

## *Start-up in the Netherlands?*

### *Insure the risks of sick leave and occupational disability!*

***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 sick leave insurance. In this leaflet we will explain this complex matter further, as well the risk for your employees in case of occupational disability from the 3<sup>rd</sup> year of sick leave.*

#### ***1. Financial risks involving sick leave 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 easily amount to **€ 250 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 an statutory Collective Labour Agreement (CAO) provides for a higher percentage as well.

##### **2. Continued payment of employers' contributions**

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

##### **3. Reintegration obligations**

As an employer you are obliged to ensure, together with your sick employee, that the employee can return to work as soon as possible. According to the Act Poortwachter, both employer and employee are responsible for the reintegration, but much is expected from you as employer.

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.*

After the two-year period of sick leave 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 that case the UWV can oblige the employer to continue to pay the employee's salary for a 3<sup>rd</sup> year (wage sanction). Therefore, it's really important to be compliant!

#### **4. Replacement costs**

During the sick leave 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. Sick leave insurance**

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

### **Reimbursement of the sick absence insurance**

A sick leave insurance can include the following reimbursements and services.

#### *Reimbursement of the insured wage*

Within the sick leave 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 year of sick leave.

#### *Case- and reintegration management*

Seeing that the Dutch regulation regarding reintegration is very complex, we always advise companies to include or combine case- and reintegration management with(in) the sick leave 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 sick leave 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 sick leave insurance?

The premium of a sick leave insurance usually consists of a percentage of the total insured wages. Normally the percentage lies **between 2 and 4 percent of the insured wages**.

The insurer determines the actual percentage by looking at:

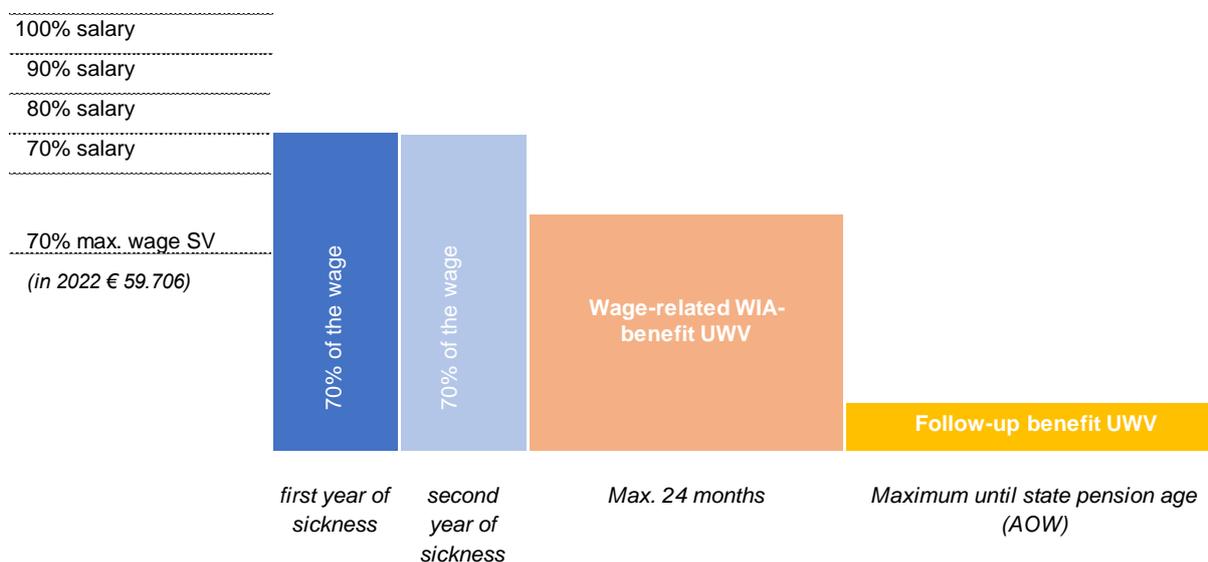
- *the sector of your company*
- *the composition of your staff; and*
- *the sick leave history of your company. They can, for example, ask for the sick leave figures over the last years.*

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

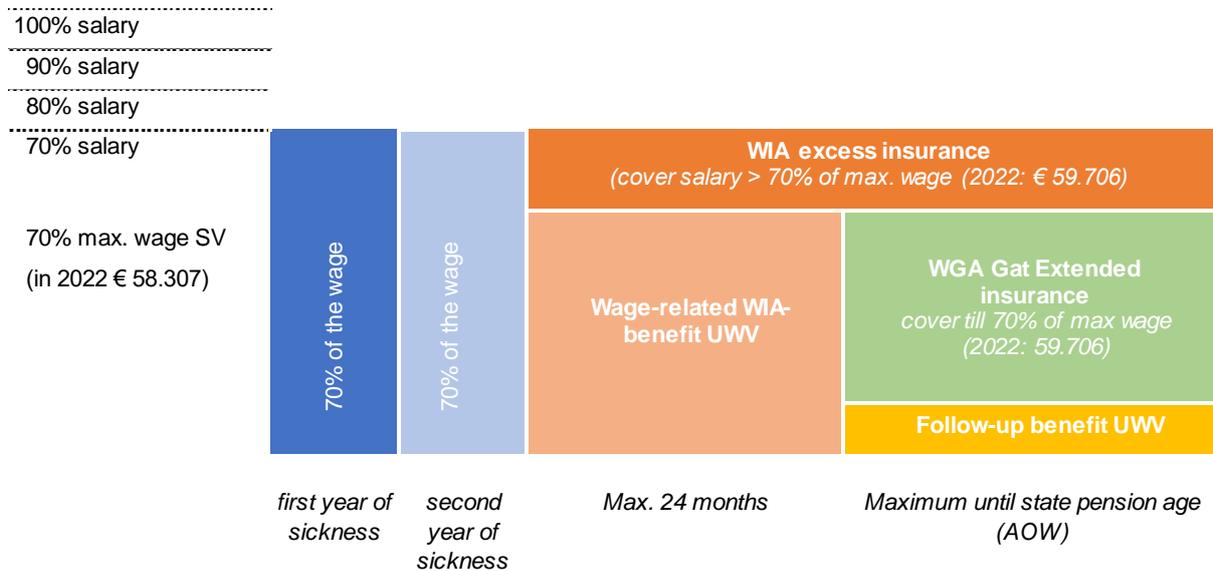
- *the waiting period before the insurance will start to reimburse;*
- *the percentage of coverage;*
- *the inclusion of subscription fees for the Health & Safety Service*

### III. Loss of income employees in case of occupational disability

From the 3<sup>rd</sup> year of sick leave, employees who are **declared occupationally disabled for 35% or more** by the UWV, will receive a statutory WIA benefit from the UWV, however on the basis of a maximum legal WIA wage (€ 59.706 in 2022). After a number of months, this WIA benefit will even drop to the level of the statutory minimum wage in the event of non-permanent occupational disability. As a result, employees can suffer a **considerable loss of income**, as you can see in the example below.



For this reason, **most of the employers in the Netherlands** offer their employees an income supplement insurance, which provides an income supplement of up to at least 70% of the last-earned wage, as you can see in the example below. On the Dutch labour market this is seen as an **important employment condition**. You can oblige the **employee to contribute** wholly or partially in the premium by a deduction on his monthly gross salary, or offer it as an optional insurance.



The above example assumes full and permanent occupational disability. Of course, it is also possible that the UWV determines a lower degree of occupational disability.

It is often possible to insure the desired income supplement as a module in sick leave insurance.

### 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 sick leave, 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 3<sup>rd</sup> up to and including the 12<sup>th</sup> 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.

## *Finally*

Are you looking for an insurance that limits the risk of sick leave for your company? Wesselman Pension Advisors would be pleased to help your company in concluding a suitable sick leave insurance.

In case your company does not have a branch or entity in the Netherlands and is therefore not registered at the Dutch Chamber of Commerce, please note that most insurers are not willing to provide a quote for a sick leave insurance. However, Wesselman Pension Advisors has, on the basis of **exclusivity** with one of the largest and most reputable insurers, the possibility to provide a sick leave insurance for its clients/employers who are not registered in the Dutch Trade Register.

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 matter in The Netherlands **clear and comprehensible** for you, in the English or German language!

Wesselman Pension Advisors



Mr. Stefan P.M. Joosten LL.M.  
Director / Senior pension advisor

Mr. Rob van Knegsel MPLA  
Pension advisor

Telephone number office : 00 31 – (0) 492 548 555  
Mobile number Stefan : 00 31 – (0) 6 22 55 14 43  
Mobile number Rob : 00 31 – (0) 6 51 22 93 66

E-mail address : [info@wesselmanpensioenadviseurs.nl](mailto:info@wesselmanpensioenadviseurs.nl)  
Website : <https://www.wesselman-info.com/services/pension-advice>

Address of our offices : Office Helmond : Aarle-Rixtelseweg 14, Helmond  
Office Eindhoven : Meerkollaan 15, Eindhoven