

The Dutch model

How the government, trade unions and employers are organising the redistribution of wealth in the Netherlands

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Politicians in Europe, like the Social Democratic (SPD) candidate for German Chancellor, Gerhard Schröder, have praised it highly, as has US President Bill Clinton. Trade union magazines dedicate enthusiastic articles to it because it has managed “to halve the number of unemployed within the last 15 years.” The president of the Bundesbank, Hans Tietmeyer, calls it “an example for the whole of Europe.”

What is the object of this fulsome praise? The “Dutch model.”

Dietmar Henning and Wolfgang Weber travelled to the Netherlands for the World Socialist Web Site to obtain a clearer picture of the supposed success story of the Dutch economy, to survey its leading figures, examine how it works, and find out who are its winners and who are its losers. They interviewed politicians, sociologists and members of an unemployed organisation in Amsterdam. They spoke with members of the Betriebsrat (works council) and employees at the Netherlands’ biggest hospital, and visited striking dockers in Rotterdam.

The results presented here provide an insight into the social and political background of the upcoming Dutch parliamentary elections, to be held May 6.

What Europe’s bankers and politicians are selling as the “Dutch model” for overcoming mass unemployment is called the “Polder-Model” in the Netherlands itself. “Polder—a piece of low-lying reclaimed land: the first stage in its reclamation.” That is what the dictionary says.

“As in the building of a polder, everyone must co-operate and make sacrifices to repel the flood of unemployment and transform Dutch society into a flourishing, tranquil landscape.” This and the like was repeated in the statements of government ministers, union officials and company directors when the unions and management in 1982 signed the Wassenaar agreement, the political birthright of the Polder-model.

At first glance—the official unemployment rate is presently at 6 percent and the economic growth rate at 3 percent—the model seems to have worked. Fifteen years ago the number of unemployed was rising by 10,000 a month. In 1984 it stood at 14 percent and 800,000 were officially registered as looking for work. According to the Organisation for Economic Co-operation and Development (OECD), the real jobless rate, including the unemployed in training schemes, early retirement or other social programs, was 27 percent.

In the Wassenaar agreement the trade unions committed themselves to modest pay demands for years ahead. The employers promised to try harder to create more jobs.

It soon became clear, however, what the agreement really meant—a corporatist policy for effecting the greatest redistribution of income in Holland since World War II!

Income and corporate taxes for employers were sharply lowered, according to the principle: “the higher the profit, the lower the taxes.” Companies with more than 225,000 German marks in annual profit are

required to pay a 35 percent corporation tax. Those that report lower profits must pay a 40 percent tax.

The disposable real income of employee households, on the other hand, had already dropped by 10 percent in 1982 and 1983 as a result of recession, while that of unemployed workers and social security recipients had dropped even more sharply.

In 1984 and 1985, real income dropped a further 9 percent each year after the trade unions annulled previous pay agreements that included an automatic increase in wages in line with the rate of inflation. The legal minimum wage was reduced and, with it, the level of social security, which is set at 100 percent of the minimum wage for a family of four and 70 percent for a single person. In 1981 the income from social security for a single person still stood at 64.4 percent of the average employee’s real income. By 1990 it was down to 54.4 percent, and it presently stands at about 50 percent.

What has happened to the unemployed? The working population has increased since 1983 from 5.5 million people to 6.8 million today. But 75 percent of this impressive increase in jobs is attributable to the expansion of part-time and temporary work at the expense of full-time jobs. The net result has been a growth of poverty among wage earners.

This restructuring of the jobs market has benefited only the private and public employers. Jobs which they considered too expensive and “unproductive” were replaced by part-time jobs demanding greater productivity and higher qualifications, while providing lower pay. The Netherlands’ statistics for labour productivity rose to the top of world surveys. From the mid-1980s on, production, trade and profit began to boom.

A further sharp change of course came at the end of the 1980s in reaction to the increasing globalisation of production and the demands of transnational corporations like Unilever, Akzo, Philips and Shell. The Wassenaar agreement had itself been shaped by the economic demands of a national commission headed by Gerrit Wagner, the chairman of Royal Dutch Shell.

But by 1989-90 the employers’ associations were demanding not only cuts in social benefits, but a fundamental “restructuring of the welfare state.” Those on social security had to be made available as cheap labour. The ability of workers to claim Work Incapacity Insurance Benefit (WAO) until retirement age on the strength of a doctor’s certificate had to be ended. Similar to early retirement schemes in Germany, WAO, with some 900,000 beneficiaries, had become a cheap way for companies to cut back on jobs.

Although it had won the elections of 1989, the ruling coalition of Christian Democrats (CDA) and Liberals proved incapable of pushing this through. The social democratic Partij van de Arbeid (PvdA) took the Liberals’ place in the government to tackle this task, working together with the trade unions.

The PvdA's chairman was Wim Kok who, as head of the trade union umbrella organisation FNV, had signed the Wassenaar agreement in 1982. Now he took over the Treasury, the key ministry for shaping economic and social policy. The businessman Ruud Lubbers (CDA) remained Prime Minister.

The CDA/PvdA coalition dealt the first big blow in the summer of 1991 by sharply limiting WAO. All those receiving this benefit were now required to have a new medical examination each year. New criteria were imposed, according to which thousands of recipients were reclassified as completely or partly able to work. Once again they found themselves at the Unemployment Office, and soon after were forced to apply for social security.

The trade unions took over the task of containing and dissipating the growing anger in the working class. They organised a 250,000-strong protest demonstration in Den Haag, the biggest demonstration against the government since World War II. This, they declared, was all they could do. The issues would have to be resolved in the parliament, i.e., by their social democratic friends in the government.

Faced with continuing widespread resistance, the PvdA resorted to a political gimmick. Together with the Liberals, they pushed a measure through the parliament, over the opposition of their Christian Democratic coalition partners, establishing an all-party commission under the chairmanship of the social democratic politician Flip Buurmeijer.

In televised hearings the commission stage-managed a smear campaign against the welfare state. Those claiming benefits were derided as parasites, the administrators of various institutions were labelled charlatans and reformist politicians of the past dubbed "irresponsible." The Buurmeijer commission concluded that radical and immediate cutbacks in social spending were necessary.

One year later, entitlement to social security for youth up to 23 years of age, after the end of their formal education, was reduced to six months. Those not finding a job within these six months are assigned a job by the local council. Such jobs would pay no more than the rate of social security plus 20 percent, and the rate was to decline as the age of the recipient rose.

A series of training and job schemes for older long-term unemployed were introduced or expanded, including a wage subsidy scheme to hire jobless people. Employers can make use of this program to hire workers nearly free of charge for a time and, once the subsidies have ended, send them back to the Unemployment Office.

The number of unemployed removed from the official jobless count by means of such programs increased from 75,000 in 1983 to 120,000 a decade later. Today it stands at around 170,000. For public institutions and local councils, so-called "job pools" have been created in which 25,000 long-term unemployed do the work of public sector employees at a fraction of their wage rate. The job pool workers receive the legal minimum wage.

The next major step came in the beginning of 1994, with the "restructuring" of health insurance to make it a voluntary system based purely on employees' contributions. Employers' contributions to health insurance were virtually abolished.

According to calculations by the Amsterdam-based political scientist Ruud Vlek, who has just received a doctorate for a study of social policy in the Netherlands from 1974 to 1994: "Since these reforms, employees have to contribute 80 percent of all social insurance contributions and employers just 20 percent."

This barrage of social attacks shook the government parties. A third of the PvdA's 90,000 members turned their back on the party during the next three years, and in the parliamentary elections of 1994 its vote declined by 25 percent. Its share of the total vote sank from 32 percent to 24 percent. The PvdA's coalition partner, the CDA, fared even worse. It lost a third of its votes, sinking from over 35 percent to 22 percent of the total ballots cast. Together, the two "people's parties" lost 32 of their former 103

seats, and gave up their absolute majority in the 150-member parliament.

The elections registered popular opposition to the previous government's pro-business austerity policies. Nevertheless, a new government came to power under Prime Minister Wim Kok which carried out exactly the same policies, only even more vigorously and ruthlessly.

The liberal parties, Volkspartij voor Vrijheid en Democratie (VVD)—Peoples Party for Freedom and Democracy—and Democraten 66 (D66)—Democrats 66—were able to increase their vote from 22 to 35 percent. They joined the government with four and five ministers respectively. The PvdA has a total of five ministers in addition to the prime minister. Its cabinet officials include Ad Melkert, who is responsible for employment and social policy.

Under the new coalition, implementation of the Polder-Model has been accelerated, and the trade unions have remained an important lever for carrying out the process. As early as December 1993, they had concluded another pact with the employers' associations, bearing the designation "new course." This encompassed further steps for reducing wages, making pay scales more flexible and expanding temporary and part-time work.

The agreement also stipulated that future negotiations on wages, jobs, part-time work, privatisations and other matters would not be conducted centrally. Rather, to the greatest extent possible, they would be conducted on a branch and company level. Accordingly, members of the works councils were granted extensive "co-determination rights," following the German example of *Mitbestimmung*, to facilitate the drawing up and pushing through of "concrete solutions on the ground."

In discussion with the government, new agreements were introduced in all wage contracts for a "starter-wage" for first-time employees, as well as "target group standard rates" for the long-term unemployed. The wage level of the latter hardly differs from the legal minimum wage or social security provisions.

The employers quickly realised the benefits of this "new course." According to the most recent surveys, between 8 and 10 percent of all employees are paid in accordance with these low-wage standards. Overall, nominal wage levels have stagnated and real incomes have declined.

Flexible working hours have provided the biggest boon to the employers. Of the 300,000 new jobs created between 1994 and 1996, half were based on flexible contracts with temporary work firms, 40 percent were part-time jobs and only 10 percent were full-time positions. Some 3 percent of total work capacity (the figure for Germany is 0.6 percent) is on the basis of temporary contracts.

Nearly 37 percent of jobs are part-time—2.5 million out of 6.8 million—the highest rate of part-time employment in Europe. And of these, 300,000 are only "mini-jobs" (less than 12 hours a week) with "mini-wages."

The unions concluded a further agreement in 1996 for "flexibility and security." They agreed, among other things, to relax the protection against unlawful dismissal and extend the trial period for full-time employees. They also agreed to the abolition of fixed opening hours in retail outlets and an end to bonus pay for work on weekends and national holidays.

These agreements have not only been passed into law in parliament, they have become the basis for carrying out mass layoffs. The so-called "Keks-Pakt" ("Biscuit Agreement") is a prime example. When several biscuit and cake factories announced the dismissal of 11,000 employees last year, the unions signed an agreement which directly transferred the sacked workers to the largest temporary work corporation, *Ranstad* (annual turnover—4.5 billion marks), which offered temporary contracts for a period of up to two years.

Over the past several years, temporary work companies have been springing up like mushrooms throughout Holland. With their countless branches in Amsterdam, Rotterdam, Utrecht and other towns, they are now part of the townscape—like the newspaper kiosk and the bakery. They

not only provide temps for work that traditionally relies on casual employment—secretaries, switchboard operators, fitters, building workers—but they also farm out nurses, dental assistants, computer specialists, technicians and even business managers.

State-funded cheap wage schemes have been expanded. Various types of “job creation” schemes have been established, targeted at the long-term unemployed, including many immigrants from countries like Surinam, Turkey and Morocco, as well as high school dropouts and other youth. Recipients must work hard for near poverty wages, and their labour, subsidised by the government, costs the employers very little.

According to Ruud Vleeks’ calculations, some 220,000 people are employed through such public schemes. Other sources put the figure at 300,000. A mere 10 percent of these workers obtain a steady job at the end of the program.

Adding together the 400,000 jobless who are officially registered for work, the 100,000 unemployed who are not recorded statistically and approximately 800,000 people still on WAO benefits, the army of unemployed in the Netherlands comprises in reality about 1.5 million. The OECD’s latest calculations put the figure at 1.7 million.

This figure does not square with the much-lauded official unemployment rate of 6 percent. Rather it represents 27 percent of those capable of work, the same figure that was recorded 15 years ago.

The mass of new jobs paying a pittance has not only helped improve the official unemployment statistics; they have been a boon to the employers’ business accounts and balance sheets. While the profits, share values and dividends of the big corporations have climbed to record highs, and the number of millionaires has increased to over 150,000, one million of the 6.6 million households in Holland must manage with an income at or below the poverty level.

Thus the Dutch model turns out to be a “model” for the systematic enrichment of the privileged few at the expense of workers and poor people. It has created a social powder keg that threatens to explode at any time. In this respect, it is not so much a Dutch model as a European model.

Over the past several years strikes and protest movements have broken out time and again—the 1991 mass demonstration against the government in Den Haag, protests against the closure of the Fokker works, a building workers’ strike in 1995 and the recent strikes among Rotterdam dockers.

As in many other countries of Europe, the swing to the right of social democracy in the Netherlands has led to a growth of the neo-fascist party, the so-called Centrumsdemokraten (Centre Democrats). They have obtained increased votes in social democratic strongholds like Rotterdam. In 1994 they returned not one, as previously, but three deputies to the national parliament.

On the left wing of the parliamentary spectrum opposition to the Polder-Model expresses itself in support for the GroenLinks (Green Left) and the Socialist Party (SP). GroenLinks emerged from the extinct Stalinist Communist Party and layers of the petty-bourgeois radical movement left over from the seventies. It is comparable to the Greens in Germany. It has five seats in parliament, but plays its main role on a municipal level, where it endeavours to “take responsibility” and keep areas of high social tension under control.

The SP, founded as a Maoist organisation in 1972, opposes the government, mass unemployment and social cuts with radical words and demagogic slogans. Opinion polls predict it could double or triple its two seats in parliament in the parliamentary elections in May. Already in the local elections earlier this year, the SP increased its share of votes nationwide to 6 percent, and its representation in local parliaments from 145 to 190. In four towns it has become the strongest party. In the old industrial town of Oss (65,000 inhabitants) in Nordbrabant, it has formed the city government in coalition with the Social Democrats.

Asked what was the biggest difference between the SP and the PvdA or

GroenLinks, the SP’s chairman in Amsterdam, Wim Paquay, answered: “In our policy towards foreigners. We are for a strict application of the existing laws against illegal immigration. On the other hand, left-wing PvdA and GroenLinks politicians often want a sort of amnesty or exemption for problem cases. But such a procedure would attract even more foreigners, many more than could be naturally integrated into Dutch society.”

Just as they call upon the police to keep domestic problems under control, the SP supports trade war measures abroad such as a punitive customs duty “if competitors threaten to undermine the social and ecological standards of the Netherlands and Europe.” Like GroenLinks, the SP wants to strengthen the nation-state in response to globalisation and its social consequences.

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