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# The erosion of the Dutch Polder Model

Paul de Beer[[1]](#footnote-1)

In the 1990s, the Dutch corporatist model of consulting and consensus seeking became famous, due to its good economic and social performance in a period in which many European countries experienced weak economic growth and persistent high unemployment rates. Many scholars, foremost Jelle Visser and Anton Hemerijck in their 1996 book *A Dutch miracle?*, attributed this good performance to the Dutch tradition of conferring and consulting between the government and the social partners and the practice of involving the social partners both in the design and in the implementation of socio-economic policies. This was soon to be called the Polder Model, referring to the centuries old tradition of the Dutch to put their ideological (and in the past primarily religious) differences aside and to cooperate in order to fight the common threat of the sea and protect their polders by building and maintaining dykes. Nevertheless, the advocates of the Polder Model also had to explain why the Dutch economy had been bestowed the epiphet ‘Dutch disease’ during the 1980s, when the institutional set-up had been largely the same. Moreover, exactly in the same period that the Polder Model received international acclaim, the role of the social partners was subject to fierce domestic criticism due to their alleged abuse of the disability insurance scheme as a generous but very costly unemployment compensation. This tempted prime minister Ruud Lubbers in 1992 to his famous statement “The Netherlands is sick”, in a period in which the number of disability benefit claimants was approaching one million.

Hence, there is some reason to qualify the claim that the good economic and social performance in the 1990s was due to the Dutch corporatist model. In my view, 20-25 years later there is even more reason to question the success of the Polder Model.

But let me first stress the continuity and stability of the formal institutions of the Polder Model. In fact, hardly anything has changed in the past twenty-five years. The main laws and institutions have largely remained intact. Actually, most of them date from at least 67 years ago. These institutions include, among others, the Act on collective agreements (that dates from 1927), the Act on the mandatory extension of collective agreements (from 1937), the establishment of the Foundation of Labour in 1945 and the Socio-Economic Council (SER) in 1950, and the Act on Works Councils of 1950.

At first sight, the most radical change in the past 25 years was the repeal in 1995 of the obligation of the government to consult the tripartite Socio-Economic Council (SER) in all important socio-economic matters (which was quite remarkable in view of the good performance of the Polder Model at the time). However, this repeal hardly changed anything in the practice of the government of consulting the SER. This practice of coalition governments to consult the social partners is an important persistent factor of the Polder Model. This is not due, as is sometimes claimed, to broad agreement or even consensus on key socio-economic issues. On the contrary. Exactly because socio-economic policy reforms are often fiercely contested, governments usually seek a compromise with the social partners in order to secure sufficient public and political support. This was clearly the case with the previous coalition government (Rutte II), that could not rely on a majority in the Senate. But also the new government (Rutte III), that has a majority of only one seat in both the Second Chamber and the Senate, mentions the social partners no less than 20 times in its coalition agreement. In most cases the government states that it intends to develop its plans in cooperation with the social partners, in a few cases it will delegate specific tasks to the social partners.

If we focus on the use of the main instrument of the Dutch corporatist model, the collective labour agreement (CLA), this also shows primarily stability and continuity. Every few years, mostly when bargaining on CLAs is difficult, a debate flares up whether the CLA is still an appropriate instrument to regulate employment conditions in the 21st Century. But usually, this debate withers away soon and the CLA maintains its central position. As a consequence, still about four in five employees are covered by a CLA, a figure that has been more or less stable for at least half a century. Moreover, about 90% of these employees are covered by a sectoral CLA. Despite all talk about decentralization – which even has been an official goal of the social partners since the 1980s – there has been no shift at all in bargaining from the sectoral to the company level. The only change in this respect is that sectoral CLAs tend to leave increasingly more room to deviate from or specify CLA clauses at the company level, usually after consulting or agreeing with the works council.

However, beneath the surface of this apparently tranquil and flat landscape of the Polder Model, its foundations are slowly eroding. There are various signs for this erosion. Some can be determined more or less objectively and quantitatively, others have a more qualitative and subjective nature and are, thus, subject to debate.

The most obvious sign of erosion is the sliding-down of union density. The most relevant indicator, viz. the share of employees who are a union member, has halved in the past 35 years. Around 1980, about one in three employees was a union member, currently this is only one in six. Simultaneously, the membership has become less and less representative of the labour force, due to the overrepresentation of older male workers with a permanent and fulltime contract. The decline of union density and the loss of representativeness of the unions have undermined the legitimacy and the power of the unions. The loss of power of the unions is most clearly demonstrated by the evolution of real contractual wages since the 1970s. Effectively, real contractual wage growth has been zero for almost 40 years! Remarkably, actual real earnings have increased by 30% in this period, which is mainly due to the aging of the workforce and the fact that older employees usually earn more than younger workers. But even then, real earnings still lagged behind productivity growth (as has occurred in many countries), resulting in a steady decline of the wage share in GDP.

The lack and loss of power of the unions is also demonstrated, and partly also explained by the strong increase of atypical employment, by which I mean all types of employment different from standard contracts, i.e. permanent contracts with a fixed number of working hours. (Contrary to international convention, I include part-time permanent employment among standard contracts, since part-time work in the Netherlands is well-regulated and, in general, cannot be considered inferior to full-time jobs. However, I do exclude the smallest part-time jobs of less than 12 hours a week, that are often a substitute for other kinds of flexible work.) For the unions, it is rather wry that the rise of atypical employment seems to have been partly triggered by the so-called Flexicurity Act of 1999, which resulted from a famous agreement between the social partners with the same name in 1996. At that time, this Flexicurity agreement was generally considered as another proof of the fruitful cooperation between the social partners in the Polder Model. Twenty years later, however, it appears to have been more like Pandora’s box, that after being opened, paved the way for an almost unrestrained expansion of a wide range of atypical contracts: agency work, fixed-term contracts, on-call contracts, solo self-employed, either real or bogus, payrolling, outsourcing, posting etc.

The shifting of the power balance from unions to employers is also demonstrated by the fact that a gradually increasing number of CLAs lack the signature of the largest union, the FNV, and sometimes also of the second largest union, the CNV. Since there is no requirement regarding membership numbers in the Netherlands for closing a CLA, employers are at liberty to conclude a CLA with any organization that calls itself a union. In the past, employers were quite reluctant to exclude the largest union, fearing this would trigger industrial action, but recently they seem to have abandoned this fear. However, since there are no statistics on the signatories of CLAs, one should be cautious to conclude that this is really a structural trend.

A fourth indicator for the erosion of the foundation of the Polder Model is the fact that the social partners are less and less capable of formulating unanimous advises to the government on core socio-economic issues. The Social Agreement of 2013 was the last encompassing pact of the social partners, that included an ambitious programme for a reform of labour market institutions and social insurance schemes in the long term. However, the implementation of this pact has stagnated since then and, currently, the social partners disagree on some of the most pressing issues, including the regulation of flexible work and the reform of the occupational pension scheme.

At the same time that the social partners loose political influence due to a lack of consensus on the main socio-economic issues, the employers appear to be quite successful in lobbying for their interests – which they often present as general interests – in The Hague. This contributes to the continuation of government policies that are more business oriented than responsive to the demands of the unions.

All these changes in the functioning of the Polder Model point to a secular shift in the power balance between business and labour. While the second half of the twentieth century, especially the Trente Glorieuse, was characterised by a power balance between labour and capital, in the 21st century the balance has clearly tilted to the side of capital. The causes of this power shift, which is an international phenomenon, are not fully clear. But in my view, a plausible interpretation would be that, while in the past an employer could say to a dissatisfied worker: “For you, ten others”, now the employer can say: “For you, a temp, a self-employed, a Pole, a Chinese or a robot”.

In my view, this shift in the power balance poses a serious threat to the future of the Polder Model, since the power balance was an essential component of the successes (though some may claim: also for the failures) of this model in the past. If the employers are much more powerful than the unions, they will use the instruments of the Polder Model, in particular the CLA, increasingly as a means to further their own interest. And when they do not consider these instruments to be useful for their purpose anymore, they can simply sidestep them, without having to fear for retaliation from the unions. For the unions this may imply, that they will increasingly seek other ways to further their interest. This could mean that they will concentrate their efforts in industries in which they are still quite strong and are no longer willing to attune their demands to national macro-economic goals. Ultimately this might result in a decline of bargaining coverage and an increasing dualization of the labour market between unionised and non-unionised sectors, similar to the German situation.

Unless the unions succeed in gaining power again, which does not seem very likely, the future of the Polder Model will, in my view, crucially depend on the strategy of the employers. If they simply continue exploiting their power surplus for their own short-term interests, they will probably contribute to the demise of the Polder Model. However, they may also conclude that, in the long run, a stable and balanced system of labour relations is essential for the future prosperity of the Dutch economy and, therefore, also in their own interest. In this more optimistic scenario, they will try to find a new balance with the unions and re-establish the cooperative nature of the Polder Model. In that case the Polder Model might enter a new period of flourishing and wide acclaim. Whether this is a very likely scenario is however to be questioned.

1. Henri Polak professor of industrial relations at the University of Amsterdam, co-director of the Amsterdam Institute for Advanced Labour Studies (AIAS) and director of the Scientific Bureau of the Dutch Trade Union Movement, de Burcht. Email: p.t.debeer@uva.nl [↑](#footnote-ref-1)