



Centraal Planbureau

Budgettaire  
maatregelen  
beschreven

*Economische  
effecten  
doorgerekend*



**Keuzes in Kaart  
2018-2021**

**Chartered Choices  
2018-2021**

*Chapter 1 and 2,  
the headlines*



## Preface

In 1986, three political parties approached CPB Netherlands Bureau for Economic Policy Analysis to have their election manifestos assessed. This proved the start of a tradition that has sparked both wonder and marvel abroad. Today, over thirty years later, we present the 9th edition of 'Keuzes in Kaart' (English summary title: Charted Choices). The current edition includes 11 political parties, the largest number to date.

An evaluation of the previous edition of Charted Choices led to certain changes in set-up, which are elaborated in Chapter 1. The evaluation focused on the size of the assessment exercise and the challenge of keeping organisation and content of the assessment manageable. One of the most visible changes made concerns the collaboration with PBL Netherlands Environmental Assessment Agency. For the current edition, we worked along separate pathways, while mutually cooperating to ensure consistency between our reports. The common practice of thorough evaluation will also be applied to the current edition.

Experience gained in previous assessments has led to improvement of the instruments used, some of which had already been tested in the assessment of a number of alternative budget proposals. The work on this edition began on 7 November 2016, when parties supplied their sets of measures, and finished on 16 February 2017, with the publication of this report, *Charted Choices 2018–2021 (Keuzes in Kaart 2018–2021)*. This was only a short period of time for conducting a proper execution of the assessment work while also having to consider the time schedules of the political parties regarding their internal processes and election campaigns. It called for diligence and tireless effort on the part of CPB staff members and the participants from the political parties. On the CPB side, many researchers were involved in assessing the 1165 presented measures. Because of the peak in effort, we called on the support of a limited number of people from outside our organisation. And the work carried out by these people was under instruction and the full responsibility of CPB. The project was led by Johannes Hers and Wim Suyker, and hereby I would like to thank everyone involved in this edition of Charted Choices.

Politics is not for the faint-hearted. It involves making choices, and those related to finance and the economy have been clarified in this report. The report clearly describes the measures envisioned by the various parties, the economic effects they are intended to achieve and how they differ from one another. As shown in this publication, there is really something to choose from. Of course, politics is about more than facts, measures and the economy; of this we are well aware. Nevertheless, I hope and trust that, with this report, CPB will make a useful contribution to societal debate.

Laura van Geest  
Director

# 1 Background and approach

## Economic starting point and policy questions

In 2016, Dutch GDP per capita returned to the level of 2008, and unemployment continued to decrease, although it is still above equilibrium level. Research shows that financial crises involve substantial permanent damage<sup>1</sup>. The financial crisis of 2008 and euro crisis of 2012 have both left their mark. In addition, the Dutch economy proved more sensitive to shocks than that of neighbouring countries, as a result of long balances, with a generously financially covered pension system, on the one hand, and a sizeable mortgage debt, on the other<sup>2</sup>. It has taken great effort to recover from the most serious consequences of the crisis.

**Table 1.1 Baselines in Charted Choices (*Keuzes in Kaart* (KiK))**

	KiK 2008–2011	KiK 2011–2015	KiK 2013–2017	KiK 2018–2021
<b>Average growth, in % per year</b>				
GDP	1¾	1¾	1½	1.7
Purchasing power (median)	¾	¼	0	0
<b>End year</b>				
Unemployment (%) (a)	4	4¾	5¾	5.5
EMU balance (% GDP)	1	-2.9	-2.6	0.9
EMU debt (% GDP)	38	74	74	52.3
Sustainability (% GDP)	-1.5	-4.5	-1.1	0.4
Income distribution b)	not calculated	not calculated	not calculated	2.9

(a) unemployment data are presented conform the currently used ILO definition and Dutch labour force survey (EBB) statistics.  
 (b) Change in the Gini-coefficient due to policy package. An increase means more income differences.

The current starting position, compared against the recent past, is not unfavourable (see table). Nevertheless, the expected average 1.7% annual growth in the Dutch economy is relatively low, from a historical perspective. Economic growth, in the past, was supported by a growing labour supply; but labour sources are slowly running dry, with an already strongly increased labour participation by women and an ageing labour force. Whether or not the prospects for productivity growth are being tempered is the subject of a raging debate. Under the baseline, unemployment decreases in the medium term, but there is no increase in purchasing power for median households. Public finances show a similar profile, particularly compared to the recent past. The Stability and Growth Pact requirements will be complied with<sup>3</sup>, and budgetary arrangements can be passed on —comfortably— to future generations without the national debt exploding. These projections carry uncertainties, especially in the international domain, to which the open economy of the Netherlands would be particularly vulnerable.

<sup>1</sup> Luginbuhl, R. and A. Elbourne, 2016, Accounting for the Business Cycle Reduces the Estimated Losses from Systemic Banking Crises, CPB Discussion Paper 339. [\(link\)](#)

<sup>2</sup> Lukkezen, J. and A. Elbourne, 2015, De Nederlandse consumptie, goede tijden, slechte tijden [Dutch consumption, good times, bad times (only in Dutch)], CPB Policy Brief 2015/03 [\(link\)](#)

<sup>3</sup> Calculation methods for this spending rule are complex and show a strong correlation to other indicators. Therefore, for this edition of Charted Choices, CPB decided not to present results per individual party.

Over the past period, budgetary choices were determined by the very small budgetary buffers. Fears of derailing debt levels, in both the short and the long term, and the desire to comply with the Stability and Growth Pact lead to a strong focus on spending cuts and increases in the financial burden. Although economists like to argue in favour of a stabilising effect of the government budget, reality is often intractable. This is true not only in bad times (whether or not under perceived pressure), but certainly also in good times. Nothing seems more difficult than building up the proverbial nest egg<sup>4</sup>.

The 2017 elections are set against a less ominous budgetary and economic backdrop than those of 2012. This can also be seen in the fiscal choices made by the various political parties. If parties purely look from the perspective of constant arrangements, the sustainable balance could be allowed to go down by 0.4% of GDP, whereas pursuing an EMU balance of 0% of GDP would provide room for an (ex-post) reduction of 0.9%, and aiming for the EU medium-term objective for the structural balance (-0.5% of GDP) provides room for a reduction of 1.1%. In light of the medium-term projections, the Dutch official advisory group on budgetary options (*Studiegroep Begrotingsruimte*), in its 15th report<sup>5</sup>, advises, on balance, against a net increase in expenditure as well as against net spending cuts, mainly for reasons of stabilisation and smooth governance.

A better starting position does not mean that there are no choices to be made. An economy is built on compromise; measures have advantages as well as disadvantages. Economic growth may, for example, be stimulated by increased spending, but this in turn will lead to a deterioration of the EMU balance and sustainability. Conversely, the sustainability of public finances may be increased by raising labour participation. More employment leads to higher purchasing power and, thus, to an increase in tax revenues. This will however be at the expense of leisure time — time that otherwise could have been spent on hobbies, looking after one's children or caring for family members.

Which is truly more important: employment, purchasing power or government financial balance, more public goods and services or more reduction in the financial burden? Also within the categories of public spending and financial burden reduction, there is an incongruous variety of options. What do parties consider to be the major problem of our times? The labour market, the tax system, the climate, education, the pension system, public safety, the housing market, health care? How do they weigh these issues against each other? What would be the right criterion? These are typically political questions. The Dutch official advisory group on sustainable growth (*Studiegroep Duurzame Groei*<sup>6</sup>, established at the request of the House of Representatives), in its (first) report, offers some practical inspiration for the policy choices to come. Their inspirations were also used in this edition of *Chartered Choices*.

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<sup>4</sup> Suyker, W., 2016, Opties voor begrotingsbeleid [*Options for budgetary policy* (in Dutch)], CPB Policy Brief 2016/02. ([link](#))

<sup>5</sup> Studiegroep Begrotingsruimte, 2016, Van Saldosturing naar stabilisatie [*official advisory group on budgetary options, 2016, From balance management to stabilisation* (in Dutch)] ([link](#))

<sup>6</sup> Studiegroep Duurzame Groei, 2016, Kiezen voor duurzame groei [*official advisory group on sustainable growth, 2016, Choosing sustainable growth* (in Dutch)].([link](#))

Measures not only lead to a wide variety of economic results, but may also change over time. Government employment and fiscal incentives may lead to lower unemployment as well as to pressure on the EMU balance. An increase in government employment, in the short term, is an effective approach to unemployment. A fiscal incentive may ultimately translate into more employment and better cost recovery, but can initially lead to an increase in unemployment as measures take time to have an effect on the economy, in practice. Against this backdrop, Charted Choices reports on both medium-term and long-term effects.

In addition to the differences between the various types of measures and the various amounts of time by which they have their impact on the economy, the time factor plays yet another a role in this report. In principle, measures are implemented to ensure a steady impulse to the economy. However, some are so complex that, for technical reasons, they cannot be implemented until in the end year, or they require such a gradual implementation that this continues beyond the particular Cabinet period (e.g. reducing mortgage interest rate deductions, or limiting the transferability of general tax deductions)<sup>7</sup>. Large transitions in health care, in addition, also take temporary transaction costs into account<sup>8</sup>. Special cases are policy adjustments that have certain consequences for spending and income in relation to ageing, such as health care and pensions; the consequences of these types of measures increase, over time, due to the growing numbers of elderly and very old people, and thus will have additional impact in the long term (e.g. raising state pension benefit payments, or introducing a capacity standard for care homes). The ultimate impact, in those cases, would not be felt until at a later point in time. Therefore, it is important to focus not only on the indicators reported for the medium term, but also on those for the long term. Only in that way can a package of policy measures be assessed at its true value. The report points this out, where relevant.

#### **Scope – constants and changes, compared to previous editions**

Charted Choices (*Keuzes in Kaart*) first started 30 years ago, at the request of three political parties; its format proved not to be static<sup>9</sup>. The number of participating parties grew, over time, and the scope of the assessment evolved along with it.

A constant factor is that of the ambition to show how widely diverging ideals and opinions held by political parties would manifest themselves in actual practice. What do parties really envisage? What would the Netherlands look like if a certain party could implement its entire programme? A policy experimental dry run, so to speak.

Another constant is the primary economic perspective. This does not mean that CPB considers politics only to be a matter of optimal programming, or that only the economy is important. On the contrary; there is so much more involved than mere money. The economic perspective does, of course, suit CPB's particular field of knowledge. Other institutes, such as PBL Netherlands Environmental Assessment Agency and the Netherlands Institute for Social

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<sup>7</sup> This is explicitly stated in the appendices per party.

<sup>8</sup> Chapter 6 in Technical working group Zorgkeuzes in Kaart, *Zorgkeuzes in Kaart, 2015 [Healthcare-related charted choices (in Dutch)]*, Analysis of healthcare policy options for ten political parties. ([link](#))

<sup>9</sup> Bolhuis, W., 2017, *De rekenmeesters van de politiek [Politics' arithmeticians (in Dutch)]*. Uitgeverij van Gennep [publishers].

Research (SCP), shed their light on the election manifestos from their own fields of expertise. There was, however, a certain degree of coordination with PBL — for the political parties that participated in both assessments — in order to ensure consistency between measures and criteria in both publications. Even so, this did not achieve full coverage of all the themes discussed in the election manifestos. For certain issues of an ethical–philosophical character, this is understandable. In other areas, it is perhaps unsatisfactory. After all, who would not be interested in what the benefits of additional defence or health care funding would be in terms of public safety or healthy life years? Given the themes and the required expertise, filling this gap, either via additional research or otherwise, is not directly a challenge for CPB. We would however like to point this clearly unclaimed territory out to others. In the meantime, the absence of a full analysis of all the themes and issues does not diminish the value of a CPB analysis.

A core value of these assessments of election manifestos is the voluntary character of the exercise, as they can only be successfully completed with the cooperation of the political parties involved.

This edition of Charted Choices builds on methods chosen for earlier editions. The main adjustments were based on the evaluation of the previous Charted Choices 2013–2017, which was published in late 2013<sup>10</sup>. The main theme of that evaluation was the sheer magnitude of the enterprise. Furthermore, both the political parties and CPB felt the need to create additional time for calculating the more unconventional proposals and, in general, for more discussion. Finally, a number of parties, understandably, requested that insight would be provided in the long-term effects not only on public finances and employment, but also on income development. With this in mind, the following adjustments were made:

- Participation in the assessment was reserved for political parties with at least one seat in the House of Representatives. As this edition shows, this adjustment did not mean that new parties could not participate. Because of the many breakaway factions in the House of Representatives, a total of 16 parties could have indicated their intention to participate in the assessment, on 14 October. Three parties make their debut in the assessment<sup>11</sup>.
- The work was spread over a larger amount of time than for previous editions. For example, CPB, together with the Ministries of VWS and Finance, assessed the anonymised proposals on matters relating to health care, as submitted by 10 parties in the House of Representatives. Results were published in 2015, in a separate report on this subject: *Zorgkeuzes in Kaart (Health care-related charted choices)*<sup>12</sup>. In addition, CPB, PBL and SCP also started the series on Promising Policy (*Kansrijk beleid*)<sup>13</sup>. In this series, a variety

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<sup>10</sup> CPB, 2013, Vernieuwing doorrekening verkiezingsprogramma's, Evaluatie 'Keuzes in Kaart 2013-2017' [New assessment of election manifestos, *Charted Choices 2013–2017*] (Dutch summary available), CPB Communication. ([link](#))

<sup>11</sup> If the old participation criterion would have been applied, the number of potential participants would not have been greater; participation at the time was also open to parties that are currently not in the House of Representatives but at that time would have had at least one seat, according to three major polls.

<sup>12</sup> Technical working group Zorgkeuzes in Kaart, *Zorgkeuzes in Kaart, 2015 [Health care-related charted choices (in Dutch)]*, Analysis of healthcare policy options for ten political parties. ([link](#))

<sup>13</sup> See Chapter 3 in CPB, 2014, Work plan 2015, CPB Discussion paper. ([link](#))

of policy options are described in a range of policy fields, all with their advantages and disadvantages on various dimensions. Finally, parties were explicitly invited to present their more complex proposals at an early stage, for confidential assessment. Together, these three changes aim to alleviate the work pressure during the assessment process itself, for both CPB and the political parties. This also created more time for including the more unconventional policy options that typically require more time to assess. And time is a scarce commodity in the very limited assessment period of Charted Choices.

- The scope of the assessment was narrowed. CPB discontinued reporting on so-called programme effects in Charted Choices. PBL did continue its assessment in this respect, so that the loss was only limited to the effect of measures related to the housing market, education and innovation. These programme effects, incidentally, can largely be reconstructed by using the measures described in the Promising Policy series.
- The minimum financial magnitude of individual measures was set at 100 million euros, which is 0.012% of GDP. Despite this limitation, a sizeable number of measures were assessed.
- More time was reserved for discussion during the assessment process, in this case also facilitated by a regular – and therefore more easy to plan – election moment.
- An indicator for income distribution was added: the Gini-coefficient. For certain measures, income effects are not visible until in the long term, due to gradual implementation. Under the former set-up, this effect would not show up in the assessment. The Gini-coefficient provides insight into the long-term income effects as a result of new policy.

#### Work method

After many early elections, the coming elections in March 2017 are on schedule. This meant that the election manifestos and this edition of Charted Choices were created under less time pressure. Over the period between the 8th and 9th edition, there was regular contact with parties over the scope of the assessment, the methods and models used, the time schedule, and the set-up of the publication. A constant factor was to aim for transparency and to prevent surprises. Following the start, in the summer of 2016, three First Communications were published about the way in which specific policy proposals were going to be assessed. These communications were also published online<sup>14</sup>.

On 3 October 2016, all parties were asked to indicate whether they wanted to participate in the assessment, no later than by 14 October 2016. Participating parties submitted their proposed measures on 7 November. To guarantee the confidentiality of the process, each party was allocated a personal contact at CPB. The assessment of measures by experts promotes equal treatment across parties. Parties were able to adjust their proposals at two moments in time; once during the ex-ante assessment of the measures and their ex-ante budgetary impact, and once after the ex-post results were known. In addition, parties were provided with pre-release access to the information in their own party's chapter and the

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<sup>14</sup> CPB, 2016, First Communication Charted Choices 2018–2021 (Keuzes in Kaart 2018-2021): the budgetary effects, CPB Communication, 10 August ([link](#)); CPB, 2016, First Communication Charted Choices 2018–2021 (Keuzes in Kaart 2018-2021): additional information, 3 October. ([link](#)); CPB, First Communication Charted Choices 2018–2021 (Keuzes in Kaart 2018-2021): energy and climate measures, CPB Communication, 19 October. ([link](#))



related description of their policy measures, so they could check the factually correct representation of their intentions.

CPB bases its research, conform Chartered Choices' tradition, on the information as provided by the political parties themselves. It is not CPB's responsibility to double check consistency between that information and information expressed by the parties elsewhere, either written or oral. However, for the sake of transparency, the Dutch version of this publication also presents an elaborate overview of all measures included in the assessment. The possibilities of verification, in the past, have been utilised enthusiastically by others, which thus makes the process more disciplined.

Similar to previous editions, CPB checked each measure against a limited number of criteria before including it in the assessment. For example, measures must be able to be implemented unilaterally by the government. In addition, measures must be proposed for implementation during the coming Cabinet period, or have a logical implementation schedule. This ensures a focus on measures intended for the coming government period. The implementation schedule prevents long-term measures from not being implemented. Such measures, after all, cause the implementing party to suffer the political pain related to the proposed renewal, without them being able to harvest the long-term revenues. Conversely, this means that abandonment of the implementation schedule also removes the grounds for including the anticipated future revenues. Furthermore, a measure must be juridically sustainable and technically feasible. The juridical review does not have the same weight as a formal judicial review, but the measure will have been judged on whether it would fall within constitutional and international legal frameworks. The implementation review also is one on main points.

CPB took the policy proposals as included in the Budgetary Memorandum 2017 as starting point for constructing the baseline. There are three exceptions, which all can be traced back to the criteria described above. For example, the multiannual vision diverges for local government authorities, because the Budgetary Memorandum assumes a continuation of reductions in block grants without any legal or governance basis. In addition, the series deviates for health insurance subsidies, because Cabinet repeatedly postponed the proposed spending cuts via the norm percentages to 2018. Finally, the proposed cost-sharing norm in old age pensions (AOW) was not incorporated in the assessment, as Cabinet again has repeatedly postponed implementation of this element into law until 2019. For the sake of completeness, please note that, for budgetary effects of climate and energy (SDE+ and IDE) in the baseline after 2021, CPB, like PBL, is in line with the NEV projections<sup>15</sup>.

Political parties have in many cases used studies such as Health care-related chartered choices, the Promising Policy series, reports by the official advisory group on sustainable growth and the list of spending cuts<sup>16</sup>. CPB is involved in most of these; most of the data were

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<sup>15</sup> <http://www.pbl.nl/publicaties/nationale-energieverkenning-2016>

<sup>16</sup> <https://www.rijksoverheid.nl/documenten/rapporten/2016/06/01/ombuigingslijst>

coordinated, at the time. Grateful use has been made of the information in those studies. The data presented in them have been re-evaluated, where necessary, for 2021. Incidentally, certain combinations of measures may provide results that differ from the sum of the projected total, as a result of mutual interaction. As the order in which individual measures are implemented plays a role in the presented data, the same order was used when calculating effects of changes in income taxes much as possible. For the energy tax, the effects of other environmental measures on the tax base were taken into account.

In its assessment, CPB worked on the hypothesis that the party in question would have the majority in parliament and, therefore, would be in the position to fully implement the measures. Subsequently, the delayed impact of the policy measures on the economy was analysed. In doing so, CPB used models, as do many economists<sup>17</sup>, which are an important tool for CPB's work. Models are a simplification of reality that provides insight into how measures work out in the economy. The mathematics within a model, furthermore, enforce transparency about assumptions and consistency. An empirically estimated model also provides indication about the magnitude of the effects. Similar to storylines, models are a way of explaining connections, and similar to experiments, models offer a way to simulate policy (like car navigation systems (e.g. TomTom) are a simplification of the road network, yet this does not prevent a route planner to make a reasonable prediction of the expected travel time). For the degree to which the analyses provide a correct projection of reality, it is not surprising that parties adjust their proposals on the basis of the analyses. After all, models help to expose causality. Will policy be as effective as expected? Will there be side effects?

Not everything can be covered in one model. A proper indication requires focus. Therefore, in its Charted Choices, CPB uses a set of models instead of only one, each specified for a particular purpose. The macroeconomic model, Saffier II, takes central position in the assessment for the medium term, and ensures a consistent, mutually comparable analysis of the packages of measures, for variables such as economic growth, inflation, employment, unemployment and government finances. Saffier II is fed by input from analyses from other sources on various areas; the MICSIM model provides data on labour supply; empirical research is the source for estimates in the fields of labour market policy and social security<sup>18</sup>. The MIMOSI model produces information about the wedge and replacement ratio; the housing market model provides estimations on the housing market. MICSIM and earlier mentioned empirical work provides information about the effects on long-term structural employment. Purchasing power and Gini calculations are performed using MIMOSI. The sustainability analysis is conducted using the Gamma model.

Using models in calculations is more complicated than merely pushing a button. It requires insight into how policy measures could best be translated into model input. It also takes

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<sup>17</sup> Also see Economics Rules, Dani Rodrik (2015), for a non-technical introduction to the world of models, their limitations and possibilities.

<sup>18</sup> <https://www.cpb.nl/sites/default/files/publicaties/download/cpb-boek-16-kansrijk-arbeidsmarktbeleid.pdf>.

common sense to see whether the results are plausible. In theory, there is the risk of parties taking advantage of the weak spots in the tool set, by submitting measures for which costs will be underestimated or benefits overestimated. We are aware of this possibility. In cases of 'free' policy measures, our first question is a sceptical one: if it is free, then why has it not been implemented already?

In a limited number of cases, parties proposed very far-reaching measures. The results of these policy simulations are surrounded by a greater than usual degree of uncertainty. This is explicitly indicated, where applicable.

## 2 Outline of the election manifestos

What are the main features and consequences of the plans of the political parties? Table 2.1 provides an overview, with elaborations further down this chapter.

**Table 2.1 Summarising overview**

	Baseline	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
	compared to the baseline											
EMU balance (2021, ex ante, billion euros)	7.5	-7.7	-12.8	-11.8	-10.4	-9.2	-4.8	-11.7	-6.4	2.8	-8.4	-25.2
EMU balance (2021, ex ante, % GDP)		-1.0	-1.7	-1.5	-1.3	-1.2	-0.6	-1.5	-0.8	0.4	-1.1	-3.3
EMU balance (2021, ex post, % GDP)	0.9	-0.7	-0.9	-0.3	-0.7	-0.8	-0.4	-0.2	-0.3	0.4	-0.8	-5.5
Public debt (2021, % GDP)	52.3	1.8	1.9	-0.8	1.5	0.8	0.2	-0.8	-0.5	-1.1	1.6	3.6
GDP volume (2021, %, a)	1.7	0.3	0.3	0.2	0.3	0.2	0.1	0.2	0.2	0.1	0.4	0.4
Employment (2021, percentage points)	5.5	-0.4	-1.1	-1.8	-1.0	-0.4	-0.3	-1.1	-0.8	-0.4	-0.4	-1.1
Consumer price index (2021, %, a)	1.3	0.0	0.3	0.0	0.2	0.3	0.3	0.6	0.4	0.1	-0.2	0.4
Employment market sector (2021, a)	0.5	0.3	0.1	-0.2	0.2	0.1	0.1	0.1	0.0	-0.1	0.2	0.2
Employment public sector (2021,a)	-0.1	0.0	1.8	0.5	0.9	0.9	-0.1	0.9	0.5	-0.5	0.0	-0.6
Employment health care (2021, a)	2.2	0.4	0.0	1.4	0.1	-0.3	-0.1	0.6	0.0	1.0	-0.2	0.3
Purchasing power (2021, a)												
The employed	0.0	1.2	1.1	2.0	0.7	0.8	1.0	1.3	1.0	0.2	2.2	4.8
Benefit recipients	-0.2	-1.2	1.0	3.2	0.1	0.2	0.5	1.3	-0.1	-0.1	0.0	1.1
Pensioners	-0.3	0.4	1.7	2.5	0.4	0.7	0.6	1.1	-0.2	0.0	0.3	0.5
All households	0.0	0.7	1.2	2.3	0.6	0.7	0.9	1.2	0.6	0.1	1.6	3.7
Purchasing power differences (2021, a)												
Lowest compared to highest incomes (b)	-0.3	-0.4	1.2	4.2	-0.7	0.1	-0.6	1.2	-0.9	0.5	-4.0	-1.0
Sustainability (% GDP)	0.4	-0.1	-1.1	-3.1	-0.8	-0.3	-0.2	-0.3	-0.3	-0.2	-1.0	-6.3
Structural employment (percentage points)		3.5	0.1	-4.6	-0.3	0.7	-0.2	0.3	-1.4	0.0	0.9	-4.8
Effects on distribution of income, after 2021 (c)	2.9	2.1	-5.7	-14.4	0.4	-1.7	-1.1	-6.0	0.0	-0.5	12.6	-4.4

a) average % per year 2018-2021

(b) lowest incomes: less than 175% gross minimum wage; highest incomes: over 500% gross minimum wage.

(c) On the basis of mutation in the Gini coefficient. An increase means greater income inequality.

Results on public finances, the economy and the distribution of income in the medium and long term provide insight into the compromises that parties face when making their choices. Packages of measures that lead to a reduction in EMU balance in the medium term (first bloc) generally provide economic stimulus in the medium term (second bloc). The choices with regard to reductions in the tax burden and increases in government expenditure have an impact on medium-term employment: will the additional jobs particularly be in the market sector, or in government or health care (third bloc)? The various choices about the size and composition of expenditure and tax burden differ in their impact on purchasing power. This is also true for the effect on the purchasing power of specific groups, such as the employed, social benefit recipients and pensioners, but also for low incomes compared to high incomes (fourth and fifth bloc). A reduction in income inequality in the long term, as a rule, also involves a reduction in employment in the long term, because incentives for paying jobs become lower. An increase in structural employment not only has a positive impact on the sustainability of public finances, but often also involves an increase in income inequality in the long term (sixth bloc).

Most parties opt for the **ex-ante EMU balance** to go down, compared to the baseline level. The macroeconomic effects of the policy packages were not taken into account here. The decline is the greatest under the plans by the Vrijzinnige Partij (25 billion euros, -3.3% GDP). The increase in tax burden, under this party, is smaller than the increase in public spending. The PvdA and SP both opt for a combination of increased expenditure, higher tax burden and lower natural gas production. Under GroenLinks, the public tax burden remains unchanged, while expenditures are increased and natural gas production is decreased. CDA, D66, ChristenUnie and SGP each increase expenditures and reduce the tax burden, with D66 and the ChristenUnie also reducing the natural gas production. VVD and VNL opt for a reduction in tax burden that is greater than the spending cuts. Only under DENK will the EMU balance increase, in 2021 (3 billion euros, 0.4% GDP). This party increases government revenues via increases in both the tax burden and natural gas production.

For the **ex-post effects on the EMU balance**, the macroeconomic impact also was taken into account. Additional expenditure and reduction in the tax burden both will stimulate the economy in the medium term. Increased consumption and public spending involve higher production levels and, mostly, higher employment levels and lower unemployment. The increases in wage income and consumption cause revenues from wage tax and VAT to increase, and the decline in unemployment causes the expenditure on benefit payments to decrease. These effects, thus, reduce the initial decrease in (ex-ante) EMU balance, except under the Vrijzinnige Partij. The conversion of taxed benefit payments into untaxed basic income results in lower tax revenues and therefore in a further decrease in the balance. The change in the ex-post EMU balance varies from a decrease of 5.5% GDP for the Vrijzinnige Partij, to an increase of 0.4% GDP for DENK. All parties, except the Vrijzinnige Partij, achieve a balanced budget or a positive EMU balance.

The effects of the packages of policy measures on the **public debt** in % of GDP depend primarily on the effects on the EMU balance, but the effects on nominal GDP also play a role.

These effects may counter each other; a package that stimulates the economy through additional spending and reduction in tax burden, leads to a decreasing EMU balance and increasing public debt, compared to the baseline level. The stimulus leads to a larger GDP volume and, in most cases, to higher GDP prices; this denominator effect could –despite the lower EMU balance– cause the debt ratio to drop, compared to the baseline level. In practice, this is the case for the SP, GroenLinks and SGP. For DENK, the debt ratio improves because of the increase in EMU balance. For the remaining parties, on balance, the debt ratio increases compared to the baseline, because the dominating direct effect of the reduced EMU balance. Furthermore, for a number of parties, there is a direct upward impact on the public debt due to injections of capital in an investment bank (PvdA, SP, CDA, D66, GroenLinks and DENK).

All packages of policy measures have a positive impact on average **GDP growth**, over the 2018–2021 period. Most parties, on balance, provide an impetus to spending. The smallest increase in GDP growth is under the ChristenUnie and DENK (0.1% per year), the largest under VNL and the Vrijzinnige Partij (0.4% per year). The larger growth in the economy generally involves an increase in **employment**, over the 2018–2021 period. The sectors in which this increase occurs vary. In the market sector, annual employment growth varies from 0.3% (VVD) to -0.2% (SP). Government employment increases the most under PvdA, due to more public jobs being created, and decreases the most under the Vrijzinnige Partij, due to general spending cuts (personnel and equipment) at government authorities and departments. In health care, the effects of the packages vary from 1.4% per year (SP) to -0.3% (D66). The impact on **unemployment** is driven by employment developments in combination with the effect on labour supply. For the SP, the decrease in unemployment by 2021 is mostly due to the lower labour supply and increased employment in health care.

**Median purchasing power** over the 2018–2021 period increases for all parties. The annual increases vary from 0.1% (DENK) to 3.7% due to the basic income provided by Vrijzinnige Partij. For the remaining parties, differences vary between 0.6% and 2.3%. Many parties implement a reduction in the tax burden, and some limit co-payments in health insurance, with a related positive impact on median households. The macroeconomic impacts of the packages on wages and prices partly determine the impact on purchasing power. The related impact on real contract wages varies from a decline of 0.5% (Vrijzinnige Partij) to an increase of 0.7% (SP). All party packages improve the purchasing power for **the employed**, compared to the baseline. This is not the case for **benefit recipients**; they will experience a decline compared to the baseline in the programs of VVD, SGP and DENK. Under most parties, particularly the Vrijzinnige Partij, VVD and VNL, the employed profit more than benefit recipients, from the proposed measures. Under GroenLinks, both groups experience the same benefit. Only under the SP, the purchasing power of benefit recipients increases more than that of the employed; among other things, due to an increase in the minimum wage and related social benefit payments. Compared to the baseline level, the purchasing power of **pensioners** improves under all parties, except under the SGP. The largest increase is under SP and PvdA, because of higher pensioner credits and state pension payments.

The effects of the packages of policy measures on the long-term **distribution of income** (measured as change in the Gini coefficient, in percentages) and on the **difference between**

**the lowest and highest incomes** over the 2018–2021 period differ between parties, with decreases in income inequality, particularly under the SP, and increases particularly under VNL. For the SP, the decrease is mostly related to the implementation of a health-care premium that is related to income level and an increase in the national minimum wage. The packages of measures by GroenLinks and PvdA also show a decrease in income inequality. They propose to raise benefit payments and state pension payments, and to reduce the third tax bracket of the income tax. VNL's increase in income inequality is the result of the flat tax rate and a reduction in the social welfare benefit level as well as in various tax credits. Income inequality also becomes larger under measures in the VVD package, due to the lowering of tariffs in the second and third tax brackets and spending cuts in health-care and rent subsidies.

In addition, there are policy impacts on the **income level** in the long term. This concerns the costs to households related to environmental measures in the long term. The changes to the tax burden as mentioned above vary from an increase of 11.5 billion euros under GroenLinks, to a decrease of 2.5 billion euros under VNL.

**Structural employment** refers to the number of hours worked, in the long term, when people will have adjusted their behaviour completely to the new policy situation (for most measures this is within 10 years). The changes in structural employment vary from an upward effect of +3.5% for the VVD to a downward impact of -4.8% for the Vrijzinnige Partij and -4.6% for the SP. The structural employment impact for the remaining parties varies between -1.5% and +1%: upwards for VNL, D66, GroenLinks and PvdA, zero for DENK and downwards for SGP, CDA and the ChristenUnie. The effects are driven by changes in social security, fiscal policy and state pension levels. The greatest change in **social security** occurs under the Vrijzinnige Partij, because of the introduction of the basic income. On balance, this reduces the incentive for people to work in employment and leads to a decrease in structural employment. On the other end of the spectrum, the VVD measures related to unemployment benefits (reducing the entitlement period, differentiation in premiums) and disability benefits (transitional period) lead to an increase in structural employment. Changes in **tax system**, with income tax based on household income, explain the decrease in structural employment under the SGP measures. VVD's reductions in the tax burden through labour tax credits and income-dependent combination of tax credits contribute to the largest increase in structural employment. Lowering the **state pension entitlement age** to 65, under the SP, explains most of the negative effect on structural employment. Moreover, some parties (VVD, D66, GroenLinks, SGP and DENK) offer people the possibility to (actuarially neutral) delay the commencement of their state pension payments, which leads to an increase in structural employment. The packages of policy measures of most parties, on balance, reduce the differences in costs between **permanent and temporary** staff members and between **employees and the self-employed**, via adjustments to fiscal policy and social security. The SP and the Vrijzinnige Party are the only two participating parties who include only a few measures in this area.

The **sustainability** of public finances measures the difference between public revenue and spending, over a long time horizon. A continuation of current policy would mean a positive sustainability balance of 0.4% of GDP. This equals the surplus that is available for reducing the tax burden, or to increase public spending, without affecting the continuity of the current arrangements. This amount is put to use by all parties, which means that the sustainability balance decreases, under all packages of measures. For five parties (the Vrijzinnige Partij, SP, PvdA, VNL and CDA), this results in a negative sustainability balance. The decrease is the greatest for the Vrijzinnige Partij (6.3% GDP), due to the decrease in the EMU balance, over the 2018–2021 period, caused by the implementation of the basic income. For the SP, the decrease of 3.1% is the result of higher health care costs and lowering the state pension entitlement age to 65. This means that, at a certain time in the future, the tax burden will need to be increased or spending to be reduced. For the remaining parties, the decrease is smaller and results in a sustainability balance that is either equal to or larger than zero.

## 2.1 Government budget

This section broadly compares the parties' budgetary choices, for the year 2021, for which parties were ranked according to effect size. The party that either cuts or steps up spending to the largest degree, per category, as presented in Tables 2.1 and 2.3, is named first in the text. This concerns ex-ante mutations, which means that the effects of measures on the economy — and their delayed impact on the EMU balance — were not included (for those, see Section 2.3). Many parties also implement measures that will continue to have an increasing impact on the budget after 2021, such as due to a long implementation pathway. In cases where measures cost or yield more (or less) after 2021, this is included in the calculations of the long-term sustainability of public finances (see Section 2.7).

All but one party cause the ex-ante EMU balance to decline, compared to the baseline. Only under DENK (2.8 billion euros), the ex-ante EMU balance improves in 2021, compared to the baseline level. This party increases public revenues by increasing the tax burden as well as the natural gas production in Groningen. These higher revenues outweigh the increase in expenditure. The Vrijzinnige Partij (25.2 billion euros) causes the EMU balance to decline the most. The party increases the tax burden insufficiently to cover the higher level of expenditure. The PvdA (12.8 billion euros) and SP (11.8 billion euros) opt for a combination of increased expenditure, higher tax burden and lower natural gas production. GroenLinks (11.7 billion euros) keeps the public tax burden at the baseline level, but does opt for increased expenditure and lower natural gas production. CDA (10.4 billion euros), D66 (9.2 billion euros), SGP (6.4 billion euros) and the ChristenUnie (4.8 billion euros) all increase expenditure and reduce the tax burden, resulting in a lower EMU balance, with D66 and the ChristenUnie also reducing the natural gas production. Finally, VNL (8.4 billion euros) and VVD (7.7 billion euros) both opt for a reduction in the tax burden that is greater than the decrease in expenditure, which thus causes the EMU balance to decline.



A number of parties (Vrijzinnige Partij, VNL and GroenLinks) implement measures (respectively on basic income, flat tax rate and a sizeable shift in tax burden from labour to environment) which take the economy into a less well-known area for CPB, which is why the projected budgetary and economic effect carry a higher than usual uncertainty.

Apart from VNL and VVD, all parties increase **public expenditure** in 2021, compared to the baseline level. The Vrijzinnige Partij shows the largest increase (83.7 billion euros). This concerns mainly the implementation of an annual and tax-free, unconditional basic income of 10,000 euros, for all adults. This measure causes the party's expenditure on social security to increase by over 80 billion euros. PvdA increase in public expenditure is the second largest (22.2 billion euros), because of increases in all spending categories. At the other end of the spectrum, VNL cuts public expenditure by 18.1 billion euros and the VVD by 4.3 billion euros. Both these parties particularly cut spending on social security and international development cooperation.

**Table 2.2** Public expenditure

	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
effect in 2021 compared to the baseline, in billion euros											
Public administration	-1.2	1.3	-0.2	-1.2	-1.2	-1.0	0.0	-1.2	-1.2	-1.2	-1.2
Security/Public safety	0.7	0.4	1.3	0.4	0.3	0.1	0.2	0.5	-0.4	1.0	-0.1
Defence	1.0	0.4	-1.0	2.1	0.5	2.0	0.0	3.0	-1.7	5.0	-1.2
Mobility	0.5	0.6	0.2	0.0	0.3	0.4	0.9	0.0	1.0	0.3	0.1
Environment	0.0	1.0	1.0	0.5	0.6	0.8	2.4	0.3	0.0	0.7	0.2
Education	0.1	2.6	1.2	0.2	3.8	0.6	2.8	0.2	0.9	-4.1	-0.3
Health care	-0.2	3.2	11.0	0.5	-0.6	0.0	4.7	0.2	6.3	-1.6	5.5
Social security	-2.7	5.7	2.6	0.2	-0.3	-3.4	-5.1	-1.2	0.5	-10.3	81.5
Transfer payments to companies	0.4	4.5	-1.0	0.3	0.9	0.4	1.1	0.0	-0.1	-2.5	-0.6
International developmentcooperation	-2.7	2.0	0.5	0.2	1.1	1.0	2.1	0.2	2.1	-4.2	-0.2
Other	-0.2	0.6	0.1	0.7	0.1	-0.2	0.8	-0.5	0.9	-1.1	-0.1
<b>Total EMU-relevant expenditure</b>	<b>-4.3</b>	<b>22.2</b>	<b>15.7</b>	<b>3.9</b>	<b>5.4</b>	<b>0.6</b>	<b>10.0</b>	<b>1.4</b>	<b>8.2</b>	<b>-18.1</b>	<b>83.7</b>

The PvdA, with 1.3 billion euros, is the only party to increase expenditure on **public administration**. GroenLinks keeps the level of expenditure on the baseline level. All other parties reduce general expenditure (on personnel and equipment) at the national government, government authorities and local government. The increase in expenditure under the PvdA is partly the result of the intention to create 40,000 new government jobs by 2021. VVD, CDA, D66, SGP, DENK, VNL and the Vrijzinnige Partij all opt for the maximum general spending cuts of 1.2 billion euros that CPB has indicated as a realistic amount for the coming Cabinet period. The remaining parties either stay below this level (SP and ChristenUnie) or do not implement any spending cuts in this category (PvdA and GroenLinks).

All parties, except DENK and the Vrijzinnige Partij, intend to increase public expenditure on **security/public safety**. The SP (1.3 billion euros) and VNL (1.0 billion euros) have the

highest increases in this category, whereas DENK reduces the expenditure by 0.4 billion euros and the Vrijzinnige Partij by 0.1 billion euros.

Most parties (VNL, SGP, CDA, ChristenUnie, VVD, D66, PvdA) increase the expenditure on **defence**. The largest increases are under VNL (5.0 billion euros) and SGP (3.0 billion euros), GroenLinks maintains expenditure at the baseline level, while the largest spending cuts in this category are under DENK (1.7 billion euros) and the Vrijzinnige Partij (1.2 billion euros).

CDA and SGP opt to maintain the expenditure on **mobility** at the baseline level. All other parties will increase the expenditure in this category. The increase is highest under DENK (1.0 billion euros), due to the introduction of free public transport for elderly people on low incomes and social welfare benefit recipients. The second highest increase is under GroenLinks (0.9 billion euros), particularly due to additional funds for the development and use of public transport.

VVD and DENK are the only parties that maintain the expenditure related to the **environment** at the baseline level. All other parties opt to increase the expenditure in this category, with the highest increases under GroenLinks (2.4 billion euros), SP and PvdA (both 1.0 billion euros).

All parties, except for VNL and the Vrijzinnige Partij, increase public expenditure on **education**. The highest increases are under D66 (3.8 billion euros) and GroenLinks (2.8 billion euros), particularly because of the increase in the lump sum for primary, secondary and tertiary education. VNL decreases the expenditure in education by 4.1 billion euros, by reducing the lump sum for primary, secondary and tertiary education.

Most parties increase the expenditure on **health care** (SP, DENK, Vrijzinnige Partij, GroenLinks, PvdA, CDA and SGP). The largest increases are for the SP (11.0 billion euros) and DENK (6.3 billion euros). The other parties (VNL, D66 and VVD ) decrease health care expenditure, or keep it at the baseline level (ChristenUnie). VNL (1.6 billion euros) and D66 (0.6 billion euros) show the greatest reductions. Section 2.2 elaborates on the choices made by the various parties, with respect to health care.

Most parties (VNL, GroenLinks, ChristenUnie, VVD, SGP and D66) intend to implement reductions in the expenditure on **social security**. The greatest reductions are by VNL (10.3 billion euros) and GroenLinks (5.1 billion euros). The other parties (Vrijzinnige Partij, PvdA, SP, DENK and CDA) increase the expenditure in this category. The highest increases are by the Vrijzinnige Partij (81.5 billion euros) and PvdA (5.7 billion euros). The Vrijzinnige Partij's increase is caused by the basic income, mentioned earlier. For PvdA, the increase in part originates from an increase in child care subsidies and state pension payments. The SP, CDA and GroenLinks also opt for higher state pension payments, whereas the VVD decreases all social security benefits except state pensions. VNL reduces only the social welfare benefit. Furthermore, VNL's reduction in the expenditure on social security is partly due to the abolition of health care supplements. These supplements are also abolished by the SP and GroenLinks, together with either a reduction in the nominal health care premium

(GroenLinks) or a modification that will make them income-dependent (SP). A similar measure is included in the packages of the ChristenUnie and the PvdA, who announce either to have rent subsidies incorporated in the rent prices, organised by the housing associations (ChristenUnie), or by replacing rent subsidies with a new system of income-dependent rent prices (PvdA).

Most parties would like to implement more flexible state pensions, by which people can commence receipt of these benefits at either earlier or later moments in time (PvdA, D66), or only at a later time (VVD, GroenLinks, SGP, DENK). The SP intends to return the state pension entitlement age to 65, and DENK to slow down the increase of retirement age to 67.

Furthermore, various parties (PvdA, ChristenUnie, GroenLinks and DENK) opt for a type of compulsory disability insurance for people who are self-employed, and VVD, PvdA, D66, ChristenUnie, GroenLinks, SGP and DENK would introduce a type of social insurance, for small companies, to ensure employees receive paid sick leave during the second year of their illness. D66, ChristenUnie and GroenLinks separate accommodations from health care under the Long-term Care Act (Wlz), to financially compensate people who are unable to carry the costs of their housing and accommodation expenses.

In the area of unemployment benefits (WW), VVD announces, among other things, to limit the duration of these benefits, while the ChristenUnie lowers the benefit received (in the initial two months), as does the SGP (in the second year). In addition, under the packages by PvdA, D66, GroenLinks and VNL, employers will carry the costs for the first half year of WW payments. Finally, PvdA, SP and GroenLinks abolish the minimum juvenile wage for people over the age of 18.

Most parties (PvdA, GroenLinks, D66, ChristenUnie, VVD and CDA) increase the **transfer payments to companies**. The highest increases are found for the PvdA (4.5 billion euros) and GroenLinks (1.1 billion euros), by increasing wage cost subsidies for employers. The SGP keeps this expenditure at the baseline level, whereas the remaining parties (VNL, SP, Vrijzinnige Partij and DENK) apply decreases. The greatest decreases can be seen for VNL (2.5 billion euros) and the SP (1.0 billion euros). Both of these parties plan to abolish wage cost subsidies for employers who employ people on low incomes. VNL, in addition, also abolishes the Research & Development Tax Credit Act (WBSO), which is a tax credit for companies that invest in innovation.

All parties, except for VNL, VVD and the Vrijzinnige Partij, increase the expenditure on **international development cooperation**. GroenLinks and DENK (each 2.1 billion euros) opt for the highest increases. VNL (4.2 billion euros) and the VVD (2.7 billion euros) opt for the greatest reductions in the funding of international development cooperation.

Most parties (DENK, GroenLinks, CDA, PvdA, SP and D66) increase public expenditure in the category of **other expenditure**. The remaining parties all reduce this type of expenditure. The highest increases are under DENK (0.9 billion euros) and GroenLinks (0.8 billion euros). DENK particularly increases the expenditure on compensation payments related to natural gas extractions in Groningen. GroenLinks, among other things, increases the expenditure

related to asylum seekers and cultural assimilation into Dutch society. The CDA introduces a general compulsory society service. The SGP, VNL and VVD reduce spending on other expenditure by, for example, lowering the government funding for national broadcasting.

**Table 2.3 Employment in the public sector and in health care**

	Baseline 2018–2021	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
	% per year	effect on annual mutation, in percentage points, per year										
Public sector	-0.1	0.0	1.8	0.5	0.9	0.9	-0.1	0.9	0.5	-0.5	0.0	-0.6
Health care	2.2	0.4	0.0	1.4	0.1	-0.3	-0.1	0.6	0.0	1.0	-0.2	0.3
Total	1.1	0.2	0.9	1.0	0.5	0.3	-0.1	0.7	0.3	0.3	-0.1	-0.1

The sum of the individual figures may deviate from the reported totals, due to rounding of figures.

Under the baseline, public employment levels will decline, as a result of the limited volume growth in expenditure. Most parties (PvdA, CDA, D66, GroenLinks, SP and SGP) plan to increase **employment in the public sector** by 2021, compared to the baseline level. Employment in this sector remains at baseline level under VVD and VNL, while under the remaining others (Vrijzinnige Partij, DENK, ChristenUnie) it will decline. The largest increase is under PvdA, particularly because of the introduction of new public jobs. The greatest decrease is under the Vrijzinnige Partij, particularly because of the general spending cuts (personnel and equipment) at government authorities and departments. Employment in the public sector, under this party, will decline by 0.6%, annually, compared to the baseline level. In health care, a clear increase in employment can be seen in the baseline situation, influenced by the volume growth in expenditure. All parties, with the exception of D66, VNL and ChristenUnie, will increase health care employment, or maintain it at baseline level. Most parties, on balance, increase **employment in the public and health care sectors**, by 2021. Under the package of measures by the ChristenUnie, VNL and the Vrijzinnige Partij, employment in these sectors will decline.

**Table 2.4 Tax burden development**

	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
	billion euros										
Income and labour	-14.2	-1.0	-8.2	-6.1	-10.8	-13.6	-26.4	-15.9	2.9	-20.6	48.6
Capital and profits	2.4	5.3	8.8	-0.6	4.1	2.3	6.5	1.6	3.8	-4.7	3.1
Environment	-0.2	5.0	8.5	-0.5	2.8	4.9	18.0	5.3	2.0	3.4	2.0
Other	0.0	0.7	-3.5	0.7	0.5	2.5	1.9	3.9	0.7	-4.7	4.6
Total policy-induced tax burden	-12.0	10.0	5.6	-6.5	-3.4	-3.8	0.0	-5.1	9.3	-26.5	58.4
For: families	-14.7	-7.9	-7.6	-5.7	-7.4	-5.6	-3.9	-5.8	5.0	-23.5	51.4
companies	2.7	17.4	12.6	-0.8	3.8	1.2	2.6	0.0	3.8	-3.0	7.0
foreign	0.0	0.5	0.6	0.0	0.2	0.5	1.3	0.7	0.5	0.0	0.0
Natural gas revenues	0.0	-0.7	-1.7	0.0	-0.4	-0.4	-1.7	0.0	1.7	0.0	0.0

Most parties (VNL, VVD, CDA, SGP, ChristenUnie and D66), on balance, reduce the **public tax burden** by 2021, compared to the baseline level. VNL (26.5 billion euros) and VVD (12.0 billion euros) show the greatest reductions, particularly due to lower the tax burden related to income and labour. The other parties (Vrijzinnige Partij, PvdA, DENK and SP) increase the public tax burden, with the largest increases under the Vrijzinnige Partij (58.4 billion euros) and the PvdA (10.0 billion euros). The increase under the Vrijzinnige Partij is particularly on income and labour, which is related to the introduction of the basic income. The PvdA's increase is mostly due to increases in the areas of the environment, capital and profits. GroenLinks, on balance, retains the public tax burden at the baseline level. The party does however opt for a sizeable shift in the burden from income and labour to capital and profits and, particularly, the environment. The PvdA, SP, D66, ChristenUnie and SGP also opt for such a shift, albeit of a much lesser magnitude.

With the exception of DENK and the Vrijzinnige Partij, all parties opt to ease the **tax burden for families**, with the largest reductions under VNL (23.5 billion euros) and VVD (14.7 billion euros). The VNL (3.0 billion euros) and CDA (0.8 billion euros) are the only two parties that ease the **burden for companies**. The SGP keeps the tax burden for companies at the baseline level, whereas the remaining parties all increase the tax burden for companies, with the largest increases under PvdA (17.4 billion euros) and the SP (12.6 billion euros). All parties, except CDA, DENK, VNL and the Vrijzinnige Partij, opt for a shift in the tax burden for families to that for companies, with that of the PvdA being particularly large. The CDA and VNL ease the tax burden for both families and companies, while DENK and the Vrijzinnige Partij increase the burden for both groups.

All parties, with the exception of the Vrijzinnige Partij and DENK, reduce the **tax burden on income and labour**. The greatest reduction is under GroenLinks (26.4 billion euros) and VNL (20.6 billion euros). The reduction under GroenLinks is due in part to a lower nominal health care premium, as well as the amalgamation of (and reduction in) employers premiums on disability, unemployment (WW) and health insurance (Zvw), thus forming one 'employers premium on public provisions'. The lower tax burden under VNL is mostly due to the introduction of a flat tax rate in income tax of 27% for all incomes and all age groups. The increase in tax burden under the Vrijzinnige Partij (48.6 billion euros) is caused by the abolition of tax credits and by higher tax rates. The increase in tax burden related to income and labour under DENK (2.9 billion euros) is, among other things, due to reducing the third tax bracket on income tax.

Other parties also implement system reform measures on the tax burden in relation to income and labour. For example, PvdA replaces labour tax credits and self-employment tax deductions with employee advantages and self-employment advantages. In doing so, this party increases the employee advantages as well as the tax burden for employers. D66 also implement an employee advantage, which will apply to all those employed without self-employment deductions. The SP makes health care premiums income-dependent, and the SGP replaces the general tax credits with income-dependent tax credits, which depends on household composition. In addition, this party introduces a separating system, by which the

income tax payable is determined on the basis of household income, instead of on individual income. The CDA, ChristenUnie and SGP implement a two-tax-bracket system for income tax, with a low tax rate in one extensive bracket and a high tax rate in the second bracket, affecting those on high incomes.

Many parties announce measures related to fiscal matters and pensions. The PvdA lowers the threshold for compulsory pension savings (to twice the average income level), and D66 does so for the maximum day wage. Up to the current capped level of over 100,000 euros, voluntary pension savings with fiscal benefits can be accumulated. The capped level for pension premium tax deductions is lowered by GroenLinks (to twice the average income), ChristenUnie and SGP (both to one-and-a-half times the average income). De SP introduces a cap on the tax rate for premium deductions, while VNL completely abolishes the pension premium tax deduction. DENK increases the fiscal annual amount for all working people, and the PvdA compels employees and self-employed workers to build up a pension to the level of the social premium threshold, while the CDA sets pension savings as a precondition for the entitlement to full tax deductions for the self-employed on income levels of over 20,000 euros, annually. Other adjustments to the pension system consist of the possibility of early pension entitlements (D66 and SGP), abolition of the common system (D66, ChristenUnie, SGP and the Vrijzinnige Partij), and implementation of a set actuarial interest rate of 3% (Vrijzinnige Partij).

All parties, except for VNL and CDA, increase the tax burden related to **capital and profits**. The parties with the highest increase in this category are the SP (8.8 billion euros) and GroenLinks (6.5 billion euros). VNL reduces this tax burden by 4.7 billion euros and the CDA does so by 0.6 billion euros. The tax burden on capital and profits consists of a large number of varying taxes, affecting various groups, such as Box 3 taxation, inheritance and gift tax, real estate taxation (ozb), corporation tax, bank tax and the tax on rental profits.

The PvdA, SP, GroenLinks, DENK and the Vrijzinnige Partij all replace the current Box 3 taxation with a type of capital gains tax that involves an increase in the tax burden.

D66, ChristenUnie and VNL opt for a type of capital gains tax that leads to a reduction in tax burden. The VVD, CDA and SGP reduce the tax in Box 3 by raising the threshold for tax-free capital. D66, ChristenUnie and the SGP increase the tax burden on capital and profits by introducing a user share in real estate taxation as an expansion of the tax area for municipalities, which in turn is used to lower income taxes.

All parties, except for D66, implement a change in the statutory tax rates of corporation tax. The VVD, CDA, ChristenUnie, SGP and VNL all reduce these tax rates, whereas PvdA, SP, GroenLinks, DENK and the Vrijzinnige Partij increase them. All parties also limit interest rate deductions for companies. All parties, with the exception of VVD and CDA, tighten the measures from the EU Anti Tax Avoidance Directive (ATAD), by lowering the threshold from 3 million euros to 1 million euros, and by not implementing group exemptions. Only the SP limits tax credits even further, to a maximum of 20% of the earnings before rent, taxes, depreciation and amortisation (EBITDA). All other parties limit tax deductions to a maximum of 30%, with D66 and the Vrijzinnige Partij also implementing a generic limitation on

interest rate deduction, which places a limit of 75% deduction of the net interest rate. The PvdA, D66, ChristenUnie, GroenLinks, VNL and the Vrijzinnige Partij implement a destination-based tax on interest payments and royalties to countries with a company tax rate of less than 10%, in order to reduce tax evasion via the Netherlands. Most of the parties either reduce the tax on rental earnings (PvdA, CDA, GroenLinks, VNL), or abolish it altogether (SP, ChristenUnie, DENK, Vrijzinnige Partij). Only the VVD opts for an increase in the tax on rental earnings.

Many parties increase the tax aimed at banks, by increasing the bank tax (PvdA, SP, GroenLinks, DENK), abolishing the deduction of contingent convertible bonds (CoCos) (PvdA, SP, D66, ChristenUnie, GroenLinks, SGP and the Vrijzinnige Partij), abolishing the deduction of contributions to the Deposit insurance system and the Single Resolution Fund (PvdA), and/or implementing a generic minimum capital requirement (ChristenUnie, GroenLinks, SGP and the Vrijzinnige Partij). Finally, the SP, DENK and the Vrijzinnige Partij, unilaterally, implement a financial transaction tax on transactions in shares, bonds and derivatives.

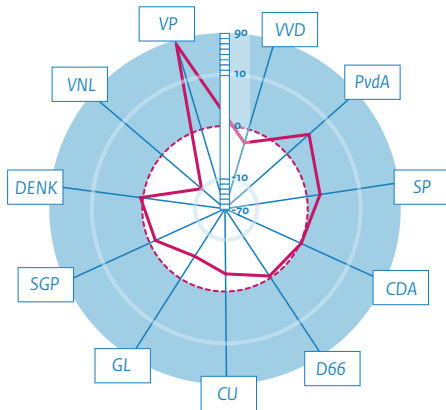
The **environmental tax** only declines under the CDA and VVD. All other parties increase this taxation. The highest increases are under GroenLinks (18.0 billion euros) and the SP (8.5 billion euros). GroenLinks opts for multiple increases in the tax burden, such as implementation of a minimum price for CO<sub>2</sub> emission credits and the introduction of road pricing for both passenger vehicles and freight transport, in combination with an increase in vehicle registration tax. The PvdA, SP, D66, ChristenUnie, SGP and the Vrijzinnige Partij also implement a type of road pricing, but they opt for variants that lead to less severe increases in the tax burden or are neutral. GroenLinks abolishes the tax-free commuter travel allowance for cars. VNL's increase in the tax burden consists mainly of the abolition of the tax-free travel allowance for both commuter and business travel as well as for both public transport and passenger vehicle kilometres. In addition to GroenLinks, also the PvdA, D66, ChristenUnie and SGP implement a minimum price for CO<sub>2</sub> emission credits.

The SP's increase in the tax burden in relation to the environment is mostly due to the implementation of a CO<sub>2</sub> tax and packaging tax. The CDA reduces taxes on the environment by 0.5 billion euros and the VVD does so by 0.2 billion euros. The CDA, for example, reduces the tax on rental earnings on condition of more energy-efficient housing being built by housing corporation, while the VVD opts for lower taxation of vehicles. The CDA reduces the tax rate on energy. Most parties (PvdA, SP, D66, ChristenUnie, GroenLinks, DENK, Vrijzinnige Partij) increase the energy tax rate, whereas VVD and VNL do not. Finally, the PvdA, GroenLinks, SGP and DENK all implement a tax on airline tickets.

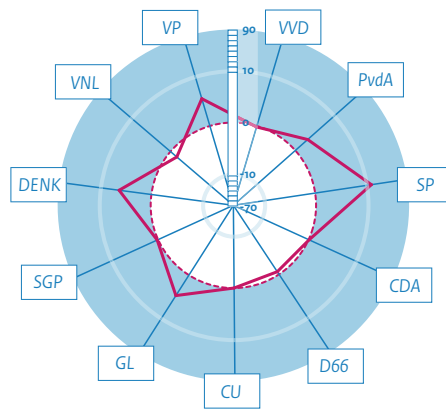
## Budgetary choices 2021

net mutations on expenditure and financial burden (billion euros, 2017 prices), compared to baseline

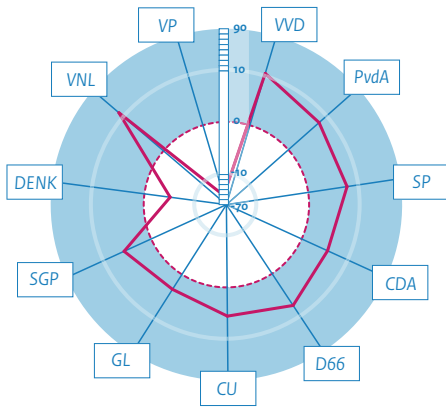
### Social security



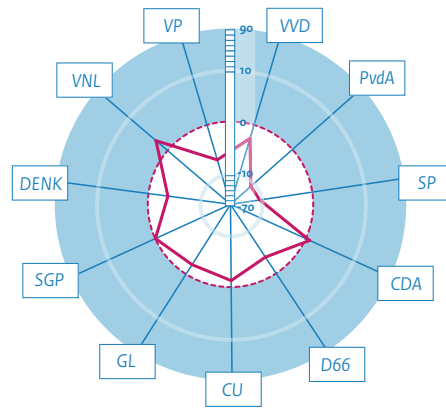
### Health care




### Reduced financial burden families



### Reduced financial burden companies



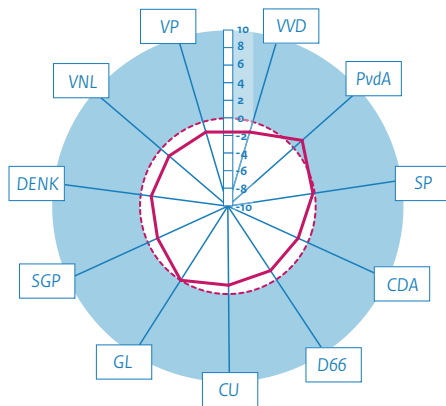
 If a category has a positive figure, therefore is within the blue circle, it will cost the government money.  
If a category has a negative figure, therefore is within the white circle, it will generate revenue.



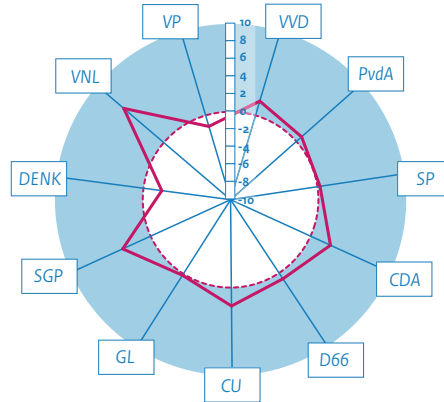
## Budgetary choices 2021

Net mutations on expenditure and financial burden (billion euros, 2017 prices), compared to baseline

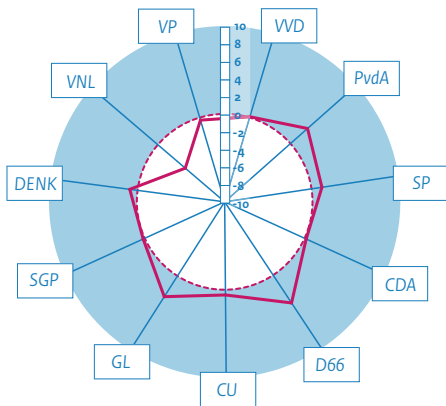
### Public administration



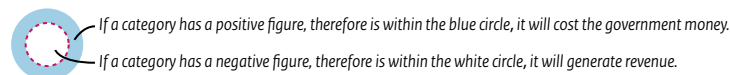
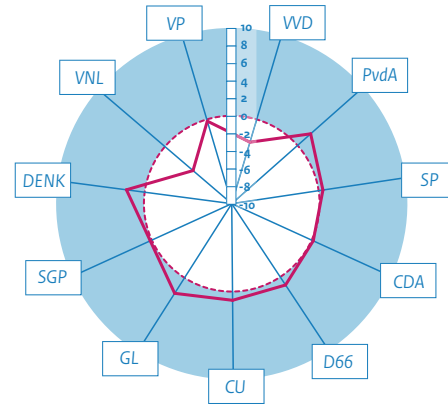
### Security, public safety and defence



### Education



### International cooperation



Under the VVD, the taxes in the category of **other taxation** remain unchanged. The VNL and SP announce decreases, while remaining parties plan to implement increases. The changes in other taxation are largely related to measures around the BTW (the Dutch VAT). The largest increases are under the Vrijzinnige Partij (4.6 billion euros) and SGP (3.9 billion euros). The Vrijzinnige Partij increases both the low and high BTW tariffs, and the SGP limits the low BTW tariff by transferring various categories, such as processed foods in the catering industry, to the high BTW tariff. The VNL reduces other taxation by 4.7 billion euros, and the SP does so by 3.5 billion euros. VNL harmonises BTW tariffs at 15%, whereas the SP lowers the high BTW tariff by 2 percentage point to 19%.

The SP, GroenLinks, PvdA, D66 and ChristenUnie all decrease the **natural gas production** in Groningen. Both SP and GroenLinks opt for the greatest decrease: 12 billion scm (standard cubic metre). This leads to a decrease in natural gas revenues of 1.7 billion euros. There is no structural impact on the government budget. Only DENK increases the natural gas production; it opts for an increase of 12 billion scm, which temporarily will increase natural gas revenues by 1.7 billion euros.

## 2.2 Health care

For health care, the assessment unavoidably only concerns the budgetary effects of the proposed measures — which is to say, the costs. The benefits of health care, i.e. the effects of measures on health and quality of life, are not taken into account. Such effects are outside CPB's area of expertise and, moreover, are very difficult if not impossible to quantify, responsibly.

For generic spending cuts, it should be noted that lower expenditure in health care leads to less and/or lower quality care. The opposite is true for generic increases in spending. As stated above, the degree to which a change in this expenditure would lead to a change in human health cannot be quantified. A general agreement without additional measures that would improve health care efficiency is an example of a generic spending cut.

In **curative care**, all parties, except the SP, opt for continuation of the system of regulated competition.<sup>19</sup> The SP intends to convert the current system into a public system that is centrally managed and regionally executed. Curative care, thus, would become a provision instead of a right. These systemic changes, ultimately, enable the development of alternative working methods in curative care, such as the neighbourhood care concept. GroenLinks plans to implement a systemic change in the Dutch Association of Mental Health and Addiction Care (ggz) and places the new concept, as a provision, under separate law.

All parties, except for DENK and the Vrijzinnige Partij, intend, by way of a general agreement, to reduce the volume growth in hospital care and ggz by 1%. The threat of introduction of a budgeting system for costs in this sector is the 'big stick', here.

With respect to district nursing, five parties (VVD, SP, ChristenUnie, SGP and VNL) intend, by way of a general agreement, to reduce volume growth by 1%. D66 also plans for a general agreement, but with limited spending cuts. GroenLinks exempts district nursing from such a general agreement, while both PvdA and CDA opt to increase district nursing.

A number of parties plan to implement changes in the remunerations and/or employment relations of medical specialists. For example, four parties, SP, D66, ChristenUnie and GroenLinks, intend to oblige medical specialists to enter into employment contracts. These parties rank medical specialists also under the Dutch Public and Semi-public Sector Senior

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<sup>19</sup> For changes in health care funding, see Sections 2.1 and 2.5 and Chapter 14.

Officials (Standard Remuneration) Act (WNT). Under the PvdA and SGP, the WNT Act will apply to medical specialists in paid employment, but there is no obligation for these specialists to enter into employment contracts.

The parties vary in the way they regard **own contributions under the Dutch Health Insurance Act**. The PvdA, SP, GroenLinks, DENK and the Vrijzinnige Partij plan to abolish the compulsory policy excess. Some parties (CDA, ChristenUnie, SGP and VNL) wish to reduce the policy excess by a respective 105, 100, 100 and 50 euros. The VVD and D66 will not alter copayments. The SP and GroenLinks, in addition to abolishing the compulsory copayments, also plan to remove the option for people to voluntarily opt for copayments. Finally, the ChristenUnie and VNL implement own contributions for paramedical care and dietary advice.

All parties, except for the Vrijzinnige Partij, intend to reduce public spending on pharmaceutical drugs. They opt, among other things, for recalculation of the reimbursement system for pharmaceutical drugs, which will cause own contributions to rise.

The parties vary in the choices they make regarding the **basic health care coverage**. The SP expands the coverage for dental care, physiotherapy and ggz. This means that dental care for adults will be included in the basic health care coverage and that physiotherapy –if prescribed by the general practitioner– will be fully covered. The Vrijzinnige Partij opts to increase the coverage for alternative medical care.

The VVD, ChristenUnie and VNL, in contrast, intend to reduce basic health care coverage. For example, the VVD restricts entitlements on the basis of the disease burden criterion, while the ChristenUnie restricts those related to medical devices, and VLN does so for those related to both pharmaceutical drugs and medical devices.

For **long-term care**, all parties, except for the SGP and Vrijzinnige Partij, plan to oblige health insurers to enter into multiannual contracts with health care providers. This in combination with the implementation of a partly or fully multiannual budgeting and multiannual concessions for the health insurance organisations. The VVD and ChristenUnie, in addition, also plan to implement an objective distribution model that will determine the regional contract scope for health insurers, on the basis of objective criteria. Via this objective distribution model, the VVD and ChristenUnie will reduce the macro budget from 2021 onwards, on the basis of the deviation between current expenditure and the expenditure as granted by the new model, for 25% (VVD) or 50% (ChristenUnie) of the worst performing regions.

Three of the parties (D66, ChristenUnie and GroenLinks) separate the funding of accommodations and care under the Long-term Care Act (Wlz). Institutions will then only be reimbursed, from the general budget, for the amount of care that clients received, and clients themselves will pay for their accommodations and stay at the institution. People who are unable to carry those costs themselves will be compensated. The SGP is the only party to increase expenditure by implementing a system of Self-Directed Care. This would prevent

health insurers from entering into agreements with health care providers, and care would be covered by national, uniform tariffs set according to the indicated level of care.

The SP increases spending by making health care providers responsible, again, for establishing indication. It, furthermore, intends to make nursing homes available again to elderly people with a mild care indication (care level package 1 to 3) who wish to apply for this nursing home coverage.

With respect to staffing levels/nurse–patient ratios for nursing homes, the parties make varying choices. DENK opts for a staffing level for nursing homes of two nurses per eight residents. The SP opts for having two nurses or support personnel per eight residents. Furthermore, three parties opt for an efficient increase towards a yet to be elaborated level of staffing that has a smaller number of residents per two nurses. This provides both the obligation and the budget to health care providers to increase current staffing levels per eight residents. These increases, from high to low, concern VVD, GroenLinks and CDA, in that order.

Finally, four parties (PvdA, D66, ChristenUnie and VNL) opt for a general increase in spending on geriatric care, but without relating it to any explicit standard.

The SGP also chooses to increase spending without being explicit, but does so for the entire long-term care category, including the care for the disabled.

**Table 2.5 Main health care indicators**

	Baseline	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
-												
	effect in 2021, compared to the baseline, in billion euros											
<b>Curative care (Zvw)</b>												
Public expenditure (net)	46.5	-2.0	2.9	7.8	-0.2	-1.1	-0.7	3.0	-0.5	4.1	-1.9	5.1
resulting from: (budget) measures		-1.2	-0.8	-1.2	-1.0	-1.1	-1.2	-1.0	-1.1	0.0	-1.2	0.0
own payments		-0.3	4.0	4.1	0.9	-0.3	0.7	4.1	0.8	4.2	0.1	4.5
adj. basic coverage		-0.3	0.0	4.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.5	0.7
other		-0.2	-0.4	0.8	-0.1	0.3	-0.1	-0.1	-0.2	-0.1	-0.3	0.0
Own payments (euros p.p.)(a)	270	0	-260	-260	-60	10	-50	-260	-50	-260	-20	-270
<b>Long-term care (Wlz)</b>												
Public expenditure (net)	20.6	1.8	0.2	2.0	0.3	0.3	0.4	1.8	0.5	1.6	0.3	0.0
resulting from: (budget) measures		-0.1	0.4	-0.1	-0.1	0.3	0.5	0.3	0.2	0.0	0.5	0.0
own payments		0.2	0.0	-0.3	0.0	0.2	0.0	-0.1	0.0	0.0	0.0	0.0
other		1.7	-0.2	2.4	0.4	-0.1	-0.1	1.6	0.3	1.6	-0.2	0.0
<b>Other (e.g. Wmo/youth)</b>	9.1	0.0	0.2	1.2	0.5	0.2	0.3	0.0	0.2	0.5	0.0	0.4
<b>Public expenditure (net)</b>	76.2	-0.2	3.2	11.0	0.5	-0.6	0.0	4.7	0.2	6.3	-1.6	5.5
(a) This concerns own payments that fall under policy excess, as well as own contributions for insured curative care. Under the baseline, the policy excess will be 430 euros per person, in 2021 (2017 price level); in current prices that would be 450 euros. Note that not all people use more health care than their policy excess level.												

Four parties intend to change people's **own payments for long-term care**. The VVD and D66 lower these payments by abolishing the private equity-based addition to taxable income. The SP and GroenLinks, in contrast, increase the amount people must pay themselves for long-term care. The SP does so by adding home equity to the private equity-based addition to people's taxable income, while GroenLinks opts to add all of Box 3 to the private equity-based addition to taxable income.

For the category of **other care**, the SP is the only party that intends to implement a problem fund. This fund is to compensate municipalities, where needed, for implementing uniform, national regulations related to establishing indication and for contracting societal support and youth care.

With regard to the Social Support Act 2015 (Wmo/youth), there are relatively small differences between parties. For example, the PvdA, SP, CDA, D66, ChristenUnie, SGP and the Vrijzinnige Partij vary in the degree to which they would increase the government contribution.

Finally, two parties would establish a prevention fund, to be managed by both municipalities and insurers. The intended increases, from high to low, are by DENK and ChristenUnie, in that order.

### 2.3 Macroeconomic effects

The packages of measures by all parties will increase GDP growth, over the 2018–2021 period, and lower unemployment by 2021, compared to the baseline. Table 2.6 shows these effects for economic growth (GDP) and the various spending categories, the labour market and for contract wages and inflation. The first column describes the baseline. The adjacent columns present, per party, the effects of their package of policy measures on the average annual growth rate over the 2018–2021 period, compared to the baseline. For the unemployed labour force and for the labour income share, the difference in level by 2021 is given. Some of the economic impact of the packages of measures will only become visible after the 2018–2021 period, see the long-term indicators.

All packages of measures have a mildly positive impact on GDP growth. Most provide an economic impulse that, initially, causes the EMU balance to go down (*ex ante*), except for DENK, where the balance increases. Many parties reduce the tax burden for families, causing them to increase their consumption. This is particularly the case under VNL and VVD. Despite the increase in tax burden for families, consumption levels do also increase under the measures by the Vrijzinnige Partij, because the disposable income increases due to the implementation of the basic income. Under DENK, consumption declines compared to the baseline, as a result of an increase in the tax burden for households.

Public expenditure either increases or remains at the baseline level, for all parties. Public expenditure includes categories of, for example, education, health care and public administration, whereas income transfers (e.g. benefit payments, subsidies, international cooperation) are not included. This is the reason for the differences between public spending and public expenditure, as presented in Section 2.1.

Employment in the market sector can be stimulated by more household consumption, such as under the VVD package of measures, or it could be slowed down by higher labour costs, as under the SP package. Increased spending and spending cuts in health care and the public sector have a direct impact on employment. For example, the PvdA creates more government jobs, whereas the Vrijzinnige Partij, DENK, and the ChristenUnie do the very opposite and reduce the number of civil servants. In health care, employment would increase the most under measures by the SP and DENK.

All packages of policy measures would result in lower unemployment levels than that in the baseline. The differences between parties are because of varying effects on employment and the labour supply. Adjustments to the labour market take time, which is why the structural effects as described in Section 2.7 may deviate from the medium-term effects. The labour supply decreases under measures by certain parties (SP, SGP, DENK, Vrijzinnige Partij), while for those by others the labour supply remains either steady or increases. The greatest increase would be under the VVD and GroenLinks, due to reductions in tax burden for the employed and, in the case of the VVD, by decoupling of social benefits.

**Table 2.6** Macroeconomic effects

	Baseline	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
effect on annual growth, in percentage points												
<b>Volume spending and production</b>												
Gross Domestic Product (GDP)	1.7	0.3	0.3	0.2	0.3	0.2	0.1	0.2	0.2	0.1	0.4	0.4
Household consumption	1.1	0.7	0.4	0.5	0.5	0.5	0.5	0.4	0.6	-0.4	1.1	1.4
Public spending	1.3	0.1	1.2	1.6	0.3	0.5	0.2	1.3	0.3	0.7	0.0	0.4
<b>Wages and prices</b>												
Contract wages market sector	1.6	-0.4	0.1	0.8	0.3	0.2	0.2	0.8	0.4	0.1	-0.3	-0.1
Consumer price index	1.3	0.0	0.3	0.0	0.2	0.3	0.3	0.6	0.4	0.1	-0.2	0.4
<b>Labour market</b>												
Employment (hours worked)	0.7	0.3	0.3	0.1	0.2	0.1	0.1	0.3	0.1	0.0	0.1	0.1
of which in the market sector	0.5	0.3	0.1	-0.2	0.2	0.1	0.1	0.1	0.0	-0.1	0.2	0.2
effect at 2021 level, in percentage points												
Unemployed labour force	5.5	-0.4	-1.1	-1.8	-1.0	-0.4	-0.3	-1.1	-0.8	-0.4	-0.4	-1.1
Labour income share market sector	77.9	-0.6	0.5	0.6	0.4	0.0	0.1	-0.4	0.6	0.1	-0.7	-1.0

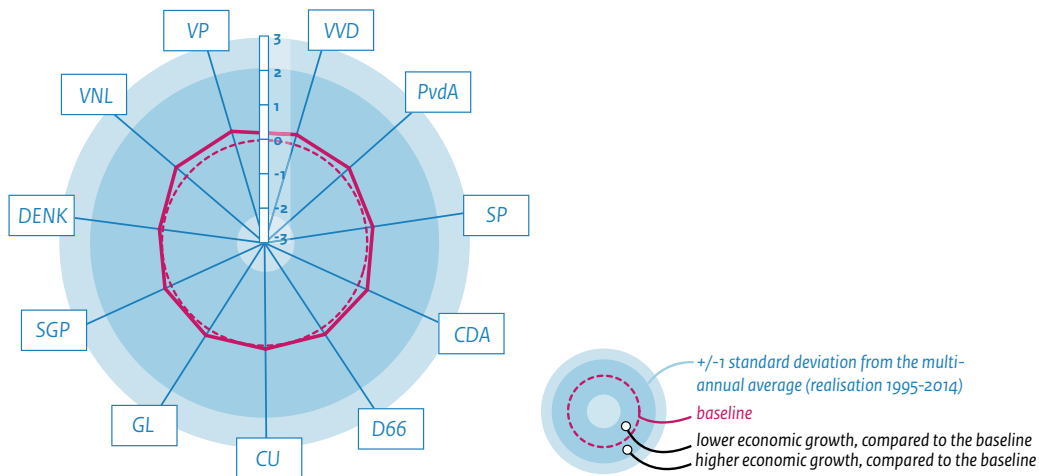
Contract wages in the market sector rise under most parties, compared to the baseline, but go down under the VVD, VNL and the Vrijzinnige Partij. The lower unemployment levels have an upward effect on wages, under all party packages. By the same token do higher prices

cause higher contract wages, under many parties. The packages of measures of all parties cause the tax burden for average employees to decrease, which has a downward impact on wage levels. This effect is the greatest under VVD and PvdA. A larger or smaller difference between the disposable income of social benefit recipients and that of the employed (replacement ratio) also has an impact on wage levels. Under the SP, this difference declines, leading to higher wages. Under the other parties, the difference increases, which slows down contract wage increases.

Under most parties, inflation will go up. This is due to higher labour costs, increasing indirect taxes and/or higher rents. Most parties intend to increase indirect taxes, which mainly concern environmental measures. The SP and VNL plan to lower BTW, which tempers inflation. The labour income share increases the most under the SP and SGP due to higher labour costs, whereas under the Vrijzinnige Partij it decreases by 1.0 percentage point as a result of higher productivity.

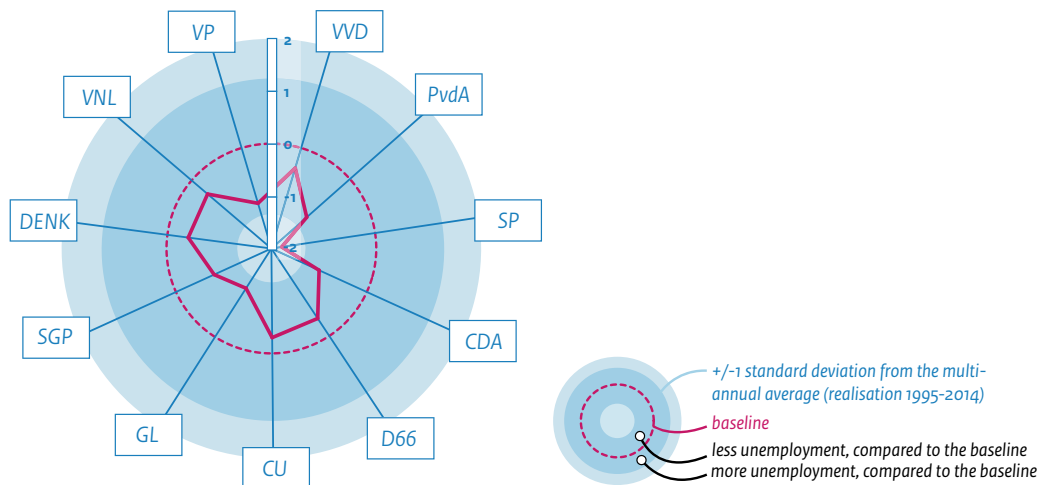
## GDP volume

Effects, compared to the baseline, 2018-2021, average % per year



## Unemployment

Effects, compared to the baseline, 2021, in percentage points



## 2.4 Government balance and government debt

All parties achieve an EMU balance of zero or higher, by 2021, except for the Vrijzinnige Partij. In the baseline, the EMU balance has a surplus of 0.9% of GDP, by 2021. All packages of measures – the ex-ante amounts in Section 2.1 – reduce this balance, except for that of DENK. The packages, with on balance a reduction in tax burden and/or increase in public expenditure, subsequently have an impact on the economy. This macroeconomic impact, together with the initial impulse, ultimately changes the EMU balance. For all parties, except DENK, this means a reduction in the EMU balance, compared to the baseline.



The macroeconomic impacts differ per measure, and the differences in the macroeconomic effects between parties are large. The variation depends largely on the types of measures, with differing effects on consumption, employment, wages and unemployment.

Increased spending in health care or civil service has a relatively large impact that, in turn, decreases the EMU balance. Because of higher employment levels, income tax revenues will increase, costs of unemployment benefit payments will go down and household consumption will grow, causing btw revenues to increase.

A reduction in the tax burden of households has a smaller macroeconomic impact. Lower tax levels mean households have a higher disposable income, which in turn results in an increase in consumption. More public spending leads to higher economic growth, which causes tax and premium revenues to increase and expenditure on unemployment benefits to decrease, which will partly counter the initial decline in the EMU balance. However, because households put part of their lower tax burden into a savings account instead of spending it on consumption, and because it takes time before the higher demand translates into additional jobs, the short-term macroeconomic impact on the economy is smaller than that of increased public spending in health care or the government sector.

The macroeconomic impact can vary, considerably, over time. Expenditures have a large impact, particularly in the short term; higher expenditure is directly translated into a higher GDP and, therefore, into more employment. After a certain amount of time, these effects taper off. The impact related to the tax burden is relatively small in the first few years, but gradually increases as the labour market adjusts itself. The packages of policy measures that slow down labour supply (particularly those of the SP, SGP and the Vrijzinnige Partij), in the short term, result in lower unemployment and thus increase the EMU balance. These effects on unemployment are often only temporary, as lower unemployment causes higher wages, which in turn cause labour demand to gradually reduce. The more permanent impact of a lower labour supply on public finances, through a structurally lower employment level, are included in the sustainability analysis.

The macroeconomic impact is positive for all parties, except for the Vrijzinnige Partij. Under the SP and GroenLinks, the effect is relatively large compared to the initial impulse, as they recover more than 1% of GDP due to favourable economic developments. The SP increases spending, particularly in health care employment, while GroenLinks shifts taxation on income and labour towards indirect taxes. The PvdA, CDA and SGP recover between 0.5% and 1% of GDP, in part due to additional income tax revenue and reduced expenditure on unemployment benefits. The impact effects under D66, VVD, VNL and ChristenUnie are limited to a maximum of 0.5% of GDP. Under DENK, the EMU balance improves further, after the initial impulse, by 0.1% of GDP. Under the Vrijzinnige Partij, the conversion of taxed benefit payments into untaxed basic income causes a further decrease in the balance.

Under most parties, the structural EMU balance meets the medium-term objective of -0.5% of GDP by 2021. Only under the Vrijzinnige Partij, it is well below the objective. Under most parties, the change in the structural balance is close to the change in the EMU balance. The

deviation is larger than 0.2% of GDP only under GroenLinks and the Vrijzinnige Partij. This is due to the timing of their measures that contain substantial changes (the respective reduction in natural gas production and the implementation of the basic income) in 2021. Furthermore, the actual EMU balance is not below the -3% of GDP, in 2021, for any of the parties, except for the Vrijzinnige Partij.

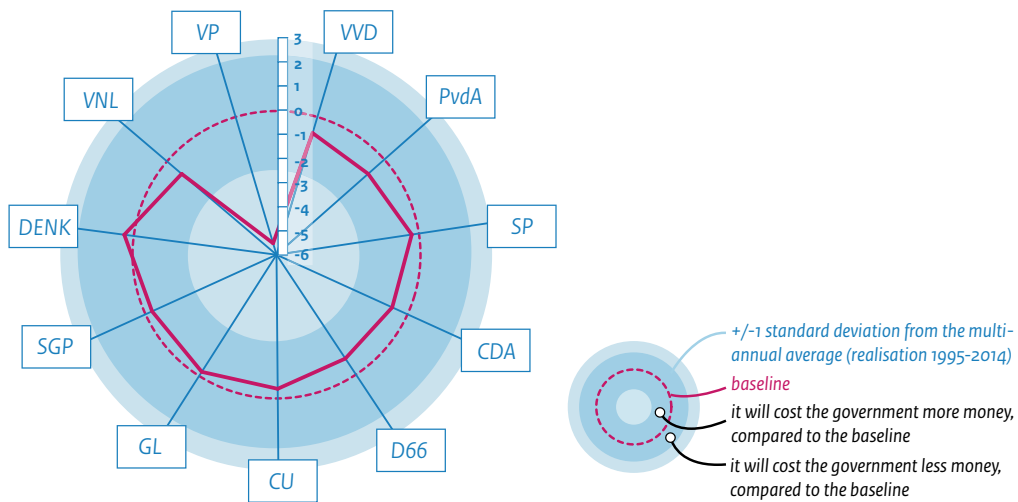
**Table 2.7 Government deficit and government debt by 2021**

	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
EMU balance (% GDP, baseline)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Initial effect of package (% GDP)	-1.0	-1.7	-1.5	-1.3	-1.2	-0.6	-1.5	-0.8	0.4	-1.1	-3.3
Delayed impact of package (% GDP)	0.3	0.7	1.2	0.7	0.4	0.2	1.3	0.5	0.1	0.3	-2.2
EMU balance, incl. effect of package (% GDP)	0.2	0.0	0.6	0.2	0.1	0.5	0.7	0.6	1.3	0.1	-4.6
Structural EMU balance (% GDP, baseline)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Effect of package	-0.6	-0.8	-0.3	-0.7	-0.7	-0.5	0.2	-0.5	0.4	-0.9	-5.8
Structural EMU balance, including effect of package (% GDP)	0.0	-0.2	0.3	-0.1	-0.1	0.2	0.8	0.1	1.0	-0.3	-5.2
EMU debt (% GDP, baseline)	52.3	52.3	52.3	52.3	52.3	52.3	52.3	52.3	52.3	52.3	52.3
Effect of package	1.8	1.9	-0.8	1.5	0.8	0.2	-0.8	-0.5	-1.1	1.6	3.6
EMU debt including effect of package (% GDP)	54.0	54.2	51.4	53.8	53.1	52.5	51.4	51.8	51.2	53.8	55.9

The debt ratio as % of GDP, on balance, decreases under the package of measures of four parties (SP, GroenLinks, SGP and DENK), compared to the baseline. For the other parties, the debt ratio increases, but for all parties is remains below 60% in 2021. Under all parties except DENK, the public debt increases due to a worsening of the government financial balance, compared to the baseline. A number of parties provide an injection of capital to an investment bank: PvdA for 11 billion euros, CDA for 4 billion euros and D66, DENK, GroenLinks and SP for less than 1 billion euros. These amounts directly add to the public debt and are not included in the calculation of the EMU balance. On the other hand, the increase in nominal GDP (the denominator of the debt ratio), under all parties, causes a downward impact on the debt. Nominal GDP may increase because of higher economic growth, as well as higher GDP prices.

## Budgetary balance

Effects, compared to the baseline, 2021, % of GDP

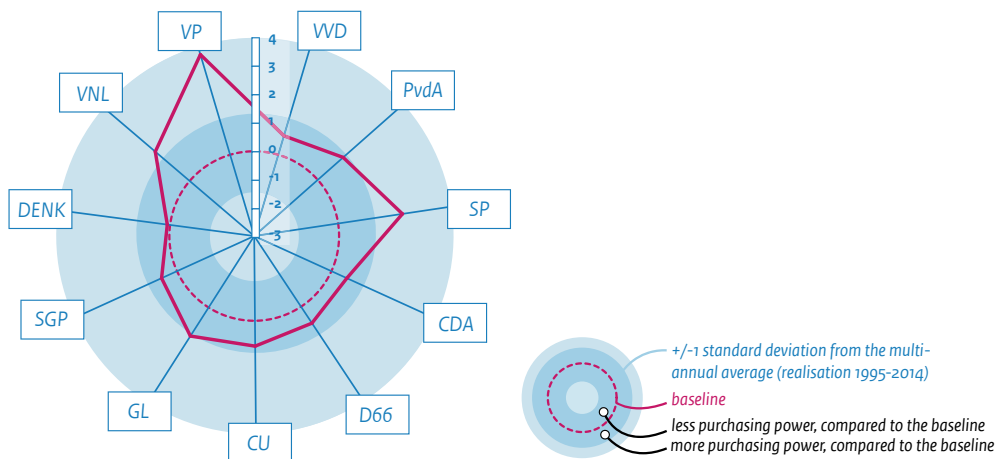


## 2.5 Effects on purchasing power

Purchasing power concerns the *change* in disposable household income, from year to year. In the baseline, this change is caused by economic circumstances and by already decided policy. The impact of the parties concerns the change in purchasing power for households, compared to the baseline. This change is caused by a direct impact of the packages of measures of the parties, as well as by an indirect impact of those measures on nominal contract wages and consumer prices (inflation).

### Median purchasing power

Effects, compared to the baseline, 2018-2021, average % per year



**Table 2.8 Median purchasing power effects of the packages of policy measures, annual average, over 2018–2021**

	Magnitude (a)	Baseline (b)	Effect of policy package (c)										
			VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
	% total	% per year											
<b>Income level (d)</b>													
<175% nmw	36	-0.1	0.2	1.6	2.7	0.2	0.6	0.4	1.3	-0.1	0.0	-0.2	1.7
175–350% nmw	38	-0.1	1.1	1.1	2.5	0.7	0.8	1.1	1.6	0.8	0.3	1.9	4.6
350–500% nmw	15	0.1	1.1	1.0	1.0	0.9	0.8	1.2	0.9	0.8	0.0	2.6	4.3
>500% nmw	11	0.2	0.6	0.4	-1.5	0.9	0.5	1.0	0.1	0.8	-0.5	3.8	2.7
<b>Income source (e)</b>													
The employed (f)	63	0.0	1.2	1.1	2.0	0.7	0.8	1.0	1.3	1.0	0.2	2.2	4.8
Social benefit recipients	9	-0.2	-1.2	1.0	3.2	0.1	0.2	0.5	1.3	-0.1	-0.1	0.0	1.1
Pensioners	26	-0.3	0.4	1.7	2.5	0.4	0.7	0.6	1.1	-0.2	0.0	0.3	0.5
<b>Household type</b>													
Double-income	52	0.0	0.9	1.2	2.4	0.7	0.8	1.0	1.4	0.5	0.2	2.0	4.2
Single persons	43	0.0	0.6	1.2	2.2	0.4	0.6	0.6	1.1	0.6	0.0	0.7	2.0
Single earners	5	-0.3	0.4	0.8	2.2	0.9	0.4	1.3	1.0	2.8	0.0	1.8	7.9
<b>Household composition (g)</b>													
With children	26	0.0	1.1	1.5	2.0	0.7	0.7	0.9	1.1	0.7	0.6	1.8	4.0
Without children	49	0.0	0.9	1.0	2.3	0.7	0.7	1.0	1.3	0.9	0.1	2.3	4.9
<b>All households</b>	<b>100</b>	<b>0.0</b>	<b>0.7</b>	<b>1.2</b>	<b>2.3</b>	<b>0.6</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>	<b>0.6</b>	<b>0.1</b>	<b>1.6</b>	<b>3.7</b>

(a) Percentage of total number of households in 2018.  
(b) Median static purchasing power mutations, excluding incidental income mutations. This concerns the average over the purchasing power mutations in 2018, 2019, 2020 and 2021.  
(c) Effect of policy package as median of the purchasing power changes on individual level. This may deviate from the difference between the medians, because these should not be added together.  
(d) Gross income from labour of social benefits, on household level; gross national minimum wage (nmw) in 2018 will be around 20,500 euros.  
(e) The categorisation according to income source is based on the highest income source on household level, whereby households of which the head or partner has income from profits have been categorised under the employed. Households on early retirement pensions or student financing as their highest income source were excluded.  
(f) For the purchasing power mutation of the employed, incidental mutations of wage, such as bonuses received or lost, were not taken into account.  
(g) The categorisation according to household composition is based on the presence of children up to the age of 18, and excludes pensioner households.

Many fiscal and social security measures and those on the Health Insurance Act were included in calculating the purchasing power. However, a number of other measures were only included via inflation, or not at all (see the explanation at the end of this section). Measures directly taken into account concern those on tax rates, social premiums, tax credits, subsidies and deductions (Box 1), capital (Box 3), social benefit levels, health insurance measures such as premiums, copayments in health care costs and the size of the standard coverage package, and child regulations. Certain measures cannot be allocated to specific types of households and are therefore only expressed in inflation. Examples include rents, taxation of energy and air travel and excise duty on things such as alcohol and tobacco.

The impact of the packages of measures of parties on **median household purchasing power** varies from 0.1% per year for DENK, to 3.7% for the Vrijzinnige Partij. **Real contract wages** have a direct impact on the purchasing power of the employed. The effect of the packages on real contract wages in the market sector, for many of the parties' measures, will have an effect ranging from -0.2% to 0.2% on purchasing power. Exceptions are the SP, with an increase of 0.7%, and VVD and the Vrijzinnige Partij, with decreases of 0.4% and 0.5%, respectively (see the elaboration of nominal contract wages and inflation in the section on macroeconomic effects).

Many parties plan to implement decreases in the tax burden, from which many households will profit. Examples include a rise in general tax credits (VVD, PvdA, SP, D66, ChristenUnie, GroenLinks), a new general tax credit (SGP), a new tax-free rate (VNL, Vrijzinnige Partij), a lowering of the tax rate in the first bracket (SP, D66 and ChristenUnie) and a flat tax rate of 27% (VNL). The Vrijzinnige Partij intends to implement a basic income, which leads to an increase in purchasing power. Under a number of parties, median households also benefit from changes to health care regulations. The SP and GroenLinks will abolish the compulsory policy excess and health care subsidy, and will lower the health insurance premium (Zvw). The PvdA, DENK and the Vrijzinnige Partij also plan to abolish the policy excess. Under the last two parties, a certain share of households will not benefit much, because they will be receiving less health care subsidy, while the PvdA counters this effect by increasing the health care subsidy level.

For all income categories, the **difference between the lowest and the highest incomes** will be the greatest under the SP, to the benefit of the lowest incomes, and under the VNL, where it will benefit the highest income category. The redistribution effect, under the SP, is partly due to the implementation of an income-dependent health insurance premium and the increase in the national minimum wage. The measures by the PvdA, GroenLinks and D66 also will benefit the lowest incomes more than the highest. These parties plan to implement a decrease in tax burden for the lower incomes, while narrowing the third tax bracket. In addition, PvdA and GroenLinks will also increase the tax rate for the higher incomes. These two parties also intend to increase the social welfare benefit level. Particularly under VNL, but also under the Vrijzinnige Partij, SGP, CDA, ChristenUnie and VVD, the lowest incomes will benefit less than the highest incomes. Under VNL, this is the result of the flat tax rate, while under CDA, ChristenUnie and SGP, the implementation of a two-bracket system plays a role. Furthermore, VVD and VNL both decrease the social welfare benefit level as well as various subsidies.

Most parties will increase median purchasing power for **working people compared to social benefit recipients**. Particularly under the Vrijzinnige Partij, VVD and VNL, the employed benefit more than social benefit recipients. Under the Vrijzinnige Partij, the basic income is especially to the advantage of those already employed. The policy package of VVD is advantageous for the working population, while the purchasing power of social benefit recipients will decrease due to a reduction in social welfare benefit level and a freeze of all social benefit levels (except state pensions). Under VNL, both the employed and social

benefit recipient will benefit due to the flat tax rate, although, for the latter, this effect will be decreased by the abolition of the health insurance subsidy, the cuts in rent subsidy and the decrease in the social welfare benefit level. Under the PvdA, the purchasing power of social benefit recipients will improve nearly as much as that of the employed, and under GroenLinks, both groups benefit equally. Only under the SP, the purchasing power of social benefit recipient improves by more than that of the employed, because of the increase in the national minimum wage level and related benefits.

Only a few parties will increase the median purchasing power of **pensioners compared to the employed**. The SP and PvdA are the only two parties under which this is due to an increase in pensioner credits and higher state pensions. Under the Vrijzinnige Partij, VNL and SGP, the employed will benefit relatively much, compared to pensioners. The basic income, under the Vrijzinnige Partij, is more beneficial to working people than to pensioners. The VNL and SGP plan to gradually decrease exemptions of the state pension premium for pensioners, whereby the impact on the purchasing power of pensioners, under VNL, will be partly compensated by the flat tax rate.

Under most parties, the **differences between double-income earners, single persons and single earners** stay below 0.5%. Exceptions are under the Vrijzinnige Partij, VNL and SGP. Under the Vrijzinnige Partij and SGP, single earners benefit relatively strongly, as a result of the respective basic income and separating system. Under the ChristenUnie and CDA, purchasing power will also improve more for single earners than any of the other groups, which is largely due to an expansion of the transferability of general tax credits. Under all parties, except PvdA and SGP, the purchasing power of single persons will be slightly lower than for double-income earners.

Differences between **households with and without children** are also below 0.5%, under most parties. Under PvdA and DENK, the development in purchasing power is more to the benefit of families with children, whereas under VNL and the Vrijzinnige Partij, those without children benefit the most. These differences are partly due to measures such as on child benefits and child care, which are included in the packages of many of the parties. However, also combined effects play an important role; for example, households with children are often double-income earners and those without are relatively often single persons.

Measures that could not be taken into account at all, concern those on changes in personal income situation and certain groups. When people's personal income situations change, it is unknown which people will end up in which situation. An example would be the introduction of a regulation about illness and disability for the self-employed, because it is unknown, in advance, who of the self-employed people will become ill or disabled and therefore will fall under that category. Another example concerns the lowering of the state pension entitlement age. Although it is known when people of a certain age will receive a state pension, it is unclear whether, in addition, they will continue working and how much they would then be earning. More examples are lower unemployment benefit payments for new cases, and lower pension payments for future pensioners, due to restricting deductibility of

pension premiums; in both these situations it is not possible to distinguish the new situation from the old. For specific groups, there is the problem that they cannot be distinguished in databases and data sets on which purchasing power calculations are based. Examples are the policies related to the Social Support Act (Wmo) and the Long-term Care Act (Wlz), as it is not known, in advance, who will be requiring support and who will be falling under the categories of the vulnerable elderly, the disabled, and those suffering from mental illness. Another example would be the abolition of child care subsidy for target groups of parents, as there are no observations on which households would belong to this group.

## 2.6 Long-term policy effects on income and distribution of income

In order to provide a balanced picture of the long-term effects of the measures, we also looked at the long-term distribution of income, in addition to measures on employment and public finances. To measure the long-term effects, we used the relative change of the Gini coefficient as a result of policy. The Gini coefficient is an often-used indicator of income inequality, which expresses the degree of inequality as a number between zero (fully equal distribution) and one (fully unequal distribution).

**Table 2.9 Long-term policy effects on distribution of income**

+ = larger income inequality	Baseline	Effect of policy package (b)											
	(a)	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP	
Relative change of the Gini coefficient (c)	2.9	2.1	-5.7	-14.4	0.4	-1.7	-1.1	-6.0	0.0	-0.5	12.6	-4.4	

(a) The baseline shows the relative mutation of the Gini coefficient, with ongoing policy cut at 2060.  
 (b) The effect of the policy package shows the relative mutation of the Gini coefficient by the policy package in the structural situation, with ongoing policy cut at 2060.  
 (c) In equation: (mutation of the Gini coefficient) / (Gini coefficient in the baseline).

In the baseline, the Gini coefficient increases by 2.9% after 2021; particularly due to lower tax rates in the second, third and fourth tax brackets, limits on the transferability of the general tax credits, and the decrease in the social welfare benefit level.

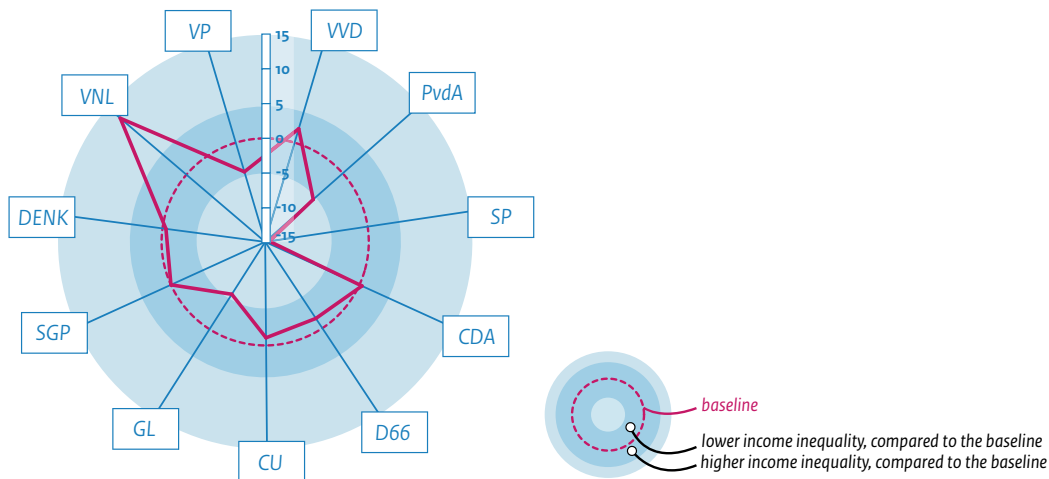
The impact of the measures by the parties concerns the relative mutation of the Gini coefficient as a result of the policy package compared to the long-term baseline. This impact on income inequality, under the packages of measures by the parties, varies from -14.4% under the SP, to +12.6% under VNL. The decrease under the SP is partly due to the strong distributive effect of the income-dependent health insurance premium, the narrowing of the third tax bracket, and the increase in the national minimum wage level. Under GroenLinks, de PvdA and the Vrijzinnige Partij, the decrease in the Gini coefficient is also greater than the increase in the baseline. GroenLinks and the PvdA intend to increase state pensions and

social welfare benefits, to narrow the third tax bracket, and to increase the general tax credit. The Vrijzinnige Partij will introduce a basic income as well as an increase in pensioner credits for lower incomes. Under D66, ChristenUnie and DENK, there is also a decrease in the Gini coefficient, but this is smaller than the increase in the baseline. Under the SGP, the Gini coefficient remains at the baseline level.

Under VNL, VVD and CDA, the Gini coefficient increases compared to the baseline. VNL plans, among other things, to introduce a flat tax rate, abolish the income-dependent general tax credits as well as the health insurance subsidy, and will lower rent subsidies. The VVD will lower tax rates in the second and third tax brackets, and cuts spending on health insurance and rent subsidies. Under the CDA, the increase is the result from, among other things, the introduction of a two-bracket tax system, achieved through lowering the second, third and fourth tax bracket rate of the current system.

### Income inequality

Effects, compared to the baseline, relative mutation Gini coefficient, in %



Many fiscal, social security and health insurance measures were included in the calculations of the Gini coefficient, but a number of measures were not. This concerns measures that lead to changes in personal income situations and measures related to specific groups (see the section of purchasing power, for a number of examples). The calculation of the Gini coefficient, in addition, deviates on two aspects from the purchasing power calculations. Firstly, the calculation of the Gini coefficient concerns the long term, which means that measures that have a delayed impact after the 2018–2021 period will obviously be included. These concern, among other things, the change in tax rates under Box 1, and the gradual reduction in mortgage interest rate deductions. Secondly, for the Gini coefficient, measures were included that only apply to new cases, because, in the long term, this will apply to all people. Therefore, lower unemployment benefit payments for new cases, and lower pension payment for future pensioners due to restricting deductability of pension premiums, were included.



In addition of the policy impact on long-term distribution of income, there are also effects on *income level*, for example, as a result of environmental measures that are not visible elsewhere. This concerns the tax increase on the storage of sustainable energy (ODE) to cover the expenditure on the Stimulation of Sustainable Energy Production (SDE+), as well as non-EMU-relevant increases in the tax burden (e.g. making the application of energy-efficiency in homes compulsory). These increases in the tax burden are assumed relevant for families, because the costs will be passed on to them, in the long term. The mentioned increase in tax burden after 2021 will be the greatest under GroenLinks (11.5 billion euros) and D66 (5.5 billion euros). The ChristenUnie and SP also intend to increase the burden (both by 5 billion euros). VNL decreases the tax burden by 2.5 billion euros after the end of the Cabinet period, via the mentioned environmental measures, while there will be only small mutations or none, under the other parties (VVD, PvdA, CDA, SGP, DENK, Vrijzinnige Partij).

## 2.7 Structural employment effects

Structural employment is the number of hours worked, over the long term, once people have fully adjusted their behaviour to the new policy. This assumes a situation of a neutral economy. The structural employment is one of the important, determining factors of future economic growth and the sustainability balance; if more hours are being worked within the economy, this results in higher economic growth and higher tax revenues.

The effects of the policy measures on structural employment differ from those on the labour market, within the Cabinet period. In the short term, employment is mostly determined by labour demand. A spending impulse creates a larger labour demand and, thus, higher employment levels. In the long term, however, the number of hours worked are mainly influenced by the number of hours people wish to work in paid employment, reduced by the equilibrium unemployment.<sup>20</sup> Measures that increase the income difference between working and not working (or between more or fewer hours worked), therefore, lead to a higher structural employment, in the long term. A higher labour deduction, for example, causes a higher structural employment, as do lower social benefit payments and fewer income-dependent subsidies, while these last measures do not stimulate employment in the short term.

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<sup>20</sup> In the long term, employment is created as long as companies make a profit by employing the available labour supply, or when people start their own businesses and become self-employed. However, for those with an earning potential below minimum wage level, such employment does not create itself, and policy focused on labour demand may create employment in the long term; for example, in the form of sheltered workplaces or wage cost subsidies (also see *Promising Labour Market Policy*)

**Table 2.10 Increase and decrease in structural employment, in hours, compared to the baseline (in %)**

	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
Employment (a,b)	3.5	0.1	-4.6	-0.3	0.7	-0.2	0.3	-1.4	0.0	0.9	-4.8
of which: fiscal	1.4	0.4	-1.3	-0.1	0.3	-0.1	0.2	-1.9	-0.2	0.4	-0.6
social security and labour market policy	1.8	0.0	-1.2	-0.2	0.2	-0.1	-0.3	0.0	-0.2	0.5	-4.2
state pension entitlement age	0.4	-0.4	-2.2	0.0	0.2	0.0	0.4	0.4	0.4	0.0	0.0

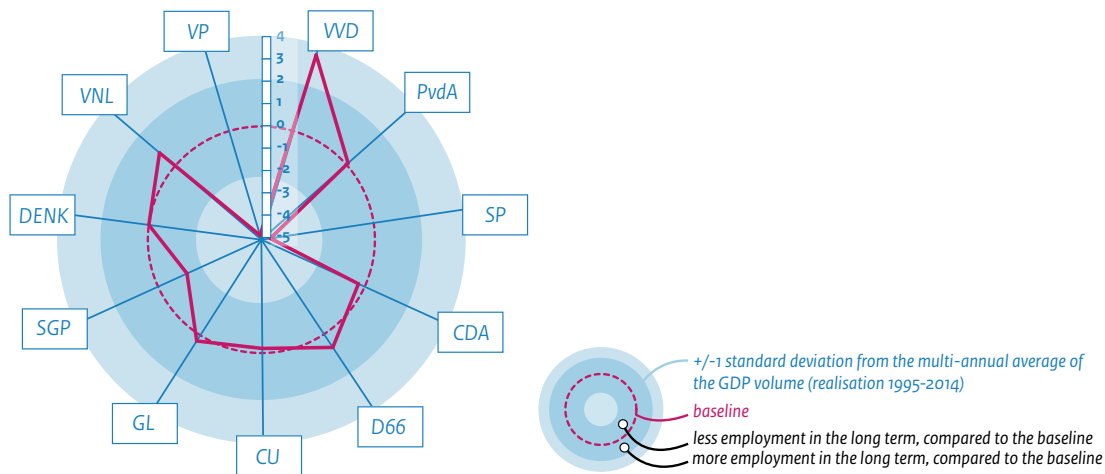
(a) Change compared to the baseline, in percentages. The rounding of figures may cause the total to deviate from the sum of the parts.  
(b) 0.1% equals around 7,000 full-time jobs.

The increase or decrease of the structural employment varies from having an upward impact of +3.5% under VVD, to a downward impact of -4.8% under the Vrijzinnige Partij and -4.6% under the SP. The structural employment impact, under most parties, is between -0.5% and +1%: upwards under PvdA, D66, GroenLinks and VNL, zero under DENK, and downwards under CDA and ChristenUnie. Under SGP, the decrease is 1.4%.

Nearly all parties maintain the gradual increase in the **state pension entitlement age**, in the long term, compared to the baseline. Only the SP intends to return the state pension entitlement age to 65, in 2020, and applies no gradual increase in this age according to life expectancy. This reduces the structural employment level. Many parties offer people, via a **flexible state pension entitlement age**, the choice to apply for the pension payments either earlier or later in life. This can be done, except under the PvdA, in an actuarially neutral way. This means that pension payment will be lower for people who apply at a younger age and higher if they wait until later in life. Under the VVD, GroenLinks, SGP and DENK, people will only be able to choose for a later payment of their state pension (maximum of three years), which leads to an increase in structural employment. Under the PvdA and D66, both earlier and later starts are possible. Under the PvdA, this is between three years earlier or later. As many people are likely to choose for earlier state pension payments, this lowers structural employment. Under D66, the timespan is between one year earlier, or five years later. Here, also, people are likely to choose the earlier time, but the total number of hours worked increases due to the asymmetry.

## Structural employment

Effects, compared to the baseline, % in employment hours



The largest change in **social security** will be under the Vrijzinnige Partij, as it intends to introduce an unconditional **basic income**, which will replace most other social benefit payments. Under this measure, every Dutch citizen of 18 years and older will receive an annual 10,000 euros, tax-free. People will receive this amount irrespective of whether they have paid employment or not, which reduces the incentive to either look for work or to continue in paid employment. The resulting decrease in structural employment is partly compensated by the fact that the basic income reduces the poverty trap; after all, people no longer lose their social benefit when they do find a job.

Other parties take measures on social security in the areas of social welfare, unemployment, disability and sick pay (continued payment of wages in the event of illness). The VVD and VNL both lower the **social welfare benefit**; whereas PvdA, SP (via coupling with a minimum wage increase) and GroenLinks increase this benefit. A number of parties reduce the **unemployment benefit (WW)** and, thus, increase the structural employment; the VVD shortens the WW entitlement period, SGP lowers WW benefit payments, stepwise, in the second year, which means workers also build up fewer WW entitlements. The ChristenUnie lowers the maximum day wage and limit the benefit to the first two months of unemployment. With respect to the WW premiums, PvdA, D66, GroenLinks and VNL have employers pay for the first year or half year of the WW benefit received by their former employees; VVD, PvdA and D66 introduce a premium differentiation in the WW. These measures increase structural employment.

Several parties reduce the **disability insurance** and, thus, increase structural employment. This is particularly the case under the VVD, replacing the wage-related share of the WIA with a transitional period (dependent on the required re-integration efforts) and subsequently lowering benefit payments under the WIA (Work and Income according to Labour Capacity Act) to 70% of the national minimum wage. In addition, VVD, like the CDA, ChristenUnie and VNL, intends to make claim assessments more stringent, while VVD and VNL both abolish the

compensation payments for the disabled. The ChristenUnie lowers the maximum day wage. The PvdA, ChristenUnie, GroenLinks and DENK all introduce a compulsory disability insurance for self-employed people, which reduces structural employment.

Many parties intend to collectivise the **continued payment of wages in the event of illness** for the second year of illness, for small businesses.<sup>21</sup> This slightly decreases structural employment, but this is mostly a statistic effect; sick employees in their second year of illness are currently included in employment figures used by Netherlands Statistics (CBS), and under this adjustment they are counted as non-workers. The CDA and ChristenUnie introduce a compulsory health insurance for the self-employed, which also slightly reduces structural employment.

With their **labour market policy**, parties particularly affect employment on the lower end of the labour market. The VVD, PvdA, SP, D66, ChristenUnie, GroenLinks and DENK, for example, increase structural employment via an increase in **sheltered workplaces**.<sup>22</sup> VVD, PvdA, D66, ChristenUnie and GroenLinks<sup>23</sup> all combine this with an expansion of **wage cost subsidies** for people with an earning capacity below minimum wage level. The SP and VNL, in contrast, intend to abolish these wage cost subsidies. An increase of 10% (SP) in the **national minimum wage** reduces employment at the lower end, as does the abolition of the minimum juvenile wage from 18 year onwards (PvdA, SP and GroenLinks). The VVD freezes the minimum juvenile wage by decoupling it from the increase in contract wages. Under CDA, VNL the Vrijzinnige Partij, the abolition or restrictions of **re-integration** by municipalities and/or the Public Employment Service (UWV) has a downward impact on structural employment. The VVD, PvdA, D66, GroenLinks and DENK all increase structural employment via more face-to-face guidance at the UWV.

Many parties extend the possibilities of **leave**. This concerns an extension of maternity leave (ChristenUnie and Vrijzinnige Partij), paternity leave (all parties, except VVD, SGP and VNL), and care leave (DENK and ChristenUnie). Such measures related to leave, reduce the number of hours worked within the economy.

All parties implement measures on **taxation and income-dependent regulations** (see the row 'fiscal' in Table 2.10), which impact employment via a change in the average and marginal pressure on labour. The magnitude of the structural employment effects depends on the type of tax increase or decrease. Generic tax decreases have relatively little impact on structural employment. Lowering the tax rates of the tax brackets, for example, particularly affects the number of hours people choose to work per week, but this choice is relatively insensitive to fiscal incentives. Policy aimed at increasing the income differences between

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<sup>21</sup> PvdA, ChristenUnie, GroenLinks and DENK do so for companies with up to 10 employees; VVD and D66 for those with up to 25 employees, and the SGP for 50 employees.

<sup>22</sup> The government-sector jobs created by the PvdA and the additional jobs in health care under the SP, both only have an impact on employment in the short to medium term. These jobs have a wage level above nmw, and are therefore filled by people who eventually would have been able to find a job elsewhere in the economy. In the long term, those jobs therefore have no impact on employment.

<sup>23</sup> GroenLinks intends to alter the tax base for WW premiums, by abolishing the maximum day wage as a premium threshold, and simultaneously incorporating a tax-free bracket that causes the lowest share of income to be largely premium-free. This is an implicit wage cost subsidy on the lower end of the labour market.

working and not working, such as increases in labour tax credits, child care subsidies for working parents, or reductions in income-dependent regulations, is more effective to promote labour participation.<sup>24</sup> Fiscal incentives aimed at double-income earners and single parents also have a greater impact than generic measures, because this group is relatively sensitive to financial incentives.

Generic changes in **tax rates and brackets in Box 1** only affect structural employment if they are substantially large, such as in the case of VNL's package (reduction down to a flat tax rate of 27%) and the Vrijzinnige Partij (increase in the system of five tax brackets). Smaller changes to brackets or tax rates (all other parties), or adjustments to the **general tax credits** (VVD, PvdA, SP, D66, ChristenUnie and GroenLinks) have a small impact on structural employment. The downward impact of the introduction of the tax-free threshold under VNL, has a larger impact, as this involves a larger amount. Measures that affect **double-income earners** have a relatively large impact on structural employment under the same budgetary impulse. The separating system (SGP) and the re-introduction of the transferability of the general tax credits for households with young children (CDA and ChristenUnie), thus decrease, for example, structural employment. Increasing **labour tax credits** (VVD, PvdA, SP, D66, GroenLinks and DENK) will increase the difference in income between working and not working, thus increasing structural employment. Decreasing labour tax credits (VNL and the Vrijzinnige Partij) reduce structural employment. The PvdA intends to replace labour tax credits with a higher employers advantage, which would increase structural employment.

**Income-dependent regulations** have a larger effect on the difference in income between working more or fewer hours, compared to generic measures. This applies, for example, to the **health insurance and rent subsidies**. Parties that intend to lower rent subsidies (VVD, PvdA and VNL) or to abolish health insurance subsidies (GroenLinks and VNL), thus increase structural employment.<sup>25</sup> In contrast, replacing health insurance subsidies with even more income-dependent health insurance premiums (SP) would decrease structural employment. Making child subsidies income-dependent (SP, D66 and DENK), transferring the budget of the not-income-dependent child subsidy toward the income-dependent **child-related budget** (GroenLinks and VNL), or only increasing the child-related budget (CDA and ChristenUnie) would reduce structural employment. The **income-dependent combination tax credit** promotes labour participation by double-income earners and single parents with young children. Increasing those credits (VVD, PvdA, D66, GroenLinks and DENK) also increases structural employment, whereas abolition (Vrijzinnige Partij) has a downward impact.

Not only the level of structural employment, but also the combination of **permanent staff and flex workers** is affected by the proposed policy measures. Employers are able to save on costs, under the current regulation, by hiring people on a self-employed or flexible

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<sup>24</sup> See *Kansrijk Arbeidsmarktbeleid* [Promising labour market policy], Part 1.

<sup>25</sup> GroenLinks also abolishes policy excess and reduces the nominal premium, which decreases structural employment, on balance, will result in a slightly upward impact.

contract.<sup>26</sup> The SP, CDA and the Vrijzinnige Partij do not implement any measures that affect this incentive for employers to hire people on those terms, instead of offering them permanent employment. The measures in the area of employment protection aside,<sup>27</sup> this incentive changes under other parties, particularly, by having employers pay for the first year or half year of the WW benefit of their former employee (PvdA, D66, GroenLinks and VNL), and, depending on the exact design, by the introduction of WW premiums that are differentiated per company (VVD, PvdA and D66). Companies that lay off more staff, therefore, would also then be paying more. Collectivising continued wage payment in cases of illness, for small businesses (all parties, except SP, CDA, VNL and the Vrijzinnige Partij), also reduces differences in costs between permanent staff and flex workers.

The party proposals also change the difference between employees and self-employed workers. Only the SP and the Vrijzinnige Partij implement hardly any measures to reduce those differences. Most other parties reduce the **fiscal differences**. The PvdA and D66 do so by introducing — in addition to the self-employment deduction/self-employment advantage — an employee advantage; other parties do the same by abolishing (VNL), restricting (ChristenUnie, SGP and Vrijzinnige Partij) or coupling the self-employment deductions to pension savings (CDA), or by abolishing the SME profit exemptions (GroenLinks and VNL) or to lower those (PvdA and SGP). **Differences in costs related to social security** are reduced by the restrictions on employee insurances (VVD, SGP and VNL), reductions in WW and disability premiums (D66, ChristenUnie, GroenLinks and SGP), capping pension savings or limiting compulsory pension building (PvdA, SP, D66, ChristenUnie, GroenLinks, SGP and VNL), or, in contrast, by introducing a compulsory disability insurance (PvdA, ChristenUnie, GroenLinks and DENK), compulsory pension building (PvdA) or wage insurance in case of illness (CDA and ChristenUnie) for self-employed workers. The opposite effect, in this respect, will be achieved by the obligation for employees to pay for their first year or half year on unemployment benefits (WW) themselves (D66, GroenLinks and VNL), the increase in employers premiums (PvdA), the increase in the minimum wage (SP) and the increase in the SME profit exemption (DENK).

## 2.8 Sustainability public finances

Population ageing, disappearing natural gas revenues and the effects of policy may cause the long-term public finances situation to differ from that in the short term or within the Cabinet period. The analysis of the sustainability of public finances measures the difference between public expenditure and revenue, over a long time horizon. Under unchanging policy, there would be a positive sustainability balance of 3 billion euros (see also at the top of Table 2.11, first row). The figures indicate how much financial room could be utilised for either reductions in tax burden or increased expenditure, without threatening the continuity of the arrangements.

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<sup>26</sup> See Euwals, R., M. de Graaf-Zijl and D. van Vuuren, 2016, Flexibiliteit op de arbeidsmarkt [Flexibility on the labour market], CPB Policy Brief 2016/14.

<sup>27</sup> Measures in the area of employment protection were not included in this assessment. However, they do affect differences in costs between permanent staff and flex workers and self-employed workers.

**Table 2.11 Sustainability of public finances**

	VVD	PvdA	SP	CDA	D66	CU	GL	SGP	DENK	VNL	VP
billion euros											
Sustainability baseline	3	3	3	3	3	3	3	3	3	3	3
Effect of policy package	-1	-8	-24	-6	-3	-2	-2	-2	-2	-7	-48
idem in % of GDP	-0.1	-1.1	-3.1	-0.8	-0.3	-0.2	-0.3	-0.3	-0.2	-1.0	-6.3
Sustainability including policy package	2	-5	-21	-3	0	1	0	0	1	-5	-45
idem in % of GDP	0.2	-0.7	-2.8	-0.4	0.0	0.1	0.1	0.0	0.1	-0.6	-5.9
<b>Effect on sustainability within the Cabinet term and beyond</b>											
Effect on EMU balance in 2021	-5	-7	-3	-5	-6	-3	-2	-3	3	-6	-42
Effects after 2021	4	-1	-21	-1	3	1	0	1	-5	-1	-6
<b>Effect on sustainability, selection of policy dossiers (a)</b>											
State and private-sector pensions	0	-3	-12	-1	-1	1	1	2	1	10	-2
Housing	2	0	-1	0	4	2	2	2	-2	10	0
Health care	0	-5	-14	0	2	2	-11	0	-9	9	-2
Other	-3	0	3	-5	-7	-6	6	-7	8	-36	-43
(a) State and private-sector pensions include the measures on state-pension premiums, state-pension payments, private-sector pension payments and private-sector pension premiums and pensioner credits. Housing includes measures on rent subsidies, mortgage interest rate deductions, notional rental value, residential transfer tax, tax on rental earnings and real estate taxation for residents. Health care includes measures on health care expenditure, health insurance premiums, own contributions and health care subsidies. These measures are distinguished because of the sensitivity to ageing and the level of delayed impact after the Cabinet period.											

All parties use the available financial room (see Table 2.11, second row). Under the packages of five parties (the Vrijzinnige Partij, SP, PvdA, VNL and CDA), this results in negative sustainability of the financial balance (see Table 2.11, last row of top half). This means that, at a given point in the future, an increase in tax burden or decrease in spending is inevitable. The Vrijzinnige Partij takes this the furthest; the sustainability balance under this party will be 45 billion euros, or 5.9% of GDP, negative.

Under a number of parties (VVD, D66, ChristenUnie and SGP), the policy packages have a downward impact on the EMU balance within the Cabinet period, but this is followed by a recovery to a sustainable public finance level (see the middle part of Table 2.11). Under the VVD, tax reductions and spending cuts in social security during the Cabinet period, on balance, will lead to a negative impact on the EMU balance in 2021. However, this is later compensated by the delayed impact on employment and social security expenditure. Under D66, ChristenUnie and SGP, the EMU balance in 2021 will also be lower, mostly as the result of reductions in the tax burden. The reason of recovery in the subsequent period, differs per party. Under D66 and the ChristenUnie, it is caused by the delayed impact of spending cuts in health care, while under the SGP the difference in reduction in the tax burden compared to the baseline will become smaller after the Cabinet period. Under GroenLinks, the lower

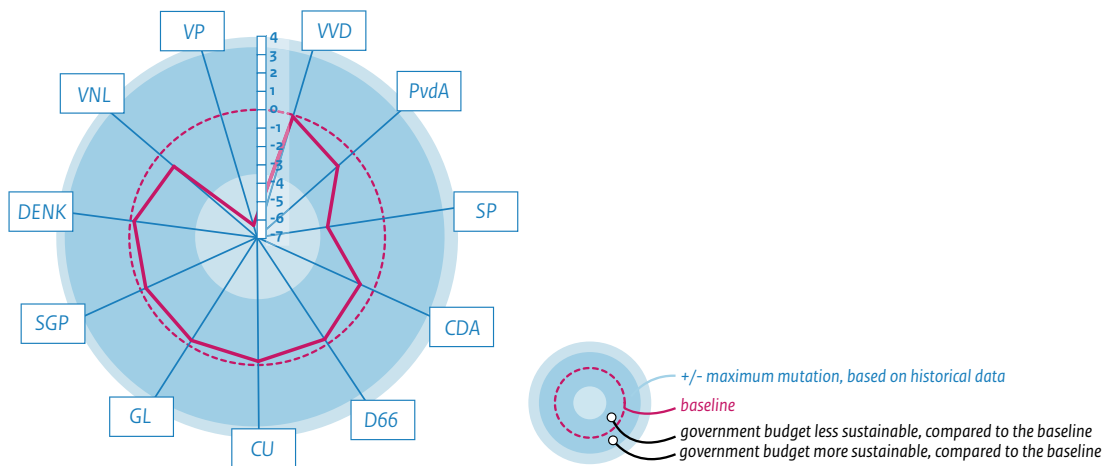
sustainability balance is the result of higher expenditure over the 2018–2021 period, and this does not change in the subsequent period.

The PvdA, SP, CDA, VNL and Vrijzinnige Partij, all to varying degrees, and both within and after the Cabinet period, achieve a negative impact on sustainability. For these parties, the resulting sustainability balance is negative.

DENK achieves a positive impact on the EMU balance in 2021. This party also maintains a positive sustainability balance, despite a negative impact on the sustainability after the Cabinet period, particularly due to increasing expenditures on health care.

### Impact on sustainability

Effects, compared to the baseline, % of GDP



The differences between the parties in the area of health care are large (see the row on health care in Table 2.11). The sustainability contribution in health care varies from -14 billion euros (SP) to +9 billion euros (VNL). This includes the measures related to both health care expenditure and financing. The PvdA, SP, GroenLinks, DENK and the Vrijzinnige Partij all intend to abolish copayments in health insurance; the CDA, ChristenUnie, SGP and VNL plan to lower copayments. This puts pressure on the sustainability, as there are no options for a compensation premium increase. A few parties plan to expand the standard coverage of health insurance (SP), or increase nursing home coverage (SP, GroenLinks, DENK). Under GroenLinks, in addition, there is a reduction in health care costs, particularly due to a lower nominal health insurance premium. VNL particularly achieves a positive sustainability contribution by abolishing health insurance subsidies. A general agreement, in combination with the threat of a budgeting system and certain smaller spending cuts, under D66 and ChristenUnie, result in a positive impact on sustainability.

Differences are also large between policies related to state pensions and private pensions (see the row on state pensions in Table 2.11). The SP intends to increase state pension benefits, to return the state pension entitlement age down to 65, and to maintain this age level in later years, thus achieving a negative sustainability impact of 12 billion euros. The



pension age remains coupled to life expectancy, which means that the tax deductions for a supplementary pension are not increased. Smaller negative sustainability effects are achieved by the PvdA, with an increase in state pension benefit levels and the possibility for people to retire early (which, in turn, decreases employment and tax revenues). The Vrijzinnige Partij also achieves smaller negative sustainability effects, by increasing pensioner credits. VNL plans to completely abolish the deductibility of pension premiums, which results in a positive sustainability effect of 10 billion euros. Under a number of parties, there are relatively small positive sustainability effects, due to restriction of the fiscal facilitation of pension savings (ChristenUnie, GroenLinks and SGP), offering people the choice to retire at a later point in time (GroenLinks, SGP and DENK), which leads to more employment and tax revenues.

The differences are slightly smaller for the policy packages on housing (see the row in Table 2.11). Positive sustainability effects are achieved by the complete abolition of mortgage interest rate deductions (VNL), and the restrictions on this deduction and the introduction of real estate taxation for residents (D66). The ChristenUnie and SGP also achieve a positive sustainability effect by implementing such a real estate tax for residents, and for the VVD the positive effect is achieved particularly by increasing the tax on rental earnings. Under GroenLinks, homeownership will be defiscalised, which removes the current fiscal subsidy via mortgage interest rate deductions. Abolition of the tax on rental earnings without any compensation, as is the intention of both DENK and SP, has a negative impact on sustainability.

The largest sustainability effect will be achieved in other policy areas than those described here (see the row 'other' in Table 2.11). Differences between parties are also the greatest in those areas, particularly regarding the measures on taxation. A positive sustainability contribution is achieved by SP, GroenLinks and DENK. This is mostly due to the higher tax burden in Box 3 of the income tax, an increase in corporation tax and higher environmental taxes, such as road pricing and energy taxes. The other parties, except the Vrijzinnige Partij, in fact reduce the tax burden in Box 1 of the income tax. Under VNL, tax reductions are the greatest, particularly due to the implementation of a flat tax rate. The negative sustainability impact under the Vrijzinnige Partij can more or less fully be attributed to the implementation of an unconditional basic income.

The parties also differ in the effect that their packages will have on employment. This also affects sustainability, as this changes the size of the tax base and tax revenues. This impact was included in the results above. A positive impact was found for the VVD with an effect on sustainability of 8 billion euros (1.0% GDP), VNL and D66 with 2 billion euros (0.2% GDP) and GroenLinks, with 1 billion euros (0.1% GDP). Under the PvdA and DENK, the effect is negligible. A negative effect was found for the Vrijzinnige Partij with -10 billion euros (-1.3% GDP), SP with -9 billion euros (-1.2% GDP), SGP with -3 billion euros (-0.4% GDP) and CDA and ChristenUnie with -1 billion euros (-0.1% GDP).



Nederland gaat maart 2017 naar de stembus. Er valt genoeg te kiezen. Partijen maken uiteenlopende financieel-economische afwegingen, zo blijkt uit de verkiezingsprogramma's. Wat is het speerpunt voor de aanstaande kabinetsperiode?

De arbeidsmarkt, het belastingstelsel, het klimaat, het onderwijs, het pensioenstelsel, veiligheid, de woningmarkt, de zorg? Wat krijgt prioriteit: de werkgelegenheid, de koopkracht of het overheidssaldo, meer publieke goederen en diensten of juist meer lastenverlichting? En hoe worden deze doelen onderling gewogen? Elf partijen (VVD, PvdA, SP, CDA, D66, ChristenUnie, GroenLinks, SGP, DENK, VNL, Vrijzinnige Partij) hebben van het aanbod gebruik gemaakt hun verkiezingsprogramma door het Centraal Planbureau van een financieel-economische doorrekening te laten voorzien. 'Keuzes in Kaart' beschrijft welke maatregelen partijen voor ogen staan, welke economische effecten ze daarmee hopen te bereiken en hoe partijen zich van elkaar onderscheiden.

Dit is een uitgave van:

Centraal Planbureau (CPB)  
Postbus 80510 | 2508 GM Den Haag  
(088) 984 60 00 | [www.cpb.nl](http://www.cpb.nl) | [info@cpb.nl](mailto:info@cpb.nl)

Gedrukt door:

Xerox/OBT  
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(070) 2800 800 | [info@opmeerbv.nl](mailto:info@opmeerbv.nl)

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