The Dutch ‘Polder Model’: Social Pacts

An analysis of the key to success

Master Thesis

N.M.J. (Nanda) Kurstjens
Nijmegen School of Management
Radboud University Nijmegen
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Political Science
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Supervising Lecturer
Dr. K.M. Anderson

Author
N.M.J. Kurstjens (3037193)

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Chapter 1
Introduction

Cooperation between governments and non-governmental actors has been a striking development in political economies of Western European states over the last thirty years. In the 1980s European governments decided to involve social partners in designing and implementing public policy. Unions and employer organisations - the social partners - were actively engaged in wage policies and other socio-economic policies. Many negotiations were held. Some resulted in broad encompassing agreements: social pacts. Other negotiations failed, the actors involved had not found a common ground.

In the last decade and especially since the start of the economic crisis of 2008, social negotiations are no longer self-evident. Prior to this crisis, one of the most likely strategies for successfully mobilizing societal support for challenging reforms was to involve social partners in policymaking. During this crisis some politicians no longer preferred macro-level solutions like social pacts to mitigate socio-economic problems (Natali & Pochet, 2009). For example, in 2010 Irish Finance Minister Lenihan stated: “(...) the dominance of the social partnership process did enormous damage to our financial system. This is something I intend to fix” (Culpepper & Regan, 2014: 1). Two years later Italian Prime Minister Monti argued that public authorities should not outsource their political responsibility to unions and employers as “[t]he deep practice of concertation in the past caused the evils against which we are fighting today (...)” (ibid.). By contrast, in 2013, Dutch Prime Minister Rutte called the moment a social pact was signed historic: “We hebben zojuist met elkaar [regering met sociale partners] een akkoord van vertrouwen gesloten (...) dat de Nederlandse samenleving verder brengt, met dank en grote complimenten aan de sociale partners” (Van Kampen, 2013). Hence it is interesting why in the Netherlands there were still negotiations between the government and social partners.

Policymakers view the Dutch system of cooperation between government, unions and employers as a guiding example of successfully spreading and sharing power within the field of political economy. This ‘Polder Model’ is the frequently praised way of policymaking due to its ability to bring antagonists into a mode of dialogue, for developing agreements based on consultation, compromise and consensus and for organising a support base for its pacts and policies (Hendriks & Toonen, 2001). Not without reason, the Netherlands is characterised as a consensus democracy and a traditional corporatist country. Throughout the decades, especially during the oil-crisis in the 1980s, the Dutch approach has shown that the welfare state was able to adapt itself to the circumstances of that time.
Perhaps the most important agreement was signed in 1982: the ‘Wassenaar Agreement’. Since then several negotiations between social partners and governments have taken place. Some were successful resulting in social pacts; others failed and resulted in no agreement.

At present policy concertation about socio-economic policies still takes place. The most recent failed negotiation, covering Dutch pensions, occurred in 2009; the latest successful tripartite negotiation happened in 2013, which resulted in an agreement between the government Rutte-II, unions and employers. Despite the commendation on the functioning of the Polder Model, success is thus not self-evident. The questions that then arises are: what is the key to success? What are the key factors that determine whether social partners and the government negotiate a social pact, or fail in reaching an agreement?

This study concentrates on these questions by exploring and explaining the determinants of success and failure in Dutch policy concertation. To this end, four Dutch cases - three successful and one failed pact - of the last decade (period 2009-2013) will be analysed and compared. By doing this, the research provides specific insights in the functioning of the Dutch neo-corporatist system. The research question is:

*Regarding the Dutch negotiations between the government, unions and employer organisations, how can the presence or the absence of a social pact be explained?*

The thesis will explain the Dutch model of tripartite negotiations and analyse the factors that determine success (or failure) of negotiations between the government, unions and employers. While doing this, a distinction will be made between three perspectives: economic, institutional and political. The economic perspective regards social pacts as an instrument of adjustment by governments to a new economic environment (Hassel, 2003). Economic pressures for change, i.e. high levels of inflation, government deficits and unemployment, may require concerted national responses. Corporatist institutions facilitate these necessary economic reforms. The institutional perspective focuses on how the presence or absence of corporatist institutions help participants to overcome reform blocks and to adjust to new socio-economic situations (Ebbinghaus & Hassel, 2000). The strength of unions and the role of employers also determine the likelihood of a successful cooperation. The third perspective, the political approach, focuses on political parties and governments and their role in facilitating and initiating social pacts (Hamann & Kelly, 2007a). Here government strength, government’s party composition and blame avoidance are important.

In the period 2009-2013, the Netherlands had three successful negotiations between the government, unions and employers. One negotiation failed. In 2009, the government and social
partners negotiated on crisis measures and signed the Crisis Pact. A result of the Crisis Pact was that additional negotiations on the pension system were necessary. But these additional negotiations failed; no pension pact was concluded in 2009. In 2010, after the collapse of the then incumbent government, unions and employers negotiated on the pension system again. They reached an agreement after which the government joined the negotiations. Two years after the failed attempt, the Pension Pact was signed in 2011. At the end of 2012 a new government preferred to discuss measures of their coalition agreement with the social partners. This resulted in the signing of the Mondriaan Pact in 2013.

This comparative case study led to the following results. For having a social pact, an economic crisis, a coordinated market economy and unions that are neither too strong nor too weak need to be present. But their presence will not always lead to successful negotiations. On the other hand, the variable interested employers, who could act as an institutional vehicle for governments to implement socio-economic policies, is sufficient for social pacts. Without employers’ interest in concluding a social pact, negotiations will fail. The motivations for the government to be a participant - being a weak or minority government; implementing unpopular variables and thereby facing electoral costs; and a government dominated by left and/or Christian-Democratic parties - could contribute to the emergence of social pacts, but are not decisive. There is thus not one single explanation to the emergence of social pacts.

1.1 Relevance

Since the emergence of social pacts in the 1980s, many articles and books have been written about this development in the political economy. In recent years, only a handful of articles have been written about the current status of tripartite negotiations and social pacts. Because of this lack of scientific information, especially since the worldwide economic crisis that began in 2008, this thesis will make an important contribution to scientific literature about (neo-)corporatism as it concentrates on most recent negotiations.

During the economic crisis Dutch governments continued to involve social partners, while other European countries did not. Culpepper and Regan (2014) analysed why since the onset of the recent recessions and the Eurozone crisis, social partnership collapsed in Ireland and Italy. This research, by contrast, analyses why Dutch policy concertation continued during the same period and is still credited.

In contrast to the findings of Culpepper and Regan, much of the social pact literature especially from the 1970s and 1980s automatically assume that governments are willing to involve social partners in
their policymaking (Baccaro & Simoni, 2008: 1324). The focus is then limited to the role of only the social partners, about the conditions in which they are open to policy concertation. But it is the question if governments are always really open to policy concertation. In the Netherlands, for example, the so-called ‘Voor- en Najaarsoverleggen’ are institutionalised. Even when governments are not motivated to participate, they have to adhere to these meetings. What results is criticism about these meetings as they have a more ritual character without real meaning (Parlement & Politiek, n.d.-b). On the one hand, pressure from opposition parties could force the government to coordinate policies with social partner to obtain societal support. On the other hand, political parties could dissuade the government from participation with socio-interest organisations. In the early 1990s, political parties D66 and VVD argued that tripartite negotiations are only time-consuming, rigid, and lead to weak compromises rather than strong consensus. These parties preferred a return to the ‘primacy of politics’ (Hemerijck, 2001: 105; Hendriks, 2001: 22). Also electoral motivations\(^1\) might negatively or positively influence governments willingness to demand for tripartite negotiations.

It should be clear that not only the position of social partners is important, but also government’s position. More specifically, it is important to analyse why democratically elected governments are interested in policymaking with involvement from employers and unions. In that same vein, Regini (2001: 2) argued that social pacts are based on an explicit act of will of those involved. By not automatically assuming that Dutch governments are interested in policy concertation, this study tries to identify reasons behind governments’ decisions to pass policy not unilateral through parliament. The focus is then not exclusively on the dominant economic and institutional explanations for social pacts, but also on governmental factors. The added value of this study in the neo-corporatist academic field is achieved by integrating the economic, institutional and political perspective to explain social pacts.

The societal value of the thesis is to help Dutch citizens better understand the reasons why policy concertation takes place and what is decided in those so-called ‘achterkamertjes’. Then, people might improve their understanding about why governments often prefer to not undo policies of social pacts, even though opposition parties criticise them. For example, Prime Minister Rutte said in 2013 after signing a social pact: “We zullen ons houden aan het sociaal akkoord, geen twijfel mogelijk (...) we zullen dus geen maatregelen nemen, als kabinet, die in strijd zijn met het sociaal akkoord” (NOS, 2013). Insight is provided to the extent social partners and the government are able to exert influence over negotiations and how this affects the outcome. In his book ‘Exit Polder Model?’

\(^1\) These will be discussed in the next chapters.
Socioeconomic Changes in the Netherlands’ (2002) Delsen concluded he was uncertain whether the Polder Model had a future. Today, thirteen years later, this thesis aims to remove that uncertainty by analysing four Dutch negotiations in the time period of 2009-2013 and to assess the current state of the Polder Model.

1.2 Thesis Structure

In this introductory chapter, I briefly elaborate on recent developments in the cooperation between the government, unions and employers, with a particular focus on the Dutch ‘Polder Model’. This forms the basis for the research question of the thesis. The next section focuses on the concepts of corporatism, neo-corporatism and social pacts, and on the three approaches to the emergence of social pacts since the 1980s. Each perspective consists of various variables with their respective hypotheses about whether policy concertation is successful or fails to deliver a social pact. Chapter three contains a discussion about the research method and the hypotheses are operationalised in clear indicators. Chapter four deals with the Dutch characteristics of the model of cooperation between unions, employers and politicians. The fifth section is devoted to analysing the four selected cases of Dutch tripartite negotiations, together with testing the hypotheses. In the end, the central research question is answered. By discussing the results of the comparative cases and the functioning of the Dutch neo-corporatist model, the Dutch tripartite negotiations are explained. The conclusion provides some remarks for future research.
Chapter 2
Theoretical Context

The inclusion of unions and employers in policymaking resulted in a significant number of social pacts in Western Europe since the 1980s. These pacts covered a range of subjects: fiscal and monetary policy, industrial and trade policy, labour market policy, employment law and social welfare. However, tripartite negotiations were not present on political agendas of all European states; yet, in the Netherlands it had a prominent position on the agenda. Nevertheless, the relationship between the Dutch government and social partners was not always straightforward. Notwithstanding the numerous attempts of those involved to align their interests, social pacts had been rare in the 1970s and early 1980s. This period of ‘Dutch Disease’ was characterised by institutional scleroses, political stagnation, social conflict, high unemployment, high tax burden and considerable governmental interference (Hemerijck, 2002: 230; Woldendorp, 2005: 1-2). Neo-corporatism was not the solution to socio-economic problems.

Times have changed. The Polder Model, the Dutch institutional model of bargaining, was praised in the late 1980s and 1990s as it produced the ‘Dutch Miracle’. This model contributed to the existence of the Wassenaar Agreement which resulted in excellent macroeconomic figures. Nonetheless, attractiveness of the Polder Model faded in the mid-1990s when the prevailing public view was that of a complex, viscous system and of a sluggishness of public decision-making. A reversal took place when in the late 1990s the ‘Green Polder Model’ became prominent: environmental policies were designed through consensual decision-making (Hendriks, 2001). Also in the 2000s and 2010s social partners and the government negotiated about socio-economic reform, which sometimes resulted in social pacts. In 2013, government, unions and employers signed the latest social pact. It seems that the assumption ‘the Dutch model of neo-corporatism is outdated’ is invalid. In the words of Golden, Wallerstein and Lange: “(...) industrial relations institutions and trade unions have by and large proved quite resilient in the face of considerable domestic and international economic pressures in the past decades” (1999: 223).

But what is exactly the theoretical understanding of corporatism and neo-corporatism? Furthermore, what are social pacts and how do the economic, institutional and political perspectives explain the presence or absence of social pacts? Before these questions will be addressed, it is important to understand the societal function of unions and employer organisations to actually comprehend their role in policy concertation.
2.1 Unions and Employers

According to Freeman and Medoff (1984) two different concepts of unions exist: one is positive, the other negative. The negative concept is the monopoly face. Unions demand wage growth that lead to artificially high prices of labour. This adversely affects the economy by leading to inefficiency in production and distorting the income distribution. In other words, unions use their “(...) economic and political "muscle" to gain more income for their members (and leaders) at the expense of the welfare of the larger community” (Bennett & Kaufman, 2004: 340).

According to the positive concept, unions are largely beneficial to society: the ‘voice/response’ face. Unions could turn employees’ discontent into improved working conditions and production methods. Especially in times of market imperfections, unions promote improvement of working conditions and production methods, foster cooperation and trust and enhance job trainings. Unions counterbalance business associations in the political arena. Although the presence of unions might be neutral-to-positive for productivity and efficiency, the paradox is that unions’ demands reduce profits and thereby provoke employer resistance (ibid.: 341-342).

Notwithstanding these different faces, in many countries unions play a significant role in their economy. Over time, unions have developed principal functions in society (Ewing, 2005). Unions represent their members’ interests vis-à-vis employers at different levels: company, sector and national level. For example, unions negotiate with employers about collective agreements. This rule-making function extends beyond their members, also non-members could be affected by the result. Unions also engage with politics. Unions are interested in restraining and at the same time harnessing state power to be involved in policymaking: the development, implementation and delivery of policies. Unions could be the instrument for the delivery of certain policies, such as job trainings and health insurances and for achieving economic objectives, such as asking for wage moderation to control inflation. Thus, “(...) unions become to some extent the administrative agent of the State” (ibid.: 5).

Also employer organisations could be the means to deliver socio-economic policies. For example, to reintegrate unemployed persons with the workforce, employers provide private sector training and subsidized jobs (Martin, 2005: 127-128). Moreover, employers negotiate with unions and the government about socio-economic policies including vocational training, labour market regulations and industrial relations (Behrens & Traxler, 2004). Cooperation implies information-sharing, which

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2 Collective agreements are not the same as social pacts. Collective agreements result from negotiations between only employers and unions. Public authorities are in principal not involved in collective bargaining.
helps to reduce the risk of unpredictable behaviour and thus to control political and economic factors that (might) influence companies’ activities (Vatta, 1999: 247). Companies would become a member of employer organisations to counterbalance strong unions that mobilise their employees and to counterbalance (too much) state intervention in the economy. Hereby, Mancur Olson’s (1965) logic of collective action plays a role: employer organisations are better able to counterbalance these organisations and to provide ‘collective goods’ that are too costly or impossible to provide for single companies (Behrens, 2004: 78-79).

One characteristic that unions and employer organisations share is they both perform a double-mediation process. They not only have to deal with each other and the government, they also have to mediate between their members. Only when social partners are assured of member support, they are recognized as credible actors to negotiate contracts and social pacts (Ebbinghaus & Hassel, 2000: 47-48). This process of interest intermediation between government, unions and employers is defined in the next paragraph.

2.2 Corporatism and Neo-corporatism

A framework to understand the formal incorporation of business and labour in policymaking is the corporatist approach. Scholars of corporatism distinguish two conceptually distinct meanings. First, Schmitter’s structure of interest representation: the interest group system in which groups are organised into national, monopolistic and hierarchical peak organisations. Second, Lehmbruch’s system of policymaking: democratic governance through policy concertation, which is the exchange of advantages between socio-economic interest organisations and the government.

2.2.1 Interest Group System

The interest group system implies that society is organised in interest groups on the basis of common interests. Schmitter (1974: 93-94) defined this as

>a system of interest representation in which the constituent elements are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the State and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.

Rather than a mode of policymaking, corporatism is here defined as a pattern of organisation of civil society. Corporatism is an alternative to pluralism. Pluralism and corporatism both attempt to cope
with interest diversity of modern polity, but they offer different institutional models. In a corporatist system, interest representation is much more structured by quantitative limitation (controlled emergence) and complementary interdependence. By contrast, a pluralist system of interest representation is characterized by chaos resulting from the multiple, fragmented, competitive, non-hierarchical and freewheeling interest groups (Lijphart, 1999: 172-173; Schmitter, 1974: 96). Whereas corporatist organisations are open to consensus and the general interest, pluralist organisations only focus on their own interests which often undermine the public interest.

Schmitter’s definition does not go uncriticised. A first critique is that this definition could be close to an authoritarian conception: states could dominantly intervene in processes of interest representation. Actors’ freedom of exercise is then absent. Corporatism had, for example, a fascist connotation when non-democratic regimes in Latin-America and Southern Europe forced cooperation between state-monitored unions and employers to prevent the establishment of a capitalist system of private ownership and market production (Vergunst, 2004: 56). To reach ‘consensus’, authorities used consensus mobilisation with that kind of ‘state’ corporatism. In other words, corporatism is “(…) an instance of intermediation of interests subordinated to the State (…)” (Goldin, 2012: 3). A second criticism is about the conceptual bias of this definition. Schmitter only considers interest representation with regard to the way peak organisations are organised: national, hierarchical, monopolistic and specialised (Lehmbruch, 1979). He does not look at the incorporation of employers and unions into the mode of policymaking as such, but the second conception of corporatism does.

2.2.2 Policy Concertation

The second conception concentrates on democratic governance through the exchange of advantages between interest organisations and the government. According to Lehmbруч (1979: 150) corporatism is:

\[ \text{an institutionalised pattern of policy formation in which large interest groups cooperate with each other and with public authorities not only in the articulation and even intermediation of interests but also in the ‘authoritative allocation of values’ and in the implementation of such policies.} \]

Interest groups are involved in policymaking and policy implementation. Corporatism as a mode of policymaking, as policy concertation, is also typified as neo-corporatism. In that, this second conception differs from the first conception. In the scientific literature, neo-corporatism is often used to designate both conceptions even though they are inherently different. However, Baccaro (2003: 700) and Regini (1997: 269-270) argue that the structure of interest organisations is not a necessity
for policy concertation to emerge. More democratic, less-centralised and even relatively fragmented (union) organisations could co-exist perfectly with policy concertation. In that respect, corporatism as a structure may appear ‘dead’, whereas policy concertation appears to be ‘alive’.

Neo-corporatism is associated with political strategies to influence macro-economic domains (economic planning, industrial policy, social welfare and pensions) by creating an institutional context wherein government and social partners are represented. Tripartite negotiations aim for consensus to limit conflict and create political, economic and social stability. Woldendorp (1997: 49-50) wrote:

(...) neo-corporatism is used to denominate any form of cooperation between the government and the relevant socio-economic interest groups of employers’ associations and trade unions, aimed at forging a consensus over the formulation and implementation of socio-economic government policies, which in turn enhances the effectiveness of these policies in terms of macroeconomic performance.

Through discussions and negotiations in formal and informal channels, political actors and social partners try to reach consensus and formulate policies. This does not exclude conflicts between those involved. Governments are free to decide to opt for a neo-corporatist strategy or to pass policies unilateral through parliament (Woldendorp, 2005: 16-17). Employers and unions are also free to decide on whether to enter into ‘societal corporatist’ relationships (or not). They are even free to end these tripartite negotiations (Lehmbruch, 1977: 92). The term neo-corporatism was thus also introduced to distinguish from the authoritarian connotation of corporatism.

It is important to distinguish between two types of cooperation. First, policy concertation: social partners and the government cooperate to conclude social pacts. Hereby the government commits itself to adopt the jointly made policies. Second, consultation: discussions between employers, unions and politicians take place without such commitments. Through consultation, like lobbying or participating in task forces, interest groups could exert their influence, but the authoritative decision is taken afterwards by only the government (Compston, 2002: 4). The government decides whether it includes the information submitted by social partners in policies or not. Neo-corporatism emphasises the first type: policy concertation.

A neo-corporatist system thus consists of a liberal democratic system wherein unions and employers could voluntarily cooperate with each other and public authorities. But Wiarda (1997: 166-172) argued that neo-corporatism is also confronted with several challenges. A first challenge is a decline
in union membership. Compared to business associations, organised labour is fading in some modern societies. The question is what will happen to the neo-corporatist system, will it survive? The Netherlands is an example of the fact that despite union membership decreased, it still had tripartite negotiations. A second challenge is globalisation. Neo-corporatism is largely nationally oriented, while business is becoming more international. Business develops beyond the reach of national neo-corporatist’s control mechanisms because there are only a few neo-corporatist rules that are enforceable on an international level. A third challenge is a changing economic system. In the 1960s and 1970s, neo-corporatism was closely associated with social democratic parties, which had an expansive, pro-labour and welfare state ideology. When political parties with different ideologies came into power, the model of welfare state expansion suffered a political loss. The non-leftist parties demanded a neo-liberal model with a free-market ideal. This economic revolution led to impressive economic results whereby even social democrats had acknowledged the benefits of capitalism and the marketplace.

All these challenges attacked the three pillars on which neo-corporatism rests: labour, business and the government. Nevertheless, these challenges did not herald the end of neo-corporatism as the challenges had less impact than originally assumed: neo-corporatism was able to adjust to the issues of the post-industrial society. Even neo-liberal features of a free market coexisted with neo-corporatist institutions. The Netherlands is such a country wherein neo-liberalism and neo-corporatism still coexists, proven by the signing of social pacts, most recently in 2013.

2.3 Social Pacts

The neo-corporatist process of policy concertation indicates a process where labour, business and politicians negotiate an agreement. This agreement is a so-called ‘social pact’. According to the European Commission (2000: 80) it is difficult to precisely define social pacts. This is illustrated by opposing opinions about what constitutes a social pact. For example, Hassel (2003: 709) argued that Belgium in 1993 and Germany in 1996 failed to negotiate a social pact, whereas Calmfors et al. (2001: 77-78) discussed that Belgium and Germany certainly concluded social pacts at that time. Avdagic (2011a: 25-26) and Visser and Rhodes (2011: 61) found it less difficult to define social pacts:

(...) social pacts are defined as publicly announced formal policy contracts between the government and social partners on incomes, labour markets or welfare policies that identify

3 In paragraph 2.2, the conceptual differences between corporatism and neo-corporatism is discussed. In this thesis neo-corporatism is used because it is the current form of cooperation between social partners and the government in advanced liberal industries.
explicitly policy issues and goals, the means to achieve them, and designate the tasks and responsibilities of the signatories.

In a similar vein, Natali and Pochet (2009: 148-149) suggested that “[s]ocial pacts can be defined as a set of formal or informal agreements between representatives of governments and organised interests who negotiate and implement policy change across a number of inter-connected policy areas”.

At least the government has to be a signatory to consider an agreement a social pact (direct involvement from the state); or an agreement is labelled with the term ‘social pact’ when the government explicitly and publicly supports a bilateral agreement between unions and employers (indirect involvement of the state)(Avdagic, 2011a: 26). Public support from the government for a bilateral agreement between unions and employers is most often the case when the government, often behind the scenes, actively pressures unions and employers to reach consensus. Hereby the ‘shadow of hierarchy’ is at play: the state persuades social partners to strike a deal by threatening to use its authority if no agreement is concluded (Regini, 2001: 2). The Wassenaar Agreement is an example whereby this ‘shadow of hierarchy’ was present: the government threatened to intervene in wages if employers and unions did not agree (Parlement & Politiek, n.d.-a).

Within tripartite negotiations, unions and employers try to influence public policies by, first, ruling out unacceptable policy options, and second, by designing policies that the government would otherwise not have implemented (Compston, 2002: 2). Based on mutual commitment, a social pact results in mutual beneficial circumstances: in general, the government creates social, economic and political stability, business continuous productivity and gets stability, and unions get better labour rights and conditions (Wiarda, 1997: 22). Pay rise, expanded social programs and stability for business are social partners’ rewards for participating in policy concertation. Thereby social partners voluntarily relinquish some degree of autonomy to the state. Furthermore, unions often distance themselves from the right to strike. In other words, “(...) social pacts can be seen as institutions of socio-economic governance that regulate actors’ behaviour and ensure their commitment to particular policy goals (...)” (Avdagic, 2011b: 47).

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4 The majority of social pacts are bilateral pacts between governments and unions; still, a substantial part are tripartite pacts involving government, unions and employers (Colombo et al., 2014).
Up to now, the concepts of corporatism, neo-corporatism and social pacts have been discussed. Still undiscussed is why the government and social partners negotiate about socio-economic policies and social pacts emerge? This question will be addressed in the remaining part of this chapter.

2.4 Three Perspectives on Social Pacts

The purpose of this section is to elaborate on the reasons motivating unions, employers and politicians to have policy concertation; to understand why these actors want to achieve specific socio-economic policies on a basis of consensus. In the literature about social pacts, three different points of view are underlined. First, the economic approach which concentrates on the economic state of affairs of a country: does the country experience a time of economic prosperity or economic problems? Second, the institutional perspective focuses on the institutional setting of the labour market and on the strength and interests of the social partners. Third, the political approach refers to government-related factors: its strength, its composition and the threat of electoral punishment. Below, these perspectives are explained.

2.4.1 Economic Approach

The first factor that contributes to cross-national variation in economic adjustments and sustainable reforms is the economic problem load. A (high) economic problem load often occurs with the existence of an economic crisis. A period of economic crisis is characterized by deep uncertainty, instability and threatens a country’s international prestige. Unions and employers are then more open and prone to change, because they acknowledge that existing rules and institutions failed (Avdagic, 2010). Policy concertation is then an appealing strategy: for employers to restore economic growth and stability as soon as possible, for unions to preserve jobs (Casey & Gold, 2000). Adverse economic conditions could have prompted policymakers to consider negotiations with social partners on the measures to be taken. In this way, governments get a buy-in from the social partners, thereby gaining societal support (Kitschelt, 2001). Politicians, unions and employers may thus prefer negotiating social pacts in economic hard times. In other words, “such situations of national emergency (...) act as a powerful incentives for concertation because a high problem load may help to create a shared understanding that a cooperative game is the most appropriate course of action” (Avdagic, 2010: 631). In their ‘cooperative game’ social partners and politicians discuss specific policy measures and justify them as necessary to overcome the economic crisis.

However, it must be said that this way of thinking does not always hold. During Thatcher’s reign in Britain, the government believed that policy concertation was largely to blame for the crisis.
Negotiated policymaking would not bring the country back on track (Baccaro & Simoni, 2006). In this thesis the question is if this theory of the economic problem load holds for the Netherlands.

The shared understanding between politicians and social partners that cooperation is necessary in economic hard times, is explained by two sets of arguments. First, international competitiveness is threatened by the crisis. Not only the loss of competitiveness is problematic, also the (threat of) high unemployment (Rhodes, 2001). The second reason maintains that in the 1990s social pacts were concluded to meet the requirements for joining the European Monetary Union (EMU). An EMU-member is obliged to meet the EMU convergence criteria (EMU-criteria): not only to join the EMU, but throughout its membership. The EMU-criteria are tight limits on public debt (no more than 60% of GDP) and public borrowing (no more than 3% of GDP) (Hamann & Kelly, 2007a: 972-973). That is why European economies had to bring down their deficits and inflation by facilitating wage restraint. Governments had to negotiate with social partners about these wage restraints, but it was not evident that all EMU-members adopted social pacts. Only the countries that did not meet the EMU-criteria relied on tripartite negotiations (Hancké & Rhodes, 2005: 200-201). In times of crisis, European economies are more susceptible to significant increases in unemployment and meeting the EMU-criteria is more difficult. But even in non-crisis periods some EMU-members do not meet these criteria, for example France and Germany in 2003 (De Kam et al., 2008: 276).

Generally, the better the economic conditions, the less dependent the government is on social partners; the more serious the economic problems, the more government will focus on immediate policy concerns, often together with social partners (Hassel, 2009: 12). Especially in economic hard times social pacts could provide the necessary policies to bring the country back on track.

### Hypothesis 1
Social pacts are more likely to emerge when a country is confronted with a negative economic performance.

#### 2.4.2 Institutional Approach

Within the institutionalist perspective three different hypotheses are present. The first is about the type of the advanced economy; the second focuses on the strength of unions and finally, the third looks at the role of employers.
2.4.2.1 CME versus LME

In the political economy literature two ideal types of advanced economies are distinguished: liberal market economies (LMEs) and coordinated market economies (CMEs). The main actor in this ‘varieties of capitalism’ approach is the firm. Hall and Soskice (2001: 6-7) argue that the neo-corporatist theory mainly emphasizes unions; the role of employers and firms is underplayed. Firms are the crucial actor in a capitalist economy, because with their capacities to develop, produce and distribute goods and services profitably, firms aggregate into overall levels of national economic performance. In order to function properly, relationships within a firm with its own employees and externally, with a range of actors like unions, employers and governments are critical. Success of a firm substantially depends on its competence to coordinate effectively with these actors. How firms resolve coordination problems differs between CMEs and LMEs due to differences in the institutional frameworks of these two types.

In coordinated market economies, labour and business adhere to cooperation and coordination which is embedded and institutionalised. Their cooperation aims to reduce uncertainty about each other’s behaviour by sharing information and by concluding collective agreements. Social policy legislation not only insures workers for employment-related risks, social policies also benefit employers by protecting their investments in the skills of their employees. These public provisions of insurance entail coordination and cooperation (Korpi, 2006: 168-170; Mares, 2003: 237). Due to the institutionalised way of cooperation, firms depend on non-market structures to exchange information and to coordinate their activities with a range of other actors. Employers in CMEs thus defend some non-market-based institutions that protect labour. Innovation, product market and work organisation strategies rely on collaboration with well-organised labour (Wood, 2001: 252). Firms in especially small states with an open economy have stronger incentives to coordinate policies. The open economy together with the dependence on exports and the inability to control economic changes lead to a sense of vulnerability. To deal with this vulnerability and to adapt to changing world markets, institutional cooperation between social partners and the government is arranged (Katzenstein, 1985).

It is important to note that collective agreements are different from social pacts. Collective agreements are strictly bilateral between unions and employers and regulate working conditions and wages of employees and the duties of employers (Regini, 2001: 1). Collective agreements operate in an industrial branch or for only one company. By contrast, social pacts are macro level agreements between social partners and the government. Social pacts concentrate on general economic policies and might act as a directive with recommendations for the bilateral process of collective bargaining between labour and employers on the sector and firm level (Delsen, 2002: 15-16).
In liberal market economies hierarchy and competitive market arrangements exist between the different actors; no or very few agreements are closed. Coordination of the endeavours of the economic actors is provided by market institutions, which are characterized by competition and formal contracting (Hall & Soskice, 2001: 8-10). LMEs favour deregulation whereby firms attempt to escape unions or prefer to weaken organised labour as much as possible by embracing radical proposals for labour market deregulation. Strong unions and social policies like strong employment protection are obstacles in the process of lowering production costs to be competitive in the market (Thelen, 2001: 78; Wood, 2001: 252).

Altogether, depending on the national economic institutions, LMEs or CMEs, firms will gravitate toward either competitive or coordinated relationships to enhance their business profitability. In CMEs cooperation and concluding collective agreements between unions and firms is at the sector and firm level. By contrast, social pacts are tripartite agreements whereby alongside the social partners the government is involved. While social pacts are inherently different from collective agreements, there is also a link between social pacts and the economy type.

In CMEs firms and employer organisations are willing to coordinate their activities with unions at a sector and firm level; they are routinely engaged in negotiations. It is therefore likely to expect that it is a small step towards cooperation at a national level. Furthermore, reduction of uncertainty between actors is not only present at the firm and sector level, but also at the national level. According to Soskice (1990), consistency of macro-economic objectives and socio-economic policies, which reduces uncertainty, is more likely to occur by cooperation and agreements like social pacts.

In CMEs business and labour are thus more likely to work together and with the state at a macro level than in LMEs. In CMEs unions and employers are used to some form of cooperation through non-market mechanisms, in LMEs they are more competitive due to market-driven arrangements. CMEs have institutional preconditions for social pacts, which are the existence of bargaining institutions and well-organised actors.

**Hypothesis 2**
Social pacts are more likely to emerge when a country is a coordinated market economy.

A remark has to be made: this hypothesis is not always applicable. Social pacts sometimes emerged in countries that lacked the institutional preconditions of CMEs. For example, Ireland, a LME with a
The Dutch ‘Polder Model’: Social Pacts

N.M.J. Kurstjens

fragmented system of negotiations, had a social pact. In Austria, a highly corporatist CME, a social pact was absent when the government passed retrenchment and adjustment policies through parliament (Hamann & Kelly, 2007a: 973). Countries like Italy, Spain and Ireland did not have embedded collective bargaining institutions, but still signed several major social pacts or attempted to conclude them (Hassel, 2003). Nonetheless, several authors in the field of political economy suggest that certain institutional features are important (Avdagic, 2011a: 21); that is why this second hypothesis has been formulated.

2.4.2.2 Union Strength

A second institutional feature is union strength. If union strength is in decline, governments are willing to negotiate. After all, too strong unions can credibly threaten to break off cooperation if not all their requests are secured. Hereby, unions are backed by their members. Even moderate unions might mimic the tough union type (militancy) if their number of members are increasing, since having more support for their activities. Because of the ability of strong unions to deadlock any negotiations until their demands are met, governments rather opt for a more unilateral approach of policymaking (Baccaro & Simoni, 2008: 1342; Colombo et al., 2014: 361-362). Well-organised unions provide a counterweight to political institutions if they are able to stage sustained and disruptive industrial action against welfare retrenchment. This potential threat of unions could be considered as an additional veto point against policy proposals, next to the parliamentary process of majority voting on legislation (Bonoli, 2001: 241).

When unions are neither too strong nor too weak for governments a social pact is more likely to emerge. The primary reason for governments to involve unions in the process of policymaking is to prevent unions’ (potential) threat of distortion to a smooth and solid implementation (Baccaro & Simoni, 2008: 1342). Within a process of tripartite negotiations, governments are better able to prevent strikes and to temper any potential militancy of unions (Esping-Anderson & Regini, 2000). Moderate unions have credibility and leverage to set a series of demands about socio-economic policies and welfare reforms. Government should take these demands into consideration, when governments fail to do so, that might result in loss of face. In particular, when unions’ demands are significantly supported by workers. Even though (strong) governments could act without external support, loss of face constitutes a powerful argument to adhere to policy concertation (Bonoli, 2001: 247).

5 More about government’s loss of face and facing electoral costs in paragraph 2.4.3.2.
When the balance of power between unions and the government is in favour of the government, the latter is able to pose a credible threat to end policy concertation. Unions have no other choice but to seek agreement otherwise the government will act without unions’ opinion on social policies (Hamann & Kelly, 2011: 14). From the perspective of unions, a social pact is more valuable than having no social pact. This does not exclude the possibility that unions act strongly: they can sometimes give the government a hard time through, for example, the maintenance of considerable mobilisation capacities (Baccaro & Simoni, 2008: 1339).

Unions that suffer from long-term membership losses, lose their workplace representation and mobilising capacity. Their labour market power is in decline: bargaining power shifts from unions to employers (Bowdler & Nunziata, 2007: 138). To prevent employer dominance, unions have an interest in policy concertation because it is a mean to (re)gain influence over socio-economic policies. If this influence over socio-economic policies improves the working conditions of employees, unions demonstrate their instrumentality to union- and non-union members. Cooperation with employers and the state may also allow unions to erode their negative image of conflict, strikes and militancy (Frege & Kelly, 2003: 9). Furthermore, negotiations at a central level will sometimes be attractive to unions if collective agreements and industrial actions offer little hope to improve working conditions. A social pact may offer social benefit improvements (Harcourt & Wood, 2003: 758).

When membership losses result in too weak unions, i.e. unions are no longer perceived as a credible actor in policy concertation, this could negatively affect government’s willingness to favour tripartite negotiations. As said, one reason for governments to negotiate a social pact is to prevent unions’ threat of distortion to a solid process of policy implementation. This reason disappears when unions cease to be a credible threat due to their declining strength (Baccaro & Simoni, 2008: 1342). Governments no longer fear unions’ opposition.

**Hypothesis 3**
Social pacts are more likely to emerge when unions are neither too strong nor too weak.

### 2.4.2.3 Role of Employers

A third institutional feature is the role of employer organisations. Contrary to unions’ role in policy concertation, much less research is done to the role of employers. What is written in the academic literature is that from a pure business perspective socio-economic cooperation might interfere with business profitability. Socio-economic policies like higher tax burdens on business, improving social protection for workers and higher wages for employees are the underlying reasons of business resistance towards neo-corporatism. The corporate liberal theory diverges from the business
perspective by arguing that even at costs of business, employers support social policies. Employers may endorse social policies. Social pacts may reduce uncertainty, avoid labour strife, and contribute to innovation, economic growth and a non-conflictual industrial relations system⁶ (Swank & Martin, 2001: 891). Another motivation for employers to negotiate social pacts emerges when signing a collective agreement with unions does not lead to a reduction of labour costs. A social pact may offer wage restraint and establish industrial harmony (Harcourt & Wood, 2003: 761). Policy concertation thus contributes to controlling political and economic factors that influence the market functioning. Negotiations on social protection and economic growth strategies are held concurrently (Rhodes, 2001).

Swenson (1991) argues that welfare state development results from proactive employers instead of class-related conflicts. Designing and implementing social welfare policies seem to be more effective if not only the government and unions are involved, but also employer organisations. The latter actor can motivate a high degree of corporate compliance. A high level of business organisation - by means of assembling business in business associations - offers the state the institutional vehicle through which to build employer support for socio-economic policies (Swank & Martin, 2001: 897). That is not excluding the possibility of an unilateral acting government who imposes policies on the market. If employers are organisationally too weak to be a credible actor in tripartite negotiations, may only obstruct decisions and are not able to build employer support for social welfare policies, the government might decide to (temporarily) stop policy concertation (Ebbinghaus & Hassel, 1999: 78).

Hypothesis 4
Social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies.

Employers’ influence is directly linked to its representativeness. In order to play a significant role employer organisations must attract potential members: a high density of employers is required (Traxler, 1993: 686). Yet, problems of interest aggregation result from high density due to the fact that high density could imply a heterogeneous membership. Most importantly, small or medium-sized enterprises (SMEs) differ from large firms in resources and sometimes interests (Vatta, 1999: 259). Organisationally, employers should therefore have the capacity to overcome internal diversity and opposition.

⁶ The corporate liberal theory is consistent with the notion of coordinated market economies.
2.4.3 Political Approach

There are three explanations for governments’ choice to seek cooperation with social partners in the neo-corporatist literature. Governments include unions and employers in policymaking to ensure a majority in parliament, to spread blame for unpopular policies, or because it is in their nature to cooperate with interest organisations.

2.4.3.1 Government Strength

Governments which can count on substantial parliamentary majorities face less problems in implementing and controlling policies than governments with a small majority or even a minority of seats in parliament. Unable to pass policies in parliament on their own, small majority or minority governments seek support and legitimacy for their administration outside parliament. By concluding social pacts, these governments are able to build and broaden societal support and legitimacy for their policies (Baccaro & Lim, 2007; Pizzorno, 1978). Because of the activation of non-parliamentary channels of consensus mobilisation it is more difficult for opposition parties to vote against policy proposals. In return for cooperation, unions and employers are offered influence in decision-making (Ebbinghaus & Hassel, 2000: 48).

A second feature that affects government strength is the type of government: one-party or coalition. Coalitions are made up of multiple parties who have different ideological backgrounds. (Junior) Ministers of one-party governments are more likely display a homogenous view because of their similar ideological background. Cohesion in one-party governments is therefore likely to be higher than in multiple-party governments. In coalitions governing parties need to consider the demands of other parties; tension will probably arise, in particular when elections come into view. The battle to win votes may encourage governing parties to adopt distinctive policies than those of the coalition agreement. By avoiding voters’ perception of being assimilated with their coalition parties, governing parties want to maintain their own political identity (Bonoli, 2001: 243; Scharpf, 1997: 191).

Consequently, the multi-party government might be marred by internal division. Because of these differences between coalitions and one-party governments, the latter is better able to prevent internal division and to control policy outcomes. If only the number of parties the government is composed of is taken into consideration, the one-party government is thus less dependent on cooperation with external partners to control socio-economic policies.

The structure of parliament is also likely to affect the decision-making process of governments. Governments more strongly control the process of policymaking in unicameral parliaments or in asymmetrical bicameral parliaments where approval of one Chamber is sufficient to get legislation
passed. In contrast, in a symmetrical bicameral parliament both Chambers need to approve policy proposals. Problematic is that the two Chambers can be composed of different majorities, which increases the likelihood of amendment or the defeat of government-initiated legislation (Bonoli, 2001: 242). To prevent such a defeat, governments could seek cooperation with the opposition. Another strategy for governments is to convince the opposition to vote in favour of the proposed policy by broadening societal support by concluding a social pact. Social pacts allow policymakers to induce parliamentarians to back the agreements reached with social partners (Colombo et al., 2014: 359).

Hypothesis 5
Social pacts are more likely to emerge when governments are weak or hold a minority of seats in parliament.

Not only small majority and minority governments are interested in policy concertation to raise political and public support, but also mere electorally stable governments. If acting alone provokes an electoral backlash for the governing party/parties and the opposition is well poised to benefit, the stable government is disposed towards policy concertation (Kitschelt, 2001). This is especially the case when unpopular policies are subject of discussion in parliament; the subject of the next paragraph.

2.4.3.2 Unpopular Policies
Governments and governing parties are not only economic managers responding to economic pressures. First and foremost, they are political actors with a rational to promote their electoral fortunes and to enhance their chances for electoral success. Political parties are office-, vote- and policy-seeking: in order to pursue their policy agendas, political parties are mainly concerned with maximising their votes to heighten the chance to become part of the office (Hamann & Kelly, 2011; Strøm & Müller, 1999). Governing parties are thus conscious of the electoral consequences of their policies.

Pierson (1996) differentiates between welfare expansion and welfare retrenchment. Welfare expansion is popular, while restructuring and retrenchment of the welfare state such as cuts in public spending and reducing benefits are contested policy areas whereby governments are likely to be exposed to electoral pressures. These policies are in general perceived as electorally unpopular.
because voters expect an expansion or at least a continuation of the welfare program\(^7\). Nevertheless, in the face of fiscal demands (e.g. EMU-criteria) or changing demographics, governments are forced to downsize welfare programs. A dilemma arises: governments want to respond adequately to these economic issues and achieve key national objectives like high employment, but at the same time they are interested in electoral success (Hamann & Kelly, 2007a: 974). Because of the widespread support for welfare programs and the resistance towards retrenchment not only left-wing but also conservative and Christian-Democratic governments face this dilemma. According to Pierson (1996) governments must anxiously avoid blame for those cut-backs. Hereby welfare retrenchment is “(...) typically treacherous, because it imposes tangible losses on concentrated groups of voters in return or diffuse and uncertain gains” (ibid.: 145). In other words, “(...) frontal assaults on the welfare state carry tremendous electoral risks” (ibid.: 178).

One way for governments to respond to this dilemma and to avoid electoral backlash is to strategically frame the issue of structural reform and retrenchment. Politicians highlight the need for budgetary discipline and macroeconomic stability because of the declining economic growth figures rather than emphasising the scaling down of the welfare state (Kitschelt, 2001: 271-272).

Another method for governments to minimize electoral punishment and to add legitimacy to economic adjustment measures is to negotiate a social pact. When governments believe that implementing policies without external support will incur electoral costs, they are more prone to cooperation with social partners. Social pacts may offer the promise of having tight economic measures in a political acceptable way (Hamann & Kelly, 2007a: 976). In case of unpopular policies that are deemed necessary, governments could spread the blame by agreeing with social partners about implementing these policies. Potential burdens are then not only distributed among governing parties, but also to unions and employers. If social partners and the government fail to agree, the government could argue that it took its responsibility and blame social partners for the failed negotiations (Hamann & Kelly, 2007b: 19). Furthermore, a social pact might be helpful to prevent that one party or politician is held responsible for austerity measures. Spreading blame and the difficult traceability of those responsible could be helpful to reduce the potential electoral costs (Pierson, 1996: 147). Governments are thus open to policy concertation if these tripartite negotiations could reduce electoral pressures by spreading the blame for implementing unpopular policies.

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\(^7\) By means of survey data among Western European citizens Kitschelt (2001) found that these citizens disapprove retrenchment policies, in particular pension and health care reforms.
2.4.3.3 Composition of Government

The last variable is the ideological composition of governments. The key question is whether the government is predominantly conservative, social democratic or Christian-democratic. Social democratic governments are more willing to engage in policy concertation than conservative governments (Baccaro & Simoni, 2006: 17). Ross (2000: 162) argues that parties ‘own’ issues: social democrats adhere to expansionary policies and have contributed to welfare state development, while liberals or conservatives are much less committed to the welfare state and more interested in managing the economy. Christian-Democrats have been important to welfare state development, but less compared to social democrats (Green-Pedersen, 2002: 36-37). During the process of welfare state development, social democratic parties were closely connected to unions due to their traditionally strong relationship. Because of their closeness, left-wing governments are sensitive to conflicts with unions (Colombo et al., 2014: 362). Such a trustful cooperation was absent between right-wing parties and unions because these political parties were much more interested in competition and market liberalisation, which most often cannot coexist with unions’ demand of strong employment protection. Therefore, left-party incumbency is considered as a precondition for successful cooperation with (especially) unions.

This government composition explanation is challenged by some political economy scholar like Scharpf (1991) who argues that government’s ideology is not relevant in the current monetarist context, but only in the former Keynes context (Hassel, 2003: 707-708). Also party scholars like Kitschelt (1994) challenge the ideology of government variable by emphasizing class dealignment and weakening union-party ties (Avdagic, 2011a: 22). Besides, Huber and Stephens (2001: 2) argue that political colouring of governments was important during welfare state development, but the importance declined substantially in the era of welfare retrenchment.

Nonetheless, a number of recent studies⁸ suggest that government’s ideology still matters. Left-wing parties are more inclined to start policy concertation with unions (and employers) compared to non-left parties. Furthermore, many social democratic parties still rely on unions for financial and organisational support. It is therefore not unusual to observe that these political parties prefer policy concertation when unions advocate cooperation (Harcourt and Wood, 2003: 754). Since

Hypothesis 6

Social pacts are more likely to emerge when governments are deemed to implement unpopular policies and thereby face electoral costs.

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⁸ For example Hamann & Kelly (2007b); Hassel (2006); Baccaro and Simoni (2008) and Ahlquist (2010).
several authors emphasize the validity of the composition of governments, this hypothesis will be tested in this thesis, but in a modified form. The literature emphasizes social democratic parties vis-à-vis conservative parties; thereby Christian-Democratic parties have been overlooked.

Christian-Democratic parties hold a distinct position on the left-right scale. On the one hand, Christian-Democrats occupy an intermediate position between social democrats and conservatives/liberals on socio-economic issues. On the other hand, Christian-Democrats adhere to integration, compromise and pluralism (Van Kersbergen, 1994: 33-36). Although pluralism is distinctive from neo-corporatism, Christian-Democrats act to reconcile societal groups. They aim for cross-class comprise and social-structural conflict resolution via cooperation with interests groups like unions and employers. Based on these characteristics the expectation is that more centre-oriented governments, i.e. when Christian-Democratic parties are dominant, are more open to negotiations with social partners about socio-economic issues.

**Hypothesis 7**
Social pacts are more likely to emerge when governments are dominated by left and/or Christian-Democratic parties.

**2.4.4 A Synthesis**

From the economic, institutional and political perspectives seven hypotheses are derived to explain the existence of social pacts, table 2.1 summarizes these hypotheses.

**Table 2.1: Hypotheses**

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Hypotheses</th>
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<tbody>
<tr>
<td>Economic</td>
<td>Social pacts are more likely to emerge when a country is confronted with a negative economic performance</td>
</tr>
<tr>
<td></td>
<td>a country is a coordinated market economy</td>
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<tr>
<td></td>
<td>unions are neither too strong nor too weak</td>
</tr>
<tr>
<td></td>
<td>employers offer the state the institutional vehicle to implement socio-economic policies</td>
</tr>
<tr>
<td>Institutional</td>
<td>governments are weak or hold a minority of seats in parliament</td>
</tr>
<tr>
<td>Political</td>
<td>governments are deemed to implement unpopular policies and thereby face electoral costs</td>
</tr>
<tr>
<td></td>
<td>governments are dominated by left and/or Christian-Democratic parties</td>
</tr>
</tbody>
</table>

The presence of social pacts is most often not explained by one variable, but multiple. Several articles have concluded the existence of conjunctural explanations for social pacts. Hamann and Kelly (2007a), for example, concluded that social pacts were negotiated in times of economic problems.
and significant electoral pressures on governments. Only the economic variable was not sufficient to explain the variation in timing and origins of social pacts. Another example, Culpepper and Regan (2014) stated that in the 1990s in Ireland and Italy social pacts were negotiated in the wake of an economic crisis with weak governments. But since the onset of the economic crisis and great recession, Irish and Italian unions lost their capacity to mobilise support for politically difficult reform packages and to strike fear into the government. Therefore the Irish and Italian government decided to stop with policy concertation.

Discussions in the (neo-)corporatist literature show that economic, institutional and political variables are the explanations for negotiating social pacts and failed attempts. But there is no such a thing as an unanimous message which variable(s) is/(are) the most important.

Unions, employers and governments have different motivations to start policy concertation. In times of negative economic developments they are all interested in social pacts. Employers want to reduce uncertainty and avoid labour strife to effectuate economic growth. Unions favour social pacts to influence socio-economic policies and to counterbalance well-organised employers. Social partners also have an interest when governments threaten to legislate without them. A social pact is more valuable than no social pact, because social partners have more influence during negotiations than in situations without negotiations. Governments favour tripartite negotiations if they then could prevent social partners’ (threats of) massive protests and their distortion to policymaking. Moreover, governments prefer to cooperate with social partners when they are relatively weak or hold a minority of seats in parliament, and/or face electoral pressures due to unpopular policies. Support from social partners is a strategy for successfully mobilising support and legitimacy for governments’ policies and thereby compelling opposition parties to approve these policies in parliament.

The goal here is to unravel Dutch peak level negotiations to learn about the variables that contribute to the existence of social pacts. Given the history of country analysis, the expectation is that a conjunctural pattern of variables will be observed.

This thesis relies on the neo-corporatist theory. Neo-corporatism is the modern interpretation of the contemporary cooperation (or collision) between interest organisations and political representatives. The analysis of Dutch policy concertation during the period 2008-2013 is based on economic, institutional and political approaches to ultimately answer the research question: regarding the Dutch negotiations between the government, unions and employer organisations, how can the presence or the absence of a social pact be explained? Before the analysis of four Dutch negotiations
takes place, the methodological choices and the operationalisation of hypotheses are explained and justified in the next chapter.
Chapter 3
Methodological Framework

This chapter sets out the research design and sources, the operationalisation of the main concepts and hypotheses, and the case selection. The research design consists of a comparative case study, which might limit the ability to generalise (Landman, 2008: 93). Nevertheless, the chosen research design is valid because the explanatory value of the Dutch case is the addition of new insights about most recent tripartite negotiations to the neo-corporativist literature. The ramifications of this Dutch study may be generalizable and quite broad in scope. Many political, economic and institutional variables are detailed, described and discussed. This contextual description is useful for other (comparative) studies about policy concertation and the factors that are decisive for the presence of social pacts. For these new studies the Dutch case could be a source of information.

The Netherlands is considered to be a ‘typical case’ of neo-corporatism. Well-known political-economic authors, like Lehmbruch (1984), Katzenstein (1985), Esping-Andersen (1990) and Hassel (2003), classify the Netherlands as a traditional (neo-)corporatist country with a small economy. It is commonly accepted that the Netherlands represents neo-corporatism. Comparing four recent Dutch cases of policy concertation generates new insights into the interaction between governments and social partners. For future research it is interesting to apply and compare these insights with other small neo-corporatist North-West European countries: think of Austria, Belgium and the Scandinavian countries (Woldendorp, 2011). Moreover, the framework of hypotheses to analyse the emergence of social pacts from tripartite negotiations can also be applied to non-neo-corporatist countries. Also in these countries, for example Ireland, Italy, Spain and Portugal, governments and social partners concluded social pacts.

In the following paragraphs, two main concepts are operationalised regarding the Dutch case, followed by a discussion about the technique of process tracing together with the methods of data gathering. The aim is to study a variety of documents about the involved actors and institutions. Not only newspaper articles, expert reports and documents from the involved actors are used, also existing socio-economic datasets provide relevant information. In the third paragraph, the seven hypotheses are operationalised. Finally, the method of case selection is discussed. With respect to the selection of four Dutch cases, the research design relies on a most similar system design. This

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9 According to Gerring’s (2007) typology of cases.
10 In non-corporatist countries social pacts were an instrument to qualify for the EMU-criteria. These social pacts were emergency policies rather than being a result of institutional developments (Woldendorp & Delsen, 2008).
specific research design enables researchers to analyse which of the economic, institutional and political variables explain the variance in success and failure in negotiating social pacts.

### 3.1 Defining Main Concepts

The core concepts underlying the analysis are neo-corporatism and the social pacts. This section discusses these definitions in relation to the Dutch situation.

#### 3.1.1 Neo-corporatism

In the literature about (neo-)corporatism two related but distinct definitions about corporatism exist. Schmitter’s (1974) corporatism emphasized the organisation of interest organisations, whereby peak organisations are national, hierarchical and monopolistic. Whereas Schmitter did not include the mode of policymaking as such, Lehmbruch (1979) concentrated on the patterns of policy formation in his definition of neo-corporatism. In this process of policy concertation interest groups cooperate with each other and with public authorities.

Lehmbruch’s definition is in particular useful for this research. After all, four negotiations are studied, whereby the process of policymaking is scrutinized. In each case the government negotiates with employers and unions to strike deals over socio-economic policies. Unions and employers are then formally or informally engaged in policymaking in order to reach a consensus and to avoid conflict. Although, there is no exclusion of examining the structure of organisations. After all, Dutch unions and employer organisations are hierarchically organised, active on a national level and have members. The number of members is important for determining the strength of specific interest organisations and their ability to influence negotiations, to exert enormous political leverage. Even though Lehmbruch’s definition prevails in this study, also Schmitter’s definition is present. Incorporating both definitions in this case study is in line with most of scientific articles about social pacts. Therein, neo-corporatism designates both the interest representation system and policy concertation.

Together with the government, employers\(^\text{11}\) and unions\(^\text{12}\) negotiate about socio-economic policies including wages, work hours, quota for the disabled, pensions, side payments, vocational training, working conditions, child care and job security. The goal is to avoid conflict through cooperation,

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\(^{11}\) Employer are organised within a national employer peak association: an employer confederation. Confederations of employers are most inclusive and formally independent meaning they are not subordinate to other employer confederations. Employer confederations represent cross-sectoral interests (Behrens & Traxler, 2004). To be clear, there is in fact referred to employer confederations when speaking about employers or employer organisations.

\(^{12}\) Unions are also organised within confederations, which are active on a national level, formally independent and their membership is cross-sectoral. To be clear, there is in fact referred to union confederations when speaking about unions.
coordination and negotiations. Because unions and employers have their roots in society and access to governments, they are the institutionalised linkage between the public administration and society.

3.1.2 Social Pacts

Building on the definitions of Avdagic (2011a) and Visser and Rhodes (2011), in this thesis social pacts are defined as formal policy contracts about socio-economic policies which result from negotiations between the government and social partners intended to identify and achieve policy issues and goals. Agreements are signed by unions, employers and the government, or a government publicly supports bipartite agreements from unions and employers. However, this could also mean that not all union and employer confederations but some are involved in negotiating or signing a social pact. If not all confederations signed the social pact, this agreement would lose its appeal.

The process of concluding a social pact consists of two or three steps. The first step could be that employers and unions negotiate about an agreement themselves. After they have agreed, the government gets involved: the second step. But it is also possible that unions, employers and the government directly start policy concertation and conclude a social pact. The status of this pact is ‘provisional’. To have a definitive social pact, union members and a political majority in the Second Chamber need to approve the provisional pact: the final phase. In general, employers do not ask their members for their opinion about a pact. When union members and in first instance a majority of Second Chamber members\(^\text{13}\) approve the provisional pact, a social pact is made definitive. In case of having a majority of union members and/or parliamentarians rejecting the pact, respectively unions or the government will withdraw from policy concertation. The result is no social pact. In the end the result of policy concertation is thus a dummy variable: the presence or absence of a social pact.

3.2 Process Tracing and Sources

With regard to answering the central question - how the presence or absence of social pacts can be explained - the process of four Dutch tripartite negotiations will be reconstructed and analysed. In each of the selected cases, process tracing is the technique “(...) to document whether the sequence of events or processes within the case fits those predicted by alternative explanations of the case” (Bennett, 2008: 705). Process tracing relies on careful selection of documents and sources. Each case study unravels the relevant actors and its actions are charted. On behalf of the government, the

\(^{13}\) Members of the Senate decide upon measures of the social pact after the Second Chamber already approved the social pact.
Prime Minister, Minister of Social Affairs and possibly other (Junior) Ministers negotiate with representatives from unions and employers. The most important act from these delegates is to negotiate about socio-economic policies. This act is shaped by the specific political and economic circumstances. For example, if the government is a minority one, it is also dependent on support from opposition parties. Specific actions for social partners are institutionalised regular meetings. Also signs of grassroots mobilisation within unions will be taken into consideration because it may indicate that members are not yet satisfied with the progress of negotiations. For each case the government, unions and employers and their behaviour will be analysed. Newspapers, existing surveys and datasets, press releases and official documents from governments and social partners will be examined to reconstruct the different negotiations and to test the hypotheses.

A comparative case study is a convenient method because a wide range of methods will be used: content analysis, statistical facts and figures, surveys and datasets. The use of several different methods is not uncommon in case study designs. In the four cases, data collection and analysis of the results will be performed in the same manner. One method is the qualitative content analysis. Applying this method might lead to a problem in the determination of the quality of research. There are hardly any criteria or standard procedures when conducting a qualitative case study. The safeguarding of the quality and validity of this study will be achieved by applying a wide variety of supporting documentation, methods and sources.

Documentation comes from several sources. First, articles come from three Dutch quality newspapers14: ‘de Volkskrant’, ‘Trouw’ and ‘NRC Handelsblad’. In the academic world these are known as reliable press. Besides, voters of the whole political landscape are represented by these newspapers because the coverage of ‘de Volkskrant’ occupies a more leftist position on the political landscape, ‘Trouw’ takes a more Christian-Democratic position, while ‘NRC Handelsblad’ is more liberal/rightist. Furthermore, policy documents from the government, unions and employers will be consulted. Statistics are from ‘Centraal Bureau voor de Statistiek’ (CBS) and ‘Centraal Planbureau’ (CPB). Results from completed surveys about socio-economic policies, the economic and political state of affairs, and policy concertation will also be incorporated in the analysis. These surveys are held by ‘EenVandaag OpiniePanel’ and ‘Peil.nl’. Finally, data from the ICTWSS-database on institutional characteristics of unions, wage setting, state intervention and social pacts will be used.

14 In appendix 1 all search terms used in LexisNexis, the electoral database for legal and journalistic documents, for finding relevant articles are mentioned.
3.3 Measurement of Hypotheses

Below, the seven hypotheses are operationalised to define the variables into measurable factors. A ‘translation’ is made from the abstract theoretical concept towards internally valid observable pieces of evidence and categories. Researchers are then precisely able to conduct unambiguous empirical observations.

3.3.1 Economic Hypothesis

This hypothesis deals with the state of affairs of the economy: is there a phase of economic growth, stability or a period of economic uncertainty and crisis? The economic indicators to determine whether a country is confronted with an economic crisis or not are the levels of government deficits, inflation and unemployment.

| Hypothesis 1 |
| Social pacts are more likely to emerge when a country is confronted with a negative economic performance. |

The first indicator, government deficits, indicates a negative economic performance when the EMU-criteria are exceeded, or there is development towards exceedance. EMU-criteria are tight limits on annual public borrowing (no more than 3% of country’s GDP) and on public debt (no more than 60% of country’s GDP)(De Kam et al., 2008: 276-277). The second indicator, inflation, is considered negative as it is too low or exceeds the benchmark of ‘below but close to 2%’. At this 2%-level the Dutch economy could take full advantage of price stability (ECB, 2014). In the academic literature and in Dutch policy documents no benchmark is mentioned about the level of unemployment: there is no such thing as a standard for unemployment rates. To decide whether unemployment rates are considered as negative, the unemployment rates will be compared to previous years as well to economic developments over the next few years. By analysing the development of unemployment rates, these figures can be put in perspective. Also forecasts of the other two indicators will be analysed to put their figures in perspective and to decide whether the Dutch economy is deteriorating and in a crisis. CBS and CPB provide economic figures and forecasts. Besides, newspaper articles give insight into the opinion of governing parties, government and social partners about the state of the economy. Are the economic figures prompting policymakers to consider consulting the social partners concerning a social pact? And do the government, unions and employers justify particular policy measures as necessary for overcoming the economic crisis?
3.3.2 Institutional Hypotheses

Three hypothesis cover the institutional perspective: the first is about the type of economy, the second looks at union strength and the third focuses on the role of employers.

3.3.2.1 CME versus LME

A country could be either a coordinated market economy or a liberal market economy. In a CME cooperation between social partners and the government is embedded and institutionalized. Negotiations between unions and employers about for example wages could take place at firm or sector level, or unions and employers are actively involved in policymaking at a national level together with the government. In a LME, market arrangements are more competitive and hierarchical. Coordination of economic endeavours by governments, unions and employers is provided by competitive market mechanisms rather than by negotiation mechanisms.

Hypothesis 2
Social pacts are more likely to emerge when a country is a coordinated market economy.

The typical elements of the Dutch political economy need to be identified. If the characterising elements of one type is more prevalent then the Netherlands could be categorized as CME or LME. Next to identifying these characterising elements another method will be applied. This method, which is likely to be more internally valid, consists of the use of an existing dataset that already has several variables included to classify the type of economy. Visser (2013b) from the Amsterdam Institute for Advanced Labour Studies (AIAS) compiled the ICTWSS-dataset, the latest version (from 2013) will be used. The ICTWSS-dataset consists of institutional characteristics of unions, wage setting, state intervention and social pacts in 34 countries between 1960 and 2011; the Netherlands is included. To determine whether the Netherlands is classified as a LME or CME, variables ‘coordination of wage setting’, ‘type of coordination of wage setting’, ‘government intervention in wage bargaining’, ‘existence of a standard tripartite council’, ‘existence of a standard bipartite council’ and ‘routine involvement’ are of importance.

15 Originating in 2007 and last updated in April 2013, the dataset is during the years thoroughly expanded and updated.
16 Although other datasets about welfare states exist, for example the Comparative Welfare States Dataset (2014) assembled by Brady, Huber and Stephens, the dataset from Visser (2013b) was chosen because the ICTWSS-dataset is much used in the political-economic literature. Furthermore, the ICTWSS-dataset is more fitting for this research because it provides more applicable variables than the dataset of Brady, Huber and Stephens.
17 Since the ICTWSS-dataset contains information from 1960 until 2011, there is no information about the fourth Dutch case, which is from 2013. If the scores of the relevant variables of the other cases (2009 and 2011) do not really differ, it is likely to expect that the scores have not significantly changed in 2013. But if a significant change has taken place, this assumption could not be made. Other sources will then be sought in order to gain information about 2013.
The variable coordination of wage setting ranges from the centralized bargaining by peak association(s) with or without government involvement (CME-characteristic) to fragmented wage bargaining, confined largely to individual plants or firms (LME-characteristic). Likewise, the type of coordination of wage setting ranges from state-imposed bargaining (CME-characteristic) to uncoordinated bargaining (LME-characteristic). The third variable government intervention in wage bargaining is classified by a government that rules on the private sector (CME) or by no government intervention (LME) (Visser, 2013a: 9-11). The fourth indicator is the existence of a standard (institutionalised) tripartite council concerning social and economic policy and has three classifications: no permanent council, a council with various societal interest representatives including unions and employers or a tripartite council with representation from unions, employers and independent experts or government (-appointed) representatives. The second and third classifications are typical for CMEs, the first typifies LMEs. The fifth variable is about a potential existence of a bipartite council, more specifically about the existence of a standard (institutionalised) bipartite council of central or major union and employer organisations for purposes of wage setting, economic forecasting and/or conflict settlement. The answer options are yes (CME) or no (LME). The final variable refers to routine involvement of unions and employers in government decisions on social and economic policy. There may be full concertation, partial concertation (both CME) or no concertation (LME) (ibid.: 17-18).

3.3.2.2 Union Strength

Unions are interested in policy concertation to prevent domination of employers, to influence socio-economic policies and to prevent unilateral actions from the government. Too strong unions could deadlock negotiations, too weak unions are likely to lose their credibility in negotiations.

<table>
<thead>
<tr>
<th>Hypothesis 3</th>
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<tbody>
<tr>
<td>Social pacts are more likely to emerge when unions are neither too strong nor too weak.</td>
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</table>

Three indicators are relevant to measure union strength: density, coverage and fragmentation (Avdagic, 2011a; Mishel, 1986). Union density is the net union membership as a percentage of the total employed wage and salary earners (OECD, 2015). The higher the density, the stronger the union is and the higher its legitimacy. Union density figures are derived from an OECD-database. The ICTWSS-database is used for data about union coverage and fragmentation. The European Central

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18 See the ICTWSS-dataset codebook (Visser, 2013a) for detailed descriptions of all variables.
19 Although the OECD-database derived its information from the ICTWSS-database, the OECD-dataset is used because it provides extensive figures about union density, while the ICTWSS-database does not.
Bank (ECB) classifies union density in four categories: very low (0-25%), low (26-50%), moderate (51-75%), and high (76-100%) (Du Caju et al., 2008: 11). Not only union density, but also internal strength is of importance: whether an union is in harmony or marred by internal strife. With union coherence union representatives keep legitimacy and power during tripartite negotiations. Newspaper articles will serve as source of information. If these articles report about possible union dissension, internal strife or disunity among union members, this union is likely to be less strong. When such qualifications are absent or articles report about unity among members, it is assumed that there is no power and legitimacy reduction within the union. An example of union dissension is a lot of discontent about a provisional pact among a significant part of the members. A sign of unity is shown by general support for a provisional pact or for union negotiators.

Union coverage (ICTWSS- variable ‘AdjCov’) implies that employees covered by collective bargaining agreements and social pacts are expressed in the proportion of all wage and salary earners in employment with the right to bargaining (Visser, 2013a: 23-24). The higher the percentage (0-100%-scale), the higher union coverage. Thus also non-union members could be covered by such agreements, therefore union coverage is by definition higher than union density. The fact that also non-union members can be covered by agreements made by unions has resulted in membership decline (Du Caju et al., 2008: 13). Analysing only union density would therefore represent a distorted picture from the real union strength.

Finally, union fragmentation needs to be operationalised. Union fragmentation is about whether the union movement is dominated by few large organisations or many small unions (Wallerstein et al, 1997: 383). Having fewer unions is beneficial to negotiating social pacts compared to having many unions. In the first situation unions are better able to assess and monitor each other’s behaviour, to coordinate their activities and have less competition for recruiting members (Golden, 1993: 440-441). In the political-economic literature two ways of indicating the number of unions and their sizes are mentioned. The first one is counting the main unions. ICTWSS-variable ‘NUCFs’ displays the number of union confederations, who have at least 5% of total union membership in a country (Visser, 2013a: 21). The second measurement is to measure the effective number of union confederations. ICTWSS-variable ‘ENUCFs’ is defined as the inverse of the Herfindahl Index. Herfindahl Index reflects the extent to which union members are being divided among multiple confederations rather than belonging to a single union (Wallerstein, 1999: 657-658). The Index (or the inverse) is thus a measure of the degree of union unity or union fragmentation at the national level. The inverse of the Herfindahl Index ranges from score 1 to 8 (Visser, 2013a: 21). The lower the score, the higher the chance of having a lack of competition between unions. A higher score reflects
a situation wherein unions have an approximately equal share of members: there is competition and fragmentation.

### 3.3.2.3 Role of Employers

Employers are interested in policy concertation to reduce uncertainty, avoid labour strife and stimulate economic growth. A well-organised employer organisation functions as an institutional vehicle for the state to motive a high degree of corporate compliance and to build support for socio-economic policies.

**Hypothesis 4**

Social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies.

A well-organised employer organisation should represent a high number of business organisations, which is expressed in employer density. Employer density is the proportion of employees who are working in companies that are member of peak employer confederations (Traxler, 2004: 44). The ICTWSS-database (Visser, 2013a) has information about the number of employer confederations and sparse information about employer density (0-100%). Employer density could be considered as very low (0-25%), low (26-50%), moderate (51-75%), and high (76-100%). Next to employer density, newspaper articles will be analysed to gain insight into motives of employers to negotiate. Are employers really interested in policy concertation, do they have the same interests as governing parties/government and do they act proactively. For example, do employers take initiative, are they open to making concessions, pressure unions to concede or do they have a more obstructive attitude during negotiations.

### 3.3.3 Political Hypotheses

Three political hypotheses are formulated about the strength of the government, the implementation of unpopular policies, and government’s composition.

#### 3.3.3.1 Government Strength

The strength of the government is another factor that might influence the likelihood of social pacts. A government may be perceived as weak when it is a minority government, is unstable due to internal division between governing parties, has a small majority (76 seats in Second Chamber; 38 seats in

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20 Figures about employer density are sparse compared to data about union density (Traxler, 2004).
Senate) or is confronted with different majorities in the two Chambers of a bicameral system (i.e. in one Chamber the government has a majority, in the other not). Instead of an unilateral approach, these governments seek support for their administration outside the parliament. Governments that control a stable majority of seats in parliament face less problems in adopting law by parliament.

**Hypothesis 5**
Social pacts are more likely to emerge when governments are weak or hold a minority of seats in parliament.

For the analysis of Dutch governments in the four cases the seats from governing parties vis-à-vis opposition seats in parliament will be analysed. The Dutch political system is bicameral, thus in both Chambers the allocation of seats is important. These figures are provided by the Kiesraad which officially announces election results. Moreover, newspapers will be studied to see if weak or minority governments acknowledged their weak position and if there were signals of division within the government and between governing parties. Think of signals of quarrelling Ministers or arguing leaders of governing parties.

### 3.3.3.2 Unpopular Policies

Welfare state cuts, labour market reform and limiting wage growth are often seen as electorally unpopular policies. The nature of policies being discussed in tripartite negotiations are therefore relevant: social pacts might expand welfare state benefits, narrow them or be a mix of welfare cuts and benefits. For governments social pacts are attractive because the burdens of implementing unpopular policies are not only distributed among the governing parties, but also among unions and employers.

**Hypothesis 6**
Social pacts are more likely to emerge when governments are deemed to implement unpopular policies and thereby face electoral costs.

To gain insight into the possibility whether there have been unpopular policies, the Dutch general public’s opinion about the content of negotiations need to be analysed. Is the opinion of a substantial part of the population indeed that the policies are undesirable or do they support the new policy proposals? Opinions of Dutch citizens about the issues of discussion and the negotiations
itself are identified by examining surveys\textsuperscript{21}. Newspaper articles will also be read to determine whether there were signs of disapproval or approval from citizens and politicians for the proposed policies and tripartite negotiations, and whether there were any signs that politicians from governments and governing parties tried to spread the ‘blame’ for unpopular decisions by including the social partners in these decisions.

3.3.3.3 Composition of Government

This hypothesis deals with the composition of the government: which party or parties form the government? The so-called ‘colour’ of the government is important because social democrats and Christian-Democrats prefer cooperation with unions and employers while conservative and other right-wing parties traditionally favour unilateral policymaking.

<table>
<thead>
<tr>
<th>Hypothesis 7</th>
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<tbody>
<tr>
<td>Social pacts are more likely to emerge when governments are dominated by left and/or Christian-Democratic parties.</td>
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Identifying the position of governing parties on the left-centre-right continuum will be done by applying the political landscape designed by Kieskompas\textsuperscript{22}. The political parties present in parliament are positioned on this landscape along the left-right dimension and the progressive-conservative continuum. The political landscape of the last national parliamentary elections prior to tripartite negotiations will be applied. For example, the outcome of the 2006 elections resulted in the specific government composition of 2009, therefore the government of the case of 2009 will be compared with the national elections of 2006. Also newspaper analysis will be conducted to see whether governing parties explicitly mentioned that they favour policy concertation.

3.3.4 Summary

Table 3.1 summarizes the operationalisation of the seven hypotheses. The indicators are part of a broad analysis of four cases.

\textsuperscript{21} Surveys were held by ‘EenVandaag OpiniePanel’ and ‘Peil.nl’.

\textsuperscript{22} Kieskompas is a small Dutch enterprise that is embedded in the academic community of the Vrije Universiteit Amsterdam. Based on election programs, party manifestos and other official documentation from Dutch political parties, Kieskompas designs a political landscape.
Table 3.1: Overview of hypotheses and indicators

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Indicators</th>
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<tbody>
<tr>
<td>Economic hypothesis</td>
<td></td>
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<tr>
<td>1. Economic Performance</td>
<td>a) Government deficits</td>
</tr>
<tr>
<td></td>
<td>b) Inflation</td>
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<tr>
<td></td>
<td>c) Unemployment</td>
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<tr>
<td>Institutional hypotheses</td>
<td></td>
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<tr>
<td>2. Economy Type</td>
<td>ICTWSS-dataset variables:</td>
</tr>
<tr>
<td></td>
<td>a) Coordination of wage setting</td>
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<td></td>
<td>b) Type of coordination of wage setting</td>
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<tr>
<td></td>
<td>c) Government intervention in wage bargaining</td>
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<td></td>
<td>d) Existence of a standard tripartite council</td>
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<tr>
<td></td>
<td>e) Existence of a standard bipartite council</td>
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<td></td>
<td>f) Routine involvement</td>
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<tr>
<td>3. Union Strength</td>
<td>a) Union density</td>
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<tr>
<td></td>
<td>b) Harmony or internal division</td>
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<td></td>
<td>ICTWSS-dataset variables:</td>
</tr>
<tr>
<td></td>
<td>c) Union coverage</td>
</tr>
<tr>
<td></td>
<td>d) Union fragmentation</td>
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<tr>
<td>4. Role of Employers</td>
<td>a) Interest in policy concertation</td>
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<td></td>
<td>ICTWSS-dataset variables:</td>
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<tr>
<td></td>
<td>b) Number of employer confederations</td>
</tr>
<tr>
<td></td>
<td>c) Employer density</td>
</tr>
<tr>
<td>Political hypotheses</td>
<td></td>
</tr>
<tr>
<td>5. Government Strength</td>
<td>a) Proportion of governing seats in parliament</td>
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<tr>
<td></td>
<td>(both Senate and Second Chamber)</td>
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<tr>
<td></td>
<td>b) Division between governing parties</td>
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<tr>
<td>6. Unpopular Policies</td>
<td>a) Opinion of Dutch citizens</td>
</tr>
<tr>
<td></td>
<td>b) Opinion from politicians</td>
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<tr>
<td>7. Government Composition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Governing parties on left-centre-right continuum</td>
</tr>
</tbody>
</table>

3.4 Case Selection

The four cases are selected based on their score at the dependent variable - presence or absence of social pacts - and several independent variables. A most-similar system design is an appropriate method to select cases because this procedure enables researchers to determine which independent variables are key for the score of the dependent variable. In a most-similar system design cases have several similar characteristics but differ on the dependent variable. The crux is to explore which independent variable(s) determine the differences in outcome. Exactly this is what the central
question is all about: which independent variable(s) are key for the presence (or absence) of social pacts?

First of all the case selection is based on a single-country: the Netherlands. Secondly, a specific time period is relevant; only recent policy concertations are selected. Considering the dependent variable, there is a distinction between the selected cases: three negotiations resulted in a social pact. One case failed in concluding a social pact. Due to the fact that the scores at the dependent variables differ, an attempt can be made to unravel the cause of the difference in outcome. Here, the independent variables emerge. The four cases have corresponding variables. First, the same unions and employer organisations were involved in the negotiations. Second, the worldwide economic and financial crisis started in 2008. The first signals that hinted to the end were raised by Dijsselbloem, the Dutch Finance Minister, in May 2014 (RTL-Z, 2014). The cases are thus all situated within a period of crisis. Finally, the Netherlands is member of the Economic and Monetary Union since its establishment in 1992, therefore the Dutch government is obligated to comply with the EMU-criteria. These independent variables show an equal score. Subsequently, the question is which independent variable(s) are key in explaining the different outcomes. Here, the economic, institutional and political perspectives come into play. Table 3.2 gives an overview of the case selection procedure.

Table 3.2: Dutch cases

<table>
<thead>
<tr>
<th>Case Description</th>
<th>Unions: FNV, CNV and VCP</th>
<th>Employers: VNO-NCW, LTO and MKB</th>
<th>Worldwide economic and financial crisis</th>
<th>EMU-Member</th>
<th>Economic Perspective</th>
<th>Institutional Perspective</th>
<th>Political Perspective</th>
<th>Social Pact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Pact (2011)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>PRESENT</td>
</tr>
<tr>
<td>Mondriaan Pact (2013)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>PRESENT</td>
</tr>
</tbody>
</table>

3.4.1 Case Description

The selected cases all cover negotiations that started with the intention to conclude a social pact. In three cases employers, unions and the government negotiated a social pact, in one case this mission failed. All cases related to socio-economic issues of that time. The negotiations on the Crisis Pact and Mondriaan Pact included broad social-economic measures, while the other two cases covered the pension system. Three cases even built upon each other: a result from the Crisis Pact (2009) was that additional negotiations on the pension system were necessary. These negotiations failed (2009). In 2010 another opportunity arose to reopen discussions, which resulted in the Pension Pact (2011). Another notable observation is that the government never directly participated in the failed negotiation. In the stage of failure only employers and unions discussed policies; the government
was to join later. Consequently, only economic and institutional hypotheses can be tested. It is not possible to analyse political hypotheses because politicians were never involved. A recommendation for future research is to include failed negotiations with a participating government; in this procedure of case selection there was no other recent failed policy concertation. The construction that first employers and unions would discuss policies after which the government would join, is present in all cases. Only in the final case direct negotiations between social partners and the government was originally intended but after the largest union was unsatisfied with the course of events, it decided to first debate only with employers. After that, the government was welcome. To gain more insight in each of the cases, in-depth descriptions are given at the beginning of each case analysis.
Chapter 4  
Dutch Consensus Economy

The purpose of this chapter is to briefly describe the Dutch system of cooperation between unions, employers and politicians. This will help the reader to better understand the four case analyses. First a brief characterisation of the Polder Model is given, then the two main institutions are outlined and finally the relevant actors are described.

The Netherlands is known for its Polder Model which is the political and societal culture of ‘accommodation and compromise’. The orientation towards consensus is the norm in the practice of day-to-day administration. Dutch politics is characterized by ‘co-production of policy’ and negotiating governance’ to give expression to social pluriformity and differentiation (Frissen, 2001: 69). Dialogue about socio-economic policies between governments and social partners is particularly prevalent. Crucial to this dialogue is bringing together state officials and social partners, which is facilitated by the Foundation of Labour (STAR) and the Social-Economic Council (SER). These institutions intend to tackle high-priority policy problems by encouraging joint policy analysis, deliberation and negotiation (Hemerijck, 2001: 112). The structure of the Dutch consensus economy is visualised in figure 4.1.

*Figure 4.1: Dutch consensus economy*\(^\text{23}\)

\(^{23}\) Source: Delsen (2002: 15).

Slomp (1996: 1-2) differentiates a formal, regularly based, institutionalised process of policy concertation (tripartism) with those government-union-employer contacts that take place sporadically and are more informal (peak-level talks). The Netherlands fits in the category of tripartism because employers and unions are institutionalized in a system of negotiations and decision-making, wherein they negotiate with the government on labour issues, are involved in
policymaking as a matter of routine and defend outcomes of these processes to their members (Karsten et al., 2008: 43). This routine of dialogue, which is traceable in the institutions of SER and STAR, contributes to mutual trust between those involved. Social partners and the government are enabled to formulate common objectives, exchange information and coordinate and monitor each other’s behaviour. Rather than having dramatic swings in policy, accommodation and consensus produces stability and predictability that results in incremental adjustments (Cox, 2001: 241; Mosch, 2004: 105-108).

The formation of the Dutch integrated political economy is formed by two institutions: SER and STAR. In both of these organisations the social partners meet on the basis of permissiveness and voluntariness.

4.1 SER and STAR

The incorporation of interest groups into Dutch policymaking processes has been facilitated by the establishment of two institutions after World War II: the SER in 1950 and the STAR in 1945.

The SER is a tripartite organisation consisting of three components of equal size, eleven seats each: unions, employers and independent outside experts. Unions and employers are represented by three confederations each. The independent actors, the ‘Crown Members’, are appointed by the government. Crown Members act independently from governments and include the SER-president, a director of the Central Bank, retired politicians, university professors and the director of CPB. The CPB provides governments with reports on economic conditions and forecasts, which are crucial inputs for discussions about socio-economic policies. SER’s main task is advising governments and parliament on socio-economic issues. Governments do not have to adhere to this advice, but because the advice is regarded to have a large social support governments have to provide reasons on why they do not adopt the recommendations. The more Crown Members, employers and unions agree, the more difficult it becomes for governments to ignore the advice. Until 1995 governments were obliged to ask recommendations about all important socio-economic issues. In 1995 this obligation was abolished. Since then governments nevertheless continued asking Council’s advice on major proposals (Andeweg & Irwin, 2009: 172-173; Woldendorp, 2005: 52-53). The SER remained an important institution in policymaking because of this advisory role.

The STAR is a meeting place for the most important union confederations and employer organisations, both have an equal number of eight seats in the board. Within this institution unions
and employers are united and discuss a wide-range of socio-economic issues including wage policy, pensions, education and training, labour relations, equal treatment and pay, and child care (STVDA, 2015a). Social partners may conclude a ‘Centraal Akkoord’ within the STAR. This agreement contains recommendations to influence collective bargaining between unions and employers at a sector level, or recommendations to the government regarding socio-economic issues and their developments for the coming years (Parlement & Politiek, n.d.-b).

Employers and unions do not only advise governments, but also negotiate with governments. The STAR then serves as a meeting ground for unions, employers and politicians. Any time of the year, negotiations can take place if government representatives, unions and employers are willing. Two annual meetings are standardized: the so-called ‘ronde-tafel-overleggen’ or ‘Voor-Najaarsoverleggen’, wherein the government, unions and employers meet during a process of consultation. These meetings are intended to create an atmosphere of trust and exchange views on the current economic state of affairs and future forecasts and developments (STVDA, 2015c). The aim is not really to enter into agreements, but if necessary, the consultation phase turns into a negotiation mode (Delsen, 2002: 15-16). Social pacts may originate.

4.2 Government and Organised Interests

Three different kind of actors discuss and negotiate socio-economic policies: the government, unions (i.e. union confederations) and employer organisations (i.e. employer confederations).

Government representatives negotiate with the social partners. At least the Minister of Social Affairs is involved but depending on several circumstances such as the issues at stake, the atmosphere between the actors involved and the general economic situation, the Prime Minister as well as other (Junior) Ministers representing the Ministries of Economic Affairs, Finance or Internal Affairs may join the negotiations (Woldendorp, 2005: 54).

The Netherlands has a number of union confederations which act as an umbrella organisation for affiliated unions. The three most important union confederations are (in order from largest to smallest): ‘Federatie Nederlandse Vakbeweging’ (FNV), ‘Christelijk Nationaal Vakverbond’ (CNV), and ‘Vakcentrale voor Professionals’ (VCP)24. FNV mainly represents blue-collar workers in the manufacturing industry and services sector, and employees in the public sector. CNV particularly represents employees in the (semi-)public sector, although also the industry and services sector are

24 ‘Vakcentrale voor Middengroepen en Hoger Personeel’ (MHP) was the previous name of this union confederation (changed in April 2014) (VCP, 2014).
included. VCP represents middle and higher-ranking white-collar workers and professionals in the market sector. The main difference between FNV and CNV and VCP is that the latter two unions favour negotiations to achieve its goals and are quite reluctant to openly confront employers. FNV does not shy away from open confrontations with employers (ibid.: 59).

The number of members determine the allocation of seats in the SER and STAR. Because FNV is by far the largest organisation, it has the most seats in both organisations. In the SER, unions have eleven seats available to them, eight of which are filled by FNV, two by CNV and one by VCP (SER, 2015a). In the STAR, half of unions’ eight seats are from FNV, two are seated by CNV and two by VCP (STVDA, 2015b).

The Dutch main employer organisations are ‘Vereniging VNO-NCW’ (VNO-NCW), ‘Koninklijke Vereniging MKB-Nederland’ (MKB), and ‘Federatie Land- en Tuinbouworganisatie Nederland’ (LTO). VNO-NCW, the largest employer confederation, represents not only individual companies but also branch or industry organisations of companies. MKB’s members are especially small branches and companies, while LTO represents farmers and horticultural organisations. These organisations are divided not according to religion or ideology but functionality (Vergunst, 2004: 73). In the SER, VNO-NCW has a majority of seats, seven precisely, while three are from MKB and one from LTO (SER, 2015a). In the STAR, half of the employer’s eight seats are from VNO-NCW, and MKB and LTO each have two seats (STVDA, 2015b).

Since the structure of the Dutch system of consultations and negotiations is briefly explained, the analysis of the four cases of policy concertation may start.
Chapter 5
Four Case Studies

The Wassenaar Agreement of 1982 is the best-known social pact in the history of Dutch policy concertation. After this social pact there have been several attempts to achieve a similar result. Several negotiations failed, others succeeded like ‘Nieuwe Koers’ pact (1993), ‘Flexakkoord’ (1996) and ‘Najaarsakkoord’ (2003). Also in recent years governments and social partners negotiated about socio-economic policies, four cases will be analysed.

First the tripartite negotiations of 2009 and its Crisis Pact will be assessed. Then the second case of 2009 is discussed; this pension negotiation failed. The third case study deals with the signing of the Pension Pact in 2011. Negotiating crisis measures resulted in the Mondriaan Pact in 2013, the final case. Each case analysis starts with a general description of the negotiation process. Based on this description and with some additional information, the seven hypotheses will be tested starting with the economic hypothesis, followed by the institutional and political hypotheses.

5.1 Case of 2009: Crisis Pact

In February 2007, at the beginning of Balkenende-IV government the Netherlands experienced strong economic performance. After the worldwide economic crisis in 1982 the Dutch economy had grown annually by at least 2% with a few exceptions in the 1990s and in the early 2000s. This trend of economic growth was accompanied by a reduction of public debt and after 1996, governments did not exceed the 3%-limit of annual budget deficits anymore and had sometimes budget surpluses (CBS, 2012).

2008 was the turning point: the worldwide economic crisis began. The Netherlands is vulnerable to such a crisis because of its open economy and its reliance on export. Not only export and economic growth figures but also government’s annual budget and public debt were negatively affected (see table 5.1). The government was no longer able to meet the EMU-criteria and had to increase its spending on social benefits due to increasing unemployment. The rate of unemployed workforce decreased, but the effect of a crisis on employment does not take place immediately but requires time.
5.1.1 Towards a Social Pact

The government and politicians from all political parties were especially concerned about the economy when the CPB provided economic forecasts. In December 2008, the CPB estimated an economic downturn of 0.75% for 2009. Two months later the CPB was much more negative about the economy and estimated an economic downturn of 3.5% for 2009 and a doubling of unemployment in 2010 (Douwe's & Van Keken, 2009b). Prime Minister Balkenende called it extremely serious and acknowledged the necessity of significant investments and profound, painful measures to overcome the crisis (NRC Handelsblad, 2009b). As a result, in the first week of March 2009 the governing parties CDA, ChristenUnie and PvdA started negotiations on these profound measures. In fact, the economic crisis forced the governing parties to revise its coalition agreement. They preferred no involvement from opposition parties into these talks, but social partners were welcome to join.

CDA, PvdA and ChristenUnie agreed that the crisis required unity from them but the negotiations proved to be difficult. The parties had different opinions about the pending decisions and blamed each other of being unwilling to make concessions. The negotiations were characterized by several moments of incomprehension, irritation and mistakes (Staal & Stokmans, 2009b). Nevertheless, the political leaders realized it would be impossible to explain a government crisis in these economic difficult times (Van der Laan & Oomkens, 2009).

On March 24, 2009 the governing parties signed the so-called ‘Catshuisakkoord’. This agreement included measures to stimulate the economy immediately in 2009 and 2010 and to reduce the government deficit starting in the final year of Balkenende-IV’s term (2011), provided that CPB-forecasts an economic growth of at least 0.5% for 2011. Austerity measures included the gradual increase of the AOW-age from 65 to 67 years and cuts in health care benefits and civil servants’ salaries (ibid.). The AOW-age is the normal retirement age from the General Old-Age Pensions Act.

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The Dutch ‘Polder Model’: Social Pacts

N.M.J. Kurstjens

(AOW). These measures would generate savings which, in turn, would enable the government to invest without damaging the tenability of public finances in the long run (Grünell, 2009). The governing parties also decided that the government had to obtain support from social partners for these crisis measures. Support from social partners by means of a social pact would prevent massive protests against government policies (Staal & Stokmans, 2009a). Without a social pact the ‘Castshuisakkoord’ would lose its appeal.

Minister of Social Affairs Donner emphasized that he did not favour an “(...) Alleingang (...)”, whereby the government would act without involvement of social partners (De Waard, 2009i). Besides, social partners themselves insisted on a social pact in order to influence policymaking (Stoker, 2009a). As a result Donner initiated a ‘crisis workgroup’, which consisted of the Minister, unions and employers. At the time the governing parties were negotiating on crisis measures, this workgroup was active.

Before Donner negotiated with unions and employers in this crisis workgroup, social partners discussed several socio-economic policies between themselves. VNO-NCW and FNV agreed to pursue wage restraint which would reduce firm’s labour costs (i.e. wage increase up to the inflation level) in exchange for not raising the AOW-age. By forming an united front, these actors tried to gain more influence in negotiations (Doorduyn & Stoker, 2009). But Donner wanted to ‘freeze’ the wages (Stoker, 2009b). The governing parties believed that the social partners acted irresponsibly; their proposal was a ‘hollow shell’. After all, wages would decrease in case of long-term economic downturn. The social partners disagreed, arguing they had come up with possible crisis measures to prevent more unemployment. Even more, unions and employers argued that it was unique in Europe that they had agreed (Douwes & Van Keken, 2009a). Despite this difference of opinion, government and social partners acknowledged their common goal to tackle the economic crisis.

During the negotiations between the governing parties and in the crisis workgroup one specific proposal came into view: to raise the AOW-age to 67 years. By increasing the AOW-age, the government could not only deal with the ageing of population but also structurally reduce its annual spendings with 4 billion euros (Dirks & Herderscheê, 2009a). Employers did not view the AOW-age up to 67 years as problematic but to secure wage moderation, employers would not promote pension reforms (deal with unions) (De Waard, 2009h). Meanwhile, the proposal caused great opposition among unions, in particular FNV. Only FNV threatened to deadlock the negotiations, while CNV and MHP were willing to discuss pension reforms. FNV organised massive protests to express their discontent and to put the government under pressure to make the ‘right’ decisions. Moreover, in case the negotiations would fail, FNV would organise severe actions (Trouw, 2009a). Despite these protests, in the ‘Catshuisakkoord’ the governing parties wrote they would raise the AOW-age.
Barely 24 hours after the signing of the ‘Catshuisakkoord’, the government signed the provisional Crisis Pact with unions and employers (STVDA, 2009). Even FNV-negotiators signed this Pact because, according to them, they had cancelled the AOW-plan. Initiated by VNO-NCW, the actors decided to ask the SER to advise on the pension system and to think about alternatives for the sustainability of public finances. Only through this construction, the government found widespread support for their crisis measures. VNO-NCW initiated this idea of SER-advice because only then unions would agree to a social pact. Employers wanted a social pact to create social and economic stability and to have wage restraint (De Waard, 2009i; Douwes & Stoker, 2009). The Polder Model was again characterized by compromise and the avoidance of serious conflicts.

Employers and CNV and MHP, which did not ask the opinion of their members, were satisfied because the Crisis Pact would lead to social and political calmness. FNV, who did ask the opinion of its members, warned its members that if they reject the agreement, the government would take its own course which would result in a more serious economic crisis and possibly a social crisis. Nine out of ten FNV-members approved the Crisis Pact (Stoker, 2009c; Zandbergen, 2009b). In the Second Chamber, politicians of the governing parties were also positive. Opposition parties, who held a minority of seats in parliament, had no chance to change the agreement (Breedveld & Zandbergen, 2009).

The tripartite negotiations resulted in the Crisis Pact. This agreement together with the ‘Catshuisakkoord’ were considered as the national rescue plans to boost the economy and to restrain public spending. But which variables were key to the emergence of the Crisis Pact? The next paragraphs deal with this question.

5.1.2 Economic Hypothesis

The economic hypothesis predicts that social pacts are more likely to emerge when a country is confronted with a negative economic performance. If this hypothesis is correct, we should observe adverse economic conditions (rising inflation, rising unemployment and exceedance of the EMU-criteria) prompting policymakers to consider involving social partners concerning a social pact. We should also see the government and social partners justifying policy measures as necessary for overcoming the economic crisis.

In 2008 the worldwide economic began. There was still economic growth, but it decreased compared to 2007. The inflation level exceeded the benchmark of 2% due to factors like a sharp rise in oil price
(CBS, 2009: 7). The labour market was also affected, but not immediately. Labour markets usually react with some delay on changing economic circumstances. In times of economic downturn companies do not directly fire their employees, while in times of economic growth companies are often reluctant to immediately hire new personnel. The labour market deteriorated but this was thus not yet translated in the unemployment figures: in 2007, 4,5% of the workforce was unemployed compared to 3,8% in 2008. Because the state needed to loan 80 billion euros to support distressed banks, public debt increased dramatically from circa 45% to 58% of the GDP. The government budget had a surplus in 2008 due to higher gas revenues and lower costs to unemployment benefits (ibid.: 113-117).

Although some figures of 2008 were positive, the government really took action after the CPB-economic forecasts in February 2009 (table 5.2). All main economic indicators caused great concern to politicians and the social partners. The Dutch economy was headed for a long-term recession. The estimated inflation in 2009 and 2010 did not fit the price stability definition of ‘below but close to 2%’. In 2010 the government would exceed the 3%-limit of budget deficit and its public debt would exceed the 60%-benchmark. In 2010 the Netherlands would thus violate the EMU-criteria. Finally, the unemployed workforce would more than double in 2010 compared to 2008, after years of declining unemployment. Based on these economic figures, it can be concluded that the Netherlands suffered from an economic crisis at the time of the tripartite negotiations.

Table 5.2: Forecast economy, February 2009

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>% volume changes</td>
<td>3,5</td>
<td>2,0</td>
<td>-3,5</td>
</tr>
<tr>
<td>Unemployed workforce</td>
<td>% workforce</td>
<td>4,5</td>
<td>3,9</td>
<td>5,5</td>
</tr>
<tr>
<td>Consumer Price Index (CPI)</td>
<td>% mutation</td>
<td>1,6</td>
<td>2,5</td>
<td>1,0</td>
</tr>
<tr>
<td>Balance of public finances</td>
<td>% GDP</td>
<td>0,3</td>
<td>0,9</td>
<td>-2,9</td>
</tr>
<tr>
<td>Public debt (EMU-criteria)</td>
<td>% GDP</td>
<td>45,7</td>
<td>58,1</td>
<td>56,6</td>
</tr>
</tbody>
</table>

From the foregoing description of coalition negotiations and policy concertation it is evident that government and social partners considered the economic state as alarming. The adverse economic conditions prompted the governing parties to negotiate about crisis measures and the government to negotiate with social partners about such measures. Government’s strategy was to buy-in social

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26 CPB (2009b).
27 Public debt figures were not published on February, but one month later (see CPB, 2009a: 11).
partners rather than involving opposition parties in policymaking. The government and social partners justified investment policies, wage moderation and other austerity measures as necessary for overcoming the economic crisis. These profound measures were an opportunity to reduce uncertainty, enhance economic stability and prevent massive unemployment. Only FNV could not qualify a higher AOW-age as necessary; the SER-advice was therefore conceived. The economic crisis thus contributed to negotiating a social pact.

5.1.3 Institutional Hypotheses

5.1.3.1 CME?

The first institutional hypothesis predicts that social pacts are more likely to emerge when a country is a coordinated market economy. If this hypothesis is correct, we should see characteristics of a coordinated market economy such as wage bargaining at a national or sector level, the presence of institutions wherein well-organised employers and unions are represented, and social partners being regularly involved in policymaking.

As outlined in the previous chapter, the Dutch government, unions and employers have regular dialogues on socio-economic policies. This dialogue is facilitated by the SER and STAR. In this case the involved unions and employers made use of these institutions. Within the STAR, unions and employers concluded their deal of wage restraint in exchange for an AOW-age of 65 years. This deal served as a basis in the negotiations with the government. During these tripartite negotiations the government had to make a concession by allowing SER-advice on the AOW-age.

It appears that the Netherlands is a coordinated market economy because the following factors were observed: social partners were well-organised; employers and unions first negotiated within the STAR and then with the government; the actors made use of the existence of the SER; and all those involved defended the social pact to their members, exemplified by FNV’s message that rejecting the pact would be disastrous. The Pension Pact was thus adopted by a country that had the infrastructure of institutionalized negotiation.
The scores of the ICTWSS-variables confirm that the Netherlands was a CME in 2009 (see table 5.3).

**Table 5.3: ICTWSS-variables 2009**

<table>
<thead>
<tr>
<th>ICTWSS-variable</th>
<th>Score</th>
<th>Meaning of Score</th>
</tr>
</thead>
</table>
| 1. Coordination of wage setting  | 4     | a) centralized bargaining by peak associations with or without government involvement, and/or government imposition of wage schedule/freeze, without peace obligation;  
|                                  |       | b) informal (intra-associational and/or inter-associational) centralisation of industry and firm level bargaining by peak associations (both sides);  
|                                  |       | c) extensive, regularized pattern setting coupled with high degree of union concentration |
| 2. Type of coordination of wage setting | 5     | State-sponsored bargaining (this includes pacts)                                 |
| 3. Government intervention in wage | 4     | The government participates directly in wage bargaining (tripartite bargaining, as in social pacts) |
| 4. Existence of a standard tripartite council | 2     | Tripartite council with representation from the trade unions, employers' associations, and independent experts or government (-appointed) representatives |
| 5. Existence of a standard bipartite council | 1     | Yes                                                                              |
| 6. Routine involvement           | 2     | Full concertation, regular and frequent involvement                              |

The scores of the first three variables could vary each year because of changing economic circumstances regarding wage-setting in collective agreements. In 2009 there was no case of fragmented wage negotiations nor a pure liberal case of no government intervention (LME-characteristics). In fact, coordination of wage setting by well-organised unions and employers occurred not only at sector or industry level, but even at national level. Because of the economic crisis the government directly participated in arrangements about wages. In the Crisis Pact the government and social partners agreed to wage restraints which would affect collective bargaining between unions and employers. Discussions about wages were not held in competitive market arrangements, but employers and employees coordinated their activities with each other and the state. Hereby they made use of the SER and STAR. The variables ‘existence of a standard tripartite and bipartite council’ refer to respectively the SER and STAR. These institutions enabled unions,

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28 Sources: Visser (2013a, 2013b).
employers and politicians to have full concertation during their meetings to discuss the Crisis Pact. Concluding, the Netherlands was a coordinated market economy in 2009.

5.1.3.2 Union Strength
The second institutional hypothesis predicts that social pacts are more likely to emerge when unions are neither too strong nor too weak. If this hypothesis is correct, we should see a relatively high union density and/or coverage (51-75% or 76-100%), and no fragmentation. Furthermore, unions should be without internal division/struggles and have given signals of their strength (or weakness): for example, threatening to deadlock negotiations.

In the last decade, also in 2009, union strength in terms of density was very low (0-25%) (see table 5.4). This did not mean that unions were weak because of their high union coverage. The coverage figure was approximately around 85%, implying that unions had significant strength. During negotiations unions thus represented a relatively high share of the workforce, irrespective of a possible membership. Unions were concentrated, fragmentation was absent. The score of 2.3 on the Herfindahl Index inverse indicated there are a few large union confederations that coordinate their activities and work together. Dutch unions did not really compete for members because each focus on another segment of the economy (as explained in paragraph 4.2). Based on these figures of 2009, unions were certainly not weak.

<table>
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<th>Table 5.4: Union figures²⁹,³⁰</th>
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<tbody>
<tr>
<td>Union Density (%)</td>
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<tr>
<td>Union Coverage (%)</td>
</tr>
<tr>
<td>Number of Union Confederations</td>
</tr>
<tr>
<td>Effective Number of Union Confederations (score 1-8) (i.e. the inverse of the Herfindahl Index)</td>
</tr>
</tbody>
</table>

In a context of economic crisis, high unemployment and austerity measures, unions are in general the weaker parties vis-à-vis government and employers. In economically prosperous times it is easier for employers and government to make concessions to unions (Woldendorp, 2013: 46). This was also the case in these crisis negotiations. Being aware of their weaker position, unions were interested in a social pact. But unions demonstrated they still had authority and bargaining power. First, the

³⁰ Source union coverage and (effective) number of union confederations: Visser (2013b).
largest union, FNV, made an agreement with the largest employer organisation, VNO-NCW. They acted together during the policy concertation. Second, FNV could stand firm and threatened to deadlock negotiations on a social pact when their demand of stabilising the AOW-age would not be met. This development was worrisome for the government. Minister Donner made clear he desired a social pact to mitigate the crisis and was not keen on a ‘social’ crisis. Even the employers would be unsatisfied with failed negotiations because it would be more difficult to have wage moderation and the economy would still be plagued by instability and uncertainty. Unions had thus leverage to set demands regarding social policies, including the AOW-age. This was also reflected in the result of the tripartite negotiations: the government was concessive.

An analysis of newspaper articles does not reveal any signs of strife within unions. The three unions approved the Pact, including FNV’s members. There was also no signal of dissension between unions. Although CNV and MHP were open to discuss the AOW-age, they had no problems with the construction of SER-advice. Furthermore, FNV, CNV and MHP acted together in suggesting various crisis measures, such as investments in sustainable projects and the labour market (De Waard, 2009g).

Summarizing, unions and in particular FNV, had considerable leverage in the negotiations. Unions were not too strong because although FNV threatened to deadlock the tripartite negotiations and to organise massive protests, unions were well-aware that failed negotiations might lead to a situation wherein the government would unilaterally act and could increase the AOW-age. From the unions’ perspective, a social pact would be more valuable than no social pact. Nor were unions too weak because first, the government valued their approval of crisis measures and was aware that unions could organise protests to distort the economy and the solid process of policymaking; and second, FNV made a deal with VNO-NCW to have a stronger position in tripartite negotiations.

5.1.3.3 Role of Employers

The third institutional hypothesis predicts that social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies. If this hypothesis is correct, we should see strong employer organisations (high employer density) that are interested in social pacts and could help the government in policymaking.

Based on the sparse data, employer density was between the 80% and 90% in the Netherlands in 2009. According to the ICTWSS-database the density was 85% in 2008 (see table 5.5). The SER mentioned that it is approximately 90% in 2015 (SER, 2015b), while a SER-Crown Member said that
the density was nearly 80% in 2013 (Van Riel, 2013: 6). In other words, it can be assumed that employer density was relatively high in 2009. Employers were well-organised in three different organisations: VNO-NCW, MKB and LTO. These organisations cooperated during the negotiations because they had similar goals: wage moderation which would benefit the financial position of companies, to preserve as many jobs as possible and to restore economic, social and political stability. Employers argued that a precondition for a strong economy and flourishing businesses was a stable society (Stoker, 2009f). A social pact would incorporate these goals and create a stable society.

It was with good reason that VNO-NCW made a deal with FNV, namely to increase the likelihood of a social pact including the wage moderation. Furthermore, employers mentioned themselves that the government could use their ideas and support as a vehicle to implement several socio-economic policies to battle the crisis (Douwes & Stoker, 2009). Because of employers’ interest in a social pact, VNO-NCW initiated the idea to postpone a definitive decision about the AOW-age by involving the SER into the issue. Only then the largest union FNV signed a social pact which was the wish of employers and government.

Due to the proactive role of the well-organised employers a social pact emerged. Firstly, employers increased the likelihood of a social pact by cooperating with unions and secondly by initiating a solution to the AOW-age.

Table 5.5: Employer density

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<tbody>
<tr>
<td>Number of Employer Confederations</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employer Density (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>85,0</td>
<td>-</td>
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5.1.4 Political Hypotheses

5.1.4.1 Government Strength

The first political hypothesis predicts that social pacts are more likely to emerge when governments are weak or hold a minority of seats in parliament. If this hypothesis is correct, we should see a government that holds a minority or a small majority in parliament (38 seats in Senate; 76 seats in Second Chamber). Moreover, internal division between Ministers or governing parties could be signs of weakness.

31 Source: Visser (2013b).
32 Variable number of employer confederations excludes LTO, the agricultural organisation.
Government Balkenende-IV had a stable majority in both Chambers (see table 5.6). In the Senate and Second Chamber the governing parties had respectively more than 38 seats and more than 76 seats.

Table 5.6: Government Balkenende-IV

<table>
<thead>
<tr>
<th>Coalition Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDA</td>
<td>21</td>
</tr>
<tr>
<td>PvdA</td>
<td>14</td>
</tr>
<tr>
<td>ChristenUnie</td>
<td>4</td>
</tr>
</tbody>
</table>

The government and governing parties were aware of their stable majority. For them it was out of the question that opposition parties would have a decisive voice on crisis measures. Opposition parties were allowed to recommend possible measures to the government, but with no guarantee these would be included (Trouw, 2009b). There was no case of an open political debate: governing parties negotiated about a revision of the coalition agreement and at the same time the government negotiated with social partners about a social pact. By contrast, leaders of opposition parties had just pleaded for an open parliamentary debate and wanted to avoid discussions in the so-called ‘achterkamertjes’ (Douwes & Van Keke, 2009c). One opposition leader typified the process as a ‘democratic monster’ because of its exclusion in discussions about crisis measures (Doorduyn, 2009). But the opposition parties were divided over which measures to adopt (Van Os & Stokmans, 2009a). This weakened the strength of the opposition vis-à-vis the government.

Despite government’s stable majority, tension was tangible within the government and between coalition parties. According to PvdA and ChristenUnie, CDA wanted to cut down too quickly and too strongly which could induce further setbacks for the government. On the other hand, CDA argued that public debt would increase too much without firm cut backs and thereby passing the costs to future generations. CDA-Minister Donner insisted on substantial cuts. He was driven by a still present distrust within his party about a squandering PvdA. CDA tried to make use of the dual role of PvdA-Minister of Finance Bos. He was Minister and PvdA-leader. As Minister, he was responsible for sound

\[33 \text{ Sources: Kiesraad (2006; 2007).}\]
public finances, but he did not favour austerity measures as PvdA-leader (Staal & Stokmans, 2009b; Stokmans & Wester, 2009).

Not only ideological differences but also personal struggles were present. Prime Minister Balkenende (CDA) and Minister Bos were not really ‘friends’. In December 2008 Bos already knew the economy was deteriorating. He actively tried to present a package of crisis measures in January 2009, but failed. At the end of 2008 Bos was praised in the press for his acts regarding the problematic banking sector. Balkenende, on the contrary, had had a few setbacks and wanted to be seen as a vigorous leader. To prevent another ‘moment of fame’ for Bos for acting on early stages, Balkenende decided that more time was needed to present a robust set of measures which resulted in two months delay. Unlike this difficult relationship between Bos and Balkenende, the parliamentary leaders of the governing parties got on well together and solved the problems of the government (Staal & Stokmans, 2009a). This laborious process characterized government Balkenende-IV: CDA and PvdA never really acted together. Nevertheless, they ultimately concluded the ‘Catshuisakkoord’, that constituted the basis for the Crisis Pact.

Although the government was marred by internal struggles, a new coalition agreement was signed with help from the parliamentary leaders of the governing parties. The subsequent Crisis Pact was also approved by governing parties. The government could not be considered as weak because it concluded both agreements, had a stable parliamentary majority and the opposition was not unified.

5.1.4.2 Unpopular Policies?
The second political hypothesis predicts that social pacts are more likely to emerge when governments are deemed to implement unpopular policies and thereby face electoral costs. If this hypothesis is correct, we should see government and citizens qualifying policies as painful and/or unpopular, and politicians from the government and governing parties trying to spread the ‘blame’ for unpopular decisions by including social partners in these decisions.

Due to the economic crisis the government knew that profound and painful measurements were necessary. Given the magnitude of the problems, there were no choices without major financial and social risks (NRC Handelsblad, 2009c). The question was which crisis measures should be implemented? As already outlined, CDA wanted to have sound public finances and therefore austerity, while PvdA did not favour such severe measures. The underlying reason was the threat of electoral backlash. CDA-voters preferred to not pass the costs to future generations, while PvdA-voters favoured economic investments at times of crisis. The compromise was to start immediately with economic investments and to start reducing the government deficit in 2011. The year 2011 was
strategically chosen, because then would be the next Dutch general elections (Stokmans & Wester, 2009; Staal & Stokmans, 2009b). In this way, PvdA could tell its voters that they had made economic investments, while CDA could argue that it had taken responsibility for public finances. Moreover, with support from the social partners, governing parties could explain to its voters there was widespread support for this strategically chosen construction. A Peil.nl survey from 25 March 2009 (2009c) showed especially ChristenUnie- (73%) and PvdA-voters (74%) thought it was good construction. A small majority of CDA-voters (55%) shared this view but almost one third (32%) thought it was better to start immediately, which reflects the preference of the CDA-negotiators. But in general the voters of the governing parties accepted this agreement.

The issue of facing electoral costs was also present at other issues. Each governing party had one issue that was canonized to prevent electoral costs (Van der Laan & Oomkes, 2009). Another issue was the AOW-age. CDA, ChristenUnie and PvdA all preferred to increase the age, but no subject was so delicate as the AOW. For more than fifteen years major changes in the pension system were taboo. If political parties discussed the possibility of reform, voters punished these parties immediately (De Waard & Wester, 2009). Surveys confirmed increasing the AOW-age was not favourable among the electorate. According to EenVandaag OpiniePanel (2009) two third of their respondents was against an age of 67 years, while 27% favoured such a development. Peil.nl had a more balanced result from various surveys: the tendency was that circa 40%34 of the respondents thought it was unacceptable, while circa 35%35 thought it was the right time to increase the age.

Despite these survey results, the government saw the economic crisis as an opportunity to revive the discussion. Being aware of the unpopularity of the measure, governing parties prevented that one party exclusively would be identified as the initiator, because that party would in particular face significant electoral costs (Oomkes, 2009; Staal & Stokmans, 2009b). Furthermore, by involving social partners into the issue they were also responsible for the developments regarding the AOW-age (Staal, 2009). To prevent massive protests and a political and social crisis, to avoid blame and increase social support by signing a social pact, the government was therefore willing to meet social partners’ proposal of having first SER-advice before really deciding on the issue.

34 Peil.nl survey from 10 February 2009: 44% thought it is unacceptable (2009a); survey from 22 February 2009, 38% of the respondents shared this opinion (2009b).
35 Peil.nl survey from 10 February 2009: 31% thought it is a good idea (2009a); survey from 13 March 2009, 35% of the respondents had the opinion that it is the right time for the government to raise the age (2009d); survey from 22 March 2009, 37% of the respondents shared this view (2009e).
Concluding, the government was aware of the fact that it had to implement unpopular measures. By strategically acting and involving the social partners in the process of deciding upon unpopular crisis measures, government and coalition parties tried to avoid blame and to prevent electoral costs.

5.1.4.3 Composition of Government

The third political hypothesis predicts that social pact are more likely to emerge when governments are dominated by left and/or Christian-Democratic parties. If this hypothesis is correct, we should see the governing parties identifying themselves as left or Christian-Democratic, holding a strong position in government and mentioning that they favour policy concertation.

The three governing parties were CDA, PvdA and ChristenUnie. On the political landscape of the political parties (see figure 5.1) ChristenUnie, a Christian-Social party of Orthodox-Protestant signature, was left-oriented; social democratic party PvdA was more left-oriented, while Christian-Democratic party CDA took a position in the middle. Government Balkenende-IV was thus dominated by one Christian-Democratic party (the largest party) and two left-wing parties. Furthermore, all governing parties had explicitly stated that involving social partners in the process of deciding upon crisis measures was important (Staal & Stokmans, 2009a). Assuming the hypothesis, this government composition increased the likelihood of a social pact.

*Figure 5.1: Political landscape: elections 2006*36

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36 Source: Kieskompas (2006).
5.1.5 A Synthesis

The analysis reveals that shortly after the governing parties signed a new coalition agreement, the government concluded a social pact with the social partners. This Crisis Pact gave the government social support for crisis measures to control public finances and to stimulate the economy. Testing the hypotheses led to the following results in table 5.7.

Table 5.7: Summary of results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>1 Economic</th>
<th>2 CME/LME</th>
<th>3 Strength Unions</th>
<th>4 Role Employers</th>
<th>5 Strength Government</th>
<th>6 Unpopular Policies?</th>
<th>7 Government Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>rejected</td>
<td>confirmed</td>
<td>confirmed</td>
</tr>
</tbody>
</table>

Almost all independent variables had contributed to the emergence of the Crisis Pact: the Netherlands was a CME that suffered from an economic crisis. Relatively stable unions negotiated with the employers, which had an interest in a social pact. Christian-Democratic and left-wing governing parties had to decide upon unpopular policies. Only the variable government strength did not contribute to negotiating a social pact. This finding is in line with Kitschelt’s (2001) argument that electorally stable governments could be interested in policy concertation. His argument is that also governing parties of stable governments favour social pacts to prevent an electoral backlash resulting from unilaterally implementing unpopular policies. In this case we have seen that the stable government was indeed interested in policy concertation to avoid blame by involving social partners and making them partly responsible for those policies.

5.2 Second Case of 2009: Failed Pension Negotiations

The Crisis Pact was concluded under the condition that within the SER, the Crown Members and social partners could think about alternatives for raising the AOW-age. These actors had six months to formulate alternatives, otherwise the government would increase the AOW-age. When the SER would succeed in formulating alternatives, the government would in principal support these measures although they would first discuss the alternatives themselves and if necessary with the social partners. A social pact about pensions could thus be the case but it was not a given.
5.2.1 Dutch Pension System

To understand the pension negotiations, a short explanation is given about the Dutch pension system. The system consists of two components. First, in principal all Dutch citizens aged 65 years and older are entitled to the standard old-age pension (AOW) provided by the state. The AOW-benefit is a fixed amount. Premiums are collected by the state and are then paid to the rightful claimants (De Waard & Wester, 2009). At present, four employees are required to cover one single AOW-recipient. It is estimated that by 2050 four employees are necessary to cover two AOW-beneficiaries due to the ageing of the population and the increasing life expectancy (Grünell, 2010). As a result, the state will increasingly use other tax revenues to maintain the state pension: public finance sustainability is at stake, especially in times of economic crisis. To ensure that AOW-benefits remain affordable, thus to reduce its spending on state pensions, government Balkenende-IV proposed to increase the AOW-age to 67 years, except for people with (physically) demanding professions (De Waard, 2009b).

Second, more than 90% of the employees have an supplementary company pension. During the working life, employees pay about one third and employers two thirds of the total premium. Pension funds, managed by the social partners, invest these monthly paid premiums. Therefore, pension funds are exposed to fluctuating prices on the stock exchange, inflation and financial crisis. Due to the aging population it is more difficult for pension funds to maintain sufficient capital through (higher) premiums. The wealth of pension funds has thus become more dependent on investment results. Due to the economic crisis and low interest rates, pension funds suffered from dramatic capital losses. As a result the pensions may be reduced (De Waard & Wester, 2009).

According to the employers, the age of the supplementary pension (i.e. pension age) should also be raised to 67 years in order to prevent this possible reduction and to even reduce the premiums. The government shared this view, albeit they only mentioned to change the AOW-age during the Crisis Pact negotiations. But a few months later at the time of the SER-negotiations, the government made clear they also wanted to change the pension age (Stoker, 2009d). Because the government and employers favoured to increase both the AOW-age and the pension age, both components of the pension system were subject of discussion in the SER.

5.2.2 SER-Negotiations

After signing the Crisis Pact, unions and employers together with the Crown Members would try to formulate a widely-supported SER-alternative. But there were some differences. FNV-chairman Jongerius said the plan of increasing the AOW-age was off the table after signing the Crisis Pact. There were alternatives to structurally reduce public spending with 4 billion euros such as limiting
the tax relief on mortgage interest (De Waard, 2009c). However, employers were convinced that the AOW-age had to change, but due to the importance of the Crisis Pact they had initiated the SER-advice. Employers thought that by making some concessions to the low-paid and elderly workers, unions would agree to AOW-age increase in the SER-negotiations. But Jongerius’ words ‘off the table’ had changed the situation: an AOW-compromise might be impossible to reach (Dirks & Stoker, 2009c). Another complication for the FNV was that it only categorically ruled out AOW-age change, unions CNV and MHP were willing to think about it under certain conditions (De Waard, 2009g). Another difference of opinion was about the conditions set by the government. Jongerius and VNO-NCW-chairman Wientjes argued that there were no requirements except for structurally saving 4 billion euros, which Prime Minister Balkenende confirmed. But leaders of the governing parties and Minister of Social Affairs Donner said that SER-alternatives may not lead to higher financial burdens; alternatives had to be related to the AOW (Oomkes, 2009; Van Os & Stokmans, 2009b). The SER-negotiations began tumultuous.

In June, FNV’s opinion about the AOW-age was strengthened by CNV’s member consultation about the AOW. Before the age could be increased, everything had to be done to help unemployed to a job and to create solidarity between the rich and the poor. Only if these goals would be accomplished but proved to be insufficient to solve the problems, raising the AOW-age was an option (CNV Dienstenbond, 2009). On the other hand, FNV experienced opposition because employers not only wanted an AOW-age of 67 years, but also an increase of the supplementary pension age (Stoker, 2009d).

After months of negotiations unions and employers seemed to have worked out their differences on the AOW-age. In first instance FNV had several alternatives for the AOW that structurally saved 4 billion euros, but employers were firmly against because these alternatives would lead to an increase of their and citizens’ financial burden (De Waard, 2009f). Furthermore, in August CPB-calculations showed that FNV's alternatives did not result in structurally saving 4 billion euros. Because of these calculations CNV and MHP knew they no longer could strictly adhere to an AOW-age of 65. Only in the final week before the deadline, FNV approved an AOW-change due to the pressure to conclude an agreement. The solution that employers and unions accepted was the flexible AOW, meaning employees are not obliged to work until their 67th (Veldhuis, 2009; Zandbergen, 2009a). In this process the Crown Members tried to build bridges between employers and unions to reduce their disagreements.

On the AOW-age there was no conflict anymore, but unions and employers still disagreed on the supplementary pension age. Employers also wanted to raise this pension age to reduce their increasing pension costs, to improve public finances and the wealth of pension funds. But unions
were against. Unions were willing to explore the possibility to increase the pension age in the near future, but to increase the pension age at the same time as the AOW-age was a step too far (Van Baars, 2009). In August all governing parties had clarified they preferred to raise the AOW- and pension age. Because the governing parties preferred to raise both ages and the unions would not concede regarding the supplementary pension age, employers ultimately decided that no agreement would be better. Then government’s proposal of an AOW-age of 67 years would be implemented, although the situation regarding the pension age remained unclear (De Waard, 2009c; Dirks & Stoker, 2009d). Jongerius was furious and qualified the employers as (...) tuig van de richel” (Veldhuis & De Waard, 2009).

Unions and employers blamed each other for the failure. Employers blamed in particular the FNV because this union was by no means open for discussions about raising the AOW- and pension age. Unions blamed the employers of not being open to discuss alternatives (Stoker, 2009e; Van Meteren & Zandbergen, 2009). The failure of the SER-negotiations was especially a defeat for Jongerius, because she had said that AOW-age reforms were off the table. According to VNO-NCW, Jongerius’ statement led to a too small scope for negotiations: “Het overleg was al dood voor het goed en wel begonnen was” (Dirks & Stoker, 2009c). But how this absence of a Pension Pact be explained by the economic, institutional and political perspectives?

5.2.3 Economic Hypothesis

The economic hypothesis predicts that social pacts are more likely to emerge when a country is confronted with a negative economic performance. If this hypothesis is correct, we should see that social partners and the government incorporate the economic situation in their negotiations.

The Crisis Pact analysis has shown that the Netherlands was confronted with an economic crisis in 2009. This crisis contributed to negotiating the Crisis Pact, but it was no justification for deciding upon an AOW-age increase; SER-advice was necessary.

At the time of SER-negotiations, the economic crisis played a role in two ways. First, with or without an agreement, in either situation government spending need to be structurally reduced by 4 billion euros. The way the savings would be achieved was up to the SER by designing alternatives to AOW-reforms. The crisis played a role in the justification of alternatives. Unions saw the crisis as an justification for increasing the financial burdens for higher incomes, while employers could not support such measures in times of economic deterioration. Second, the crisis led to pension funds suffering from dramatic capital losses, which was a justification for employers to also raise the
pension age. Unions disagreed which resulted in a conflict between employers and unions. The crisis was thus significant first to establishing the SER-negotiations and second, in the discussions about AOW-alternatives and the pension age.

5.2.4 Political Hypotheses
Half a year after the Crisis Pact, the SER-negotiations failed. A major difference with the Crisis Pact negotiations was that the government was not directly involved. The social partners had to first discuss and conclude an agreement in the SER before the government would study this agreement, discuss it with the social partners and possibly conclude a social pact. But unions and employers failed to agree, so that meant no social pact in any case. The social partners and politicians had thus not negotiated directly about AOW and pension issues. As a result, the government was in principle not responsible for and had no direct involvement in the breakdown of negotiations. Therefore the political hypotheses cannot be tested. After all these are formulated from a government perspective, but the government never acted.

5.2.5 Institutional Hypotheses
The institutional hypotheses are not problematic to analyse because the negotiations took place within the neo-corporatist institution SER. The key players were employers and unions, and to less extent the SER-Crown Members.

5.2.5.1 CME?
The first institutional hypothesis predicts social pacts are more likely to emerge when a country is a coordinated market economy. If this institutional hypothesis is correct, we should see social partners making use of corporatist institutions and being involved in policymaking.

Similar as the Crisis Pact, the Netherlands was still a CME illustrated by the involvement of the SER in these negotiations. Unions and employers intended to influence policymaking about pensions by formulating alternatives, but that failed. Although the Crown Members tried to build bridges between the disputing employers and unions, it did not result in shared understandings. Therefore it can be assumed that despite the negotiations were held within a neo-corporatist institution, a CME is no guarantee for success.
5.2.5.2 Strength and Role of Social Partners

The second institutional hypothesis predicts that social pacts are more likely to emerge when unions are neither too strong nor too weak. If this hypothesis is correct, we should see unions without internal division/struggles who have given signals of their strength (or weakness): for example, members expressing their dissatisfaction. The third institutional hypothesis predicts that social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies. If this hypothesis is correct, we should see strong employer organisations that are interested in a social pact and could assist the government in policymaking.

As analysed in the previous case, unions were certainly not considered as weak based on figures from table 5.4 and employers were also well-organised and relied on widespread support. Unions felt the necessity to conclude first a SER-agreement and then a social pact with the government. Only then unions could prevent AOW-reforms. Contrary to the Crisis Pact, unions could here not threaten to deadlock SER-negotiations when their demands would not be met. After all, in case of no SER-agreement and thus no social pact, the stable majority government would implement AOW-age increase which unions wanted to prevent. Nevertheless unions threatened with massive protests and to obstruct negotiations on collective agreements at the sector level when the SER-negotiations would fail. They knew politicians and employers would be displeased with social unrest (Dirks & Stoker, 2009a). Because unions and employers fundamentally differed on unions’ alternatives to the AOW-age increase and the supplementary pension age, unions could not pressure the government to change their AOW-plans.

In fact, when it became clear that all governing parties preferred to raise the AOW- and pension age, employers were no longer really interested in the SER-negotiations and a social pact. They had the same policy objectives and employers would support the government by not agreeing with unions. Up to the moment that also PvdA clarified that it favoured AOW- and pension age reforms, FNV had hoped PvdA would collapse the government when the other governing parties preferred to increase the AOW- and pension age. An error of judgement from FNV (De Waard, 2009d). According to some Crown Members, employers and even CNV - especially after the unfavourable CPB-calculations - FNV could no longer put its foot down in the case of the AOW-age increase, but FNV did. CNV had realised it had to concede in order to overcome the dispute between employers and unions. On the basis of CNV’s member consultation, CNV considered to increase the AOW-age to 67 years (Haighton, 2009; NRC Handelsblad, 2009a). CNV had thus an different opinion than FNV, the latter stubbornly clung to 65 years until the final week. These different positions weakened unions’ bargaining power.
The question is then: why were employers open to SER-negotiations? Especially since VNO-NCW, MKB and LTO published a policy document about the future of pensions in February 2008 (VOHM, 2008). Herein employers advocated a gradual increase of the AOW- and pension age. Eighteen months later, the government proposed the same. Although employers were open to discuss alternatives and to refrain from an AOW-age increase at the start of the SER-negotiations, employers ended the SER-negotiations due to government’s similar view, unions’ unviable alternatives and the dispute with unions on the supplementary pension age (De Waard, 2009j; Dirks & Stoker, 2009a). Furthermore, as said, employers initiated the SER-negotiations to secure the Crisis Pact. This structure turned out well for employers: having a Crisis Pact and government’s original AOW-plan would be implemented.

Summarizing, at the beginning of the negotiations, unions had a strong position because they had enforced SER-negotiations in the Crisis Pact. Throughout the processes unions, especially FNV, lost some of their strength: because of their interest in an agreement unions could not (threaten to) deadlock the negotiations, they were not completely unified and had misunderstood PvdA’s position. On the other hand, unions threatened with social protests in case of failure and relied on its supportive members. Unions were thus neither too strong nor too weak. Employers were open to alternatives because of social stability, but in the end government’s view on AOW- and pension age were the best for them. No SER-agreement and thus no social pact were better than having them: the reason they ended the SER-negotiations.

5.2.6 A Synthesis

The analysis reveals that unions, employers and Crown Members did not conclude a SER-agreement. Such an agreement could otherwise have been supported by the government, although that was not a given. But the government never had to take action because the SER-negotiations failed. Employers ended the SER-negotiations because it was ultimately not in their interest to sign a SER-agreement. Because of the specific setting of the case, only the economic and institutional hypotheses could be tested, which led to the following results in table 5.8.

Table 5.8: Summary of results

<table>
<thead>
<tr>
<th>Hypothesis</th>
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<th>7 Government Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>rejected</td>
<td>rejected</td>
<td>rejected</td>
<td>confirmed</td>
<td></td>
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</tr>
</tbody>
</table>

70
Although the political hypotheses could not be assessed, this case provides some interesting insights why a social pact could be absent. The presence of three independent variables - having an economic crisis, the Netherlands being a CME and having moderate unions - had not led to an SER-agreement and eventually a social pact. On the other hand, the role of employers was key in the course of the failed negotiations. The well-organised employers were better off without a SER-agreement and a social pact and without them employers could better serve the government. This is valuable information because in the (neo-)corporatist literature most attention is paid to governments and unions. Information and figures about unions are abundant, while these are sparse about employer organisations. In general employers are neglected, but this case analysis demonstrates how important employers are within policy concertation.

What in the sparse literature is mentioned is that employers are interested in social pacts because social pacts preserve or restore economic growth, reduce uncertainty, avoid labour strife and create social, political and economic stability. This case partly confirms this. Partly because uncertainty would also be reduced without a pact. In case of no agreements, the government would implement unilaterally the AOW-age increase; in case of a pact, its measures would be implemented. Furthermore, employers had not chosen for social stability because they knew the unions would organise massive protests when they ended the SER-negotiations and thus prevented a social pact. The business perspective prevailed by employers: social stability was subordinate to the reduction of firm’s pension costs.

In the Netherlands the important role of employers in policymaking is highlighted by Volkskrant’s yearly ranking of the most (non-political) influential Dutch directors. During the period of analysis, 2009-2013, VNO-NCW-chairman Wientjes was declared the most influential Dutch director in four years (Volkskrant, 2015). This confirms the important position of employers in the Dutch political system.

5.3 Case of 2010-2011: Pension Pact

As a result of the failed SER-negotiations unions and employers had a troubled relationship, unions organised several protests against reforms of the pension system, and in parliament the government proposed to gradually raise the AOW-age: 66 years in 2020, 67 years in 2025. Donner, the Minister of Social Affairs, said AOW-reforms were necessary for having a sustainable pension system, labour market and public finance (De Waard, 2009a, 2009e; Dirks & Stoker, 2009b). Donner also wanted to raise the supplementary pension age to 67 years, but he had no authority to act. Social partners had
the authority to decide whether the pension age should increase. But via tax measures the
government pressured social partners to do so (Dirks & Herderscheê, 2009b). For the AOW- and
pension reforms the government is thus to some extent dependent on social partners’ collaboration.
Therefore, Prime Minister Balkenende requested unions and employers to “(...) over hun schaduw
heen springen (...)” (Meerhof, 2009).

With various measures the government wanted to protect vulnerable groups, like those with
a physically tough profession. For example, workers with demanding jobs for 30 years should then
have the possibility to work in less demanding functions. Therefore, Donner asked the social partners
to define ‘tough professions’ (ANP, 2009). But unions said this was ‘a mission impossible’ (Den Blijker,
2009b), while employers characterised it as “(...) een bureaucratisch monstrum (...)” (NRC
Handelsblad, 2010c). Because they also thought government’s measures to protect vulnerable
workers were impracticable, unions and employers proposed that the right to AOW-benefits should
be based on income limits, which was easy to implement and monitor (Den Blijker, 2009a). Although,
Donner rejected this alternative, unions and employers were in conversation again after the failed
SER-negotiations. The social partners continued their conversations and eventually agreed on AOW
and pension issues. They even concluded the Pension Pact with the government. This process of
reaching consensus by unions, employers and the government is examined in this third case.

5.3.1 Social Partners Agree

In February 2010 government Balkenende-IV collapsed which changed the political power relations.
It created a new momentum for social partners to discuss AOW- and pension reforms, and to deviate
from Donner’s plans. By agreeing about these reforms before the new government formation, social
partners could pressure the new government to adopt the agreement. For social partners it was an
opportunity to be considered as a serious actor in socio-economic policymaking again. That is why
VNO-NCW-chairman Wientjes invited FNV-chairman Jongerius to once more discuss the AOW and
pensions (Grünell, 2010; Van Baars, 2010b). FNV accepted the invitation as it was the final
opportunity to influence political decision-making and to prevent too much government intervention
in social partners’ authority of the supplementary pensions. Jongerius saw it as a chance to fight
against an AOW-age of 67 years, but the more moderate FNV-members accepted the AOW-age
increase because a significant majority (80%) of parliament favoured it. But according to these FNV-
members, the AOW-age increase should be designed differently than Donner’s plans (Den Blijker,
2010). After some time Jongerius also admitted that conversations about working longer were
inevitable. Also the pensions would be discussed. Unions emphasized that pension benefits should
not be frozen but had to increase with inflation. Employers were open to take into account the
position of lower income groups, but employers’ part of pension premiums had to be reduced (König & Verlaan, 2011b). Employers and unions had something to offer to each other.

In June 2010, eight months after the SER-debacle, unions and employers concluded an agreement within the STAR. Many political parties were pleased because an agreement on this difficult subject would offer politicians an attractive prospect of public support, calmness in the ‘Polder’ and labour market, and would ease the government formation (Herderscheê & Stoker, 2010a). Union leaders had convinced their members: a majority of FNV-, CNV- and MHP-members approved the agreement (Trouw, 2010a, 2010c; Van Baars, 2010a). Social partners had effectively made use of the power vacuum after the collapse of Balkenende-IV: politicians could hardly ignore social partners’ deal.

Unions and employers had agreed that the AOW- and pension age should increase to 66 years in 2020. Afterwards, life expectancy and AOW- and pension age would be linked to prevent too high pension costs. Every five years Dutch life expectancy would be assessed before deciding if it would be necessary to raise AOW- and pension age again. If indeed the age had to be increased, it should be implemented 10 years later. For the next assessment in 2015 this implied that the retirement age would rise to 67 years in 2025. Workers could still retire at 65 (flexible AOW), but at a reduction of 6,5% on their pension and AOW-benefits (Herderscheê & Stoker, 2010b; STVDA, 2010). With these reforms pension funds could stabilise their capital and keep the pension system affordable. Also the savings of 4 billion euros should be obtained by these measures (Van Meteren, 2010a). Nevertheless, it was not a given that political parties would just accept the agreement. Furthermore, the effective implementation of this agreement had to be negotiated in the following months.

5.3.2 Towards a Social Pact

The elections changed the political landscape: VVD became the largest party, PvdA the second largest and lost only three seats, while CDA lost twenty seats (Kiesraad, 2010). The new political situation resulted in government Rutte-I, who was inaugurated in October 2010. This minority government was composed of VVD and CDA. On several issues this government obtained support from political party PVV, leading to a small majority in the Second Chamber. Next to the coalition agreement, VVD and CDA concluded a so-called ‘Gedoogakkoord’ with PVV. Only policies of the ‘Gedoogakkoord’ would be certainly supported by PVV. Policies of the coalition agreement could be supported by PVV, but there was no guarantee (Rijksoverheid, 2010).

During the government formation, unions and employers lobbied to make sure the new governing parties adopted their agreement. That was not a given: during the pre-election campaigns VVD and CDA stated that they would raise the AOW- and pension age more rapidly (Veldhuis & De
Waard, 2010). But after the elections, these parties adopted the core of social partner’s pension agreement. An AOW-age of 66 years in 2020\(^{37}\) and the link between the retirement age and life expectancy was not only written in the coalition agreement, but also in the ‘Gedoogakkoord’ (Rijksoverheid, 2010). The link between retirement age and life expectancy was only mentioned in the coalition agreement, because PVV had not guaranteed to support this measure (Volkskrant, 2010).

New Minister of Social Affairs Kamp invited unions and employers to discuss the effective implementation of the pension system reforms and to conclude a pension pact. Although the government adopted most of social partners’ agreement, the government and social partners had still some differences. Tripartite negotiations were necessary to reach a final agreement. Kamp preferred a constructive relationship with the social partners to prevent social protests and to ease the implementation of major issues (Herderscheê, 2010; Zandbergen, 2010). Kamp needed them. PVV only supported an AOW-age up to 66 years. Because the government preferred to link life expectancy with retirement age, which could lead to an AOW-age higher than 66 years, PVV had no intention to support this policy (NRC Handelsblad, 2010a). Therefore, Kamp was forced to seek support from opposition parties to ensure a parliamentary majority. A pension pact with social partners would strengthen Kamp’s position vis-à-vis the opposition.

In March 2011, the social partners concluded a provisional agreement on the effective implementation of the agreement they concluded the year before. If the provisional agreement would become definitive, depended on negotiations with the government because there were still some differences. For example, unions demanded a higher annual increase of AOW-benefits (0,6-0,7%) than the government (0,5%) (Van Alphen & Herderscheê, 2011; Zandbergen, 2011a).

Before government and social partners actually agreed on these matters, there was another problem. At the end of March, FNV Bondgenoten and Abvakabo, FNV’s largest union members, turned against the social partners’ provisional agreement and a potential pension pact. They had fundamental differences of opinion with their union confederation. CNV was worried because they did not want to have failed negotiations; that would mean that politics would decide without a voice for unions (Stoker, 2011; Verlaan & Van der Walle, 2011b). To pressure FNV, Kamp already send his AOW-proposal to parliament, which could be adjusted if a pension pact would be signed. Kamp still hoped for a pension pact: “Het is beter over dit soort zaken afspraken te maken in plaats van ruzie”

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\(^{37}\) The government could not adopt the pension age increase, because the social partners are legitimate to decide on this issue.
In an attempt to appease the two criticising members, FNV demanded higher AOW-benefits. VNO-NCW supported FNV, but Kamp said his possibilities were limited (Herderscheê, 2011a).

Nevertheless, in June 2011 the Pension Pact was signed which included an AOW- and pension age of 66 years by 2020; a link between life expectancy and retirement age; and 0,6% annual growth of AOW-benefits, a compromise (Rijksoverheid, 2011). FNV Bondgenoten was very much against the Pension Pact and held a referendum which was accompanied by a negative voting recommendation (König & Verlaan, 2011c). More than 96% of the respondents voted against the Pension Pact, but it did not mean the end of the Pact. Not only FNV Bondgenoten had a say within FNV, the voice of other union members was also of importance. Within the highest decision-making body of the FNV, FNV Bondgenoten needed two other union members to have a majority. Other union members were positive except for Abvakabo and FNV Bouw, they doubted (König & Verlaan, 2011a). To convince these parties, FNV had internal negotiations and Kamp made commitments in favour of the doubting unions. Abvakabo was unconvinced, but FNV Bouw gave the Pension Pact the benefit of the doubt. This resulted in a small majority in favour of the Pact in the decision-making body (Veldhuis, 2011). FNV remained marred by internal struggles. Unhindered by these problems, members from CNV and MHP accepted the Pact (CNV, 2011; VCP, 2011).

In the Second Chamber a parliamentary majority approved the Pension Pact. Largest opposition party PvdA had some issues, but Kamp met their demands and secured a parliamentary majority (Herderscheê, 2011c). In September 2011, after two years of negotiations, a Pension Pact was signed. How can this Pension Pact be explained by the three perspectives?

5.3.3 Economic Hypothesis

The economic hypothesis predicts that social pacts are more likely to emerge when a country is confronted with a negative economic performance. If this hypothesis is correct, we should observe adverse economic conditions (rising inflation, rising unemployment and exceedance of the EMU-criteria) prompting policymakers to consider involving social partners concerning a social pact. We should also see the government and social partners justifying policy measures as necessary for overcoming the economic crisis.

The previous cases showed that the economic crisis was significant to (initiating) the AOW- and pension negotiations, which continued in the re-opened negotiations. The new government also recognized the necessity of AOW- and pension age increases because the economy was not really recovering, which still negatively affected the pension funds. A higher retirement age was the
solution to the long-term stability of pension funds; the reforms would not restore the acute financial problems of pension funds (Herderscheê, 2011a). Minister Kamp aimed to reduce long-term AOW-costs for the government, thereby starting to reduce the ever rising public debt in 2020. Kamp had to because in September 2010, during the formation process, VVD and CDA were confronted with negative economic forecasts (see table 5.9).

Table 5.9: Forecast economy, September 2010

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>% volume changes</td>
<td>1,9</td>
<td>-3,9</td>
<td>1,75</td>
</tr>
<tr>
<td>Unemployed workforce</td>
<td>% workforce</td>
<td>3,8</td>
<td>4,8</td>
<td>5,5</td>
</tr>
<tr>
<td>Consumer Price Index (CPI)</td>
<td>% mutation</td>
<td>2,5</td>
<td>1,2</td>
<td>1,25</td>
</tr>
<tr>
<td>Balance of public finances (EMU-criteria)</td>
<td>% GDP</td>
<td>0,6</td>
<td>-5,4</td>
<td>-5,8</td>
</tr>
<tr>
<td>Public debt (EMU-criteria)</td>
<td>% GDP</td>
<td>58,2</td>
<td>60,8</td>
<td>64,5</td>
</tr>
</tbody>
</table>

Public debt was still increasing and the government did not meet the 3%-norm of budget deficit. Unemployed workforce seemed to stabilise but was relatively high compared to 2008. The inflation developed positively by gradually approaching the 2%-benchmark. Since the public debt would increase, VVD and CDA, who pursued sustainable public finances, decided to cut spending again with 18 billion euros (Rijksoverheid, 2010). For this austerity, a pension pact would be significant. Not to immediately contribute to these cuts, but to create a constructive relationship with unions and employers. Social partners would be important in the implementation of several austerity measures. If pension negotiations would fail, unions and employers would act less constructive towards the government. A pension pact would create social ‘peace’ (Doorduyn, 2010; Douwes, 2010).

The Pension Pact was thus the justification to address the negative effects of the crisis: improving the financial situation of pension funds and the government in the long-term. Furthermore, the Pension Pact was an instrument to ease the implementation of additional austerity measures.

5.3.4 Institutional Hypotheses

5.3.4.1 CME?

The first institutional hypothesis predicts that social pacts are more likely to emerge when a country is a coordinated market economy. If this institutional hypothesis is correct, we should see characteristics of a coordinated market economy such as wage bargaining at a national or sector...
level, the presence of institutions wherein well-organised employers and unions are represented, and social partners being regularly involved in policymaking.

The social partners negotiated and signed their two bilateral agreements in the neo-corporatist institution STAR with the intention to influence policymaking about the pension system. Like the cases of 2009, the ICTWSS-variables scores of 2010\textsuperscript{39} and 2011 (see table 5.10) confirm the existence of the neo-corporatist institutions.

Table 5.10: ICTWSS-variables 2011\textsuperscript{40}

| 1. Coordination of wage setting | 3 | a) informal (intra-associational and/or inter-associational) centralisation of industry and firm level bargaining by peak associations (one side, or only some unions) with or without government participation

b) industry-level bargaining with irregular and uncertain pattern setting and only moderate union concentration
c) government arbitration or intervention

| 2. Type of coordination of wage setting | 3 | Intra-associational ("informal centralisation")

| 3. Government intervention in wage setting | 3 | The government influences wage bargaining outcomes indirectly through priceceilings, tax measures, minimum wages, and/or pattern setting through public sector wages

| 4. Existence of a standard tripartite council | 2 | Tripartite council with representation from the trade unions, employers’ associations, and independent experts or government (-appointed) representatives

| 5. Existence of a standard bipartite council | 1 | Yes

| 6. Routine involvement | 2 | Full concertation, regular and frequent involvement

From the scores of 2009, which are identical to those of 2010, was concluded that the Netherlands was a CME. Due to changing economic circumstances regarding collective bargaining, the scores of the first three variables changed in 2011. Government had no direct involvement in wage setting.

\textsuperscript{39} Scores of 2010 were identical to 2009 (see table 5.3 for scores).

\textsuperscript{40} Sources: Visser (2013a, 2013b).
anymore. Unions and employers regained their autonomy regarding wage-setting in a coordinated manner. There was thus still no indication of uncoordinated, fragmented bargaining (LME-characteristic). The conclusion: in 2013, the Netherlands was a coordinated market economy wherein employers and unions made use of existing neo-corporatist institutions.

5.3.4.2 Union Strength

The second institutional hypothesis predicts that social pacts are more likely to emerge when unions are neither too strong nor too weak. If this hypothesis is correct, we should see a relatively high union density and/or coverage (51-75% or 76-100%), and union concentration. Furthermore, unions should be without internal division/struggles and have given signals of their strength (or weakness): for example, threatening with massive protests.

Compared to the negotiations in 2009, unions’ strength in terms of density, coverage and fragmentation had not significantly changed in 2010 (see table 5.4). Unions were thus not weak during the negotiations in 2010 and 2011.

Unions knew the collapse of government Balkenende-IV was the final opportunity to influence political decision-making on the pension system. Furthermore, unions and employer wanted to keep control over ‘their’ pension funds. Only by acting together the social partners created a situation wherein a new government could hardly ignore them. Moreover, after the failed SER-negotiations, FNV-chairman Jongerius lost her credibility due to her tough stance. In new negotiations she could restore her image (Herderscheê & Stoker, 2010a; Van Meteren, 2010b). All unions knew they had to concede to establish an agreement, and they did: the AOW- and pension age would increase. The preference for a pension pact was also visible at the final stage of the negotiations. When FNV Bondgenoten and Abvakabo expressed their discontent, FNV still hoped for a deal with employers and politics to maintain their influence in pensions (Stoker, 2011; Verlaan & Van der Walle, 2011a).

On the one hand, FNV’s internal struggles weakened their bargaining power. Minister Kamp had no interest in having interminable negotiation due to these struggles. He therefore pressured FNV by already proposing his own measures in parliament. On the other hand, FNV and the other unions knew that although Kamp threatened to act unilaterally, he needed unions and employers in several other major socio-economic reforms. Not without reason the new government adopted the agreement of social partners almost entirely. In this way Kamp was almost certainly assured of constructive social partners (Douwes & Van Keken, 2010; NRC Handelsblad, 2010b). Therefore unions could threaten with social unrest and an unconstructive attitude if Kamp would not concede to issues
of FNV Bondgenoten, Abvakabo and FNV Bouw. Even though Kamp had limited possibilities he made some commitments that persuaded FNV Bouw to vote positively. With that Kamp secured future cooperation with social partners. In others words, FNV had some credible power despite their internal struggles. From the moment the Pension Pact was definitive, FNV suffered from major internal division, which led to organisational reforms but had no further effects on the Pension Pact (König & Verlaan, 2011c; Veldhuis, 2011).

Unions had thus a great interest in policy concertation. To achieve the Pension Pact, unions knew they had to make concessions, but they were also able to threaten with protests and social instability. FNV barely lost power due to its internal struggles. Unions were thus neither too strong nor too weak.

5.3.4.3 Role of Employers

The third institutional hypothesis predicts that social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies. If this hypothesis is correct, we should see strong employer organisations (high employer density) that are interested in social pacts and could help the government in policymaking.

As seen in previous cases, employers were well-organised and had a high density level. There are no reasons to expect that this had changed in 2010 and 2011. The ICTWSS-dataset shows one employer organisation next to LTO in 2010 and 2011 (see table 5.5). In fact the employers were organised in three employer confederations: VNO-NCW, MKB and LTO. VNO-NCW and MKB gradually merged into a single organisation, but still kept their distinct identities and negotiators (Eurofound, n.d.: 4).

VNO-NCW immediately recognized the new opportunity to discuss AOW and pension reforms after the government collapse. Even though employers had ended the SER-negotiations because government’s plans were better than unions’ alternatives, employers were still not satisfied. They were displeased with defining tough professions and wanted to control the pension funds. New negotiations gave them the possibility to exert influence, but the negative consequence was that during these time-consuming processes employers’ pension costs continued to grow (Tamminga & De Waard, 2010). To make a pension pact possible, employers were willing to be concessive, but the AOW and pension age had to increase. Furthermore, employers’ adherence to a pension pact was confirmed during the phase of struggling FNV: employers did not qualify FNV as unreliable and were open to additional negotiations. They knew that not reaching a pact would result in social instability (Verlaan, 2011; Zandbergen, 2011b). Wientjes stated: “Niemand kan ontkennen dat je met dit
“akkoord beter uit bent, dan zonder akkoord” (Van der Walle, 2011). In other words, the well-organised employers were interested in a pension pact and acted to make that happen. By doing so, they were an institutional vehicle for the new government to implement pension reforms.

5.3.5 Political Hypotheses

5.3.5.1 Government Strength

The first political hypothesis predicts that social pacts are more likely to emerge when governments are weak or hold a minority of seats in parliament. If this hypothesis is correct, we should see a government that holds a minority or a small majority in parliament (38 seats in Senate; 76 seats in Second Chamber). Moreover, internal division between Ministers or governing parties could be signs of weakness.

Government Rutte-I was a minority government (see table 5.11): VVD and CDA only had 52 seats in the Second Chamber and 35 seats in the Senate. PVV’s ‘gedoog’-support gave the government a small majority of 76 seats in the Second Chamber, but in the Senate the government remained to have a minority, even after the new Senate composition in 2011. Support from opposition parties was necessary, in particular since PVV did not support the link between retirement age and life expectancy. That is why the government knew that its plans depended on support from the parliamentary opposition. Between the governing parties there were no signs of tensions, mainly due to the fact that policy concertation took place at the beginning of their reign.

Table 5.11: Government Rutte-I

<table>
<thead>
<tr>
<th>Coalition Party</th>
<th>Seats until 7 June 2011</th>
<th>Seats since 7 June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>VVD</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>CDA</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>PVV</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>VVD</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>CDA</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>PVV</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>76</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Kiesraad (2011; 2012).
A constructive relationship with social partners would ease the parliamentary process of finding majorities. Support from organised interest organisations would strengthen government’s position vis-à-vis the opposition parties. That is also why Kamp was ultimately concessive towards FNV: to secure the Pension Pact and future cooperation with social partners. For opposition party PvdA it was much more easier to agree to policies when they were supported by social partners, in particular by ‘ally’ FNV (Herderscheê, 2011c). Kamp knew that in the previous government PvdA had explicitly supported AOW- and pension reforms and cared about cooperation with social partners. Not surprisingly, in June 2010 PvdA-leader Hamer was pleased when social partners agreed: “Als de sociale partners met een voorstel komen, moet je van goede huize komen om er niet mee akkoord te gaan” (Trouw, 2010b). Since social partners’ agreement had been very similar to PvdA’s ideas, Kamp knew that by adopting this agreement he had almost certainly support from PvdA, which would lead to a majority in both Chambers.

Summarizing, when government Rutte-I lost PVV’s support, it had to seek support from opposition parties. A pact with social partners could strengthen the government, because PvdA, the largest opposition party, considered cooperation with the social partners as relevant.

5.3.5.2 Unpopular Policies?
The second political hypothesis predicts that social pacts are more likely to emerge when governments are deemed to implement unpopular policies and thereby face electoral costs. If this hypothesis is correct, we should see government and citizens qualifying policies as painful and/or unpopular, and politicians from the government and governing parties trying to spread the ‘blame’ for unpopular decisions by including social partners in these decisions.

In 2009 the issue of higher AOW- and pension ages was for the first time concretely mentioned by some political parties. At that time this issue was electorally very sensitive, as seen in the Crisis Pact analysis. Throughout the processes of SER-negotiations in 2009 and the re-opened negotiations in 2010 and 2011, political advocates explained to citizens the necessity of increasing the retirement age. Together with the negative impact of the ongoing economic crisis on pension funds and public finances, this resulted in increased understanding among Dutch citizens on the issue (Veldhuis & De Waard, 2010; Zandbergen, 2009b). Nevertheless, Minister Kamp preferred a constructive relationship with social partners to ease the implementation of socio-economic issues. But the Pension Pact was not seen as an governmental instrument to spread blame for the decisions regarding AOW and pensions. First, the Pension Pact was considered as the means to have constructive social partners for the implementation of additional austerity measures of 18 billion
euros and to ease the parliamentary process of finding majorities. Second, governing parties VVD and CDA felt support from their electorate on AOW-reforms. In September 2004 only 18% of the respondents favoured an AOW-age of 67 years, which grew to 36% in June 2008, 46% in March 2009 and 47% in October 2009 (Peil.nl, 2009f). Survey data from October 2010 showed even more positive figures: 65% of the respondents regarded the government’s intention to raise the retirement age to 66 years in 2020 as positive, and 77% thought it was an important measure. Especially VVD- and CDA-voters were positive, respectively 71% and 84% viewed the proposal as positive and 84% of VVD-voters and 77% of CDA-voters believed it was an important measure (Peil.nl. 2010).

Concluding, the governing parties did not face major electoral costs for AOW and pension reforms. The Pension Pact was a governmental strategy to pursue two other goals than spreading blame: finding a parliamentary majority for implementing the AOW-reforms and easing the implementation of austerity measures.

5.3.5.3 Composition of Government

The third political hypothesis predicts that social pacts are more likely to emerge when governments are dominated by left and/or Christian-Democratic parties. If this hypothesis is correct, we should see the governing parties identifying themselves as left or Christian-Democratic, holding a strong position in government and mentioning that they favour policy concertation.

In Government Rutte-II, VVD was the larger party compared to CDA. On the political landscape (see figure 5.2) VVD and CDA were both right-oriented, but the Christian-Democratic party fostered links with employers and unions to be ensured of social stability and constructive social partners when implementing several socio-economic reforms (Douwes, 2010). VVD wanted to increase the retirement age more rapidly and was in first instance against social partners’ deal. But during the government formation the Ministry of Social Affairs was assigned to VVD-member Kamp, who knew he needed support from social partners for socio-economic reforms, like the pensions (De Waard, 2010). VVD revised its opinion, also due to the ‘gedoog’-construction: CDA and VVD had to listen to PVV. PVV demanded that the AOW-age should only increase to 66 years, which was then written in the coalition agreement and the ‘Gedoogakkoord’ (Herderscheê & Van Keken, 2010). By compromising to PVV, the two governing parties were certain of PVV’s support on several important issues. In other words, government membership of Christian-Democrats was one reason, but not decisive: even VVD was open to policy concertation.
5.3.6 A Synthesis

After the failed SER-negotiations, employers and unions started new AOW and pension negotiations. The collapse of Balkenende-IV government gave them their momentum. The social partners successfully concluded an agreement, which was then almost entirely adopted by the new government. Then, Minister Kamp and social partners negotiated about the actual implementation, which after some internal struggles from FNV, resulted in the Pension Pact. Testing the hypothesis led to the following results in table 5.12.

Table 5.12: Summary of results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>1 Economic</th>
<th>2 CME/LME</th>
<th>3 Strength</th>
<th>4 Role</th>
<th>5 Strength</th>
<th>6 Unpopular</th>
<th>7 Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>rejected</td>
<td>rejected</td>
</tr>
</tbody>
</table>

Compared to the Crisis Pact, also here the economic and institutional variables contribute to the presence of a pact. In contrast to the Crisis Pact, the variables of the political approach all have other values. The hypothesis about government’s strength was confirmed: the minority government and its governing parties knew that with help from social partners they could secure a majority in

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Source: Kieskompas (2010).
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N.M.J. Kurstjens

parliament. The governing parties gained support from especially their own voters concerning the pension system reforms; spreading blame for their decisions by including social partners in these decisions was no motive in negotiating a pact. It is interesting to note that the negotiations between social partners and the government began soon after the inauguration of the new government. During the campaign the governing parties had already mentioned that they would increase the retirement age. It is therefore likely to assume that CDA- and VVD-voters knew about their party’s plan and therefore did not consider these measures as negative. This could explain the relatively high support for the pension reforms from CDA- and VVD-voters. Finally, the government composition hypothesis was rejected. CDA as governing party was not decisive to have policy concertation compared to the position of VVD. Even VVD was interested in tripartite negotiations. This finding corresponds the opinion of political economic scholars who argue that government partisanship is not important in the era of welfare retrenchment.

5.4 Case of 2013: Mondriaan pact

Two of the previous cases had a social pact, one case dealt with failed negotiations. We have seen that in the successful cases the political hypotheses have all been rejected once; the economic and institutional hypotheses were confirmed. This third successful case will clarify whether these economic and institutional hypotheses are indeed a precondition for having successful negotiations or not.

5.4.1 A New Government

In the spring of 2012 the Netherlands had to deal with a new government crisis: Rutte-I had collapsed. New elections were organised and as a result government Rutte-II was inaugurated in November 2012. Government Rutte-II consisted of VVD and PvdA and was, in fact, a minority government: it had a majority of seats in the Second Chamber, but not in the Senate. The governing parties had decided that new austerity measures of 16 billion euros, next to austerity measures worth 30 billion euros of previous governments, were necessary to reduce public spending and to have a budgetary balance at the end of their reign. Prime Minister Rutte admitted these cuts were not without pain: “Wij realiseren ons heel goed dat we grote offers vragen van alle Nederlanders” (Rijksoverheid, 2012b). Because several of these austerity measures would occur in the socio-economic domain, the governing parties wrote that constructive cooperation with social partners was necessary in their coalition agreement (Rijksoverheid, 2012a: 35). A social pact would ease the implementation of (austerity) measures because then social partners would not obstruct this and it
would be more difficult for opposition parties to ignore these measures. In the tripartite negotiations, a social agenda would be set and the social partners could propose policies about modernising the labour and housing market, and healthcare (Herderscheê & Hoedeman, 2012; Meeus & Stokmans, 2012).

After the tumultuous pension negotiations, the relationships between unions, employers and government became troubled. VNO-NCW-chairman Wientjes believed the government’s invitation of policy concertation was the opportunity to rebuild confidence, act together and consider alternative policies than those of the coalition agreement (Dobber, 2012; Herderscheê, 2013). Employers were particularly interested in tripartite negotiations because PvdA was a government member. PvdA-parliamentarians were more likely to favour policies which could be unfavourable to employers. By conceding to unions, employers could prevent such policies (Stellinga & Verlaan, 2012). Also MHP and CNV were pleased because tripartite negotiations would give them influence on government’s reform agenda (Verlaan & Van der Walle, 2012a).

After the Pension Pact, Jongerius resigned as FNV-chairman and FNV was left internally divided. Heerts became the new leader and stated that FNV could not be considered as a serious partner in the social dialogue at that moment (Verlaan, 2013b). To restore its creditability, FNV was reforming its organisations, which would be formalised in May 2013. A member-parliament was established to advise the FNV-chairman/negotiators and to vote on agreements concluded by these representatives. This vote was a non-binding, but compelling recommendation to the chairmen of the specific union members, who had a final say on agreements (Verlaan & Van der Walle, 2012b). Despite these reforms, Heerts was initially reluctant to cooperate because in recent times employers had directly negotiated with the government thereby ignoring the unions. But Heerts knew that unions, employers and politicians could rebuild a relationship of trust when they all would cooperate (Van Baars, 2012). Heerts also realised that government’s invitation was a signal that FNV was considered as important again and it was an opportunity to change disadvantageous policies from the coalition agreement and to find solutions for the rising unemployment (Dobber, 2012). Even though Heerts had no official mandate from his member-parliament and the chairmen of member unions, he was open to negotiating a social pact.

5.4.2 Towards a Social Pact

In December 2012 unions, employers and government discussed a new social agenda including austerity measures and measures to stimulate the economy. The actors all knew that a social pact was necessary because the Netherlands was still confronted with adverse economic conditions. The
government was unsure if its austerity measures were sufficient; employers feared for the existence of their companies; and employers and unions were not satisfied with the coalition agreement (Kleijwegt, 2012). Social partners wanted to change policies of the agreement by providing alternatives. Prime Minister Rutte and Minister of Social Affairs Asscher were open to alternatives as they said about the coalition agreement that “(...) de plannen niet in beton gegoten zijn” (Herderscheê & Du Pré, 2012). But there were some restrictions: alternative measures should not lead to additional costs. Although this requirement was not favourable to persuade the social partners, the government was hoping that the urgency of the coalition agreement would motivate employers and unions to negotiate (ibid.). Employers and unions were indeed motivated. The goal of social partners and the government was to conclude a social pact in the spring of 2013.

At the end of January 2013, FNV-frontman Heerts was frustrated. He believed that the government obstructed policy concertation because it implemented policies of the coalition agreement without discussing them with unions and employers. Hereby social partners’ position had been undermined (Herderscheê & Troost, 2013). Despite this frustration, Heerts had finally obtained a mandate from FNV’s member-parliament and the chairmen of members unions on 4 March. He could ‘officially’ negotiate about a social pact. Employers were pleased with this development, just like Asscher who stated: “Het sociaal overleg leeft” (Dobber, 2013a). Heerts’ mandate consisted of various demands, like intervention in unemployment benefits is out of the question. The mandate requested a different strategy: unions and employers should first negotiate after which the government would join (Verlaan, 2013a). In this way the subject ‘what are the costs of alternatives’ would be less dominant in the negotiations than with direct government involvement. Besides, when social partners would reach an agreement, it would be much more difficult for the government to ignore it (Dobber, 2013a). The financial framework of measures had obtained extra attention by developments of a few days earlier.

On 1 March the government had decided to additional austerity up to 4,3 billion euros. New CPB-forecasts showed in 2013 and 2014 the economic growth would be lower than the government had expected. Without new cuts, the Netherlands would exceed the EMU-criteria again (Dijsselbloem, 2013). For these additional austerity the government also sought support from the social partners. The parliamentary opposition would only have a say after the policy concertation. Rutte invited the social partners for concluding a social pact once again and said: “Voor alles geldt, dat erover te praten valt” (Volkskrant, 2013a). Social partners were however frustrated that the government already presented a detailed list of additional measures. FNV and CNV did not approve measures such as freezing the wages in healthcare and for public officials. Also employers were confronted
with profound policies, such as an employer’s tax (Kleijwegt & Verlaan, 2013). According to employers and unions, negotiating alternatives was inevitable.

It was difficult for the social partners to find alternatives that would not lead to additional costs and at the same time get the approval of their members. However, they also knew that if they failed or took too much time, they might find themselves side-lined and replaced by opposition parties (Van Baars, 2013b). If opposition parties would support austerity measures, the government secured the necessary parliamentary majority. However, the negotiations between unions and employers went well and resulted in an agreement. The employers were concessive towards unions, such as no intervention in unemployment benefits and a cooperative attitude regarding the easing of dismissal law. Employers’ own demand was to get rid of the quota of hiring disabled people. Employers were eager to reach agreement with unions and after that with politicians. A social pact would create stability and restore consumer confidence and with that economic growth (Troost, 2013b).

Although social partners’ alternatives had additional costs compared to the coalition agreement, the government negotiated with unions and employers on a social pact. On many issues the actors agreed, for example the unemployment benefits remained similar in amount and duration, the quota of hiring disabled people was abandoned and the additional austerity of 4,3 billion euros was temporally cancelled. The government had made concessions on these issues and hoped for EU-consent for exceeding the 3%-limit one more year (Asscher & Klijnsma, 2013; STVDA, 2013). These measures even cost 600 million euros per year compared to the coalition agreement, which was ‘a great bargain’ for the support of social partners according to Rutte. On some issues, like freezing wages in healthcare, those involved still disagreed and these were not included in a social pact. On 11 April 2013, the government and social partners concluded the so-called ‘Mondriaanakkoord’.

The governing parties were satisfied. PvdA did not prefer to necessarily adhere to EMU-criteria, but VVD did. However, VVD accepted compromise because first, support from social partners would prevent social protests. Second, a positive appearance towards the opposition could help the government to a majority in the Senate. And finally, VVD hoped the social pact would result in consumer confidence and economic improvement which would mean no future austerity (Herderscheê & Du Pré, 2013; Oomkes, 2013). Except for PVV, the opposition parties were carefully positive although they not fully supported the Pact. To pass measures, the government had to continuously look for support from different (combinations of) parties. In parliamentary debates it turned out that there were in principle fluctuating majorities for different measures; therewith there should have been a majority in both Chambers (Niemantsverdriet & Van Outeren, 2013).
Employers were pleased because of their expectance of improving consumer confidence and economic conditions. Unions gauged opinions of their members: a large majority of CNV (83%) approved the Mondriaan Pact (CNV, 2013); also MHP formally accepted the Pact after it consulted its members (VCP, 2013); and 83% of FNVs member-parliament voted positively (Volkskrant, 2013b), while the chairmen of the respective union members unanimous supported the Pact (FNV, 2013).

The Mondriaan Pact created a win-win-win-situation: Rutte-II had its necessary social support; unions, in particular the FNV, had regained its strength and influence policymaking; and employers foresaw political, economic and social stability. But which variables were key to the emergence of the social pact?

5.4.3 Economic Hypothesis

The economic hypothesis predicts that social pacts are more likely to emerge when a country is confronted with a negative economic performance. If this hypothesis is correct, we should observe adverse economic conditions (rising inflation, rising unemployment and exceedance of the EMU-criteria) prompting policymakers to consider involving social partners concerning a social pact. We should also see the government and social partners justifying policy measures as necessary for overcoming the economic crisis.

The new government and social partners were worried about the adverse economic conditions. Since the crisis began, unemployment significantly increased and EMU-criteria were exceeded. The governing parties therefore decided that this government needed to cut spending by 16 billion euros. CPB-forecasts on 2013 and 2014, published in February 2013, showed the trend of increasing unemployment and exceedance of EMU-criteria would continue (see table 5.13). Furthermore, the economic growth was forecasted to be lower than hoped for by political parties. That is why the government decided to additional cuts of 4,3 billion euros.

The government looked for social and political support for these two austerities. These adverse economic conditions prompted the government to negotiate with the social partners about socio-economic austerity measures. But unions and employers could not justify some government proposals for overcoming the economic crisis, such as lower unemployment benefits and the additional austerity of 4,3 billion euros. The government therefore conceded to social partners by abandoning these measures and accepted that austerity measures of the Mondriaan Pact would even cost 600 million euros compared to the coalition agreement. Social partners and politicians hoped the social pact would stimulate the economy, allowing to refrain from future cuts. In other words, the economic crisis played a major role in the tripartite negotiations.
Table 5.13: Forecast economy, February 2013

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (GDP)</td>
<td>% volume changes</td>
<td>1,0</td>
<td>-0,9</td>
<td>-0,5</td>
</tr>
<tr>
<td>Unemployed workforce</td>
<td>% workforce</td>
<td>4,4</td>
<td>5,3</td>
<td>6,25</td>
</tr>
<tr>
<td>Consumer Price Index (CPI)</td>
<td>% mutation</td>
<td>2,3</td>
<td>2,5</td>
<td>2,75</td>
</tr>
<tr>
<td>Balance of public finances (EMU-criteria)</td>
<td>% GDP</td>
<td>-4,5</td>
<td>-4,0</td>
<td>-3,3</td>
</tr>
<tr>
<td>Public debt (EMU-criteria)</td>
<td>% GDP</td>
<td>65,5</td>
<td>71,4</td>
<td>74,0</td>
</tr>
</tbody>
</table>

5.4.4 Institutional Hypotheses

5.4.4.1 CME?

The first institutional hypothesis predicts that social pacts are more likely to emerge when a country is a coordinated market economy. If this hypothesis is correct, we should see well-organised social partners being regularly involved in policymaking and making use of neo-corporatist institutions.

In the previous case analyses the Netherlands appeared to be a coordinated market economy. Since 2011, the Dutch system had not changed. Despite the difficult negotiations regarding the pensions, institutions SER and STAR retained their importance in the Dutch system of ‘negotiating governance’. Although the regular ‘Voor- en Najaarsoverleggen’ had not been held since 2008, Minister Kamp from government Rutte-I announced in April 2012 to revive these meetings (Herderscheê, 2012). The autumn meeting had not taken place due to the government collapse, but in the spring of 2013 the Mondriaan Pact was concluded and even in the autumn of 2013 social partners and government met to discuss socio-economic policies (NRC Handelsblad, 2013). In other words, in 2013 discussions between unions, employers and politicians was very much alive. The Netherlands was still a CME.

5.4.4.2 Union Strength

The second institutional hypothesis predicts that social pacts are more likely to emerge when unions are neither too strong nor too weak. If this hypothesis is correct, we should see a relatively high union density and/or coverage (51-75% or 76-100%), and no fragmentation. Furthermore, unions should be without internal division/struggles and have given signals of their strength (or weakness): for example, threatening to deadlock negotiations.

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43 CPB (2013).
44 In the previous cases the question whether the Netherlands is a CME or LME was also based on the ICTWSS-dataset. Unfortunately, this dataset does not have any data for the years 2012 and 2013.
The ICTWSS-database contained no data of 2012 and 2013, the period of policy concertation. Based on the fact that during the years 2004-2011 the scores of union coverage and the Herfindahl Index inverse had not substantially changed, it can be plausibly assumed that these neither had changed in 2012 and 2013. As a result, in 2012-2013 there was still an absence of fragmentation and unions covered a significant share of the employers, although union density was very low: 17.7% in 2012, 17.6% in 2013 (see table 5.4).

The government, lacking a majority in the Senate, was continuously seeking support from outside the coalition, in particular from the social partners. Therefore, unions and employers had a relatively strong position. The importance of a pact was illustrated by the infamous ‘beer-meeting’ between Rutte and Heerts. After the government had announced the additional cuts of 4.3 billion euros, unions and employers thought it was the wrong moment to have them. When it appeared the government wanted to maintain the cuts, Heerts was furious and threatened to end the tripartite negotiations and to organise social protests. Rutte and Asscher were alarmed and immediately contacted Heerts. While enjoying a beer, Rutte and Heerts discussed the situation and trust was restored (Herderscheê, 2013; Niemantsverdriet & Verlaan, 2013).

FNV could thus threaten to deadlock the negotiations and to organise protests, but its strength was undermined by internal dissension. At the time of the negotiations the FNV was reforming its organisation. Some of the member unions were pleased with government’s invitation to discuss socio-economic policies: they saw it as a recognition of FNV’s position in the Polder Model. Others did not favour an agreement because that would only result in measures deteriorating the position of employees (Dobber, 2012; Verlaan & Van der Walle, 2012a). Being not fully supported by its member unions, Heerts’ negotiation power was reduced, in particular when he was negotiating without an official mandate.

Because of the government not having a bicameral majority, the threat of political, social and economic unrest, and CNV, MHP and employers favoured a social pact, there was a lot of pressure on FNV to negotiate (Dobber, 2013b). Due to the combination of this internal and external pressure, FNV understood they still had a pivotal position in the Polder Model, despite their internal disorder. Due to these pressures, FNV succeeded in having some of their demands met by the concessive employers and politicians, but knew that by failure of negotiations, it would lose its important position (De Voogt, 2013). Just like FNV, also MHP suffered from internal dissension. Late 2012, a union distanced itself from its confederation MHP, halving the membership of the latter. Thereby MHP lost a significant part of its negotiating power (Troost, 2013a). Only from CNV were no signals of internal strife about the negotiations.
Concluding, unions had considerable leverage in policy concertation because politicians and employers wanted their support for political, economic and social stability. FNV held a pivotal role, whereby its strength was reduced by its internal strife. Unions were thus neither too strong nor too weak.

5.4.4.3 Role of Employers

The third institutional hypothesis predicts that social pacts are more likely to emerge when employers offer the state the institutional vehicle to implement socio-economic policies. If this hypothesis is correct, we should see strong employer organisations (high employer density) that are interested in social pacts and could help the government in policymaking.

As already said, figures on employer density are sparse. A SER-Crown Member stated that the density of employer organisations was nearly 80% in 2013 (Van Riel, 2013: 6), i.e. the employers were well-organised. The employers were interested in a social pact because of several reasons. First, left-wing governing party PvdA preferred policies which could be unfavourable to employers. For example, PvdA initiated the quota of disabled workers (Stellinga & Verlaan, 2012). By negotiating socio-economic policies, employers could influence such policies. Second, a social pact would rebuild consumer confidence and improve the economy, which would be beneficial to businesses. Wientjes said: “Wij hebben afgesproken dat de crisis in 2016 voorbij is en dan is dat ook zo” (Trouw, 2013c). Third, it prevented social instability because employees might strike if no agreement was concluded between unions, employers and politicians. Employers were interested in cooperation with the struggling FNV because of social calmness. A new process of policy concertation could rebuild confidence between all actors. Employers would rather cooperate with Heerts, who was willing to negotiate about socio-economic policies, than that FNV’s activist branch became too active (Niemantsverdriet & Verlaan, 2013; Van Baars, 2013a). Employers were concessive towards unions, because if the tripartite negotiations obtained support from union members, the likelihood of future policy concertation would be higher and the risk of labour strife lower. Finally, employers wanted to prevent political instability and with that social and economic instability (Van Zwam, 2013). Stability on those domains would contribute to economic recovery; these are prerequisites for companies to invest and for consumers to regain their confidence and buy products.

Employers had thus a fourfold interest in negotiating a social pact and at the same time they could help the government in realising stability on economic, social and political domains. Therefore employers actively negotiated.
5.4.5 Political Hypotheses

5.4.5.1 Government Strength

The first political hypothesis predicts that social pacts are more likely to emerge when governments are weak or hold a minority of seats in parliament. If this hypothesis is correct, we should see a government that holds a minority or a small majority in parliament (38 seats in Senate; 76 seats in Second Chamber). Moreover, internal division between Ministers or governing parties could be signs of weakness.

Support of social partners was especially important for inducing opposition parties to support government’s policies, because the government could rely on a stable majority in the Second Chamber, but not in the Senate (see table 5.14). Because both Chambers had to approve legislation to become effective, majorities in favour of (government-initiated) policies were necessary. Therefore, government Rutte-II needed opposition parties to get legislation passed in the Senate. Approval of policies by social partners would prevent protests from unions and employers and lead to public support, and thereby it would increase the likelihood that opposition parties would back government’s policies. Besides, Ministers could use social support to defend their policies towards the populist parties (Meeus & Stokmans, 2012). A social pact was thus vital for Rutte-II. In return for cooperation, social partners were offered a say in policymaking. Several quotes illustrated that social partners could propose alternative measures to secure a social pact. The government had listened to unions and employers: it had made some major concessions by postponing or abandoning policies.

Table 5.14: Government Rutte-II

<table>
<thead>
<tr>
<th>Coalition Party</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senate (75 seats)</td>
<td></td>
</tr>
<tr>
<td>VVD</td>
<td>16</td>
</tr>
<tr>
<td>PvdA</td>
<td>14</td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>30</td>
</tr>
<tr>
<td>Second Chamber (150 seats)</td>
<td></td>
</tr>
<tr>
<td>VVD</td>
<td>41</td>
</tr>
<tr>
<td>PvdA</td>
<td>38</td>
</tr>
<tr>
<td>Total numbers of seats</td>
<td>79</td>
</tr>
</tbody>
</table>

Within the government was not an atmosphere of tension, mainly due to the fact that policy concertation took place at the beginning of their reign. The coalition agreement was ‘hot off the press’. Furthermore, VVD and PvdA both saw the importance of a social pact and constructive

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unions, employers and opposition parties. If the government itself was not able to radiate self-confidence and unity, the other actors would not take them seriously.

Government Rutte-II was in fact a minority government. By involving the social partners in policymaking, the government tried to convince the opposition parties to support its policies. Without support from opposition parties and that of the social partners, the government could not reign.

5.4.5.2 Unpopular Policies?
The second political hypothesis predicts that social pacts are more likely to emerge when governments are deemed to implement unpopular policies and thereby face electoral costs. If this hypothesis is correct, we should see government and citizens qualifying policies as painful and/or unpopular, and politicians from the government and governing parties trying to spread the ‘blame’ for unpopular decisions by including social partners in these decisions.

The issue of facing electoral costs was not really the main motive to negotiate with unions and employers. Preventing obstruction from the social partners, stimulating the economy and convincing the opposition parties to approve government’s policies were the main reasons. The government realised the cuts were painful and the citizens would feel its effect, however, Rutte argued that he and his Ministers were convinced that implementing them would result in sound public finances and economic recovery (Coevert, 2012). Such positive developments could then be electorally rewarding by voters at the end of their governing term. Besides, the government felt support from the results of surveys presented the day after the presentation of the coalition agreement. A Peil.nl survey (2012) showed that 45% of the respondents was very positive/positive, 22% neutral, and 27% negative/very negative about the coalition agreement. Furthermore 46% thought reducing the public spending with 16 billion was the right thing to do, while 6% thought it had to be more and 40% it had to be less. EenVandaag Opiniepanel (2012b) had more positive figures: 68% of the respondents was positive about the package of measures, while 24% thought it was bad. Specified by voters of the governing parties, 82% of VVD-voters46 and 79% of PvdA-voters were positive about the coalition agreement. In other words, in general the electorate and VVD- and PvdA-voters were positive about the coalition agreement. Based on these figures, it is reasonable to assume that the government did not start the negotiations with unions and employers to prevent electoral costs. Policy concertation was intended

46 After these surveys were published, VVD-voters were unsatisfied about the measure of income-dependent health insurance contribution. Therefore, the coalition agreement was adjusted, which a majority of VVD- and PvdA-voters approved (EenVandaag Opiniepanel, 2012a).
to ease the implementation of the coalition agreement by securing a parliamentary majority with the help of social partners.

5.4.5.3 Composition of Government

The third political hypothesis predicts that social pact are more likely to emerge when governments are dominated by left and/or Christian-Democratic parties. If this hypothesis is correct, we should see the governing parties identifying themselves as left or Christian-Democratic, holding a strong position in government and mentioning that they favour policy concertation.

On the political landscape (see figure 5.3) governing party VVD appears to be most right-oriented, while governing party PvdA is moderate left-wing. Although VVD had three more seats in the Second Chamber than PvdA, they were well-matched because the coalition agreement ceased to be based on an exchange of ideas, rather than bringing the two together somewhere in the middle (Boon, 2012).

Figure 5.3: Political landscape: elections 201247

Tweede Kamerverkiezingen 2012

The presence of PvdA was nevertheless key to involving social partners in policymaking. In general VVD-members viewed discussions with the social partners and institutions like the SER as time-consuming. SER stood for “(...) Sociaal-economische rem (...)” (Van der Heiden, 2013). In March 2013,

47 Source: Kieskompas (2012).
the youth party of VVD stated that unions slow down reforms and are “(...) een fossiel uit de 19e en 20e eeuw (…)” (Trouw, 2013b). During the government formation, PvdA-member Asscher, who became the Minister of Social Affairs, advocated cooperation with social partners and explicitly asked to write it in the coalition agreement (Herderscheê, 2013). He knew he needed the social partners for the implementation of reforms in the socio-economic field because without their support they could obstruct implementation and their support would ease the search for support from opposition parties for measures of the coalition agreement (Verlaan, 2013b). That PvdA was more committed to cooperation with social partners than VVD, became also clear a half a year after the signing of the Mondriaan Pact. VVD-Ministers and VVD-parliamentary leader Zijlstra argued that the Pact was not ‘holy’, while PvdA-Minister Asscher stated that: "Het sociaal akkoord staat als een huis (…)” (Trouw, 2013a).

In other words, although the government had neither a left nor a right signature, the presence of PvdA was important for the involvement of the social partners. It is therefore reasonable to assume that the government composition increased the likelihood of a social pact.

5.4.6 A Synthesis

The analysis reveals that government Rutte-II was eager to cooperate with unions and employers. Five months after its inauguration, the government and social partners signed the Mondriaan Pact. Testing the three perspectives led to the following results in table 5.15.

Table 5.15: Summary of results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>1 Economic</th>
<th>2 CME/LME</th>
<th>3 Strength Unions</th>
<th>4 Role Employers</th>
<th>5 Strength Government</th>
<th>6 Unpopular Policies?</th>
<th>7 Government Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>confirmed</td>
<td>rejected</td>
<td>confirmed</td>
</tr>
</tbody>
</table>

Just like the two previous cases with successful negotiations, also here the economic and institutional hypothesis are confirmed. In a coordinated market, the Dutch government had, due to the economic crisis, two significant austerities planned which were subject of discussion in the tripartite negotiations. Union FNV had still a pivotal position in the Polder, despite its internal division and reorganisation. Because of the economic crisis, employers preferred policy concertation to stimulate the economy and to create political, economic and social stability. By means of support from social partners, the government, who had no majority in the Senate, wanted to secure support from opposition parties. Governing party PvdA contributed to initiate negotiations on a social pact.
Whereas governing party VVD contributed to negotiating the Pension Pact, this was not the case regarding the Mondriaan Pact. Finally, the government/governing parties motive for policy concertation was not avoiding electoral punishment, but to prevent obstruction from social partners and securing a parliamentary majority regarding the implementation of (austerity) measures. That PvdA- and VVD-voters supported the coalition agreement and with that the austerity measures could be explained by the fact that policy concertation was held soon after the inauguration of the government.

5.5 Concluding

The analyses of one failed and three successful negotiations provide information about the independent variables that are key to, respectively, the absence and presence of a social pact. The overall result is displayed in table 5.16.

**Table 5.16: Results**

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Crisis Pact</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 2</td>
<td>Failed Negotiations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Case 3</td>
<td>Pension Pact</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case 4</td>
<td>Mondriaan Pact</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The presence and absence of a social pact can be explained by in particular four independent variables, three which are necessary causes and one is sufficient. The three other independent variables are neither necessary nor sufficient.

Unions, employers and politicians were all interested in negotiating social pacts because of adverse economic conditions. The economic crisis not only led to negotiations on crisis and austerity measures and the AOW- and pension debate, it also influenced the content of these negotiations. In all cases, successful and unsuccessful, the Netherlands suffered from a negative economic performance. The economic variable was thus a necessary cause to social pacts, but not sufficient. However, in this work only cases with an economic crisis have been analysed. Further analysis that includes cases in economic prosperous times could assess whether this finding is valid.
All case analyses demonstrated that the Netherlands was a coordinated market economy. In general, politicians, unions and employers had strong incentives to coordinate socio-economic policies and made use of neo-corporatist institutions. This reflects Katzenstein’s (1985) argument that especially small states, like the Netherlands, favour policy coordination because of the openness of their economy. This finding is also in accordance with Hall and Soskice (2001) who argue that CMEs tend to be governed by coalitional regimes. As we have seen, all Dutch governments were coalitions. Because the Netherlands was also a CME during the failed negotiations, being a CME was a necessary cause to social pacts, but not sufficient.

The third variable was about union strength, whether unions are neither too strong nor too weak. In all four cases unions met this condition. It is interesting to note that unions played an important role in the Polder Model even though they had relatively few members. The reason why they were relevant is that they covered not only their members, but also non-members. The Dutch government sometimes extends union-negotiated contracts to cover all employees (Wallerstein & Western, 2000: 363). As a result unions indirectly represent a relatively high share of the workforce. Politicians and employers had not neglected FNV, the largest union, during the period that FNV was internally divided. Politicians and employers knew that in case of ignorance, FNV could mobilise this share of the workforce. But involving unions was not automatically a key to success, which the failed SER-negotiations had demonstrated. Unions were in a difficult position because in case of no agreement, employers would also be satisfied, while unions wanted a pact. In the successful cases, unions credibly threatened to deadlock negotiations or to organise protests without overplaying their hand. The presence of moderate unions was thus a necessary cause to social pacts, but not sufficient.

The fourth variable concerned the role of employers, whether they were interested in a social pact and could by means of a social pact, act as an institutional vehicle for the government to implement socio-economic policies. In three cases the employers preferred a social pact and could act as an institutional vehicle for the government by means of a social pact. The case of the failed negotiations demonstrated that employers were better off without a pension pact. Employers could better act as an institutional vehicle for the government without a pact than with an agreement. Herein the pure business perspective prevailed over the corporate liberal perspective. The employers were thus key to the failure negotiations and the absence of a pension pact. As a result, it can be concluded that the role of employers was a sufficient cause to social pacts, but not necessary.

All the political variables were neither necessary nor sufficient. They were indeterminate to the presence of social pacts. As seen in the case analyses, they could be a reason why the government was willing to negotiate about a social pact, but these variables could also be absent. The first
political variable, government strength, had different scores when the three social pacts were signed. Concerning the Crisis Pact, the government negotiated even though it had a stable majority, while in the other two cases the government had no stable majority. There seemed to be a relationship between government strength and the variable unpopular policies, which Kitschelt (2001) endorsed: stable governments are interested in social pacts to prevent electoral costs from unilaterally implementing unpopular policies. The stable Balkenende-IV government had indeed to deal with unpopular policies, while minority governments Rutte-I and Rutte-II even negotiated about popular policies. It seems there is relation between these variables, but more research is necessary to better understand the specific mechanism. Another relationships seemed to be present, which also needs further research. When negotiations took place soon after the inauguration of a (minority) government, voters from governing parties assessed the subjects of discussion as non-negative. The explanation could be that during the pre-election campaigns, the political parties announced which specific policies they preferred. With this knowledge, these voters decided to vote on the future governing parties because they preferred these measures.

Finally, not only left-wing and Christian-Democratic parties favoured policy concertation, but also conservative and liberal parties were open to cooperation with unions and employers. This did not mean that the presence of left-wing and Christian-Democratic parties in governments was not important for having tripartite negotiations, rather it meant that also political parties with another ideology could be interested in cooperation.

It is important to note that the case analyses reveal that not one single variable explained the emergence of social pacts. Each case had its own multi-causal explanation. This thesis revealed the position and significance of these variables in the Dutch policy concertation. Based on these findings, the research question will be answered in the conclusion.
Chapter 6
Conclusion

The Polder Model characterizes the Dutch system of political decision-making. Democratically elected parliamentarians decide in parliament upon major socio-economic issues. In the process leading up to the parliamentary decision-making, societal (interest) organisations may be involved in the dialogue about these issues. Unions and employer organisations negotiate with political parties and the government about these major issues. The aim of this thesis is to gain insight in the circumstances and motives of those involved in these often secret negotiations. Therefore, four recent Dutch negotiations between social partners and the government are analysed. Three neo-corporatist perspectives - economic, institutional and political - are tested to explain successful and failed negotiations. More specifically:

Regarding the Dutch negotiations between the government, unions and employer organisations, how can the presence or absence of a social pact be explained?

The answer of this question is that there is no single explanation, but a conjunctural. For the achievement of a social pact, presence is required of the variables: an economic crisis, a coordinated market economy and unions that are neither too strong nor too weak. But their presence will not always lead to successful negotiations. On the other hand, the variable employers who are interested in policy concertation and could act as an institutional vehicle for governments to implement socio-economic policies, is sufficient to social pacts. Herein, the absence of social pacts is also explained. Without employers’ interest in concluding a social pact, due to the prevalence of the business perspective, negotiations will fail. The motivations for the government to be a participant - being a weak or minority government; implementing unpopular variables; and a government dominated by left and/or Christian-Democratic parties - could contribute to the emergence of a social pact, but these are not decisive variables. Even without their presence, social pacts are negotiated.

Such a comprehensive research on the circumstances and motives of those involved has not taken place in recent times. This study is an attempt to fill this gap. Moreover, it is not common in academic literature to integrate all three perspectives. This analysis proves that including economic, institutional and political variables is valuable in getting a better understanding of the emergence of social pacts.

Contrary to some other European Countries, the Netherlands did not stop with policy concertation during the economic crisis. The crisis was even a motivation to negotiate. The Dutch approach has
thus shown that the welfare state is able to adapt itself to the circumstances of time, like in the 1980s. The institutions of those times are still important in the policy concertation of today. Also unions are still present and have been confronted with internal division and unity. Unions remain key actors in the Polder Model, just like the employers. Although the academic literature does not contain much research to the role of employers, this study shows they also have a key role in negotiating social pacts. Future research could analyse the specific role of employer organisations in policy concertation more deeply. Governments negotiated to avoid blame regarding unpopular policies, but also discussed popular policies with social partners. The latter happened two times, both when the government was a minority not hold a strong majority in parliament; the blame avoidance happened when there was a strong government. It seems there is a correlation, but more research is necessary to more validly say something about this relationship. Finally, the dispute between academics that argue that partisanship is not important in the emergence of social pacts and those who argue that it is important, is still not solved. Case analyses revealed that both situations occurred.

Four recent cases were analysed. Future analysis should be conducted to examine more cases and to compare findings of this study with older cases to find out if the scores of the independent variables are not ‘incidents’, but have a more structural nature. Not only cases from one country could be analysed, also cross-country analysis can take place. Are the findings typically Dutch or are they also applicable in other countries? Furthermore, these negotiations have all taken place during the worldwide economic crisis. Additional research could point out if in economic prosperous times the economy also plays an important role in policy concertation. One limitation of this research is that only one failed case is selected and that it was also not possible to test the political variables in this case. To improve the understanding of the absence of social pacts, future research is necessary which includes more failed negotiations in which employers, unions and the government directly participated.

To conclude: Delsen questioned in 2002 whether the Polder Model had a future. This study has shown the Polder Model had a future. The Polder Model was ‘alive’.
Literature

Image front page

References in text


The Dutch ‘Polder Model’: Social Pacts

N.M.J. Kurstjens


The Dutch ‘Polder Model’: Social Pacts

N.M.J. Kurstjens


Volkskrant.
The Dutch ‘Polder Model’: Social Pacts


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The Dutch ‘Polder Model’: Social Pacts

N.M.J. Kurstjens


Trouw (2010b, June 5th). Hamer: Reken het voorstel eerst door; ‘Zware beroepen worden toch ontzien’.

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Verlaan, J. & Van der Walle (2012a, November 16th). Heerts praat met Asscher zonder volledige steun FNV; Kabinet snel in gesprek met sociale partners. NRC Handelsblad.


Attachment 1

Search Terms LexisNexis

In this attachment all the relevant search terms used in LexisNexis are written. These search terms resulted in many articles, which were then selected on the base of relevance. Meaning: for example the search term ‘sociaal akkoord’ with the date 2013 (case 2013) resulted in 677 articles. Not every article was relevant, because many articles were opinions submitted by the readers of the newspaper or were columns. That is why I have looked at which newspaper section the article was published and by whom it was written, i.e. journalists, ‘ordinary’ citizens or articles/interviews based on conversations between journalists and academics/scientists, involved politicians and representatives from the government and the social partners. Furthermore, articles could refer to the social pact, but are about the specific execution of some agreements, while my analysis is more about the process of the realisation of the social pact. Also these articles were less relevant for the analysis.

First I selected the three newspapers: Volkskrant, Trouw and NRC Handelsblad. After that, I sometimes selected the search type option ‘Terms & Connectors’ and specified the date ‘Date is ..’ by filling in the relevant date. Besides, I have selected the search type option ‘Natural Language’ and added the search terms. Here it was not possible to select a specific date, that is why I wrote the relevant year in the search box. This resulted not only in articles from that specific year, but also from previous years and subsequent years. Therefore, I had to scan each article if it was referring to the dates and the content of the cases of analysis or whether these articles were self-contained, without a reference to the process of negotiations and social pacts.

Because the negotiations took place within a relatively short period - 2008/2009-2013 - and some of the issues were discussed in more than one tripartite negotiation, for example the pensions from case 1, were also discussed in case 2 and 3, some newspaper articles were used in multiple case analyses.
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