

# THE RISE AND FALL OF THE DUTCH EMPLOYEE SAVINGS SCHEMES

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# Structure of the presentation

1. Main characteristics of the employee savings schemes
2. Theoretical background
3. Participation rates and amounts saved
4. Characteristics of participants
5. Conclusions and recommendations



**Table 1** Major aims and ingredients of the Dutch Life Course Savings Scheme (LCSS), the Salary Savings Scheme (SSS) and the Vitality Scheme (VS)

	<b>SSS</b>	<b>LCSS</b>	<b>VS</b>
Major aim	Building up financial assets	Employment participation and work-life balance	Employment participation
Target group	Employees	Employees	Employees and entrepreneurs
Maximum savings	€613 of gross wage per year up to a maximum of €2,452	12% of gross wage per year up to a maximum of 210% of gross wage	€5,000 per year from net salary up to a maximum of €20,000
Participation a legal right	No	Yes	Yes
Free spending targets	Yes	No, only on unpaid leave	Yes, but from age 62 a maximum of €10,000 per year
Flexible withdrawal	No, blocked for four years	No, employer's consent required	Yes
Savings tax exempt	Yes	Yes	Yes
Returns tax exempt	Yes	Yes	Yes
Withdrawal tax exempt	Yes	No	No
Tax credit	No	Yes	No

Source: MinFin, 2011; Tweede Kamer, 2011a, 2011b.

# Theoretical background

- Individualised savings schemes are based on fundamental (neoclassical) assumptions
- Behavioural finance
- Bounded rationality – maximisers and satisficers
- Adverse selection on the labour market

**Table 2.** Savings, number of participating employees and saved amounts per employee of the Salary Savings Scheme (SSS) and the Life Course Savings Scheme (LCSS) on 31 December, 2006-2012

	Savings SSS (million euro)	Number of employees SSS (x 1.000)	Savings SSS per employee in euro	Savings LCSS (million euro)	Number of employees LCSS (x 1.000)	Savings LCSS per employee in euro
2006	2,673	2,467 (40.2%)	1,083	896	230 (3.8%)	3,896
2007	3,115	2,349 (37.3%)	1,326	1,750	259 (4.1%)	6,757
2008	3,546	2,192 (33.9%)	1,618	2,474	270 (4.2%)	9,163
2009	4,302	2,135 (33.2%)	2,002	3,263	237 (3.7%)	13,104
2010	2,898	2,113 (33.3%)	1,372	4,120	239 (3.8%)	17,239
2011	3,267	2,043 (32.3%)	1,599	4,648	247 (3.9%)	18,818
2012	548	n.a.		5,067	n.a.	

Source: Statistics Netherland (Centraal Bureau voor de Statistiek, CBS) statline, own calculations.

# Data set

- Large scale and representative bi-annual survey among Dutch civil servants in Spring 2008
- The target group was incumbent civil servants that have been working within the government sector for the full year 2007
- The sample consisted of 87,500 persons; 34,962 persons completed the questionnaire; average response rate of 40 per cent

**Table 3.** Participation in Life Course Savings Scheme or Salary Savings Scheme by civil servants in 2007 (percentages) (1)

	Life Course Savings Scheme	Salary Savings Scheme
Total	9.4	52.7
Gender		
<i>Male</i>	10.0	55.7
<i>Female</i>	8.6	49.5
Age		
<30	11.6	28.3
30-39	11.7	46.2
40-49	8.1	56.9
50-59	9.4	60.8
60+	1.2	60.8
Education		
<i>Lower</i>	8.8	49.1
<i>Middle</i>	9.6	51.0
<i>Higher vocational education</i>	8.5	55.6
<i>University</i>	11.4	50.7

**Table 3.** Participation in Life Course Savings Scheme or Salary Savings Scheme by civil servants in 2007 (percentages) (2)

	<b>Life Course Savings Scheme</b>	<b>Salary Savings Scheme</b>
Partner		
<i>Without partner</i>	8.4	44.7
<i>With partner</i>	9.6	54.8
Home living children		
<i>Without home living children</i>	8.4	50.0
<i>With home living children</i>	10.3	55.3
Employment		
<i>Permanent</i>	9.4	54.8
<i>Prospect of permanent</i>	11.1	26.1
<i>Temporary</i>	6.5	25.4



**Table 3.** Participation in Life Course Savings Scheme or Salary Savings Scheme by civil servants in 2007 (percentages) (3)

	Life Course Savings Scheme	Salary Savings Scheme
Gross weekly wage		
-€1500	7.4	37.9
€1501-€3000	8.8	48.8
€3001-€5000	11.0	62.0
€5001+	10.7	61.5
Contractual weekly working hours		
0-19	6.1	42.0
20-28	7.7	53.1
29-35	9.6	54.2
36+	10.2	53.6

# Conclusions and recommendations

- Zigzag policies
- Abolished employees savings schemes had potential
- Limit adverse selection
- Fiscal facilitation
- Automatic enrolment

