Reader

Collective bargaining perspectives

The Dutch ‘polder’, Europe and the furniture industry

Cape Town/Johannesburg, Januari 2024

Preface and overview of the content

In Januari 2024, a delegation of the Tilburg University will visit South-Africa. The delegation is invited by the Bargaining Council for the Furniture Manufacturing Industry and will meet social partners in the furniture industry. The program consists of interactive presentations and talks with both sides of the industry in the furniture industries. Also scheduled are a meeting with the South African Furniture Initiative (a joint initiative of industry, labour and government), and factory visits. The aim of the journey is to discuss in the meetings the perspectives for collective bargaining and social dialogue in that industry.

The Tilburg delegation has prepared a reader with articles about the industry in Europe, also because it is useful to provide some basic information and data on paper. Therefore, we selected the following documentation:

- The background paper ***Collective bargaining and social dialogue in the EU furniture industry*** – written by Jan Cremers.
- The study ***Collective bargaining in Europe*** – written by Torsten Müller.
- The article ***The Dutch polder model after the crisis/An employer's view*** – written by Laurens Harteveld.
- The book chapter ***The Netherlands: Crisis management through social concertation and constructive opposition*** – written by Marc van der Meer, Anton Hemerijck and Johannes Karremans.
- The article ***Is the Poldermodel crumbling?*** – written by Paul de Beer and Maarten Keune.
- A separate **Appendix** presents a provisional English translation of a Dutch agreement – the ***Collective Labour Agreement Wood-processing industry*** – as an example of the content of Dutch agreements (the furniture agreement is currently renegotiated and unfortunately not available in English).

On the next page, you can find a list with more in-depth studies and data. We invite all participants to actively engage in the seminars with presentations and introductions from our side and we are looking forward meeting you there.

Jan Cremers, Willem Plessen

January 2024

Further reading

About the partners in collective bargaining in furniture, in the EU and the Member States

- Eurofound (2023), *Representativeness of the European social partner organisations: Furniture sector*, Sectoral social dialogue series, Dublin. https://www.eurofound.europa.eu/en/publications/2023/representativeness-european-social-partner-organisations-furniture-sector

About the development of the bargaining process in recent years

- Cremers, J., Bekker, S. & R. Dekker (2017). *The Dutch polder model: Resilience in times of crisis.* https://pure.uvt.nl/ws/portalfiles/portal/15993849/DutchPolderModelResilienceInTimesOfCrisis.pdf
- Hayter, S. & J. Visser (Eds.), (2018), *Collective Agreements: Extending Labour Protection*, ILO, Geneva. https://www.ilo.org/travail/areasofwork/WCMS_633672/lang--en/index.htm

About the social dialogue at EU-level

- European Commission (undated) Sectoral social dialogue – Furniture, Library, Brussels. https://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=1835
- EFIC & EFBWW (2021) *Declaration on Healthy and Safe Workplaces*, Brussels https://www.efic.eu/_files/ugd/a1d93b_e019871905d7479db7c4d0a2f7b1f623.pdf
- European Commission (2023), *Strengthening social dialogue in the European Union: harnessing its full potential for managing fair transitions*, Brussels. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2023:40:FIN

Data and statistics on the European furniture

- Eurostat (2018), *EU trade in furniture around the globe*, Luxembourg. https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20180124-1
- Statista (2023), *Furniture, home furnishing and carpet share of total consumption expenditure in the European Union in 2020*, by country. https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20180124-1
- European Commission (2023) *Furniture industry*, Webpage with links to several reports. https://single-market-economy.ec.europa.eu/sectors/raw-materials/related-industries/forest-based-industries/furniture-industry_en

Understanding Society

Collective bargaining and social dialogue in the EU furniture industry

Background paper

Jan Cremers

JANUARY 2024
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Collective bargaining and social dialogue in the EU furniture industry

Background paper – Jan Cremers, Tilburg Law school

Introduction

This background paper provides some basic material about the industrial relations in the European furniture industry. The aim is to complement a series of lectures that will be held in January 2024 in South Africa, initiated by the *Bargaining Council for the Furniture Manufacturing Industry of the Western Cape*. The paper can be seen as a more in-depth source, with several data and other content that can only be presented in a nutshell during the lectures.

The first section is dedicated to the (different) industrial relation systems that have been developed in Europe. The European social model is based on two pillars, on the one hand an industrial relation system that is based on autonomous collective bargaining between management and labour, on the other hand labour law & regulations. The weight and significance of the pillars can be different from country to country, but both are present. This has a serious impact on the role and function of collective bargaining in an economy. In the European social model, the government has a role to play, for instance, as the legislator that can declare agreements general binding at the request of the bargaining partners. Or as the actor in tripartite talks about labour market issues. Bargaining therefore, often takes place in the 'shadow of the law'.

The second section is dedicated to facts and figures. It is noted that the furniture industry is not very well covered by statistics. But, on the other hand, the industry has a rather stable position, also on the global market, in the higher segment of the woodworking industries. That section sketches out some of the basic challenges for the industry, the main topics on the bargaining agenda from a European perspective and the relevance of sound collective bargaining practices.

In the third section the dimensions of social dialogue are illustrated. The section starts with an analytic model of industrial relations and how dialogue at different levels can work out, based on a functional division of tasks and challenges. As a complement to national negotiations, both sides of the furniture industry have developed a social dialogue at EU-level. It is an instrument for them to defend the interest of the industry in the broader EU Single Market, it is a channel for the lobby towards the EU-institutions and it provides the national bargaining partners with a platform for the formulation of joint initiatives and recommendations.

This is followed by a fourth section that lists a selection of national trade union priorities over the last decades. It is based on a brief analysis of the development of the bargaining agenda in the Netherlands and an interview the author had with one of the main trade union negotiators who was in charge in the period 1990 to 2018 for the furniture sector. The section starts with the challenges that the collective bargaining partners had to cope with, after WW II as the industrial relations systems had to be rebuild. For the furniture industry, it was very important that the bargaining partners made the choice to work sector wise from that moment on. But it took quite some time to (re)organise the industrial relations system along these lines. Nevertheless, the most important level for the collective bargaining for pay and working conditions in furniture became and still is the sectoral level.

1. Collective bargaining in EU Member States

Bargaining always is an integral part of the industrial relations system in a country and an industry. According to ILO Convention 154, collective bargaining refers to all negotiations between one or more employers (or their organisations) and one or more trade unions for determining working conditions and terms of employment, including issues related to pay and working time, and for regulating relations between employers and workers.

> Article 2
> For the purpose of this Convention the term collective bargaining extends to all negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more workers' organisations, on the other, for
> (a) determining working conditions and terms of employment; and/or
> (b) regulating relations between employers and workers; and/or
> (c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations.[1]

The European social model

In the Europe Union, the industrial relation systems at national level have some similarities, the often cited 'European social model', but the differences can also be substantial. The European social model is based on two pillars, on the one hand an industrial relation system that is based on *autonomous collective bargaining between management and labour*, on the other hand *labour legislation* that is formulated by the legislator in consultation with both sides of the industry, a consultation that is often institutionalised in tripartite councils. Most countries have a mixed balance of these two pillars or building blocks, but the weight of the pillars can be quite different (see below). This mixed balance is the result of industrial relations traditions and practices and of political, economic and labour market conditions, sometimes with an evolution and development over centuries. Important is to what extent the state plays a role in regulating employment relations. But also, the character and structure of an industry might lead to different outcomes. The outcome varies in terms of the respective roles collective bargaining and legislation play in regulating the labour market, in the levels at which bargaining is conducted and in how negotiations at different levels interrelate. The development of the internal market, with the free movement of capital, goods, services and workers has led both to more clarity about the differences and the similarities. It also led to divergence as well as convergence.

Overall, both sides of the industry share the view that ***the autonomy of the national social partners*** in determining their labour market and terms and conditions of employment in an industry by themselves is a key principle. For instance, in the European social dialogue for the furniture, it is stated like this:

- Functioning industrial relations are a major element of a level playing field for economic activities. Shaping working conditions in all its aspects by joint agreements is a cornerstone in this respect and the best guarantee to avoid and to fight competition by wage dumping or other kind of dumping related to working conditions.

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[1] C154 - Collective Bargaining Convention, 1981 (No. 154) - Convention concerning the Promotion of Collective Bargaining, https://www.ilo.org/static/english/inwork/cb-policy-guide/collectivebargainingconvention1981No154.pdf

- The social partners in furniture at EU-level therefore pay a particular attention to the strengthening of autonomous industrial relations in the sector. They also reaffirm the primary responsibility of the national sectoral social partners, through autonomous industrial relations, for finding a common understanding about the organisation of their national labour market.

On the other hand, bargaining is not developed in a vacuum. The process of bargaining is intertwined with what scholars call negotiations in the *'shade of the law'*. The ***regulatory frame of labour legislation*** can have a huge impact on the industrial relations systems and on the modelling of an industry. For instance, the existence of a system of statutory minimum wages will have serious consequences for the further development of the primary working conditions in an industry. Negotiations in the shadow of the law presume an active role of the government, not state intervention perse. It is a process in which the autonomy of social partners is respected (and often strengthened), not in the least by handing over to the partners relevant components of the architecture of the labour market. Collective agreements sometimes come up with new topics related to drivers of change in the labour market. In other cases, the introduction or announcement of draft statutory regulations can initiate bargaining. The role of the state is thus very significant in a mature system of industrial relations. Existing laws provide the regulatory frame for the partners in collective bargaining that applies for or leads to negotiations under the auspices of the law and to a tailor-made social and industrial policy for the sector, including joint provisions and arrangements or supplementary measures. Besides, the implementation of important parts of the Labour Code (and of relevant EU legislation) with regard to the freedom of association, the right to strike and the legal base for bargaining directly interferes in the bargaining process. And the level of the statutory minimum wages often 'dictates' the minimum wage floor that for many furniture companies function as an important reference for their wage scales.

The government is not only the natural initiator of law and policy, but also a key player in the promotion of self-regulation and autonomous collective bargaining. The state can promote a dialogue with invitations to the sectoral organisations to start their own deliberations at all levels. This can form a start for capacity building and the collection of know-how in order to play their role. Deliberations on industrial policy and tailor-made provisions act as building blocks contributing to the development of an effective relationship in a sector between company level and sector organisations.

The bargaining structures

In an overview, Eurofound, the research institution that examines the working conditions in Europe, characterises the existing bargaining structures as follows:

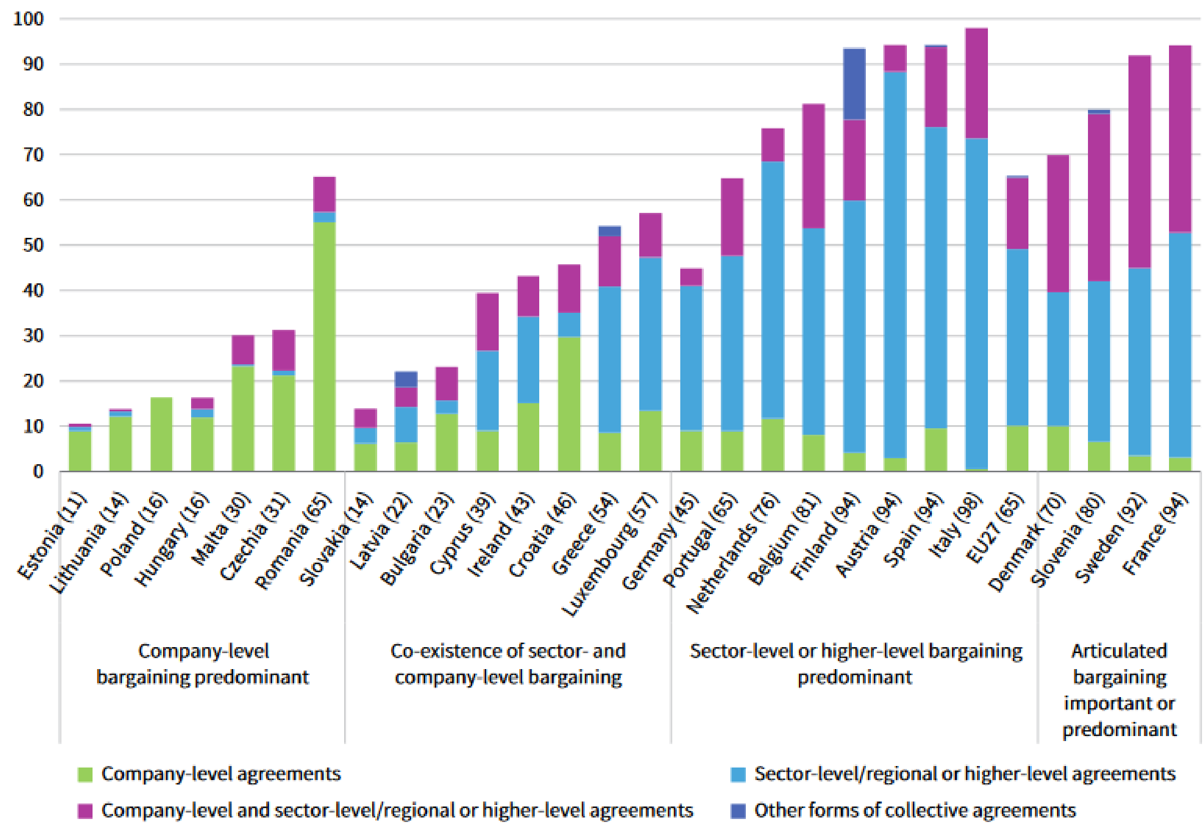
> Eurofound has identified four broad groups of collective bargaining systems across Europe based on their pattern of bargaining arrangements, using the results of the 2019 European Company Survey (ECS):
>
> - those with decentralised, predominantly company-based bargaining
> - those in which company- and sector-level bargaining coexist with neither dominating
> - those with predominantly sector-level bargaining
> - those in which articulated bargaining (between sector and company levels) is the predominant form and there is also a high degree of sector-level bargaining.[2]

[2] Eurofound (2022), Moving with the times: Emerging practices and provisions in collective bargaining, Publications Office of the European Union, Luxembourg. Eurofound (2015), Collective bargaining in Europe in the 21st century, Publications Office of the European Union, Luxembourg.

The bargaining structure can have different dimensions, such as the coverage, the level (central, confederal, federal, sector wise, company level), the scope of the agreements, the broadness of negotiated topics and the implementation and compliance mechanisms. Notwithstanding these differences, about 60% of employees are still covered by collective bargaining in the EU. This ranges from 80% or more in some countries to less than 10% in others (see figure1.).

In most EU-15[3] countries, the sector-level agreements, or a combination of sector-level with further implementation in decentralised company-level agreements are predominant. In all these countries, perhaps except for Greece and Portugal, social partnership in furniture is strong and bargaining at national level is designing important aspects of the sector. In some prominent cases, for instance in Germany, the negotiations are embedded in broader negotiations that cover the whole of the woodworking branches.

Figure 1: Estimated collective bargaining coverage (%) and predominant level of agreements, EU27, 2019



Generally binding agreements or the discipline of the partners

The results of collective bargaining are relevant for the whole industry. In most European countries this is recognised and has led to a variety of extension regimes. The most powerful extension is the statutory extension by making agreements legally binding ('erga omnes') for the whole industry. In most countries, membership of the employers' organisation is not compulsory, but with agreements made

[3] EU-14 refers here to the 'old' EU Member States: Italy, France, Spain, Portugal, Greece, Belgium, the Netherlands, Luxembourg, Germany, Austria, Ireland, Finland, Sweden and Denmark.

generally binding by law, withdrawal from this membership has no impact. Because in that case all employers in the sector and their workers, whether organised or not, are bound by the bargaining outcome. In most countries with legally binding agreements, the legislator uses what was stated in the ILO Recommendation Nr. 91: the collective agreement must be 'sufficiently representative' before it can be extended. But again, this assessment depends very much on national considerations related to significance and impact.

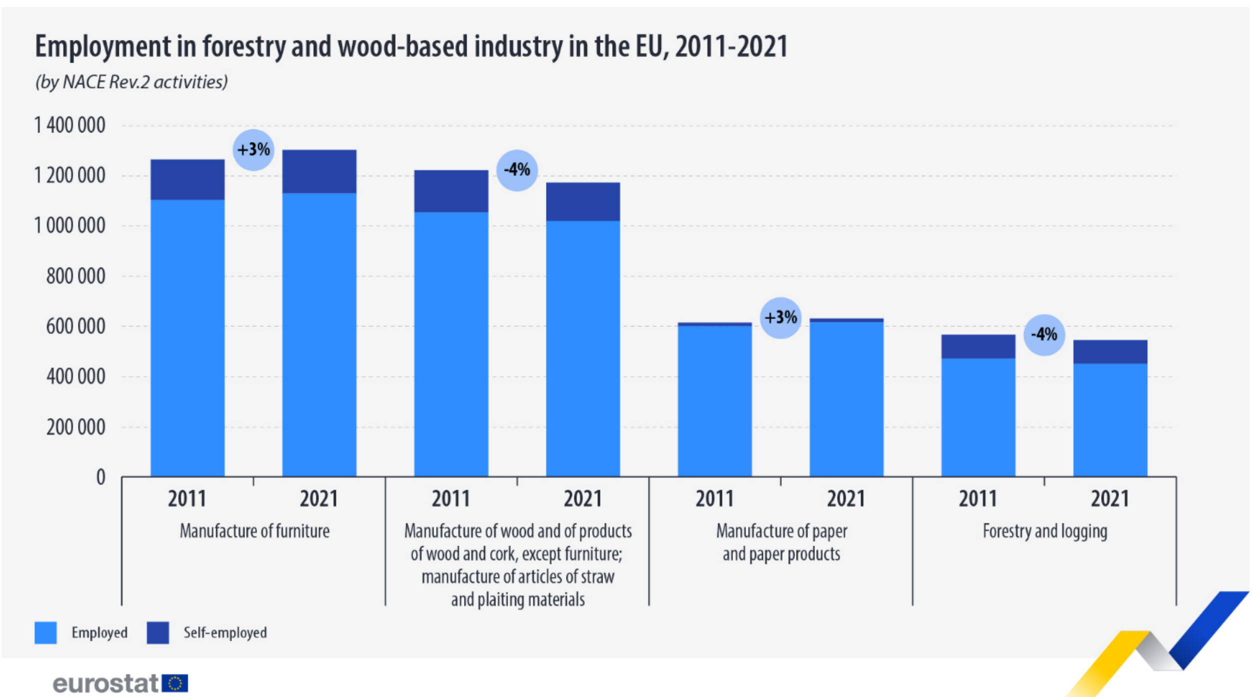
The 'erga omnes' effect is 'de facto' also present in some of the Nordic countries (Denmark and Sweden), although these countries do not apply the legal instrument of general binding agreements and reject interference of the state. In the Nordic, case the autonomy of the social partners is vital and companies that have not signed the collective agreements are supposed to adhere to its conditions. The bargaining partners do not want the legislator to interfere with the bargaining process and outcome. Their Nordic model is based on mutual trust and strict discipline from both sides of the industry.

Other extension regimes are more restrictive and formulate specified conditions that have to be fulfilled (for instance, representation thresholds, number of workers employed by member firms, number of firms represented, union density). In these last cases, agreements can be binding for the signatures, most often the employers' associations with their workforce, or only for the trade union members involved. The agreement can serve as a benchmark for the industry. In Italy, jurisprudence has led to a situation where judges consider a salary to have met the requirements outlined in the Constitution when it has been established in a national collective agreement stipulated by the most representative employer and trade union organisations.

2. Some basic data on the European furniture industry

EU furniture manufacturers set global trends. About 12% of designs registered in the European Union Intellectual Property Office relate to the sector. The EU is a world leader in the high-end segment of the furniture market, with products of characterised by a high-added value. Nearly 2 out of every 3 high-end furniture products sold worldwide are produced in the EU. In the Eurostat data furniture is integrated in the so-called unrelated manufacturing activities that are classified within NACE Division 36. The largest of these is furniture manufacturing (NACE Group 36.1). But, as a consequence, separate figures are hard to find and comparative information on wages and the outcome of collective bargaining in the furniture sector is rather scarce. Unfortunately, Eurostat stopped after 2009with separate reports on the industry.

In terms of employment, the furniture sector is in Europe a small sector.[4] The EU had 3.2 million people working in activities related to forestry and wood-based industry in 2021 (classified by NACE Rev. 2), and another 437 thousand self-employed people in that sector. The activity that employed the most people was the manufacture of furniture, which recorded a total of 1.1 million employed people and 174 thousand self-employed people. This is around 0.6% of the 190 million employed people in the EU, representing some 3% of employment in the manufacturing sector.



In general terms, the sector is composed of 130 thousand companies generating an annual turnover of around €96 billion. The company landscape (figure 6) is composed of micro firms with fewer than 10 employees (88.5% of all furniture firms) and small companies with 10 to 19 employees (6.1%). Companies with 250 or more employees account for less than 0.5% of all EU furniture companies.

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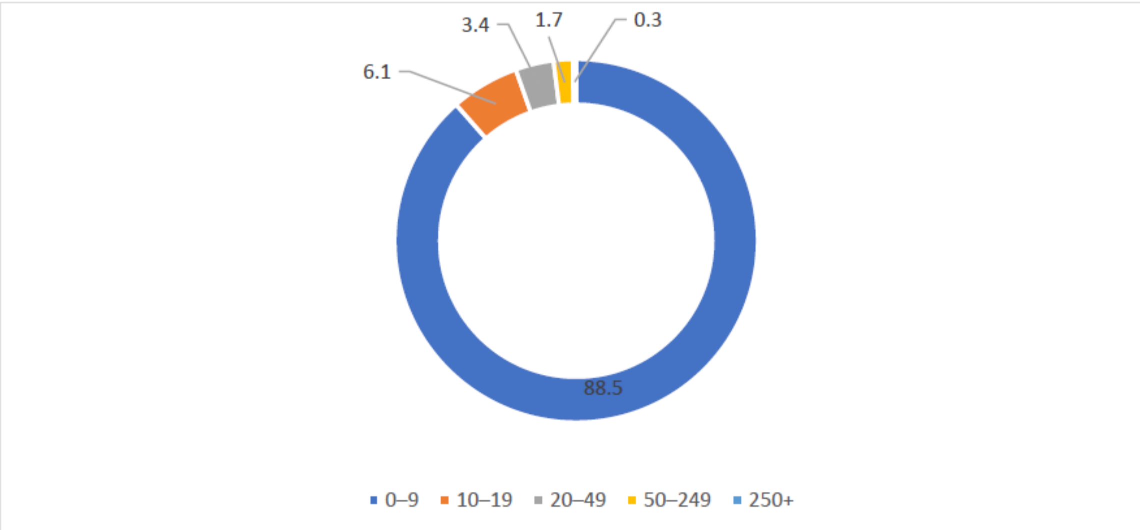
[4] Most of the data used are from EUROSTAT and/or from the Eurofound publication: Representativeness of the European social partner organisations: Furniture sector (2023) - https://www.eurofound.europa.eu/en/publications/2023/representativeness-european-social-partner-organisations-furniture-sector

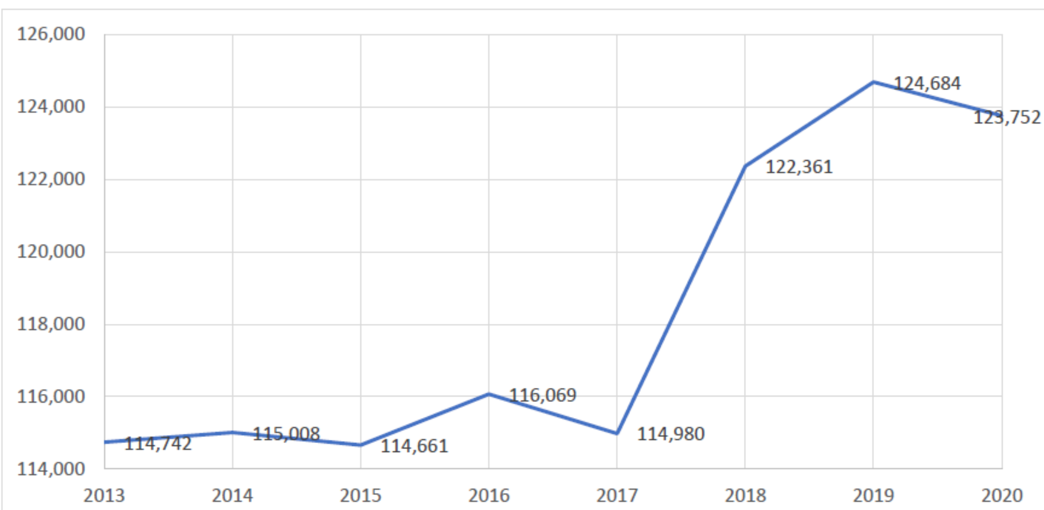
Figure 6: Share of enterprises per size class (%), 2019



Source: *Eurostat, Structural Business Statistics, 2019*

Around 50% of the employment comes from the micro enterprises and small companies. Although SMEs predominate in the sector big enterprises with more staff generate the other 50%. Between 2013 and 2020 there has been a substantial increase of the number of active enterprises (figure 7).

Figure 7: Number of enterprises in the furniture sector in the EU27, 2013–2020



Source: *Eurostat, Structural Business Statistics*

Most companies operate under NACE 31.09, manufacturing cabinets and home and garden furniture, for example. The second largest subsectors are NACE 31.01 (office and shop furniture) and NACE 31.02 (kitchen furniture). Between 2013 and 2019, the numbers of enterprises in all subsectors were rather stable, at around 80,000 for NACE 31.09, 18,000 for NACE 31.01, 16,000 for NACE 31.02 and 2,000 for NACE 31.03 (Figure 8).

The two basic structural problems are competition and an ageing workforce:

- The EU furniture sector faces enormous competition from countries having low production costs. China's penetration into the EU market is growing rapidly and it is now the largest furniture exporter to the EU, accounting for over half of total furniture imports to the EU.
- The ageing of the workforce, combined with difficulties in attracting young workers, may lead to disruptions in maintaining skilled workers and craftsmanship.

The sector has traditionally been a resource and labour-intensive industry characterised by the co-existence of both a large group of local craft-based firms and large volume producers. The importance of SMEs is relatively high in niche market segments, primarily for high-end, custom made and design-led products. Large companies may account for less than 1% of the total enterprises, but they generate more than a quarter of the total value of furniture produced in the EU.

The dominant level for bargaining in furniture is the (sub)sectoral, with central agreements for the sector supplemented by regional-level and company level bargaining. In some countries, for instance Germany, furniture is including in framework agreements for the whole woodworking industries. In the German case, bargaining takes place in various bargaining regions whereby a settlement reached in one region usually serves as a pilot for settlements in the other regions.

The key actors in industrial relations in the Member States are the social partners, each representing specific and usually divergent interests relating to common issues such as working conditions, remuneration and employment. In seeking to achieve a just distribution of the social product, agreements usually combine two objectives: to regulate at the highest possible level and thus to even out incidental regional societal imbalances, on the one hand, and to take into account inequalities of working and living conditions in different functions and tasks, on the other. In a recent study about the representativeness in the furniture industry, key aspects of the institutionalised frame of industrial relations were assessed.

General topics in the bargaining agenda in the EU

This is not an exhaustive list of items, but a snapshot of recent trends.

In most EU-countries, there are important labour shortages expected or already present, notably in a sector like furniture that highly seeks after skilled labour. The demographic challenges figure on the bargaining agenda, often with different perspectives. Trade unions consider it an argument for better pay of youngsters and for the overall improvement of working conditions, whilst employers often seek higher flexibility in the recruitment of labour and the introduction of flexible working hours.

Both partners stress the necessity of more investment in vocational training and retraining and give more joint attention to the attraction of apprenticeships. Sometimes this leads to commitments or obligations, in terms of target percentages, in the collective agreement. In other cases, attractiveness is sought in better pay for apprentices, in an attempt to compete more effective with other industries that want to attract youngsters.

A third relevant item in the industry is to keep pace with the inflation. Partners have to find means to rebalance the workers' purchasing power with the development of the sectoral productivity. In the most recent bargaining results in the furniture industry, serious wage increases are concluded.

The use of temporary labour is often disputed. Some agreements cap the number of workers who can be hired on a fixed-term or temporary supply contract. For instance, in Italy such workers must make up no more than 25% of the total number of workers who have open-ended contracts.

In recent years, more attention has been paid to chain liability and the concept of corporate social responsibility. It is seen by the signatories as having an added value for enterprises and for their relationships with workers, clients, suppliers, the territory in which they operate and institutions. This often goes hand-in hand with codes of conduct or charters with key values for the sector such as fair competition, health and safety in the workplace, the preservation of workers' health, protection of the environment, moral integrity and transparency.

Finally, it has to be signalled that the industry is very sensitive for new technologies, new materials and other innovations. The modernisation of the production processes asks for more investment in people and products, whilst the transition to a more sustainable model of manufacturing can lead to a qualitative transformation of the sector.

The impact of bargaining on the 'climate' in the sector

The underlying question that is addressed in this report is whether or not social partnership can make a difference in terms of wage setting as compared to other methods. In this respect, it is worthwhile to refer to the reasoning at the start of collective bargaining. In the Netherlands, for instance, the bargaining tradition started (some 100 years ago) at the explicit wish of the employer organisations. Beyond the mathematical macroeconomic reasoning other arguments led to a process that changed the industrial relations over a long period of time. Confronted with the disruptive effect of industrial action, the pursuit of an instrument of social peace became stronger. In addition, the aim for continuity, and to a certain extent predictability of the wage component and the broad application of wage moderation, was stronger than the short-term attraction of fragmented and individualised wage setting.

In modern times employer organisations often add to this the advantage of avoiding a serious distortion of competition and the creation of a level-playing field in the social area. Besides, several employer organisations claim to play an important role in servicing the membership as specialists with regard to (the technical assistance in) the negotiation process, the interpretation and implementation of agreements and mediation and/or arbitrage. So far, in most countries this is seen as a more attractive offer than the use of attorneys or business consultants in individual wage setting.

Overall, one can say that in a more mature system of industrial relations, cooperation and conflict can be quite compatible as it is based on mutual trust. In most EU member states, perhaps with the exception of several countries in Central and Eastern Europe, this is the case in the furniture sector. Both sides of the industry are well aware of the advantages of social peace, of an autonomous regulation of the industrial relations and of a stable workforce. It contributes to continuity and to job security.

3. Dimensions of the Social Dialogue in Europe

Social dialogue and collective bargaining in the furniture sector covers activities defined by NACE (Rev. 2) code 31, namely: manufacture of office, shop, kitchen and other furniture.
What are the preconditions for a social dialogue and how does it relate to the process of collective bargaining? For what reasons the unions and employers in the sector have to get to the table? What is the added value of a social dialogue in the sector?

Preconditions for a system of industrial relations:
1. Defined partners
2. Mutual recognition of the partners
3. Balance of power, freedom of negotiation
4. Internal discipline and/or external (mandatory rules)
5. Institutionalised procedures and working methods
6. Relationship composed of cooperation and confrontation
7. Joint interest
8. Recognised in society and political institutions.

Framework for systems of industrial relations[5]

LEVEL	ACTORS	PLAYING FIELD	INSTRUMENT
National economy	Central organisations of employers and employees	- Labour legislation - Socio-Economic policy - Overall policy for collective bargaining	- (Tripartite) National advisory committees - Social Dialogue - Framework agreements, social pacts.
Sectoral level or branches	Unions and employers; organisations in the branches	- Specific labour legislation - Sectoral socio-economic policy - Industry policy - Collective bargaining	- Ad hoc or permanent advisory bodies - Social Dialogue - Sectoral agreements - Collective agreements
Company level	Management Workers' representatives (Local) Unions	- Company strategy and HRM policy - Working conditions - General policy	- Codecision, information and consultation - Company agreements - Codes of conduct

[5] Excerpt from an article in CLR-News 1-2001.

Dialogue at EU-level and overview of items that were tabled over the years

The European social partners in furniture started with their dialogue in 1994, based on the idea that good functioning industrial relations are a major element of a level playing field for economic activities. Shaping working conditions in all its aspects by joint agreements is in their view a cornerstone in this respect and the best guarantee to avoid and to fight competition by wage dumping or other kind of dumping related to working conditions. It is interesting to look at the evolution and to compare the items that were tabled in the furniture social dialogue since 1994.[6] The joint agenda enlarged over the years (see the difference between 2007 and the current agenda). The social partners EFBWW (trade union federation), EFIC and UEA (employers organisations) agreed at the start to pay particular attention to the strengthening of autonomous industrial relations within the furniture sector. They reaffirmed the primary responsibility of the national sectoral partners, through autonomous industrial relations, for finding a common understanding about the organisation of their national labour market. In this respect, they wanted to examine specific needs or demands raised by the national partners and, where needed, jointly develop specific capacity building initiatives. At the start, the industry's strategy consisted of maintaining the design, know-how, distribution and commercial aspects of business that were seen as key characteristics of the furniture industry. This was led by the aim to keep upright a strong quality competitiveness. Therefore, the items discussed in the first decades were the importance of vocational education and training, including skills, safe working conditions and sustainability. In addition, the partners developed joint activities in the process of the EU-enlargement (see the 2007 Program).

Social dialogue FURNITURE" WORK PROGRAM **2007**

ISSUES	METHODOLOGY	WHO	OUTPUT
Training & education	**Identification of joint issues** - Impact training systems on competitivity - Offer and demand - Promote professions to attract young people **Joint initiatives** - Training systems analysis and impact on employment and competitivity - European campaign to valorise the jobs	All social partners	Joint opinion Joint recommendation Joint initiatives
Occupational health and safety	③ Seminar to identify best practices at national level ③ Guidelines at European level ③ Formaldehyde classification	All social partners	Joint declaration Best practices guide Follow-up
Competitiveness	Follow-up of the study (DG ENTR)	All social partners	Joint position about the conclusions of this study
Follow-up activities in the new Member States	- New meetings in the candidate countries - Audits - Assistance to companies and trade unions	All social partners	Evaluation Joint declaration

[6] For some results see: https://ec.europa.eu/social/main.jsp?catId=480&langId=en&intPageId=1835

The current agenda is much broader (as illustrated by a brief summary of the 2020-2024 Program). In recent years, a joint project analysed the transition of European furniture companies to a more circular economy. To this end, the partners studied the main legislative and voluntary instruments that can facilitate the circular economy transition and how they are expected to affect and transform the European furniture sector in 2030, including the appearance of new business models. They also looked at how this transition will affect existing jobs and tasks, workers' health and safety and new training needs - https://circularfurniture-sawyer.eu/

EU social dialogue in furniture - Main priorities for the period 2020-2024[7]
Industry Policy The European Sectoral Social Dialogue gives an important opportunity to Social Partners to exchange views and discuss new challenges and opportunities posed by European industrial policies. The aim of EU industrial policies is to enable a successful transition towards digital, knowledge-based, decarbonised and more circular industry, seeking fairer competition, promoting innovation, building digital capacities, providing healthy and encouraging workplaces and increasing the sustainability of the EU industry. As such, Social Partners will closely monitor the legislative initiatives for the EU legislative term running from 2019-2024 and will actively contribute to the discussions. Social Partners welcome the EU Strategic Agenda 2019-2024 and believe that industrial and Single Market policies should be better linked with other key areas, such as research, innovation, trade, digitalisation, skills and funding, with the aim of fostering economically, environmentally and socially sustainable growth.
Circular Economy and non-toxic environment EU research confirms that the furniture sector is, compared to other industrial sectors and in terms of innovation, the most competitive in the globalised economy. Furniture manufacturing requires different and new types of materials for various applications. The sector is leading in products design and combines traditional furniture qualities with innovative and modern ways of production. In this respect, Social Partners are convinced of the need to further collaborate with other sectors, as well as scientists and research centres to develop and promote innovative solutions that take into account both employers and employees' needs. Circular economy is one of the top priorities for the furniture sector. The sector is willing to investigate ways of enabling a circular change through the development of new industrial strategies, which take into account principles like recyclability, sustainability and innovative design of products. Social partners are committed to encourage the implementation of circular economy principles and will take joint actions to this aim. Moreover, these principles have already brought new demands in the economy and in the labour market, giving significant opportunities in terms of activity and creation of new jobs in the Furniture Sector. The greening of the economy will therefore impact the organisation of work (new technologies for the production process; new market opportunities, new skills needed, etc.) and the working conditions (additional/new training, adapted health and safety conditions, etc.), as well as business models and new ways of production.
The labour market The Furniture Industry has been hit significantly by the crisis, which is still affecting many Member States. One effect, observed by the Social Partners, is that unfair competition occurs due to, amongst others, a legislative framework that is sometimes unclear and difficult to enforce or due to difficulties in implementing adequate controls, in particular in the case of cross-border operations. Ensuring a level playing field for companies and fighting against social fraud will be amongst the priorities of the current work programme. EFIC, UEA and the EFBWW apply a policy of zero tolerance against unfair and illegal practices in the Furniture Industry and will address the issue of the appropriate measures for combating "undeclared work". Where appropriate the necessary initiatives will be taken to this end at national and European level, in a broad partnership with the various actors concerned, i.e. labour inspectorates, national authorities and social funds.

[7] For the whole program, see: https://circabc.europa.eu/sd/a/74b32e6d-ca50-4bb1-88eb-5ad5e0feeb5a/Furn-2020-2024-WP.pdf

Anticipation of skills needs The so called "skills gap", i.e. the difference between the available skills and the ones that are effectively needed by the work process is a serious obstacle to economic growth, creation of jobs and competitiveness. There is a need for a constant adaptation of the training schemes, curricular for apprenticeships and companies training activities, as well as of the respective work organisation. EFBWW, EFIC and UEA therefore will gather the experiences of Member States and see how added value can be created by a better coordination at the EU level, in particular as regards mutual learning, creation of synergies and exchange of best practices between national stakeholders. Social partners will address the impact of the demographic developments from the various angles of its components (image of the sector, health and safety, employment issues, further training and career paths etc.) by gathering examples of national best practice and identifying potential topics for action at the EU level. They will develop actions aiming at the promotion of apprenticeships amongst Furniture companies of all sizes both quantitatively and qualitatively, through the further creation of strong partnership involving employers, trade unions, paritarian funds, VET institutes as well as local and regional authorities
Improvement of occupational health and safety The improvement of health and safety depends very much on knowledge and a proper legal framework, providing a level playing field for companies. It can also be achieved by promoting the development of a real culture of health and safety within each company, with the involvement of all the concerned stakeholders and in particular the workers. Referring to various paragraphs of their programme, dealing with innovation and new working processes, Social Partners, in collaboration with the OSHA Agency, will pay attention to new emerging risks, related to the use of new materials, combination of materials, changes in the work processes and work organisation or the implementation of new technologies. Joint activities and campaigns are planned, for instance the assessment of the EU H&S legislative framework, operational action for better working conditions, a better prevention of psychosocial hazards, addressing potential new hazards and precautionary prevention strategies.
Functioning industrial relations Functioning industrial relations are a major element of a level playing field for economic activities. Shaping working conditions in all its aspects by joint agreements is a cornerstone in this respect and the best guarantee to avoid and to fight competition by wage dumping or other kind of dumping related to working conditions. EFBWW, EFIC and UEA will therefore pay particular attention in the strengthening of autonomous industrial relations within the furniture sector. They reaffirm the primary responsibility of the national sectoral social partners, through autonomous industrial relations, for finding a common understanding about the organisation of their national labour market. Social Partners support the establishment of industrial relation systems in all Member States. They will examine specific needs or demands raised by national social partners and jointly develop specific capacity building initiatives, paying specific attention to the Central and Eastern European countries.

4. Sectoral bargaining in the Netherlands - relevant issues from a trade union perspective

At the end of WWII, a new vision on the structure and demarcation in the Dutch industrial relations was formulated by the central organisations of the Dutch trade union movement. Basic idea was the introduction of the principle of the sector wise organisation of the economy. This had huge consequences for the Dutch trade union landscape and for the development of the bargaining system. The direct consequence was a process of mergers of trade unions and compilations of occupations, whilst parts of the membership were transferred to adjacent sectors. This reorganisation of the sector approach on the trade union side continued for almost 40 years. In this process, the furniture and other woodworking industries merged in the early 1970s with the construction unions into a building and woodworking trade union, in the then existing 3 denominations (the Christian, the catholic and the social democratic trade union movement). Later on, the catholic and social democratic unions merged.[8] Notwithstanding this, the definition of which trades and occupations belonged to the furniture industry stayed rather patchy until the late 1980s.

In fact, there are six, partly intertwined or overlapping, themes that dominated the trade union agenda in the furniture industry in recent decades.

a. Defining the industry

The industry wise modelling of the Dutch industrial relations system had a serious impact on the bargaining system. Trade unions wanted to become a direct partner for identifiable employers' organisations in the branches and the notion of industrywide provisions became a key item in their priorities. This led to lengthy discussions about the integration of affiliated trades and occupations and about demarcations with other branches. Moreover, the question how to handle enterprises that were active in the production of furniture related products stayed topical, for instance the assembly of such materials as wood, metal, glass, plastics, and rattan. Integrating a branch, for instance, the interior building asked for much attention. Another concern for the unions was to avoid regime-shopping, i.e., the possible choice of cheaper agreements. This often correlated with the aim of the key manufacturers in the furniture industry to limit distortion of competition.

b. Dynamic perception of the industry

Strongly related with point 1 was the issue of the dynamic dimension of the furniture industry. Design and fashion trends play an important part in the production of furniture. New technologies, innovative mixed and blended goods and products make it necessary to also look at bargaining from a dynamic perspective. A related presumption with a strong impact over the years, namely that a worker will stay for his whole career in one occupation or sector, had to be revised as well. After the establishment of a more or less stable collective bargaining system in the furniture industry (in the early 1990s), this development created new challenges for the partners in bargaining. There is also a direct relationship with the opening up of the industrywide provisions that were established over the years (see point 4.).

c. Inflation correction and the consumer price index

During a long period, the Netherlands worked with a price compensation mechanism that automatically coupled the wages with inflation. The Statistical Office CBS calculated the inflation and based on that

[8] In recent decades, mergers and restructurings of trade unions were much more driven by financial arguments.

figure the wages increased automatically (twice a year). This type of price indexation still exists in, for instance, Belgium. Inside the trade unions, there was a certain ambiguity towards this automatism as it made part of the negotiations redundant. Such mechanism guarantees an increasing income in times of high inflation, but it also can take away the drivers to become a trade union member. A social pact at national level between the confederations of employers and union and the government in 1982 led to the abolishment of this automatic system. After this abolishment the negotiations of wages became more complicated. Since then, unions fight for the maintenance of an inflation correction, and this puts an extra weight on the bargaining.[9]

d. Purchase power, and pay related to profit

From a trade union perspective pay belongs to the primary working conditions. According to the unions, employees are as relevant stakeholders as, for instance the shareholders or capital owners. The aim of the unions is to reach a pay level that not only takes into account the inflation, but that also improves the purchasing power. To reach a decent share of profit has taken, over the years, different forms and cannot be analysed separate from the socioeconomic development and the reduction of the working time. For instance, for the year 2023 and annual increase with 3.25% was agreed. But as inflation went up very high, the unions first concern became the repair of the loss of purchasing power. In the pending negotiations in furniture, that started in October 2023, the unions opened the negotiations with a demand of 11.5% wage increase, in order to repair the loss of purchase power in recent years. The employers started with a suggested overall space of 5 to 6% wage increase. Although the last offers and demands do not seem very far apart, the resulting annual wage difference is still substantial.[10]

e. Industry-wide pension schemes

Trade unions have always seen an employee's subscription in an individual occupational pension scheme as a serious risk. If a firm goes bankrupt, the pension rights of its workers can be endangered. In the processes described under point 1 and 2 (until the late 1980s), installing an industry-wide sustainable pension scheme was a key aim of the trade unions in furniture. Such a provision, not depending on the financial future and survival of a firm, is considered a better guarantee for pension benefits.

f. Paritarian, joint provisions

Several European countries have developed a tradition of institutions managed by both sides of the industry, established on a joint basis within the framework of collective agreements. Their governance is based on the equal representation of employers and employees in the governing bodies. The ‘paritarian’ institutions are non-for-profit institutions, active in the field of social protection, such as coordinated retirement schemes, occupational pension funds, complementary healthcare insurance, occupational health and safety, paid holidays (and in some countries unemployment benefits funds). Trade unions in furniture have given high priority to the building up and the preservation of such provisions.

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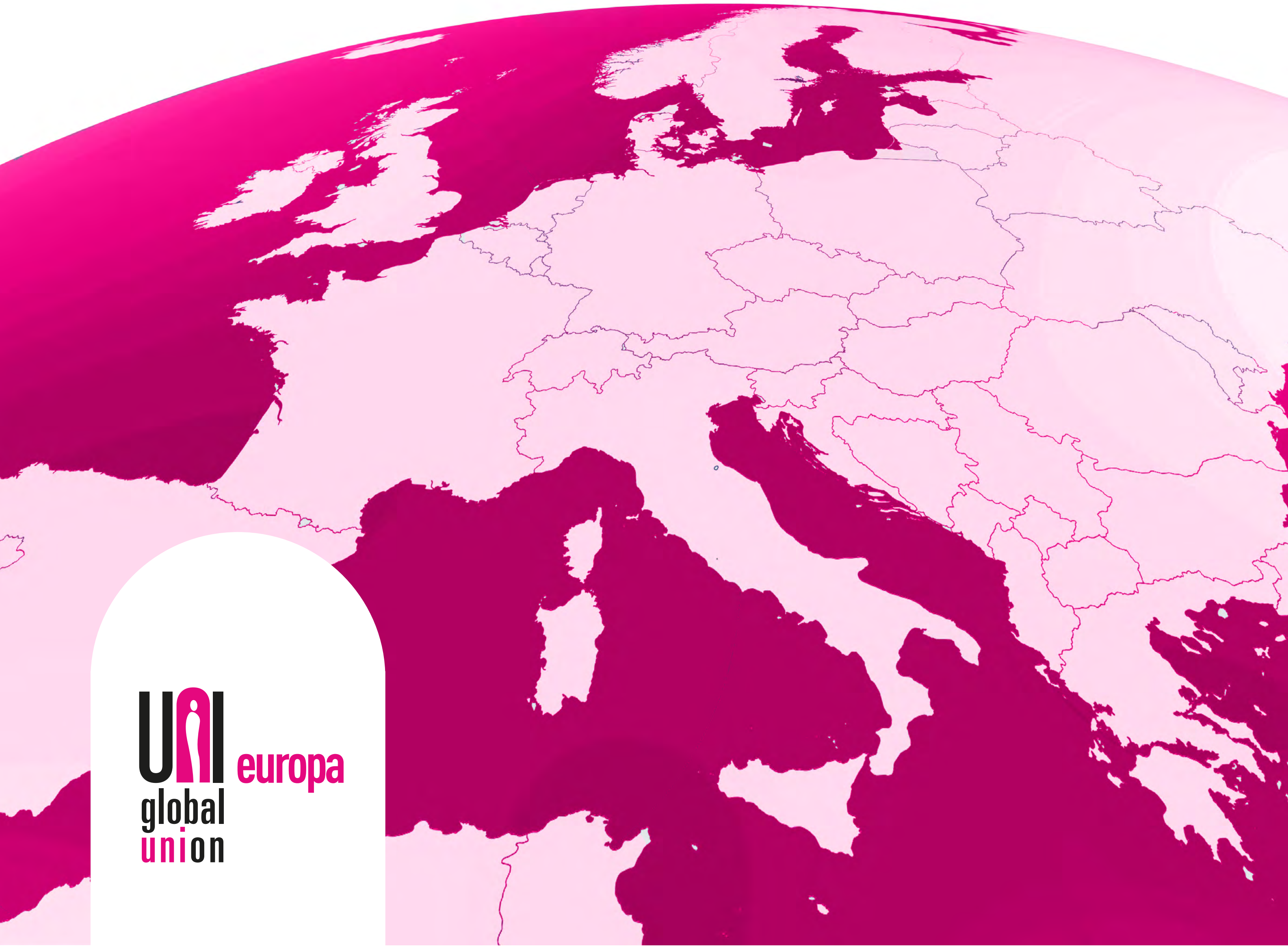
[9] Core inflation rate in the Netherlands averaged 1.93% from 1997 until 2023, reaching an all-time high of 6.93% in May 2023 and a record low of 0.10% in March 2006. Current level (November 2023) is 1.6%. The Consumer Price Index in the Netherlands averaged 62.87 points from 1960 until 2023, reaching an all-time high of 128.25 points in October of 2022 and a record low of 15.35 points in August of 1960.

[10] Employers offered in a last round in December 2023 a pay increase per 1 January 2024 of 5,5% and an additional fixed € 45 monthly per 1 April 2024. The unions asked for 5,5% per 1 January 2024 and an additional € 50 + 2% per 1 April 2024. The annual difference can go up to € 1000.



COLLECTIVE BARGAINING SYSTEMS IN EUROPE

SOME STYLISED FACTS

Torsten Müller, ETUI

Within Europe, free collective bargaining is a cornerstone of democratic societies. It enables employers and trade unions, as autonomous bargaining parties, to freely determine the terms and conditions of the employment relationship. By ensuring minimum standards of pay, working time and other working conditions, in particular for those with weak individual negotiating power, collective bargaining has a protective function for workers. It also has an important distributive function by securing workers a fair share of economic growth. For employers, collective bargaining has a key conflict management function by providing a structured process for resolving diverging interests.

Over time, a great variety of collective bargaining systems been developed across different European countries, depending on the different political and economic conditions, national traditions, customs and practices. Today no two national collective bargaining systems are alike. Despite this great variety, it is possible to identify five geographical clusters of collective bargaining models which share some key institutional characteristics. The table below provides a broad overview of the five models.

With the caveat in mind that the real world is always more complex than ideal-type models and that assigning one country to any classification is an approximation at best, the objective of the remainder of this document is to map the collective bargaining landscape of Europe. Appropriate key features will be explained by drawing on specific country examples. The key focus will be on the institutional characteristics of the bargaining systems rather than on bargaining outcomes, such as wages, working time or other terms and conditions.

For more information on individual countries see: Müller T.; Vandaele K. and Waddington J. (2019): Collective bargaining in Europe: towards and endgame, Volume I-IV, Brussels, ETUI. https://www.etui.org/publications/books/collective-bargaining-in-europe-towards-an-endgame-volume-i-ii-iii-and-iv

Key characteristics of collective bargaining regimes

	North	Centre-West	South	West	Centre-East
Industrial relations regime	Corporatist	Social partnership	Polarised state-centred	Liberal-pluralist	Fragmented state-centred
CB Coverage	87.1%	77.3%	76.3%	37.8%	27.1%
Trade union density	64.7%	29.1%	19.1%	36.2%	13.1%
Employers' density	76%	83.6%	67.7%	60%	54.2%
Principal level of CB	Industry level	Industry level	Variable	Company	Company
Bargaining Style	Integrating	Integrating	Conflictual	Conflictual	Acquiescent
Role of the state	Limited (mediator)	Limited (enabling)	Frequent intervention	Non-intervention	Organiser of transition
Countries	DK, FI, SE	AT, BE, DE, LU, NL, SI	ES, FR, GR, IT, PT	CY, IE, MT, UK	BG, CZ, EE, HR, HU, LT, LV, PL, RO, SK

Source: OECD-AIAS ICTWSS Database (2020), Visser (2009)
Note: all figures are calculated on data for 2018 (or the most recent year available).

NORTHERN EUROPE: CORPORATIST MODEL OF COLLECTIVE BARGAINING (NORDIC COUNTRIES)

Collective bargaining in all three countries is based on a strong voluntarist tradition. This means that the state does not interfere in industrial relations and leaves the definition of the rules of the game and the terms and conditions of the employment relationship to the bargaining parties. It should be noted, however, that in Finland the state traditionally plays a more active role for instance by initiating tripartite negotiations on incomes policy. Another underlying feature of the Nordic industrial relations model is its bias towards a consensus-based corporatism which in turn means that employers and trade unions are closely involved in policy-making.

Level and extent of collective bargaining

Collective bargaining in the northern European model is highly centralised and largely anchored at industry level; until recently in Finland, even at cross-industry level. Another notable feature of the Nordic model is the exceptionally high bargaining coverage with an average of more than 87%. Following the voluntarist tradition, the high bargaining coverage essentially rests on the support of multi-employer bargaining by strongly organised employers' associations and trade unions. The average employer density in this model is 76% and the average union density is, at almost 65%, by far the highest of all five models. The high union density in all three countries is institutionally underpinned by the so-called 'Ghent system' in which unemployment insurance is voluntary and linked to membership of an unemployment fund which is traditionally set up and controlled by trade unions which in turn provides a string incentive to join a union.

Coordination through manufacturing-led pattern bargaining

Collective bargaining in the Nordic model is usually multi-tiered and characterised by a high degree of coordination across different industries and articulation between different bargaining levels. Despite its centralised character there is also a long tradition of workplace bargaining. The coordination across different industries can take different forms. In Denmark and Sweden, the main coordination mechanism is pattern-bargaining, which means that the agreement in the internationally exposed manufacturing industry defines the scope of wage increases for the other industry-level agreements. In Finland, peak-level coordination in the form of tripartite incomes policy agreements played a central role until 2016. Since then, Finland moved from tripartite incomes policy to manufacturing-led pattern bargaining.

Strong articulation between levels ensures organised decentralisation

All three countries have effective procedural mechanisms for articulation between levels underpinned by strict hierarchical principles so that derogations to the detriment of workers are generally not accepted unless explicitly allowed in the higher-level agreement. Most private sector agreements specify minimum wage rates, the basic increase therein and major conditions, while the setting of actual pay, including local increments and other conditions, is increasingly delegated to company-level negotiations. The scope for local determination of actual pay and working time has gone furthest in Denmark and remains the most constrained in Finland. This tight articulation is facilitated by strong single-channel, trade union-based representation arrangements at company level.

CENTRAL-WESTERN EUROPE: SOCIAL PARTNERSHIP MODEL OF COLLECTIVE BARGAINING (AUSTRIA, BELGIUM, GERMANY, LUXEMBOURG, NETHERLANDS, SLOVENIA)

A common characteristic of all these countries is that collective bargaining is based on a notion of social partnership traditionally shared by employers and trade unions. This means that collective bargaining traditionally takes place in a context of cooperative and compromise-oriented industrial relations with comparatively low strike rates. As a rule, the state is non-interventionist and has an enabling role by setting the legal and institutional framework conditions that enable autonomous negotiations – although it should be noted that in Belgium in recent years, state intervention has to some extent limited the scope for autonomous wage setting.

Level and extent of collective bargaining

Collective bargaining in this model usually takes place at the industry level. More recently, all countries were affected by an increasing trend towards decentralisation with a transfer of bargaining competences to the company level. In all countries, however, this took the form of organised decentralisation which means that industry-level agreements define the terms and conditions under which negotiations at company level take place. The most frequent tools used to advance organised decentralisation were opt-out clauses from extended collective agreements and so-called 'opening' or ' derogation' clauses which allowed company-level agreements to deviate from industry-level agreements. Despite this trend, industry-level bargaining still dominates in all five countries. As such, bargaining coverage in this model is considerably higher than in the western and the centre eastern European models, where bargaining predominantly takes place at the company level. The average bargaining coverage of 76.3%, however, masks large differences between Germany and Luxembourg with a coverage of 56% and 59% respectively and Austria and Belgium with a coverage of almost 100%.

Strong institutional support for industry-level bargaining

In contrast to the northern European model, in which high bargaining coverage strongly rests on the high density of trade unions and employers' associations, the crucial factor in the centre-western European model is the strong institutional support for collective bargaining. This support can take different forms. In Belgium, The Netherlands and Slovenia it is the frequent use of the extension mechanism which ensures that industry-level agreements not only apply to the members of the signatory organisations, but to all companies and employees of the respective industry. In Austria, it is the compulsory membership of companies in the Chamber of the Economy which is responsible for collective bargaining with trade unions.

The importance of employers' support

The high organisation rate of employers and their support for multi-employer bargaining is another important factor that accounts for the high bargaining coverage in this model. As a rule, employer density is above 80% and two to three times higher than union density. The outlier is Germany with an employer density of just 68%

indicating a diminishing support from employers and their gradual retreat from industry-level bargaining – a trend that exists in all six countries even though to varying degrees. The outlier on the union side is Belgium where union density is still above 50% partly as a consequence of the quasi-Ghent system and the unions' involvement in the administration and the paying of unemployment and early retirement benefits.

SOUTHERN EUROPE: POLARISED STATE-CENTRED MODEL OF COLLECTIVE BARGAINING (FRANCE, GREECE, ITALY, PORTUGAL, SPAIN)

This model is characterised by a high degree of state intervention in the regulation of the employment relationship. The exception to this rule is Italy with its voluntarist tradition which is more similar to the Nordic model of collective bargaining. The southern European model is furthermore characterised by a tradition of adversarial negotiations with high strike rates – although in recent years collective bargaining has been less conflictual.

Level and extent of collective bargaining

Collective bargaining predominantly takes place at the industry level which leads to a high bargaining coverage of 76.3%. Of all the five models the southern European model shows the largest difference between the organisational strength of collective actors and bargaining coverage. This illustrates the important role of the state in ensuring high bargaining coverage through the frequent legal extension of collective agreements to non-organised firms. In Italy, where no extension mechanism exists, the - at least theoretical - complete coverage is based on the constitutional right to fair remuneration which labour courts usually define as the remuneration set by collective agreements. The state also plays an important role in the coordination of bargaining across different bargaining levels. With the exception of Italy, the law-based favourability principle establishes a clear hierarchy of levels by ensuring that company level agreements cannot derogate from industry-level agreements to the detriment of the employee. In particular in Greece, Portugal and Spain, the favourability principle compensates for the comparatively weak institutionalised union presence at company level.

Government intervention to decentralise collective bargaining

In light of external pressure of economic adjustment in particular as a consequence of the crisis in 2008/2009, collective bargaining systems in all five countries have been exposed to government interventions aiming at the decentralisation of bargaining. In Greece, Portugal and Spain this pressure was reinforced through the political intervention of the Troika. The measures introduced included: first, more restrictive criteria for the extension of collective agreements; second, overturning or abolishing the favourability principle in order to reverse the existing hierarchy of bargaining levels giving company agreements precedence over industry agreements; and third, the active support of company-level negotiations by giving non-union institutions the right to conclude agreements at company level.

Union presence at the workplace ensures organised decentralisation

In France, Italy and Spain, the uptake of the newly created opportunities for company-level negotiations was very limited and bargaining coverage therefore remained fairly stable. In Greece, the newly introduced measures lead to the breakdown of the existing system and a drop in bargaining coverage from more than 70% in 2000 to a mere 25% in 2018. In France and Italy, the stronger union presence at company level ensures a more organised form of decentralisation. In contrast, in Spain, Portugal and Greece there were only little autonomous structures in place that prevented company-level agreements from becoming detached from industry-level agreements when the state withdrew its support for multi-employer bargaining.

WESTERN EUROPE: LIBERAL-PLURALIST MODEL OF COLLECTIVE BARGAINING (CYPRUS, IRELAND, MALTA, UNITED KINGDOM)

A feature shared by all countries of this collective bargaining model is the voluntarist tradition of industrial relations combined with a minimum of legal intervention by the state. This does not mean, however, that there is no state influence. All countries, for instance, have some form of a statutory minimum wage; although in Cyprus this only applies to specified occupations. The state furthermore influences collective bargaining indirectly by shaping the trade unions capacity to act, for instance, through regulation on union recognition. Another characteristic of this model is a tradition of adversarial bargaining with high strike rates. Although, with the exception of Cyprus, in recent years industrial relations have been much less conflictual.

Level and extent of collective bargaining

As a rule, collective bargaining in the private sector takes place at company level between individual employers and trade unions. More centralised bargaining is largely restricted to the public sector. Between 1987 and 2009, however, industrial relations in Ireland were marked by social partnership with tripartite national wage agreements. This model of centralised bargaining broke down as a consequence of the crisis in 2008/2009 and since then bargaining in the private sector takes place at the company level.

Union density crucial for bargaining coverage

In line with the voluntarist tradition of this model, there is no state support for multi-employer collective bargaining through an extension mechanism. Ireland is to some extent an exception with its ‘sectoral employment orders’ and ‘employment regulation orders’ issued by the Labour Court which set wages and working conditions in a limited number of industries. Since, furthermore, there is no legal right to collective bargaining, the unions’ capacity to negotiate a collective agreement is linked to them being recognised by employers for bargaining purposes. As a consequence, the coverage of collective bargaining essentially rests on the strength of trade unions – rather than on the density of employers’ organisations like in many other western European countries. It is, therefore, no surprise that in this model the average level of union density (36.2%) corresponds more closely to the average level of bargaining coverage (37.8%) than in any other of the five models. Collective bargaining is decentralised, fragmented and uncoordinated – the exception is to some extent once again Ireland where some of the larger unions pursued a coordinated pay strategy as a variant of pattern bargaining.

Voluntarist only in name?

Despite the voluntarist industrial relations tradition of this model, over time the role played by state regulation has become significant. In the UK, for instance, the state continuously undermined the scope of union action since the beginning of the 1980s through restrictive strike regulation, the marketisation of public services and its privatisation policy. This shifted the power relationship in free collective bargaining towards the employers. While little has been done to support multi-employer bargaining, a considerable body of legislation has been introduced in all four countries aimed at the increase of individual workers' rights mostly in response to EU Directives. In the absence of a supportive framework for union recognition this suggests a continuation of the trend towards a system based on individual rights at the expense of collective bargaining and collective labour law.

CENTRAL-EASTERN EUROPE: FRAGMENTED STATE-CENTRED MODEL OF COLLECTIVE BARGAINING (CEE COUNTRIES)

The centre-eastern Europe model comprises the largest and most diverse group of countries. A feature shared by all countries is the neoliberal underpinning of collective bargaining which manifests itself in policies aimed at making labour markets more flexible and at attracting foreign direct investment. This hampered the development of strongly organised collective actors on both sides and therefore the development of multi-employer bargaining. As a consequence, the state plays an important role in setting the terms and conditions of the employment relationship.

Level and extent of collective bargaining

Collective bargaining in the centre-eastern European model is fragmented and decentralised. In the majority of countries, the company is the dominant bargaining level. Croatia, Czechia and Slovakia are the only exceptions with a significant part of the bargaining taking place at industry level. The dominance of company-bargaining in this model is reflected in the lowest bargaining coverage (22.7%) of all five bargaining models. The reason for the low bargaining coverage can be seen in four further key characteristics of this model: first, the dominance of neoliberal policies which from the beginning of the transition process limited the development of industry-level bargaining; second, the weakness and fragmentation of collective actors on both sides. With 12.3% union density and 52.4% employer's density this model has by far the lowest average rates of collective organisation of all five models.

Weak and reluctant employers' associations hamper industry-level bargaining

The third factor is the reluctance of employers to engage in multi-employer bargaining. The organisational weakness and reluctance to negotiate take different forms. In Estonia and Poland, for instance, trade unions in many private sector industries simply lack an industry-level negotiating partner on the employers' side. In Hungary, employers' associations are primarily lobbying organisations and companies are reluctant to join or to authorise them to negotiate agreements at industry level. In Czechia, industry-level bargaining is particularly limited in industries dominated by foreign multinationals, which prefer to negotiate individually at company level. Finally, in Slovakia employers' associations have increasingly decided to opt out of industrial bargaining because they no longer see any benefit from it.

Increasing importance of legislation at the expense of collective bargaining

The fourth factor is the lack of institutional support for multi-employer bargaining by the state. In many countries the state even interfered in a restrictive manner for instance by tightening representativity criteria for trade unions as a precondition for bargaining; by extending bargaining rights to non-union representation structures or by downgrading the role of existing tripartite dialogue structures from a negotiation body to an advisory body. Despite this trend, social dialogue structures still play an important role for trade unions to influence socio-economic decision and to compensate for the lack of collective bargaining. The decreasing regulatory capacity of collective bargaining is reflected in the increasing importance of legislation in setting terms and conditions at the expense of collective agreements. In some countries, collective agreements merely reiterate the legal minimum standards, which however at least guarantees that management will respect and not bypass standards and it helps trade unions to sustain the bargaining relationship with management.


FORWARD
THROUGH COLLECTIVE
BARGAINING

Title: The Dutch polder model after the crisis - An employer's view

Author: Laurens Harteveld (on personal title),
senior policy advisor employer's association AWVN (www.awvn.nl/)

Summary

Social partners and government reacted adequately to the threats of the financial crisis emerging at the end of 2008 by means of a national wage pact in Spring 2009. Afterwards it proved difficult for the tripartite parties finding each other on new important central issues like pension reforms and life-long learning. In collective bargaining, the gap between the central wage demand of trade unions and the wage offer of employers seems to be increasing, resulting in tough negotiations and less attention for other important labour issues, like lifelong learning.
In reality, the wage debate is more refined than unions claim.
The good news is that the structure of the Dutch consultation economy is still alive. Recently the tripartite parties did manage to reach an agreement on pension reform. This proofs once again that the institutional architecture is still working.

Successful social pact in 2009

The employer's organization AWVN is the main business actor in the negotiations of some 500 out of the 800 collective labour agreements (CLA's) in The Netherlands. In this role, we monitor bargaining results in the social dialogue and industrial relations closely.

With the outbreak of the financial crisis in the Fall of 2008, the economic situation turned at an unprecedented velocity from a booming economy in Summer 2008 into a severe economic decline of 3,7% in 2009. Social partners and government reacted with a Social Pact in March 2009.[1] In this pact the maximum collective wage increase of 3,5% (agreed upon in the Autumn pact just before the outbreak of the crisis[2]) was diminished into the new inflation forecast of 1%.[3] The wage pact was successful: within six months after this national pact the average wage increase actually matched the level of 1%. Without this national pact, the decentral debate on collective wage increase would have been longer and more fierce, resulting in a higher wage increase. In other words: social partners and government reacted quickly and adequately to the threats of the economic crisis.
Individual employers responded to the crisis by labour hoarding: companies did not lay off employees when it otherwise would during the 2009-crisis, with the intention to profit from economic growth in the near future.
Unfortunately, the recovery of the economy did not take place immediately. Instead, the Dutch economy faced a new economic decline in 2012 (-1%) and 2013 (-0,1%). As a consequence, the number of bankruptcies increased in 2012 to an all-time high[4].

After 2009, the period of cooperation and mutual trust between social actors at central level ends. In 2010, the largest union, FNV, even fell into a severe internal crisis on the subject of pension reforms. In 2013, a new social pact was negotiated on labour market reforms to stabilize the economy and the

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[1] https://www.tijdschriftvoorarbeidsvraagstukken.nl/inhoud/tijdschrift_artikel/TA-28-2-138/Loonvorming-in-tijden-van-crisis (in Dutch only)

[2] "The trade unions will ensure that, with a view to responsible wage cost movements, wage claims in the coming collective agreement year will be in line with those of this year."
https://www.stvda.nl/en/~/media/files/stvda/convenanten_verklaringen/2000_2009/2008/20081007_en.ashx

[3] "Wage movements will be negotiated to match the level of inflation."
https://www.stvda.nl/en/~/media/files/stvda/talen/engels/2009/voorjaarsakkoord_20090325_en.ashx

[4] CBS: https://opendata.cbs.nl/statline/#/CBS/en/dataset/82242ENG/table?dl=16509

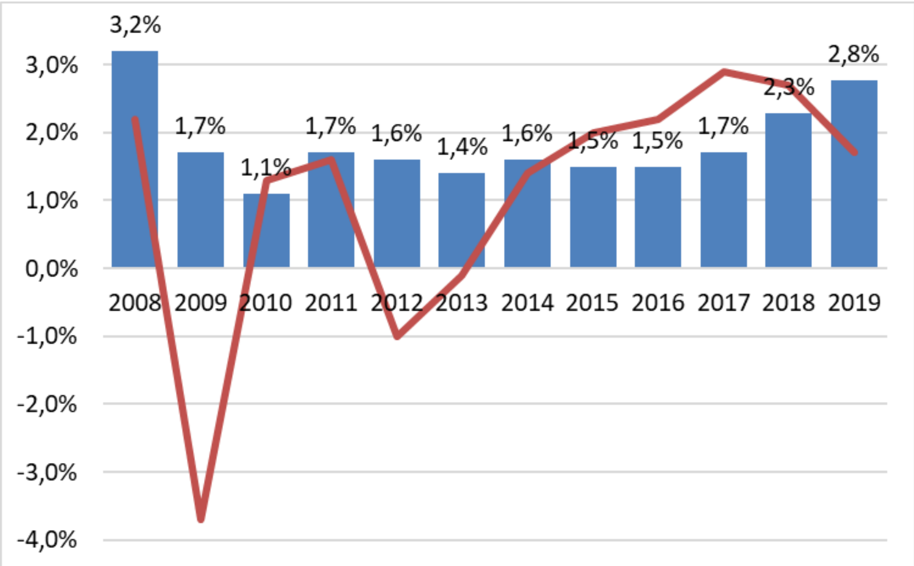
political climate.[5] However, both the members of trade unions and members of the employers confederations were generally not pleased with the implementation of this pact, resulting in less support for the social dialogue in the years after 2013.

Wage debate

Today, in 2018 and 2019, the Dutch economy is booming again. In this context a quite extended debate has emerged about wages that "do not follow the economic growth sufficiently". Trade unions refer to the high level of profits of companies in this context. Even the Dutch Prime Minister and the President of the Central Bank have expressed their concerns. According to the employers' association AWVN, reality is less simple than unions suggest for a number of reasons.

First of all, an unwritten convention exists in The Netherlands that collective wages never decrease. Even in the year of 2009, with an economic decline of 3,7%, the average collective wage increase was 1,7% (average according to AWVN-data). After a 1,1% wage increase in 2010 the Dutch economy entered a period of an average annual wage increase of 1,5% to 1,7% until 2017 (figure 1).

Figure 1: Collective wage increase (blue bar) and economic growth (red line), 2008-2019



Source: AWVN wage data base (https://cao-kijker.awvn.nl/) and CPB-data on economic growth

In order to compensate for the wage increase in the years of economic decline (2008-2009 and 2012-2013), the wages in the post-crisis years increased at a lower rate than is normally the case.

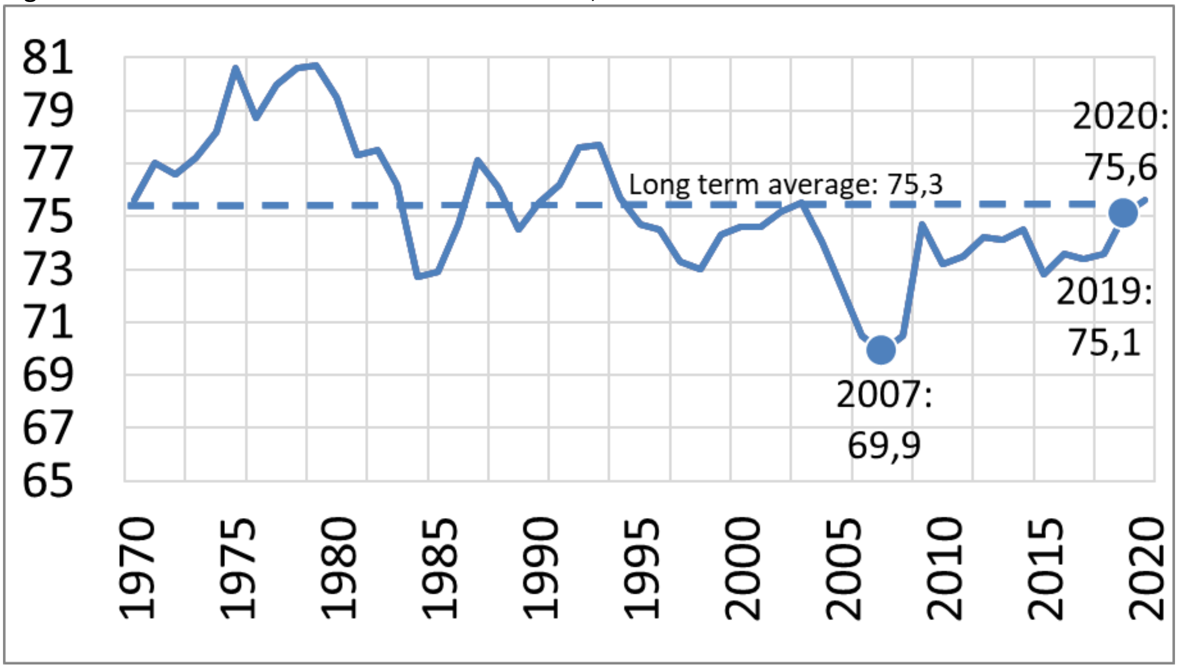
If we look at collective wage data over a longer period of time, we must conclude that not only collective wages never decline, but also that the fluctuation of collective wages is less extreme than the fluctuation of economic growth. We also conclude that collective wages follow the economic development with a delay of some 18 months, that is about equal to the average duration of a negotiated collective labour agreement (CLA).

Secondly, if we look at the 'labour income share' as part of the national income, we do not see a structural decline since 2000 (figure 2). During the crisis the labour income share indeed has declined, but in recent years the labour income share is increasing again towards the long term

[5] "Prospects for a socially responsible and enterprising country: emerging from the crisis and getting back to work on the way to 2020" https://www.stvda.nl/~/media/Files/Stvda/Talen/Engels/2013/20130411-sociaal-akkoord-EN.ashx

average. Recent research shows the statistical complexity of this economic entity and its shortages in the wage debate.[6]

Figure 2: Labour income share in national income, 1970 to 2019



Source: AWVN presentation of CPB-data https://www.cpb.nl/sites/default/files/omnidownload/Appendix_03_kmev20.xlsx)

Thirdly, although the gross wages did increase the last years, the purchasing power of households did not follow. This is the consequence of the policy of central government to increase the tax burden of households from 35% in the beginning of this century to a forecasted 39% in 2019.[7]

Fourthly, the booming profit figures ask for nuance. Indeed, according to national statistics, companies are making higher profits at macro level. But that does not mean that all companies are earning similar (high) benefits. In fact, there are indications that growing shares are limited to a few (larger) companies. Some of these companies earn high profits because of foreign investments in the past, whereas others (like Google, Microsoft, Amazon and Über) are profitable because of their (global) monopoly power.
Even during the current economic boom period, we witness a lot of companies not making any profit at all. In the retail for example, companies are facing more severe competition from domestic web shops (open 24/7) and digital purchasing platforms (like Alibaba).
What is not helpful, is that in some collective agreements, the ‘result based payment’ has disappeared. In the years after the crisis, this ‘result based payment’ did not result in incidental wage increase because of the lagging or even negative financial results of companies. In reaction to this situation, trade unions wanted to transform this ‘result based payment’ in a structural payment at a lower level. The employees’ preference of more security can be understood, especially in years of crisis, but at the same time prevents that employees can share in higher profits in prosperous times.

Fifth and not least, the wage debate is being blurred by different interests and different wage definitions. Are we talking about wage costs, gross wages or net wages, real wages or nominal wages, structural wages or incidental wages? For example, the call for higher wages from the Dutch

[6] http://www.seo.nl/pagina/article/de-aiq-in-nederland-een-overzicht/ (in Dutch only)
[7] CPB-data: https://www.cpb.nl/en/forecast-june-2019

Prime Minister can be seen as an attempt to realize the election promise of more purchasing power in times of an increasing tax burden. The call for higher wages from the President of the Central Bank can be seen in the context of pursuing an inflation rate of 2% (while the recent ECB policy of monetary expansion was pushing down national inflation rates).

AWVN recommends its members in 2018 and 2019 a 'balanced' wage increase. If the collective wage increase is too low, the employer will face problems attracting new employees in the labour market, when the collective wages rise steeply employers will meet competitive problems in the product market.
The current gap between the central wage demand of the FNV of at least 5% for 2019 and the wage offers of individual employers is large.[8] This can hamper collective bargaining. As a result we register more labour unrest in 2019, more final offers of employers for a new CLA (and less agreements) and less attention on the negotiation table for new investments in employees, necessary to increase (or at least maintain) their value at the rapidly changing labour market, demanding new skills and competencies.

Dutch consultation economy: still working though weaker in the future?
Social dialogue is still going on and social partners are talking to each other on a regular base. The central government is looking for support for its new policies, and social partners search for opportunities to put specific issues at the government agenda. This system of mutual consultation still works, but is facing several threats in recent years that can erode the Dutch polder. For each of the partners, substantial dilemmas are at stake.[9]

First, the trade union confederations loose power because of a declining number of union members. It is commonly understood that the Dutch system of labour relations does not stimulate union membership, given the free-rider issue. Employees will benefit from the collective agreement whether they are union member or not. In theory, as long as unions are representing the interests of all employees (instead of a selected group of - older - members) there is no problem. In the present period, we may note an overall decline in members of political parties, churches, and social organizations, an inevitable trend in times of increasing individualism. In practice, trade unions loose members, which threatens the degree of representation. This may result in a change in the equilibrium of powers at the negotiation table.

Employers' associations on their turn are also facing representation problems. The number of companies that are controlled by foreign capital is increasing rapidly. In terms of employees, almost 20% of all employees in the market sector is working in companies with foreign ownership. In manufacturing, one out of three employees is working in a foreign owned company. In terms of turn-over, even 51% is in foreign hands.[10] With more companies under foreign control, the understanding of the Dutch consultation process and positive attitude towards unions are both declining at company level. Nowadays foreign owned companies experience a more severe control from the foreign mother company, that is trying to standardize production processes and labour terms in all global production locations by means of uniform spread sheets and other forms of monitoring and control. This results in less autonomy in labour relations for the individual companies that are part of global conglomerates. At the beginning of this century, the company plants would be closed if it did produce with a loss, nowadays a department will be closed if the profits are less than expected or

[8] See for instance the AWVN interim report on CLA trends in the first half of 2019 of https://www.awvn.nl/nieuws/tussenevaluatie-cao-seizoen-2019/ (in Dutch only).
[9] Article published in Zeggenschap December 2018 (Laurens Harteveld): "Model van doorwerking staat onder druk", https://www.zeggenschap.info/zeggenschap/in-het-decembernummer-2018/ (in Dutch only).
[10] CBS Statline: https://opendata.cbs.nl/statline/#/CBS/nl/dataset/81358ned/table?dl=142A6

less than elsewhere in the global conglomerate. Foreign owned companies have to negotiate twice: first with the mother company about the mandate, then with the Dutch unions about the collective agreement.

Finally, the government is dealing with shrinking powers. In the period 2000 to 2019, Dutch politics counted eight government coalitions. This reflects the underlying societal unrest in The Netherlands. The previous cabinet (2012 to 2017) did manage to fulfill the whole reigning period, but lost powers both to Brussels (due to the European Semester) and to the municipalities (because of the decentralization of social policies). The current government is also quite instable, with a majority of only one vote in Parliament and a minority in the Senate, since elections in Spring 2019.

In sum each of the tripartite partners is losing position, thereby weakening the whole consultation system. Without support of the external parties, the weakening will be even more visible. This encourages the three parties to continue their tripartite talks like before. At the same time, we do not notice the appearance of serious alternative actors that can fill the growing power vacuum. The government has no alternative yet than consulting increasingly weaker social partners. The advantage for dealing with the social partners is that they can implement a national pact at the decentral level via the instrument of collective bargaining. Other parties lack this implementation power and are therefore less attractive for the central government to consult.

The increasing diversification in the labour market may weaken the consultation model also in other ways. The increasing number of self-employed people makes organizations representing employees less important. At the same time, individualization is weakening the coordination process from top (central pacts) to bottom (collective agreements), since both employees and employers are following their own interests instead of joint collective interests. Both goodwill and support for central deals is lacking in a significant part of the rank and file of both trade unions and employers' associations. This is partly the reflection of individualization processes and partly the result of the disappointment of the benefits of the last central deal in 2013.

Finally, we notice that industries with a high bargaining coverage (construction and manufacturing) are dealing with job losses and sectors with a low bargaining coverage (trade and business) are facing job growth. When these trends will continue, the current degree of bargaining coverage of almost 80% of all employees will decline.[11] In fact, including self employed people in the working population and excluding the public sector, the degree of bargaining coverage was falling from 72% in 2004 to 56% in 2015.

Overall, the Dutch consultation process did survive the crisis. The benefits of central consultation (support, agenda setting, influence) and of the collective agreement (economies of scale, equality, transparency) are still too strong for all parties involved. We may conclude that participating actors loose position, but also that other parties have not filled the power vacuum until today. Social partners and government finally reached agreement on a new national pact on pension reforms in spring 2019.[12] However, despite the joy of the pension deal, a lot of challenges will appear in the decision process about the implementation of the agreement. Also current processes like digitalization and robotization ask for three strong tripartite players with significant internal support, if not, the benefits of central consultation might run the risk to decline or even disappear in the future.

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[11] Article published in Zeggenschap March 2017: "Steeds minder werknemers vallen onder een cao" (Geert de Bruin, Laurens Harteveld), https://www.zeggenschap.info/zeggenschap/in-het-maartnummer-2017/ (in Dutch).
[12] See https://www.ser.nl/nl/actueel/Nieuws/akkoord-nieuw-pensioenstelsel or https://www.vno-ncw.nl/nieuws/pensioenakkoord-maatschappelijke-en-economische-winst

5. The Netherlands: Crisis management through social concertation and constructive opposition

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Summary

This chapter discusses three major social pacts (2009, 2013, and 2019) in the Netherlands negotiated under four consecutive coalition governments of variegated partisan political complexity and highly different styles of policy-making, to find socially legitimized fiscal retrenchment responses to the international financial crisis. In contrast to the glorious days of the ‘polder model’ during the 1980s and 1990s, when stable majority governments coalitions agreed with the social partners on wage adjustment, labour market change and social security reform, this chapter discusses a novel *modus operandi* of Dutch social concertation. After the “double dip” aftershock of the Great Recession, consecutive cabinets first negotiated a two-step Crisis Wage Pact on wage-setting and labour time reduction; later ignored social partnership; but then found a new practice to proactively reach out to the social partners, especially the trade unions. With amended labour market reform agreements in hand, the minority governments turned to parliament to seek second-order compromises with the so-called ‘constructive opposition’ parties to ultimately seal legislative agreement in line with the Brussels-based Fiscal Compact. In 2019, after ten years of negotiations also an encompassing Pension Pact was agreed upon, when the Dutch economy was back to fiscal health and economic growth, associated with low levels of unemployment.

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5.1 Introduction

In the Netherlands, economic crises usually trigger concerted efforts by coalition governments and the social partners to mitigate their adverse impact. However, there is no guarantee of success, neither in terms of orchestrating an effective concerted response, nor in in terms of anticipated economic fortitude. This chapter explores the trials and tribulations, social and political contingencies and economic consequences around three major social pacts (2009, 2013, and 2019), negotiated under four consecutive coalition governments of variegated partisan political complexion.[1]

Since 2007, Dutch cabinets have been hard pressed to pursue reforms in politically sensitive policy areas, ranging from pensions, labour market regulations, social security, housing, health, and education. Ostensibly, these governments had "no alternative" to pursuing restrictive policy reform agendas to meet Eurozone fiscal benchmarks. In fact, fiscal austerity aptly summarizes the post-crisis Dutch predicament as public debt and deficit levels rose beyond thresholds set by the European Union (EU) at the end of 2008. Yet, as explained in this chapter, the Dutch social partners, together with their bi- and tripartite fora, played critical roles in the pursuit, modification, and implementation of austerity reforms.

Most interestingly, over the course of the "double dip" aftershock of the Great Recession, a novel *modus operandi* of Dutch social concertation emerged. In the glorious days of the "polder model" during the 1980s and 1990s, centrist coalition governments presiding over large majorities in parliament, strong enough to push through politically agreed reforms, consequently held the door open to the social partners for additional coordination on wages, labour market adpatation, and social security adjustments. During the final decades of the 20th century, well-organized Dutch social partners were happy to lend a hand under the "shadow of hierarchy" of the state (e.g. Visser and Hemerijck 1997; Visser and Van der Meer 2011). This quasi-natural inclination changed in the 2000s under more precarious political conditions and less stable industrial relations. Increasingly weak minority coalitions began to proactively reach out to the social partners, especially the trade unions, and concert over anticipated reforms so as to bolster societal legitimacy. With such amended reform agreements in hand, the minority government turned to parliament to seek second-order compromises with the so-called "constructive opposition" parties to ultimately seal legislative agreement (Hemerijck and van der Meer 2016, 2019). This novel practice of two-level concertation across the corporate and parliamentary arenas not merely secured the survival and enactment of an intrusive reform agenda by the Rutte II government (2012-2017). It also brought the Dutch economy back to fiscal health and economic growth with low levels of unemployment, but, most conspicuously, made the Rutte II minority cabinet the longest serving government since 1945.

In the following, we trace the reform endeavours of four consecutive Dutch cabinets in their dealings with the social partners from 2008 through 2019. We thus cover the period of the "double dip" recession, unleashed by the global financial credit crunch in 2008 and the Eurocrisis, culminating in 2011, deepened by the tightening of EU fiscal governance. We show that even in an age of intensified European monetary and fiscal integration, it remains possible to effectively coordinate policy concertation and legitimate painful reforms in an interactive fashion between relatively weak governments and more fragmented interest organization in volatile political times. The days of encompassing social pacts may have passed, but sharing political space in hard times, characteristic for the consensus polity of the Netherlands, is still alive.

We proceed as follows. First, we survey the intensity of the "double dip" and its impact on the Dutch economy, before we present the characteristics of Dutch social concertation in more theoretical terms. We then review, more recent changes in Dutch industrial relations and coalition politics in the shadow of ever more intrusive European macroeconomic governance. Subsequently, we review the reform records of the various cabinets, and scrutinize how their respective reform agendas provoked political strife within ruling governments and their parliamentary support bases and between successive coalition governments and the social partners, including tensions within Dutch trade unionism and between them and employers' organizations. Before concluding, we also compare the concertative styles of the four cabinets under investigation, with special attention to strategies of consensus-building across the parliamentary and corporate arenas of the Dutch negotiating economy in the shadow of intensified Economic and Monetary Union (EMU) fiscal governance. We conclude with an evaluation of the changing nature of Dutch social concertation in the wake of the global financial crisis.

5.2 The Crisis Context

The Impact on the Dutch "double-dip" recession 2008-2014

The Great Recession deeply affected public finance, keeping in mind that the membership in the EMU obliges its member states to keep their debt levels below 60 percent of GDP and prevent new debt from exceeding three percent of GDP. Figure 5.1 illustrates that the Netherlands were in line with the EU budgetary rules prior to the Great Recession. 2007 was arguably the year when Dutch public finances were most healthy, with practically an even balance sheet (i.e. expenditures not exceeding revenues) and public debt hovering around 43 percent of national GDP.

[Figure 5.1- Public debt and deficit levels in the Netherlands 2000-2017 (as % of GDP)]

With its large financial sector, the Dutch economy suffered tremendously from the consequences of the Lehman Brothers bankruptcy in September 2008. Immediate credit problems made it imperative for the Dutch state to bail out four of six large financial corporations, namely the banks FORTIS, ABN AMRO and ING, and the insurance company Nationale Nederlanden.[2] As a result of the international credit crisis and the related bailouts, the budget deficit went up from practically zero in 2007 to 5.4 percentage points of GDP in 2009, while public debt rose from 42 percent to 58 percent in a span of less than a year. On top of the budgetary predicament inflicted by the banking crisis, the Dutch economy was confronted with a deep (international) recession with swiftly rising levels of unemployment from 304,000 in 2008 to 675,000 in 2010 (see Figure 5.2). Even before the crisis, a pension reform to accommodate an ageing population raised to the top of the political agenda, while the strain on public finances caused by the bank bailouts made the pension challenge even more urgent since the crisis. This “triple predicament” – fiscal, pension, and unemployment – troubled policy makers and social partners deeply.

The severity of fiscal dire straits between 2008 and 2013 becomes apparent with the magnitude of bank-bailouts in late 2008. The nationalization of the financial conglomerate ABN AMRO and of the Dutch branch of Fortis Bank, in addition to the financial assistance provided to ING and Nationale Nederlanden added up to 81€ billion of taxpayers money, injected to the banking sector over the fourth quartile of 2008 (Centraal Bureau voor de Statistiek 2010). Even though large parts of Dutch lending capacity already returned to normal in 2009, the net public costs of the bailouts are estimated at 23€ billion, which corresponds to roughly 3.6 percent of Dutch GDP of 2008, a level comparable to that in Spain though smaller than in Ireland (cf. Reagan in this volume) at that time.

In sum, the financial crisis threw the Dutch economy swiftly into a deep recession, characterised by limited banking credits, detoriating trade balances, declining labour productivity and a record low of almost-4 percent of negative growth rate in 2008-2009, and thereafter again negative values for 2012 and 2013 (Figure 5.2). Unemployment rose quickly after 2009, with the result of rising social security expenditures. In parallel, the ageing of Dutch population continued its upward trend, with the volume of retirees rising from 13.8 percent of the population in 2003 and 17.1 percent in 2013.

[Figure 5.2 – The Dutch socio-economic context between 2000 and 2017]

As Figure 5.2 shows unemployment levels declined after the crisis due to economic recovery and job growth. Note that the Dutch labour market has a hidden side: irrespective of the crisis, it entails a large share of part-time work and a constant growth in flexible employment, currently 40% of the working population has non-standard contracts. Especially the number of self-employed persons and on-call labour are the largest categories of flex-workers, currently more than one million employees are self-employed (see also: Sociaal en Cultureel Planbureau 2016; Pentenga 2019; Borstlap-Committee 2020).

Political fragmentation in a consensus democracy

Due to proportional representation, Dutch politics have become known for oversized cabinet coalitions built around Christian Democratic parties (Christen-Democratisch Appèl [CDA] and predecessors) in combination with either Social Democratic (Partij voor de Arbeid [PvdA]) or liberal and right-wing parties (the social-liberal Democraten 66 [D66], the liberal Volkspartij voor Vrijheid en Democratie [VVD]). The CDA-hegemony was broken only twice (1994-2002, 2012-2017) by a “purple coalition” between the PvdA and VVD. Since the early 2000s, Dutch politics has become far more volatile with cabinet coalitions relying on only small majorities in the face an increasing populist and single-issue political parties presented in national and local arenas (cf. Mair 2008; Hutter and Kriesi 2019).

Although the main governing parties still are VVD, CDA and PvdA, these parties have lost their dominance in parliament since the 1980s: while in 1982 the three traditional governing parties together held 128 seats, in 2017 they only held 61 of the 150 seats in the second chamber. Since 2010, VVD has been the largest party but only with moderate 41 seats in 2012 and only 33 in 2017, it is far from dominating Dutch politics as CDA did in the 1980s. Moreover, the electoral successes of Geert Wilders’ right-populist Partij voor de Vrijheid

(PVV) and the radical-left Socialistische Partij (SP), which account together for about 30 percent percent of the Dutch vote, strongly challenge the Dutch political culture of give-and-take consensus making, thereby hampering the formation of effective majoritarian coalitions. Other established parties, such as the social liberal D66, the green-left Groen Links (GL), the progressive-calvinist Christen Unie (CU), object to governing with the populist PVV, which makes forming a coalition even harder. In sum, contemporary Dutch politics are considered unstable not only because of societal de-pillarization and related fragmentation of the electorate, but also due to harsher competition between political parties that ultimately must form coalitions.

Deunionizaton and changing industrial relations

The Netherlands is a small, open economy with strong social partnership tradition in wage bargaining, social insurance administration, and institutionalized bi- and tripartite boards for nation-wide social and economic policy making. In particular, the bipartite Foundation of Labour (StAr, Stichting van de Arbeid) is the central meeting place of the social partners, and the tripartite Social-Economic Council (Sociaal-Economische Raad, SER) is the most prestigious advisory council of Dutch government in the area of social and economic policy making. Next to the trade unions and employers' associations, independent crown-members of the SER include the president of the National Bank, and the directors of Sociaal en Cultureel Planbureau (SCP) and the Centraal Planbureau (CPB).

Parallel to the fragmentation in the political landscape, the social partners can no longer muster the organizational unity and political strength they had in the past. This is particularly true for the main trade union confederations, the social-democratic Federatie Nederlandse Vakbeweging (FNV), the christian Christelijk Nationaal Vakverbond (CNV), and the union for higher skilled personnel Vereniging voor Hoger Personeel (VHP), as they attract a decreasing share of the wage-earners in the flexibilizing labour market of a service-based knowledge economy. The number of trade union membership has been continuously declining, reaching during the period 2012-2016 an all-time low of 17 percent for women and 22 percent for men (Centraal Planbureau voor de Statistiek 2018*).*

Membership decline has come with heightened internal strife. Since early 2008, assertive principles have taken root especially within the largest union federation FNV, challenging the traditional "responsible" behaviour of Dutch unionism, which maintained that the low membership figures mainly result from the lack of work-floor presence in times of major company restructuring.[3] The internal cleavage is mainly based on two contradictoray positions:

on the one side, there are the so-called "polderaars", union elites, closely aligned with the PvdA, cherishing national-level social concertation; on the one hand, there are the so-called "organizers", trade union activists and shop-stewards, actively mobilized by the left-populist SP, vouching for bottom-up mobilization and industrial conflict (such as in the cleaning industry in 2014 or metal sector in 2019).

Employers, in turn, have retained their power resources much better, as employer organizations claim to continue to represent around 90 percent of larger companies and 60-80 percent of larger small-medium enterprises (SME) (website VNO-NCW and interviews 3, 4, 13).[4] Nevertheless, employers' associations also face growing self-employment and intraorganizational strife. The main employers' organization, the Confederation of Netherlands Industry and Employers (Verbond van Nederlandse Ondernemingen - Nederlands Christelijk Werkgeversverbond [VNO-NCW]), is confronted with diversifying agendas of sectoral organizations and among individual membership companies. In particular, large international enterprises and the association for SMEs, that needed to change its leadership twice during the crisis, diverge on the issue of (short term) collective costs, such as the sickness and unemployment regulation, which matter more for the latter but tend to be ignored by the former. Under conditions of weak unionization, Dutch employers' associations today only agree on a limited number of strategic objectives: first, the relaxation of employment protection, second, improvement of labour productivity (public training, moderate wage costs), and third, a good investment climate (interviews 1, 3, 4, 13).

Within business circles, the employers' association Algemene Werkgeversvereniging Nederland (AWVN) (member of VNO-NCW) negotiates about 500-600 company agreements and, as such, has the most direct linkages to the market sector unions of FNV and CNV, always deliberating to find a common ground for 'socially innovative and productive industrial relations', as advocated in their joint declaration in 2011 (Pot 2019; Harteveld 2019). In the public sector, coordination among employers exists, but over the course of the recession wage coordination proved toothless, leading to five consecutive years (2009-2013) of zero-wage increase for public sector employees (Van der Meer and Brinkman 2019).

Due to *erga omnes* bargaining and general extension of collective agreements by the Dutch government, about 80 percent of dependent-wage earners are covered by collective agreements at sectoral level. In addition, some 800 company agreements exist, but increasingly many flex-workers and the self-employed are not covered by collective agreements. For both trade unions and employers' associations, the debate on labour market reforms should focus on creating a more equal playing field between workers in various statuses and protection of self-employed persons without basic social security. In their analysis, when including the self-employed, bargaining coverage remains at only 56 percent in 2018 (internal data AWVN, Harteveld, 2019).

[Figure 5.3 – Collective wage setting in the Netherlands]

Figure 5.3 shows the trends in inflation (consumer-price index), the average collective bargaining wage increase on a yearly basis (contract-wages), the annual labour productivity (as percent of GDP/ hour), and the wage-level claimed in collective bargaining by the largest Dutch union federation FNV. It indicates how, immediately after the crisis shock of 2008/2009, the wage-claims of Dutch unions swiftly converged towards real-wage levels, suggesting that the social partners and government largely agreed on a common way out of recession (see below). From mid-2010s onwards union wage-claims started to deviate, revealing an erosion of the 'tacit' consensus in the immediate crisis aftermath.

Intrusive EMU governance

The pre-conditions for social concertation are strong coalition governments able and willing to share political space with inclusive and well-organized employer and employee interest organization, capable to balance membership interests and political influence (Crouch 1993). These conditions have not only been crumbling as a result of domestic social and political change, but also as a result of more intrusive EU macroeconomic management. The most pronounced intrusion has been the introduction of EMU, which further intensified with the Eurocrisis (Scharpf 2011; Maatsch and Cooper 2017; Doray-Demers and Foucault 2017). The so-called European Semester (first introduced in 2010),which is connected to the agreements on sharpened budget-monitoring by the European Commission under the Euro Plus Pact (2011), the Two-Pack (2011), the Six-Pack (2011) and the Fiscal Compact (2012), has formalized the subordination of national budgetary policy-making to the administrative authority of the European Commission, with new sanctioning powers (Laffan 2014).

EU budget requirements are restrictive in nature, pro-cyclically biased towards putting a brake on government expenditures. As a consequence, the European Commission translates economic setbacks into "one-size-fits-all" retrenchment, frustrating domestic level political exchange with social partners by issue-linkage between wages, collective bargaining, employment regulation, and social security, to reinforce economic resilience through social peace rather than internal devaluation (Johnston and Regan 2016; Hemerijck and van der Meer, 2016). Although the European Commission guarantees countries time to achieve adjustments in excessive deficits (for the Netherlands from 2009-2014, i.e. 5 years), this context influences the bargaining setting for two reasons. First, the European budget criteria determine the rules and composition of national budgets, most visible in 2012. Second and less visible, the rhythm of the traditional Spring and Autumn consultation has changed due to the timing of the European consent with national budgets.

[Table 5.1- The four cabinets in comparative perspective]

5.3 The changing face of social concertation over four cabinets (2008-2019)

How have the four successive cabinets in office between 2008 and 2019 addressed the post-financial crisis predicament in times of discordant politics and fragmenting industrial relations and intrusive EU budget constraints? In our analysis, we discuss how concertative reform efforts, their successes and failures, are best explained by internal cabinet coherence that affected relations and subsequent interactions with and between the social partners. Table 5.1 summarizes the main characteristics of these cabinets, focusing specifically on the extent to which they were cooperative with the national pillars of social concertation

The Balkenende IV Cabinet – the limits of "agreeing to disagree"

The Balkenende IV Cabinet, the fourth consecutive government under the helm of the Christian Democrat Jan-Peter Balkenende, leading a coalition of CDA, PvdA and CU, under the motto 'Working Together, Living Together' came to office on 22 February 2007. This coalition commenced from fragile relations, given the polarizing 2006 electoral campaign, especially between CDA and PvdA leaders, Jan-Peter Balkenende and Wouter Bos. During this campaign, CDA-politicians accused PvdA-leader Bos of lying about public pension retrenchment, which he had supported earlier. Ultimately, the contending parties still entered a coalition, based on an "agreement to disagree" and by essentially granting each other the right to veto reform ambitions: No further liberalization of public housing, defended by PvdA, was traded for the status quo on generous tax deduction on mortgage interest payments, dear to CDA. Respect for extant dismissal protection and unemployment benefit duration, championed by the PvdA, was exchanged for lower subsidies for childcare provision, proposed by CDA. There was elementary agreement on basic state-pension reform, with additional taxation on people with high private pension savings wishing to retire before the official pension age of 65, together with a tax break for people working beyond 65. The agreement *not* to enact transformative reforms was largely founded on the belief that the government needed to keep the electorate at peace in an era of rising anti-establishment, Eurosceptic, left- and rightwing, populism.

Early coalition fissures emerged in Spring 2007, when CDA social affairs minister Piet-Hein Donner proposed to relax dismissal protection. To overcome political deadlock, the government organized a “Participation Summit” with the social partners in June 2007, in which Donner unsurprisingly received full support from employers, while FNV and CNV sided with PvdA. Eventually, Dutch employers’ “*nolens volens*” accepted the status quo by putting employment flexibilization on hold, but not for long. In order to gain time, the government appointed an ad hoc expert-committee in December 2007, led by TNT-Post CEO Peter Bakker, to explore improving employment in an ageing economy, crucial for sustaining public finances. A few months before the credit crunch, in June 2008, the Bakker Commission presented its findings. Reiterating the labour market diagnosis of the Dutch Scientific Council for Government Policy (Wetenschappelijke Raad voor het Regeringsbeleid 2006), the Commission identified five urgent challenges: 1.) the large working age cohort of involuntary inactives; 2) the large number of small part-time jobs, especially among women; 3) the lack of mobility of older workers; 4) underinvestment in low-skilled and older workers, and; 5) poor coordination between education/training and the world of work. The central recommendations of the Bakker Commission rather reinforced than resolved the strains within the coalition, it included: 1) a full revision of unemployment benefits with a new transition period of six months and another ultimate 6 months of protection; 2) progressive raising of retirement age from 65 to 67; and 3) assisting proactively 200.000 vulnerable workers into jobs.

The global financial crisis of 2008 aborted the non-reform “agreement to disagree” of Balkenende IV practically overnight. The turbulence of the collapse of Lehman Brothers on 8 September 2008 occurred at the time of the scheduled fall meeting of the Foundation of Labour (StAr) with the cabinet. No one at the StAr-meeting had any premonition about the extent of the exposure of the Dutch banking system to the Lehman Brothers bankruptcy. Amidst the great uncertainty caused by the global credit crunch, the social partners settled on a symbolic agreement under the proviso “We do what we can together”. In a tripartite declaration, endorsed by the StAr on 7 October 2008, wage moderation was traded for additional employment measures. This new “agreement to agree” (Van der Meer and Visser 2010) reconfirmed the importance of pro-active measures for vulnerable groups, while encouraging smart work-to-work-transitions as proposed by the Dutch Scientific Council for Government Policy and the Bakker Commission.

As the crisis cut far deeper than previously thought, by March 2009, the CPB dramatically adjusted economic growth expectations downwards. All at once, reform endeavors on pensions, social security, and labour regulation could no longer be postponed. After lengthy negotiations the cabinet published a full revision of its budget, reiterating the cabinet's slogan "Working together, living together", aiming to invest €17 billion (that is €6 billion more than was foreseen in early 2007) to save jobs in the short run, next to a fundamental €50 billion retrenchment to pay for banking bailouts, commencing from 2011 (i.e. by the next government).

The social partners, who were invited to the government's budget revisions talks, negotiated a bipartite "Crisis Pact" on 25 March 2009, acknowledging that the "economy is in in trouble. Unemployment is rising and many companies are losing money (…) a condition for which 'social stability' and 'restoring trust' are considered of imminent importance". Beyond the generic concern for the troubled state of the Dutch economy, the Crisis Pact agreement included three concrete bargaining compromises:

1. Wage movements should match inflation levels, effective immediately. In 2009, Dutch trade unions reduced their wage claims from 3.5 percent to 1 percent, a recommendation that was successfully followed-up in sectoral bargaining results, as can be seen in figure 5.3 above.
2. The Dutch-style variant of the German short-time work scheme (cf. Weishaupt, this volume) led to the issuance of part-time unemployment benefits, serving about 8,000 firms, who hadto partially lay off around 78,000 workers. Also an R&D regulation was introduced to protect knowledge workers against lay-offs due to retrenchment. Both successful instruments have been applied only relatively briefly.[5]
3. The need to "agree with the modified policy on pension recovery plans" (as discussed "one day earlier with the Cabinet", according to page 2 of the Pact).

The successful introduction of wage moderation and part-time unemployment benefits was crucial for understanding the course of future action on pensions reform. The Dutch pension system has a three-pillar architecture. The first pillar comprises the Beveridgean basic public pension, a pay as you go (PAYG) financed flat-rate benefit for all residents linked to the minimum wage. The second pillar includes obligatory funded occupational pension schemes, largely organized by employers and employees at the company or at the industry level as defined benefits. The rather small third pillar features individual retirement savings with a favorable tax treatment. Future public financing concerning the first tax-based PAYG pillar was particularly adversely affected by the bank bailouts and the ensuing recession, thus making pension reform a sine qua non for recovery.

The Dutch three-pillar pension system was adversely inflicted on two fronts. Bank bailouts put public finances in dire strait and this, in turn, made retrenchment in the PAYG public basic pension, financed out of general taxation, tier inescapable. Second, the comprehensively funded occupational pensions paid by mandatory premiums from employers and employees came into trouble as the internationally operating pension funds suffered major investment losses at the peak of the crisis. This “double bind” reform imperative led to two intimate actions. Firstly, increasing the retirement age for the State Pension (Algemene Ouderdomswet, AOW) from 65 to 67 years could potentially mitigate the public finance predicament. In addition, it was proposed to adjust the calculation rules and contributions for firm-level and sectoral pension funds from defined benefits to defined contribution system. However, given that previously in 2004-5, the early retirement had already been abolished and transformed into capital-funded agreements (see Visser and Van der Meer 2011), the Dutch social partners who share the governance of pension funds and consider pension contributions as their “own” money, were not really willing to help the government to meet the 3 percent-benchmark for public deficits.

For the unions, given their ageing members, bargaining preferences include stable and indexed pension benefits, as well as restoring trust in the longevity of the pension fund (with the technical issue that the supervisory rules guarantee higher discount rates on equities allowing for future indexation). Employers’ associations, in turn, favour flexible employment and self-employment and pleaded for stable contribution rates and a change to defined contributions. The government’s proposal by Minister Donner in 2009 to raise the retirement age from 65 to 67 led to immediate resistance from workers close to retirement and retired employees (i.e. the core rank and file of the unions). In return, the government confronted the social partners to table alternative proposals within six months (until October 2009) to save “the best pension system in the world” (Van der Zwan 2016). The government installed an expert Committee (chaired by Henk Don, former CPB director) to advice on the technical parameters for pension coverage and benefits.

On 30 September 2009, the pension talks between the social partners in the Foundation of Labour broke down when FNV-president Agnes Jongerius disregarded the employers' delegation as "scum of the earth" ("tuig van de richel") during an argument for a further individualization of the pension structures. To overcome the stalemate, two additional external advisory committees (Goudswaard Committee and Frijns Committee) were set up to help out to a draft bi-partite Pension Pact, which was finally signed in the Labour Foundation on 4 June 2010.[6]

The pension revision thus demanded ample time, continuing until the June 2009, when under then favourable economic conditions finally a full Pension Reform was signed in a tri-partite setting. In between, retirement age was to increase 66 by 2020 and 67 by 2025, and the technical revision of life expectancy and pension coverage were decided in several ad hoc political crisis settings, with the social partners having only a secondary voice.

In the remainder, the Balkenede government appeared to be toothless, it could only initiate the so-called "Crisis and Herstelwet" (Crisis and Recovery-Act) in July 2009, with procedures to fast forward infrastructural investment to fight the crisis. However, the Act did not reach the Senate, since the PvdA refused the extention of the dutch military mission to Afghanistan as requested by NATO, led to the immediate fall of the Cabinet. We argue, therefore, that the cabinet's defensive posture to "agree to disagree" was not fit for the purpose of crisis management after 2008. Especially, PvdA leader and finance minister Wouter Bos presented himself as the ultimate "saviour" of Dutch banks and, as such, as leading politician during the crisis, much to the chagrin of Prime Minister Jan-Peter Balkenende (CDA). Over its tenure, Balkenende IV proved unable to give up reciprocal vetos to achieve a more unified response to the Great Recession.[7] Lack of strategic coherence increasingly mirrored contention among the social partners in Dutch concertation who had "agreed to agree" in 2009. The ongoing government stalemate led the social partners to adopt an equally unproductive "wait-and-see" tactics in respect to the political wind.

The Rutte I Cabinet - a short-lived "finger-licking" all right-wing experiment

New elections were scheduled for 9 June 2010. Confronted with a deepening budget deficit, the Balkenende cabinet no longer with PvdA participation announced to cut €35 billion by 2015. More than 20 working committees of civil servants from different ministries were set up to explore cost-saving options, covering the full scale of government spending. In this predicament, the proposal to prolong working lives ("langer doorwerken") by raising formal retirement age from 65 to 67 year was no longer off limits.

Following the June 2010 elections and lengthy negotiations, a minority VVD and CDA coalition (with only 52 seats) under Prime Minister Mark Rutte took over on 14 October 2010. This new center-right coalition was supported in parliament by the largest election winner, the Party of Freedom (PVV, 24 seats), led by Islamophobic Geert Wilders. Because of PVV's radical stance on Islam and migration, CDA opposed to engage with them as a full-fledge coalition partner, therefore a separate "parliamentary support agreement" between VVD, CDA and PVV was sealed.

From the outset, the new cabinet assertively pushed under the slogan of "Freedom and Responsibility" for fiscal consolidation through austerity reform on the road to economic recovery, fully endorsing the Eurozone fiscal convergence rules. In the process, Dutch social partners were sidelined, though the employers' association VNO-NCW used informal channels to assert its influence on the pro-business economics minister and Vice-Premier Maxime Verhagen (CDA). Thus, Dutch employers set the agenda for a "Top Sector Policy" thereby taking control over innovation funds from the Ministry of Economic Affairs. A "human capital" agenda was drawn up for each top sector, based on regional public-private partnerships to generate investments and share experiential knowledge.[8] Prime Minister Mark Rutte welcomed his administration as a "finger-licking" all right-wing cabinet, able to retrench €18 billion by 2015, without having to bother with the social partners, especially the trade unions. This proved to be a serious miscalculation when PPV-leader Wilder unexpectedly withdrew his support for pension reform.

In June 2011 it became clear that the draft pension agreement, negotiated between unions and employers in June 2010, no longer found support. The trade unions as well as all Dutch left parties (PvdA, GL, and SP), and the right-wing PVV – from which support was necessary for passing legislation – turned against raising the retirement age beyond 65 as a measure to bring the fiscal deficit under the 3 percent Eurozone benchmark. The pension debacle turned out to be traumatic for Agnes Jongerius, the FNV chairperson who stuck her neck out to muster support for the Pension Agreement of July 2010 in an union referendum, which showed approval for the reforms. But by September 2011, FNV's highest decision making body overturned her accord with the employers and the Balkenende-Bos administration, when the two leading federations Abvakabo FNV in the public sector and FNV Bondgenoten in the private sector opposed the agreement. Most dramatically, FNV as confederation was formally abolished and it would take until 2015 to redesign internal decision-making rules which gave the FNV a new lease on collective action.[9]

When in Spring 2012 the economic condition again worsened, the leaders of VVD, CDA and PVV (Mark Rutte, Maxime Verhagen, and Geert Wilders), came together in the Catshuis (the Prime Minister's residence), working on a novel toleration-agreement that included an austerity package worth €14 billion. After seven weeks, on the 21st of April, Wilders walked out of the negotiations on the revision of the public budget, arguing that pensioners should not take the brunt of the Eurozone austerity imperative. The Rutte I government only resigned after effectively in office for one year and a half, and new elections were called.

No longer able to rely on the right-populist PVV, the minority coalition of VVD and CDA was in desperate need to meet the EU-deadline of the Stability and Growth Pact to present a solid budget for 2013. Despite the conundrum of a lame-duck government and side-lined social partners, a breakthrough novelty took root in Dutch politics. Happy to see the cabinet bid farewell to right-populist toleration, social liberal D66, green GL, and progressive calvinist CU, came to the rescue, by agreeing on a €12.4 billion cut-back for the 2013 budget. The pension dispute was resolved by parliament with an immediate rise of the retirement age from 65 to 67 by January 2014 and to 68 year by 2018. The retirement age of state pensions was stepwise lifted from 65 years and one month to 67 years and three months in 2022 (i.e. an acceleration in comparison with the 2011 deal). Furthermore, the reform package contained health care cuts (€1.6 billion), increases in VAT, and limits to tax deductions for house owners, in exchange of some softenings of cuts in the area of personal health budgets, education, culture, public transport, and the environment. Coordinated by Finance Minister Jan Kees de Jager (CDA), the five party agreement made history as the so-called "Kunduz coalition".[10] This constructive opposition has become commonplace to indicate additional parliamentary support for a minority government on reform amendments.

The Rutte II Cabinet – resurgent social concertation on the fly of constructive opposition

In the 2012 elections, VVD and PvdA emerged as the two largest parties with 41 and 38 seats respectively, making up together a (small) majority in the Second Chamber. Given PvdA's track-record of fiscal responsibility and inspired by the successes of prior purple governments under the leadership of social democratic Wim Kok in the second half of the 1990s, the two main parties of the center-right and center-left were able to write up a coalition agreement within 50 days. It was open in character, meaning that not every reform and budget commitment was cast in stone. For its fiscal consolidation agenda, the two parties had hoped to win over senior CDA members in the Senate, which was needed given the two parties' minority status in the First Chamber. Soon, however, it became apparent that CDA-support from an increasingly politicized Senate would not be forthcoming. Without the CDA's support, political pundits quickly presumed that the Rutte II government, torn between center-right and center-left ideas how to best tackle the Great Recession, would be short-lived. To everyone's surprise, however, the Rutte-Ascher coalition became the longest-serving Dutch government since 1945.

A quintessential difference with the previous center-left Balkenende IV administration was that the leaders of VVD and PvdA, Mark Rutte and Diederik Samsom, deliberately steered from an easy settlement to "agree to disagree" on sensitive issues. After 'hellish' talks, each party was allowed to break through extant policy taboos in an open political exchange. The regressive mortgage interest rate tax subsidy, a cherished VVD policy, was traded for the relaxation of dismissal protection, a typical PvdA policy stronghold. By successfully exchanging political taboos the purple Rutte II government became an exceptionally cohesive administration, even a cabinet of friends, thanks also to the superior social skills of Mark Rutte (Borgman and Van Wezel 2018).

Pressed, once again, to enact severe budgetary cuts to meet EMU fiscal criteria in a period of post-crisis uncertainty, the Rutte II cabinet was faced with the political challenge of generating consensus behind a new round of budget cuts and the predicament of containing, even better, reversing the rise of unemployment. This dilemma conjured up a labour market reform imperative that contains social expenditures while generating employment at the same time. On PvdA's intiative, the government turned to the social partners to garner societal support for both cost-saving measures and an assertive back-to-work strategy for workers, who lost their job over the recession. Seeking social concertation was in stark contrast to the aborted all right-wing experiment with populist consent of the Rutte I cabinet. The initiative to reach out to societal actors came predominantly from PvdA. However, by September 2012 a draft social pact between VNO-NCW and FNV proved premature since the newly appointed FNV leader Ton Heerts, a PvdA member, lacked support among his ranks, amongst whom the Socialist Party had gained popularity.

In Parliament, PvdA delegate Mariëtte Hamer called on the social partners and the Rutte II administration to work together and to restore social relations in the country (13 December 2012). From the government, PvdA ministers, Lodewijk Asscher, Social Affairs and Employment and vice-premier, Jet Bussemaker, Education, Culture and Science, and Martin van Rijn, state-secretary of health care, responsible for long term care, were positively bent to restore their relationship with the social partners, especially the trade unions. The social partners, in turn, rediscovered the interest of sitting together at the negotiation table with a cohesive government coalition to regain joint levarage over the cabinet's reform ambitions.

Already during its formation in Fall 2012, the Rutte II cabinet contacted the social partners to receive support for the new plans of the government. Half a year later, in April 2013, a Social Pact was agreed upon and resulted in a detailed, 43 pages long text for "an entrepreneurial and social country … out of the crisis onto 2020." The deal was negotiated over 12 secret sessions between the top leaders of VNO-NCW (Wientjes), FNV (Heerts), Prime-Minister Rutte (VVD) and vice-premier Lodewijk Asscher (PvdA) and two high-ranking civil servants able to translate the reached agreement into the government budget. They often met in a bunker of the Dutch military to get known to one another and in order not to attract media attention. The so-called Mondriaan Accord (named after the Vocational Training centre in The Hague where the agreement was signed on 11 April 2013) was supported by the entire FNV federation. This was a major breakthrough as it was the first time since 2011 when the draft Pension Agreement stoked up an internal crisis in the Dutch union movement. Although Prime Minister Rutte hailed the Mondriaan Accord as the 'new Wassenaar Agreement', the accord differed substantively as it did *not* address wage setting. Rather, its principal aim was to 'stabilize politics after the banking crisis and the past flottery political episode' (interviews 2, 9, 10, 13), finding a new equilibrium between work and security, with a partial deregulation of redundancy laws, unemployment benefit reduction, improved job opportunities for occupationally disabled persons, and the introduction of regional work-to-work intermediation centres with a strong role for the social partners.

After having sealed the agreement with the social partners, the government brought the pact to parliament. Eventually, parliamentary support – once again – came from the constructive opposition constituted by D66, SGP and CU, though their support, however, did not come about without delay. The three parties were concerned whether the government would still be able to meet its EMU budgetary obligations with the accord. D66 leader Alexander Pechtold was particularly critical of the Rutte II cabinet's role in granting to the social partners influence over social security which it deemed a matter of political primacy. Moreover, D66 favoured more radical deregulation of dismissal legislation, and thus opposed some of the softening in the accord as compared to the initial government agreement. On 25 April 2013, after some time of uncertainty, the three parties voted in favour of the reform package, under the condition that a number of small amendments needed to be made in preparation for the 2014 budget.

In substantive terms, the accord revolved around an important recalibration of rights, roles and responsibilities between government and social partners in the provision of social security, in brief:

- The Mondriaan Accord reduced the maximum period during which people could receive unemployment benefits from 38 to 24 months, instead of the envisaged reduction to 12 months in the 2012 coalition agreement. In line with the coalition agreement, the burden of financing unemployment benefits was shifted away from the employers by increasing employees' contributions (Werkloosheidswet [WW] - premiums). In addition, the social partners managed to secure a third year 'private' arrangement for unemployment insurance, funded by employers.
- A key impetus of the accord for PvdA and trade unions was to stem the tide of the "excessive" flexibilization of the Dutch labour market and rebalance permanent and temporary job regulation (cf. Wilthagen et al. 2012; Boonstra 2016).[11] The Mondriaan Accord thus prepared the ground for new Work and Security Act (Wet werk en zekerheid: WWZ), which was smoothly introduced in July 2015, with the aim of reducing the complexity in lay-off regulation (for social-economic reasons via the labour office; for personal reasons via the labour court) and limiting flexible contracts (maximum three contracts within 2 years).[12]
- The agreement rendered municipalities more control over social policy delivery. Additional negotiations resulted in recalibrating the governance of work-to-work assistance to the unemployed from the government to regional social partners.
- An additional €600 million were to be invested in so-called sectoral and regional plans that for example have been drafted in the metal industry, logistics, and health care sectors. Also 125,000 jobs were guaranteed for handicapped persons, among which 25,000 in public sector. When these targets are not reached, a quotum of 5 percent handicapped persons per company would be introduced.

Minister Asscher managed to swiftly transpose all the agreements of the Social Pact into legislation. To this effect, important pieces of legislation were being merged, from the incorporation of the Act on the provision of occupational disability benefits to young disabled persons (Wet arbeidsongeschiktheidsvoorziening jonggehandicapten: Wajong), the Social Assistance Act (Algemene Bijstandswet: Abw) and the Social Support Act (Wet maatschappelijke ondersteuning: WMO), into the new Participation Act (Participatiewet). The impetus toward regional labour markets was followed up by local initiatives, who established Economic Boards in the metropolitan areas of Amsterdam, Rotterdam, Utrecht and other cities.

The budgetary effects of the Mondriaan Accord are difficult to establish because the package involved a mid-term rolling agreement of both reducing expenditures and raising employment. In the government's letter to the Second Chamber after the agreement (11 April 2013), it is conjectured that the accord softened the planned €4 billion cuts by roughly €600 million. In the pension domain, no major agreement was reached vis-à-vis the Kunduz-stalemate, though some minor revisions were introduced. The transition for persons in early retirement was improved, whereas for higher income groups benefit levels became limited.

The Mondriaan Accord represents a climax in the institutional innovation of Dutch consensus formation. In effect, the accord was initiated from a *de facto* minority government (in the First Chamber) who reaches out first to the social partners, before securing support in parliament, in order to meet Eurozone fiscal requirements. Similar, yet smaller, conceration took place also before the Mondriaan Accord on various other policy issues applying a similar policy sequence. This included the government's introduction of an income-related rent increase for social housing and a new tax for housing corporations, while restricting mortgage interest tax rates, based on a joint "Housing Pact" (March 2013). After the tripartite SER (in 2012) advised the previous government to overhaul housing policy, the chairpersons of the Association for House Owners (Vereniging Eigen Huis) and the Social Housing Board (de Woonbond) prepared the ground for the government to gradually fade out the regressive mortgage rate tax deduction policy in exchange for deeper labour market liberalization. The social partners were compensated with investment in construction work. Similarly, the 'Health Accord' (August 2013) signed by the cabinet with employers's associations and trade unions in the health care sector brought about 6€ billion cost-savings to the health care budget. The health care pact was ultimately sealed by the constructive opposition of D66, CU and SGP. In a related manner, the cabinet managed to negotiate several "ad hoc" domain pacts: an "Education Agreement" to improve labour relations in education (September 2013), a "Technology Pact" on industrial policy (May 2013) and "Energy Pact" negotiated in October 2013 by 47 organizations, including non-governmental organizations and the social partners in the SER (Hemerijck and Van der Meer 2016). In the process, SER increasingly carved out a new role for itself by organizing broad national and regional meetings with social organizations to solicit support and advice on life long development, vocational training, and European integration. In addition, from 2016 several covenants were signed with the banking sector, the textiles industry and other sectors to respect labour standards, making this branch of activities the largest within the SER-staff.

The Mondriaan Accord (and the numerous domain agreements) helped to sustain tenure of the Rutte II cabinet. However, the rank and file were lukewarm about the social accords struck between unions, employers and the government for lack of consultation through regular channels of intra-organization deliberation. In Fall 2015, the Mondriaan Accord was then renegotiated (and rescued) after bitter criticism from SME-employers, who disapproved the complexity of the third year unemployment benefit (StAr-agreement of 23 November 2015). Also the unions expressed criticism, especially when the Dutch economic growth and job creation rebounded. In a joint letter they warned about a “race to the bottom” and called for higher wages, more permanent contracts and improving the quality of work (18 November 2016). Surprisingly, they were supported by Hans de Boer, the new leader of the VNO-NCW employers and the president of the Dutch National Bank Klaas Knot. In December 2016 Roel Berghuis, principal FNV-negotiator in the metal sector wrote that “nothing could be gained from national consultation anymore: firm-level harsh negotiations is the only option to gain at least something” (Berghuis, 2016).

The Rutte III Cabinet: the final closure of the pension agreement

The at the time of writing (Winter 2020) ongoing Rutte III-cabinet, comprised four political parties: VVD, D66, CDA and CU. This coalition holds a very minimal majority in Parliament (only 76 seats) and since May 2019 a minority in the Senate. It has been able to govern against the background of a more positive environment of economic growth, consumer trust and a U-turn in the labour market from mass unemployment to labour market shortages. At the moment of cabinet formation, the new government informally invited the social partners to hand in a chapter for the cabinet declaration on industrial relations and labour market reform, but the joint text negotiated by FNV and AWVN in September 2017 was considered unacceptable by VNO-NCW and by the union ranks, also given the forth-going stalement in the pension dossier. In the field of industrial relations, the cabinet thus started with an open sheet and announced a further revision of labour market regulation in a new “Labour in Balance”- Act, that the Minister of Social Affairs and Employment Wouter Koolmees would bring through parliament smoothly.[13]

In November 2018 a pension-agreement seemed close, but it would take until June 2019 when the cabinet and social partners, again with help of the constructive opposition (PvdA and GL, while sidelining SP), agreed to a full pension pact that was positively welcomed in a union referendum and in Parliament. The agreement was largely based on the 2010 agreement, now added with €4 billion additional government investment and fueled by the positive economic climate. The agreement was that the retirement age would raise to 67 by 2024, though in a less steep fashion than was negotiated by the Kunduz Coalition in 2012. The mechanisms of the second pillar were to be revised into a defined benefits system with changing annual outcomes for beneficiars, whereas for persons with severe labour conditions early retirement remained possible. Meanwhile, a “Fair Europe” agreement (May 2019), an agreement to protect youngsters in the labour market (June 2019), and a broad encompassing Climate Accord (June 2019) were negotiated in the SER, whereas the cabinet (or several Ministers thereof) together with various societal actors (sometimes without trade unions), drafted a revised Technology Pact, various Education Agreements, and convenants for the Construction sector, Smart Industry, the Defence sector and Agriculture, all emphasizing the importance of sustainable growth, technological development, digitalization, labour productivity increases, and the need for renewal in lifelong vocational education and training. Building on the experience of the previous government, Rutte III has become an exercise of pragmatic problem solving by constantly negotiating agreements with various configurations of social partners and parliamentary opposition parties to find a new innovative concertative response to the Dutch aftershocks of the global financial crisis.

5.4 Assessment and conclusions: the resilience of ‘give and take’ social concertation during and after the Great Recession

More than most other countries discussed in this volume, the Netherlands shows considerable continuity in social concertation during the Great Recession, with inescepable fits and spurts. Nevertheless, we conclude that the latest rendition of “polder” concertation is fundamentally different from what it was in the last decades of the 20th century. The *modus operandi* in the heydays of the “polder” model rested steadily upon a government that ruled on the basis of a strong and broad political mandate in both chambers of Parliament. The threat to impose unilateral reforms, if necessary, led the social partners to support reforms in return for amendments in pace, scope, and timing (Visser and Hemerijck 1997; Visser and Van der Meer 2011).

In the our analysis we have traced the changing nature of social concertation over four cabinets from 2008 to 2019. For each of the governments the Great Recession was defined, first and foremost, as a fiscal crisis that needed to be resolved through retrenchment reform, so as to abide – as swiftly as possible – to Maastricht criteria. Tracing the political processes brings out that the Balkenende IV cabinet was internally too divided to be able to effectively manage the immediate crisis aftershocks of the global credit crunch, which forced it into the unchartered territory of bailing out "too big to fail" financial institutions. Nevertheless, Balkenende IV mustered the 2009 Crisis Pact with the social partners on wage setting, which immediately resulted in significant wage moderation to buffer the impending recession.

The short-lived minority Rutte I coalition between VVD and CDA, banking on the support of the rightwing-populist PVV, remains an anomaly in the history of Dutch social concertation. By sidelining the social partners, especially the trade unions, the Rutte I coalition had hoped to rewrite the rules of the Dutch economy in a market-liberal conservative fashion, with the tacit support of Dutch employers. Ultimately, however, PVV could not be relied upon as a constructive political force when the recession deepened. Also the pension agreement quickly foundered in the face of union opposition from a radicalizing rank and file.

The Rutte II VVD-PvdA coalition became a true "band of friends", despite coming from the opposite ends of the mainstream political spectrum. Cardinal to its overall policy reform and performance success, first of all, was the reciprocal commitment to let go of long-cherished partisan policy doctrines, such as the mortgage rate tax reduction for VVD and employment protection and retirement age for PvdA. Once these bridges were crossed, the Rutte II cabinet garnered an ever more robust internal moral fibre. From the advantage point of internal cabinet cohesion reaching out to the social partners, in the second place, could proceed in a fortright fashion, although this was more important for PvdA than VVD. By engaging the social partners in recalibration of social security and the decentralisation of labour market policy, the contours opened up for a more balanced and inclusive future oriented Dutch welfare state, although this will require more future social investment. The renowned pragmatic style and celebrate social skills of Prime Minister Mark Rutte of allowing others (social partners, constructive opposition, societal groups) to share repeatedly in reform successes in a flexible and non-ideological fashion, illustrates his fit-for-purpose leadership in an era of deep socioeconomic uncertainty. The Rutte-III cabinet has prolonged this practice, with PvdA as a constructive force in opposition, leading to the long-expected pension pact and various ad hoc agreements in the socio-economic sphere.

Two straightforward lessons can be drawn for Dutch crisis management during the Great Recession. First, in hard economic times, an internally cohesive government is a *sine qua non* for effective crisis management. Second, the short-lived, but exemplary "finger-licking" right-conservative majoritarian experiment, with populist support for sidelining weakened social partners, is no guarantee for a fiscally responsible government. Dutch cabinets with a minority mandate ostensibly need to engage with a wide range of social and political actors when intrusive reforms cannot be put on the back burner. The pension predicament underscores how restrictive fiscal space can muster political support by PvdA and Groen Links, but it foundered in the face of opposition by PVV (populist right) and SP (populist left), siding with union resistance against a higher pension age. The Rutte II-cabinet was able to reach out to the constructive opposition to have the pension reform passed, while at the same constructively engaging the social partners in work and welfare recalibration, under the proviso of fiscal responsibility. Undeniably, to the extent that a Dutch cabinet can bring the social partners on board in channeling transformative reform, there is a bonus of social stability and tacit reform legitimacy. By contrast, a right-conservative winner-take-all moment of sidelining weak trade unions, and backed by employers, came to nothing for Rutte I cabinet, instead Dutch industrial relations became antagonistic, and this surely contributed to the breakdown in the pension debate.

The great political paradox of Rutte-II administration is that of a de-facto minority government, which by necessity has to play simultaneously chess on two boards with social actors and the constructive opposition. In a high volatile economic, social and political environment, it pursued truly transformative reform and surpassed veto-positions in housing and pensions, inadvertently becoming the longest sitting Dutch government since 1945. Moreover, in spite of the positive track-record in terms of social and economic performance, the political price was high, especially for PvdA, the political force most committed to bring the social partners, and especially the trade unions, on board again.

From the perspective of Dutch trade unions, ever since the glorious days of the "polder model" in the mid-1990s, respective concertative experience with wage setting in the bipartite StAr and social and labour market reform councelling in the tripartite SER, have increasingly felt like endeavours in "concession bargaining". These were perhaps necessary to avoid even worse socio-economic outcomes, but surely not engagements for bringing about collective action pride to Dutch unions, especially given the ongoing flexibilisation of the labour market and the on average stagnant wage incomes for employees. The FNV's internal cleavage conflict is far from being resolved, meaning that FNV members continue to posing intricate questions on the merits and demerits of social concertation, while losing members and facing internal reorganizations. In the pension agreement of 2019, the trade union invested their stakes with a full revision of both the state-funded retirement (paid from the public budget) and the sectoral pensions (the savings of social partners). This led to a major set-back of the “organizing” orientation, clearly to represent the interests of the large share of pensioners in their rank and files and the broad representation of the unions together with employers associations in the administration of pension funds.

Dutch employers, on the other hand, seek to support any cabinet in office for an entrepreneurial business climate and social stability. They cherish encompassing agreements, like the 2008 and 2009 pacts, and again in 2013 and 2019. In recent years, the employers of small and medium sized companies have become more critical of central-level social concertation. Yet, the Mondriaan Accordwas renegotiated in line of their discord in November 2015. The decentralization of social policies to regional levels since 2015 has made the national level without sticks and opened the regional political and administrative arena for striking new deals on local social policy and life long learning with municipalities, VET-schools and local business organizations (Van der Meer, Van den Toren and Lie 2017).

5.5 Conclusion

We conclude that the policy response to the fiscal crisis of 2008 was finally closed in the Summer of 2019. Most recent SER-agreements have been negotiated on European labour markets, the vunerable position of youngsters in the labour market, climate change and on pensions. The pragmatic practice of governance by consultation while making use of expert-knowledge in committees, ultimately sealed in pacts and covenants to overcome political vulnerability and to gain legitimacy has thus continued. Put differently: in spite of weakening social representation, continuous volatile political negotiations and internationalization of financial decision-making, social actors have managed to strike deals while continuously facing an uncertain future given the flexibilization of the economy and need for technological upgrading.

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1 The text has been closed in January 2020, when the Rutte-III administration was still in office.

2 In 2007, a consortium of Fortis, Banco Santander and RBS bought the shares of ABN Amro under the heading 'RFS Holdings' for 72 billion Euro. In October 2008, the Fortis-bank was split into a separate Belgian and Dutch branche when the Dutch government nationalised the previous Fortis and ABN Amro parts.

3 The organizers took clout from Ruth Milkman’s ‘LA Story’ (2006), for a comparative analysis of organizing attempts in European trade unions, see Mundlak (2016).

[4] In the annex, all interviews and additional sources have been summarized.

5 See Buitelaar and van der Meer (2010) for a ‘social innovation’ application of this instrument in the personnel policy of the leading chip-factory ASML.

6 The Frijns Commission published their findings on an Encompassing Approach to Pension Provision in late January 2010 and the Goudswaard Commission Towards a Future-Proof System of Contributory Pension in early February 2010. Most of the conclusions will become accepted only in June 2019.

7 The revision in health care, administered by Ab Klink (CDA) & Jet Bussemaker (PvdA), may be an exception to this conclusion.

8 This way of agenda-setting was later translated into the Technology Pact (May 2013) and the Health Care Pact (2015) during Rutte II, and subsequent initiatives during Rutte III.

9 Only after mediation at the very highest level (by Herman Wijffels and Han Noten in December 2011), and later on by a group of coordinators (led by Jetta Klijnsma), was the undivided FNV formally re-established in June 2015.

10 Named after the earlier instance when the five parties agreed to a police-training mission to the province of Kunduz in Afghanistan, after the PvdA walked out of Balkenende IV.

11 As the OECD (2019) recently concludes: The Netherlands is among the top-performers in labour market outcomes given its job growth and relatively limited unemployment level, but this comes at the price of high non-standard employment and excessive growth of self-employment. Note that in 2013, unemployment peaked and especially youth unemployment was very high among low-skilled youngsters (Muffels ea., 2016).

12 The impact of the various revisions of the WWZ remained under fierce discussion: for example the reduction of the maximum period in the chain of consecutive temporal jobs (from 3 to 2 year) would have led to a lay-off practice after 23 months, whereas the rise of self-employment was not halted (see: Pentenga, 2019; Borstlap-committee, 2020).

13 In November 2018 the government also installed a State Committee on the future of labour market regulation, fiscal policy and social security, that on 20 June 2019 would call flexible labour ‘the social question’ of our times (Borstlap Committee, 2020). Its final report of January 2020 has been received by the trade unions as a full recognition of the too excessive labour market flexibilisation, but also as open attack on the merits of permanent employment.

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CHAPTER 20

Is the Poldermodel Crumbling?*

Paul de Beer & Maarten Keune

§20.01 INTRODUCTION

Since World War II, the Netherlands has established a series of institutions in the field of labour relations, including the tripartite Socioeconomic Council (SER), the bipartite Labour Foundation (STAR), the system of collective agreements that covers most of the labour market, and the system of works councils. In what is often called the poldermodel, employers' organizations, trade unions and sometimes the government deliberate and negotiate about socioeconomic policy and employment conditions, resulting in policy advise, social pacts and yearly hundreds of collective agreements.

The poldermodel has long been considered a proper way to create societal support for common policies and to minimize conflict in society. In the 1990s it was also heralded for its contribution to a successful economy, characterized by a balance between economic and social outcomes. A precondition for these positive functions of the model is however that there is a balance of power between employers and unions and that both sides are willing to not only pursue their own interests but also take those of the other side and of society at large into account, and to reach compromises.

How well is this poldermodel functioning today? We still have the SER and the STAR and collective agreements continue to cover some 80% of employees. At the same time, slowly but surely changes have taken place in the actual functioning of these institutions and the outcomes they produce. In the long run, these changes threaten to erode the foundations of the poldermodel.

* This piece is largely based on P. de Beer & M. Keune, 'De erosie van het poldermodel'. In: *Mens en Maatschappij* 2018, 93(3): 231-260.

than in the past. A number of companies has also chosen not to conclude collective agreements with the unions at all anymore and to set up an employment conditions agreement in deliberation with the works council or the employees directly. In this, collective and other agreements change from instruments with which interests of employers and employees are balanced to instruments with which first of all the interests of the employers are served.

§20.03 EROSION OF THE POLDERMODEL AT THE NATIONAL LEVEL

In the relationship between on the one hand the social partners – and in particular the labour movement – and on the other hand the national government, important developments have taken place since the 1980s. The (neo)liberal course that has been dominant since then is characterized by, among others, austerity concerning public services and in particular social security, fostering of market making and competition, privatization of public companies, relative reduction of the minimum wage and the increase of the pension age. The employers have in general supported this course wholeheartedly, but the labour movement sees it as an attack on elementary social rights. It has opposed this course often and vigorously, both at the negotiation table and on the streets. This has often resulted in a reduced speed of the reforms, but most of the time not the direction of the reforms. The continuity of national deliberations is hence accompanied by an ailing influence of the trade unions on government policy.

The SER and the STAR produce a continuous stream of reports and advices, but it appears that the influence of both institutions on the main elements of socioeconomic policy is declining. The unified advices of the SER in recent years often concerned subjects that do not belong to the core competencies of the social partners and also involved other societal organizations: energy policy, health care, the housing market and technology. But on their traditional core competencies like dismissal regulations or wages the polder institutions are in a stalemate and unions and employers less and less manage to achieve consensus. As a result, their joint (but not necessarily their individual) influence on government policy is declining. An exception, to some extent, is pension reform, as after some 10 years of negotiating recently a pension agreement was reached. However, in the aftermath of the agreement is has already become clear that this agreement has not solved the problems of the pension system and new disagreements have again emerged.

§20.04 THE ACTORS OF THE POLDERMODEL

What explains these developments? To an important extent they can be explained by changes concerning the actors of the poldermodel, in particular the unions and employers, and the interaction between the two.

The most obvious trend is the steady decline of trade union density. Around 1980, one out of three workers was member of a trade union. Today this is one out of every six or seven workers. A major reason for this have been the structural changes on interest. It has to generate positive outcomes to maintain its societal legitimacy and to be a superior alternative to a situation without polder institutions. A more balanced poldermodel is also likely to produce more balanced outcomes in terms of wages, inequality, flexibility, productivity and social innovation. This requires first of all more trust and consensus between employers and workers at sector level, to get them to not only divide the cake but also to make the cake grow and become more sustainable.

Another threat to the model is the declining membership of the trade unions. If this trend continues, it twill eventually reach a level at which it is not self-evident anymore that they can, or are allowed to, participate in the polder institutions. This should be a reason to consider alternative ways to represent workers' interests and to determine the importance of the various trade unions, for example through trade union elections. But unions will also have to strengthen their capacity to get members, to connect better with the interests of their members and to cooperate with social movements.

At the same time, employers and their organizations, who now have a much more powerful position, should ask themselves if they, in the long run, do not benefit more from a more balanced relationship with the unions. This would be the way to maintain the traditional benefits of the poldermodel for the economy and for the country's social relationships – which are also in the employers' interest. The same is true for the government, which should ask itself what the effects will be of a society without consensus, with an ever-increasing labour market fragmentation and growing inequality.