

Start-up in the Netherlands?

Insure the risk of sickness absence!

Have you started a new business in the Netherlands? Or do you start a new branch in the Netherlands of a foreign company?

Then it's important to know that in the Netherlands the costs of continued pay, replacement and reintegration of a long-term sick absent employee, can be up to double the cost of his/her regular payroll costs!

That's why most employers in the Netherlands have concluded a sickness absence insurance. In this leaflet we will explain this complex matter further.

1. Financial risks involving sickness absence of employees

In case an employee gets sick, the employer will be confronted with the following (legal) consequences:

- 1. Continued payment of wage during the first 104 weeks of sickness**
- 2. Continued payment of employers' contributions**
- 3. Reintegration obligations**
- 4. Replacement costs**

1. Continued wage payment during the first 104 weeks of sickness

In case an employee gets sick, in the Netherlands employers are legally obliged to continue the payment of 70% of the wage during the first 104 weeks of sickness of the employee. Because of this obligation the average costs of a sick employee in the Netherlands amount **€ 230 a day!**

Many employers in the Netherlands diverge from this rule and agree to pay 100% the first year and 70% the second year. If this 70% turns out to be less than the legal minimum wage, the employee is entitled to the legal minimum wage. Sometimes a Collective Labor Agreement (CAO) provides for a higher percentage as well.

2. Continued payment of employers' contributions

In addition to wage, you continue paying your employer contributions, such as fixed employers' premiums for employee insurance policies, and the premium for the Healthcare Insurance Act.

3. Reintegration obligations

In case an employee gets sick, as employer you are subject to the following reintegration obligations:

- reporting your employee sick and recovered to your Health & Safety Service in due order;
- preparing a number of documents concerning reintegration, including an action plan and a first-year evaluation;
- appointing or hiring a case manager to start, assist in and monitor the reintegration;
- where necessary: organise deployment of reintegration specialists;
- the responsibility to reintegrate your employee.

If the two-year period of sickness has passed, the obligation to pay wages ends, unless the employee Insurance Agency (In Dutch: "UWV") has the opinion that the employer did not do enough to reintegrate the employee. In this case the employer risks that the two-year period in which the employer is obliged to continue to pay an employee's salary, will be extended (wage sanction). Therefore, it's really important to be compliant!

4. Replacement costs

During the sickness absence of an employee, your company will probably be confronted with the costs of hiring a replacement. Further, as employer you also must endeavour to get the sick employee reintegrated as quickly as possible.

II. Sickness absence insurance

Most (starting) companies in the Netherlands do not want to run the financial risks involving sickness absenteeism, and therefore conclude a sickness absence insurance.

Reimbursement of the sick absence insurance

A sickness absence insurance can include the following reimbursements and services.

Reimbursement of the insured wage

Within the sickness absence insurance you can make a choice in the reimbursement percentage. This varies from 70 to 100 percent of the total insured wages. You can also distinguish between the coverage percentage in the first and second sickness years.

Case- and reintegration management

Seeing that the Dutch regulation regarding reintegration is very complex, we always advise companies to include case- and reintegration management within the insurance, so that the administrative reintegration tasks can be outsourced as much as possible.

Health & Safety Service

As employer you are legally obliged in the Netherlands to enlist a Health & Safety Service (Arbodienst). According to our opinion it's always recommendable to include a Health & Safety Service in the insurance, which service guides the sick employee from the first day of absence.

Reimbursement of the reintegration measures

A sickness insurance can also reimburse (part of) the costs of the recommended reintegration measures.

Reimbursement of additional employers' expenses

In addition, it is often possible to insure employers' expenses. These are, for example, employers' social security premiums that continue if an employee falls out of sickness, or replacement costs.

What are the costs of a sickness absence insurance?

The premium of a sickness absence insurance usually consists of a percentage of the total insured wages. Normally the percentage lies **between 2 and 3 percent of the insured wages**. The insurer determines the actual percentage by looking at:

- the sector of your company
- the composition of your staff; and
- the sickness absence history of your company. They can, for example, ask for the sick leave figures over the last years.

Further, the height of the premium percentage for the insurance also depends on:

- the waiting period before the insurance will start to reimburse;
- the percentage of coverage;
- the inclusion of subscription fees for the Health & Safety Service

III. Points of interest

- It's wise to include a so-called "**absence protocol**" in your employment conditions. In this protocol the employer and the employees record the rules that apply to sickness, such as the sick report by the employee or the contact with the Health & Safety Service.
- If your employee is absent for almost two years, the UWV will determine the disability rate of the employee. The extent of the disability will determine the WGA-benefit that the employee will receive from the UWV. Please note that from the 3rd up to and including the 12th year of absence, as employer you stay responsible for the WGA benefit to your employee. Further, you will have to pay an extra contribution to the UWV.
- If UWV assesses your employee as at least 35% disabled after two years of absence, the employee may drop to a significantly lower income. He/she will receive a state benefit, but this will be a significantly lower amount than the last earnings. As employer you can conclude an income supplement insurance. With this insurance, you offer your employee a supplement up to at least 70% of the last-earned wage. And that is an excellent secondary employment condition. You can oblige the employee to contribute in the premium, or offer it as an optional insurance.

Finally

Are you looking for an insurance that limits the risk of sickness absence for your company? Wesselman | Pension Advisors is happy to inform you about the possibilities. In all phases, as a fully **independent advisor**, we offer our services. Think of the guidance in choosing an appropriate insurance, the implementation of the insurance and the selection of a suitable insurer.

We have a transparent tariff structure that gives you, as a client, absolute clarity about the costs of our services. Our goal is to make the complex pension matter in The Netherlands **clear and comprehensible** for you, in the English or German language!

Wesselman | Pension Advisors



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