour force participation

Like the European Commission, the government considers it necessary to take further steps to increase labour force participation. The government is focussing on increasing labour force participation in the following ways, among others:

- The set of arrangements for children is being revised and economised with the goal of simplifying the system, increasing labour force participation and offering support to those that need it most. The current eleven regulations are being scaled back to four regulations. A a result the transition from social assistance benefit to work is becoming more financially attractive for single parents. These reforms are expected to be implemented in law by no later than July 2014.
- Starting in 2009 the transferable tax credit for single earner households has been undergoing a 15-year phase out. In 2013 the generic tax advantage for partners without income was scaled back to two thirds of that of primary wage earners. In 2014 the transferability of this tax credit will be further phased out. This measure encourages non-working partners to find a job.
- In 2013 the employed person's tax credit for lower incomes will be increased by 112 euro. In 2014 this tax credit will be further increased by 374 to 2,097 euro for incomes up to 40,720 euro. In this way the incentive to work, particularly on the lower end of the labour market, will be increased and in that way contributes to avoiding the poverty trap.
- In 2015 various laws will be brought together in the Participation Act, which will be handled by the Lower and Upper House in late 2013 and early 2014. To encourage labour force participation by people with an occupational disability and people at the lower end of the labour market, wage cost subsidies will be made available, whereby the employer receives a subsidy amounting to the difference between the wage value of the employee and the statutory minimum wage. Additionally 35 regional work placement companies will support the target group in placement with employers. Moreover a mobility bonus is available, and as of 1 January 2015 the Invalidity Insurance for young disabled (Wajong) will only be accessible to young people who have a persistent and complete inability to work. The Sheltered Employment Act (WSW) is closed to new claimants as of that date.

- Moreover employers (market and public sector) are offering guarantees for additional jobs for people with an occupational limitation that are among the target group of the Participation Act, up to 125,000 jobs as of 2026. In the Quota Act a quota is specified with the specified annual numbers. The quota can be activated starting in 2017 when it becomes apparent that the number of agreed upon jobs will not be reached. This will be monitored.

Improve the functioning of the labour market

Like the European Commission the government believes that there are good reasons to achieve a new balance between flexibility and certainty. To do so the government shall reform the dismissal system on the one hand, and counteract the improper use of flex contracts on the other hand. The government has implemented the following measures among others:

- The chain provision, which among other provisions specifies that a contract becomes permanent after a period of three years, will be modified. In the new situation, a contract becomes permanent after a period of two years, as a result of which flexible workers become eligible for a permanent contract sooner. Moreover improper use of constructions for purposes of evading obligations with respect to employees is being combated. The special dismissal rules that currently apply for payrolling, for example, will be scrapped and an Action Plan to combat sham arrangements has been drawn up. The measures to improve the legal positions of flexible workers will take effect in 2015.

- The right to terminate employment will become more activating, fairer and simpler. Depending on the reason for the dismissal, there will be a single dismissals procedure. In the case of dismissals for business economic reasons, or due to long-term incapacity for work, a procedure via the UWV will apply. For (other) reasons relating to the person in question, and in the event of a disrupted employment relationship, the procedure will involve dissolution by the court. To encourage the path from work to work, the employer pays a maximised transition allowance.
- Starting in 2016 the unemployment benefit term will be gradually scaled back (one month per quarter) from 38 to 24 months. In their first ten years of employment, employees will accrue entitlements to one month's unemployment benefit per year, and half a month's benefit per year thereafter. The definition of suitable labour in the Unemployment Act will be more stringent.

Major objectives and relevant country-specific recommendations	**Information on planned and already implemented measures**				**Anticipated effects**
	List of measures	**Description of the measure**	**Planning of follow-up steps**	**Specific challenges/ risks during implement-tation of measures**	**Qualitative elements**
Improve labour force participation	Reforming of arrangements for children	The number of arrangements for children will be scaled back and regulations will be made simpler.	Implementation July 2014		The measure will encourage single parents to enter the labour market
	Fiscal measures	The employed person's tax credit for lower incomes will be increased and the transferable tax credit will be phased out.	Measures will enter into force in 2014		The measures are intended to provide (added) incentives to enter the labour market
	Participation Act	Various facilities will be combined and henceforth will be organised on a municipality level in order to increase effectiveness and efficiency.	Implementation January 2015		This measure and other decentralisation measures in the social domain enable municipalities to develop comprehensive policy for vulnerable groups.
	Job guarantee / quota	Agreement with employers to hire more persons unfit for work, if agreement is broken, quota takes effect	Implementation of the law January 2015, first job created in 2014		In the period until 2026, extra jobs increasing to 125,000 will be created for occupational disabled persons
Promote labour market transitions	Flex work regulation	Improve the position and	Implementation January 2015		The relationship

		protection of flexible workers			between flexible workers and permanent employees will shift (less flex)
	Right to terminate employment	The right to terminate employment will become more enabling, fairer and simpler.	Implementation January 2016		The threshold for employers to hire older workers will be lowered, as a result of which the labour market for seniors will work more effectively
	Reforming of unemploy-ment benefits	The unemploy-ment benefits will be reformed and made more enabling	Implementation January 2016		Employment opportunities will be stimulated and unemployment will decrease.