Rise of the Dutch Coordinated Welfare State

Employers, Consultative Institutions, and Social Laws in the Netherlands, 1930s-1950s

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Abstract
In the Netherlands, a comprehensive welfare state system only came to fruition in the 1950s and 1960s. The late moment of this expansion was the legacy of the religious pillars, who wanted to keep social protection in their own hands on the local level. The absence of strong militant unions explains why social care could not be nationalized at an earlier stage. I argue that both procrastination and the subsequent generosity of the state welfare laws can be explained by the rise and acceptance of consultative institutions. This explanation builds upon the institutionalist view that temporal processes generate new actor preferences.

During First World War, coordinating institutions arose. They attempted to construct a shared approach to economic problems by uniting employer views and the views of representatives of the unions and the government. While unions generally did not agree on issues such as the appropriate degree of patience and trust, employers also formed a heterogeneous block: small and large, liberal and Christian-Democrat firms did not see eye to eye on labour relations.

In the decades that followed, state-level solutions materialized that were better suited to coordinate labour issues than local or municipal arrangements. But welfare state expansion was put on hold while worker codetermination and information sharing were being discussed. For example, in the discussions about the Sickness Law, which took a long time, issues of control dominated over the costs of the provisions. Actor preferences can be understood by applying historical institutionalism literature rather than rational choice literature. We conclude that the increasing support view provides a good perspective on the development of the coordinated welfare state. The post-war boom in welfare spending could only come about because a consultative platform was established in the interwar period. Thus, ironically, decades of disagreement resulted in far-reaching post-war social laws and a coordinated system that still exists today.

Introduction: the slow expansion of the Dutch welfare state
In the course of the 19th century, the idea developed that the state should take care of the poor, and in addition had a role in organizing forms of social protection for workers. Increasingly the idea was voiced that the private initiatives of social protection in the Netherlands, which were in the hands of churches, municipalities, and charity, did not suffice. This feeling was intensified by increasing pressure from the socialist movement, as well as the example of Germany, where Bismarck had
introduced laws that obliged employers to insure workers. But several other groups in Dutch society rejected the introduction of state level social laws: Christian-democratic parties believed in de-central solutions, preferring private charity with only a residual (municipal) public safety net. Churches and municipalities claimed the field of poverty protection. The religious groups slowed down central welfare state development for issues such as industrial injury, unemployment, and sickness, since they preferred decentralized, non-government welfare initiatives.1

Liberal businessmen and politicians also preferred private measures in insurance against industrial injury and social policy. But at the turn of the century, the belief in laissez-faire increasingly gave way to an interventionist approach.2 In the Netherlands, the desire to organize and coordinate was strengthened by the First World War and resulted in a gradual support for consultative platforms. It did not result in social laws because during the first half of the twentieth century the Christian pillars dominated government. The Christian employers tended to be in favor of consultation, since they valued harmonious labour relations.

An increasing number of entrepreneurs, politicians and union leaders advocated the establishment of consultative institutions where representatives of employers, unions and the government could discuss wages and working conditions. After experiments on the municipal level, it became accepted to organize this nationally. Interestingly, although many entrepreneurs were in favor of economic coordination in the form of cartels, because they found unbridled laissez-faire capitalism obsolete, they were only slowly won over to introduce codetermination, since they hardly trusted the union representatives. Regulation would serve their interest, preventing devastating foreign competition, labour unrest or volatile markets. But the introduction of consultative platforms introduced sharing control.3

In this chapter I analyse the expansion of social laws in conjunction with the development of the coordinated economy, because the discussions about them and their institutional development are strongly intertwined. There were many reasons to introduce social laws after the war – after the disastrous developments during the Great Depression, minds were ripe to give the state more responsibility in providing social protection. But how can we explain that after the war Dutch stakeholders so quickly, and almost unanimously, decided to introduce such a generous welfare state? My claim is that this was facilitated by the system of consultation in the field of labour relations, where opposing parties got to know each other and formulated the intention to improve the common good. Frequent and institutionalized consultation generated new actor preferences, shifted priorities, and created new commitment. After the Second World War, Dutch labor relations were ready to embrace modernization – including a full-fledged modern welfare state.

Increasing organization and modern institutions
Since the late nineteenth century, different types of institutions with specific functions developed in the Netherlands on the national level, aiming at coordination, distribution of information, and interest representation, such as the Central Commission for Statistics (1892) and the Mining Council (Mijnraad, 1902). In the first decades of the twentieth century, several were added to this list: the Unemployment Council (Werkloosheidsraad, 1914), the Commission for Economic Politics (1917), the Council for Industry (Nijverheidsraad, 1919), and the Council for Retailers (Middenstandsraad, 1919). Clearly there was much enthusiasm for coordinating and regulating institutions.

It is not surprising that labour relations were also increasingly organized. The High Council of Labour (Hoge Raad van Arbeid, 1919) was preceded by a local experiment called the Chambers of Labour (1897 - 1923). But statistics and economic policy are of a different order, because the poverty and living conditions of the work force could form a threat to the entire system. Nijhof and Van den Berg distinguish between 1890-1912 as a period of state-led development and 1912-1939 as a period that formed the heyday of Christian corporatism.

Social protection and labour relations provide different angles of the same problem. While discussions on social protection relate to insurance, income protection, or health provisions labour relations regard wages, codetermination and working conditions. For example, one can exchange wage for social protection, but this requires bargaining on the peak level with the government included (which has to pass the law). In the nineteenth century, the Christian parties were already heavily debating the principle of individual responsibility for social protection. In 1890 the Dutch government held surveys on labour conditions in a large number of firms: the ‘Arbeidsenquete’ of 1887 and the ‘Staatsenquete’ of 1890. All kinds or abuse were reported and new legislation was deemed necessary: the Labour Law of 1889 (Arbeidswet) can be viewed as a result, as well as a proposal for a law on industrial injury (Ongevallenwet, 1899).

The Chambers of Labour were established, in order to formulate bipartite advice in labour conflicts and investigate and improve local labour conditions. There were organized per sector on the municipal level. One can debate whether such local initiatives of consultation were either relatively unsuccessful, or essential forerunners of the national platform concertation. Reviewed as a failure for a long time, they are increasingly viewed as typical of a transition towards more consultation. They seem to have been municipal pioneers of the future neo-corporatist institutions, useful experiments that took away the antagonism and proved that deliberation could lead to practical solutions.

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some sectors, in some cities, they functioned well, but in other sectors they were viewed as a tool for dominant employers.

All these new organizations formed extra-parliamentary institutions that at the time were regarded as alternative avenues of political representation. They were perceived to be part of the solution to an alleged interwar crisis of parliamentary government.\(^8\)

**Expansion and obstruction of protection**

In international comparison, poor relief in the Netherlands in the nineteenth century was relatively generous. It was slightly below ‘top spender’ England – but it was not organized by state law, and there were hardly any laws for protection of workers against sickness, professional injury, or old age.\(^9\) The liberal view dominant at the time was characterized by a strong belief in free trade and laissez faire, symbolized by the abolition of the Cultivation System in 1870, with only a small ‘night watchman’ role for the state.\(^10\) Self-reliance and incentives to engage in work were viewed as more important than social support. But it dawned slowly that more was needed to solve the ‘social question’. Many younger Dutch liberals in the late 19\(^{th}\) C liberal politicians advocated state intervention to strengthen the position of workers. In 1872, the organization of unions became legally permitted.\(^11\) In this year a hybrid organization started, the General Dutch Artisan Association (Algemeen Nederlands Werklieden Verbond, ANWV) that was a union and an employer organization at the same time, because workers and small entrepreneurs were members. Immediately after its establishment it started to strive against child labour, resulting in the law on child labour of 1874 (‘Kinderwet’), and also aimed at widening the electoral base (1896). Democracy, labour relations, and welfare state development were strongly interconnected.

Traditional private and Church-related social provisions were merely supplemented by hesitant state-issued social laws. The first law on child labor, the Kinderwetje by Samuel van Houten that was installed in 1874, prohibited hiring children below the age of 12 for factory work. But this can only be viewed as a precursor to state responsibility in social matters, because it was a weak initiative, at the most an attempt to regulate ruthless economic competition between industries. There was no adequate inspection, so in practice the law had little effect. Only when in 1901 compulsory education between the ages of 6 and 12 was introduced (with a marginal majority of 50 against 49 votes!) children could not be set to work in factories any longer.

In 1899 the Industrial Injuries Law (Ongevallenwet) was presented. It took effect in 1901 and was an early example of state regulation of social protection, although it was still largely based on employer responsibility. Injured workers received a 70 percent pension (which did not stop at the age of 65, because there was not yet a pension law). Below, we will observe that an important effect of this law was that it stimulated employers to organize themselves, in their resistance to this state intervention in their affairs. In turn, this propelled the development of the consultation economy.

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8 Joris Gijsenbergh, ‘Crisis of Democracy or Creative Reform?’.
9 Lindert, Going Public, 46.
11 Nijhof and Van den Berg, Het menselijk kapitaal, 48.
Moral foundations of state involvement

The sociologist Schuyt points out that the Dutch welfare state had both material and moral foundations. The Keynesian realization that consumptive demand needed to be supported in times of crisis formed a material foundation. Social provisions and social insurance programs sustained consumption by providing income to vulnerable groups such as the unemployed, elderly, or injured (thus functioning as automatic stabilizers). The moral foundation was the ambition to provide an income for state citizens with disregard for their success in the labor market (a decommodified income, therefore) and an agenda for a ‘just’ income distribution, correcting market failures in the distribution of economic and social goods. However, these general grounds fail to explain why the coming of age of the Dutch welfare state was so slow. This illustrates the increasing interest among historians in the coming of age of welfare states, developing views different from sociologists and political scientists, rooted more in contingencies and events than in models and paradigms.

We can distinguish different early initiatives of social protection in which the modern welfare state was rooted: private charity, employer initiatives, state-led initiatives, and union-based initiatives. Both in the more generous (corporatist and social democratic) welfare states and in the liberal, means-tested welfare states, such initiatives of social insurance by employers and workers came about. They date back to the early-modern era, when charitable initiatives by the Church and municipalities were the most important means of social protection.

The weak pre-1945 initiatives

The starting point for the state taking up responsibility for people’s welfare can be placed about 1900. Around this time industrial capitalism reached a higher degree of organization: workers’ unions gained importance, confessional groups advocated a social agenda, state legislation increased, and firms began to organize themselves partly in response to these initiatives. However, during the interwar years state-led welfare expansion was often restricted to relatively small-scale initiatives in sickness laws and old age pensions. In the Netherlands, civil society did not immediately embrace the stronger role of the state. As said, the confessional pillars resisted the tendency toward centralized state provisions and insurances. But there were also liberal employers who were afraid of such

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commitments, fearing that state laws would be dominated by unions and that the entrepreneur would lose control and profit. The protagonists for social laws among employers could be found predominantly among Christian-democrat employers.

After the Industrial Injuries Law was passed in 1901, it took another 12 years before minister A.S. Talma introduced a law providing income in the case of industrial injury and old age in 1913. This law took effect after the war, in 1919. Workers who were more than 70 years old obtained a small ‘work invalidity’ benefit (too small to live on). Meanwhile, a law for health insurance, the Sickness Law (Ziektewet) was passed in 1913, but it came into effect only in 1930. This law aimed at a regional provision of insurance against sickness through the Councils of Labor (Raden van Arbeid).

**Organization against the chaos of industrial capitalism**

During the interwar years, Dutch pillarized society developed a system of organized consultation. In this system platforms were created for employers and unions to coordinate policy decisions.

Concertation was initially to some extent facilitated by the idea that nineteenth century laissez-faire capitalism was outdated and the economy needed to be regulated to some extent— in the same vein that large companies needed professional managers. (In the later Cold War-antagonism between the free market and the socialist command economy, this recognition of voluntary regulation of business has often been ignored.) The economy had become too complex to hand over all processes to the invisible hand, coordination was needed ‘against the chaos of capitalism’. Economic actors, including entrepreneurs, increasingly became convinced that markets should be regulated and coordinated because of the complex nature of the modern industrialized economy.\(^{15}\) Thus, emerging corporatism was accepted. It provided a state-organized, legally-bound structure in which employers were required to negotiate. The depression of the 1930s added another component to this outlook: Keynesian economic policy. Collective bargaining and minimum wage setting provided stabilizing effects and helped to prevent deflation. For these reasons, John Maynard Keynes favored a greater role of the trade unions: collective bargaining could regulate wages, set a wage floor and prevent cut-throat competition. This would prevent downward spirals of recession and benefit an economic growth that was more equally spread among the populace.\(^{16}\) The acceptance of Keynesian economic policy implied the acceptance of bargaining platforms.

**Consultative institutions**

Non-market coordination found its shape in a system of industrial organization, which was in line with the consociational, compromise-oriented view on how society should be organized that was emphasized by Arend Lijphart as typical for a pillarized society. But compromise does not entail consensus, and disagreements abounded.

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In 1968, Lijphart published his famous hypothesis on the consociational Dutch society, stating that the pillarized structure enhanced stable and harmonious democracy. He explains that elite competition was replaced by elite cooperation and there is a disciplining effect of vertical interaction within pillars, reducing class struggle. The drawback of this view is that it overemphasizes univocal solutions, whereas consultation in labor relations and among business networks included strong disagreement, long delay in sensitive issues, and lengthy debates on policy alternatives. The horizontal interaction between different elites may have been more important than the disciplining effect of vertical interaction in the pillars.

In due course, the practice of a certain style of consultation has an effect on the bargaining culture – Dutch concertation is less conflict-oriented than for example in France, less formal than in Germany or Austria, and less class-conscious than in the UK. Pillars did in fact not constitute strong immobile blocs that influenced all aspects of society, and moreover there was a very unequal regional distribution of the influence of the various pillars. The pillars were very influential in the public debate before 1914; the First World War led to a ‘breakthrough’ in national politics.17

Employer organizations in the Netherlands

The establishment of the first employers’ association, the Organization of Dutch Employers (Vereeniging van Nederlandsche Werknemers, VNW) in 1899 was closely connected with the preparation of an Industrial Injuries Law (Ongevallenwet) that would take effect in 1901.18 The government initiative to introduce such a law induced consultation among employers, and resistance; it made employers realize that cooperation was desirable.19

The ambition of the Industrial Injuries Law of 1901 was to make insurance of risque professionnel compulsory for employers of dangerous industries, so that selfish employers could not rely on public provisions in this regard. It incited massive protests among employers. The law was written by C. Lely, the famous minister of Waterworks, Trade, and Industry who also developed the plan to build the Afsluitdijk (which turned the Zuiderzee into the IJsselmeer). Protests against this law by employers prompted them for the first time to organize into an employers’ organization. The campaign was initiated by D.W. Stork, owner of the machine manufacturing firm Stork in Hengelo, who claimed to have a good factory fund for injuries and stated that a law stipulating compulsory


18 In the late nineteenth and early twentieth centuries, a series of different social laws were passed, which were evidence of increasing state intervention without introducing a full-fledged welfare state.

19 The Algemene Werkgevers Vereniging (General Employers Association) (established in 1919 as Zaanse Werkgevers Vereniging) planned to merge with VNO-NCW in 1997, in which year it became AWVN; but in 2008 the merger was cancelled. Jan Bruggeman and Aart Camijn, Ondernemers verbonden. 100 jaar centrale ondernemingsorganisatie in Nederland (Wormer: Inmerc, 1999) 293; http://www.anvw.nl.
insurance would damage free entrepreneurship. Thus, social policy of the Dutch government promoted the establishment of the VNW in 1899. The government did not budge, and denied that the new law would be more expensive for employers.

After the formative prewar decades had passed, a system had developed with employer organizations for small and medium-sized firms, firms in agriculture and horticulture, and large firms (industry and big business), and in each group there were Catholic, Protestant, and non-confessional general associations. There were ‘entrepreneurial’ associations looking after the economic interests of their members, such as the Association of Dutch Employers (VNW) and employers’ organizations taking care of social matters, such as the Central Social Employers Association (CSWV). Some similar associations took care of both economic and social affairs, or merged after some time. Three pillars can be observed in the development of employers organizations: a general (or liberal) pillar (starting with VNW in 1899), a Catholic pillar (1915) and a Protestant pillar (1918). In the postwar era, the organizations combined and consolidated into three peak organizations. These represented about 800–1,200 employers’ associations and branch organizations. In 2004, VNO-NCW had 160 associations totaling about 100,000 firms; MKB-Nederland (small and medium-sized firms) represented 500 associations and about 175,000 firms; and LTO-Nederland (agriculture and horticulture) held 18 associations and about 55,000 firms.

In the period up to the late 1960s, membership of the employer associations tended to be more constant and more loyal than that of the unions, where free riders and high turnover caused some trouble, but internal disciplining and developing uniform employer policies was more difficult. The central organizations of labor held more authority over the individual industry level unions than employer central organizations over their affiliates. As Windmuller writes, ‘employers only grudgingly surrendered a slice of independence to their associations’. In the consultation structure, firms were present to look after their interests if this was necessary or desirable, but not to fight for better conditions: one could say that continuity rather than change was on their agenda.

It is well known that during the 1930s Depression, Dutch firms did not appreciate fierce competition or a race to the bottom in prices, because these would further destabilize their position. Cartels were widely found. The government complied, and increasingly regulated and coached domestic competition.

In the 1930s, the relatively limited, wage-earner oriented social laws were discussed and hesitantly accepted in these platforms. Industrial organization was accompanied among some groups by the idea of state planning. For example in 1935, the social democratic ‘Plan of Labor’ (Plan van de

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20 Bruggeman and Camijn, *Ondernemers verbonden*, 61-75.
21 The two confessional peak associations combined their efforts in 1967 into the Federation of Christian Employers Confederations (*Federatie van Christelijke Werkgevers Verbonden*). The merger with the nonconfessional peak organizations took place as late as 1995. Alongside the resulting VNO-NCW, the employers’ organizations for small and medium-sized companies (MKB) and the agricultural peak organization (LTO) continued to exist.
Arbeid) of J. Tinbergen and H. Vos, took up state responsibility. But this was met with much resistance.

After the war, the system of industrial organization and organized consultation in turn supported the introduction of social provisions. In the successor of the High Council of Labor, the tripartite Socio-Economic Council (SER, established in 1950), employers consented with ideas that came forward from the government and the unions. Once neo-corporatist bargaining had reached an agreement, the Christian-democratic parties, which broadly speaking had a left-wing and center orientation, as well as the Dutch liberal party VVD, could provide political support for the expansion in social spending between 1958 and 1982.

The system of coordination preceded the expansion of social laws in the prewar years. The social partners and the Raden van Arbeid favored wage-earner laws and did not encourage the state to introduce universal provisions. While the construction of a negotiating platform for employers and workers received a lot of attention, the state did not superimpose central social policy. The consequence was that the Dutch system became rather strongly breadwinner oriented—prewar social provisions were directed towards the wage earner and not universally to all of the population. As we saw, the main social provisions were added after the war.

In this manner, in a gradual process since the turn of the twentieth century, Dutch employers increasingly supported industrial organization. Industrialization inspired cooperation to regulate competition and implement standardization. The increasing complexity of economic activities made that these efforts were thought necessary. It also corresponded with views on the organization of capitalism. Moreover, banks were increasingly involved with industrial finance, which in the Netherlands only happened since the 1910s. This meant that bankers took a seat in advisory boards, creating directorship networks.  

The new coordinating institutions were inspired by an emergent organizing principle, that was advocated by technologically advanced sectors. Their interests differed from the old liberal ideology, cherished by landed gentry and handicraft trades. This nationalist industrial development ideology replaced liberalism as a hegemonic philosophy at the end of the nineteenth century. ‘Classic liberalism’ was increasingly challenged by ‘social’ or ‘progressive’ liberalism. Interestingly, neoliberal ideology has sketched an image of long fight for free markets that lasted about a century (a ‘long march’ of neoliberalism, guided by thinkers such as Von Hayek, a lengthy effort to break markets loose from the straps and bridles of the imposing state). In fact, the opposite happened: advocates of free markets were not afraid of a supportive state (although they rejected socialism) and were increasingly convinced that markets should be regulated and coordinated, because of the complex nature of the modern industrialized economy.

26 Jackson, ‘At the Origins of Neoliberalism’. 
Let us now move onward to three case studies to develop a view on employers’ opinions and standpoints.

(1) Collective Labor Agreements, 1920

Early 1920 the Minister of Labor and the Minister of Justice sent a proposal to the High Council of Labor for a civil law that facilitated collective labor agreements (CAO’s). The tripartite Committee on Industrial Organization (Commissie voor de Bedrijfsorganisatie) of the Council discussed this proposal on 12 April 1920.\(^\text{27}\) The High Council of Labor was also the main platform for discussing whether CAO’s should be made binding for all employees in a branch of industry, whether union member or not.

Since 1907, the collective labor agreement had a small footing in Dutch Civil Law, stipulating that national labor agreements in specific industrial sectors, such as the graphic industry, did not allow for deviating individual employment contracts.\(^\text{28}\) The Christian Union CNV was in favor of a nation-wide system with collective labor contracts. Since 1918, the CNV advocated equal treatment of union and non-union workers. Special jury committees should decide on labor conflicts, which abandoned the right for workers to strike until the jury had spoken. In irony, they even called the collective labor agreement ‘a contraceptive against open conflict.’\(^\text{29}\)

The CAO law of 1920 was a major step in labor relations. It meant that individual employers could not decide on their own on wages, labor conditions and individual social security arrangements such as sickness and pension payments. What did employers at the time think about this law?

Professor J.A. Veraart (1886-1955) played a crucial role in these regulations. Veraart was a progressive Catholic and the intellectual architect of legislation that coordinated industrial organization. He later designed the PBO Law (Publiekrechtelijke bedrijfsorganisatie, industrial organization under public law), the law that institutionalized tripartite consultation in the Netherlands in 1950. He was an ardent believer in harmonious relations between employers and workers.\(^\text{30}\)

In 1920, Veraart started by asking whether the Committee on Industrial Organization thought this issue had to be arranged by civil law or by public law. The employers in the committee favored collective labor agreements, because they thought it would reduce labor conflicts, in the form of civil law contracts. They viewed an agreement as something that was as likely to restrict employers as workers, and were even afraid that the unions would not comply, so they suggested that sanctions should be included to force them to stick to the arrangement. But this also meant that they had a

\(^{27}\) International Institute of Social History, Amsterdam (IISH), Archief Florentinus Marinus Wibaut, inventory number 330, 1. Second meeting of the Commissie voor de Bedrijfsorganisatie, Monday 12 April 1920. Department of Labor, The Hague. Also called ‘commissie voor de bedrijfsorganisatie en medezeggenschap’, the committee was consulted for the abolition of the Chambers of Labor, see below.


\(^{29}\) Piet Hazenbosch, Voor het volk om Christus’ wil: een geschiedenis van het CNV (Hilversum: Verloren, 2009) 96.

very pragmatic approach to such arrangements: neither employers nor union representatives wanted to include regulations about strikes – that subject was obviously to sensitive.

In contrast with employers, the workers representatives were generally not in favor of CAO’s. It is telling of this period that many of their representatives thought that labor conflicts were a better way to reach their goals. They also distrusted the proposed conflict settlement committees, because they feared in the composition and operation of these government would be influential, and that the government would be biased towards the employers.

Veraart’s PBO plan, in which industry had to be organized in a tight-mazed corporatist structure, met with much more resistance of the employers. Their main objection was that it restricted their freedom of movement. But it also contained elements that were viewed favorably: the harmonious relations between patrons and workers were stimulated, that it built upon the insight that entrepreneurs were no longer ‘monarchs’ and that individualism had ceased to blossom. Windmuller states: ‘The leisurely pace of national debate, required by the need for obtaining a consensus among the dogma-bound views of society’s constituent blocs, prevented the possibility of full-fledged PBO legislation before World War II.’ Dogma-bound may be too strong a statement: employers very pragmatically said that they did not want government officials who had no practical experience to rule the economy. Their willingness to consult, resulting from pillarization as well as from a new view on capitalist order, prompted them to talk and consult, but consultation prevented the quick introduction of far-reaching top-down plans. The logic of influence resulted in bottom-up solutions rather than consenting with top-down designs.

(2) The Sickness Law, 1920-1923
In 1920 the plans for the new Sickness Law in the High Council of Labor were discussed in the peak organization, the central consultation platform of the employer associations (the Centraal Overleg Werkgeversbonden). On the agenda was a proposal to change the 1913 Sickness Law. This law was introduced in 1913 by Minister of Agriculture, Industry and Trade A.S. Talma and included a compulsory insurance for sickness and medical care for salaried employees (independent entrepreneurs could join voluntarily). Both employers and employees would contribute payments. Remarkably, it only came into force seventeen years later, in 1930. This 1913 law was accompanied by an Industrial Injury and Pension law (Invaliditeits- en Oudersdomswet) arranging an entitlement for industrial injury and old age higher than 70, as well as death. For salaried employees it was

31 IISH, Wibaut , inventory number 330 (1920), Sixth meeting of the Commissie voor de Bedrijfsorganisatie, 1-10.
32 Algemeen Handelsblad 2 February 1923. See also IISH, Wibaut , inventory number 330.
33 Windmuller, Labor Relations in the Netherlands, 288.
34 This platform, also called Centraal Overleg in Arbeidszaken voor Werkgeversbonden, was established by the Association of Dutch Employers (Vereniging der Nederlandsche Werkgevers, VNW) in 1920. After 1945 the departments dealing with social affairs of the VNW and the Centraal Overleg in Arbeidszaken voor Werkgeversbonden were merged into the Centraal Sociaal Werkgevers-Verbond. See Nationaal Archief, Den Haag, Centraal Overleg Werkgeversbonden, 1920-1945, nummer toegang 2.19.103.04, inventarisnummer 2, 1-2.
organized through the Councils of Labor, but the entitlements were not indexed against inflation. In a revised form this second law came into force on 3 December 1919.

An alternative proposal for the sickness and industrial injury insurance was drawn up in 1920 by E.F. Posthuma of the collective insurance firm Centraal Beheer and E. Kuypers of the peak union organization NVV. The chair, mr J.J.M. Noback, announced on 27 October 2021 the ‘Posthuma-Kuper plan’ was to be discussed. This plan envisaged an alternative Sickness Law. The new proposal formed the basis of the eventual Sickness Law that was passed in 1929 and stipulated that employers and workers would each pay 50% of the insurance premium. This facilitated payment to a sick employee of 70% of his wages during six months. The Councils of Labor would carry out the insurance.

During the discussion on this proposed sickness law, F.E. Posthuma, who represented the employer association “Maatschappij van Nijverheid” (Society of Industry), stated that he was afraid that the High Council of Labor would probably change the proposal in such a way that the employers would pay 100%. He added that, in practice, this was already often the case, and stated that it would be much cheaper to offer to supply the full 100% of the sickness pay to a level of 80% of the wage, under one condition: that the administration of the law would be carried out by the employers themselves (who would supposedly be much stricter in admission). He said that he felt that the union NVV (Nederlands Verbond van Vakverenigingen; Dutch Association of Trade Unions) would agree that bureaucratic interference of the Chambers of Labor would be undesirable.

Other employer representatives hesitated. They were skeptical of the idea that the unions would agree to the employers taking all decisions into their own hands, anticipating that the unions would demand some degree of codetermination on the issue. In reply, Posthuma emphasized that cooperation on the administration of the Sick Law would continue. Another objection expressed by the meeting was that if workers would not contribute financially, they would feel fewer incentives to keep down the number of sickness incidences. Others, by contrast, stated that the worker contribution could be part of their wage, and if the workers would still have to take care of the remaining 20% themselves, the incentive would be remain. The discussion was concluded by most representatives remarking in a rather modest way that they merely expressed their personal views, and that Posthuma could continue to develop his proposal.

During the next meeting of the employer section High Council of Labor, on 28 January 1921, the 100% proposal was accepted: all members, representing different employer associations, agreed. The Sickness Law was binding also for those who were not a member of a union (this is an

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35 Bruggeman and Camijn, Ondernemers verbonden, 107-109. NVV is the peak union association Nederlandsch Verbond voor Vakverenigingen, it was established in 1915 by 15 unions and merged in 1977 with FNV.
36 Bruggeman and Camijn, Ondernemers verbonden, 109.
37 In 1919, 39 Councils of Labor (Roden van Arbeid) were founded in the Netherlands. The chairs of these councils were appointed by the Minister of Labor. Their forerunners, the Chambers of Labor (Kamers van Arbeid), were installed by law in 1897 and later years. They were stimulated by anti-revolutionary Christian-democrat politicians who hoped that they would avert the threat of revolution. These functioned for a while on the municipal level, attempting to organize a meeting point for workers and their employers per sector, and were abolished in 1923.
38 NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 2.
early foreshadowing of the Law of 1937 that made a Collective Wage Agreement binding for the entire sector, the AVV Law). One member of the employer associations remarked that he was sure that the association he represented would NOT agree with these changes in the original Sickness Law (which determined that employers pay 100% instead of 50%). He stated that he himself did not object, but that it was his duty to draw attention to the fact that his association would not collaborate. This was a clear sign of a logic of membership, which is important for the functioning of an interest group involved in consultation.

On 7 April 1921 it turned out that “almost all organized employers and workers, excepting the Christian unions”, had voted in favor of the new plan for the Sickness Law. What happened when they further discussed the Posthuma-Kuper plan? The Christian-democratic unions and employer associations were not happy at all with the initiative. But despite differences in opinion, the general feeling was that these social laws had to be accepted in one form or another. Employer representatives expressed fear of the unacceptable possibility that the unions would laugh at the fact that they would win either way, whether via the original Talma Law or via the Posthuma-Kupers Law. But, it was also stated, this was a matter of pride rather than a principal rejection! As Bruggeman and Camijn write: “the employers were satisfied with the eventual result”.40

(3) Unemployment Law

The Unemployment Law was discussed by the employer section of the High Council of Labor on 7 July 1921.41 This law had to replace the 1917 Unemployment resolution (Werkloosheidsbesluit) and the subsequent Unemployment Insurance Emergency Law 1919 (Werkloosheids-verzekeringsnoodwet), but no law was accepted until the 1930s.42 Employers were again divided on the issue whether the employer should contribute to benefits for involuntary unemployment of an employee. But the secretary pointed out that rejection meant an exit from consultation, and that would mean that no influence could be exerted on outcomes. Nonetheless, employers felt they did not have to contribute directly to unemployment provisions.

Their main argument was the fact that in the early 1920s the economy was in a recession (which would last until 1923), and that they needed all available capital to continue existing employment rather than finance entitlements for the unemployed. But other employers, including the chair M. Triebels and the secretary, repeatedly argue in favor of contributing to unemployment provisions. On 11 August 1921 they decided that they could vote in favor of the Unemployment Law, on condition that it would only operate in times of ‘normal’ economic conditions and ‘normal unemployment.’43

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40 Bruggeman and Camijn, Ondernemers verbonden, 109.
41 NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 9, 2-4. General Meeting of the Centraal Overleg Werkgeversbonden (GM), 7 July 1921.
43 NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 9, 1. GM, 11 August 1921, Scheepvaarthuis, Amsterdam.
On 15 September 1921 they stated again that they were willing to contribute at a later stage (further objections were ignored). It is obvious that they highly valued participation in the consultative process, in order to be able to influence results.\(^{44}\) When the Minister was advised by the advisory council ‘Unemployment Council’ (Werkloosheidsraad) in October, however, the comments of the employers were not included in the final draft. This raised considerable irritation.\(^{45}\)

On 15 February 1923, several representatives again expressed concern that the law would be disadvantageous for entrepreneurs during recessions. Several members stated that they should never have joined the consultative meeting with the government and the unions, because it shows that “one commits oneself to something that is not desirable.” But a larger group expressed satisfaction that permanent consultation has prevented the Minister of Labor to introduce an Unemployment Law without consulting the employers at all.\(^{46}\) In 1928, an eventual advice by the High Council of Labor expressed that employers did not think it was fair to pay unemployment benefits to workers who had not earned any right to an income, and also objected to workers paying contributions for unemployment benefits through the unions, since the unions were essentially their opponents.\(^{47}\) Thus the law was postponed.

Postwar hesitation and take-off

A national health service was realized during the German occupation in 1941. After the German example of a general sickness law, Minister of Social Affairs C. Romme had announced a new law in 1939, in which a Council of Sickness Funds (Ziekenfondsraad) would survey the sickness funds that distributed healthcare remunerations to all below a certain wage threshold. It was introduced during the war and after the war, in 1949, it was continued as Ziekenfondsraad. It functioned until 1999, when it was replaced by the College voor Zorgverzekeringen (CVZ).\(^ {48}\)

National unemployment insurance was introduced in 1952. By comparison, the German health insurance law of 1884 was almost 50 years ahead of its Dutch counterpart of 1930, the Sickness Law, while such laws were introduced in the United Kingdom in 1911 and in Denmark in 1917. A universal public pensions law was introduced in Germany in 1889, in the United Kingdom in 1908, and in the Netherlands only in 1956 (but there had been company pension schemes since Stork introduced the first one in 1881). In the United Kingdom an industrial injury law was introduced at about the same time as in the Netherlands: the 1897 Workman’s Compensation Law.

The realization that the state could be held responsible for the distribution of welfare benefits developed strongly during World War II, after publication in 1942 by Lord Beveridge of Social

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\(^{44}\) NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 9, 1-3. GM, 15 September 1921, Scheepvaarthuis, Amsterdam.

\(^{45}\) NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 9, 2. GM, 27 October 1921, Industrieele Club, Amsterdam.

\(^{46}\) NL-HaNA, Centr. Overleg Werkgeversbonden, 2.19.103.04, inv.nr. 2, 9, 3. GM, 15 February 1923, Scheepvaarthuis, Amsterdam.

\(^{47}\) Hertogh, ‘Geene wet, maar de Heer’, 224.

**Insurances and Allied Services** (1942), followed in 1944 by *Full Employment in a Free Society*. For the Netherlands, the Beveridge Report inspired the Commissie Van Rhijn to write several reports in 1945–6, of which the first has been called the ‘birth certificate of the Dutch welfare state’. But in fact there was little political support for the idea, advocated in the report, of centralized social laws in Beveridgean style.49

Even then, the expansion of the welfare state did not take off immediately, despite the public attention given to the Van Rhijn Report. Apart from the fact that Prime Minister Willem Drees was a prudent politician who was careful with the state’s finances, there were other reasons for a slow expansion of social security. The pillars, through unions and employer organizations, still operated in the prewar tradition. Within the new consultative PBO structure the ‘guided wage policy’ was agreed upon, which limited space for wage-related entitlements. Industrialization policy and wage restraint slowed down welfare state expansion.

Only when recovery and subsequent economic expansion was on the way, the social partners and the government coalitions agreed to introduce more generous and decommmodified or universal state laws, first installing old-age pensions, next disability and unemployment benefits. The consultative bodies supported the guided wage policy which aimed to keep wage costs low (to stimulate investment and thus generate jobs). The unions did still not demand an expansion of welfare state provisions in the 1950s: this would have gone against the agreement to keep wage costs down.50 But in the 1960s, with booming growth and full employment, wages could no longer be suppressed. At this time, an expansion of social provisions could take place because the costs of these were part of the wage bargaining process.

An impressive expansion of social laws brought the welfare state from a modest level to one of the most generous social systems, almost (but not quite) competing with Sweden as a yardstick for generosity. In quick succession, the Sickness Law (1952), Pensions Law (1956), Widows and Orphans Law (1958), Child Allowance Law (1962), Unemployment Benefit Law (1964), Healthcare Law (1964), and the Disability law (1966) were passed.

Summarizing, we can state that the Dutch confessional parties by preferring ‘subsidiarity’ (decentralized provisions) stalled the introduction of national, state-led provisions. There were no social democrats represented in the coalition governments before 1939 who could advocate the state-led solution. Liberal politicians did not see social transfers as a priority for state finances and favored subsidizing the agricultural sector—although there were social-liberals who did put social security on the political agenda.51 Several laws that were conceived before the war were only realized after decades. Suspicious of central government intervention, the Dutch Catholic and Protestant parties (in particular the Dutch-Reformed politician Abraham Kuyper, who was politically

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50 The notion that wage restraint was achieved in exchange for welfare state provisions is not correct. See Eichengreen, *The European Economy since 1945*, 34; Van Kersbergen, *Social Capitalism*, 130.
51 Van Zanden calls the farmer lobby groups the Green Front. In the 1930s, in international trade negotiations, the protection of the politically sensitive sector of the farmers, were given priority over the interests of manufacturers or the colonies. Their strong political organization persisted after the war. Van Zanden, *The Economic History of the Netherlands*, 58–60.
active between 1874 and 1920) were against social provisions by the state. Ideological differences made it impossible for the confessional parties to cooperate with the socialists until 1939. By contrast, the elites of the confessional and liberal blocs (pillars) cooperated in the face of external threat and established the consultative mechanism in labor relations. In the Netherlands, the Social-Democrats were not represented in coalition governments before the war and the unions were not strong enough to demand state laws on social protection.

Conclusion

In the development of the welfare state in the Netherlands, I observed that both procrastination and the generosity of the state welfare insurance laws of the 1950s and 1960s can be explained by the rise and acceptance of coordinating institutions. This implies that we do not seek an explanation in emphasizing labor union power, nor by defining the decisive perspective of organized business interest.

Our explanation builds upon the institutionalist view that temporal processes generate and reinforce actor preferences. During the interwar period, the coordinating institutions attempted to develop a shared approach to economic problems by uniting employer views and the views of representatives of the unions and the government. Particularly employers were a heterogeneous block: various types of firms: small and large, liberal and Christian-Democrat did not see eye to eye on labour issues. Dutch welfare state expansion was put on hold while increased worker codetermination and information sharing were being discussed. For example, in the discussions about the Sickness Law, issues of control dominated over the costs of the provisions. Actor preferences can be understood by applying historical institutionalism literature rather than rational choice literature. We conclude that the increasing support view provides a good perspective on the development of the coordinated welfare state. The post-war boom in welfare spending could only come about because a consultative platform was established in the interwar period. Thus, ironically, decades of disagreement resulted in far-reaching post-war social laws and a coordinated system that still exists today.

There is an interesting development in the perspectives of employers on social laws, when they are drawn into the bargaining and consultation system. Various examples from the archival sources show that employers bargained repeatedly for the best, or least objectionable, deal. As expected, certain objections were based on the past (unions not sticking to agreements) rather than expecting that certain agreements would evolve into much larger deals (which unions would not be tempted to break).

In discussions about the Sickness Act, issues of control dominated over the costs of the provisions. Actor preferences can be understood by applying historical institutionalism literature rather than rational choice literature. Representatives increasingly feel obliged to take a constructive stand, and they are not unwilling to consider certain initiatives as theoretical possibilities, while their rank and file would reject these outright. At a certain point someone would raise a substantial

objection, which moved the outcome into the direction of an alternative solution – sometimes compromise, sometimes postponing the entire issue. This can be viewed as the effect of a certain logic of membership (of the interest group) on the logic of influence (on the consultative platform). As a result, the outcome of consultation with members of opposing interest groups was valued more than theoretical objections of the original rack-and-file. The state had an important role as the initiator of new initiatives and setting the agenda. Consultation between employer and union representatives repeatedly displayed a willingness to accept compromise and moderated outcomes. The bargaining platform was used as a vehicle for damage control: to prevent worse outcomes, both groups searched for the lesser evil.

These observations show that the formative period of institutionalized consultation left a mark on the post-war coordinated market economy by developing informal institutions of conflict solving by speech within the formal institutions. Here the foundation is built of the post-war consultative system. The viewpoints of firms were consolidated and expressed through inter-firm cooperation, which, in a comparative perspective, was strong in the Netherlands in the 1920s-1930s. Coordination among firms was not centrally organized by the state, but instead the result of voluntary coordination and information exchange. Most prominent was the integration of employers in the national policy formation process through boards and commissions. These formed an institutional setting in which after the war, when bargaining and consultation were installed on a legal basis, welfare state laws were discussed and accepted.

Finally, it should be kept in mind that in a consultative economy, bargaining, conflict and distrust are recurrent, and ‘consensus democracy’ is a much too rosy term for a system that only was established with gradually increasing support.

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