

Dutch government announces emergency wage subsidies to support employers

March 19, 2020

On Tuesday 17 March, the Dutch government announced that it is to introduce a temporary scheme of emergency salary subsidies – also known as “NOW”. The scheme applies to all employers, big and small, whose revenues have been reduced by at least 20% since 1 March 2020 as a result of the Coronavirus outbreak and by the government measures taken to prevent the virus from rapidly spreading.

NOW replaces the current scheme for temporary working time reduction, which has been revoked as of 17 March 2020. After that date, any requests under the revoked scheme will be considered under the NOW eligibility requirements.

Subsidies to ensure full salary payment

On the basis of NOW, employers may be eligible to receive up to 90% of salary costs in subsidies during a three-month period, with the option to renew for another three months. The salary subsidies are intended to enable employers to continue paying full salaries to employees who cannot work, or who work less, because of the coronavirus preventative measures. The subsidy will be conditional on employers continuing to pay full salaries. Subsidies are paid out to employers, rather than as unemployment benefits awarded to employees.

On the basis of the former scheme for working time reduction, the subsidy was limited to no more than 70% of the *maximum daily wage* (as set by the government). As the announcement does not mention this restriction, we assume that the subsidy under NOW will be granted up to 90% of the *employee's current salary*.

Types of employment

The subsidy applies to the salary costs of employees on both temporary and permanent employment contracts and importantly, also to those employees with flexible working hour arrangements, such as zero-hour and “min-max” contracts. Temporary employment agencies can also benefit from the subsidies as they will be able to continue paying agency workers, even if they are not utilised during the term of the subsidies.

Separate support measures exist for self-employed workers.

Conditions for eligibility

The government has announced that the following conditions will apply to requests for subsidies under NOW:

- the employer applicant expects a reduction in its revenues of at least 20% as of 1 March 2020; and

- the employer applicant commits not to make employees redundant on commercial grounds during the period for which the subsidy is provided.

Once it has been introduced, NOW may include additional conditions. As we have mentioned above, it is not yet fully clear whether the subsidy will be conditional on the employer committing to pay 100% of the employee's salary during the term of the subsidy. We will have to await the final wording of NOW to get more clarity on this. As soon as NOW has come into force and is open to applications, we will provide further updates.

Calculation of the subsidy

The amount of the subsidy for each employer is 90% of the salary costs, in proportion to the reduction in revenue due to the coronavirus prevention measures. For example, if the employer expects a 60% reduction, the subsidy will be set at 54% (90% of 60%).

The UWV will pay 80% of awarded subsidies in advance. Actual revenue reductions during the subsidised period will then be determined retroactively. This means that corrections can be applied afterwards.

What do employers have to do to apply for a subsidy?

It is not yet fully clear which information and documents the employer will have to submit as part of the subsidy application. The government has indicated that it is aiming for a light preliminary review in order to facilitate swift pay-outs. After the term of the subsidy has ended, a full review will be conducted retroactively. The employer will have to demonstrate the actual reduction in revenues. Larger companies may need to provide an auditor's report.