

# Job retention schemes in Europe

## The Netherlands

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**Note on ETUI classification of job retention schemes (JRSs):** All job retention schemes (JRS) share the objective of preserving the ties between companies and their employees in times of temporary economic difficulties. They support incomes of workers who keep their employment contract even if the work is fully suspended. Depending on the primary objective and the nature of support, three different categories of JRS can be distinguished:

**(1) Short-time Work Scheme (STW):** The key objective of STW schemes is to provide support to companies to retain their employees in times of economic difficulties. The company receives financial support for the employees' wages paid for the time not worked. The extent of working time reduction can vary, including also a full work suspension.

**(2) Furlough Scheme (FS):** FSs can be best understood as temporary unemployment. The financial support is thus paid directly to the worker for the period of partial or full working time suspension. The aim of a FS is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. While retaining the ties with the employer, workers on the FS scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, FSs can be seen as a tool to facilitate the transition towards a new job.

**(3) Wage Subsidy (WS):** The main objective of WS is to preserve employment through subsidizing companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not working time of specific employees is reduced. The employees keep receiving their wages. Permissible wage adjustments are not directly related to working time reductions.

## Key characteristics of the job retention scheme

### ETUI classification of the job retention scheme (JRS)

Wage subsidy scheme (WS)

### Name of the scheme

The main scheme for the preservation of employment is called *Noodfonds Overbrugging Werkgelegenheid* (NOW) or the *Temporary emergency scheme for job retention*. A second and supplementary scheme is the temporary self-employment income support and loan scheme (TOZO, see below under *Information on non-standard workers and Covid support*), which, among other things, provides income support for self-employed and freelance workers. The competent authority for NOW is the UWV (Employee Insurance Agency), an autonomous administrative authority commissioned by the Ministry of Social Affairs and Employment (SZW) to implement employee insurance, such as the unemployment benefit scheme or the sickness and disabled regulations.

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<b>Start date of the implementation of the special Covid-19 JRS rules</b>	As of 17 March 2020, the generic and general STW scheme ( <i>Werktijdverkorting</i> , or wtv <sup>2</sup> ) was replaced by NOW, divided into five application periods. NOW 1 applied for the first three months (March 2020–May 2020), NOW 2 for the summer period in 2020, lasting four months. NOW 3 is divided into three periods: NOW 3.1 compensates wages for October 2020 to December 2020, NOW 3.2 for January to March, and NOW 3.3 for April to June 2021. NOW 3.2 is now closed (for an overview of the periods see: <a href="https://www.uvw.nl/werkgevers/Images/overzicht-aanvraagperiodes-now.pdf">https://www.uvw.nl/werkgevers/Images/overzicht-aanvraagperiodes-now.pdf</a> ). This temporary scheme has been designed especially for the expected economic consequences of the Covid-19 crisis. The aim is to compensate employers faced with a loss of turnover because of the crisis. The scheme allows them to continue to pay wages to workers with direct labour contracts (fixed and/or flexible).
<b>Eligibility</b>	The NOW scheme, which applies only in the private sector, is a flat-rate payment irrespective of whether there is a reduction of working time. Companies that expect a loss of turnover of at least 20% can apply for financial support; compensation can be used only for paying wages. The calculation is based on the total wage bill, excluding holiday pay, thirteenth-month or year-end bonus. For groups with Dutch and foreign subsidiaries, a loss of turnover of legal entities that do not work with Dutch wages and do not contribute to employee insurance under the Dutch social security system is not eligible. NOW is also accessible for temporary agencies if they can prove a minimum 20% loss of turnover. A temporary work agency can use NOW support to keep workers who are unemployed on the payroll and continue paying them. A number of conditions for financial support changed after NOW 1 and NOW 2, for instance the maximum compensation was lowered to 80%.
<b>Exceptions (category of workers or companies excluded from support)</b>	The application of NOW can also be used with reference to temporary workers, staff employed on part-time, on-call or zero-hour contracts and temporary agency workers with a labour contract (signed with a temporary work agency).
<b>Duration of support (maximum duration for which JRS support is paid)</b>	The duration of the NOW scheme was until 30 June 2021. The fifth application period, NOW 3.3, covered the months April to June 2021. In summer 2021, the scheme was again extended until 30 September 2021. The sixth application period, NOW 4, will cover the months July, August and September. Applications must be made for each separate period. Applicants receive a prepayment that is recalculated after the real loss of turnover is known. No applicants are excluded as long as they fulfil the conditions. For an explanation of the conditions (in Dutch): <a href="https://www.uvw.nl/werkgevers/overige-onderwerpen/now/index.aspx">https://www.uvw.nl/werkgevers/overige-onderwerpen/now/index.aspx</a>
<b>Level of support for employees (percentage of gross or net wage, please also specify whether social security contributions are covered)</b>	Employees' wages should stay the same – 100% of the original gross wage (in the first and second periods). A decrease of a maximum of 10% is accepted (in the third, fourth and fifth periods). Actual wage support for companies depends on the size of the loss of turnover, up to a maximum of, respectively, 90% (in the first and second periods), 80% (in the third period) and 85% (in the fourth and fifth periods).
<b>Cap on support (maximum amount of JRS support payable)</b>	The amount of support is calculated based on a maximum monthly wage from €9,538 (first and second periods), €9,691 (third period) and €9,718 (fourth and fifth periods). Salaries above this amount are not compensated. The support includes the payment of additional wage-related employers' charges and costs, including pension contributions (employer's and employee's parts).

- The former WTV scheme provided the possibility of reducing working hours because of extraordinary circumstances; workers received less wages for the shortened period. Their wage loss was partly compensated with unemployment benefits (in general, 70% of the normal hourly wage) for the hours not worked. An employer could switch to short-time working to bridge a period of abnormally weak economic activity. The intention was to reduce wage costs in order to avoid closures or bankruptcies. The employer could make employees work less or not at all, while workers for whom there was temporarily no work or less work remained employed. Reduction of working hours without the consent of the employees was possible only with permission from the Ministry of Social Affairs and Employment.

**What share of the support is covered by the state and by the employer?**

The share of support covered by the state depends on the size of the loss of turnover. The higher the loss of turnover, the higher the NOW support from the UWV. The share of the support covered by the state is calculated by multiplying the loss of turnover with the maximum share of support from the UWV, which in the periods 3-5 was 85%:

Loss of turnover	Multiplier*	Compensation of wages
100%	85%	85%
50%	85%	42.5%
20%	85%	17%

\*The multiplier for the calculation of the percentage wage support changed over time; it was 90% in period 1, 80% in period 2, and 85% in periods 3 to 5.

Thus, in the case of a loss of turnover of 100%, the employer receives a compensation of 85% of the wage bill ( $0.85 \times 100 = 85\%$ ) and still has to pay 15% of the wage bill; a loss of 30% of turnover leads to 25,5% ( $0.85 \times 30$ ) of wage compensation leaving the remainder of the employees' wages to be paid by the employer.

The minimum loss of turnover required to receive wage compensation is 20%. In this case, the state will cover 17% of the wage bill. The loss in turnover is calculated by comparing a quarter of the turnover in 2019 with the turnover in a period of three months to be chosen by the employer.

**Dismissal protection**

Applicant employers are supposed to keep their wage bill the same as much as possible. A falling wage bill results in a lower allowance. Employees must remain in employment, regardless of the contract form, and payment of their wages must continue. NOW protects against dismissal for its duration. It is not possible to submit or to start dismissal proceedings for economic reasons. If such a procedure is started and not withdrawn within five working days, the amount of the NOW payment is lowered. Starting from the second period, the conditions included the possibility to dismiss workers (with a lowering of compensation). This reduction falls if an agreement is reached with the trade unions or other workers' representation.

**Role of collective bargaining in the adoption and implementation of JRS support**

A condition for using the scheme is that the works council or employee representatives or, in their absence, the employees be informed about the provision. Employees and employers must agree together whether employees should perform work. Social partners have backed the scheme and have lobbied jointly for its continuation. The bipartite Labour Foundation called for a support scheme at the very beginning of the crisis. In addition, the tripartite Social Economic Council endorsed the introduction of such a scheme. From that point on, the chairs of the employers and trade unions held weekly consultations with the government about the emergency package and the economic state of affairs. The aim was to preserve jobs, incomes and businesses. Moreover, trade union FNV and the main employers' organisation VNO-NCW published (on 15-4-2021) a joint plea for a national recovery plan, referring to the joint cooperation of the social partners and the government during the adoption and implementation of economic support.

In Dutch: [https://www.vno-ncw.nl/sites/default/files/open\\_brief\\_vnoncw\\_fnv.pdf](https://www.vno-ncw.nl/sites/default/files/open_brief_vnoncw_fnv.pdf)

**Special conditions for support to avoid misuse of the system (for instance, ban on paying out dividends or bonuses; ban on share buybacks or operating from tax havens)**

The definitive compensation is calculated once the actual loss of turnover is known; the final calculation must be delivered before 31 October 2021. Too high prepayments have to be refunded. In some cases a declaration by an administrative third party (in case of prepayments over €20,000) or an official accountancy audit (prepayments over €100,000) is needed. Companies with subsidiaries have to count them all (mother company and subsidiaries) in calculating the threshold. If an applicant fails to come up with a definitive calculation of real loss of turnover all payments have to be refunded to the competent authority UWV.

In parent companies with subsidiaries or groups of operating companies the payment of bonuses is banned; moreover, the entire group may not pay a dividend/profit distribution or buy back its own shares. From the second period on, it is specified that the ban on profit-sharing or bonuses for management, shareholders and board members applies only to firms beyond the prepayment threshold of €100,000. However, the ban still applies to groups of undertakings or parents/subsidiaries, irrespective of the threshold.

**Special provisions as regards training/requalification/reorientation of employees on JRS**

During the first period no provision applied. As from the second period, employers were recommended to encourage their workforce as regards requalification and training, in order to adjust to the changing economic environment. From the third period on, the obligation was introduced to assist workers, if their labour contract was being terminated, in their search for another job. Moreover, in case of dismissal for economic reasons during the compensation period, the employer must contact the UWV for assistance in the search for another job. If this is neglected, NOW support is reduced by 5%.

## Quantitative data

How many workers were on JRS each month? (Please indicate whether these are applications for JRS or the actual numbers of workers on JRS)	Period	Workers involved
	NOW 1 (March 2020 – May 2020)	2,653,041
	NOW 2 (June 2020 – September 2020)	1,332,904
	NOW 3.1 (October 2020 – December 2020)	1,281,733
	NOW 3.2 (January 2021 – March 2021)	1,268,828
	NOW 3.3 (April 2021 – June 2021)	-

**Which sectors were most affected at the beginning of the pandemic in March/April and towards the end of the period studied in November/December? (as a percentage of overall number of workers on JRS)**

Detailed data are available for all four periods discussed here. Overall, these data show that especially companies with 10 to 50 employees make use of the scheme.

The highest relative losses in turnover were noted during the whole period in the catering and hospitality industry and in culture, followed by the retail sector.

At the beginning of the pandemic, the most affected sectors in terms of absolute support received were commercial services (20% of overall support), metal and installation (16%), wholesale (11%), temporary work agencies (10%), logistics and transport (9.5%) and catering and hospitality (7%). All other sectors remained well below 6%. Commercial services, catering and hospitality, and the temporary agency sector were the most affected in terms of number of workers (together almost 45% of the overall affected workforce), metal and installation came fourth (around 11% of total affected workers), retail fifth (9.4%), and wholesale sixth (8%). All other sectors remained well below these percentages.

In the fourth quarter, the ranking in terms of absolute support volume was commercial services (15.6%), catering and hospitality (13.7%), metal and installation (12.9%), retail (11.4%) and logistics and transport (10.9%). In terms of workers affected in that period, the ranking was catering and hospitality (23.2%), retail (15.8%), commercial services (12.6%), the temporary agency sector (10.9%) and metal and installation (8.3%).

The Statistical Office has also published data on the volume of the NOW scheme and the sectors concerned (see also: <https://www.cbs.nl/nl-nl/nieuws/2021/14/17-6-miljard-euro-aan-loonkosten-en-vaste-lasten-vergoed-in-2020>). This concerns all companies that have registered since the opening of the scheme (end of March 2020) and whose application was approved and registered by 28 February 2021. In total, 326,145 companies applied for support. As of the reference date 28 February 2021, more than 132,000 companies had applied for support in at least one of the four wage-cost periods that had been running since the start in March 2020. Some 24.7% of the applying firms used two of the four periods, and 36.5% applied for more than two periods. Around 6.5% of all Dutch companies applied under NOW 1, some 3% of all companies during NOW 2 and 4% during NOW 3.1.

**Is there any data on how many workers lost their jobs after JRS expired?**

The NOW scheme is still running, and so it is not possible to answer the question of what will happen after expiry. Official unemployment has remained relatively low (3.6%).

In the second quarter of 2020, there was a record drop in the number of jobs of 296,000, followed by a partial recovery in the third quarter (+169,000) and stabilisation in the fourth quarter (+5,000). The total number of jobs, of both employees and self-employed, stood at 10,739,000 in the fourth quarter of 2020. This is slightly above the level of the first quarter in 2019. In the first three months of 2021 unemployment declined further (by 28,000).

Moreover, some data give proxy evidence of job losses over 2020 that do not figure in the employment figures. For instance, the total number of people falling back on social protection benefits increased in 2020 by 16,000 and the number of income support recipients among young people under the age of 27 was 13% higher in 2020 than in 2019. This is the result of a decline in labour participation in this age group.

**Is there any data on how much money the state spent on JRS and over time? (in absolute figures and as a percentage of GDP)**

In 2020, companies received a total of €15 billion through the NOW scheme to compensate for wage costs during the Covid-19 crisis. This amounts to 1.9% of GDP. According to Eurostat, GDP (at current prices) in 2020 was €798.7 billion. In July 2021, officials of the Dutch Ministry of Finance revealed that more than 70% of the entrepreneurs who received a wage subsidy in 2020 have to repay parts of it. The officials estimate that for the period March-September 2020, approximately €4.2 billion have to be repaid by more than 50,000 companies because they overestimated the expected loss of revenue (Schellekens et al. 2021). In August 2021, the research platform Follow the Money calculated that Dutch companies received almost €7 billion too much in support from the NOW scheme in one year (<https://www.ftm.nl>).

In addition, €2.6 billion in fixed costs were reimbursed to employers in a second scheme. Overall government spending rose 13% (or €44 billion) in 2020 compared with a year earlier, of which 5 percentage points were accounted for by these two types of Covid-19 support measures. It is estimated that the costs of the NOW scheme comprised around 2% of GDP in the Netherlands in 2020.

## Information on non-standard workers and JRS<sup>3</sup>

<b>Do non-standard workers (NSW) have access to the regular JRS scheme or are there other support schemes, for instance for the self-employed?<sup>4</sup></b>	<p>In this area, the government has adopted two regulations: a separate scheme for low-income temporary agency and flex workers (<i>Tijdelijke Overbruggingsregeling voor Flexibele Arbeidskrachten</i>, TOFA) that expired in June 2020 and a scheme for the self-employed (Tozo) that is still running.</p> <p>The TOFA was intended for flex workers who lost at least half of their income and who were not eligible for the different types of ordinary unemployment benefits. These were, for example, employees on zero-hours contracts, temporary workers and students with a side job. TOFA expired at the end of June 2020 (referring to the period March–May 2020). For workers with a zero-hours contract, an employer was not obliged to continue to pay their wages. However, after the TOFA scheme expired an employer may apply for the NOW scheme and pay the worker's average wage over a longer reference period.</p> <p>A separate scheme for self-employed and freelance workers, called the self-employment income support and loan scheme (Tozo), is still valid. This scheme runs from March 2020 until 30 June 2021 and includes an assessment of available cash resources. The scheme is run by municipal social protection services.</p>
<b>What are the eligibility criteria?</b>	<p>The TOFA scheme applied to workers with very low incomes. If their wage for April 2020 was at least 50% lower than the social security wage in February 2020, and they had no other benefit/contribution to their income in April 2020, they could apply for the TOFA allowance for living expenses. The scheme was intended to assist this type of flex workers, because a large number of them are not entitled to unemployment benefits, while another part (workers who combine self-employed work with temporary contracts or types of part-time work) have limited rights, depending on months in direct labour. The scheme expired and was not renewed, mainly on the grounds that most workers in this category could rely on household income.</p> <p>Tozo offers support for self-employed professionals, but also for small businesses, such as sole proprietors, partners in a general partnership, and owners of a private limited company, who are experiencing financial difficulties because of the pandemic. One condition is that applicants have, due to the crisis, a household income below the social minimum (€1,500) and/or need a business loan to cope with liquidity problems. They must be an established self-employed professional, aged between 18 and (state) pensionable age, registered at the Netherlands Chamber of Commerce before 17 March 2020. During the first period, there was no check on partner's income. Subsequently, a partner's income has counted in the calculation of benefit entitlement; the right lapses with a household income at the social minimum level.</p>
<b>How is the financial support for non-standard workers calculated?</b>	<p>The maximum support in the TOFA scheme was a one-time payment of €1,650 over a period of three months (March, April, May 2020; thus monthly €550 gross).</p> <p>The support in the Tozo scheme refers to the social protection minimum. The municipality supplements the applicant's income up to €1,075 if living alone. If an applicant is living with someone or married, the municipality supplements the income up to €1,536.</p>
<b>Which sectors were most affected in terms of providing support to non-standard workers?</b>	<p>No precise data are available on the use of TOFA and the sectors most involved. In total, approximately 23,300 applications were submitted, and support has been provided to 11,500 applicants. Some 11,800 requests were rejected, mainly because the income received in February 2020 was below €400 or the applicant's income in April 2020 was above €550. The processed payments amount to a total of €18.6 million.</p> <p>The available data from Tozo concern the period from March 2020 to September 2020. Especially self-employed entrepreneurs active in general services, including hairdressing and repair of consumer goods, and in the catering and hospitality, recreation and cultural sectors used the scheme. From March to May 2020, between 200,000 and 250,000 Tozo allowances were recorded monthly. From May on, the number of Tozo benefits fell sharply because of the introduction of the partner's income test and the relaxation of the pandemic measures. Since June 2020, the number of benefits has been between 65,000 and 90,000 per month.</p>
<b>Are there any measures for training/requalification/reorientation for non-standard workers?</b>	<p>The TOFA scheme had neither training measures nor other types of active labour market policy.</p> <p>Within the framework of Tozo, municipalities provide, from 1 January 2021, extra services to the self-employed, including retraining, and assist them in upgrading existing skills and exploring new careers.</p>

3. Non-standard workers include workers with a temporary work contract, platform workers, temporary agency workers, multiparty employment, disguised employment/dependent self-employment, freelance workers, etc.
4. The following questions refer to any existing schemes for non-standard workers.

## **Main sources**

### **Explanation of the regulations (in Dutch)**

<https://www.uvw.nl/werkgevers/overige-onderwerpen/now/index.aspx>

<https://www.divosa.nl/onderwerpen/tijdelijke-overbruggingsregeling-zelfstandig-ondernemers-tozo>

### **Three government information sources**

<https://www.government.nl/latest/news/2021/01/21/support-and-recovery-package-substantially-expanded>

<https://www.government.nl/topics/coronavirus-covid-19/information-for-business-owners>

<https://www.government.nl/latest/news/2020/08/28/government-extends-coronavirus-support-for-jobs-and-the-economy-into-2021>

### **Statistical information (in Dutch)**

<https://www.cbs.nl/nl-nl/nieuws/2021/14/17-6-miljard-euro-aan-loonkosten-en-vaste-lasten-vergoed-in-2020>

### **Trade union positions (in Dutch)**

<https://www.fnv.nl/corona/minder-werk-inkomen-door-corona#Steunmaatregelen>

<https://www.fnv.nl/nieuwsbericht/algemeen-nieuws/2020/08/verlengen-steun-en-herstelpakket-now>

<https://www.fnv.nl/nieuwsbericht/algemeen-nieuws/2021/01/uitbreiding-steunpakket-bittere-noodzaak>

<https://www.cnv.nl/themas/corona/minder-of-geen-werk-door-corona/>

### **Employers position (in Dutch)**

<https://www.vno-ncw.nl/standpunten/corona-werk-en-inkomen-now-tozo>

### **Joint position of the social partners (in Dutch)**

<https://www.fnv.nl/nieuwsbericht/algemeen-nieuws/2020/04/eendracht-en-daadkracht>

## **Reference**

Schellekens M., Crossen A. and 't Jong R. (2021) Terugvordering coronasteun wordt miljardenoperatie, ESB, July 2021. <https://esb.nu/esb/20064698/terugvordering-coronasteun-wordt-miljardenoperatie>