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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	10136/26
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of the Netherlands

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by relevant Council committees, based on the Commission Proposal COM(2026) 219 final.

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of the Netherlands

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances[2], and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

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[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Regulation (EU) 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011 ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee, Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509[3]. The proposal aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States in the coordination of their economic policy in line with Article 175 TFEU.

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3 Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

(3) On 25 November 2025, the Commission adopted an opinion on the 2026 draft budgetary plan of the Netherlands. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it identified/did not identify the Netherlands as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area[4] on 21 April 2026 and the Joint Employment Report, and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

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[4] OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of Recovery and Resilience Facility (RRF) implementation[5]. Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(6) On 3 June 2026, the Commission published the 2026 country report for the Netherlands. It assessed the Netherlands' progress in addressing the relevant country-specific recommendations and took stock of the Netherlands' implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges the Netherlands is facing. It also assessed the Netherlands' progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

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[5] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(7) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for the Netherlands. The main findings of the Commission's staff assessment of macroeconomic vulnerabilities for the Netherlands for the purposes of that Regulation were published on 20 May 2026[6]. On 3 June 2026, the Commission concluded that the Netherlands is no longer experiencing macroeconomic imbalances. In particular, vulnerabilities related to high levels of household debt, the housing market, and the large current account surplus have been present over the years but have lessened recently. The large current account surplus dipped somewhat lately and part of it is structural, as the Netherlands acts as a key European trade hub and hosts many multinational enterprises. In parallel, from a savings-investment perspective, the fall in the surplus reflects that domestic demand has been the main contributor to recent real GDP growth and demand has grown faster than in the rest of the euro area, albeit from lower levels. The current account surplus is not forecast to grow this year or next. House prices continue to grow visibly amid reduced housing supply. Household debt as a share of GDP fell again in 2025, though more slowly than before, as borrowing increased with lower interest rates. The household debt may stabilise in the coming years, and the risks related to high household debt are partly mitigated by the prevalence of fixed-rate mortgages. Some policy measures have been taken to increase housing supply, and the latest government investment agenda, including in housing, could help reduce the current account surplus over the medium term. Looking ahead, effectively increasing housing supply and tackling tax incentives favouring debt-financed house buying could help dampen house prices and reduce household debt in a lasting way while boosting domestic investment would help further narrow the current account surplus. The European Semester will provide the framework for monitoring progress on housing reforms.

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6 SWD(2026) 140 final.

(8) On [date], the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of April 2026 of the Netherlands[7]. The plan, submitted pursuant to Article 15(2) of Regulation (EU) 2024/1263, covers the period from 2026 until 2030 and presents a fiscal adjustment spread over four years. The Council recommended the following maximum growth rates of net expenditure: 4.7% in 2026, 3.5% in 2027, 3.1% in 2028, 3.5% in 2029 and 3.7% in 2030, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2025 of 4.7% in 2026, 8.4% in 2027, 11.7% in 2028, 15.6% in 2029 and 19.9% in 2030. This recommendation superseded the Recommendation of 21 January 2025[8]. However, the maximum growth rates of net expenditure set therein for the year 2025, namely 3.5% annually and 10.4% cumulatively by reference to the base year of 2023, remain relevant to assess compliance until and including 2025.

(9) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending[9] and this proposal was welcomed by the European Council of 6 March 2025. Member States may still request the activation of the national escape clause at any time until 2028, if they fulfil the criteria set in Article 26 of Regulation (EU) 2024/1263.

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7 Council Recommendation of [date] endorsing the national medium-term fiscal-structural plan of April 2026 of the Netherlands (OJ [OJ: please insert relevant OJ references]).

8 Council Recommendation of 21 January 2025 setting the net expenditure path of the Netherlands (OJ C, C/2025/648, 10.02.2025, ELI: http://data.europa.eu/eli/C/2025/648/oj).

9 Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19 March 2025, C(2025) 2000 final.

(10) On 14 April 2026, the Netherlands submitted its 2026 Annual Progress Report[10] on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects the Netherlands' biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(11) Real GDP growth in 2025 was 1.8% and HICP inflation stood at 3.3%. The Commission Spring 2026 Forecast projects real GDP to grow by 1.0% in 2026 and 1.1% in 2027, and HICP inflation to stand at 3.2% in 2026 and 2.5% in 2027.

(12) Based on data provided by Eurostat[11], the Netherlands's general government deficit increased from 0.7% of GDP in 2024 to 1.6% of GDP in 2025. The increase in the deficit in 2025 mainly reflects growing current expenditure and public investment, and structural cuts in personal income tax. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 2.5% of GDP in 2026 and 1.9.% of GDP in 2027. The increase of the deficit in 2026 mainly reflects the temporary effect of a reform of the military pension system that requires a transfer of approximately 0.7% of GDP from the government to a private pension fund.

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10 The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en

11 Eurostat-Euro Indicators, 22 April 2026.

(13) Based on the Commission's estimates, the fiscal stance[12], which includes both nationally and EU financed expenditure, was expansionary, by 0.8% of GDP, in 2025. It is projected to be broadly neutral in both 2026 and 2027.

(14) Based on data provided by Eurostat[13], the Netherlands' general government debt increased from 43.8% of GDP at the end of 2024 to 44.4% of GDP at the end of 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 46.9% by the end of 2026 and to remain broadly stable at 47.0% by the end of 2027. The increase in 2026 mainly reflects loans to TenneT, the electricity transmission system operator of the Netherlands, and to EBN, the state energy company.

(15) Based on Eurostat data[14], total general government defence expenditure in the Netherlands amounted to 1.7% of GDP in 2025. According to the Commission Spring 2026 Forecast, it is projected at 1.9% of GDP in 2026.

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12 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

13 Eurostat-Euro Indicators, 22 April 2026.

14 Eurostat, government expenditure by classification of functions of government (COFOG).

(16) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, the Netherlands adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms[15]. These include an emergency energy fund targeted to support the most vulnerable households with high energy bills during the winter of 2026-2027, a permanent increase in the tax-free travel allowance, and targeted reductions of the motor vehicle tax rate for delivery vans and trucks for the year 2026. According to the Commission Spring 2026 forecast, the fiscal cost of these measures is projected to amount to less than 0.1% of GDP in 2026.

(17) Based on the Commission's calculations, net expenditure in the Netherlands grew by 7.2% in 2025 and 10.6% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is above the maximum growth rate recommended by the Council in January 2025, corresponding to a deviation of 1.5% of GDP in annual terms. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 1.0% of GDP in cumulative terms.

[15] This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).

(18) Based on the Commission's calculations, net expenditure in the Netherlands is projected to grow by 4.9% in 2026. The projected net expenditure growth in 2026 is above the maximum growth rate recommended by the Council in [date], corresponding to a deviation of 0.1% of GDP in annual terms.

(19) The Dutch system of private income taxation treats certain assets differently from the rest, distorting the allocation of capital and economic decisions. Notably, mortgage interest deductions – coupled with the low imputed rent taxation – create a strong fiscal bias towards investing in housing, often debt-financed, over investing in shares and bonds. In addition, preferential tax treatment is also extended to pension contributions and assets held in closely held companies which are companies in which the majority of their shares are owned by only a few individuals. Meanwhile, household income from savings and investments is taxed at assumed – rather than actual – rates of return, a practice that can risk amplifying economic cycles if the rates do not track actual outcomes. The government has started looking into transitioning to a capital growth tax, possibly by 2028. Implementing reforms that reduce this unequal tax treatment – both within and across asset types – will lower opportunities for tax arbitrage, enhance the tax system as an automatic stabiliser, mitigate economic inequalities, and promote a more efficient allocation of capital. Given its role in driving high household indebtedness, lowering the unequal tax treatment is also relevant in addressing macroeconomic imbalances.

(20) In addition to the tax incentives mentioned above, overvaluation in the housing market has been fuelled by a limited responsiveness of new dwelling supply to strong demand fuelled by population growth and increasingly smaller households. The housing shortage is projected to exceed 400 000 dwellings in 2025[16]. To increase housing supply by removing key obstacles that are currently holding back construction, the government could advance its plans to streamline the planning and permitting processes, which on average take up to 6-7 years to complete, as well as simplify the building regulation. In addition, more land could be made available for the construction of new dwellings. There are several other bottlenecks hindering progress, including labour shortages, and restrictions to construction related to excessive nitrogen deposition and electricity grid congestion. Increasing the housing supply is relevant to mitigate macroeconomic imbalances.

(21) The underdeveloped private rental market in the Netherlands poses significant affordability and availability challenges and elevates the risk of poverty for low- and middle-income households. While recent policy measures, such as the extension of regulated rents, have provided relief for some tenants, they have also contributed – alongside higher interest rates and tax changes – to a shrinking rental stock. This trend is driven by landlords selling properties to owner-occupiers, further reducing rental availability, while rents increased for units above the price cap. To stimulate growth in the private rental sector, investments in the private rental market could be made more attractive by recalibrating regulated rents more in line with property valuations, while avoiding a return to excessive rents. Such a balanced recalibration could help both to increase overall housing supply and to reduce incentives to take on mortgage debt to buy a house which, in turn, would support mitigating macroeconomic imbalances.

16 Based on European Commission and JRC calculations and forecast. For details, see Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

(22) The Dutch long-term care system faces significant challenges from an ageing population, costly institutional care and generous coverage of dependents. The Netherlands fares well compared to most Member States in terms of adequacy, availability and quality of the long-term care system as well as the size of the workforce in the field. However, the system is increasingly putting pressure on the government budget. In 2022, total long-term care spending in the Netherlands stood at 3.8% of GDP, the highest value in the EU, and is projected to increase to 5.7% of GDP by 2070 according to the Commission's 2024 Ageing Report. Measures to address this increase could include aligning co-payments, i.e. own contributions by patients, to the cost of the care they receive across different types of benefits. The system would be more cost-effective if patients determined their choice of care setting based on their individual care needs, instead of choosing a setting that minimises their co-payments. The coalition agreement of the incoming government contains efforts to improve cost-effectiveness, including to achieve structural savings of about 0.2% of GDP in the current term. Additional investments in prevention, in order to delay the onset of long-term care needs and further improving the delivery of community-based care could also help reduce costs. These improvements could ensure that the benefits of the system are allocated more efficiently without compromising the high coverage and quality of the system.

(23) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(24) The implementation of cohesion policy programmes, which encompass support from the European Regional Development (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+) in the Netherlands, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep current momentum, while maximising the impact of investments on the ground. The Netherlands is already taking action under its cohesion policy programmes to boost competitiveness and growth. It is essential to ensure that the new investments identified by the Netherlands in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation[17], are deployed rapidly and effectively.

(25) The Netherlands faces several challenges related to insufficient investment in research and innovation and limited access to finance for start-ups and scale-ups, continued reliance on fossil fuels alongside electricity grid infrastructure bottlenecks, labour market segmentation, and labour and skills shortages, including low basic skills achievement and under-participation in STEM fields, particularly among underrepresented groups.

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[17] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

(26) The Dutch innovation ecosystem benefits from strong research and innovation framework conditions, but public R&D intensity remains below the EU average and private R&D intensity lags behind the strongest-performing countries in the EU (Sweden, Denmark and Finland) and global innovation leaders such as the United States. There is a risk that the progress in R&D will slow down further if these gaps are not addressed. To address these challenges, the Dutch government announced an Action Plan to reach the 3% GDP target of R&D investment by 2030, including policy initiatives such as the creation of a National Agency for Disruptive Innovation, a revised industrial policy in key sectors like semiconductors or biotechnology, and support regional innovation clusters. However, implementation of these measures remains at an early stage. Ensuring coherence across these initiatives and the existing National Technology Strategy is essential to avoid policy fragmentation and maximise their effectiveness. Strengthening public support for innovation can help boost the innovation landscape, drive productivity growth and sustain the Netherlands' position as a European innovation leader.

(27) Despite having one of the deepest venture capital markets in the European Union, some Dutch start-ups and scale-ups face difficulties in accessing funding. In particular, start-ups encounter constraints at the pre-seed stage and subsequently struggle to achieve successful scaling-up. A shortage of late-stage venture capital leads innovative Dutch companies to seek financing or relocate abroad, thereby limiting the Netherlands' capacity to grow start-ups into large market players. Public support for start-ups and scale-ups has so far involved relatively limited financial resources and has lacked predictability. The Dutch government has announced the establishment of a National Investment Institution focusing on start-ups and scale-ups, which is expected to become operational in 2028. However, effective implementation and continuous monitoring will be crucial. The funding gap, if left unaddressed, could hinder innovation and long-term competitiveness, as start-ups and scale-ups tend to show higher productivity growth than other new businesses. Beyond access to finance, the overall business environment also plays an important role in supporting start-ups and scale-ups. Regulatory complexity, administrative burden and uncertainties in the tax framework can weigh on firms' ability to innovate and scale. To address this issue, the Netherlands could benefit from expanding the use of financing instruments, such as guarantees and fund-of-funds structures, to mobilise capital and attract institutional investors. The national investment institution could also help ensure policy predictability and reduce fragmentation.

(28) Innovation activity in the Netherlands is highly concentrated in large, established firms, with the top three companies accounting for around a quarter of total R&D investment in 2023, while young and small companies contribute only to a limited extent. Despite comparatively high levels of digitalisation among Dutch SMEs, there remains a significant gap between small and large firms in the uptake of advanced technologies, like artificial intelligence and cloud computing. As a result, productivity growth is primarily driven by incumbent firms, and disparities between firms within the same sectors are widening. There is room for productivity growth through further digitalisation and innovation among SMEs. The Dutch government has announced a revision of the R&D tax deduction scheme to simplify it and extend its scope, with the aim of incentivising smaller and newer firms to engage in R&D activities. To further address these challenges, the Netherlands could implement a mix of fiscal and non-fiscal measures, including digital adoption vouchers and grants, tax incentives for investments in advanced technologies and tailored training to boost digital skills, to promote the uptake of advanced technologies and strengthen the innovation capacity, particularly among SMEs.

(29) The Netherlands still relies heavily on fossil fuels. While the level of renewables in the electricity mix in the Netherlands is above the EU average, and while the roll-out of renewable energy sources accelerated in 2024, the Netherlands made little progress in 2025 in the roll-out of renewable energy sources. At the same time, while the final energy consumption (FEC) decreased in the residential sector, the overall FEC in the Netherlands increased in 2024 compared to 2023, reversing the reduction achieved since 2019. This makes the Dutch economy vulnerable to global price developments and hinders the transition to a green economy. Additional efforts are therefore needed to reduce reliance on fossil fuels and improve energy efficiency in the Netherlands, including in buildings and industrial processes. This could include measures to reduce financial risks in the offshore wind sector to maintain the attractiveness of investments in the sector.

(30) Electricity grid congestion has continued to worsen, affecting both rural and urban areas, and both the transmission and distribution networks. This hinders the clean energy transition, constrains economic activity, and undermines the Netherlands' competitiveness. Grid congestion is being addressed through a combination of increasing investments in grid and regulatory initiatives, including the new Energy Act. Despite these actions, grid congestion will continue being a major challenge in the short to medium term, therefore requiring continued attention and action. The Netherlands could benefit from increasing the capacity of its transmission and distribution grid, implementing and incentivising solutions for flexible electricity supply and demand, maximising cross-zonal electricity trading over existing cross-border infrastructure and further simplifying grid permitting procedures.

(31) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of skills, education and training, which hamper competitiveness. The 2026 country-specific recommendations addressed to the Netherlands can contribute to the implementation of the Council Recommendation on human capital in the Union.

(32) Excessive levels of nitrogen deposition, resulting mainly, but not exclusively, from the intensive agricultural sector, remains a significant environmental challenge that impacts the Netherlands' economy at large. Excessive nitrogen deposition leads to the over-fertilisation and acidification of soil and water bodies, while at the same time putting significant constraints on the permitting of construction activities. Surface and ground water quality also remains a concern. The implementation of concrete measures is needed to structurally address excessive nitrogen deposition by the emitting sectors and to drive a transition to sustainable agriculture, including organic farming. In particular, the Netherlands could benefit from adopting farming practises that aim to cut nutrient and pesticide pollution and greenhouse gas emissions.

(33) The share of flexible employment in the labour market, including both workers on temporary contracts and the self-employed, remains high at 35.4% in the Netherlands, far above the EU average of 20.6%. While some degree of flexibility supports economic adaptability, the widespread use of flexible employment has deepened labour market segmentation (i.e. the division of the jobs market into different categories of workers with different levels of job security and/or access to social and other benefits). Vulnerable groups, such as workers with lower levels of skills and people with a migrant background, are disproportionately affected, often facing precarious employment conditions, including limited access to training and development, inadequate social protection, and a higher risk of in-work poverty and social exclusion. These challenges not only exacerbate inequality in opportunities but also undermine long-term productivity. To increase protection and create a more level playing field for employees, the government is advancing a package of reforms aimed at reducing incentives for self-employment and flexible employment. To this end, speedy implementation of a mandatory disability insurance for self-employed and providing more job security for those working under flexible employment contracts are crucial.

(34) Labour and skills shortages remain a key challenge in the Netherlands, affecting sectors related to the twin transition and to societal challenges such as healthcare, education, technology and ICT. Structural factors continue to underpin labour shortages, such as a high demand in low-productivity sectors and a lack of supply due to the low average number of hours worked, ageing and slow workforce growth. While potentially creating incentives for labour-saving innovation, persistent shortages risk hampering productivity growth and competitiveness. The Netherlands has a high participation rate, but untapped labour potential among people with a migrant background and part-time workers, particularly women remain. Improving work-life balance, including through better access to affordable child-care and attracting talent in occupations facing persistent shortages, can help increase labour supply. Various up- and reskilling opportunities exist, but people at the margin of the labour market only benefit to a limited extent. Challenges related to job quality and working conditions persist for mobile and migrant workers, particularly in labour-intensive sectors that rely on flexible employment arrangements. Policy measures on the demand side could focus on addressing the structural drivers of labour-intensive, low-productivity sectors, while promoting high value-added sectors and sectors linked to societal challenges, such as education, healthcare and the green and digital transitions, encouraging cross-sector mobility.

(35) The decline in basic skills of students in the Netherlands poses a risk to the competitiveness of the economy and to labour market outcomes. The number of underachievers has sharply increased in mathematics, science and reading over the last decade. Equity of education remains a challenge, with underachievement being significantly higher among disadvantaged students than among their peers. The Netherlands could strengthen targeted support for underperforming schools, foreign-born students and students with a migrant background. Teacher shortages have eased but remain considerable and impact students' learning outcomes. To make the teaching profession more attractive and help to attract and retain teachers, the Netherlands could improve working conditions and career progression, including by lowering the administrative burden for teachers and stimulating more diversified career paths.

(36) The Netherlands face structural challenges in developing a sufficiently broad STEM skills base. Despite strong participation in vocational and higher education, the share of graduates in STEM and ICT fields remains comparatively low across both levels of education, which increasingly constraints productivity. As a result, there are ongoing shortages in technical occupations, particularly in sectors such as construction, energy and manufacturing, which are critical for the green and digital transitions, where demand for specialised skills continues to exceed supply. Women remain significantly under-represented in STEM fields, while students with a migrant background are less likely to pursue STEM pathways and more affected by underachievement in basic skills. These disparities are linked to gender stereotypes and wider inequalities in education, including gaps in performance and access to opportunities for disadvantaged groups. Addressing these issues requires targeted support mechanisms and improved access to career guidance to encourage broader participation in STEM pathways. Enhancing the inclusiveness and attractiveness of these fields is essential to widening the talent pool, reducing skills shortages and ensuring that the Netherlands can respond to evolving labour market demands.

(37) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their RRP, to implement the 2026 Recommendation on the economic policy of the euro area. For the Netherlands, the recommendation (1) helps implement the first, the second, the third and the fifth recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendations (3) and (4) help implement the seventh recommendation on the euro area, and the recommendation (5) helps implement the fifth recommendation on the euro area.

HEREBY RECOMMENDS that the Netherlands take action in 2026 and 2027 to:

1. Adhere to the maximum growth rates of net expenditure recommended by the Council on [date]. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Align the taxation of different types of income from wealth, including a gradual phase out of mortgage interest deductibility. Adopt and implement measures to remove obstacles for the construction of new dwellings by simplifying planning and permitting procedures. Support the development of the affordable private rental sector, including by recalibrating regulated rents. Address the expected increase in age-related expenditure in long-term care by making the system more cost-effective.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities agreed in the context of the mid-term review of the cohesion policy framework.

3. Enhance public and private R&D intensity by targeting support to investments in key strategic technologies and to regional innovation ecosystems. Address the funding gap for start-ups and scale-ups, including by providing incentives to attract institutional investors. Support SMEs to innovate and adopt new technologies including through direct grants and tax incentives.

4. Reduce overall reliance on fossil fuels by accelerating the roll-out of renewables and improving energy efficiency, particularly in buildings. Decrease electricity grid congestion by increasing the capacity of the transmission and distribution grid, implementing flexibility solutions, maximising cross-zonal trade, and further simplifying permitting procedures. Implement structural measures to address excessive nitrogen deposition and the deterioration of water quality effectively, with particular attention to sustainable agriculture.

5. Adopt and implement measures to reduce incentives to use flexible or temporary employment contracts. Address labour and skills shortages, including by tapping into underused labour potential and by increased targeting of up- and reskilling measures. Promote reallocation of labour to high-productivity sectors and sectors related to societal challenges, while improving working and living conditions for mobile and migrant workers. Improve students' basic skills, including by making the profession of teacher more attractive and by providing tailored support to disadvantaged schools. Boost participation in STEM programmes.

Done at Brussels,

For the Council
The president