

# Market and Benchmark Insight Report for the Netherlands – 2021

## Competitive benefit norms for mid-market employers in the Netherlands

### Introduction

Schouten Zekerheid Employee Benefits provides advice on insurable employee benefits to domestic and international companies, institutions, and industry associations. Our employee benefits consultants manage a variety of projects, including market analyses, employee benefits benchmarking, employee health policies, mergers and acquisitions, and contract renewals for pension schemes. In addition, by outsourcing the management and communication of employee benefits to us, our clients can focus on their core business.

Schouten Zekerheid Employee Benefits also offers advice and support related to health management, focusing both on prevention and on supporting sick employees. We also arrange for company doctors and providing software support to ensure correct execution of the gatekeepers' process.

#### This document considers:

- The Benefits Landscape in the Netherlands – Mandatory Requirements, Employee Benefits (insurances), Perks and Fringe Benefits
- Typical benefit design and cost
- Health and safety service (arbodienst)
- Adviser Remuneration

We are proud to be an Asinta partner, and hope this document is of use to you.

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## 1. The Netherlands Benefits Landscape

The Netherlands has a comprehensive system of social security insurances and benefits. As part of the employment terms and conditions, employers offer supplemental employee benefits on top of the government arrangements.

Most employees in the Netherlands receive coverage through collective labor agreements (CLA), mostly at industry level. For the question whether a CLA is applicable to the company, the scope of the business activities of the respective company are relevant.



### 1.1 Industry Type

Benefits vary according to industry type and CLA. A CLA operates at company or industry sector level and the provisions are generous in most sectors. This is especially true for high tech companies who have a tight labor market.

### 1.2 Salary Level

The Netherlands has a national minimum wage that typically increases twice a year in January and July. In 2021 the median gross income for a person working in the Netherlands is €36,500 annually or € 2,816 gross per month. In addition to the standard monthly salary, in the month of May, employees receive a holiday allowance equivalent to 8% of annual earnings (roughly one month's salary). This is to cover expenses for summer holidays.

Some employers also offer performance-based bonuses which may pay out on a monthly, quarterly, or annual basis. Other benefits can include a company car, mobile phone, or coverage for monthly transportation costs.

### 1.3 Location

The provinces of North Holland, Utrecht, South Holland, and Zeeland together form the western part of the Netherlands. With the four largest cities in the country (Amsterdam, Rotterdam, The Hague and Utrecht), this area is the most urbanized in the Netherlands. The Randstad, the Netherlands' major population and employment agglomeration, covers the provinces of North and South Holland and Utrecht. The northern part of the Randstad and Utrecht have a stronger service sector presence, including information and communications technology (ICT) and business services. The presence of the national airport of Schiphol, the port, and the higher average educational levels of the working population are also crucial factors. In the regions of Rotterdam and The Hague, the port of Rotterdam is a major employer. The Dutch government has its seat in the administrative center of The Hague and is a source of additional jobs in the public administration sector.



## 2. The Netherlands Benefits Menu

The Dutch social security system is one of the most comprehensive in Europe.

Social security has two parts. The national insurance scheme (volksverzekeringen) and the employee insurance scheme (werknemersverzekeringen).

The national insurance schemes are: General Old Age Pensions Act (AOW), Surviving Dependents Act (ANW), Long-Term Care Act (Wlz) and Child Support (Kinderbijslag).

National insurances are due when you are:

- Considered a resident of the Netherlands; or
- Subject to payroll tax in the Netherlands in respect of employment carried out in the country.

National insurances are collected through the withholding of tax from the individual.

The employee insurances are: the Unemployment Insurance Act (WW), Work and Income Act (WIA), Sickness Benefits Act (ZW) and Invalidity Insurance Act (WAO). Employee insurances are due when a person is employed in the Netherlands. Employers pay the premium for employee insurance.

Employers may offer their employees benefits in addition to the system of social security insurances and benefits provided by the state, since state benefits have restrictions such as maximum amounts or linked to specific criteria. These supplemental benefits come under the general term of employee benefits.

Below is an overview of the statutorily required benefits, as well as fringe benefits and perks. In section 3 we describe the Netherlands insured employee benefits.

### 2.1 Examples of mandatory benefits

Benefit	Statutory requirement	Market practice
<b>Holiday allowance</b>	8% of salary (paid in May)	Follow statutory requirement
<b>Annual Leave</b>	Minimum paid leave of 4x the number of days worked per week.	Provide a total of 25-30 days (20 vacation days are statutory for full-time employment).
<b>Maternity Leave</b>	Provide 16 weeks of maternity leave, with 4 weeks of leave before the expected date of childbirth.	Provide a total of 25-30 days (20 vacation days are statutory for full-time employment).
<b>Sick leave</b>	Employer must provide sickness benefits equal to 70% of the employee's daily wage.	Supplement short-term sickness benefits up to 100% of the employee's salary prior to sickness in the first year of illness. Lowers to 70% in the second year of illness.
<b>Paternity leave</b>	Provide 1 week of parental leave. As of July 1, 2020 provide 5 weeks of additional parental leave.	Follow statutory requirement.



## 2.2 Perks and fringe benefits

In addition to the mandatory benefits, employers will often provide a range of benefits to help recruit and retain employees. The most common fringe benefits are below:

Benefit	Market practice
<b>Transport allowance</b>	Provide transportation allowance solely for business related purposes up to EUR 0.19 per kilometer.
<b>Education Reimbursement</b>	Provide reimbursement for job-related training, in addition to providing time off to attend the course.
<b>Mobile Phones/ Laptop/Company Car</b>	Provide mobile phones, laptops and company cars to staff based on business needs
<b>Flexible working hours</b>	Offer flexible working hours arrangement.
<b>Flexible leave models</b>	Focus on employee leave needs: -offer the opportunity to buy extra holidays -parental leave -care related leave
<b>Health and employability</b>	Employer sponsored training (work life balance, stress reduction), gym membership discounts, chair massages. In ITC and the high-tech sector: health insurance premium paid by employer
<b>Financial support</b>	Pension consultancy Financial planning Debt advice, debt support

When designing your benefits, you need to consider your sector and objectives. Especially when employee coverage is under a sectoral agreement, the employer should comply with the employment conditions stipulated in the collective labor agreement (CLA). Schouten Zekerheid will help you set up a benefits package that complies with CLAs and will ensure that you are a competitive employer in the Netherlands.



## 3. Common Insured Employee Benefits

As part of the employment terms and conditions, employers offer supplemental (insured) employee benefits on top of the government arrangements. Below are the most popular insured employee benefits in the Netherlands and typical levels of cover.

Benefit	Market practice
<b>Retirement pension</b>	If no collective agreement (CLA): defined contribution scheme
<b>Partner's pension</b>	Included in the pension scheme in the form of a lifelong annuity in the event of death
<b>Orphan's pension</b>	Included in the pension scheme in the form of a temporary annuity in the event of death
<b>Disability coverage, salary ≤€ 57,232 (2020)</b>	WGA-gap insurance
<b>Disability coverage, salary ≥€ 57,232 (2020)</b>	WIA-surplus insurance
<b>Accident insurance</b>	2 * annual salary in the event of death or permanent disability due to an accident
<b>Medical insurance</b>	Offer discounts, group medical scheme
<b>Sick leave insurance</b>	Not a real employee benefit, covers employer risk



## 4. Insured Employee Benefits Explained

Employers often ask us set up an insured benefit package in the Netherlands. Below you will find more details about Dutch group plans.

### 4.1 Retirement pension

If Collective Labor Agreements (CLAs) do not contain any mandatory arrangements, Defined Contribution (DC) pension schemes are the usual choice here. In DC schemes, employers make available an annual contribution to employees for the purpose of accruing a pension. The defined contribution depends on the age and salary of the individual employee. What is known as the AOW-franchise is always deducted from the salary (in 2021, at least € 14,544). What remains is the pensionable amount. The defined contribution is subsequently calculated by multiplying the premium percentage by the pensionable amount. The premium percentage is taken from a graduated scale for contributions (selected by the employer). The pension contribution is invested, and as of the employee's retirement date, the lifelong payment of a retirement and partner pension is purchased using the accrued capital. A commonly used scale for contributions, based on a 3% notional interest rate, is:

Age	Premium percentage
18 - 20	6.9%
21 - 24	7.7%
25 - 29	8.9%
30 - 34	10.4%
35 - 39	12.0%
40 - 44	14.0%
45 - 49	16.3%
50 - 54	19.0%
55 - 59	22.3%
60 - 64	26.5%
65 - 67	30.6%



## 4.2 Dependent's pension

Pension schemes nearly always include supplemental cover in the form of partner and orphans' pensions. The amount of the benefit depends on the employee's salary and the total potential years of service at the employer. The maximum percentage for the partner pension is:

- 1.16% of the pension base per year of service in the case of a final-wage scheme
- 1.3125% of the pension base per year of service in the case of an average-wage scheme

The orphans' pension is 20% of the partner pension. The insured amount of partner and/or orphan's pension is paid out in the form of an annuity. The partner's pension has a lifelong payout. The orphan's pension is paid out up to age 18 of the child (max age 27 if the child studies). Employers may opt for a fixed benefit or one that increases.

## 4.3 Pension reform

After decades of debate surrounding pension reform, a 'historic' deal was reached last year between the social partners and the government about the direction of the new Dutch pension system. The Dutch government expects the implementation details to be finalized in 2021, followed by draft legislation in 2022 and formal implementation in 2023, with a transition period from 2023 to 2027.

In the new system, it is always the pension contribution that is the starting point for pension accrual and not the benefit. The pension contribution will be the same for all ages (flat rate). Existing defined contribution plans with an age-related premium scale may be continued for current employees. The flat defined contribution will apply to new employees.

## 4.4 Disability insurance

Based on the Work and Income Act (WIA), after two years of sick leave employees may be eligible for a state disability benefit. All employees are automatically insured for the WIA. In the event of full disability, the WIA pays a benefit of at least 70% of the final income. In the event of partial disability, the benefit will usually be lower than 70% of the salary. The WIA benefit is calculated over a maximum salary (2021: € 58,311).

The WGA gap insurance supplements the legal disability benefit (WIA benefit), up to 70% of the most recent salary. The benefit is based on a maximum gross annual salary of € 58,311 (as of 2021), and pay directly to the employee. The WIA surplus insurance covers 70% or 80% of the gross annual salary above € 58,311 (as of 2021), and the benefits pay directly to the employee.

## 4.5 Accident insurance

An accident insurance policy pays out benefits in the event of an employee's death or disability resulting from an accident.

## 4.6 Group health insurance

A health insurance policy covers the costs incurred by employees (and their children aged under 18 years) due to illness, such as expenses for medical care and treatment. Employee typically pay for the policy's premium, although some employers choose to pay the premiums on behalf of their employees, and sometimes for their partners as well.





## 5. Onboarding & Policy Administration

### Onboarding

In the Netherlands, the employer plays a prominent role in putting together the employee benefits package and taking out insurance contracts with the insurer. The employer acts as the contracting party for the policy and is responsible for notifying the insurer should there be any changes. The employer is also responsible for paying the premium, except for health insurance policies that employees fund. Group insurance policies have, for the most part, automatic enrollment for employees. When the insurance policy takes effect, the employers and insurers will exchange information to ensure that the policies remain up-to-date.

Schouten Zekerheid manages this whole process for you and you can rest assured that we will take the initiative in this regard. The employee covered by the policy does not need to contact the insurer directly. Pension schemes are slightly different, in that employees may occasionally make personal choices via the insurer’s online portal.

### Additional services

As a client of Schouten Zekerheid, you have access to additional services, including:

#### Benefits Information and Onboarding Sessions

- Clear communication helps employees appreciate their benefits even more. Schouten Zekerheid provides presentations and one-on-one meetings to discuss employee benefits with new employees.

#### Employee Benefits Services

- Our online portal connects users to insurers. Just one notification in Employee Benefits Services is enough to ensure all relevant benefits get updated. The portal also offers the added advantage of linking to payroll administration systems.

### Health Insurance Desk

- With a group medical scheme, our Health Insurance Desk will provide extra support for your employees. New hires will automatically receive an e-mail and a telephone call explaining the insurance options available to them. Expatriate employees especially appreciate this service.

## 6. Adviser Remuneration

Remuneration is mostly based on commission, except for pensions and life assurance as a result of the prohibition on commissions for pension products in the Netherlands.

We agree on our services and remuneration in a service agreement. The service agreement provides management and advisory services. All services the employer needs during the year, e.g., contract renewal, employee communication, benefit plan management, legal changes, are included, and will not result in additional fees. Only in (very) specific cases may Schouten Zekerheid charge additional fees. In this case, you would receive a proposal in advance.







## 7. Schouten Zekerheid Team

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