

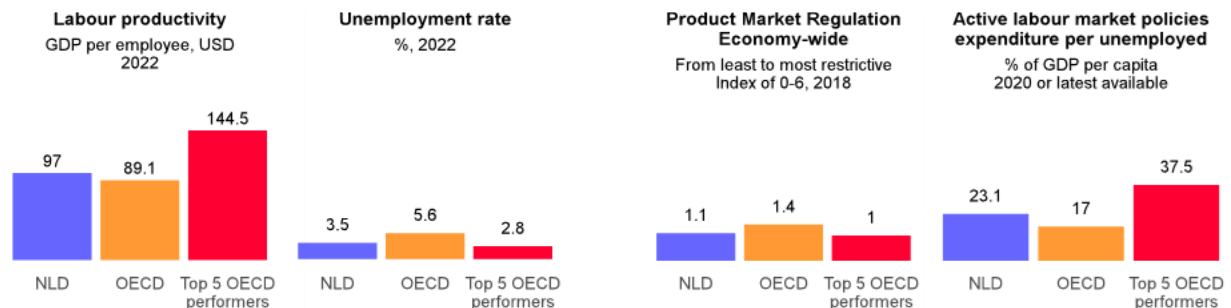


Performance gaps

Recommendations

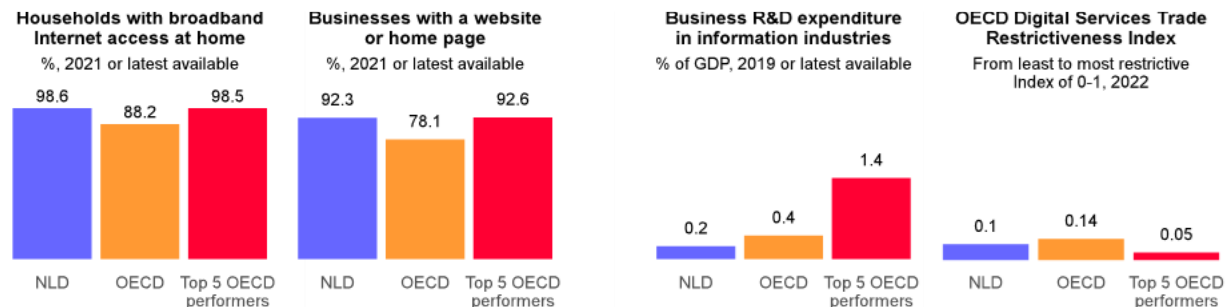
Product and labour markets functioning

- Employment protection for regular employees is strict, whereas self-employed workers pay less income tax and social security contributions, incentivising businesses to rely disproportionately on own-account workers while leaving them less protected. The Commission for the Regulation of Work has proposed a comprehensive reform package to reduce labour market duality.
- Implement the recommendations from the Commission for the Regulation of Work.
- Allow employers to adapt jobs, workplace and working hours of regular employees in line with the needs of the economy.
- Continue to align tax rates and social security contributions between contract types for workers doing similar jobs.



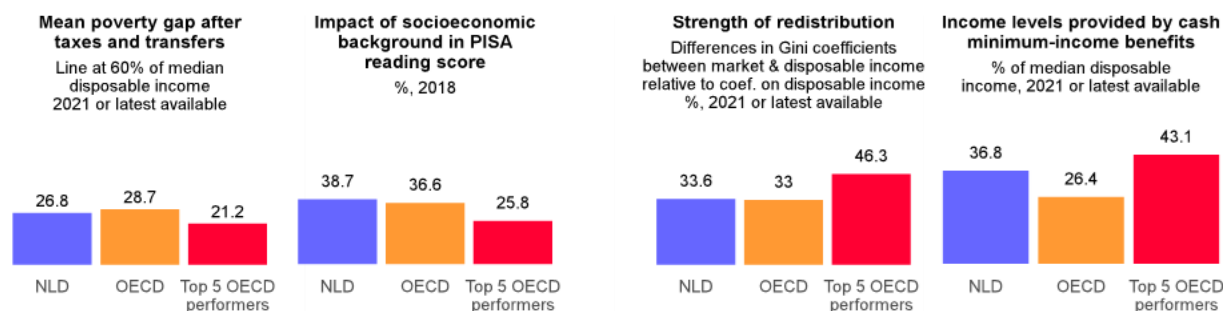
Digital transition

- Small and medium-sized enterprises (SMEs) account for a relatively large share of value added but lag behind in digital adoption. A lack of awareness and the fixed cost nature of investment in digital technologies holds back digitalisation, and passivity towards IT security issues exposes a large share of businesses to cyber risks.
- Increase direct support to SMEs to facilitate the adoption of digital tools, including business advisory services and testing facilities.
- Encourage enterprises to implement existing digital security standards, by continuing to raise awareness about cyber risks and stepping up the Digital Trust Centre.



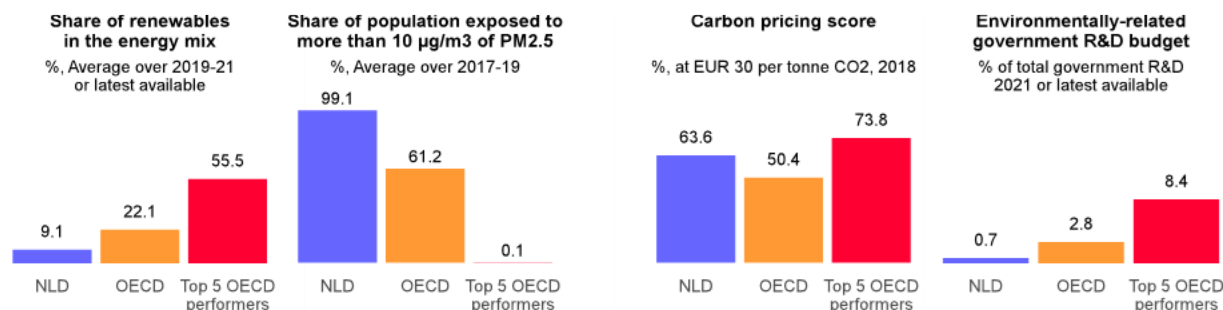
Inclusiveness, social protection, and ageing

- Women’s labour participation is high, but nearly 60% of them work part-time, with detrimental impact on earnings and pension entitlements. The gap increases when women become mothers, as children spend relatively little time in childcare despite high enrolment. The reform to make childcare free for all working parents is expected to strongly increase childcare demand and worsen staff shortages, raising doubts about feasibility.
- Provide longer, non-transferable parental leave to both mothers and fathers or introduce bonus periods, where parents qualify for longer paid leave if both use a given amount of shareable leave..
- Phase in the childcare reform gradually, monitor access and evaluate the repeal of the link between hours worked and the amount of the childcare support.

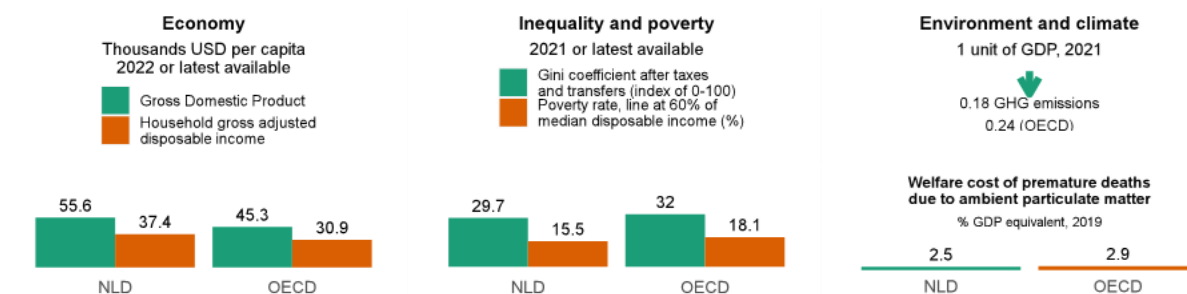


Climate transition

- Despite significant progress, the 2030 voluntary emissions reduction targets will not be reached under current policies, in part because heterogeneous carbon pricing across sources and fuels increases abatement costs.
- Excessive levels of nitrogen deposits close to sensitive natural areas limit new infrastructure and housing developments, prompting the introduction of multiple instruments to reduce deposits and large spending to restructure the agricultural sector.
- Make emission pricing more consistent across sectors and fuels not covered by the EU emissions trading scheme.
- Consolidate instruments to manage and transfer nitrogen emission rights, and further facilitate their standardisation.



Overall performance





From:
Economic Policy Reforms 2023
Going for Growth

Access the complete publication at:
<https://doi.org/10.1787/9953de23-en>

Please cite this chapter as:

OECD (2023), "The Netherlands", in *Economic Policy Reforms 2023: Going for Growth*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/ba0d421b-en>

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