

The Rise and Decline of the Standard Labour Contract in the Netherlands

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The aim of this paper is to describe the rise and decline of the standard, permanent labour contract in the Netherlands, as a prehistory to the two other papers in this session.

The prehistory of the prehistory

In the Middle Ages and the Early Modern Period, work in many trades in the towns was organised in guilds. Guild regulations laid down wages, working hours and other working conditions and standards for the products. In the “French period” at the end of 18th and the beginning of the 19th Century the guilds were abolished. Labour relations were only regulated to an extremely little extent. Jobs could be permanent, or for a year (the period from May 1st until April 31st in the next year was rather common), but also for a season, a week, a day or only part of it. The regulations introduced by the French occupiers, based on naked laissez faire liberalism, were in essence continued in the Dutch Civil Code of 1838. The law distinguished between employment relationships for a limited or an unlimited period. In both cases, masters were free to end employment at any time and for any reason they fancied. Only in the case of an employment contract for a limited time period they had to offer the worker six weeks wages as a compensation (or wages for the duration of the remaining part of the contract, if that was less than six weeks). In case of any disagreement, the word of the master was taken for truth.

After 1870, the Netherlands started to industrialize, decades after the surrounding countries had done so. Large factories with steam driven machines became more numerous. As a consequence, at the end of the nineteenth century some social legislation was introduced, limiting the age at which children could be employed (1874) or the number of daily and weekly hours children and women were allowed to be employed (1889). Only with the introduction of the 1907 Law on the Labour Contract, the legislators conceded that the position of the workers was weaker than that of the master, and that the worker therefore needed some legal protection. Some protection was now offered. The worker was for instance entitled to wages in case of illness. But the protection against dismissal was limited to the period between two wage payments. This was usually a week, but could be just a day.

Three pillars

More protection was usually offered in the case of a collective labour agreement between a trade union and an employer, employers or an employers’ organisation. The trade union was less dependent on the employer, and could negotiate a better deal, if necessary by threatening to bring the factory to a standstill. In branches of the economy where the unions were strong, collective labour agreements became established. In 1911 the labour conditions of some 23.000 workers were regulated by a collective agreement, a number that rose to 118.000 in 1918 and 280.000 in 1928. In 1927 the labour conditions agreed in a collective labour contract became binding also for workers that did not belong to any of the unions that had signed the agreement, provided that the union had enough members in the establishment or the branch. In 1935 this mechanism was extended by allowing the Minister of Social Affairs to declare a collective agreement binding to all companies in a branch, even if they had not signed the contract or taken part in the negotiations, provided that a significant part of the employers or their organisations and the trade unions were in agreement.

Trade unions and employers organisations grew in membership in the first four decades of the Twentieth Century. As was the case elsewhere in Dutch society, this happened in a “pillarized” way: there were liberal, Protestant, Roman-Catholic and Socialist trade unions, and liberal,

Protestant and Roman-Catholic Employers organisations. The same pillarization took place among political parties, newspaper, broadcasting organisations, building associations, schools, and numerous other associations.

The different pillars also had a different view on social relations. The liberals were in favour of laissez faire. If regulation was necessary, they wanted employers and employers' organisations to be involved in it. The socialists in theory wanted the state, after a socialist revolution, to regulate labour relations. As a short-term solution, they were willing to accept a considerable say for the trade unions. The Christian parties thought the liberal approach too individualistic and atomistic. They were even more opposed to the revolutionary aspirations of the socialists, and feared that Catholic and Protestant workers might be attracted to the socialist organisations. The Christian parties preferred to build upon associations that had risen organically in society.

All three pillars had to find their voice in how to organise social relations, especially the Christians. In the first two decades of the twentieth century, their hesitance is palpable in their proposals and arguments, but from about the 1920s all three of them had found positions that they would continue to bring forward, with remarkably little change, to the 1980s.

From the beginning of the twentieth century the central organisations of employers and workers, and the three pillars, attempted to organise social security from these diverging points of view. The employers and the Christians stopped an attempt to get have the Invalidity benefits payed out solely by a State Insurance Bank. Thanks to a coordinated action of the employers and the trade unions, sickness benefits became administered by branch associations, mutually staffed by employers and trade unionists.

In the 19th century, liberal and conservative governments alternated. As more people got the vote, Christian parties increased in power. The first Christian government took office in 1888. From then until 1918 Liberal and Christian cabinets alternated. From 1918 until 1994 Christian parties were always represented in government, often in coalition with either the liberals or the socialists, which became a large party after universal suffrage was adopted shortly after the First World War. Thus, Christian politicians had a large say in designing the way labour conditions were regulated in the country.

As mentioned before, Christian social thought preferred solutions to social ills that had developed "organically" in society. A strong example of this was the theory that to obtain poor relief the poor should address in first instance the church they belonged too, and that state institutions should only support them if denominational help was not forthcoming. This had been common practice in the eighteenth century. Already in the nineteenth century, religious poor relief had become so insufficient that municipal and state poor relief had to step in. However, Christian sensibilities about what had organically developed were so strong that this pious fiction remained enshrined in Dutch poor relief legislation until 1953, decades after churches had become unable to support the numbers of unemployed in an industrial society.

When there was a political need to lend a helping hand to organic development, this was what Christian politicians would do. In 1910-13, the Protestant Minister of Social Affairs Syb Talma introduced a number of social security laws. He also created a system of 39 regional Labour Councils, composed of an equal number of workers and employers. His Catholic successor Piet Aalberse in 1920 topped this construction with a central Hooge Raad van Arbeid (High Labour Council). In it, the leaders of the national trade union confederations and employers organisations regularly met, which helped forge deals. If the different pillarized organisations of the "social partners" agreed on a social measure, which became a strong argument for the government and parliament to implement it as proposed. This was even more true, as both social partners had links with members of parliament and other politicians through the channels offered by the pillars.

Working hours and standards in labour relations

Aalberse also was responsible for the introduction of the 1919 Labour Law. Over the long twentieth century, working hours' developments in the Netherlands ran parallel to those in most western countries in their main development. Around 1890, when industrialization had taken off, they were unregulated and very long. Twelve-hour days and 60 plus-hour weeks were not uncommon. As mentioned, limitations were first introduced for women and children, and in the aftermath of World War I also for adult men. The eight-hour day became common around this time in many other developed states too. The governments of some of belligerent powers had promised that the working class would be compensated for suffering through the war. In actual practice, however, the revolutionary climate of 1917-18, with revolts in the armies and on the fleets and revolutions in Russia, Germany and elsewhere, did much to stimulate them to give in to workers' demands. That was also true for the Dutch government, after the socialist leader Troelstra in November 1918 had announced in Parliament that a revolution was imminent, but had failed to organize one. For decades, socialist had demanded an eight-hour day. Before 1918, this had been introduced only in a handful of countries, but this now became the norm. This usually took the form of a six days workweek of 6 times 8 hours, or 48 hours. In some countries this consisted of five weekdays of 8 ½ hours, and a Saturday morning of 5 ½ hours to get to the total of 48, and have a longer weekend. In the spirit of competition between the pillars, Aalberse did not simply wanted to give in to a socialist demand. He therefore wrote into Dutch law a 45-hour week, with five 8-hour days, and a 5-hour Saturday. He motivated his law by stating that this would allow workers to shop on Saturday and prepare themselves for religious duties on Sunday. In 1922, the revolutionary fervour was reduced and Aalberse had to lengthen the workweek to the internationally accepted 48 hours, a retreat formally motivated by sharp international economic competition.

All in all a much more standard employment contract had been established over the twenty years between 1915 and 1935. Working hours declined - especially for male adults - from an unspecified, but in practice often 60 - 72 hours per week to 48 hours. If employer wanted their workers to work more hours, they needed an overtime permit. The Factory Inspection issued a large number of these, especially in the 1920s, but an attempt by employers to use these to make the 48-hour week a dead letter had been repulsed, partly because the unions had in a number of cases refused to work the longer weeks for which a permit had been issued.

Membership of trade unions had risen about fourfold between 1910 and 1920. As a response, the degree of organisation among employers had also risen spectacularly, as employers realised that labour relations more and more regulated by the state or through collective labour agreements. The number of collective labour agreements rose spectacularly, and from 1935 it became standard procedure that the Minister of Social Affairs made these binding for the branch as a whole. Social security included universal insurance for workers against the loss of income due to illness or invalidity. The latter regarded reaching the age of 70 as a form of invalidity and offered a modest old age pension. About half of the working class was insured against medical expenses. The unemployment crises of the First World War and the 1930s had given rise to a modest form of unemployment benefit. Workers that subscribed to an unemployment scheme of their trade union and thus co-financed their unemployment benefits earned a better unemployment deal.

All in all this was a sea change, both in comparison with 19th century liberal policies and in improvements in workers' labour conditions. It was not much described so as such at the time, and has not been analysed as such in the history books. This is probably due to the fact that unemployment and hardship in the crisis of the 1930s eclipsed the gains and showed how much was still needed. The fact that the agenda proposed by the socialists was delivered by Christian politicians also meant that no political party fully owned the improvements.

Corporatism and Post-war guided economy

But where the Christian parties certainly were successful was in developing and imposing a corporatist view on Dutch Labour Relations. For the implementation of the social security laws employers started different forms of cooperative organisations. The implementation of the sickness benefits was entrusted to branch organisations, *bedrijfsverenigingen*, which were run by the employers' organisations and trade unions in the branch jointly. Even if full-blown corporatism was before 1945 seen as something that belonged to the repertoire of fascist states, similar mixed organisations run by capital and labour together, became very influential in the Postwar Netherlands. A Social and Economic Council brought together representatives of capital and labour with government representatives to advice on social policy. It also oversaw the branch organisations, in their work of implementing the different social security laws, which lasted until 2015.

During World War II, the Netherlands were occupied by Germany, and lost a considerable part of its industrial infrastructure. After the war, the largest colony of the Netherlands, Indonesia, gained independence. The feeling among politicians and civil servants was that the economic infrastructure had to be rebuilt, and a considerable period of austerity would be needed to do so. At the same time, it was broadly felt that the unemployment and resulting fall of income of the depression was unacceptable. The Dutch government in exile in London during the war had a proposal prepared to build a welfare state in the Netherlands. At the same time, it was felt that wages should be kept low to rebuild the economy and to compete on international markets. For the socialists, who were in a series of coalition governments with the Christian parties from 1939 until 1958, this was an acceptable deal. They were willing to limit wage demands to help create the welfare state. The government tasked an existing body of mediators in labour conflicts, the *College van Rijksbemiddelaars*, with keeping wages low. Every wage increase or improvement of the working conditions had to be improved by this body, which often rejected improvements, even if trade unions and employers had accepted them.

Over the 30 years following the war, a broad system of social security was put in place, with as most conspicuous achievement a general old age pension for all Dutch citizens at age 65, paid out of taxation. For people who had held jobs, this was usually supplemented with a pension for which workers saved over their working life, and which would on retirement amount to some 70 % of their last wage. Other risk besides old age were covered by separate laws. All workers were for instance obliged to take out a health insurance policy, rules for which were laid down by the government.

In the early 1960s, the policy of low guided wages fell apart. The economy had been rebuilt. Full employment had been reached. Employers were willing to pay extra for scarce workers, and it was felt that it was impossible to maintain the system. With the austerity years over, wages and consumption shot up. Weekly working hours fell to 40 with the introduction of the two-day weekend. However, this liberalisation did not end the fact that working conditions were very much standardised. Hours, wages and secondary conditions were the same for everyone in a specific occupation in a certain branch, with small differences to accommodate differences in costs of living in different parts of the country. As most collective agreements were binding, employers nor workers could deviate from these rules.

Part time work

The large influence of the Christian parties on the establishment of the Dutch standard labour contract is nowhere better visible than in the labour force participation of married women. Especially Catholic employers had a tradition of keeping married women away from factory jobs, and by the 1950s, it had become common practice to fire women when they got married. By 1960, among European countries, the Netherlands shared last place with Greece in female labour force

participation. Christian and socialist politicians agreed that the desirable situation was that father would earn enough to sustain the family, and that mother would stay at home and look after the children, but would pursue no paid work.

From the 1960s, many more women wanted to continue working when they married, or when they got children. Female labour force participation rose, to end among the highest of Europe in the 21st century, on the same level as Scandinavian countries. However, this was primarily achieved in the form of part time employment. Both for women and for men the Netherlands are by far leading all other European countries in part time employment. This was and is felt to be a good thing by the huge majority of those concerned, and pleas to work more hours usually fall of deaf ears. Although this may be in part an inheritance of the patriarchal standard labour relation of the first half of the twentieth century, it is now a bottom up element in the present day standard labour contract in the Netherlands.

The top consultative apparatus of the earlier corporatist system, the Social Economic Council, has stayed in place. To this day, if the representatives of trade unions and employers' organisations agree, it is hard for the government to decide otherwise. In the 1960s, for instance, this gave rise to regulation of temp agencies, which improved their ways of operating and their image in the Netherlands. At the time, this was also felt to be a relevant response to the wish of many married women to remain active on the labour market.

High-level deal making was effective until the 1980s. In 1982, a compromise was reached to limit wage growth in exchange for a commitment from the employers to create more jobs, which was successful in combatting unemployment. Usually, negotiations at this level were time consuming, but if an agreement was reached, both employers and workers accepted its terms.

However, this system fell apart from the 1980s. With the rise of neoliberalism, the liberal parties gained ground. The socialists and Christians agreed that it was better to do away with the consultative apparatus on social and economic policy, arguing that trade unions and employers' organisations represented particular interests that did not take the common interest in account enough. Market solutions became to be preferred over common standards based on consultation.