

Religion, Class, and the Postwar Development of the Dutch Welfare State

Religion, Class, and the Postwar Development of the Dutch Welfare State

Dennie Oude Nijhuis

Amsterdam University Press

Cover illustration: Citizens collecting their old age benefits in the early 1960s
Source: Johan de Haas / International Institute of Social History

Cover design: Coördesign, Leiden
Typesetting: Crius Group, Hulshout

ISBN 978 94 6298 641 1
e-ISBN 978 90 4853 764 8 (pdf)
DOI 10.5117/9789462986411
NUR 754

© Dennie Oude Nijhuis / Amsterdam University Press B.V., Amsterdam 2018

All rights reserved. Without limiting the rights under copyright reserved above, no part of this book may be reproduced, stored in or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) without the written permission of both the copyright owner and the author of the book.

Contents

List of Abbreviations	9
-----------------------	---

Preface	13
---------	----

Part I History and Theory

1 The Dutch Welfare Puzzle	19
The Uneven Trajectory of Dutch Welfare State Development	23
Unions, Employers, and the Importance of Broad Worker Solidarity	30
The New Politics of Welfare Reform in the Netherlands	37
The Organization of the Book	42
2 The Politics of Social Solidarity	45
Welfare Reform and the Logic of Solidarity	48
Christian Democracy and the Political Foundations of Social Solidarity	54
Organized Labor and the Question of Inclusiveness	59
Solidarity in the Age of Retrenchment	65

Part II The Politics of Welfare State Expansion

3 Welfare Reform in the Age of Austerity	71
Immediate Postwar Measures	74
The First Major Reform: The Introduction of the Unemployment Insurance Act	81
The Organization of Social Insurance	90
4 Welfare State Expansion and the Confessional Preoccupation with Personal Responsibility and Self-Help	99
Slow Progress on Most Fronts	102
The First Landmark Act: The Introduction of the General Old Age Act	112

5	Completing the Social Insurance System	125
	The Confessional Turnabout and the Introduction of the General Assistance Act	129
	Health Insurance Reform and the Limits of Solidarity	136
	Improving the Generosity of Unemployment Insurance Protection	139
	Equal Opportunity and the Introduction of the Act on Disability Insurance	147
6	Catering to the Low Paid	153
	The General Old Age Act and the Introduction of the Social Minimum	157
	Towards a Truly Inclusive Welfare System: The Introduction of the Net-Net Link	162
	The Rapid Expansion of Social Care and Social Housing Programs	172

Part III The Politics of Retrenchment

7	The Emergence of Welfare Without Work	181
	The Dutch Disability Insurance Program and Its Use for Redundancy Purposes	184
	Dealing with the Return of Long-Term Unemployment	194
	Labor Redistribution and the Introduction of Industrial Early Retirement Schemes	200
8	Tackling the Inactivity Crisis	207
	The Struggle Over Retrenchment	212
	Towards a More Coherent Retrenchment Agenda	219
	The 1987 Reform of the Social Insurance System	227
9	Towards an Active Welfare State	235
	Tackling the Disability Insurance Crisis	239
	The Long Road Towards Administrative Social Insurance Reform	248
	The Purple Government's Work Strategy	254
10	Population Ageing and the Need for Further Reform	263
	The Reform Agenda of the Second Balkenende Government	266
	The 2005 Overhaul of the Health Insurance System	274

Old-Age Provision and the Challenge of Population Ageing	280
The Changing Landscape of Social Welfare Provision	285

Part IV Conclusion

11 The Political Determinants of Solidaristic Reform	295
Reconsidering the Uneven Trajectory of Dutch Welfare State Development	297
The Future of the Dutch Welfare State	305

Bibliography	317
---------------------	-----

Index	337
--------------	-----

List of Figures and Tables

Figure 7.1 Labor force participation rate of men aged 55 to 64 in various countries (in percent) from 1965 to 2000	183
Figure 7.2 The number of disability benefit recipients per 1,000 active labor market participants by age in various countries in 1990	185
Figure 8.1 The social minimum compared to average wages in industry, 1970-1995	223
Figure 10.1 Public spending on old-age pension provision, health care, and other social programs as a percentage of the gross national product from 1980 to 2015	276
Table 7.1 The number of benefit recipients of various social insurance programs, the general assistance program and early retirement schemes, 1970-1990 (in thousands of recipients)	182
Table 7.2 Number of participants in various early exit pathways as a percentage of the number of non-employed men aged 60-64, 1975-1990	204
Table 10.1 The use of the wage indexation mechanism since 1980	281

List of Abbreviations

AAW	General Disability Act (Algemene Arbeidsongeschiktheidswet)
ABW	General Assistance Act (Algemene Bijstandswet)
ANW	General Survivors Act (Algemene Nabestaandenwet)
AOW	General Old Age Act (Algemene Ouderdomswet)
ARP	Anti-Revolutionary Party (Anti-Revolutionaire Partij)
AWBZ	General Act on Exceptional Medical Expenses (Algemene Wet Bijzondere Ziektekosten)
AWVN	Dutch General Employers' Association (Algemene Werkgeversvereniging Nederland)
AWW	General Widows and Orphans Act (Algemene Weduwen- en Wezenwet)
CDA	Christian-Democratic Appeal (Christen-Democratisch Appèl)
CHU	Christian Historical Union (Christelijk Historische Unie)
CNV	Christian Union Federation (Christelijk Nationaal Vakverbond)
CPB	Bureau for Economic Policy Analysis (Centraal Planbureau)
CSVV	Central Social Employers' Federation (Centraal Sociaal Werkgevers Verbond)
CTSV	Social Insurance Supervision Committee (College van Toezicht Sociale Verzekeringen)
CU	Christian Union (Christenunie)
D66	Democrats 66 (Democraten '66)
DIVOSA	Association of Social Services' Directors (Vereeniging van Directeuren voor Sociale Arbeid)
FCWV	Catholic and Protestant-Christian Employers' Unions (Federatie van Katholieke en Protestants-Christelijke Werkgeversverbonden)
FNV	Federation of Dutch Labor Unions (Federatie Nederlandse Vakbeweging)
FvB	Federation of Industrial Insurance Associations (Federatie van Bedrijfsverenigingen)
GAK	Common Insurance Office
GMD	Common Medical Service (Gemeenschappelijke Medische Dienst)
IOAW	Act on Income Provisions for Older or Partially Disabled, Unemployed Persons (Wet Inkomensvoorziening Oudere en Gedeeltelijk Arbeidsongeschikte Werkloze Werknemers)
IOAZ	Act on Income Provisions for Older or Partially Disabled, Former Self-employed Persons (Wet Inkomensvoorziening Oudere en Gedeeltelijk Arbeidsongeschikte Gewezen Zelfstandigen)
IVA	Income Insurance Program for the Fully and Permanently Disabled (Inkomensverzekering voor Volledig en Duurzaam Arbeidsongeschikten)
IWI	Inspection Service for Work and Income (Inspectie Werk en Inkomen)
JWG	Job Guarantee Act (Jeugdwerkgarantiewet)

KAB	Catholic Workers' Movement (Katholieke Arbeidersbeweging)
KSW	Framework Act on Specific Welfare (Kaderwet Specifiek Welzijn)
KVP	Catholic People's Party (Katholieke Volkspartij)
LISV	National Institute for Social Insurances (Landelijke Instituut voor Sociale Verzekeringen)
LPF	Pim Fortuyn List (Lijst Pim Fortuyn)
MHP	Labor Union Federation for Middle and Higher-Level Personnel (Vakcentrale voor Middelbaar en Hoger Personeel)
NCW	Christian Employers' Federation (Nederlands Christelijk Werkgeversverbond)
NKV	Netherlands Catholic Trade Union Federation (Nederlands Katholiek Vakverbond)
NOSV	New Social Insurance Organization Act (Nieuwe Organisatiewet Sociale Verzekeringen)
NVV	Dutch Association of Trade Unions (Nationaal Verbond van Vakverenigingen)
NWW	New Unemployment Insurance Act (Nieuwe Werkloosheidswet)
NZa	Dutch Healthcare Authority (Nederlandse Zorgautoriteit)
OSV	Social Insurance Organization Act (Organisatiewet Sociale Verzekeringen)
PEMBA	Act on Premium Differentiation and Market Regulation (Wet Premiedifferentiatie en Marktwerking bij Arbeidsongeschiktheidsverzekeringen)
PvdA	Labor Party (Partij van de Arbeid)
RKWV	Roman Catholic Workers' Federation (Rooms-Katholiek Werkliedenverbond)
RVV	Council of Trade Union Federations (Raad van Vakcentralen)
RWW	State Group Scheme for Unemployed Workers (Rijksgroepsregeling voor Werkloze Werknemers)
SDAP	Social Democratic Workers' Party (Sociaal-Democratische Arbeiderspartij)
SER	Social-Economic Council (Sociaal-Economische Raad)
SGP	Reformed Political Party (Staatkundig Gereformeerde Partij)
SP	Socialist Party (Socialistische Partij)
STAR	Labor Foundation (Stichting van de Arbeid)
SVR	Social Insurance Council (Sociale Verzekeringsraad)
TAV	Act on the Reduction of the Disability Volume (Wet Terugdringing Arbeidsongeschiktheidsvolume)
TBA	Act on the Reduction of Disability Arrangement Claims (Wet Terugdringing Beroep op de Arbeidsongeschiktheidsregelingen)
TW	Supplementary Benefits Act (Toeslagenwet)
TZ	Act on Sickness Absenteeism Reduction (Wet Terugdringing Ziekteverzuim)
UWV	Employee Insurance Agency (Uitvoeringsinstituut Werknemersverzekeringen)
VNO	Federation of Dutch Industries (Verbond van Nederlandse Ondernemingen)
VNO-NCW	Federation of Dutch Industries- Christian Employers' Federation (Verbond van Nederlandse Ondernemingen- Nederlands Christelijk Werkgeversverbond)

VNW	Association of Dutch Employers
VUT	Early retirement schemes (Vervroegde Uittreding)
VVD	People's Party for Freedom and Democracy (Volkspartij voor Vrijheid en Democratie)
Wajong	Act on Disability Benefits for Young Disabled Persons (Wet Arbeidsongeschiktheidsvoorziening Jonggehandicapten)
WAM	Act on Adjustment Mechanism (Wet op Aanpassingsmechanismen)
WAO	Act on Disability Insurance (Wet op Arbeidsongeschiktheidsverzekering)
WAZ	Act on Disability Insurance for the Self-employed (Wet Arbeidsongeschiktheidsverzekering Zelfstandigen)
WBK	Basic Childcare Provision Act (Wet Basisvoorziening Kinderopvang)
WCPV	Act on Collective Public Health Prevention (Wet Collectieve Preventie Volksgezondheid)
WFZ	Act on Flexibility and Security (Wet Flexibiliteit en Zekerheid)
WGA	Return to Work Scheme for the Partially Disabled (Werkhervatting Gedeeltelijk Arbeidsgeschikten)
WIA	Work and Income According to Work Capacity Act (Wet Werk en Inkomen naar Arbeidsvermogen)
WTW	Jobseekers Employment Act (Wet Inschakeling Werkzoekenden)
WKA	Coupling with Adjustment Possibility Act (Wet Koppeling met Afwijkingsmogelijkheid)
WLZ	Act on Long-term Care (Wet Langdurige Zorg)
WMO	Social Support Act (Wet Maatschappelijke Ondersteuning)
WOR	Works Councils Act
WRR	Scientific Council for Government Policy (Wetenschappelijke Raad voor Regeringsbeleid)
WSW	Social Employment Act (Wet Sociale Werkvoorziening)
WULBZ	Act on the Extension of Wage Payment during Illness (Wet Uitbreiding Loondoorbetalingsplicht bij Ziekte)
WVG	Act on Services for the Handicapped (Wet Voorzieningen Gehandicapten)
WVLZ	Act on Extension of Wage Payment during Illness (Wet Verlenging Loondoorbetalingsverplichting bij Ziekte)
WVOA	Prohibition of Discrimination by Working Hours Act (Wet Verbod Onderscheid Arbeidsduur)
WW	Unemployment Insurance Act (Werkloosheidswet)
WWB	Work and Social Assistance Act (Wet Werk en Bijstand)
WWV	Unemployment Provision Act (Wet Werkloosheidsvoorziening)
ZW	Sickness Act (Ziektewet)

Preface

As a result of its peculiar welfare trajectory, the political and organizational weakness of forces that are traditionally viewed as the major proponents of the welfare state, and its ability to combine generous levels of social provision with high levels of employment, the Netherlands has long attracted much attention from welfare state scholars. At the same time, however, we still lack a comprehensive account of the Dutch welfare state's postwar trajectory – let alone one that is accessible to an English-language audience. This book aims to offer such an analysis. As is the case with most scholarly accounts, it has both empirical and theoretical goals. Its empirical goals are twofold. The first is to provide a thorough analysis of the preferences of the main welfare actors in the Netherlands – Christian-democratic, social-democratic and liberal parties as well as the main union and employer federations – and the role they have played in the process of postwar Dutch welfare reform. The second is to explain the main features of the postwar trajectory of the Dutch welfare state, which include its slow development under leftist governments in the immediate postwar period, its rapid transformation into unmatched levels of generosity under mostly right-wing governments in following years, and its subsequent transformation into a more active but still comparatively generous system of social protection.

The book's primary theoretical goal is to provide a critical analysis of some of the central claims of the welfare state literature, in particular those that relate to the impact of Christian democracy and the labor union movement on welfare state development. These claims, and my criticism of them, will be outlined at length in the chapters below. For here, it is sufficient to point out that the willingness of Christian-democratic parties and (various types of) labor unions in the Netherlands to accept and push for welfare initiatives that massively redistributed resources from the middle-class and other affluent groups towards low income and otherwise vulnerable economic groups has been remarkable, and that this warrants a fundamental reconsideration of the role of Christian democracy and the labor union movement in the postwar development of European welfare states. To illustrate this, the book will make numerous references to the situation in countries other than the Netherlands.

The central argument of the book is that the postwar expansion of the Dutch welfare state has had strong consequences for the distribution of income and risk in society and that middle-class groups rather than the truly affluent have largely carried the costs of this. Rather than explaining

the success of efforts to expand the boundaries of the postwar welfare state through the formation of “political alliances” between low-income and middle-class groups, as many scholars have attempted to do, this book consequently investigates for what reasons the middle-class groups have refrained from rallying against welfare initiatives that redistributed resources among different societal groups in a successful manner. It argues that at least two factors played a major role in this. The first was the dominant role of Christian democracy and the emphasis of Christian-democratic parties on social justice and solidarity with the less fortunate. The second was the mostly sectoral nature of labor union organization in the Netherlands and the remarkable willingness of the main union federations to support welfare initiatives that redistributed income and risk among different categories of wage earners.

The analysis put forward in this book draws on a large number of secondary and primary sources. The latter include minutes of meetings, internal memos, and press briefings of political parties, the cabinet, parliament, ministries, administrative social insurance agencies, advisory councils, labor unions and employer federations. The extent to which I relied on these sources varies per chapter. As the book emphasizes the importance of union and employer federations in shaping the course of the Dutch welfare state’s postwar development, in particular during the first three to four chapters of the postwar period, and little research has been done on this subject to date, the first chapters of the book make relatively heavy use of sources from the main union and employer federations. On the union side these are the two largest union federations, the Federation of Dutch Labor Unions (*Federatie Nederlandse Vakbeweging* or *FNV*), as well as its predecessors, and the Protestant Christian Union Federation (*Christelijk Nationaal Vakverbond* or *CNV*). On the employer side these are the Federation of Dutch Industries-Christian Employers Federation (*Verbond van Nederlandse Ondernemingen-Nederlands Christelijk Werkgeversverbond* or *VNO-NCW*) and its many predecessors.

As the minutes of meetings and internal memos of cabinets, ministries, political parties, labor unions, and employer organizations were of limited availability for the post-1980s period, the third part of the book relies more heavily on an analysis of parliamentary debates, internal notes of meetings in corporatist platforms like the Social-Economic Council (*Sociaal-Economische Raad* or *SER*), and newspapers and other press sources. I am confident that by doing so I continued to present the interests and preferences of the main actors in an accurate manner. For the discussion on the use of social security programs for early retirement purposes in the Netherlands in

Chapter 7, I made extensive use of archives from organizations responsible for the implementation of these programs, including the Common Medical Service (Gemeenschappelijke Medische Dienst, or GMD), the Federation of Industrial Insurance Associations (Federatie van Bedrijfsverenigingen or FvB), and the Social Insurance Council (Sociale Verzekeringsraad, or SVR). Finally, I interviewed multiple social security experts and leaders from political parties, unions, and employer organizations.

Writing this book has been a difficult and protracted task, and I am therefore fortunate to have been able to benefit from the support of many friends, colleagues, and institutions. Generous funding from Leiden University's Institute for History and the International Institute of Social History (International Instituut voor Sociale Geschiedenis, has enabled me to do research for and write this book. I have received immense help from archivists at the National Archives of the Netherlands (Nationaal Archief or NA), the International Institute for Social History, the Federation of Dutch Industries-Christian Employers Federation, the Radboud University Nijmegen's Catholic Documentation Center (Katholiek Documentatiecentrum or KDC), the Vrije Universiteit Amsterdam's Historical Documentation Center of Dutch Protestantism (Historisch Documentatiecentrum voor het Nederlandse Protestantisme or HDP), and the Employee Insurance Agency (Uitvoeringsinstituut Werknemersverzekeringen or UWV). They include: Frank Kanhai, Lodewijk Winkeler, Piet Hazenbosch, Hans Seijlhouwer, Teun van Lier, Thijs van Leeuwen, Monique van der Pal, Ed Kool, and Anne Oechtering.

At every stage of the writing process, friends and colleagues have offered countless suggestions, comments and advice. For their assistance and comments, I gratefully thank Thomas Paster, Peter Scholliers, Matthieu Leimgruber, Pierre Eichenberger, Peer Vries, Kees van Kersbergen, Jelle Visser, Karen Anderson, Cathie Jo Martin, Kathleen Thelen, Leo Lucassen, Jacques van Gerwen, Jeroen Touwen, Richard Griffiths, Alexandre Afonso, Cátia Antunes, Marlou Schrover, Lex Heerma van Voss, Ruud Koole, Martijn van der Burg, Thomas Lindblad, Manon van der Heijden, Jeroen van Veldhoven, Henk Looijesteijn, Joshua Gordon, Paul Bridgen, Susanna Fellman, and Marek Naczyk. My special thanks go out to Peter Swenson, whose influence is evident in every aspect of this book. Last but not least, I want to thank my wife, Ayben. Without her patience and understanding, this book could not have been written.

Part I

History and Theory

1 The Dutch Welfare Puzzle

In the period following the Second World War, few advanced industrial societies have been as successful in creating and maintaining an elaborate system of social provision as the Netherlands. For many decades now, the Netherlands has enjoyed – or suffered from – a reputation as a vanguard among welfare states. Its system of “cradle-to-the-grave” care is viewed as generous in terms of both its accessibility and the high level of its benefits. At a time when scholars are increasingly concerned about the emergence of “dual” welfare systems, high levels of financial solidarity in the Netherlands still assure that all citizens are entitled to adequate levels of protection against labor market risks such as unemployment, sickness, disability, and old-age. Despite an ongoing need to reform in the face of economic challenges like the current ageing crisis, the Dutch welfare state’s continual ability to provide generous levels of care and protection seems guaranteed. In fact, with a labor market participation rate that ranks among the highest in the European Union, the Netherlands stands out as being particularly well equipped to deal with these challenges.¹ As such, it serves as a clear reminder that high and comprehensive levels of care and protection against labor market risks do not have to conflict with national economic performance.

Of course, the Netherlands has not always been known for its ability to combine generous levels of social provision with high employment levels. Indeed, during most of the twentieth century, it was not even considered as particularly successful in providing adequate levels of social protection for all its citizens. In the first half of the century, Dutch legislators acquired a strong reputation for their conservative views on welfare state development: a reputation that they only slowly managed to dispense with in the postwar period. By the late 1950s, contemporaries still widely regarded the Netherlands as something of a “welfare laggard”.² Compared to most other Western nations, Dutch social insurance benefits offered moderate replacement rates at best, which were granted for short periods and based on rather strict eligibility criteria. Moreover, large sections of the population

1 In 2008, the Dutch labor market participation rate was the second highest in the European Union, behind Denmark. See OECD, *Labor Force Statistics* (Paris: OECD, 2010).

2 By 1956, among thirteen western European countries, only three devoted less of their gross domestic product to social insurance spending than the Netherlands. See Peter Flora, *State, Economy, and Society in Western Europe, 1815-1975: a Data Handbook in Two Volumes. Volume 1: The Growth of Mass Democracies and Welfare States* (London: Macmillan Press, 1983) 456.

were still not covered against labor market risks like disability and sickness. It was not until the mid-1970s when all of these features – which had previously given commentators reason to view the Dutch social insurance system as underdeveloped – had disappeared. By then – and as a result – the Netherlands was spending more on social benefits than any other nation in the world.³

Widely admired for its unrivaled ability to offer adequate provision against the financial consequences of labor market risks for all of its citizens, the Dutch welfare state thus came to improve the quality of countless lives. Nonetheless, its ability to do so naturally came at a substantial financial cost, which considerably increased when a long period of economic upheaval following the outbreak of the first oil crisis in the early 1970s prompted a dramatic inflow of workers into the social insurance system. As a result of this massive inflow, the generosity of the Dutch welfare state by the end of the decade no longer attracted universal admiration. Contemporaries increasingly viewed it as a central cause of what the Swedish sociologist Göran Therborn considered as constituting “perhaps the most spectacular employment failure in the advanced capitalist world”.⁴ An ever-larger group of critics argued that the combination of generous benefits with lenient eligibility criteria rendered the Netherlands an excellent example of a society that offered “welfare without work”.⁵

Prompting yet another major transformation of the Dutch welfare state, the following decades witnessed a plethora of measures aimed at reducing the dependency on state benefits in the Netherlands. Beginning with careful attempts to tighten eligibility criteria in the 1980s and followed by much more far-reaching reform in subsequent years, these measures proved quite successful. By the turn of the century, the Netherlands no longer constituted a society that offered welfare without work; rather, it boasted one of Europe’s

3 From the mid-1970s to the late 1980s, social spending in the Netherlands even exceeded that of Sweden. See Duane Swank and Alex Hicks, “The Determinants and Redistributive Impacts of State Welfare Spending in the Advanced Capitalist Democracies, 1960-1980”. In Norman Vig and Stephen Schier, *Political Economy in Western Democracies* (New York: Holmes & Mayer, 2001) 115; Peter Flora (ed.), *Growth to Limits: The Western European Welfare States since World War II. Volume 4: Appendix (Synopsis, Bibliographies, Tables)* (Berlin: Walter de Gruyter, 1987) xix.

4 Göran Therborn, *Why Some Peoples Are More Unemployed Than Others: The Strange Paradox of Growth and Unemployment* (London: Verso, 1986) 152.

5 See, for instance, Kees van Kersbergen and Uwe Becker, “The Netherlands: A Passive Social Democratic Welfare State in a Christian Democratic Ruled Society”, *Journal of Social Policy* 17:4 (1988) 477-499. The term “welfare without work” has been coined by Gøsta Esping-Andersen in his *Welfare States in Transition. National Adaptations in Global Strategies* (London: Sage, 1996).

highest employment rates. Moreover, it had managed to improve its labor market performance while largely maintaining the generous nature of its welfare state. Today, the social insurance system still offers some of the world's highest and most accessible benefits. As a result, the transformation of the Dutch welfare state from a "passive" into a more active system of social protection can only be viewed as a tremendous success.

This book aims to describe these two major transformations of the Dutch welfare state, namely from a long-time "laggard" to welfare "leader" and subsequently from a passive into a more active system of social protection. Accordingly, it aims to provide a comprehensive history of its postwar development. Despite its unique development trajectory, the Dutch case has not received much attention in the English-language literature on welfare state development.⁶ Indeed, even in the Dutch language, the few comprehensive accounts that exist are generally either out of date or focus on specific programs or policies.⁷ Moreover, they have failed to explain many of the Dutch welfare state's most important features. As we will explore, these include its slow development under leftist governments in the first years of the postwar period, its rapid transformation into unmatched levels of generosity under mostly right-wing (i.e. confessional-liberal) governments in subsequent years and the broad consensus on many of the redistributive initiatives that made this

6 The most comprehensive work on the Dutch welfare state's development during the first four decades of the postwar period is Robert Cox' *The Development of the Dutch Welfare State: From Workers' Insurance to Universal Entitlement* (Pittsburgh: University of Pittsburgh Press, 1993). More or less comprehensive treatments of the period following the 1980s can be found in Jelle Visser and Anton Hemerijck, *"A Dutch Miracle": Job Growth, Welfare Reform and Corporatism in the Netherlands* (Amsterdam: Amsterdam University Press, 1997); Erik de Gier and Abram de Swaan (eds.), *Dutch Welfare Reform in an Expanding Europe: the Neighbours' View* (Spinhuis: Amsterdam, 2004); Barbara Vis, *Politics of Risk-taking: Welfare State Reform in Advanced Democracies* (Amsterdam: Amsterdam University Press, 2010); Mara Yerkes, *Transforming the Dutch Welfare State: Social Risks and Corporatist Reform* (Bristol: Policy Press, 2011).

7 The most comprehensive accounts can be found in J.A.A. van Doorn and C.J.M. Schuyt, *De stagnerende verzorgingsstaat* (Amsterdam/Meppel: Boom, 1978); Mirjam Hertogh, *"Geene wet, maar de Heer": de confessionele ordening van het Nederlandse sociale zekerheidsstelsel, 1870-1975* (Den Haag: VUGA, 1998); Joop M. Roebroek and Mirjam Hertogh, *"De beschavende invloed des tijds": Twee eeuwen sociale politiek, verzorgingsstaat en sociale zekerheid in Nederland* (Den Haag, 1998); and Willem Trommel and Romke van der Veen (eds.), *De herverdeelde samenleving: de ontwikkeling en herziening van de Nederlandse verzorgingsstaat* (Amsterdam: Amsterdam University Press, 1999). See also Jacques van Gerwen and Marco van Leeuwen, *Zoeken naar zekerheid. Risico's, preventie, verzekeringen en andere sociale zekerheidsregelingen in Nederland 1500-2000* (Amsterdam: Amsterdam University Press, 2000); and Coen Teulings, Romke van der Veen, and Willem Trommel, *Dilemma's van sociale zekerheid: aan analyse van 10 jaar herziening van het stelsel van sociale zekerheid* (Amsterdam: VUGA, 1997).

generosity possible. In addition – and highly related to this – existing studies have paid insufficient attention to the leading role of union and employer federations in shaping the course of the Dutch welfare state's postwar development.

A major purpose of this book is to illustrate this role, which was particularly important during the period of so-called welfare state expansion that lasted up to the late 1970s. As we will see, the main contours of many of the most important social programs in this period were not decided by the governing parties or parliamentary initiatives, but rather during negotiations between the major union and employer federations. Sometimes these negotiations were part of a broader political process in which parliament requested – and subsequently largely adopted – organized industry's advice through existing corporatist institutions like the Social-Economic Council (Sociaal-Economische Raad, or SER), which also included state representatives. However, new welfare initiatives also increasingly originated – and adopted a more-or-less definitive shape – during bilateral negotiations between unions and employers over wages. The first chapters of this book illustrate how this invasion on the primacy of politics explains many of the Dutch welfare state's peculiar characteristics. Furthermore, they also explain how the prominent role of union and employer federations in Dutch welfare state development fit with confessional – and to some extent social-democratic – thinking on subsidiarity and the organic society that these political groups had developed in the prewar period.

This role became subject to ever-greater political concern when the social insurance system's costs increased in political salience during the late 1970s, ushering in a long period of retrenchment. This eventually resulted in a dramatic break with the long-established tradition of organized industry control over the implementation of social insurance programs. At the same time, organized industry would no longer play a leading role in setting the outlines of welfare state reform. Permanent concerns over the social insurance system's financial viability, the declining confessional share of the vote and even the (partial) move towards decentralized bargaining all pointed in the direction of a restoration of the primacy of politics. Nonetheless – and as illustrated by recent discussions over old-age pension reform – the influence of union and employer federations remains substantial. The following analysis illustrates how they helped to shape the Dutch welfare state's postwar transformation from a long-time welfare laggard to welfare leader and subsequently from a passive into an active system of social protection.

The Uneven Trajectory of Dutch Welfare State Development

Having long been recognized as a defining feature of advanced industrial societies, the origins of the modern welfare state date back to the late nineteenth century. Yet it was only in the decades following the end of the Second World War that some nations – and even then not all – succeeded in offering adequate levels of protection against economic misfortune for all citizens. In the many decades in between, efforts to provide “cradle-to-the-grave” care for all citizens often involved harsh political conflicts between societal groups with different ideologies and interests. In most nations, these conflicts mainly revolved around the need to expand the social insurance system. While applying the instrument of social insurance to ever-greater numbers of people and labor market risks certainly constituted a popular method of achieving adequate levels of protection against ill fortune for all citizens, it also proved highly controversial. After all, it meant that traditional methods of organizing the social insurance system were no longer sufficient. To ensure that the social insurance system also adequately catered to less privileged groups, public pooling of risk was simply insufficient; rather, it was also necessary to ease eligibility rules, introduce a more redistributive way of relating benefits to contributions or even introduce partial tax-financing. The resulting move away from actuarial principles naturally encountered stiff opposition both on principled grounds and from organized interests which stood to lose from the redistributive consequences.

In the Netherlands, this resistance was particularly severe for an exceptionally long time. Undoubtedly the longstanding parliamentary dominance of confessional parties and the partial confessional nature of industrial organization held strong importance in this respect. During much of the twentieth century, confessional political parties, employer organizations, and even unions proved quite reluctant to introduce the principle of the social insurance to broad groups of citizens and labor market risks. In fact, guided by the principled view that insurance against labor market risks should be achieved by voluntary rather than government-mandated solutions, some confessional forces rejected the principle of state insurance against labor market risks altogether. Others simply emphasized the need to adhere to strict actuarial principles.⁸ These views – and the confessional insistence on limiting state involvement in the implementation of social insurance

8 For some comprehensive accounts of confessional views on social insurance development in the Netherlands, see Kees van Kersbergen, *Social Capitalism: A Study of Christian Democracy and the Welfare State* (London: Routledge, 1995); Hertogh, “*Geene wet, maar de Heer*”; and Marcel

programs as much as possible – seriously hindered welfare state growth in the Netherlands during the first half of the twentieth century. Indeed, most confessional forces only slowly came to accept the need to move away from strict actuarial principles after the Second World War.

However, when they finally did, they were often willing to go much further than their counterparts abroad. Those same confessional forces that had hindered welfare state growth in the Netherlands for so many decades were by the 1960s giving their full support to the further expansion of a system of social protection that was by then already among the most generous in the world. The notion that this expansion was based on an ever-greater move away from actuarial principles no longer seemed a cause of great concern in confessional eyes. Among the confessional political parties, the conversion of the Anti-Revolutionary Party (Anti-Revolutionaire Partij, henceforth ARP) was perhaps most remarkable. Despite always containing a more left-oriented faction, the five ARP-led governments of the 1920s and 1930s had been characterized by a consistent lack of progress on the social insurance front.⁹ Furthermore, the party still harbored many principled opponents of compulsory membership of public and private insurance programs against labor market risks in the immediate postwar years. However, in subsequent years, its emphasis on self-reliance and personal responsibility increasingly gave way to a societal view in which the government played a crucial role by providing a “shield for the weak”.¹⁰ By the 1960s, the ARP gave its support to many measures that conflicted with actuarial principles.

This stunning transformation of confessional views on social insurance has long baffled scholars. A large body of literature now exists explaining this transformation by arguing that increased electoral competition with the left simply forced confessional political parties to adopt a more supportive stance on welfare state expansion. This argument suggests that in the prewar years – and to some extent also in the direct postwar period – confessional parties were largely sheltered against electoral competition due to the fragmentation of Dutch society into ideological and vertically integrated

Hoogenboom, *Standenstrijd en zekerheid. Een geschiedenis van oude orde en sociale zorg in Nederland* (Amsterdam: Boom, 2004).

9 For an excellent account of different views on social insurance development within the ARP during the prewar period, see Hoogenboom, *Standenstrijd en zekerheid*, 151–162.

10 As early as 1952, the ARP used the term “schild der zwakken” in its election program. Nonetheless, its move to the left has been a development that is often placed in the late 1960s. See, for instance, Jan-Jaap van der Berg, “De ARP als evangelische volkspartij?” In George Harinck, Roel Kuiper, and Peter Bak, *De Anti-Revolutionaire Partij 1829–1980* (Hilversum: Uitgeverij Verloren, 2001) 255–280.

networks of societal and political organizations, known as “pillars” (in Dutch: *zuilen*).¹¹ When these organizations – and the subcultures that they had created – began to crumble in the postwar years, renewed competition with the left forced confessional parties to take the popular route of welfare state expansion. This (de)pillarization thesis is also widely used to explain why the rapid expansion of the Dutch welfare state largely occurred under confessional-liberal governments and not under the left-oriented governments that dominated the postwar political landscape until the late-1950s.¹²

While acknowledging that the fracturing of old consociational politics was not unimportant to the rapid transformation of the Dutch welfare state during the 1960s and 1970s, this book agrees with Therborn that its influence was probably indirect and mediated in a complex way.¹³ The period of rapid welfare state expansion and depillarization roughly overlapped, albeit by no means completely.¹⁴ Nonetheless, electoral competition alone cannot explain

11 For a thorough account of this phenomenon and its supposed effect on Dutch welfare state development, see Göran Therborn, “‘Pillarization’ and ‘Popular Movements’. Two Variants of Welfare Capitalism: the Netherlands and Sweden”. In Francis Castles, *The Comparative History of Public Policy* (Cambridge: Polity, 1989).

12 For some examples of this thesis over the years, see Van Doorn and Schuyt, *De stagnerende verzorgingsstaat*; Van Kersbergen and Becker, “The Netherlands”, 490; Cox, *The Development of the Dutch Welfare State*, 212–213 and 135; Peter Hupe, “Beyond Pillarization: the (Post) Welfare State in the Netherlands”, *European Journal of Political Research* 23 (1993) 359–386; Robert Goodin, Bruce Heady, Ruud Muffels, and Henk-Jan Dirven, *The Real Worlds of Welfare Capitalism* (Cambridge: Cambridge University Press, 1999) 67; Robert Goodin, “Work and Welfare: Towards a Post-productivist Welfare Regime”, *British Journal of Political Science* 31:1 (2001) 19; Evelyn Huber and John D. Stephens, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001) 165; Kees van Kersbergen, “Religion and the Welfare State in the Netherlands”. In Kees van Kersbergen and Philip Manow, *Religion, Class Coalitions and Welfare States* (Cambridge: Cambridge University Press, 2009) 140–141; and Jeroen Touwen, *Coordination in Transition: The Netherlands and the World Economy, 1950–2010* (Leiden: Brill, 2014) 151–152.

13 Therborn, “‘Pillarization’ and ‘Popular Movements’”, 211.

14 The electoral decline of the two main Protestant parties in the Netherlands – the aforementioned ARP and the Christian Historical Union (Christelijk-Historische Unie, or CHU) – actually set in during the 1930s, long before either of the two made a substantial shift towards the left on issues related to social insurance development. By contrast, the Catholic People’s Party (Katholieke Volkspartij, KVP) – whose more left-oriented stance in the immediate postwar years resulted in Protestant accusations that it had “degenerated” into a party for workers only – received a steady share of the vote of around 30 percent until as late as 1967. Subsequently, it rapidly lost voters; for instance, its share of the vote had decreased to about fifteen percent by 1977. The process of de-confessionalization held immense importance for this: between 1961 and 1971, church attendance among Catholics decreased from 71 to 33 percent. For the accusation that the KVP had degenerated into a party for workers only, see Van Kersbergen and Becker, “The Netherlands”, 487.

the rapid growth of the Dutch welfare state from the 1960s onwards, let alone its increasingly redistributive nature. To explain this, we need to look at the gradual acceptance – especially among confessional but to some extent also liberal forces – of the need to sever the link between benefit entitlement and individual contributory effort. As we will see, this acceptance started long before the confessional parties began to lose electoral ground in a major way and was the outcome of a decades-old process in which an emphasis on personal responsibility slowly gave way to conceptions that stressed solidarity with the less privileged. These solidaristic concerns ensured that the expansion of the Dutch welfare state was increasingly accompanied by redistribution of income and risk among different sections of the population. Contrary to popular perceptions of welfare state development, this redistributive process by no means benefited the broad mass of voters at the expense of a small group of privileged persons.¹⁵ Instead – and as we will see – they often benefited relatively small groups of risk-prone, low-income wage earners and persons in self-employment at the expense of middle-class groups or voters at large.

The broad acceptance of most of these redistributive measures and their importance in ensuring that *all* Dutch citizens – including the less privileged – could by the early 1970s count on adequate protection against the major risks in life illustrates the limitations of the depillarization thesis and other approaches that explain party support for welfare state expansion (and a lack of party support for welfare retrenchment) by pointing to the electoral popularity of welfare arrangements. The problem with such explanations is that postwar discussions over welfare reform seldom revolved around the question of whether such arrangements were to be introduced and expanded in the first place; instead, they centered on whether insurance was to be made compulsory or voluntary, whether entitlement rights were to be directly linked to individual contributory effort or based on solidaristic principles and whether access to public provision and services was to be rendered by right or favor. Political party views on these matters among

15 The assumption that the postwar expansion of the welfare state was geared towards the interest of the median voter is implicit in most major approaches to welfare reform and is often assumed to be the driving force behind the behavior of major collective actors such as labor unions. For liberal and other parties on the right side of the political spectrum, it is often viewed as a major constraint that forced them to either support the introduction and expansion of welfare state programs (see, for instance, the depillarization thesis described below) or refrain from imposing austerity measures (see further below). In reality – and as we will see in this book – most postwar welfare arrangements have contained either income or wage limits as well as other features that limited vertical redistribution to lower- and middle-class groups.

others depended on the extent to which parties attached value to personal responsibility and solidarity, as well as how they valued the (perceived) consequences of particular welfare initiatives for the functioning of the labor market, existing private welfare schemes (especially in the case of old-age pensions), and the distribution of income in society. In many countries, resistance to the redistributive consequences of generous welfare provision has proven a particularly important obstacle towards attempts to expand the postwar boundaries of the welfare state.¹⁶

The fact that this was not the case in the Netherlands may largely be attributed to the pillarized nature of Dutch society and the consequences that this had for voter behavior and the organizational features of the main collective actors involved in socioeconomic policy-making there. Contrary to previous studies on the role of religious forces in the development of modern welfare states, this book argues that Christian-democratic parties do not necessarily seek to maintain existing status differences and other social inequalities.¹⁷ It shows that while the main confessional parties in the Netherlands tended to attach great value to preserving personal responsibility, they were much less concerned with the distributional consequences of welfare state expansion for middle-class groups. On the contrary, as large catch-all parties that were ideologically wired to emphasize the importance of social justice, they displayed a genuine concern with the less privileged. As

16 While most continental European countries introduced specific features into their state welfare arrangements to ensure that risk-prone, low-income wage earners and persons in self-employment could also count on adequate protection against labor market risks during the first three decades of the postwar period, they did so to very different degrees. Moreover, in various other countries including the United Kingdom and the United States, welfare arrangements continued to stratify rather than reduce existing social inequalities. The continuation of welfare dualities there among others related to the absence of redistributive features in the contributory social insurance schemes of these countries. See, for instance, Jacob Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Cambridge: Cambridge University Press, 2002) 134; Dan McGill, Kyle N. Brown, John J. Haley, and Sylvester J. Schieber, *Fundamentals of Private Pensions* (Oxford: Oxford University Press, 2005) 45; Dennie Oude Nijhuis, "Labor Divisions and the Emergence of Dual Welfare Systems", *Journal of European Social Policy* 26:1 (2016) 66-79.

17 In most studies on Christian democracy and the welfare state it is assumed that Christian-democratic parties prefer to maintain existing status and class differences, which translates into a much more generous treatment of more privileged compared to lower-income, more risk-prone groups. See for instance Evelyn Huber, Charles Ragin, and John D. Stephens, "Social Democracy, Christian Democracy, Constitutional Structure, and the Welfare State", *American Journal of Sociology* 99:3 (1993) 711-49; Van Kersbergen, *Social Capitalism*, 152; Philip Manow and Kees van Kersbergen, "Religion and the Western Welfare State – The Theoretical Context". In Van Kersbergen and Manow, *Religion*, 2; Stathis N. Kalyvas and Kees van Kersbergen, "Christian Democracy", *Annual Review of Political Science* 13 (2010) 198.

a result, they proved increasingly willing to sacrifice the actuarial principles on which the social insurance system was based in favor of a more solidaristic approach, despite the consequences of this for both contributors' sense of personal responsibility and the distribution of income and risk in society.

That they could do so without the risk of alienating middle-class voters, who would after all bear the brunt of these distributional consequences, had to do with the fact that they could count on the loyalty of all income groups in their respective denominations.¹⁸ As a result of the vertical organization of Dutch society among pillar lines and with the exception of the liberal People's Party for Freedom and Democracy (Volkspartij voor Vrijheid en Democratie, or VVD) – which up to the early-1970s never received more than twelve percent of the vote – no parties in the Netherlands catered specifically for middle-class and higher-paid voters. This certainly made it easier to create a truly inclusive welfare state that not only provided adequate protection and services to middle-class groups, but also to groups with a less comfortable position on the labor market. This book will outline the redistributive consequences of the inclusive nature of the Dutch welfare state in detail. By doing so it emphasizes the need to move beyond the popular dichotomy between flat-rate and earnings-related contributory systems; after all, and as we will see, the defining feature of inclusive welfare states that offer adequate levels of protection against labor market risks for all citizens is that they combine elements of both.

The gradual transformation of confessional views on social insurance was by no means limited to parliament. Confessional union federations – and to a much lesser extent confessional employer federations – also increasingly came to accept the need to redistribute risk and income to ensure that less privileged wage earners – and the self-employed – could also count on adequate protection against labor market risks. Take for instance the Protestant Christian Union Federation (Christelijk Nationaal Vakverbond, henceforth CNV). Guided by a strong emphasis on personal responsibility, which translated into strictly adhered to actuarial principles, this federation remained an important conservative force in the debate over welfare state reform until the 1940s. However, it had dramatically reversed

18 As late as 1956, 84 percent of all Catholics voted for the KVP, while 80 percent of all Calvinists voted for the ARP. By 1970, these percentages had dropped to 60 and 70 percent, respectively. This decrease in the confessional voting share benefited parties on both the left and right flanks of the political spectrum. The CHU had always been somewhat less successful than the KVP and ARP in securing the loyalty of voters from its own denomination. Warren E. Miller and Philip C. Stouthard, "Confessional Attachment and Electoral Behavior in the Netherlands", *European Journal of Political Research* 3 (1975) 226.

its position less than two decades later. By the 1960s, it fought side-to-side with its socialist and Catholic counterparts, the Dutch Association of Trade Unions (Nationaal Verbond van Vakverenigingen, henceforth NVV) and Netherlands Catholic Trade Union Federation (Nederlands Katholiek Vakverbond, henceforth NKV)¹⁹ to introduce minimum benefit levels and abolish income and contribution limits, as well as for several other measures that would result in a more redistributive system of contributions and benefits. The CNV's transformation from a force that emphasized personal responsibility to one that emphasized broad worker solidarity was thus at least as radical as that of its closest ideological counterpart in parliament, the ARP.

This brings us to another – generally overlooked – explanation for the peculiar postwar trajectory of Dutch welfare state development. Despite its strong reputation as a corporatist state, existing writings on the Dutch welfare state have overwhelmingly looked at its development as being mainly driven by the electoral considerations of political parties. The popularity of the (de-)pillarization thesis as an explanation for the late – and subsequently rapid – growth of the Dutch welfare state testifies to this. Counter to this popular view of policies being mainly driven by the electoral implications associated with them stands the view that policies are decisively influenced by the involvement of powerful interest groups.²⁰ The latter has definitively been the case in the Netherlands, where the main union and employer federations have traditionally played an important formal role in socioeconomic policy formation, and played a key role in the implementation of social programs until the 1990s. A major purpose of this book is to illustrate the striking degree to which parliament followed organized industry's preferences during the period of welfare state expansion that lasted until the late-1970s, as well as its remaining influence in subsequent years. In doing so, it shows how this affected the course of Dutch welfare state development.

19 The NKV had from 1945 to 1964 been known as the Catholic Workers' Movement (Katholieke Arbeidersbeweging, or KAB). Before the war it was known as the Roman Catholic Workers' Union (Rooms Katholieke Werkliedenverbond, or RKWV). On this see for instance Jan Roes (ed.) *Katholieke Arbeidersbeweging* (2 volumes) (Baarn: Arbor, 1993).

20 The American political scientists Jacob Hacker and Paul Pierson distinguished between writings that analyze US politics as an "electoral spectacle" and those that view it as a form of "organized combat". The latter term may be less suitable to describe interest groups' involvement in policy development in the Netherlands and many other European nations, where the relationship between organized business and labor-based or "progressive" interest groups has been far less "combative". Jacob Hacker and Paul Pierson, *Winner-Take-All Politics: How Washington Made the Rich Richer – and Turned its Back on the Middle Class* (New York: Simon & Schuster, 2010).

Unions, Employers, and the Importance of Broad Worker Solidarity

In the comparative literature on welfare state development, the Dutch case has long been viewed with curiosity. The main reason for this is that its postwar trajectory presents a major challenge to the so-called power resources perspective on welfare state development, which dominated this literature from the late-1970s until the first decade of the 21st century. As a derivative of class analysis, the power resources perspective argued that generous welfare states emerged where the political “balance of power” favored left-wing parties and labor unions over capitalist forces and their bourgeois allies.²¹ These claims obviously conflicted with the course of Dutch welfare state development. The problems here were not just the Dutch welfare state’s relatively slow development under the leftist governments of the 1940s and 1950s, its rapid development under confessional-liberal governments in subsequent decades, and the continual importance of confessional political parties in the Netherlands, which are all addressed by the aforementioned (de)pillarization thesis. The emergence of welfare generosity in the Netherlands in the presence of a labor union movement, which – according to conventional measures – was considered to be organizationally weak and a particularly well-organized employer community, also constituted a major problem.²² On top of this, this employer community on the whole seemed to have been quite supportive of the Dutch welfare state’s postwar expansion.²³

21 For some prominent examples of this perspective over the years, see John D. Stephens, *The Transition from Capitalism to Socialism* (London: Macmillan, 1979); Walter Korpi, *The Democratic Class Struggle* (London: Routledge, 1983); Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990) 22–26; Alex Hicks, *Social Democracy and Welfare Capitalism* (Ithaca: Cornell University Press, 1999); Huber and Stephens, *Development and Crisis*; Duane Swank, *Global Capital, Political Institutions and Policy Change in Developed Welfare States* (Cambridge: Cambridge University Press, 2002); Walter Korpi, “Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism”, *World Politics* 58:2 (2006) 176–206.

22 Conventional measures of union strength emphasize its organizational density. In this respect, Dutch unions are indeed relatively weak. From some 40 percent in the immediate postwar period, Dutch labor unions now organize little over 20 percent of all wage earners. Most of their European counterparts have fared much better. See Jelle Visser, *European Trade Unions in Figures* (Deventer: Kluwer, 1989); Idem, “Union Membership Statistics in 24 Countries”, *Monthly Labour Review* 129 (2006) 38–49.

23 This has been noted among others in Therborn, “‘Pillarization’ and ‘Popular Movements’”, 215. See also Jan Bruggeman and Aart Camijn, *Ondernemers verbonden: 100 jaar centrale ondernemingsorganisaties in Nederland* (Wormer: Inmerc, 1999) 75, 110.

In sum, the Dutch postwar welfare trajectory clearly illustrated the limits of an analytical perspective that emphasized class conflict. In the past decade, a new scholarship on the role of business groups and labor unions in welfare state development has succeeded in defining these limits.²⁴ While acknowledging that welfare state development is often accompanied by distributive conflict between wage earners and employers, this new scholarship has emphasized that the introduction and expansion of public protection against labor market risks also involves strong potential for distributive conflict among different categories of employers and among different categories of wage earners. There is no doubt that the introduction of – for instance – a public unemployment insurance program holds great potential for risk reapportioning among firms operating in different industries and of different sizes.²⁵ Moreover, there is also no doubt that such risk reapportioning has strong consequences for the distribution of income among different categories of wage earners. These consequences will strongly increase when this insurance program also operates under a system of contributions and benefits that works to the advantage of poorer wage earners, which – as we will see – was increasingly the case in the Netherlands. Therefore, a common denominator of the new scholarship of the past decade is that the course of welfare state development is crucially affected by how labor unions and employer interest groups view – or deal with – these redistributive consequences.

The willingness of Dutch unions to accept these consequences has undoubtedly occupied major importance in ensuring that the Dutch welfare state came to provide adequate levels of protection against labor market risks for all citizens, including the less privileged. Throughout the postwar period, the three major union federations in the Netherlands pushed for more lenient eligibility rules, broader coverage principles, and increases in or even the abolition of income limits – all of which increased the scope for redistribution between more and less risk-prone wage earners. In addition, they pushed hard for the introduction of a redistributive system of contributions and benefits. This eventually resulted in a public pension that combined flat-rate benefits with earnings-related contributions and

24 See, for instance, Peter Swenson, *Capitalists Against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden* (Oxford: Oxford University Press, 2002); Isabela Mares, *The Politics of Social Risk: Business and Welfare State Development* (Cambridge: Cambridge University Press, 2003); Dennie Oude Nijhuis, "Revisiting the Role of Labor: Worker Solidarity, Employer Opposition, and the Development of Old-Age Pensions in the Netherlands and the United Kingdom", *World Politics* 61:2 (2009) 296-329.

25 See, for instance, Mares, *The Politics of Social Risk*, 21-41.

the introduction of minimum benefit levels into those social insurance programs that previously operated completely along earnings-related lines. The Dutch labor union movement's consistent support for redistributive welfare solutions – which often benefited a small group of low-paid, relatively risk-prone wage earners at the expense of either middle-class groups or all other wage earners – has been truly remarkable. Its willingness and ability to do so can be attributed to the largely industrial nature of labor unionism in the Netherlands, which emphasized the importance of broad worker solidarity. Recent research on the role of labor unions in welfare state development has shown that such displays of broad worker solidarity cannot be taken for granted and depend on labor's internal organizational blueprint.²⁶

The powerful employer federations were on the whole much more reluctant to accept deviations from actuarial principles – unless it worked to limit welfare costs or the scope for decommodification. This book consequently provides no evidence for what will be referred to as the business interest scholarship, which has argued that the postwar expansion of the welfare state crucially rested on active support from powerful business groups that had an active interest in the introduction and expansion of social programs because they expected to derive certain benefits from these programs. This claim has two main variants. According to the first variant, which originates in a broader study of production regimes known as the “varieties of capitalism” approach, businesses operating in high-skill economies may have appreciated certain social policies because of their role in convincing workers to invest in specific skills.²⁷ This scholarship relies on the problematic assumption that the prospect of higher wages and generous occupational insurance schemes were insufficient to convince future workers to invest in the type of skills that were relevant for firm production.²⁸ The second variant

26 Such displays are most unlikely to emerge when higher-paid, less risk-prone wage earners largely operate separately from less privileged wage earners, which is normally the case when labor union movements are characterized by strong occupational divisions. See, for instance, Oude Nijhuis, “Revisiting the Role of Labor”, 296–329.

27 See, for instance, Margarita Estévez-Abe, Torben Iversen, and David Soskice, “Social Protection and the Formation of Skills”. In Peter A. Hall and David Soskice. *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001) 148; Torben Iversen, *Capitalism, Democracy, and Welfare* (Cambridge: Cambridge University Press, 2005) 10–11; Cathie-Jo Martin and Duane Swank, *The Political Construction of Business Interests: Coordination, Growth, and Equality* (New York: Cambridge University Press, 2012) 7–8.

28 On this see also Oude Nijhuis, “Revisiting the Role of Labor”, 296–329; and Thomas Paster, “Business and Welfare State Development: Why did Employers Support Social Reforms?” *World Politics* 65:3 (2013) 416–451.

rests on the more limited and plausible assumption that *some* businesses have displayed an interest in the introduction and expansion of social insurance programs to prevent competition over labor with fringe benefits or to off-load costs onto competitors or society as a whole. This scholarship among others highlights the importance of differences in interests between firms operating in tradable and sheltered sectors, between large and small firms, and between firms operating in high-skill and low-skill sectors. Other scholars have however questioned the importance of these sectoral interests, especially for countries where the most influential business organizations were organized on a national level.²⁹

As a result of various factors including the pillarized nature of Dutch society and long survival of the guided wage policy, the most powerful business organizations in the Netherlands, the employer federations, were also without exception highly centralized and organized on a national basis.³⁰ As we will see, they were also quite apt at suppressing sectoral cleavages among firms, and consistently opposed welfare outcomes that benefited more risk-prone firms or sectors to the disadvantage of other firms or society as a whole. They furthermore seldom responded in a proactive manner to demands for the introduction and expansion of social insurance and related schemes, and generally only did so when this served to prevent the coming about of more generous or in other ways more threatening alternatives.

29 As illustrated in Peter Swenson's seminal work on capitalist welfare interests and preferences in Sweden and the United States, the situation was decidedly different in countries where the business landscape was more fragmented or specific economic circumstances worked to reinforce the importance of sectoral cleavages, for instance between sheltered and exposed firms. See Swenson, *Capitalists Against Markets*. For other works that highlight the importance of sectoral cleavages, see Colin Gordon, *New Deals: Business, Labor and Politics in America, 1920-1935* (Cambridge: Cambridge University Press, 1994); Mares, *The Politics of Social Risk*; and G. William Domhoff and Michael J. Webber, *Class and Power in the New Deal: Corporate Moderates, Southern Democrats, and the Liberal-labor Coalition* (Stanford: Stanford University Press, 2011). For studies that have taken a skeptic view regarding the importance of sectoral interests and the possibility for the emergence of durable cross-class alliances, see Jacob Hacker and Paul Pierson, "Business Power and Social Policy: Employers and the Formation of the American Welfare State". *Politics and Society* 30:2 (2002) 277-325; Mathieu Leimgruber, *Solidarity Without the State? Business and the Shaping of the Swiss Welfare State* (Cambridge: Cambridge University Press, 2008); Paster, "Business and Welfare State Development", 416-451.

30 The guided wage policy (in Dutch: *geleide loonpolitiek*) was a strict policy to control wage and prices that was introduced in 1945 in order to restore international competitiveness. The policy functioned with great success up to the late 1950s when a tight labor market forced an increasing number of employers to offer higher wages than were permitted. The system finally broke down in 1964 under a confessional-liberal government. For an excellent overview of the policy see Herman de Jong, *Catching Up Twice: the Nature of Dutch Industrial Growth During the 20th Century in a Comparative Perspective* (Berlin: Akademie Verlag, 2003).

Finally, they always displayed a preference for welfare solutions that were the least costly, decommodifying or threatening to the existence of private pension funds. In sum, the employer federations in the Netherlands were just as conservative in their welfare outlook as their counterparts in most other countries were.

Nonetheless – and as previously mentioned – compared to many of these foreign counterparts, they undoubtedly proved quite conciliatory and receptive to demands for increases in the level and scope of public protection against labor market risks.³¹ This relatively cooperative stance may be explained in two different ways. First, the employer community strongly valued the relatively harmonious nature of labor relations in the Netherlands, which rested upon an elaborate system of institutionalized consultation between the top representatives of organized labor and the employer community. To preserve this system, it was imperative to take a compliant stance on one of labor's most important postwar demands, namely the creation and preservation of an adequate system of social protection for all wage earners. At the same time, it should be noted that this system of institutionalized consultation also provided employers with an effective instrument to stall unwanted outcomes. Their ability to do so is among others illustrated by the long-standing negotiations in the Social-Economic Council over union demands for an increase in the level and duration of the unemployment insurance benefit during the 1950s and 1960s, which will be described at length in this book.

Another explanation for the overall supportive stance of the Dutch employer community towards demands for welfare state expansion can be found in the broad acceptance of the notion of the “social wage” in the Netherlands. Compared to its counterparts in many other Western countries, the Dutch union movement has been remarkably willing to accept that public provision against labor market risks – like private provision against such risks – constituted a form of deferred pay, which consequently had to be financed out of the general room for wage increases. As we will see, this acceptance did not extend to labor market risks like (involuntary)

31 The question concerning the degree to which organized employers have supported the postwar development of welfare state in advanced industrial countries has proven highly contentious over the years. Nonetheless, most scholars agree that organized employers in European countries have been more supportive of this development than their “Anglo-Saxon” counterparts. Compare for instance Peter Swenson’s analysis of events in Sweden and the United States in his *Capitalist Against Markets*. The following analysis suggests that much of this difference can be attributed to differences in union behavior: a point that has received little attention in the literature to date.