

# Netherlands 2015



**Total: 82.04**

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## Quick facts

Population:	16.9 million
Unemployment rate:	7.39 %
GDP:	866.4 billion \$
GDP growth rate:	0.88 %
GDP per capita:	51370 \$

## Political Freedom

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### Free and Fair Elections : 10

Netherlands is a parliamentary monarchy. The role of the monarch is largely ceremonial. Its bicameral parliament is consisting of the First Chamber, whose 75 members are elected by the country's 12 provincial councils, and the Second Chamber, whose 150 members are elected by a popular vote. Elections in the country are free and fair, as were those most recent local and European-Parliament elections in 2014. Political parties can express their views without any restrictions. Non-citizen residents who are living in a country for more than 5 years are allowed to vote in local elections. The government is led by the coalition between People's Party for Freedom and Democracy and Labor Party.

### Absence of Unconstitutional Veto Players : 10

Netherlands doesn't have unconstitutional veto players. Elected representatives have power to govern without any interference. Problems with corruption are rare while the government has effective ways of prosecution.

### Freedom of Press : 8.9

Reporters without Borders ranked Netherlands, in their 2015 World Press Freedom Index, on the high 4th place among 180 countries. Freedom of the press is granted by the constitution and largely respected in practice. However, there are some restrictions on hate speech. Libel is a

criminal offense. European Court of Human Rights ruled several times during the recent years in a way that would strengthen the protection of journalists' sources. At the end of 2014, two amendments were proposed to the parliament regarding source-protection, but they are still on waiting. Self-censorship of the journalists occurs rarely, mostly on some sensitive issues in society such as religion or immigration.

## Rule of Law

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### **Independence of the Judiciary : 8.17**

Judiciary in Netherlands is fully independent of the executive branch of power. Their overall performance is even better than in neighbouring Belgium or Germany. Judges are irremovable except for malfeasance or incapacity. The supreme judiciary body is the Supreme Court of Netherlands. It does not determine the constitutionality of laws, yet some of its decisions have political implications. One of such, itself far reaching, was brought in December 2014, when the Supreme Court acquitted a local council candidate in Amsterdam of criminal liability for a homophobic hate-speech during his campaign. The constitutionality of laws is checked only in advance, when they are drafted by the government, not least by various parliamentary committees but even before that, by the Council of State, a body appointed (and sometimes presided) by the King/Queen, which thereby has an advisory role.

### **Corruption : 8.3**

Netherlands is one of the corruption-cleanest places. Both in 2013 and in 2014, with 83 points (of the possible 100) it took the place 8 in the Transparency International's Corruption Perception Index, on the list of 177 resp. 175 countries of the world. Petty corruption hardly exists at all. Not least that taking bribes is strictly forbidden, but receiving any gift from anyone is seriously restricted to public officials. Market economy with a lean public sector, well developed and highly sophisticated anti-corruption procedures and awareness of the broad population about the social perils of corruption, all together make it extremely hard for politicians to even remotely take illicit personal advantage of their policies or decisions. Citizens mainly share optimism. The last available Global Corruption Barometer data, as of 2011, showed that citizens perceived private business sector as a rare remaining field for anti-corruption struggle. In reality, the problems mainly rest in the corrupt activities of Dutch companies abroad. One is in direct bribing of foreign officials to get advantage on the market. Another one is tax deductions that they occasionally try to secure at home, for the money used for bribes abroad. Both practices are forbidden and regulation on that is constantly tightening. During the last extensive parliamentary debate on the issue, in March 2015, the anti-corruption bodies were urged to fine-tune to even the slightest "signals" of corruption. As an almost corruption-clean country, a true role model, Netherlands has been helping many countries all around the world, through development cooperation or other channels, to increase transparency in the public sector and suppress corruption. That is a usual part of the aid package, while there are also specialized anti-corruption projects in individual countries.

### **Protection of Human Rights : 8.82**

Netherlands is famous for its liberal approach to human rights, coupled with its democratic political

system and a solid degree of economic freedom. The notion that limitations to individual freedom should be put only in as much as required to protect other members of society, as perhaps the most important of all liberal principles, is enshrined in all aspects of public life. Freedom to associate, in public or in private, to speak and express various views, or beliefs, or theories, or products of art, is widely practiced and makes the country diverse, colourful, innovative, vibrant and attractive for immigration like few other in the world. Police are carefully trained to act in a professional manner and respect human rights of citizens. However there are occasional cases of arbitrary arrest. Women are well protected against violence and discrimination, even though the highest (Scandinavian) standards of their equality and share of power in politics and society are not yet met. A lot more has to be done against human, including sex trafficking. But treatment of sexual minorities is a role model. All marriages and civil unions are equal in rights and duties. LGBT community is well integrated into society. Pride rallies in Dutch towns are a popular festivity often visited by top politicians and a celebration of the results of the struggle that is almost over in Netherlands, while in some other countries it has just begun. Some other minorities in Netherlands still await more protection. Refugees or other migrants are often an object of hate speech, even by some politicians, as an alleged anti-social element. Local minority language speakers also complain about impossibility of their broader usage in public.

## Economic Freedom

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### **Security of Property Rights : 7.58**

Private property is well protected in the Netherlands. Legal system integrity is at a high level, due to judicial independence and impartiality in their dealings. Legal enforcement of contracts is guaranteed, although with some setbacks concerning lengthy procedures. Bankruptcy procedures are efficient, with low costs and high recovery rates, but the personal bankruptcy rules are still restrictive. That explains a very low number of mortgage defaults, although the real estate market experienced a boom and bust cycle. Temporary tax break to monetary gifts of up to 50.000 euros is expected to encourage home ownership among the young people. Registering property is a major prerequisite for its legal protection It is functioning well in the Netherlands due to the service of professional public notaries and to online procedures, both leading to an expeditious process, however burdened with a high transfer tax. This process was made smoother by introducing a more efficient title search process for notaries.

### **Size of Government: Expenditures, Taxes, and Enterprises : 3.78**

The government in the Netherlands is of a similar size to the ones in other European countries, with total government expenditures reaching 46% of GDP in 2014. High budget deficits recorded after the wake of the financial crisis in Europe were subdued to reach the Maastricht criteria of the EU and exit the Excessive Deficit Procedure in June 2014. Following a recession in the period of 2012 – 2013, growth rates were finally recorded. The level of public debt increased to 67.9% of GDP in 2014, with a downturn trend, thus making it sustainable. Aside of regulatory activities, the involvement of government in the economy is low. State owned companies are mostly concentrated in the utility services sector, both on the national and on the municipal level. Social transfers are high, reaching half of all government expenditures. Recent developments (higher

dependency ration, increasing number of people outside the pension system, etc) call for pension-system reforms, which are for the time being restricted to minor parametric changes in retirement age. High expenditures need to be met by high tax rates: both corporate and income tax are progressive, the corporate one being 20% and 25% above the threshold of 200.000 euro, while the personal income tax is set at 5.1%, 10.85%, 42% and 52% for the highest earners (the two latter rates include social security contributions). VAT is set at the standard 21% or the reduced 6% rate. Social security contributions are high, reaching 31.5% of the gross wage, which, coupled with the income tax, leads to a high labour tax wedge, of 37.3% on an average wage, and, especially among higher earners, of 53.4%. As a result, a large share of employees in the Netherlands (10 – 15%) are not in the status of employed persons, but are registered as owners of small enterprises and are active as free lancers, in order to evade social security contributions

## **Regulation of Credit, Labour, and Business : 7.69**

Business regulation in the Netherlands creates a friendly environment for entrepreneurial activities. Starting a new business is quick and inexpensive and made even easier by abolishing the minimum required capital. Compliance with procedures is not burdensome due to low number of annual payments and widespread use of electronic filing. However, there are still administrative requirements that pose hindrance to business activities. Obtaining a construction permit or getting electricity could be costly, with lengthy – even though not numerous - procedures. On the other hand labour code, with its high employment protection for workers, is restrictive for the creation of new jobs. It deters employers from hiring. It is one of the factors leading to high self-employment in the country. The number of short term contracts is restricted to only one, while the working hours regulation is not too flexible due to relatively low maximum of working days per week, albeit allowing for the possibility of longer working hours in case of an increased workload. Severance pay is low, but the role of trade unions in redundancy process is excessive, with long redundancy notice periods, increasing with years in tenure and protecting more seasoned workers. More flexibility in the labour code is one of the important issues necessary to be discussed.

## **Freedom to Trade Internationally : 8.8**

Freedom to trade internationally is protected in the Netherlands. As a small open economy, international trade has always been important for its economic development. Being one of the founding countries of the European Union, the Netherlands abides by the common European trade policy, with the overall low tariff rate. Efficient customs office lowers non-tariff trade barriers in the field of mandatory product standardization, while very good public transport infrastructure leads to low freight cost, enhancing the volume of trade. Therefore, the Netherlands also serves as a regional trade hub for neighbouring European countries, with Rotterdam harbour as one of the biggest harbours in Europe (giving its name to the Rotterdam effect). Its main trade partners are other EU countries such as Germany, Belgium, France or the United Kingdom. The Netherlands has been experiencing a large current account surplus, reaching 10% of GDP in 2014, due to sluggish private consumption recovery which stifled imports and strong export base, fuelled by high exports of natural gas. Acquiring a residence permit for non-EU citizens is a complicated process, but the regulation was eased by introducing a one-year residence permit for entrepreneurs.