

# Recent Trends in Collective Bargaining in the Netherlands

W. ALBEDA <sup>1</sup>

**T**HE INDUSTRIAL RELATIONS SYSTEM in the Netherlands should be viewed in the light of some basic characteristics of the country. The Netherlands is small with a relatively large population, the greater part of which lives in the western provinces where the big cities (Amsterdam, Rotterdam and Utrecht) form a triangle that for practical purposes may be considered as one metropolitan area.

Industrialisation started rather late. Traditionally agriculture was strong and the development of the services (transport and commerce) was closely related to the one invaluable national resource—the splendid situation of the Netherlands in the delta of the Rhine and the Meuse; this factor and the large colonial empire overseas were of key importance for the national economy. With some notable exceptions (Unilever, Shell, Philips) manufacturing took place in small, family-owned firms with a paternalistic system of labour relations.

The trade union movement, as a result, got off to a slow start. From the beginning, moreover, the movement was split into three independent organisations: the social democratic Netherlands Federation of Trade Unions (NVV), which now has 558,000 members; the Netherlands Catholic Federation of Trade Unions (NKV), with 398,000 members; and the Netherlands Federation of Protestant Christian Trade Unions (CNV), with 238,000 members. Up to the Second World War the three federations were unable to achieve close co-operation with one another. There were often strong differences of opinion between the NKV and the CNV on the one hand, and the NVV on the other, as to what was desirable policy. The two denominational unions were more reluctant to strike and less hesitant about collaborating with the Government than the socialist NVV, which was regarded with suspicion by the authorities.

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<sup>1</sup> Professor, Netherlands School of Economics, Rotterdam.

The same tendency to base their organisations on religious belief developed among the employers. The farmers, the small entrepreneurs and the manufacturers are organised in three associations which, while traditionally co-operating closely with one another, are independent of each other. Since the war the employers' denominational organisations have tended to integrate and the distinction between Catholics and Protestants for purposes of industrial association is disappearing. Such a trend is less noticeable, however, in the trade union movement. Here the three organisations are slow to come together, although the Catholic federation seems to show less hesitation about further integration with the NVV than with the CNV. In the last few months, a proposal to unite the three federations in a single confederation has been under serious consideration; a common Institute of Social-Economic Research has already been established.

### **The collective agreement in the Netherlands**

In the Netherlands the collective agreement was accepted as a legal instrument at a fairly early stage. As far back as 1907 it was recognised in labour law and in 1927 an Act respecting collective agreements was promulgated which is still in force, although it was partly amended by the Extraordinary Decree of October 1945 respecting labour relations, which formed the basis for the Government's wage policy.

Since 1937 the Minister of Social Affairs has had the possibility of extending to non-organised workers and employers the terms of collective agreements with the exception of certain provisions—for example those limiting freedom of association—and it has become normal practice for this to be done. The collective agreement in the Netherlands ordinarily is valid for one year and contains a provision to the effect that several months before its expiration the parties concerned will consider revising, extending or cancelling it. The Extraordinary Decree of 1945 prescribes that for as long as no new agreement is reached the old agreement shall be extended on a month-to-month basis. Some agreements are of longer duration than one year. Thus in the metal industry and in the firms of Philips and Hoogovens (steel manufacturers) the practice is to conclude agreements of two or three years' duration. Such long-term agreements of course either prescribe in general terms that wages can be increased during the period of their validity or provide for wage increases of a given percentage on specific dates.

Within the private sector most firms are covered by collective agreements. The exceptions are some of the smaller retail undertakings. Workers in the public sector (public utilities, public transport), which is rather small, are considered legally as civil servants and the level of their remuneration is regulated by law. In some cases private institutions (for

example private schools) which are highly subsidised are obliged by the subsidiser to adhere to the rates of remuneration set by the ministry concerned. In the public sector the Dutch railway system, however, has since the end of the Second World War been covered by a collective agreement. Like all civil servants in the Netherlands, railway workers do not have the right to strike. The present agreement, which is of three years' duration, follows the remuneration policy laid down by the Ministry of Internal Affairs for civil servants. However, the whole system of wage groups and grades differs from that in the rest of the public service. Railway workers do not participate in the civil service pension fund.

The position of the Dutch airline, KLM, is a little different from that of the railways. KLM, which is a mixed company, has a standard collective agreement with no special features. Wages and salaries of KLM employees are not tied to those in the government sector.

### **Plant-level agreements and industry-wide agreements**

Most workers are covered by industry-wide collective agreements, this being in line with what has been from the outset the express policy of the trade unions—namely to increase the size of the bargaining unit. This policy may be explained by the relative weakness of a divided trade union movement in a labour market characterised by unemployment throughout the period between the First and Second World Wars, and bearing in mind the fact that in a situation of unemployment it is important to exclude competition between firms so as to avoid the depressing influence of the weakest employer. Admitted, this hardly explains why during the post-war period, with full employment and fairly close co-operation between the unions, the number of company collective agreements continued to decrease (from 1,159 in 1940 to 406 in 1968). However, a policy does not always end when the background changes and, moreover, a centralised wage policy is conducive to agreements covering a greater number of firms. Broader agreements offer greater possibilities for the use of "scientific" incentive systems, job classification systems and so on.

The employers' attitude towards plant-level bargaining has not always been clear; but one gets the impression that employers' organisations have taken a more positive attitude towards industry-wide agreements since the Second World War, possibly as a result of the change in the power relationship on the labour market in the last twenty-five years. Nevertheless, the number of agreements covering entire industries decreased between 1940 and 1968 from 1,544 to 274.

A substantial proportion of all workers are now covered by a small number of agreements (250,000 building workers are covered by one agreement, 360,000 metal workers by two agreements, for instance). It is interesting to note that there are no important differences in the contents

of company-wide agreements and industry-wide agreements. Company agreements are found in the very large companies, where they may contain some provisions concerning the social policy of the firm <sup>1</sup>, as well as in smaller companies in the chemicals, foodstuffs, wood-working and transport industries, where mostly their provisions do not differ from those of industry-wide agreements and where the only reason for their existence seems to be that in these sectors the variety of undertakings is much greater than in others. The trend towards larger bargaining units may have been counteracted in the last few years by the emergence of more big firms, which naturally prefer to have company agreements.

Collective agreements are concluded between the trade unions on the one side and the employers or employers' organisations on the other. There are no legal rules concerning the procedures which the parties have to follow in order to obtain their respective members' approval of an agreement, the implication being that the trade unions themselves determine which internal bodies have to give their approval before the text can be finalised. The only legal stipulation is that a copy of the collective agreement must be provided to all workers who are covered by its provisions. The unions in manufacturing industries have a highly decentralised structure, within which each industrial sector has its own governing body, representative of the local unions, that can take decisions concerning a new collective agreement. Other unions—for example the building unions—have a more centralised structure and their sector committees have only advisory powers. There is, however, a tendency for groups of five or six unions to amalgamate into federations and this tendency is accompanied by decentralisation within the individual unions concerned.

### **Bargaining procedures**

From an early stage the Dutch trade unions and employers' organisations felt the need for formal bargaining machinery. As long ago as 1933 the Government took the initiative in this respect by providing through the Industrial Councils Act for the establishment of industrial councils (*bedrijfsraden*). These councils, which may have a permanent secretary and some staff, offer a meeting ground for the leaders of both sides, where collective bargaining with a view to the conclusion of new agreements takes place, problems arising from the functioning of existing agreements are discussed and decisions required under collective agreements (as regards, for instance, the fixing of holidays, the introduction of incentive systems, etc.) are taken. The councils may also in some cases authorise exceptions respecting the application of the provisions of agree-

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<sup>1</sup> For example the Hoogovens agreement, which contains a preamble stating the company's policy with regard to trade unions.

ments. Councils for the building and printing industries play an important role as a kind of governing body for the industry.

Formal structures at the industry level, like the councils, are of course needed because of the multiplicity of bargaining organisations (three or more trade unions on the one side and at least two employers' organisations on the other). The idea of setting them up was inspired also by the hope that they could pave the way for lasting industrial peace, based on close co-operation between employers and workers in fields of common interest, and by the concept that continuous bargaining concerning the attainment of common goals (integrative bargaining) would facilitate bargaining on controversial goals (distributive bargaining).<sup>1</sup>

In 1950 Parliament adopted the Organisation of Industry Act to replace the Industrial Councils Act of 1933. The main objectives of the new Act were to create a permanent form of co-operation between employers and employees, to ensure the promotion by trade and industry of their own interests and (and this was the new feature) to give the bodies established under the Act statutory powers enabling them to lay down rules and develop activities by which all undertakings in a specific sector of trade and industry could benefit and to which all of them could make a financial contribution.

The industrial boards set up under the Act can as a result of their statutory powers do things which organisations under private law would be unable to do, or would do less efficiently. In the present context it is interesting to note that they can transform a collective agreement into a statutory regulation, the difference between the two being based essentially on the way in which they come into being. A regulation is the result of a decision of the board and a strike protesting against such a decision would be impossible. Some forty industrial boards created under the new Act are now in existence, most of them in the smaller industrial sectors consisting of many undertakings. The industrial board for agriculture is one of the most important. It has taken over many functions which in other countries are executed by the government. In a large number of manufacturing industries, however, the establishment of industrial boards has met with strong resistance on the part of the employers, who fear that they could make decisions not only in the social but also in the economic field, and in this sector such bargaining bodies as exist have a private status, based upon contract and not upon the Organisation of Industry Act, and hence do not have the statutory power to lay down rules for the sector. Of course a collective agreement may provide for the setting up of other, more specialised joint bodies (a vocational training institute or a pension fund, for example). In many cases collective agreements also provide for industrial tribunals.

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<sup>1</sup> R. E. Walton and R. B. McKersie: *A behavioral theory of labor negotiations* (New York, McGraw-Hill, 1965), pp. 1-10.

### **Grievance procedures**

In the Netherlands a collective agreement is enforceable under the law, so that a worker may place his complaints before the normal courts. However, this is a complicated and cumbersome procedure and other means of action are therefore provided for in most collective agreements.

Both industry-level and plant-level agreements generally lay down a grievance procedure prescribing that, if an amicable settlement—in the first instance between the worker and his immediate supervisor or at a subsequent stage between union and management representatives—cannot be reached, the case shall be placed before an arbitration board. Such a board consists, in the case of Shell for example, of three members appointed respectively by the unions concerned, by the firm and by the two together. The metal workers' agreement establishes a similar, more elaborate procedure.

In practice, however, these procedures are hardly ever used. Normally workers bring their individual complaints to their local union, which tries to find a solution through informal contact with the personnel department. If the worker is not a member of a union, the complaint is usually handled directly by the personnel department at the request of the worker himself. National union officials deal essentially with broader complaints involving basic questions respecting the administering of collective agreements. This package of complaints is put on the table when a new agreement is being negotiated. Another procedure followed where an industrial board or council exists is for basic matters to be brought forward at regular meetings and general rules to be laid down after some discussion.

### **The centralised wage control system**

The Dutch system of collective bargaining as it exists at present cannot be understood without a brief look at developments after the Second World War. In the post-war years the Government centralised the process of wage fixing. The reorientation of the economy, it was felt in 1945, required an economic climate that would foster the growth of modern industry. One of the basic prerequisites was seen to be a wage level that would be low enough to permit new industry to compete with older and more experienced firms abroad and at the same time would induce a high rate of saving by keeping consumption at a relatively modest level.

Under the centralised wage control system the Government, through its Minister of Social Affairs, had the right to prescribe the wage level for all industries. It used this right to impose a highly uniform wage structure by linking wage rates to a standardised method of job evaluation and

to the level of productivity, first in the economy as a whole and then in the industry concerned.

The system was not as arbitrary as it might appear. The Minister of Social Affairs delegated his authority to the Board of Government Mediators<sup>1</sup>, which used its powers only after consultation with the Foundation of Labour as the representative organisation of the employers and employees. It was felt that the wage policy involved a high degree of government interference which needed to be counterbalanced by the creation of a "partner" that would be able to meet the Government on an equal footing. The Foundation of Labour is a private bipartite body set up by the three trade union federations and the employers' federations, in which the workers' and employers' representatives have equal voting rights. In the course of time a complicated but not illogical procedure was developed by means of which the process of evaluating economic possibilities and examining basic economic data was carefully separated from the bargaining process. The former process was handed over to the Social and Economic Council, established under the Organisation of Industry Act to advise the Government on all social and economic matters, and composed of fifteen employers' representatives, fifteen trade union representatives and fifteen experts nominated by the Government.

The Council, assisted by the Central Planning Bureau, and following discussion of the matter with the Foundation of Labour (a discussion based on common documentation and which was in fact part of the collective bargaining process), made a recommendation to the Board of Government Mediators concerning the possible wage increase in the coming year. Where the recommendation was unanimous the Board required industry to apply the proposed increase. Otherwise the matter was referred for decision to the Minister, who was confronted with a delicate task, knowing that his ruling would be examined with the closest attention by Parliament.

The wage increase accepted at the national level had to be incorporated in the collective agreements of the various industries, though in many cases of course better rates could be obtained through bargaining. Inventive trade union leaders could always find arguments why some job or some industry had a right to a greater increase than the centrally agreed average. Moreover, by using piece-rate or incentive systems the wages ceiling could be pierced. The Board found that it had to lay down very detailed rules for the application of systems of job evaluation, incentives, merit rating, profit sharing and so on in order to prevent their being used as a cover for "black wages". Moreover, the wages mentioned in the collective agreements were not only minimum but also

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<sup>1</sup> Set up in 1945 to mediate in labour disputes. Its members, though appointed by the Minister of Social Affairs, were independent and, except for the Chairman, served on a part-time basis. The Board was abolished in 1970 when the new Wages Act was adopted.

maximum wages. It is probably no exaggeration to say that the Dutch system of wage control was more comprehensive than any other in the free enterprise economies.

### **The collapse of the system**

The 1960s saw the collapse of this system as a consequence of economic pressure from abroad and of the stress that the whole arrangement put on employees, trade unions and undertakings. In a way it is easier to understand why the system broke down than why it worked so well during the whole period from 1945 until 1963. A system of wage control is effective only in as far as the workers (of whom in Holland not more than one-third were members of one of the three trade union federations) and the employers accept it. When labour is in short supply—and this was nearly always the case in at least part of the country—it is evident to the workers that they can obtain wage increases if they wish to. For the employers there is always the temptation to use wage increases to get a better share of the labour force. Although in some industries (for example the building industry) “black wages” were a normal phenomenon in the 1950s, in general wage control was accepted and there was no considerable wage drift.

The explanation is not simple. Perhaps it could be said that Dutch workers were used to paternalistic employers and trade unions, and to following the leader. Before the Second World War (and also after the war, although to a lesser degree) organisation at the social, cultural and political levels in the Netherlands was based on a system of ideological blocs. Everybody became a member of the organisation of his “colour” and the leaders at the top worked closely together. Moreover, the workers remembered all too well the unemployment of the 1930s. The leaders of the trade union federations accepted wage control because they were convinced not only that the Netherlands could not industrialise with a high wage level but also that the Government should direct the economy and that there should be strong control of prices and incomes. For them wage control was a first step towards a more centrally controlled economy and not an emergency measure. Another argument which played a role was that wage control promised industrial peace. Last but not least it should not be forgotten that from 1945 to 1959 the country was ruled by governments which could, by their composition and policy, convince the trade unions of their good intentions.

Especially during the first few years, when the economic situation left only limited scope for big wage increases, the system worked quite well. Sharing poverty proved to be easier than sharing wealth. From 1945 to 1950, when the Dutch economy was running at a deficit, compensated by Marshall aid, it was clear to everyone that wages should be kept at a very modest level. After 1951 successive productivity gains made it poss-



ible to debate the criteria for wage increases. Private consumption was curtailed when this was necessary during the short recessions of 1951 and 1957 by a decline in real wages.

As long as conditions in the pre-war period remained fresh in people's memories, wage rounds (all wages went up at the same time) came regularly and the trade union federations supported the system whole-heartedly, the workers in general believing in it. Rival unions either accepted the wage policy, as the independent (white-collar) unions did, or they failed to organise enough workers to break the system.

Slowly, however, the climate changed, as the Government loosened its grip on the economy. Wage control, being essentially part of the broader system of a controlled economy, became an isolated instrument of economic policy. It gave the workers the impression that they were the only group subject to a rather strict curb on their income. The Christian unions were the first to ask for freer wages, followed by the employers' federations, who wanted greater scope for horizontal wage differentials. It became increasingly clear that trade union leaders who continued to support the Government's wage policy were running the risk of alienating the membership. They were criticised from without, and later on also from within, for their lack of aggressiveness and revolutionary zeal.

The confidence of the membership in wage policy was further shaken when a new system of wage control was introduced by the Government in 1959. This system was based on an attempt to link wages to productivity by industry and was highly unpopular. How to explain to mine-workers that they would have to accept a smaller wage increase than metalworkers because productivity was going down in the mines and up in the metal industry, when at the same time mineworkers were in shorter supply than metalworkers? How to explain to everyone that the fifteen-year-old slogan "equal pay for equal work" should be changed to "equal pay for equal productivity"? As more and more firms paid "black wages" the discrepancy between the centrally agreed rates and the actual rates in the labour market became too evident to be disregarded by workers (both organised and non-organised) and employers alike. When some of the larger firms in the Amsterdam metal industry stated openly in August 1963 that they would no longer accept the guidelines set by the Foundation of Labour, widespread social unrest developed.

It was clear to everybody that not only the Government and the employers but also the trade union federations had been too careful. The employers should be capable of judging for themselves what they could afford. It was a bad time for the trade union leaders and some workers gave up their trade union membership. The unions did not hesitate long, however, and decided that the only way to maintain their influence was to get ahead of events. The three metalworkers' unions asked for an 8 per cent increase in wages. The three trade union federations followed suit and asked for a "substantial increase". When the employers and the

Government accepted these demands (they could not risk the total collapse of the system) the result was a "wage explosion". The most important outcome, however, was the introduction of a minimum wage for unskilled workers.

During 1964 wages increased by 16 per cent. What was most astonishing, however, was that as the result of an unprecedented productivity increase of 9 per cent the national economy adjusted itself to the big wage increase. Instead of the prophesied unemployment, unexpected high real earnings were the result of this aggressive wage policy.

It is understandable that confidence in the Government's and the Foundation's ability to assess possible wage increases was still further weakened when the wage explosion was such a success. Had the unions been too cautious throughout the post-war years? Was the relatively low standard of living in the Netherlands a result perhaps of the meekness of the trade unions? Would a more aggressive wage policy not have led to greater efficiency and increased mechanisation and investment? The powers of the Board were transferred to the Foundation in 1963 so that the burden of implementing the policy was placed on the employers' and workers' organisations. The idea behind this change (effected within the existing legal framework) was that perhaps a wage policy administered by the social partners themselves would encounter less opposition than the Government's policy.

But how could the trade union members of the Foundation be expected to hold back the wage increases which the unions had gained within their industries with the approval of the employers concerned? Moreover, the labour shortages throughout the country were not being reduced by the repeated big wage increases within certain industries. The trade unions became less and less prepared to come to central agreements on wage increases within the Foundation. Although the procedures were maintained theoretically—the legal framework in fact did not change until 1970—in practice the Government relinquished its powers in respect of wages and step by step the network of regulations implementing the wage policy was dismantled. While all collective agreements were required to be submitted to the Foundation, they were in fact always accepted.

In the years following the wage explosion of 1963 it became increasingly clear that it was no longer possible to formulate a wage policy that could get the support of the three partners involved—the Government, the employers and the trade unions. The Government tried (and still tries) every year to obtain an understanding on the limits for the wage increases in the coming year. It became evident, however, that even when it succeeded in obtaining such an understanding (as in 1964 and 1965) the three partners were unable to implement the agreement reached. The situation in the labour market did not permit the Foundation or the Board to use their powers to curb the rise in wage levels, and recourse to the old government-dominated wage policy was equally impossible.

Apart from a temporary interruption due to the mild recession in 1967-68, the labour market situation continued to push wages up faster than the increase in productivity. At the beginning of 1969 the introduction of the new value-added tax led to a record price increase in the first three months of that year. This situation seemed to create the atmosphere for new concerted action on the part of the Government, the employers and the trade unions.

In the middle of 1969 the three trade union federations accepted an invitation by the Government to attend a round-table meeting, during which it was decided to accept a ceiling on wage increases in 1970. This agreement, concluded in June 1969, gave hope that at least a minimum amount of wage control could be practised in the coming years.

The latter part of 1969, however, brought about a set-back. The Government (in the person of Minister Roolvink, himself a former trade union secretary) decided to strengthen its position with regard to wage policy by introducing a new Wages Act. This Act enables the Government not only to require a general wage freeze in a national emergency situation but also to interfere with individual agreements in the national interest. A clear symptom of the changing attitude of the trade union movement was the strong opposition of the NVV and the NKV to this last possibility. Both federations stated that they would refuse to participate in central consultations within the Foundation and the Social and Economic Council on wage matters if the Act was accepted with these provisions. For the first time since 1945 no real consultation of the social partners at the national level preceded the adoption of the Act by the Second Chamber of Parliament in November 1969, and the Government is left with a Wages Act which it cannot easily use, as can be seen from the social unrest in 1970.

At the same time various developments have proved that in the Dutch economy central negotiations cannot easily be discarded. A strike in a shipbuilding yard in the Rotterdam area in September 1970 resulted in a decision that all the workers concerned would receive a one-time payment of Fl. 400 as an advance on an increase to be provided for subsequently in the relevant collective agreement. Although there was a particular reason for the decision in question, demands for a similar payment were rapidly made at other firms within the area and elsewhere. The Foundation reacted promptly by deciding that the amount of Fl. 400 should be fixed as the limit for any such payments granted elsewhere. The trade unions regarded the Foundation's decision as the go-ahead signal for making the demand a general one and so a new wage round took place, resulting in the first general, uniform wage increase since 1959.

Agreement was simultaneously reached between the employers and trade union leaders within the Social and Economic Council to propose that the Government should revoke (or "put on ice") the provision in the new Wages Act opening the way for the Government to interfere with

individual agreements. This proposal was accepted by the Government (the provision was temporarily set aside) and so the way was paved for the resumption of tripartite central consultations. These consultations came to nothing, however, and the Government thereupon decreed a "wage freeze" under which wages were allowed to increase by 3 per cent on 1 January and a further 1 per cent on 1 April. In July fresh bargaining will be possible. This decision was taken, and accepted by Parliament, notwithstanding a one-hour protest strike by the three federations. It led to a further deterioration of relations between the trade unions and the Government.

### **The industrial relations system in a time of transition**

Even before 1940 the Dutch industrial relations system was characterised by a high degree of centralisation and a strong tendency towards institutionalisation.

By increasing the cost of a strike, centralisation of the bargaining process may lead to a reduction in the number of strikes. Especially during the era of the centralised wage policy it could be argued that every strike was directed against the Government and could easily develop into a general strike. Therefore the trade union federations resorted to this weapon only in exceptional circumstances. An interesting case was the strike in the building industry in 1960. When the employers would not accept the conditions that the Government had attached to a wage increase, the building unions launched a strike against them. They forced them to accept the conditions set by the Government (no price increase) and to raise wages as proposed by the Foundation of Labour. Before the collapse of the wage policy, industrial peace was almost complete. Only in some difficult pockets of the labour market (the building industry in the big cities, the docks, etc.) wild-cat strikes now and then reminded the Dutch population that such action was a possibility in the Netherlands.

Strikes are still an exception rather than the rule. They are not legally recognised and are forbidden in the case of government employees and railway workers. After the war many people thought that the strike was an outmoded weapon in industrial relations, not only at the national but also at the plant level. However, a change of climate seems to be on the way.<sup>1</sup> The conviction that industrial conflict is not necessary in the Netherlands because the bargaining machinery works smoothly and justly under the benign supervision of the Government is being shaken more and more. The younger generation does not seem to have the same patience as its elders. Moreover, the slow but steady coming into being of the European Common Market, bringing with it the example of the

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<sup>1</sup> The number of days lost through labour disputes increased from 19,000 in 1968 and 20,000 in 1969 to 262,000 in 1970 (though this is admittedly still a rather low figure by international standards).

more aggressive policies of the Netherlands' neighbours, may cause the break-up of the peaceful Dutch labour situation. This consideration makes it all the more necessary that the legislation on the right to strike (which is really non-existent) should finally be put in order. A new Act is now in preparation.

### **Developments at the undertaking level**

Since the 1930s there has existed in the Netherlands a well-developed system of national regulations governing industrial relations both at the national level and at the level of different industries. At the level of the individual firm and of the shop floor the trade unions have in general been inactive (even shop agreements do not normally provide for trade union activities within the firm). With some notable exceptions (the railways, the PTT) the only contacts between trade union officials and particular firms have concerned individual grievances regarding the application of the collective agreement. In general there are no institutions comparable to the shop-steward in Great Britain or similar structures elsewhere, by means of which a direct influence on work and working conditions can be exerted.

In many firms (especially in the metal industry) the trade unions appoint their spokesman (*vertrouwensman*) who represents the union on the shop floor. He does not bargain like the shop-steward, but acts as the representative of the union. He informs the workers of their rights and he is the person responsible for ensuring that the trade union is informed of grievances and developments in general in the firm. He is in a rather difficult position because he receives complaints and passes them on, but normally he himself does not take an active part in resolving grievances.

The weak position of the trade unions at the shop floor level is understandable in view of the relatively late industrialisation of the Netherlands and the rather slow development of the trade union movement, which only achieved numerical strength after the recession had taken away its power on the labour market. Moreover, the division of the movement into three separate federations has made representation within (on the average rather small) firms difficult. The first twenty years after the Second World War saw a development of outstanding importance—permanent unemployment was replaced by full employment. The agricultural labour force was decimated and modern industry sprang up, marked by more manufacturing and bigger firms. Continued growth replaced stagnation. Of course the effects of such changes could not be confined to the technological and economic fields. Traditional views on authority and subordination were undermined, and on top of this, as far as management was concerned, came the fact that employers could no longer resort as freely, in their personnel policy, to the formerly effective threat of dismissal.

In the new situation the trade union movement gained influence in national life, but the fact remained that its influence was smallest where the workers could best observe it—on the shop floor level. When gradually the national wage policy turned out to be a failure, the trade unions started to doubt whether they were on the right road. These doubts became certainties when sociological research revealed that workers within the firm did not feel any influence of the trade unions, and that they did not expect anything from the trade union movement at their own level.

The 1960s were for the whole of the trade union movement a period of "agonising reappraisal". A re-evaluation of the structure of the movement, of its tactics and even of its ideology and inspiration could not be avoided.

The re-evaluation and re-orientation have not yet been concluded. It is certain, however, that they will lead to a change in the attitude of the unions as regards individual firms. The union spokesmen had no real influence. The developments in personnel management were the result of the labour shortage rather than of trade union pressure. Moreover, the Act of 1950 to provide for works councils has not strengthened the position of the trade unions within firms. In the first place the trade unions play only a limited role with regard to the composition of the works council. They have the right to present lists of candidates but groups of non-organised workers may do likewise. Although normally the percentage of organised workers in the council is higher than in the firm as a whole, many councils have important minorities or even have majorities of non-organised workers in their membership. A survey undertaken by the NVV revealed that most members of works councils do not view themselves as trade unionists but as members of the personnel. It is interesting to note that those who view themselves first as trade unionists look upon the council as a bargaining instrument. The others see the council as an instrument of joint control.

What, in reality, is the function of the works council? The Act describes it as an organ of the firm which advises the employer (who is ex officio chairman of the council) on social matters. The employer is required to keep it informed about matters relating to the economic functioning of the firm. The members have to respect the "independent position of the employer". Of course the borderline between advising an employer and bargaining can be very thin. The trade unions do not like to see the councils taking over their job, but obviously a discussion on such matters as the introduction of an incentive wage system, the regulation of shift work, the hiring of foreign workers, the fixing of holidays, the need for overtime, etc., will more often than not develop into a sort of bargaining. In this sense it is clear that the works councils fulfil functions which could be performed by the trade unions or trade union representatives.

During September and October 1970, when a state of social unrest existed in most undertakings in the Netherlands concerning the question of the one-time Fl. 400 payment mentioned earlier, the trade unions left it in most cases to the works councils to put the demand for this payment before the employer. This, however, is an exceptional example of a case in which the trade unions left bargaining to the works councils.

It may be of interest to point out that new legislation (based on proposals of the Social and Economic Council) is in preparation which will strengthen the position of the works councils. Under this legislation the council would be able to meet without the presence of the employer (officially this has been impossible up to now); members could request the attendance of experts; and they would have the right to veto the nomination of a member of the board of directors of the undertaking. The council would also have the right of inquiry, meaning that, in case of suspicion of mismanagement, they would have the right to order an official inquiry by a special court.

If this legislation is adopted, it will clearly give the works councils greater possibilities of influencing management policy in all fields. But the trade unions will not have new possibilities of influencing the composition of the councils or their functioning.

It is not surprising, therefore, that within the trade union movement more and more voices are heard seeking a new union presence on the shop floor. The metalworkers' union affiliated to the NVV was the first to propose a fresh approach<sup>1</sup> in the form of so-called plant work (*bedrijvenwerk*). In all plants employing trade unionists, a plant representative would be selected, with the following functions: he would act as chairman of all trade union meetings within the plant, inform the trade union of developments within the plant, receive complaints regarding work and working conditions and inform the members of the works council or the trade union of such complaints. He would also act as chairman of the trade union committee within the plant. The underlying idea is that the more or less passive attitude of the former trade union representative would be replaced by the active role of the new-style agent. The representative could fulfil his new role as a result of more active assistance and guidance on the part of the trade unions. Experienced trade union officials are being trained to advise plant representatives on how to fulfil their role and to direct their attention more to those areas which are not normally dealt with by the trade unions (work content and organisation for instance).

This new approach first met with resistance on the part not only of the employers but also of some members of the works councils. The employers opposed it because they felt that it stemmed from an attitude

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<sup>1</sup> For a more detailed description see John P. Windmuller: *Labor relations in the Netherlands* (Ithaca, New York, Cornell University Press, 1969).

whereby the trade unions more than ever viewed their role as being to check on management policy. As of now the new policy has been introduced successfully in about 150 firms, which constitute of course only a small minority.

It is evident that the presence of an active trade union plant committee could pose a problem for the works council and in a few cases the works council opposed the new system. However, as is often the case, the initial resistance to something new is disappearing. The real problem is whether the trade unions have the necessary knowledge concerning management problems and can transfer this knowledge to their agents so as to put them in a position to present management with alternatives to its policy—a policy which in the eyes of the trade unions is “one-sidedly guided by economic interests”.

It is by no means impossible that the new trade union presence in the firm may encourage the unions to start official bargaining at that level, for it may open their eyes to the special needs of individual firms.

### **Development of the collective agreement**

The post-war period saw a marked acceleration in the development of collective agreements. Not only did they begin to cover an increasing number of workers, but also the scope of their provisions was expanded. The inclusion of provisions relating to systems of job classification and merit rating was, of course, influenced by the system of wage control. In addition the agreements began to regulate the length of annual holidays with pay as well as hours of work, and to provide for vocational training, the introduction of arbitration systems, etc.

As in most countries, the collective agreements in the different industries have a strong influence on one another. An improvement in one industry tends to spread to others. Therefore it is possible to observe general trends in collective bargaining. Notwithstanding the propaganda made for differentiation in wages in different industries, the high degree of uniformity in wages which was a result of the centralised wage policy persisted throughout the 1960s.

The slow growth of the unions and their difficult financial position as a result of prolonged inflation may explain the action taken by them to obtain extra benefits for their members. This action started in 1960 when the Catholic factory workers' trade union proposed the inclusion in an agreement covering two electric light factories of a provision prescribing a slightly higher wage for organised workers. This provision was rejected by the Board of Government Mediators on the grounds that it had not received the unanimous support of the Foundation of Labour. In 1961 a similar proposal to give special benefits to organised workers in the Ankersmit's Chemical Works in Borgharen was again rejected by the Board and on this occasion it sent a detailed note to the Foundation of



Labour explaining its general position in this matter, because it was expecting more such proposals. The subsequent discussions within the Foundation took a considerable time because the trade union federations themselves needed time for reflection on this highly controversial matter.

In April 1964 a proposal was made for the inclusion in a collective agreement for the printing industry of a provision requiring unorganised employees to pay a slightly higher contribution towards their old-age pension than organised employees (in the Dutch printing industry blue-collar workers have a union shop agreement; white-collar workers, however, are free to organise or not). In this case the Foundation decided to accept the provision without prejudice to other cases. The following year a discussion on this important issue was initiated both within the trade union movement and the Foundation but was constantly interrupted by the need for decisions to be taken on proposed agreements in individual firms, which was a clear indication that the trade unions at the branch and firm level were no longer willing to delay action until the Foundation had decided on a common stand. In fact a common stand was never achieved.

In 1966 the demands of the trade unions in different industries led to disputes. These demands were essentially directed towards ensuring that (i) organised workers should obtain certain privileges (freedom to attend union meetings during working hours, the right to pay lower social insurance contributions, the right to be reimbursed for part of their trade union dues), and (ii) some union activities should be subsidised by the employers (trade union education, trade union recreation centres, trade union social welfare funds, etc.).

After two more disputes (one in the ready-made clothing industry in Groningen and one in the ceramics industry in Maastricht) the three trade unions for the manufacturing industry and the General Employers' Federation (AWV), whose members and affiliated associations are engaged in miscellaneous industries, concluded an agreement. This agreement, after guaranteeing the independence of the trade unions, provides that the three unions will open a common account into which the members of the AWV will pay Fl. 15 per member per year. The unions will use this money only for such purposes as are acceptable to the employers. It may not be used for the reimbursement of individual dues but it may lead to an extension of the benefits trade unionists derive from their membership.

In 1969, when a similar agreement was not accepted by the employers in the so-called small metal industries, the metalworkers' union threatened to take action against all the firms concerned. Successful strikes in a few firms were sufficient to convince the other employers.

During the last ten years two tendencies have emerged in most industries: there are common collective agreements for blue-collar and white-collar workers, and piece-rate and other incentive wage systems are being

discarded. As in many other nations, white-collar workers in the Netherlands traditionally had a different status and position in the firm from blue-collar workers. In the private sector white-collar workers had their own unions (generally affiliates of the three federations), which concluded separate collective agreements with the employers but of which only a small proportion of the workers concerned were members. Thus many white-collar workers, especially those in supervisory posts, were never covered by a collective agreement.

The white-collar workers' agreements differed from those of the blue-collar workers in several respects: they provided for shorter working hours; they established broader wage groups (leaving more scope for individual bargaining); they provided for monthly (instead of weekly) wages and for their amount to increase with the age of the worker over a longer period than in the case of a blue-collar worker. White-collar workers at a comparable level to most blue-collar workers had longer holidays, better pension rights, etc.

Several factors combined to undermine the privileged position of the white-collar worker. First there were developments in the labour market, with the number of blue-collar workers decreasing as a percentage of the total labour force. Then the differences within the blue-collar group increased, so that in some cases their qualifications were not lower, and sometimes were even higher, than those of white-collar workers. At the same time the differences in status between the two began to disappear. Moreover, since 1945 the three trade union federations have accepted the principle of industrial unionism, whereby blue-collar and white-collar workers should join the same union.

Obviously the integration of white-collar workers into the industrial unions, along with the lessening of the traditional differences between the two groups, opened the way to including both within the scope of a single collective agreement. The agreements of a few large companies set an example in this respect. Thus the Hoogovens steel company in IJmuiden now has such an agreement and bargaining within Unilever seems to be heading in the same direction.

The tendency to do away with piece-rate systems is closely related to the trend towards integration of the provisions applying to blue-collar and white-collar workers. On the one hand technological advances in many industries have led to the development of types of work that afford no possibility of measuring the amount performed. On the other hand workers are objecting more and more to wage systems that make their income too variable. In an increasing number of cases blue-collar workers, like salaried employees, are paid by the month, get seniority pay, receive wages for a thirteenth month and are given a share in the profits. The Government's wage policy stimulated the development of profit-sharing plans: as the profits of an undertaking could not be translated into higher wages, profit sharing was an attractive alternative. Moreover, the distribu-

tion of profits to the workers, theoretically at least, does not lead to higher costs and higher prices. Many firms now have profit-sharing plans, but distribution of profits does not really take place in all cases. Profit sharing is often a disguised form of wage increase. The trade unions, as well as the Foundation of Labour, have accepted the principle that profit-sharing plans should be based on an agreement between the firm (or an employers' federation) and the trade unions.

In 1964 the three trade union federations published a report prepared by a joint study group on the participation of workers in the growing capital formation in Dutch industry. A plan was put forward to make workers the owners of any capital deriving from non-distributed profits. A combination of profit sharing and property ownership for workers was worked out. By participating in social investment societies workers would be able to share in the accumulation of capital in the Dutch economy. To make the plan general, a system of investment wages was recommended for civil servants and other workers in non-profit-making institutions. The plan proposed by the working group was widely criticised on account of its complexity and the dangers for the future of private enterprise alleged to be inherent in it. Up to now there have not been any notable examples of its practical application.

Because of the strong inflation in the entire post-war period, and especially since 1964 after the failure of the wage policy, provision for sliding wage scales has been made in collective agreements. Traditionally the agreements had contained so-called re-opener provisions prescribing that, although the text was valid for one or two years, in exceptional circumstances (a government decree to increase wages, an unexpected price increase, etc.) the parties could break the agreement and re-open bargaining on wages.

In April 1968 the Philips company entered into an agreement (covering 66,000 workers) providing for automatic wage increases of up to 2.5 per cent on 1 January 1970 and 1.5 per cent on 1 January 1971 to compensate for price increases. The collective agreement for the metal industry which entered into force on 1 January 1970 provides for automatic wage increases of 3 per cent every six months or a maximum of 6 per cent a year. The collective agreements in some other branches set no maximum for compensatory wage increases, though normally they fix a threshold for the level of price increases after which wage increases will be granted.

There could be substantial repercussions if an important precedent set by the trade unions in the printing industry should be followed by other unions. As a result of the rapid concentration taking place within that industry in the Netherlands, many workers were concerned that they might suddenly find themselves without a job. Accordingly, in 1967 the printing unions proposed that the employers should carry the costs involved in the temporary unemployment, retraining or resettlement of

dismissed workers. This principle was included in the collective agreement for the printing industry concluded in that year. Every worker in the printing industry is, in the case of lay-off as a result of integration or re-organisation, entitled to an amount equal to one week's wages for every year of the first ten years that he worked for his last employer, to one and a quarter times his weekly wages for every year of the second ten years so worked and to one and a half times his weekly wages for every year of all subsequent years, the maximum amount he can receive not exceeding one year's wages. For workers of 60 years of age or more who have worked in the same undertaking for twenty years or more, this severance pay is replaced by a guarantee on the part of the employer to continue to pay the worker up to the time of his 65th birthday the normal wages that he would have received if he had continued to work (including statutory benefits, etc.). The same ruling applies to women workers of 55 years of age or more. In a recently published report the NVV made proposals that regulations of this kind should be applied in all industries. In an economy which is increasingly characterised by rapid technological change such proposals have strong chances of being accepted in more branches of industry.

### **The winds of change in Dutch labour relations**

Unquestionably the climate in Dutch labour relations, as in the whole of Dutch society, is changing. The time when trade union members were complaining that it was difficult to see where trade union policy ended and government policy began is past. The Government can no longer count on the moderation and support of the trade unions. The years when the trade union movement co-operated with the Government to limit consumption (1951 and 1957) seem very long ago.

Even so there is evidence that the trade unions through their more aggressive attitude have still not regained the confidence of all the workers. The picture is not quite clear. As already mentioned, in some cases works council members opposed the attempts by the metalworkers' unions to introduce their new, more aggressive approach within undertakings. During the 1960s the three trade union federations saw only a limited increase in their membership. Their growth has not kept pace with that of the national labour force. The proportion of workers organised in the three federations has fallen (from 27 to 26 per cent of the total labour force) over the last ten years. The independent unions have fared a little better, but together they do not have more than 300,000 members and the increase in their membership is largely due to the fact that they are stronger in the government sector, where there has been the most rapid growth in the labour force (the number of government employees who are members of the three federations is also constantly increasing).

On the other hand there are signs of social unrest, which, where it manifests itself, is directed as much against the trade unions as against

the employers. A disturbing example is the sequence of events which developed from the action taken in the strawboard factories in the north of the country, in Groningen. Because of the chronic underemployment in the region and the weak position of the industry concerned (with about 2,500 workers), wages lagged behind those in the more prosperous parts of the country. During 1969 a skilled agitator organised a strike, against the wishes of the union leaders, in which most of the workers—union members and non-members alike—participated. The strike was very successful and the official unions could do little more than sign the resulting collective agreement providing for better wage rates. Similar action then followed in the rest of the region, and in other parts of the country there were also spontaneous strikes (for instance in protest against the partial closing of a firm) which placed the trade unions before the uneasy choice of following the lead of the "action committee" or denouncing the strikers, many of whom were members in good standing. The year 1970 saw a further wave of social unrest.

### **Conclusions**

The present industrial relations system of the Netherlands is clearly passing through a period of transition. On the one hand the era of the wage policy jointly implemented by the Government and the Foundation of Labour seems to be definitely over. On the other hand most of the parties concerned have reservations about the total decentralisation of the system of bargaining. Everyone is seeking a new way of solving the difficult predicament of free trade unions in a full employment economy. A centralised and government-controlled wage policy threatens the independence of the trade union movement and perhaps even the existence of free trade unions based on the voluntary membership of the workers. Wages which are freely fixed may give a strong impetus to the ever-present threat of inflation.

Perhaps the whole concept of an anti-inflation wage policy is too narrow. It places wage earners in a position different from that of all other income groups. Would a general incomes policy be the solution? Since May 1970 the Social and Economic Council has been studying the possibilities of an integrated incomes policy.

At the same time voices warning that control of the process of income distribution merely concerns symptoms are becoming more insistent. They argue that the management of a full-employment economy through monetary policy and the elimination of monopolistic tendencies in many markets would constitute a more fundamental attack on the problem of inflation.

The question of centralisation or decentralisation of bargaining, however, is broader than that of inflation control. Centralisation of

the bargaining process provides possibilities for the elaboration of a more rational wage structure. In a way the trade union movement is confronted with an uneasy choice. Should the unions opt for the centralisation of the wage fixing process in order to achieve their ideal of a more rational or more equal wage structure? Or should they focus their attention on the needs and wishes of the smaller groups of workers at the shop floor level? For the first fifteen years after the war Dutch trade unions adopted the first course. It is not yet clear whether they are prepared to switch to the other alternative in the years to come.

Obviously this question cannot and should not be decided on the basis of arguments concerning the rationality or effectiveness or equity of the wage structure only. As long as importance is attached to workers having a say in the fixing of wages, either through the unions of their choice or through their direct participation, a certain degree of decentralisation of the wage fixing process is inevitable.

The ideal solution, of course, would be a combination of centralised bargaining in respect of wages and decentralised action at the shop floor level in respect of secondary benefits, day-to-day conditions of work and work content. Whether this solution can be approached in some way remains to be seen. Windmuller<sup>1</sup> gives three conditions as being necessary for the smoothest possible transition to a lower level of bargaining: the Government should have confidence in the ability and the willingness of the contracting parties to accept their macro-economic responsibilities; the employers and their organisations should be prepared to carry the heavier burden of bargaining at the industry and the undertaking level; individual unions should strengthen their bargaining capability. It must be borne in mind that for more than twenty years the bargaining process was centralised in the hands of the Foundation of Labour and the Government, which meant in a way that both employers and trade unions were relieved of this responsibility. They have to regain the strength and capability needed for real bargaining at their own level. Certain developments are taking place which could facilitate this process: in the first place, as a result of the rapidly spreading practice of mergers, the average size of the Dutch firm is increasing; in the second place, within the three trade union federations there is a marked tendency towards reorganising the membership in many fewer but larger unions. Both developments could very well pave the way for the fulfilment of the conditions mentioned by Windmuller.

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<sup>1</sup> John P. Windmuller, *op. cit.*