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Summary

In this paper we compare the pension systems in the Netherlands and Iceland from a legal, tax and economic perspective. The numbers of workers (both employees and entrepreneurs) in the Netherlands who accrue no, or insufficient, pension has increased in recent years. This in contrast with Iceland, where such a problem does not exist, mainly due to the mandatory pension accrual for all workers.

This paper outlines the relevant differences between the Dutch and Icelandic pension systems and outlines possibilities to increase the number of entrepreneurs accruing pensions. In the Netherlands several proposals have been made to increase the pension accrual of entrepreneurs, such as auto-enrollment with opting-out and voluntary participation in pillar two schemes. However, Dutch politicians are to date not yet in favor of introducing mandatory pension accrual for all workers, like in Iceland. The Icelandic pension system has several other aspects that can contribute to increase the number of entrepreneurs that accrue pensions. For example, a mandatory matching contribution from the employer or client in the third pillar if the entrepreneur chooses to use a third pillar pension product, a free choice of pension provider and/or different opportunities to withdraw accumulated pension capital during life.

Samenvatting

In deze paper vergelijken we de pensioenstelsels in Nederland en IJsland vanuit juridisch, fiscaal en economisch perspectief. Het aantal werkenden (zowel werknemers als ondernemers) in Nederland dat geen of onvoldoende pensioen opbouwt, is de afgelopen jaren toegenomen. Dit in tegenstelling tot IJsland, waar een dergelijk probleem niet bestaat, met name vanwege de verplichte pensioenopbouw voor alle werkenden.

Dit paper schetst de relevante verschillen tussen het Nederlandse en het IJslandse pensioenstelsel met als mogelijk doel het aantal ondernemers dat pensioen opbouwt, te vergroten. In Nederland zijn verschillende voorstellen gedaan om de pensioenopbouw van ondernemers te vergroten, zoals 'auto-enrollment met opting-out' en vrijwillige deelname aan tweede pijler pensioenregelingen. De Nederlandse politiek is tot op heden geen voorstander van het invoeren van verplichte pensioenopbouw voor alle werkenden, zoals in IJsland. Het IJslandse pensioenstelsel kent nog een aantal andere aspecten die kunnen bijdragen aan het vergroten van het aantal ondernemers dat pensioen opbouwt. Bijvoorbeeld een verplichte bijdrage van de werkgever of opdrachtgever in de derde pijler als de ondernemer kiest voor een derde pijler pensioenproduct, een vrije keuze van pensioenuitvoerder en/of verschillende mogelijkheden om tijdens het leven opgebouwd pensioenkapitaal op te nemen.

Affiliations

Bastiaan Starink – Tilburg University and PwC

Stefán Halldórsson – Icelandic Pension Funds Association

Gylfi Zoega – University of Iceland and Birkbeck, University of London

Zeger Kluit – Tilburg University and PwC

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1. Introduction

For years, the Netherlands had – according to the Mercer CFA Institute Global Pension Index - the best pension system in the world.[1] However, in its most recent rankings (2021 and 2022) Mercer listed Iceland's pension system as the world's best. The two pension systems have their similarities, as well as some differences. One of the most noticeable differences between the Dutch and Icelandic pension system is that Iceland has mandatory pension accrual for all workers. This contrasts with the Netherlands, where a supplementary pension scheme is non-mandatory for a large part of the working population, especially for entrepreneurs and contractors (non-employees) (hereinafter: 'entrepreneurs').

In the Netherlands, the number of workers (both employees and entrepreneurs) who accrue no or insufficient pension has increased in recent years (partly because of the non-mandatory pension accrual).[2] Recent research by the Dutch Central Bank (hereinafter: 'DNB') shows that 93.8 percent of entrepreneurs in the Netherlands did not accrue pensions in the second pillar in 2020, compared to 12.8 percent of employees. In absolute terms, this means: 882.000 out of the 940.000 entrepreneurs and 814.000 of the 6.330.000 employees. The entrepreneurs did hardly compensate for this in the third pillar, since only 11 percent accrued a third-pillar pension.[3]

To address the aforementioned insufficient pension accrual, discussions are taking place for years now on how to improve the extent of pension accrual by employees and entrepreneurs.[4] In 2019, the Dutch Government, employers' associations and employees' organizations agreed to, amongst others, come up with a plan to reduce the number of people with no or insufficient pension accrual.[5] To do so, the Minister of Social Affairs and Employment (hereinafter: 'SZW'), among other things, subsequently asked the *Stichting van de Arbeid* (hereinafter: 'Labor Foundation') in 2020 to investigate whether and how existing options such as compulsory retirement, auto-enrollment and/or variable contributions could contribute to improving the extent of pension accrual by entrepreneurs.[6] Since then, much research has been done on possible solutions to the insufficient pension accrual by entrepreneurs.[7]

The agreement from 2019 between the Government, employers' associations and employees' organizations (in Dutch: "*Pensioenakkoord*") finally resulted in the Future Pensions Act, which came into effect as of July 1, 2023. Although the Future Pensions Act was not written specifically to increase pension accrual by entrepreneurs, it does, among other things, include a provision to allow experiments with voluntary affiliation of entrepreneurs in the second pillar. The purpose of this provision is to experimentally determine whether and in what way appropriate pension accrual can be offered to entrepreneurs within the second pillar. Nevertheless, the market is/was still very critical on this experimental provision, mainly because of the uncertainty about the Future

[1] See https://www.mercer.com/our-thinking/global-pension-index.html.
[2] In this study, we will focus on the pension accrual by entrepreneurs.
[3] DNB (2022) and CBS (2022). The figures for years 2021 and 2022 are not yet published, but we do not expect that the percentage entrepreneurs accruing pension in the third pillar will be significantly higher.
[4] See a.o. Labor Foundation (2021); Labor Foundation (2022) and Biesenbeek et al. (2022).
[5] In Dutch: "Pensioenakkoord", see https://www.rijksoverheid.nl/documenten/publicaties/2020/06/22/hoofdlijnennotitie-pensioenakkoord.
[6] Labor Foundation (2020).
[7] See a.o. Biesenbeek et al. (2022) and Starink (2022).

Pensions Act in the past few months. Next to that, in our view the benefits of offering entrepreneurs access to the second pillar are limited. After all, they already have unlimited access to the third pillar.

Thus, in the Netherlands, the increasing number of entrepreneurs who accrue no or insufficient pensions is widely recognized as a societal problem. However, there is less agreement about the solution(s). For example, (most) labor unions want some form of a compulsory scheme, while insurers state that third-pillar products can provide relief. Meanwhile the industry-wide pension funds are looking for ways to retain entrepreneurs in their fund.

The problem of no or insufficient pension accrual by entrepreneurs does not exist in Iceland, because of, among others, the mandatory pension accrual for all workers. This is mainly due to entrepreneurs having to report their presumptive wage income for tax purposes, which is the basis of their monthly pension contribution. Only in the case of tax avoidance or evasion entrepreneurs could end up with a lower second and/or third pillar pension income when they retire.

In this paper we will describe the pension systems in the Netherlands and Iceland and compare them from a legal, tax and economic perspective, to come to recommendations for both the Netherlands and Iceland. Due to mandatory pension accrual for all workers in Iceland, the Icelandic system can be seen as a best practice and serve as an inspiration for the policy reform in the Netherlands. In this paper we use the terms 'entrepreneurs' and 'self-employed' interchangeably. We note that from a Dutch perspective we refer to these terms in the meaning of an entrepreneur working for his/her individual benefit and not via a limited company (in Dutch: an "IB-ondernemer", not a "Directeur-grootaandeelhouder" (DGA)). For the Netherlands the recommendations are aimed at solving the problem of inadequate pension for entrepreneurs who accrue no or insufficient pension. Meanwhile, recommendations for Iceland will focus on amendments to the stringent income testing for the first pillar pensions.

The remainder of this paper is structured as follows. Since this paper is aimed at researching characteristics of the Icelandic pension system that could help to solve the problem of entrepreneurs without sufficient pension accrual in the Netherlands, we start in Chapter 2 with describing the main characteristics of the Dutch and Icelandic labor market for *as far it is relevant for this research*. It means that the description will (mainly) focus on entrepreneurs and is not exhaustive at all. In Chapter 3 we describe the Dutch pension system and in Chapter 4 the Icelandic pension system. Regarding the Dutch system, we will (mainly) focus on the relevant parts of the new (as of no later than 2028) pension system. We then compare in Chapter 5 the Dutch and Icelandic pension system. Finally, in Chapter 6 we conclude and make recommendations.

2. The Dutch and Icelandic labor markets

In the past years, the Dutch labor market was characterized by a large increase in the share of entrepreneurs and a significant rise in part-time and flexible work arrangements. These new arrangements have provided people with more opportunities for flexible and/or part-time work, but at the same time raised job and career insecurity.[8] More recently, labor shortages became a problem.[9]

The Icelandic labor market has also been characterized by a rapid growth and increasing demand for labor. This has been met by a continuous and very substantial inflow of migrant labor, especially from Poland and neighboring countries. In contrast to the Netherlands, there is no significant rise in the share of entrepreneurs and flexible work arrangements. There are several reasons for the aforementioned, some of which we explain hereafter.

In this chapter, we will describe the Dutch and Icelandic labor markets – *as far it is relevant for this research.* First, we will discuss the increasing number of entrepreneurs in the Dutch labor market and the insufficient pension accrual by them. Secondly, the Icelandic labor market and the extent of pension accrual by entrepreneurs in Iceland will be described. We end with a conclusion.

2.1 Increasing number of entrepreneurs in the Dutch labor market

The Dutch labor market changed rapidly in recent years. One of the major changes is the increased number of entrepreneurs and part-time workers. Between 2013 and 2022, the total working population increased from 8.267 million in the first quarter of 2013 to 9.330 million in the fourth quarter of 2022. The relative proportion of entrepreneurs increased from 14.11 to 15.55 percent of the total working population (see Figure 1: 'Number of employees and entrepreneurs 2013-2022[10]).

Figure 1: Number of employees and entrepreneurs 2013-2022

[8] Hartog, J. & Salverda, W. (2018) and Commissie Regulering van Werk (2020).
[9] SER (2023).
[10] https://opendata.cbs.nl/#/CBS/nl/dataset/85264NED/table?ts=1676490383071.

In the beginning, most people were (still) positive about the strong increase in the number of flex workers and entrepreneurs. Entrepreneurship would offer the space required to cope with regulatory pressure and escape hierarchy. The Social and Economic Council (hereinafter: 'SER') spoke in 2010 unanimously about a valuable contribution to society and the economy, and therefore to the socio-economic dynamics.[11] Nowadays, however, many workers (both employees and entrepreneurs) and their representatives are less positive because of, among others, the job and career insecurity.

Finally, we like to mention that based on the deregulation assessment employment relationship Act ("DAB Act"), an entrepreneur who has only one customer as employer is generally not regarded as an actual entrepreneur. Instead, they are considered false entrepreneurs/self-employed. However, supervision by the Dutch Tax Authorities will only start from 1 January 2025.[12] This may reduce the number of 'false entrepreneurs' in the future and increase the number of people who (have to) return to work as employees (including a mandatory pension scheme).[13]

2.2 Entrepreneurs without sufficient pension accrual in the Netherlands

In the Netherlands, the number of entrepreneurs who do not accrue any or insufficient pension has increased significantly.[14] Although research by Knoef et al. shows that approximately twenty-five percent of the entrepreneurs - at the household level - had a replacement ratio of more than 100 percent regarding their retirement benefits, there is also a significant group with limited own pension assets.[15]

A recent study by the DNB shows that only 6.1 percent of the entrepreneurs did accrue pensions in the second pillar in 2020, compared to 87.1 percent of the employees.[16] Most of them did not (fully) compensate for this in the third pillar, since only 11 percent of the entrepreneurs accrued a third-pillar pension. Research by Muns and Van Soest shows that the share of entrepreneurs with no pension accrual varies across different groups. For example, first-generation immigrants are a vulnerable group. A quarter of this group that works has a low expected pension (108,000 self-employed and 145,000 employees).[17]

The study by DNB further shows that for (the majority of) entrepreneurs other forms of wealth accumulation do not compensate for the insufficient pension accrual. For example, the (average) entrepreneur has approximately over 100,000 EUR in net assets in their home, while the (average) employee has just over 60,000 EUR.[18] In this regard, it is notable that entrepreneurs who do not accrue a pension in the second pillar have about double net home equity compared to entrepreneurs who do accrue a pension. Therefore, one could argue that the higher net home equity could act as a substitute for the insufficient pension accrual by entrepreneurs. However,

[11] SER (2010).
[12] Kamerstukken II 31311, nr. 246 (2022, 16 december).
[13] Labor Foundation (2020).
[14] CBS (2022) and DNB (2022).
[15] Knoef et al. (2015); DNB (2022) and Biesenbeek et al. (2022).
[16] CBS (2022) and DNB (2022).
[17] Muns & Van Soest (2023).
[18] DNB (2022).

because of the lower liquidity of home equity, it may not in all cases serve as a substitute for pension assets.[19]

Furthermore, according to van Dalen et al., a lack of confidence in insurers and banks among entrepreneurs and high costs also play an important role in the insufficient pension accrual.[20] The research by Van Dalen et al. shows us that entrepreneurs' trust in pension funds, the government and banks/insurers is lower than that of employees.[21]

In addition, the pensionable base for entrepreneurs currently differs from that of employees since for entrepreneurs it is based on the previous year instead of the current year. For entrepreneurs who were previously employees, this means that they often cannot accrue pensions in the third pillar in their first year of being an entrepreneur, because they often still accrued sufficient pensions through their employer in the second pillar in the previous year.

Finally, in literature, several other reasons have been cited for the insufficient pension accrual by entrepreneurs.[22] In the Netherlands, for example, there is a large difference in marginal tax burden between entrepreneurs and employees. The entrepreneurs pay less tax and social security contributions than employees. Due to the lower tax burden for entrepreneurs than for employees, the effect of the pay-as-you-go system (in Dutch: "*omkeerregel*") only becomes apparent when the entrepreneurs' income is higher. The unequal tax treatment of employees and entrepreneurs contributed (partly) to the increase in the number of entrepreneurs workers.[23] This also increased (partly) the number of people who accrue no or insufficient pension because they are often not required to participate in a second-pillar pension plan and, at the same time, usually do not compensate for this by voluntarily building up a pension in the third pillar.[24]

2.3 The Icelandic labor market: total workforce

The labor market in Iceland has developed differently from that of the Netherlands. The share of employees and entrepreneurs has remained roughly constant over the past twenty years. The group of entrepreneurs is very widespread between sectors in Iceland (and consists of professions like doctors, lawyers, owners of small businesses, consultants etc.). In 2003 the share of entrepreneurs compared to the total workforce was 14.3% and then fell gradually to 12.7% in 2021 (see Figure 2: Labor market participants 2003-2021 ISL).[25] One explanation for the decrease is that the labor market in Iceland is flexible when it comes to terminating employment contracts. Therefore, there is little to no incentive for employers to classify employees as self-employed contractors. This – in our view - can partly be seen as an explanation for the constant proportion of the self-employed over the past twenty years.

[19] DNB (2022)
[20] Van Dalen et al. (2022)
[21] Van Dalen et al. (2022)
[22] See a.o. Starink (2022) and Biesenbeek et al. (2022)
[23] Linden, van der (2020a) and Linden, van der (2020b).
[24] DNB (2022).
[25] Statistics Iceland (2023)

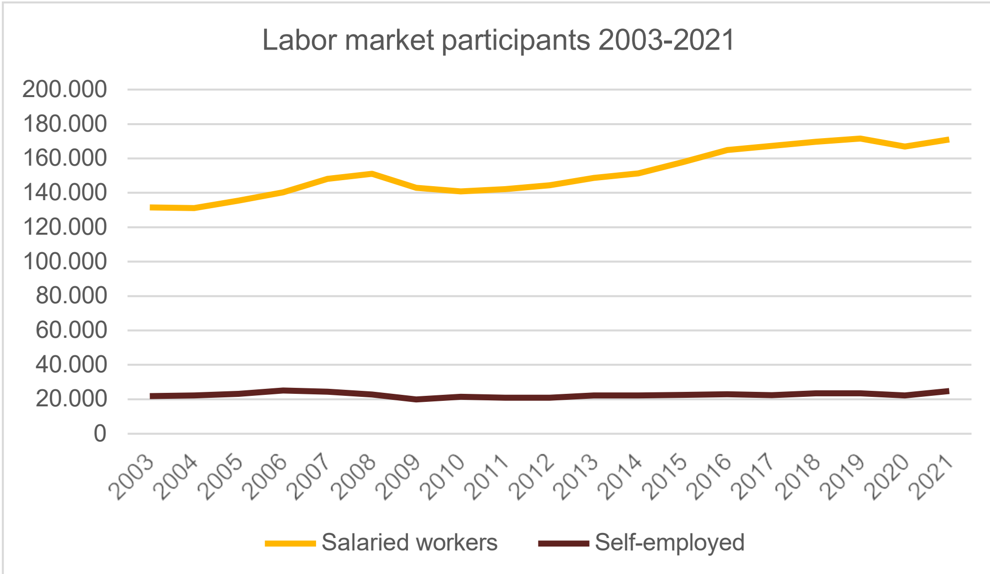

Figure 2: Labor market participants 2003-2021 ISL

In contrast to the Netherlands, the Icelandic labor market is not characterized by an increase in the number of self-employed. The main development in Iceland, on the other hand, has been the influx of immigrants, mostly from Eastern Europe. The share of immigrants in the total population was only 6.6% in 2012 and has increased since then to 14.6% at the beginning of 2022.[26] The largest share of the immigrant group (38.9%) came from Poland; other countries are Lithuania (8.2%), Latvia (4.2%) and Romania (4.1%).[27] The main cause of the immigration is the expansion of the tourism industry during recent years. This industry expanded rapidly in the years before COVID and the associated construction boom. Therefore, the most immigrants tend to work, primarily as employees, in the tourism sector, followed by the construction sector and fishing industry, in jobs that were/are difficult to fill with the indigenous population.

2.4 The pension accrual by entrepreneurs in Iceland

In Iceland, entrepreneurs are mandated to report their "own" or "calculated" wages for tax purposes. These wages are then used by the Iceland Revenue and Customs authority (hereinafter: 'IRC') to calculate income tax and pension contributions. Both employees and entrepreneurs must pay (at least) 15.5% (2023) of monthly earnings in contributions. Thus, entrepreneurs are legally obliged to participate in a second-pillar pension plan. However, the entrepreneurs may avoid paying income taxes through tax avoidance because taxes on capital income are lower than on wage income, which then has the effect of reducing their pension contributions and future pension income.

Immigrant workers are also legally obliged to pay pension contributions. In some cases, the immigrant workers are recruited by job agencies, advertising in their home country and then matching them with jobs while getting a markup on the wage for their services. In these cases, the pension accrual can be adversely affected. In both the case of entrepreneurs and immigrant

[26] Statistics Iceland (2023).
[27] Statistics Iceland (2023).

workers, the share of wages in income is lowered and the share of capital increased with an effect on pension accrual. The difference is that the tax-evading entrepreneur is both the capitalist and the wage earner while the immigrant workers are exploited by the companies that sponsor them.

In contrast to the Netherlands, discussion about adjusting the retirement age and pension income and premiums to differences in life expectancy are just starting and have been limited in the past.

For example, many higher-income individuals have considered the 15.5% pension contribution to be too high for collective pension schemes and have pressed for more flexibility, allowing them to steer a portion of the contribution into third pillar pension products. The outcome of discussions/negotiations between stakeholder groups and Parliament was a clause in the Pension Funds Act (effective as of 1. January 2023) allowing individuals to choose to divert up to 3.5% into third pillar type pension products. If they do not submit such instructions, the full contribution (15.5%) will go into the collective second-pillar scheme.

Despite some dispute about, i.e. the amount of the premium, there is uniform support among workers, both employees and the self-employed, as well as employers in Iceland for the second-pillar mandatory pension accrual. A recent survey of the general public showed strong support for pension funds in general. However, the mandatory aspect was not specifically addressed[28], It should be noted that the survey showed an overwhelming support for paying contributions into third pillar voluntary pension products. This may even be a better indicator of the support for the concept of pension savings.

In short, due to the mandatory pension accrual in Iceland, there are no employees and/or entrepreneurs with no or insufficient pension accrual since everyone is legally obliged to pay into the second pillar. Entrepreneurs pay their contributions directly to the pension fund. As described above, entrepreneurs are mandated to report calculated wages to the IRC, which then monitor compliance. The authorities regularly publish their updated rules on the level of such calculated wages.

However, there are also individuals who are entrepreneurs who create limited liability companies and charge for their services through these companies. They can then decide to limit their wage income from the company to the level specified by the authorities. This would make it possible to leave some of the income from services rendered as profits, which would be paid out as dividends without corresponding contributions into the second-pillar system (see Box 1: Example of a craftsman[29]). There are several possible reasons for such avoidance. First, the perceived injustice of income testing of the first-pillar pension may encourage entrepreneurs to attempt to avoid paying into the second-pillar system because they anticipate that this will not raise their retirement income measurably due to lower the first-pillar pension income.

[28] The survey question read as follows: *Do you agree or disagree with the following statement: I think the pension funds are a good thing.* Entrepreneurs/self-employed are likely to be fairly represented in the sample but the survey data do not differentiate between employees and self-employed.
[29] The conversions from the Icelandic Krona to Euros are an approximation made on March 18, 2023.

Box 1: Example of a craftsman

According to the regulation on the presumptive wages, a craftsman (e.g., carpenter, electrician, plumber) who works alone and does not bill for more than double annual wages (including costs other than own wage) must report wage earnings at a minimum of 595,000 ISK monthly. If we assume that the total billed revenues are double that amount, i.e., 1.190.000 ISK monthly then the craftsman can increase his disposable income by 11% by steering his income through a limited-liability company where he is the single shareholder rather than reporting all his income on his private tax return.

	Limited company		Private tax return
Total revenues	1,190,000 (+- € 8,000)		1,190,000 (+- € 8,000)
Presumptive wage	- 595,000 (+- € 4,000)	Wage	985,040 (+- € 6,500)
Pension contributions	- 127,925 (+- € 850)		- 211,784 (+- € 1,400)
Wage tax and related	- 43,478 (+- € 300)		- 71,979 (+- € 475)
Total other taxes	- 306,911 (+- € 2,000)		- 265,920 (+- € 1,800)
Disposable income	**711,686 (+- € 4,850)**		**640,317 (+- € 4,325)**

The craftsman has increased his disposable income by 11%, but he has paid 50% less in pension contributions and wage tax and related contributions to social security programmes. The state, however, has received higher income and capital gains taxes, thus receiving increased revenues now but might have to pay higher first-pillar pensions to the craftsman in the long run.

The above calculations are based on a craftsman billing at common rate in his field. Should the craftsman be able to charge a 25% higher rate, due to his particular skills and reputation, his disposable income will increase by 16% if he steers his income through the limited company instead of the 11% previously calculated. This is partly because he avoids having some of his income fall into the highest tax bracket.

In effect, the income testing for first-pillar benefits acts like a tax on second-pillar savings. The flexibility to decrease the pension accrual in the second pillar in order to prevent the first pillar from being lowered is only available for entrepreneurs. The employees only have flexibility when it comes to paying into the third-pillar system but since the income testing omits any withdrawals – which consist of deferred wage income and interest income – from the third-pillar system, the income testing does not act as a tax on third-pillar savings and does not distort the decision whether to pay into that system.

The second reason for avoidance is because the personal tax system is progressive when it comes to wage income while capital income is taxed at a flat rate. Entrepreneurs can reduce their tax burden and pension contribution by paying themselves dividends from their limited liability companies instead of only receiving wage income, just like in the Netherlands. Finally, if entrepreneurs do not have confidence in the second-pillar system because of fears of financial crashes or management mistakes, they may prefer minimizing pension contributions and increasing their own voluntary savings. Savings are also more liquid and can be drawn on to meet unexpected expenses.

2.5 Conclusion

The Dutch and Icelandic labor markets show a lot of similarities, but also some major differences. In the Netherlands, the number of entrepreneurs has been increasing for years, while in Iceland has fallen somewhat. Due to the mandatory pension accrual in Iceland entrepreneurs do not have insufficient pension accrual unlike in the Netherlands. However, in Iceland, there is public criticism about the first pillar which focuses on the stringent income-testing.

3. The Dutch pension system

In this section we will first describe the three-pillar system in the Netherlands. Subsequently, in Section 3.4, we will describe some proposed changes to the Dutch pension system, that should contribute to improving the number of entrepreneurs who will accrue pensions. Finally, in Section 3.5 we conclude. The Icelandic pension system will be discussed in Chapter 4.

3.1 The first pillar: state pension

The first pillar comprises of the General Old-Age Pensions Act (‘AOW’), which came into effect in 1957. The AOW offers everyone who lived in the Netherlands and/or who has been subject to wage tax regarding employment performed in the Netherlands a (monthly) basic income (‘state pension’). Residents of the Netherlands build up 2% of their state pension every year, for fifty years, until reaching the statutory retirement age.

The state pension is funded by means of the so-called 'pay-as-you-go' system (hereinafter: ‘PAYG’) and through contributions from the national government. Those who are liable to Dutch wage taxation pay 17.9% of their income up to a maximum of € 37.149 in premiums for the state pension (2023). The maximum annual AOW-premium is therefore € 6.650. For the sake of completeness, we like to mention that one is also entitled to state pensions if no contributions are paid. For example, because one has never earned taxable income, but lived in the Netherlands for at least one year. If one is living and/or working abroad (temporarily) and no longer accrues state pensions, there is a possibility to voluntarily continue the insurance for the AOW.

The state pension is not income related and not means tested. The monthly amount depends on whether he/she lives alone or cohabits, as well as the number of eligible years. The (monthly) payment is adjusted annually in line with the development of the statutory minimum wage and increased by 10.15% per 1 January 2023 and again by about 2% per 1 July 2023.[30] The monthly net amounts as of July 1, 2023, are as follows: € € 1.378,98 (for someone who lives alone), € 939,24 (for someone who cohabits). Payments start at the statutory retirement age (2023: 66 years and 10 months), which is linked for 2/3 to the average life expectancy in the Netherlands. The state pension is provided by the social insurance bank (hereinafter: ‘SVB’), which is part of the national government. In 2021 the Dutch government paid out more than 43 billion euros (5.0% of GDP) in AOW benefits, compared to 35.8 billion euros (5.2% of GDP) in 2015.[31] In October 2022 a total of 3.580.000 million people (20 percent of the total population) received a state pension, compared to 3.371.730 in December 2015 (19.95 percent of the total population).[32] It is expected that the cost of the state pension will rise further because of higher life expectancy and an increasing numbers of people retiring in the coming years. To keep costs manageable, the statutory retirement age will increase incrementally in the future.[33] Based on the expected life expectancy, the statutory retirement age will rise as follows (see table 1).

[30] Budget Social Affairs and Employment (2022) and https://www.svb.nl/nl/aow/bedragen-aow/aow-bedragen.
[31] See: https://www.cbs.nl/nl-nl/longread/diversen/2021/overheidsfinancien-2020?onepage=true.
[32] See: https://www.cbs.nl/nl-nl/cijfers/detail/84943NED.
[33] Kamerstukken II 32 163, nr. 57. (2022, 9 november). Verhoging AOW-leeftijd. Brief van de minister voor Armoedebeleid, Participatie en Pensioenen. URL: https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2022Z21418&did=2022D46305.

Year	Statutory retirement age
2023	66 years and 10 months
2024	67 years
2025	67 years
2026	67 years
2027	67 years
2028	67 years and 3 months

Table 1: Retirement age 2023-2028[34]

3.2 The second pillar: employer's pension

The second pillar consists of employment related pension benefits. Unlike the first pillar, this pillar is employment and income related.

Employers and employees pay a predetermined percentage of the pensionable salary to a pension fund, insurance company and/or premium pension institution to which the employer is affiliated. Part of the premium is usually paid by the employee by withholding it from their pay slip. Entrepreneurs who (voluntarily) build up a pension in the second pillar because they previously accrued their pensions as an employee in that specific pension plan have to pay the full premium themselves. The maximum salary that is eligible for accruing pension benefits with tax facilitation is € 128.810 (2023).[35] Those who are entitled to and/or accrue a state pension, do not accrue supplementary pension on the corresponding part of their salary, the so-called AOW-offset. The AOW-offset is the part of the salary which is not eligible for pension accrual (2023: € 16.322).

Pension accrual is tax facilitated via the EET-system[36], which means that contributions are deductible, returns on assets are exempted and the payments are taxed during the distribution phase.[37] The maximum tax facilitated premium is 30% of pensionable salary (as of 2028). As of 2028 all pension accrual in the Netherlands is based on a defined contribution system. The monthly payments usually start the day someone reaches their statutory retirement age. However, it is also possible to retire earlier or later.

Pension accrual in the second pillar is not mandatory. Employers are not obliged by law to offer a pension plan. However, if an employer offers a pension plan to (a certain group of) its employees, it is obliged to also offer this to new employees, unless these employees do not belong to the same group of employees. The Minister of Social Affairs and Employment may also determine that participation in a pension fund for employers and their employees within a certain sector is mandatory. Furthermore, it is also possible that a collective labor agreement (hereinafter: 'CLA') may include the obligation that employers have to offer a pension plan to its employees – via either a pension fund, insurer, or premium pension institution.

[34] Article 7a AOW. See also: https://www.rijksoverheid.nl/actueel/nieuws/2022/11/09/aow-leeftijd-in-2028-met-drie-maanden-omhoog#:~:text=De%20AOW%2Dleeftijd%20bleef%20daarom,met%20ongeveer%20een%20maand%20toe.
[35] Article 18ga Wage Tax Act 1964.
[36] The EET-system is an abbreviation for 'Exempt-Exempt-Taxed'-system.
[37] Starink (2022), section 3.1.

Entrepreneurs in general do not have access to the second pillar. However, for some entrepreneurs, it is possible to accrue pension in the second pillar on a voluntary basis, while for others its mandatory based on a general binding declaration or CLA. In principle, the entrepreneurs lose access to their second-pillar pension scheme - if they are no longer employed. However, certain entrepreneurs may choose, under certain conditions, to voluntarily continue their pension scheme. This voluntary continuation must start within fifteen months after termination of the employment contract(s) and the application must (currently) be made within nine months. The Future Pensions Act proposes to extend these nine months to three years. The possibility to continue to accrue pension must be included in the pension agreement.[38] This pension contribution is currently tax-deductible for up to seven years but will soon be tax-deductible for ten years.[39]

In 2020, only 6.1% of entrepreneurs were enrolled in a second-pillar pension scheme.[40] In, among others, the health care industry (27 percent) and construction industry (10 percent) a substantially larger percentage of entrepreneurs accrued a pension (compared to other professions). This is mainly due to occupational or industry-specific mandates.[41]

In the Future Pensions Act, experimental legislation is included which (should) make it possible for entrepreneurs to voluntarily participate in second pillar pension plans. The experimental legislation will be evaluated within five years after implementation. In addition, as of (expected) 1 January 2024, it will be possible to withdraw up to 10% of the accrued retirement pension in one lump sum.

Currently, there are about 173 pension providers in the Netherlands (2012: 414; 2015: 319, see Figure 3 for an overview of the number of entrepreneurs and employees per type of pension provider)[42]. Due to reforms and cost savings, this number is expected to further decline in the coming years. There are different types of pension funds such as company pension funds, industry-wide pension funds and occupational pension funds. A company pension fund works for one company or a group of companies. Examples are SHELL pension fund and Unilever pension fund. An industry-wide pension fund services all employers in a specific industry, like the public sector, the metal industry or the construction industry. Participation in those funds is often mandatory. The final category are occupational pension funds. These are set up for a certain occupation like doctors or pharmacists. If companies are not obliged to join an industry wide pension fund and do not have an own company pension fund, they can also choose to go to an insurance company or premium pension institution (hereinafter: ‘PPIs’). There are currently around ten insurance companies and six PPIs in the Netherlands.

[38] Recent research by DNB (2022) shows that in 2021 only 32 percent of pension funds offered the option of voluntary continuation.
[39] Article 3.127 Wet IB 2001 (new).
[40] CBS (2022).
[41] DNB (2022).
[42] DNB - public register of pension funds.

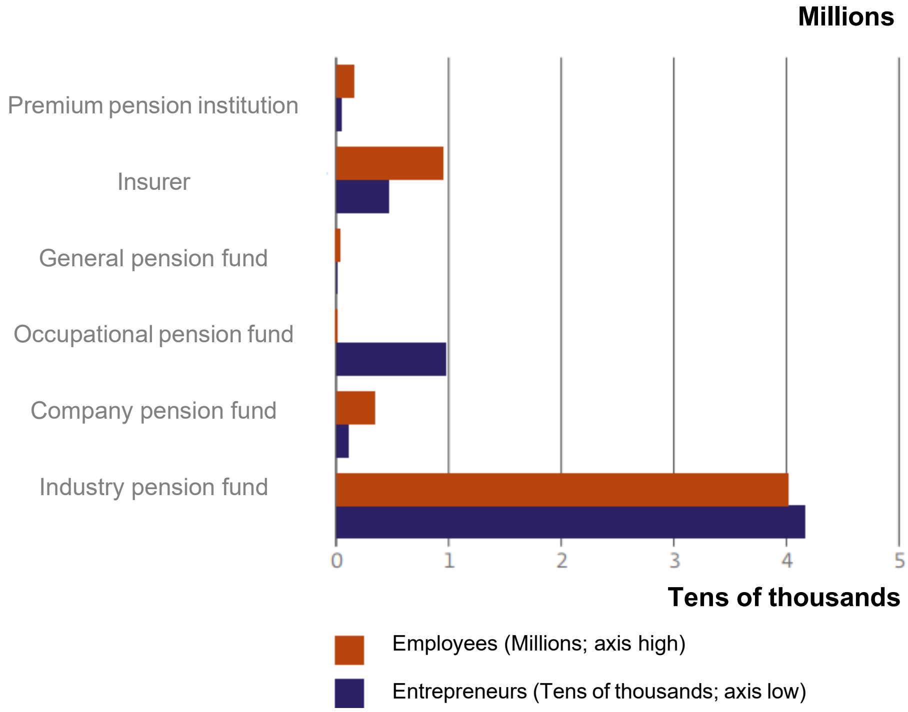

Figure 3: Number of entrepreneurs and employees by type of pension provider[43]

3.3 The third pillar: voluntary pension products

The third pillar comprises of voluntary individual pension arrangements. It includes pension products such as annuity insurances and bank savings products. With the accrued capital people can purchase a monthly benefit as of retirement. Bank savings products are a tax-facilitated form of savings, where the (monthly) savings amount is deposited in a blocked bank account. These savings can only be withdrawn after a certain period and for certain purposes.

The (monthly) tax deductible deposits into these voluntary pension products are made from net income and the maximum premium is 30% of the pensionable salary, like in the second pillar.[44] Tax deduction is only granted if the pension accrual in the second pillar is lower than the fiscal maximum. In addition, unused tax deductions can be used in later years up to a period of ten years. Returns on assets and the payments are taxed during the distribution phase (so-called: 'EET-system' as mentioned in Section 3.2). Those who contribute to the third pillar receive the tax benefit back from the tax authorities afterwards. The (monthly) benefit ultimately can be a lifelong annuity (insurance) or a temporary payment – with a minimum of twenty years directly after reaching the statutory retirement age.

[43] Based on Figure 9 in DNB (2022).
[44] Article 3.130 Income Tax Act 2001.

3.4 Some proposed changes to the Dutch pension system

Several proposals have been made in recent years to improve the level of pension accrual by entrepreneurs. We set out two of these proposals below.

Option 1: Mandatory pension accrual

In the Netherlands, we have to some extent a kind of mandatory pension accrual for employees, meaning for those covered by a CLA with a mandatory pension fund. Nevertheless, there is still a large group that does not sufficiently accrue pensions. Mandatory pension accrual for all workers has therefore been proposed by various parties, such as the Labor Foundation.[45] However, to this day, that plan does not yet enjoy sufficient political support. Although there are some political parties that seem to be changing their minds.[46]

Option 2: A uniform capital-funded basic scheme

Starink argues for the introduction of a uniform capital-funded basic scheme in the first pillar. This pension scheme should be accessible to all workers and participants should be able to choose the (pension) provider themselves, as in the case with health insurance. The monthly deposit should be a fixed percentage – for example 10% - of the income, whereby the levy of the premium could go via the tax return and therefore via the Dutch Tax Authorities. The uniform capital-funded basic scheme should only be mandatory for workers who do not accrue any or insufficient pension in the second and/or third pillar.[47]

3.5 Conclusion

The Dutch three pillar system has its strengths and weaknesses. Improvement can be made on the level of pension accrual – regardless in which pillar – for entrepreneurs. Mandatory pension accrual can perhaps solve this issue. Since Iceland has such a system, we are keen to learn from that.

[45] Labor Foundation (2020).
[46] Labor Foundation (2022).
[47] Starink (2022).

4. The Icelandic pension system

The pension system in Iceland consists of three pillars. The first pillar is the state pension, the second pillar consists of funded private pension funds and the third pillar consist of voluntary savings paid to a pension fund, banks, or insurance companies.

4.1 The first pillar: state pension

The first pillar is intended to provide insurance against old age poverty, 'PAYG' and financed through taxation. The pension benefits are means tested so that 45% of other income, like private pension benefits, wage income and capital income, are deducted from the state pension (with limited exemptions depending on the source of income). For example, the first 200.000 Icelandic krona (hereinafter: 'ISK') (approximately 1.300 euros) in monthly wage income are exempt from the deduction, whereas the deduction limit is at 25.000 ISK (approximately 175 euros) for second-pillar pension income.

Eligibility depends on having lived in the country and not on having paid taxes. An individual who has been a resident in Iceland for 40 years has full benefits while someone having lived in the country for less than three years receives no benefits. There is a minimum level of benefits to those without any other source of income: 307.829 ISK (approximately 2.000 euros) monthly and an additional 77.787 ISK (approximately 500 euros) for those living alone. The accrual is linear so that each year of residence up to 40 years gives the same increase in first-pillar pension, which is 2.5% of the full benefits.

The statutory retirement age is 67 years although it is possible to start receiving first-pillar benefits at age 65, but they are lower, or postpone up to the age of 80, and then receive higher benefits. It is not possible to start receiving the state pension without starting to receive benefits from one's private pension fund (the second pillar) simultaneously. Moreover, it is possible to collect half the benefits and continue in a part-time job. As described above, people living alone are eligible for a supplement. Furthermore, the state pays the disability pension. In the past years, there has been no gradual increase in the statutory retirement age, although this is being discussed.

The IRC collect a social security contribution (wage tax), paid by employers, and this revenue goes partly to the Social Insurance Administration, which provides insurance against poverty in old age. Total old-age pension cash benefits in the first pillar have since the first pillar restructuring in 2017 remained at approximately 3% of GDP, which is very low in an international comparison. For the Netherlands, such expenditures have been above 5% of GDP during the same period. It should be noted, though, that Iceland has a smaller elderly population than nearly all developed countries.

4.2 The second pillar: employers' and entrepreneurs' pension

The second pillar consists of occupational private pension funds and provides insurance against unexpected longevity, as well as disability and survivor risk. Every employee of a firm, both private and public sector, is by law required to pay contributions to a pension fund. With a change in the Pension Savings Act effective as of the 1. January 2023 employees and their employers have to pay (at least) 15.5% of monthly earnings in contributions (old: 12%), which are not taxed. Employees pay 4% out of their wages and employers pay 11.5%. The entrepreneurs must report their 'own' wage income – given by rules set by the IRC – and then pay 15.5% of the calculated "presumptive" wage income into a pension fund. The companies or individuals who have hired the entrepreneurs as contractors do not pay anything to the pension funds; the entrepreneurs are responsible for paying the contributions themselves, as described above. Hereafter, we elaborate on the method of determining the pensionable income of entrepreneurs in more detail.

As mentioned above, entrepreneurs are mandated to declare their presumptive wage so their earnings can be divided into profits and wage income. Each year, the tax authorities publish 'new' tables with presumptive wages for different professions on the basis of which the pension premiums can be determined, as these are not paid from the profit. As discussed in this report, the entrepreneurs may want to limit their wage income to the amount ('presumptive wage') mandated by the tax authorities because of (1) a higher tax rate (which is also progressive) on wage income than on profits (which is flat), (2) the illiquidity of pension savings and (3) the means testing of the first pillar system.

The Pension Funds Act stipulates that the minimum pension accrual in second-pillar pension funds shall be on average 1.8% of wages over a contribution period of forty years. This translates to 76% of average work life wages (not of last-earned salary). However, because pension contributions are not paid out of profits, presumptive wage increases the current disposable income. It follows that the pension income of the entrepreneurs is usually lower than their earnings during working life, which consisted of both wages and profits. However, since the presumptive wage is comparable to what they would have earned as employees, their pension income should be at least 70% of what they would have earned as salaried employees. For individuals with second pillar pensions below average income this will be supplemented by first-pillar old-age pension. Many entrepreneurs/self-employed with higher income in work life may not be eligible for first-pillar pension (due to income-testing) but their after-tax disposable income would be above average anyway.

Entrepreneurs can choose from 12 of the total 21 pension funds in the country and then arrange for the monthly contribution to be transferred to a pension fund of their choice. Most pension plans within the second pillar offer full retirement benefits at age of 67 (some at 70), with early retirement allowed from age of 60 (some from 62 or 65) and delayed retirement allowed until age of 80. The pension funds also provide disability pension as well as a pension for the surviving spouse and young children. The accrued retirement rights by someone are not inherited by the surviving spouse or children.

The pension accrual by entrepreneurs in the second pillar works as follows. As mentioned above, entrepreneurs must declare as wage income an amount comparable to the remuneration they would receive if similarly employed by an unrelated person (hereinafter: ‘presumptive wage income’). When revenues fall short of the presumptive wage income, the entrepreneur can file a formal request to the IRC to lower it and hence taxes and pension contribution based the presumptive wage income. Various taxes and contributions are calculated from the presumptive wage income (by law): Withholding income tax (31.45% - 46.25%) minus personal tax credit, wage tax (6.35%), mandatory second-pillar pension fund contributions (4% from the employee and 11.5% from the employer), vocational rehabilitation fund contribution (0.1%) and, if applicable, elective contributions to third-pillar personal pension plans (see Chapter 4.3). The IRC monitors adherence to the rules through its extensive data collection system (with monthly withholding tax payments and annual tax returns as its main components, supported further by annual contribution details collected from all pension funds and other pension product vendors). When the annual tax assessment has been made at the end of May for the previous year´s income, the IRC will initiate collection proceedings for unpaid pension contributions. Thus, in principle, entrepreneurs will accrue pension entitlements equivalent to those of similarly employed persons. In principle, it is not possible to avoid this. Tax evaders will not be able to accrue pension entitlements within the second- or third-pillar pension schemes. If entrepreneurs were to attempt to pay pension contributions while not declaring their taxable income to the authorities, the tax evasion would be detected through the annual pension contribution reports to the IRC.

As in the Netherlands, pension accrual in second and third pillars is tax facilitated via the EET-system, which means that contributions are deductible, returns on assets are exempted and the payments are taxed during the distribution phase.

4.3 The third pillar: voluntary pension products

In Iceland, just like the Netherlands, the third pillar is optional. The Pension Savings Act only allows registered pension funds to offer second pillar occupational pension savings, but third pillar pension savings can be offered by both Icelandic pension funds, as well as banks, asset management firms and insurance companies, both Icelandic and those domiciled within the European Economic Area, the European Free Trade Area and the Faroe Islands. The occupational pension funds, banks and insurance companies offer pension products with various investment strategies.

Third pillar pension savings products are offered by twelve pension funds (out of twenty-one), all the Icelandic retail banks and savings banks and two German insurance companies (Allianz and Versicherungskammer Bayern) through Icelandic agencies. Market share in assets under management at year-end 2021 was: pension funds 67.2%, banks 26.1% and German insurance companies 6.7%, whereas market share in contributions and transfers was: pension funds 53.6%, banks 29.9% and German insurance companies 16.5%.

For comparison, total assets at year-end 2021 were 6,032 Billion ISK in the second pillar and 1,051 Billion ISK in the third pillar (85.2% vs 14.8%) and total contributions/transfers were 249 Billion ISK in the second pillar and 89 Billion ISK in the third pillar (73.6% vs 26.4%).

All major labor agreements require the employer to pay a matching contribution if the employee elects to contribute. The employee pays 2 to 4% (4% being the maximum tax-deductible contribution) of his or her pre-tax earnings, which is matched by another 2% paid by the employer. The ceilings for tax-deductible contributions for both employee and employer are set in the Icelandic Income Tax Act. From age 60 onwards, people can withdraw all the accumulated savings with full flexibility (lump sum, occasionally or a regular drawdown). The savings are then taxed at the applicable income tax rate. Tax rates are not age-dependent and pension income is taxed at the same rate as wage income. If someone dies before age 60 or after age 60 before he or she has depleted her third-pillar savings, the remainder goes to the surviving spouse and children, as any other asset. And if a person becomes disabled before the age of 60, he or she can get access to the third-pillar pension savings.

Third pillar-funds do not provide insurance against longevity. Instead, they are intended to ease transition into retirement as well as to increase national saving. In exceptional circumstances, such as following the financial crisis of 2008 and the Covid-19 recession, the authorities did allow people under the age of 60 to withdraw from their third-pillar savings. Thus, the third-pillar system is, or can be made, more liquid in times of crisis than the second-pillar system. A temporary permission to use third-pillar savings to pay mortgage debt was introduced in 2014 and should have expired in 2017. The withdrawals are income tax exempt and therefore an attractive solution for homeowners. This permission was part of a programme to compensate homeowners who had suffered high inflation increases in their mortgages following the financial crisis in 2008. However, the permission has repeatedly been extended, in part as a response to the economic effects of the Covid-19 pandemic and will now expire in 2023. There is a cap on such payments, 500K ISK (approximately € 3200) for single individuals and 750K ISK (approximately € 4800) for couples. Statistics show that homeowners have widely used this option, especially those in high-income brackets. A variant of this programme has been developed, focusing on first-time homebuyers. They are allowed to use third-pillar savings up to ten years, with the same caps as described above and income tax-exempt. This programme is permanent, not temporary. People who have previously been homeowners can regain their first-time status if they do not own a home for five years running.

The popularity of tax-exempt withdrawals to pay mortgage debt may explain the increasing number of individuals electing to pay contributions to third-pillar pension savings, up from 53.6% in 2017 to 57.8% of all individuals paying pension contributions to second-pillar funds in 2021. This tax incentive is likely to encourage the self-employed to report a higher share of their income as wages and pay maximum pension contributions to second- and third-pillar schemes, instead of maximizing the capital income and paying lower pension contributions.

4.4 Some remaining issues in the Icelandic system

Even though Iceland has been listed worlds' best pension system on the Mercer CFA Institute Global Pension Index since 2021, there are still issues that can reduce the willingness of the self-employed to pay pension contributions, as they perceive the income-testing and taxation practices to be unfair.

One issue is that due to stringent income-testing in the first-pillar system, the second-pillar system is in effect making investments for the government. However, while individuals may begrudge not being significantly better off after paying into their second-pillar pension fund for decades, the societal benefits are clear. The funded second-pillar system generates higher national savings, which generate either greater domestic investment or larger foreign investments. Thus, at the macroeconomic level there are clear benefits from a system with generous second-pillar benefits from a funded system, which insures against longevity, and an unfunded first-pillar system with stringent income-testing, which insures against poverty in old age. Nevertheless, individuals do not perceive this macroeconomic benefit and are told that they have a good pension system but at age 70 many of them discover that the state takes around 75% of their second-pillar pension income by reducing the first-pillar pension and taxing their second-pillar income. This applies to people whose second-pillar pension is below or close to the median wage among the working-age population.

Another issue is the tax rate which is applicable to the second-pillar pension income since capital income is taxed at a lower rate than wage income. The top income tax rate is 46.25% (lowest rate being 31.45%), while the tax on capital income is 22%. A justification for the current arrangement is that the government is in effect deferring taxation, which entails delayed income, and sacrificing the returns to public investment. But this only applies to the deferred tax, which suggests that the return to the pre-tax income should be taxed at 22%, the tax on capital income.

4.5 Conclusion

Although there are no groups in Iceland with no or insufficient pension accrual, the Icelandic pension system also has its shortcomings. For example, the means-tested first pillar and way of taxation in the second pillar are considered unfair. As discussed in the report, the main sources of discontent evolve around the means testing of the first-pillar system, which deprives retirees of the full benefits of their second-pillar savings. Voices of discontent are heard mainly from those who have recently retired and discovered that their benefits from second-pillar savings are lower than expected. Iceland's pension system has several differences with that of the Netherlands, such as a free choice of pension provider and employers or clients are obliged to match the payment by employees and entrepreneurs into a third-pillar product with a certain percentage.

5. Comparison from a legal, tax and economic perspective

The pension systems in the Netherlands and Iceland have their differences and similarities. In this chapter, we will compare certain components of the Dutch and Icelandic pension systems – *as far as it is relevant for this research*.

Table 2: Comparison of the first pillar

	Netherlands	Iceland
First pillar		
What	General Old Age Pensions Act (“AOW”) / State pension	State pension
Eligibility	Everyone who lived in the Netherlands and/or who has been subject to wage tax regarding employment performed in the Netherlands	Having lived in the country and not on having paid taxes
Accrual	2% every year for fifty years until reaching statutory retirement age, also if someone only lived in the Netherlands for just one year.	2.5% per year for forty years (full benefits). Someone who lived less than three years in Iceland receives no state pension.
Financing	Pay-as-you-go system and contributions from the government	Pay-as-you-go system and contributions from the government
Statutory retirement age	66 years and 10 months (2023)	67 years although possible to start earlier or postpone
(Monthly) amount	€1,353.11 (single people) € 920.98 (married people) per month	Minimum of 307.829 ISK (+- € 2.0000) for someone without any other source of income (i.e. second pillar) and an additional 77.787 ISK (+- € 500) for those living alone.
Other	*Not* income-related and not means-tested	Income-related and means-tested
	Monthly payments start the month reaching the general state pension age	Possible to receive the first-pillar benefits earlier than the general state pension age
	Not possible to receive half the state pension-benefits	Possible to receive half the state pension-benefits and continue in a part-time job

Table 3: Comparison of the second pillar

	Netherlands	Iceland
Second pillar		
What	Employers' pension	Employers' and Entrepreneurs' pension
Mandatory	Often mandatory but can be optional	Mandatory
Accrual	Predetermined percentage of the pensionable salary (can vary between entrepreneurs)	15.5% (11.5% by employers and 4% by employees; 15.5% by entrepreneurs)
Retirement age	Often 68 years, sometimes lower	Most 67 years but some 70 years
Early retirement possible	Yes	Yes
Taxation	EET	EET
Other	(as of 1 January 2024) possible to withdraw a maximum amount of 10% of the accumulated pension capital, withdrawals are taxed	See 'other' within table 4 for the comparable option

Table 4: Comparison of the third pillar

	Netherlands	Iceland
Third pillar		
What	Voluntary pension products	Voluntary pension products
Mandatory	Optional	Optional
Products	Annuity insurances and bank saving products	Various products
Other	Free choice how to spend the amount received by an employer	Matched by the employer, i.e. an employee pays 2 to 4% (4% being the maximum tax-deductible contribution) of his or her pre-tax earnings, which is matched by another 2% paid by the employer.
	See 'other' within table 3 for the comparable option	Possible to use third pillar savings to pay off mortgages, withdrawals are tax-exempted

6. Recommendations

In this paper we showed that the pension systems in the Netherlands and Iceland have there similarities and differences. In Chapter 5 we have come to several comparisons *which are relevant for the purpose of this research.* Based on these comparisons, we arrive at the following four recommendations for the Netherlands. In our view, follow-up research should be done into - at least - the following four components.

Recommendation 1: the possibilities for mandatory pension accrual by entrepreneurs
In contrast to the Netherlands, Iceland has mandatory pension accrual for all workers (both employee and entrepreneur). In Iceland a fixed percentage is paid by employees and employers, as well as entrepreneurs. Although there currently seems to be no or insufficient political will in the Netherlands for mandatory pension accrual, follow-up research could be carried out in the future into mandatory pension accrual specifically for entrepreneurs only, instead of all workers (with or without the option of auto-enrollment). Recent research by, among others, the DNB shows that the entrepreneurs accrue no or insufficient pension. They also do not compensate for this in other forms and to date also (still) have few(er) options for pension accrual in the second pillar, in contrast to employees. Research into mandatory pension accrual (in whatever form) could perhaps provide a solution and tackle a large part of the problem of employees and entrepreneurs accrue no or insufficient pension.

Recommendation 2: the possibilities, advantages, and disadvantages of free choice of pension provider
In Iceland, entrepreneurs can choose their own pension provider. However, not all pension funds in Iceland offer the possibility to participate to entrepreneurs, since most of them are related to unions. They are legally obliged to choose among these pension funds. In the Netherlands we do not (yet) have this possibility. In the coming years, exploratory research could be carried out into the possibilities, advantages, and disadvantages of opening up and making it compulsory for entrepreneurs to choose a pension provider. This could and should be done separately from follow-up research into mandatory pension accrual by entrepreneurs.

Recommendation 3: a matching mandatory contribution by the employer cq. client in the third pillar
In Iceland, employers are obliged to match the payment by employees and entrepreneurs into a third-pillar product. As mentioned above, we believe this could be an additional incentive for entrepreneurs to accrue more pension. However, further research should be done into the degree of interest by employers cq. clients and options to oblige employers and/or clients to do so. We see this as some kind of a 'limited' mandatory pension accrual, whereby elements such as the amount of the employer's contribution would have to be discussed.

Recommendation 4: the method of determining wage versus capital income of entrepreneurs

In the Netherlands, entrepreneurs and directors-major shareholders have a different concept of wages. This also means that the method of pension accrual is different. In Iceland, however, all workers must file their income in a similar way. Further research could be done into the method of filling by entrepreneurs in the Netherlands, where lessons could be learned from the Icelandic method.

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