Party politics as we knew it? Failure to dominate government, intraparty dynamics and welfare reforms in continental Europe

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Chapter five found that, in comparison to Austria and Germany, traditional partisan theories are of little help in explaining Dutch pension reforms since the early 1980s. By then, Christian democrats opted for severe pension cuts in a coalition with the liberals. This chapter explores whether my propositions on organizational change can shed light on these puzzling findings.

To do so, the first section starts out with the marginalization of traditionalists within the CDA (Christian democrats). Section two turns to pension reforms under the grand coalition from 1989 to 1994, and pays specific attention to dynamics within the PvdA (social democrats). Section three analyzes pension reforms under the “purple coalition” between the PvdA, VVD (liberals) and D66 (social-liberals). Section four studies pension reforms of various CDA-led center-right governments from 2002 to 2006. Section five concludes.

8.1 Pension Politics since the Early 1980s: The Marginalization of Traditionalists within Christian Democracy

The priority accorded to government domination by the CDA has a historical origin. In the period between 1945 and 1977, the Catholic People’s Party was a permanent feature of whatever coalition was in office. Furthermore, the Orthodox reformed Anti Revolutionary Party participated in government for 26 out of these 32 years and the Dutch reformed Christian Historical Union for 22 years. While the three confessional parties vehemently resisted secularization, insisting upon the primacy of the Bible as the guide for governance, secularization let the pillars of Dutch society crumble since the 1960s (Van Praag and Brants 1980: 6-11; Duncan 2007: 72). Between 1956 and 1980, the share of practicing confessional voters declined from 52 percent to 33 percent (Van Wijnen 1998: 56). The most immediate effect of secularization on Dutch party competition was a large decrease in the vote-share of the three major denominational parties. The 1967 election was the first election where these parties did not gain at last half of the seats in parliament. The centrality of government domination was evident in their reaction to the electoral decline. Indeed, the massive...

20 ‘Parliament’ refers to the Second Chamber.
erosion of support for the Catholic People’s Party in particular threatened the continued domination of the confessional parties in government and pushed them towards a merger. In the 1977 election, the three parties joined a common list. By 1980, the merger into the CDA was complete (Ten Napel 1992).

Throughout the merging process, most leftist confessional politicians with close linkages to the Catholic and Protestant unions quit their parties. Many joined the PPR (Political Party Radicals). The latter was founded in 1968 by left-wing politicians from the KVP and ARP in particular. These were disillusioned with a liberal stream within their respective parties which started to worry about the pace in which the welfare state grew and had, accordingly, opted for the VVD as a coalition partner in 1967. Other left-wing ARP and KVP politicians quit the CDA in 1980 and established the EVP (Evangelical People’s Party) (Jacobs 1989b: 256-82; De Vries 2005: 174-82). Accordingly, the merger of the confessional parties resulted in the marginalization of traditionalists who had effectively pushed for welfare expansion in the 1960s (Van Zanden 1998: 71).

The far-reaching secularization of Dutch society and the crumbling of the pillars has resulted in weakening bonds between parties and the social partners. In the process of depillarization, Dutch socialist and Catholic unions increasingly cooperated with one another and eventually merged into the FNV (Federatie Nederlandse Vakverbonden) in 1976. This required the unions to weaken their respective party linkages (Kitschelt 1994: 240-2; Kok 2005: 16). Moreover, the CDA has no formal links with the Protestant trade union confederation (CNV) and the Christian employer association (NCW). Nonetheless, there were regular informal meetings between the CDA, the CNV and the NCW until the early 1990s (interview with CDA politician; Lucardie 2004: 175-176). Neither does the PvdA have formal links to the FNV (Andeweg 2000: 103). Accordingly, table 8.1 portrays little overlap between parliamentarians and trade union representatives from 1977 on, especially if we compare it with the situation in Austria (see table 10.1).

Against the background of depillarization and weakening bonds with the unions, the PvdA’s membership had fallen from 143,000 in 1959 to 98,700 in 1971 (Kitschelt 1994: 240). A decrease in the share of the labor force employed in industry from 41 percent in 1960 to 39 percent in 1970 likely increased, or at least did not contain strains on membership rates (Lane and Ersson 1999: 26). The decline in membership and decreasing linkages to socialist labor unions made the PvdA
receptive to ideas and demands of New Left, a party movement striving for greater income distribution, political participation and individual wellbeing. New Left adherents eventually entered a new dominant coalition together with hard-line socialists and feminists. This coalition was able to reshape the party organization by expanding the power of the rank and file at the expense of the leadership. Furthermore, they pushed the party towards a 'polarization strategy'. The hope was that it no longer had to govern at the mercy of the confessional parties, but could lead in office (Kitschelt 1994: 240-1).

Table 8.1 Share of trade union functionaries in the Tweede Kamer, 1972-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>PvdA</th>
<th>CDA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute</td>
<td>Percent</td>
<td>Absolute</td>
</tr>
<tr>
<td>1972</td>
<td>7</td>
<td>16.3</td>
<td>9*</td>
</tr>
<tr>
<td>1977</td>
<td>8</td>
<td>15.1</td>
<td>5</td>
</tr>
<tr>
<td>1982</td>
<td>7</td>
<td>14.9</td>
<td>3</td>
</tr>
<tr>
<td>1986</td>
<td>6</td>
<td>11.5</td>
<td>3</td>
</tr>
<tr>
<td>1989</td>
<td>5</td>
<td>10.2</td>
<td>3</td>
</tr>
<tr>
<td>1994</td>
<td>6</td>
<td>16.2</td>
<td>1</td>
</tr>
<tr>
<td>1998</td>
<td>6</td>
<td>13.3</td>
<td>2</td>
</tr>
<tr>
<td>2003</td>
<td>4</td>
<td>9.1</td>
<td>6</td>
</tr>
<tr>
<td>2007</td>
<td>1</td>
<td>2.4</td>
<td>2</td>
</tr>
</tbody>
</table>

* KVP 7 trade unionists, ARP 2 and CHU 0.

Source: Website Parlement en Politiek.

Yet, the influence of New Left on social policy was rather limited. Its views on the welfare state were rather similar to the ones expounded by Joop den Uyl, PvdA leader since 1967 (Van Praag 1994: 135). The increased influence of the left led to a schism on the party’s right with a number of members resigning and establishing a new party, Democratic Socialists ’70 (Jacobs 1989b: 261). The party soon faded into insignificance. The PvdA’s polarization strategy, on the other hand, seemed highly successful. The party gained votes in the early 1970s. It formed a coalition with D66, PPR, KVP and ARP in 1973, the most leftist Dutch cabinet of the postwar period.

Ironically, exactly this government was confronted with the outset of the age of austerity. The two oil crises hit the Netherlands particularly hard. Wage restraint
policy had already begun to erode in the 1960s, but centralized bargaining broke down completely in the 1970s. Accordingly, wages started to exceed productivity increases. The difficulties faced by other Western European countries in the wake of the 1973 oil shock were exacerbated by the “Dutch disease”, the appreciation of the exchange rate because of gas exports. This hurt Dutch exports and, accordingly, economic growth. Consequently, budget problems intensified and unemployment rose. Already by 1975 unemployment reached 4 percent up from a pre-1973 level of between 1 percent and 2 percent. Economic growth also slowed considerably (Huber and Stephens 2001: 279).

The PvdA-led coalition kept expanding welfare benefits, although Wim Duisenberg (PvdA, finance minister) and Ruud Lubbers (KVP, economics minister) tried to step on the brakes. However, prime minister Den Uyl and Jaap Boersma (ARP, social minister and Protestant trade unionist) assumed that economic pressures would be of a temporary nature and opted for left-Keynesian expansionary policies (Gortzak 1978; Toirkens 1988: 32-52). Trade unions fully backed the Den Uyl governments’ policy priority for full employment. Employers, by contrast, opposed the coalition’s expansionary policies (Hemerijck 1993: 296).

In 1974, social minister Boersma introduced automatic inflation adjustments to the minimum wage. At the same time, social security benefits were pegged at 70 percent of the minimum wage. Furthermore, Boersma played a key role in universalizing disability entitlements in 1976 (Cox 1993: 163-7). The lucrative disability scheme became the main route to early retirement as the oil crises forced employers to consider massive layoffs. Trade unions in their turn considered generous early exit a socially acceptable way to do so (Visser and Hemerijck 1997: 138-9). In addition, Boersma took up an initiative by a Catholic trade unionist to experiment with a pre-retirement pension scheme (Wiekenkamp 2008: 11). This would become the second most popular early exit route. Unemployment insurance is a distant third. As such, the three main exit routes operate as communicating vessels since changes in regulations of one scheme have an effect on the exit rate of the others (Delsen 2000: 164)

The PvdA was seemingly rewarded for welfare expansion in the 1977 election with a historical peak of 33.8 percent of the votes. However, this proved a Pyrrhic victory. After a troublesome formation of eight months, the re-installation of the center-left government was off the table due to disagreements on abortion and, in
particular, corporatist political exchange for wage restraint (Hemerijck 1993: 297). The succeeding CDA-VVD (liberals) coalition that took over opted for welfare austerity, but was hardly more successful than its predecessor (Green-Pedersen 2002: 95). This is surprising since the VVD had claimed the previous government’s socio-economic policy record to be mainly about squandering. As such, it was necessary to get rid of the financial debris (De Rooy 2005: 180). Furthermore, one would have expected more austerity under a government led by the CDA, since the merger of the major confessional parties had led to a strengthening of the right wing.

Still the answer lies very much within the CDA. From the onset, the intraparty strife centered around social minister Wim Albeda, a CNV representative, and the Catholic finance minister Frans Andriessen, a former entrepreneur. Whereas especially VVD ministers supported Andriessen’s retrenchment plans, Albeda favored left-Keynesian expansionary policies. Dissatisfied with policy deadlock, Andriessen resigned in February 1979 (Toirkens 1988: 53-67; Hemerijck 1993: 303-14).

In the 1981 election, the CDA and VVD lost their majority, and the CDA could not but govern with the PvdA and D66. This government continued the failing retrenchment endeavors (Green-Pedersen 2002: 95). PvdA leader Den Uyl became social minister and renamed his portfolio the social and labor ministry so as to stress his commitment to tackle the worst unemployment crisis since the Great Depression, as unemployment had risen from 7.2 percent to 10.4 percent in just a year. Den Uyl immediately announced his plans for an ambitious employment program. This required 5 billion guilders from a public budget in dire straits. In response to criticisms from CDA ministers, Den Uyl agreed to retrench sickness benefits including, amongst other things, the introduction of 5 waiting days. However, vehement opposition from the unions let Den Uyl give up his endeavor (Hemerijck 1993: 322-3). After a dramatic defeat at the provincial elections, the PvdA chairman, an outspoken representative of the left, forced his party to leave the government with an image of being unable to cope with austerity (Van Praag 1994: 139; Green-Pedersen 2002: 95).

The 1982 election enabled the pragmatic CDA party leader Ruud Lubbers to join forces with the VVD. We have seen earlier that Lubbers, a former Catholic entrepreneur, had already been convinced about the necessity to retrench welfare during his term as economics minister in the mid-1970s. According to Wim Duisenberg, PvdA finance minister at the time, Lubbers could best be described as a
supply-side economist (Duisenberg 1991: 141). Within the CDA, Lubbers was known as “the boss” (Elsevier 2005: 6). A CDA politician, for instance, complained that ‘a few people, including Lubbers, controlled the party… Everyone circled around him… This made internal democracy grow scantier’ (in Versteegh 1999: 194).

In the Netherlands, the allocation of ministerial portfolios is the primacy of the party leader (Andeweg and Bakema 1994: 59). Lubbers appointed the social and labor ministry to Jan de Koning, a long-term confidant and former secretary of the Christian farmers association. De Koning was the first confessional social minister in the post-war period who did not maintain close ties to the unions, and responded to austerity in a completely different vein from his predecessors. Like in the case of Lubbers, his pragmatic orientation had already become clear in the 1970s. As a minister of development aid between 1977 and 1981, for instance, he was among the few ministers supporting the retrenchment plans of finance minister Andriessen (Hemerijck 1993: 325). As to the CDA finance minister, we shall see that Onno Ruding, a Catholic employers representative and the IMF’s former executive director, was among the staunchest supporters of welfare retrenchment. This policy and claims like ‘unemployed rather stay close to aunt Truus than move’ made him unpopular amongst voters on the left side of the political spectrum (Parlement en Politiek).

*No Nonsense Pragmatism: Pension Reforms Under the CDA-VVD Governments*

Under the slogan “no nonsense”, the CDA-VVD government committed itself to a drastic improvement of public finances and cuts in welfare policy. As the social partners were deliberately excluded from formulating the coalition agreement, the stage was set for a tough confrontation between the government and the trade unions. Nonetheless, the cabinet’s entry into office was crowned by the bipartite “Wassenaar accord” on wage restraint only weeks after the presentation of the austere coalition agreement (Hemerijck 1993: 328). According to Wim Kok, FNV chairman at the time, he had already reached a concept agreement on wage restraint with the employers in 1979, but he failed to gain sufficient support from within his federation (Kok 2005: 21). Indeed, the agreement was not all that voluntary. Social minister De Koning left no doubt that the would intervene and impose a combined wage and price freeze from January 1, 1983 on if the social partners would not reach an agreement on wage moderation (Van Wijnbergen 2002: 65-74).
Assured from wage restraint in the private sector, the CDA-VVD coalition temporarily retreated from a law linking the minimum wage and, indirectly, social benefits to average changes in the private sector (Visser and Hemerijck 1997: 134). Though de-indexation had began as an ad hoc measure to control costs and to prevent rapidly rising wages from causing substantial social insurance benefit rises, finance minister Ruding turned it into a permanent feature of annual budget negotiations (Toirkens 1988: 106-41). It was legislated upon from 1983 to 1988 (see table 8.2). Accordingly, the value of the minimum wage as a percentage of the average wage declined from 80 percent in 1983 to 72 percent in 1989 (Visser and Hemerijck 1997: 135).

In the spring of 1983, the government launched its ideas for a system change of social security. Already in 1982, the CDA under-minister of social affairs had written a report, in which he embraced a fundamental reform (Visser and Hemerijck 1997: 135). The majority of these changes were simply cuts. The most notable ones were the reduction of disability and unemployment benefits from 80 percent to 70 percent and the linkage of disability benefits to the extent of disability (Green-Pedersen 2002: 97). The latter was particularly unfavourable for older workers who were often entitled to full benefits under the previous rules, even if they were only partially disabled. Hence they had to combine their benefits with more time-limited and conditional unemployment benefits (Van Gerven 2008: 174).

If we note that the CDA-VVD coalition only had a six seats majority in parliament, we may still wonder how the CDA as a traditional pro-welfare party could push through these cuts internally. For one, government members tried to legitimize their policies by referring to the dire economic straits the Netherlands was facing and retrenchment failures of their predecessors (Green-Pedersen 2002: 97). Yet, this was not enough. Under the misleading name “loyalists”, seven Christian democrats (six former ARP politicians and one Catholic parliamentarian) only supported the government half-heartedly and were actually in favor of co-operation with the social democrats. Apart from the deployment of cruise missiles, these parliamentarians were highly critical of welfare cuts. By late 1983, high-ranking CDA politicians even forced two of them to resign because of their disloyalty. After the 1986 elections, not a single “loyalist” returned to parliament. Accordingly, the CDA had overcome most of its internal difficulties and became a more cohesive party (Lucardie and Ten Napel 1994: 53; Andeweg 2000: 101-2).
Table 8.2 Main pension reforms under the CDA-VVD governments, 1982-1989

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in CDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Indexation of social security benefits limited to 1 percent in 1983</td>
<td>Weak</td>
</tr>
<tr>
<td>1983</td>
<td>Cut disability and unemployment benefits by 2.4 percent</td>
<td>Weak</td>
</tr>
</tbody>
</table>
| 1984 | - Reduce disability and unemployment benefits from 80 percent to 70 percent  
- Cut disability benefits by 2.4 percent  
- Extend the duration of unemployment benefits for claimants aged 50 or older | Weak |
| 1985 | - Individualize AOW benefit for spouses  
- Introduce supplement for AOW retirees with spouse below age 65 | Weak |
| 1986 | - Abolish unemployment relief  
- Stricter concept of unemployed  
- Workers over 57,5 qualify for a follow-up unemployment benefit of 3,5 years  
- Introduce a means-tested social assistance benefit for older workers  
- Link the level of disability benefits to the extent of disability | Weak |
| 1987 | Improve portability and protection of accumulated pension rights in occupational pensions | Weak |

Sources: Green-Pedersen 2002; Anderson 2007; Van Gerven 2008.

Furthermore, one of the “loyalists”, who had for instance voted against the 2.4 percent cut of disability and unemployment benefits in 1983, claimed that Lubbers had always taken into account the critiques of the small left-wing and was willing to compromise somewhat (Faber 1991: 612). The most concrete evidence of this were the special benefits given to the “real minimas”, that is families living from merely one income at the social minimum level. One example is the introduction of a means-tested social assistance benefit for older workers. Expenditure on these benefits was small, but it had great symbolic as the “real minimas” attracted much public attention (Green-Pedersen 2002: 98). Though VVD ministers and finance minister Ruding pushed for
more extensive cuts, the adopted plans were more limited as Lubbers and social minister De Koning stressed that reforms should not hurt the “real minimas” (Toirkens 1988: 115-49).

The May 1986 elections turned out to be the final round in the Dutch battle about socio-economic policy. The Christian democrats broke with long-standing tradition by announcing before the elections that the government would continue if the results made it possible. The CDA further clarified this by campaigning with the slogan ‘Let Lubbers finish the job’, and jointly with the VVD stressed the positive economic effects of their policies (Green-Pedersen 2002: 100). Unemployment had declined from 9.7 percent in 1983 to 8.3 percent in 1986. While the economy shrunk by 1.2 percent in 1982, it yearly grew with around 3 percent since 1984 (OECD 2008). Lubbers argued that ‘the changes in social security had been painful but necessary changes’ and promised peace on the social security front (in Green-Pedersen 2002: 100).

Instead of taking a clear position in the battle about socio-economic policy, the PvdA was mainly fighting itself as it was caught between office- and vote-seeking (cf. Hillebrand and Irwin 1999; Green-Pedersen 2002). On the one hand, party leader Den Uyl and most of his partisans attacked the government’s austerity measures, arguing that they delayed economic recovery and reduced the purchasing power of lower income groups (Jacobs 1989b: 263). This position restored unity for a while, but it was superficial. Underneath the surface, tensions grew. Several politicians did not want to keep challenges on the welfare state out of discussion and to be accused of being irresponsible. In the end, the PvdA was less victorious than expected. It only gained five seats. As such, it was unable to prevent a CDA strengthened by nine seats to form a government with a VVD weakened by nine seats (Van Praag 1994: 139).

The second Lubbers government implemented the final elements of the system change of social security, most notably the linkage of disability benefits to the extent of disability and the abolishment of unemployment relief. The latter disadvantaged elderly unemployed in particular, since it had provided them with an income replacement of 75 percent of previous earnings from age 60 to 65. Now they only qualified for an unemployment benefit at 70 percent of the minimum wage for 3.5 years (Van Gerven 2008: 152-3). As the economy further recovered, CDA politicians began to challenge finance minister Ruding’s dogged adherence to further retrenchment (Cox 1993: 182). In addition, Lubbers’ promise of peace on the social
security front was put in practice by excluding Ruding but not De Koning from drafting the government agreement (Elsevier 2005: 17). As a consequence, cuts were of the table from 1987 on.

By contrast, the final element of the government’s pragmatic reform agenda concerns the expansion of occupational pensions. Unlike the measures above, the reform followed the corporatist decision-making process typical in supplementary pensions. We have seen in chapter five that social democrats and confessional groups settled for a compromise of flat-rate indexed minimum benefits and occupational pensions. This combined public-private approach to pension provision is considered to be quite resistant to the demographic and financial challenges that affect public pensions elsewhere in continental Europe. This is because the old age risk is shared between the state and the social partners (Haverland 2001; Van Riel et al. 2003; Anderson 2007). In 1987, trade unions urged the introduction of a law guaranteeing portability and protection of pension rights for wage earners who changed jobs. The eventual legislation was largely in line with the opinion of corporatist advisory bodies (Anderson 2007: 733-4).

Overall, however, the role of the unions was limited as the government consistently bypassed the social partners in corporatist bodies (Hemerijck 1993: 327-8). In comparison to the unions, employers had substantial influence through politicians (interview with CDA politician). Finance minister Ruding, economics minister Van Aardenne (VVD) and his successor De Korte (VVD, spokesman on social and economic policy from 1982 to 1986), were all strong supporters of austerity policies and had close ties with employer federations (Hemerijck 1993: 326; Versteegh 1999: 81). Nonetheless, this section has shown that such policies could not have been implemented if pragmatists would not have become dominant within Dutch Christian democracy.

8.2 Pension Politics since the Mid-1980s: The Marginalization of Traditionalists within Social Democracy

The VVD became increasingly irritated by attempts of the CDA to dominate policy formulation. Lubbers dominated the government in a way few Dutch prime ministers have been able to do, partly because his party was considerably larger than the VVD. The latter began to suffer from a sort of inferiority complex, and irritations grew to
such proportions that liberal parliamentarians brought down the coalition. This opened the door for the PvdA (Hillebrand and Irwin 1999: 123-4). In September 1989, elections were held in which the CDA came out as the largest party with 54 seats, followed by the PvdA with 49 seats.

With unanimous support, a degree of consensus seldom found in the PvdA, the party welcomed its return to office (Kok 1995: 76). By then, the polarization strategy had reached a dead end, since it had kept the party out of power for over ten years. Many former New Left adherents who had obtained parliamentary positions retreated into regional and municipal executive appointments to overcome the frustrations of opposition. After leading the party for twenty years, Joop Den Uyl had retired to the back benches following the 1986 “victorious defeat”. In order to enhance the possibilities for participating in future governments, the more pragmatic Wim Kok, former chairman of the FNV and the European Trade Union Confederation, was brought to the helm of the party. Kok wasted no time reversing the polarization strategy and began steering the party towards a coalition with the CDA (Kitschelt 1994: 240-2; Van Praag 1994: 140-3).

According to a PvdA politician, the ‘1986 electoral result and subsequent exclusion from office led to a reflex within the PvdA. This is the moment when partisans study and reports get written’ (interview). In November 1987, the PvdA published a comprehensive study entitled ‘Sliding Panels’. Amongst other things, it offered a substantive analysis of the challenges on the welfare state, highlighting austerity and post-industrial social risks (PvdA 1987). While sparking off many internal discussions, it failed to offer clear conclusions as it was ‘closely connected to Den Uyl’s latter days. He just had no answer and also had a speech by then in which he denounced the government’s austerity policies’ (interview with PvdA-insider). In this respect, the fall of the CDA-VVD coalition and the subsequent elections came too soon for the PvdA (Van Praag 1994: 140).

The PvdA could not compensate a small loss to D66 and Green Left, a new alliance of four small leftist parties, with gains among the political centre (ibid: 141). Neither did its core constituency grow as the share of the labor force employed in industry declined from 39 percent in 1970 to 31 percent in 1990 (Lane and Ersson 1999: 26). Partly related to this, trade union density shrunk from 37 percent in 1970 to 24 percent in 1990 (Visser 2006). As a consequence, the CDA could do justice to its campaign slogan ‘Continue with Lubbers’. Two days before the Berlin wall collapsed,
Lubbers again became prime minister. As he expressed in the government declaration, the aim would indeed be to continue the socio-economic policy of the two preceding Lubbers governments (Green-Pedersen 2002: 102).

According to Wim Kok, he became finance minister because ‘it was absolutely clear that all lines came together at this department... I thought that I should try to contribute to making the government finances sound, though I did not have a financial background. I was highly convinced that something fundamental needed to be done there’ (Kok 2005: 44). ‘I felt nothing for the traditional leftist story to solve the problem by increasing taxes’ (ibid: 51). This pragmatic orientation had already become clear in the late 1970s. We have seen that Kok opted for wage restraint to promote employment growth, to the regret of many fellow unionists. In socio-economic policy, Kok’s and Lubbers’ policy preferences did not differ much. As such, they understood one another well (Elsevier 2005: 17; Te Velde 2005: 118).

Nevertheless, it has been argued that social minister Bert de Vries has been the glue of the coalition. De Vries was the CDA’s former parliamentary leader. In 1975, he finished his dissertation on wage and income policy in which he argued that retrenchments always had to be combined with protection of the needy (De Vries 1975). He stuck to this position which led to several disagreements with finance minister Ruding (CDA). As such, he was in favor of forming a coalition with the PvdA rather than the VVD, and was even labeled the ‘eight PvdA minister’ by some CDA politicians (NRC 01.08.1992; Metze 1995: 67-99). De Vries himself argued that ‘it was mainly because of the fact that the CDA’s parliamentary fraction was moving in a rightist direction that I was being associated with party’s left-wing in that coalition’ (interview).

By now, the moment is close that the Netherlands came to attract wide attention because of its recovery – some have called it miraculous – from severe welfare austerity. From the mid-1980s to the mid-1990s, the Netherlands had a job creation rate that was over four times the EU average. Unemployment declined down to a low of 5.3 percent in 1992 and 5.8 percent in 1997. Nonetheless, social expenditure continued to weigh heavy on public finances (Huber and Stephens 2001: 279-81). Accordingly, the budget deficit hovered around 4 percent between 1990 and 1993 (OECD 2008). Increasingly, and correctly so, the Achilles heel of the Dutch welfare state came to be defined as one of excessive inactivity. Notably, the number of disability claimants grew from 762,000 in 1985 to 904,000 in 1991 in an active
population of about seven million (Van Gerven 2008: 175). In September 1990, Lubbers declared the Netherlands to be ‘sick’ and threatened to resign if the number of beneficiaries reached one million (Green-Pedersen 2002: 103).

The CDA-PvdA government, therefore, started to work on major changes in the sickness and disability programs. Employers and unions had controlled the schemes through bipartite social insurance boards and both had a strong interest in shedding off older and less productive workers in a socially acceptable way. Government attempts to reach a compromise on reforms failed in the summer of 1991 (ibid). The Social Economic Council, the main corporatist advisory body, produced a divided advice on how to reform the disability scheme since FNV affiliates refused to mandate the federation to negotiate a compromise. As a consequence, the government could go its own way and ignore the Council’s advice not to cut sickness and disability schemes (Visser and Hemerijck 1997: 141).

The government’s retrenchment plans plunged the PvdA into crisis. The party was now paying for the fact that it had raised expectations to reverse some socio-economic legislation, but had failed to come up with any coherent suggestions about the way in which the welfare state should be reformed (Van Praag 1994: 143). In Kok’s words, ‘mentally, the transition to government participation turned out to be large and during the disability crisis nearly too large’ (1995: 76). The party threatened to become disrupted into a traditionalist and a pragmatic wing (Van Kersbergen 1999: 163). The unions organized the largest postwar demonstration. Both relationships with the FNV and support in opinion polls dropped to an all-time low (Visser and Hemerijck 1997: 141-2). Van der Louw, former PvdA chairman and outspoken representative of the left, even threatened to leave the party and to found a new social democratic party. Moreover, one-third of its members, especially trade unionists, and two left-wing parliamentarians left the party. In response to all criticism, the PvdA’s chairwoman resigned and Kok also contemplated resignation. Only by calling a special party conference and placing his position on the line, did Kok rescue his position and his party’s support for the cuts (Lucardie et al. 1992: 47; Van Praag 1994: 144-145).

To make matters worse for the PvdA, Elco Brinkman, CDA leader in parliament, closed a deal with the VVD in order to push through more severe cuts. Brinkman, a high-ranking civil servant before he became minister of wellbeing, health and culture in 1982 at the age of only 34, had been one of the staunchest supporters of
welfare retrenchments in the two CDA-VVD governments. As such, he had been highly critical of co-operating with the PvdA in government, and turned to economists and employers for advice on socio-economic policy. The PvdA’s parliamentary group was by now willing to support the cuts, but only if beneficiaries already having been awarded a disability pension would not be affected by the new laws. The CDA’s parliamentary fraction opposed this demand, but social minister De Vries was willing to go along and more or less forced the CDA fraction to accept it (Metze 1995). The government’s reform effort with regards to the sickness and disability programs passed in parliament in two steps, in 1992 and 1993 (Visser and Hemerijck 1997: 142-3). Although the reforms mainly affected workers under age 50, table 8.3 shows that the rights of older workers certainly have not been untouched.

In the meantime, according to social minister De Vries, ‘the threat of an increasing budget deficit consistently led to a discussion about which measures had to be implemented in order to keep the deficit limited. Freezing benefits always was a measure that saved a lot of money in the short term. So the CDA’s parliamentary fraction and the economics minister, Frans Andriessen (CDA: author’s information), exerted strong pressure to freeze benefits. This was hard to swallow for the PvdA’ (interview). Indeed, the PvdA’s 1989 manifesto advocated full indexing of the minimum wage and benefits to contract wages, except when the volume of beneficiaries or wages developed excessively (PvdA 1989: 13). Accordingly, the government made indexation conditional on moderate wage increases and increased labor market participation in November 1991 (Green-Pedersen 2002: 69). This law specifies that if there are more than 82.8 inactive for every 100 active persons, indexation will be suspended. With reference to this ratio, social security benefits were frozen in 1993, 1994 and 1995 (Visser and Hemerijck 1997: 141).

Unlike the other measures portrayed in table 8.3, a 1994 reform of occupational pensions followed a corporatist decision-making process. Yet, it was corporatist bargaining ‘in the shadow of hierarchy’ (cf. Van Riel et al 2003). The government took the initiative in 1987 by asking the Social Economic Council (SER) to inquire gaps in coverage and portability. The cabinet mainly agreed with the SER’s 1990 advice to introduce a legal right to transfer occupational pension rights. Furthermore, the government demanded improved coverage for part-time workers.

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21 The CDA program was silent on this issue by then.
More controversially, the CDA-PvdA coalition preferred to calculate benefits based on average salaries rather than final earnings. This turned out to be the main source of disagreement between the social partners and the cabinet, and it would not be settled until the stock market turndown in 2001/2002 (Anderson 2007: 733-3).

Table 8.3 Main pension reforms under the CDA-PvdA government, 1989-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in CDA</th>
<th>Role of traditionalists in PvdA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Abolish employers’ AAW contributions and replace these by employees’ contributions from 1990</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1990</td>
<td>Outlaw hours limits for entry in occupational pension funds</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1991</td>
<td>One year of employment counts only if the person has worked 52 days per days</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td>1992</td>
<td>- Freeze AOW, disability and unemployment benefits in 1993</td>
<td>Very weak</td>
<td>Weak</td>
</tr>
<tr>
<td></td>
<td>- Sanctions for disability beneficiaries who do not accept a suitable job offer</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Make disability benefits contingent upon the number of years a person has worked after a year of entitlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Variation in employers’ contributions to sickness benefits, depending on the level of absence rates</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- Employers who hire a partially disabled employee for a minimum of one year can qualify for a ‘bonus’ up to half the gross annual wage</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Employers can be penalized with a ‘malus’ up to half the gross annual wage if they discharge disabled workers in excess of the sector-specific average</td>
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</tr>
<tr>
<td></td>
<td>- Unemployed can seek work at their former level of education and/or work experience only for the first 6 months</td>
<td></td>
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</tr>
</tbody>
</table>
1993
- Freeze AOW, disability and unemployment benefits in 1994
  - Require the relationship between the impairment and the disability to be objectively assessable
  - Lower levels of benefits for new claimants of disability pensions
  - Remove all state support for disability pensions as of 1994
  - Widen the definition of suitable work for the disabled
  - Extend social security benefits to those working less than one-third the normal working week
  - Employers responsible for first 6 weeks of sick pay
    - New method of private saving

1994
- Introduce right to transfer occupational pension rights
  - Include part-time workers in occupational pension schemes

1994
- Decrease tax advantages of new method of private saving
  - More emphasis on income testing for minimum pensions


Finally, finance minister Kok introduced a new method of private saving in 1993, but soon reduced the fiscal advantages after the financial implications started to become clear. What is most astonishing, however, is that Kok’s pragmatic course, including the cuts in the sickness and disability program, met no strong opposition anymore. After the hot summer of 1991, several changes had been implemented that strengthened the position of the top leadership at the expense of regional executives. Most notably, the small but powerful party council with several regional functionaries was dismantled. In addition, the very decentralized process for selecting candidates for elected positions was altered into a very centralized practice (Hillebrand and Irwin 1999: 137). As a consequence, it became increasingly difficult to launch criticisms internally (interview with PvdA-insider).
Moreover, the left wing had largely disappeared. What remained was fragmented and even the informal networks had been largely dismantled. The former chairman’s efforts to establish a new social democratic party were in vain after it had become clear that support within the party was rather limited. It seemed that the resignation of the two leftist parliamentarians in 1991 had deprived the traditionalists of their last leaders (Van Praag 1994: 146-7). Yet, this was also the moment when the small Socialist Party started to grow. The implications of which would become clear in the 2006 elections.

8.3 Pension Politics in a Miraculous Period: Nothing is More Successful Than Success

The campaign for the May 1994 elections started in late summer 1993. By then, the Netherlands was one of the European frontrunners according to most macro-economic indicators. Nevertheless, active-inactive ratios were consistently high and the Central Planning Bureau forecasted that the government deficit would vary between 3 and 4 percent in a period of looming EMU membership. The main author of the CDA manifesto, party executive and economic policy spokesman in the First Chamber, picked up this gloomy message. The whole financial section of the manifesto had been kept out of internal discussions, including a discussion about the flat-rate pension (AOW). In January, the CDA party executive announced that the AOW would have to be frozen for the next four years (CDA 1994: 34-5).

PvdA leader Kok was much more careful. His party did not rule out continued freezes, but did not specifically promise them either (Anderson 2007: 740). Moreover, the main author of the PvdA’s 1994 manifesto, argued that Kok wanted to prevent another internal crisis on welfare policy and opposed unpopular cuts in a period of economic fortune (interview). In early March, the municipal elections provided a hint of things to come: the CDA lost heavily. In the wake of this defeat, CDA members began to revolt against the savings measures. As many as 75 percent of the CDA members polled opposed the freeze, prompting the party executive to step down. Elco Brinkman had just succeeded Lubbers as party leader and remained. However, Brinkman did not distance himself from the freeze. The PvdA now tried to benefit from the situation and announced that it would consider indexation next year. In the end, Lubbers tried to uphold social compensation and even publicly announced he
would not vote for Brinkman. As such, an internally divided CDA entered the election (Green-Pedersen 2002: 105; Anderson 2007: 740).

Predictably, the CDA suffered a major defeat, scoring its worst result ever. The PvdA lost a quarter, but still managed to become the largest party. The winners were VVD, D66 and two newly established elderly parties, the latter obtaining seven seats not least because of the CDA’s AOW blunder. Ironically, the pivotal power of the CDA was so strong that it had managed to draw the PvdA and the VVD so close together that they were able to form a government without the CDA (Green-Pedersen 2001: 145). The “purple coalition” was strongly favored by D66, the third coalition party. Accordingly, a near century of confessional rule ended and Brinkman resigned.

Yet, forming a purple coalition was not straightforward. To quote Kok, ‘I felt that the distance to the VVD was largest… though we had obviously become more pragmatic and a social liberal stream started to become visible in the VVD (Kok 2005: 67). Obviously, social security was the most difficult item… The CDA – which became more and more divided internally – stuck to further retrenchments while the VVD was willing to establish a relationship with the volume development. Apart from some restructuring, there was no necessity for a full blown retrenchment if the economy would continue to develop well. This allowed me to cut the knot’ (ibid: 70).

Kok became prime minister and Ad Melkert, a financial expert, social minister. Although Dutch social democrats have always shied away from openly declaring themselves part of the Third Way political project (Hoop 2004: 69)22, Melkert admitted that his own ideas were more or less in line with those of Antony Giddens (Lucardie et al. 2001: 70). Furthermore, the liberal Gerrit Zalm, former director of the Central Planning Bureau, obtained the finance portfolio. Zalm became world famous in the Netherlands for the so-called “Zalm norm”, the principle that windfalls should not immediately be used to expand policy while disappointments should not immediately trigger retrenchments. Given this principle and the favorable economic context, meeting the EMU convergence criteria was a foregone conclusion.

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22 ‘This is understandable. First, in many European countries the label ‘Third Way’ is often associated with Britain, (post)-thatchersim and neo-liberalism. It is thus regarded as inappropriate terrain for the left, however modern it aspires to be. Second, to openly adopt the ‘Third Way’ label may be perceived as some sort of acknowledgement of a leadership role for the UK and the British Labour Party in the international Social Democratic movement. This can make Social Democrats proud of their own achievements in their respective countries, feel uneasy’ (Bonoli 2004: 198-9).
The first purple coalition did not slow down the government’s welfare reform effort (Visser and Hemerijck 1997: 146). As such, the change in government did not imply much change in social policy (Green-Pedersen 2002: 106). Table 8.4 shows that eligibility to unemployment benefits was tightened. Furthermore, the privatization of sickness and disability benefits was continued. Finally, the AOW supplement for spouses/partners younger than 65 was abolished.

Table 8.4 Main pension reforms under the PvdA-VVD-D66 governments, 1994-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditionalists in PvdA</th>
</tr>
</thead>
</table>
| 1994 | - Freeze AOW, disability and unemployment benefits in 1995  
- In order to qualify for a pay-related unemployment benefit, an applicant must have worked at least 26 weeks in the last 39 weeks rather than 12 months  
- In order to qualify for a pay-related unemployment benefit, an applicant must have worked at least 4 years (instead of 3 years) in the 5 years preceding dismissal | Weak |
| 1995 | - Abolish supplement to pensioners with partners younger than 65  
- Introduce means-testing in survivor’s pensions  
- Entitle widowers to survivor’s pensions  
- Tax deduction for the elderly  
- Replace bonus/malus arrangement for employers by obliging the employee to pay the first 4 weeks of the disability benefits if (s)he becomes disabled for the same reasons after 5 years | Weak |
| 1996 | - Introduce the AOW public savings fund  
- Increase AOW contribution rate from 14.6 percent to a maximum of 16.5 percent  
- Oblige employers to pay employees 70 percent of their salary in the first year of sickness  
- Uniform sanctioning policy for all social security beneficiaries  
- Stricter sanctions for social security beneficiaries | Weak |
<table>
<thead>
<tr>
<th>Year</th>
<th>Reforms</th>
<th>Strength</th>
</tr>
</thead>
</table>
| 1998 | - Introduce a system for career interruption allowing for taking courses that will improve one’s employability. If the employee is replaced during this period, the government provides a maximum compensation of 444 euros per month.  
- Finance disability benefits solely by employers’ contributions (instead of both employers and employees) and make this partly dependent on the disability level in a firm.  
- Allow firms to opt out of public disability insurance and to choose freely among private insurers to cover their legally mandated disability liabilities over a five-year period.  
- Subsidies for employers when hiring occupationally disabled people.  
- Introduce a public occupational disability insurance scheme specifically for the self-employed. | Weak     |
| 1998 | - Phase out tax deductibility of the VUT scheme by moving towards funded early retirement schemes that make actuarial adjustments dependent on age by 2018.  
- Introduce an age-threshold beyond which salary increases are not included in the accumulation of pension rights.  
- Allow pensions to be transferred to a new employer.  
- Reduce minimum age for a full occupational pension from 65 to 60.  
- Enable employees to set aside 2 percent of their pay a year to build up their pension (previously 1.75 percent).  
- Increase the maximum pension from 70 percent to 100 percent of final pay due to an allowance to use savings in building up pensions.  
- No longer cut employees’ pensions cut if they work fewer hours or have less highly qualified work over the last 10 years before retirement. | Weak     |
| 2001 | - Introduce a system enabling employees to save time and money (an annual maximum of 10 percent of the annual income) for leave. Exception is early retirement. This is to be stimulated via tax incentives.  
- Replacement under the system of career interruption is no longer obligatory.  
- Introduce sanctions for disabled employees and employers who do not co-operate sufficiently in reintegration activities. | Weak     |

The abolishment of the AOW supplement for spouses/partners younger than 65 prompted opposition from the social partners. Employers feared that the cut would create pressures for the social partners to fill the gap in agreements on wages and/or occupational pensions. Interestingly, only the PvdA backed it as the VVD and D66 tried to find other cuts (Anderson 2007: 740-1). In 1995, Kok justified his party’s pragmatic course by noting that ‘the PvdA rather than the liberals has taken responsibility for unpopular but necessary policies during the last six years. The old ideology proves incapable to answer today’s key questions sufficiently. Shedding off the ideological feathers is not merely a problem for a political party like ours, it has also been a liberating experience in certain respects… By now, this process has nearly been completed’ (Kok 1995).

Yet, the CDA’s electoral punishment appears to have convinced most politicians that further AOW cuts were too risky. Indeed, so present was the fear of AOW-related electoral reprisals, that in early 1994 the VVD and D66 started to push for the AOW to be excluded from the 1991 indexation law. The PvdA opposed it and AOW benefits were frozen for 1995. This had no effect on AOW retirees because of the introduction of a tax deduction for retirees. Luckily, strong employment growth associated with the “Dutch miracle” allowed the cabinet to restore the net linking of the minimum wage and social benefits to real wage increases (Anderson 2007: 741).

In May 1995, the PvdA fraction presented its plans for reforming the AOW, including pension contributions for well-off pensioners and wage-earners, the introduction of a reserve fund, and an increase in the retirement age. By early 1996, D66 joined the PvdA in demanding a reserve fund and AOW contributions for well-off pensioners. The VVD and CDA were willing to accept the reserve fund, but rejected far-reaching attempts at fiscalization. In September 1996, the government finally settled on a combination of contribution increases combined with the establishment of a maximum contribution, increased public financing and the introduction of a reserve fund. In a fortunate economic period, tax revenues were higher than expected. This enabled the government to put a one time deposit of 2.8 rather than 2.1 billion into the reserve fund (ibid: 741-4).

In occupational pensions, the purple coalition, like its predecessor, called on the social partners to switch from final earnings schemes to average pay schemes. However, the social partners still opposed it. In September 1996, the government therefore threatened to withdraw tax deductibility for final pay schemes if the social
partners did not introduce changes within two years. The pressure paid off. In December 1997, the government, employers and unions signed a covenant for occupational pensions agreeing in particular, agreed to reduce reliance on final earnings and to expand coverage of part-time and flexible workers (EIRO 1998a; Anderson 2007: 745-6). As a side payment, the cabinet implemented legislation in 1998 that gave employees more freedom in choosing how they build up their pensions (EIRO 1998b, see table 8.4 for an overview of the main measures).

Meanwhile, the CDA was still in shock after its exile in opposition. It had no experience with the role as opposition party and changed leadership twice before the May 1998 election. Moreover, it was very difficult, if not impossible, to oppose seemingly successful socio-economic policies which were not essentially different from those the CDA itself would have liked to carry out (Van der Brug 1999: 180-5; Green-Pedersen 2002: 106). In the words of one CDA politician, ‘our opposition has been very poor thus far. We almost seem an appendage of the cabinet’ (in Versteegh 1999: 131). A former CDA prime minister even advised the fraction to ‘congratulate the government with executing the CDA program’ (in ibid: 134). Nevertheless, the party did start a phase of re-orientation in social policy in general and, as we shall see in the subsequent chapter, family policy in particular.

The 1998 election campaign proved very peaceful. The coalition parties had indicated that they wanted to continue together and both the PvdA and the VVD reaped the benefits for economic success. As the CDA suffered further losses, the purple government with its popular prime minister Kok could continue (Hillebrand and Irwin 1999: 138-9; Green-Pedersen 2002: 106-7). Finance minister Zalm also continued, but social minister Melkert came to lead the PvdA fraction. After Melkert’s successor joined the department of internal affairs in March 2000, the pragmatic Willem Vermeend, a professor in fiscal law, became social minister. As one of Vermeend’s fellow partisans eloquently put it, ‘you can trust everything to Willem, except for socialism’ (in Parlement en Politiek). Vermeend in his turn was succeeded by Wouter Bos as finance under-minister.

The second purple government considerably slowed down welfare reform. According to one PvdA politician, ‘the pressure clearly was off the kettle after the economy was booming’ (interview). A colleague confirms that ‘success had gone to our heads and we said: we are actually performing quite well, we are competitive again and we have joined the EMU. So why should we make difficult choices?’
Indeed, table 8.4 portrays few retrenchments. The exception to the rule is the establishment of some new sanctions for disabled employees and employers who do not co-operate sufficiently in reintegration activities. After a drop in the early 1990s, the number of disability beneficiaries was on the rise again and reached a massive 946,000 in February 2001 (EIRO 2001a). But even here the PvdA moderated cuts demanded by the VVD and D66 (EIRO 2001b). A PvdA politician posed that ‘few things had been done to reintegrate older workers since Kok wanted to prevent another disability affair’ (interview). For the rest, Wouter Bos played a key role in establishing a scheme that enables employees to save time and money for educational and parental leave. This was to be facilitated via tax incentives. Finally, Bos and Vermeend were involved in establishing the 2001 tax reform (interview with PvdA politician). The latter reduced labor costs with approximately 18 billion guilders (De Rooy 2005: 211).

8.4 Pension Politics after the Miracle: Nothing is Less Successful Than Failure

Success is a fickle story. A year before the May 2002 election, the major political question was whether the popular Wim Kok would continue. In August 2001, Kok appointed Ad Melkert, a competent but not especially popular politician, as his successor and polls indicated electoral stability (Van Holsteyn and Irwin 2003: 43-4). In the meantime, economic growth declined from 3.9 percent in 2000 to 1.9 percent in 2001. It would drop to 0.2 percent in 2002 and 2003 (OECD: 2008). Since class and religion do not go far in explaining Dutch votes anymore, one might concur with Bill Clinton’s 1992 campaign that ‘It’s the economy, stupid!’ Well, it surely was not the economy in the 2002 Dutch election. The evaluation of the voters regarding governmental economic performance was as favorable as in 1998 (Van Holsteyn and Irwin 2003: 47-55).

Only in January 2002 did the first signs appear of what was to come. The right-wing populist Pim Fortuyn had announced his intention to run for parliament a few months ago and he climbed consistently in the polls (ibid: 45). His main populist message was written down in a bestseller called ‘The mess of eight purple years’. Fortuyn’s success can be explained by the fact that political debates had cooled down considerably during the two purple governments. The former arch-enemies VVD and
PvdA had joint forces in office while we have seen above that the CDA could hardly oppose the cabinet (cf. Te Velde 2005: 146).

Elections were held nine days after Fortuyn’s assassination on May 6. The CDA emerged as the largest party, receiving 43 seats and regaining its pivotal position. Whereas the PvdA, VVD and D66 suffered their largest losses ever, the LPF obtained 26 seats, a record for a new party. This enabled the CDA to form a coalition with the LPF and VVD.

In opposition, the CDA had been wrestling with its identity. According to a CDA politician, ‘the period after the massive defeat of 1994 had been a very useful period for reflection. This should not be the case since you should also make sure that the thinking process continues during a period of governmental responsibility’ (interview). Another CDA politician noted that ‘the period between 1994 and 1998 had been the desert period of the CDA. When we lost again in 1998 we said against each other: we have to renew our range of ideas if we want to take our responsibility again and obtain office. This resulted in a series of studies by the scientific institute entitled “Tired of waiting”’ (interview).

Indeed, the director of the scientific bureau argued that ‘the opposition years represented an opportunity rather than a threat for the scientific institute’ (Van Gennip 1998: 204). He and his colleagues were clearly taken seriously by the party leadership (Versteegh 1999: 213). The former scientific employee Jan Peter Balkenende even became the fourth leader in the CDA’s opposition period. In September 2001, both the party leader and the party executive resigned after a struggle over the candidacy list for the 2002 elections. The parliamentary fraction then opted for Balkenende. One of Balkenende’s first efforts had been to co-author a report labeled ‘From caring state to caring society’ (CDA 1984). Like his dissertation (Balkenende 1992), the report stressed the ideal of a responsible society in which the state had to retreat. Another notable report in which Balkenende had co-operated pleaded in favor of abolishing the minimum wage just one year after the AOW disaster (CDA 1995). Everyone who could work should work was the main message. Accordingly, it received praise from employers and the VVD leader but was labeled ‘a tough rightist piece’ by the FNV chairman (in Versteegh 1999: 219).

A final report worth noting here had been written by Ab Klink, Guusje Dolsma and Peter Cuyvers in September 2001. It was part of the series ‘Tired of waiting’, indicating the CDA’s hunger for government participation, and promoted an individual
savings scheme for parental leave, educational leave and flexible retirement. This was to be facilitated via tax advantages (CDA 2001). As to the authors, Peter Cuyvers was a scientific employee at the Dutch Family Council, an independent advisory body on family policy. Guusje Dolsma currently is the secretary of VNO-NCW, the main Dutch employer federation after the VNO (Federation of Dutch Enterprises) had officially merged with the NCW (Christian Employer Federation) on December 31, 1996. Last but not least, Ab Klink is a personal friend of Balkenende and had been director of the scientific institute between 1999 and 2007. In 2006, Klink posed that ‘the ties between the scientific bureau and the party have become very direct. For instance, we closely cooperate with Maxime Verhagen (the CDA’s parliamentary leader by then: author’s information) and the cabinet. Here, it also plays a role that Jan Peter and I happen to know each other for a long while’ (interview).

Jan Peter Balkenende came to lead the CDA-LPF-VVD coalition. He allocated the social ministry to Aart Jan de Geus, former CNV vice-chairman and management consultant. De Geus was particularly concerned about the welfare state’s financial sustainability (NRC 01.03.2004). In February 2001, he proposed to retrench the disability scheme and complement it with individual savings (Trouw 22.02.2001). We shall see below that this pragmatic policy position combined with an authoritarian style made him unpopular amongst trade unionists. Furthermore, Gerrit Zalm (VVD) became finance minister for the third time in a row. He did not differ with Balkenende’s views on financial policy (Elsevier 2005: 17).

The CDA’s lengthy preparations in opposition could not prevent a short-lived term in office. Strives within the LPF caused the government to collapse within three months. This contributed to the LPF’s rapid fall in the January 2003 elections. The PvdA, by contrast, nearly doubled its seats under its new leader Wouter Bos, the former finance under-minister. Furthermore, the VVD gained somewhat. Nonetheless, the CDA consolidated its earlier electoral gains and its pivotal position. Before the election, Balkenende had announced that he wanted to continue with the VVD. Therefore, lengthy negotiations between the CDA and PvdA were bound to fail. In the end, Ab Klink admitted that ‘we currently are closer to the VVD with our concrete ideas about how to keep solidarity affordable in the future when many more elderly people depend on their pensions and care from others’ (in Trouw 14.04.2003).
<table>
<thead>
<tr>
<th>Year</th>
<th>Pension reforms</th>
<th>Role of traditional lists in CDA</th>
</tr>
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</table>
| 2002 | - Abolish (1998) career interruption scheme  
- Abolish (2001) time and salary savings scheme  
- Introduce a fiscally advantageous way to save in order to take leave when necessary | Very weak |
| 2003 | - Freeze AOW, disability and unemployment benefits in 2004  
- Require unemployed aged over 57.5 to look for a job  
- Abolish follow-up benefit for unemployed  
- Abolish most job subsidy programs  
- No longer oblige employers to pay premiums for disabled employees aged over 55  
- Oblige employers to keep paying employees 70 percent of their salary during the first two years of sickness | Very weak |
| 2004 | - Freeze AOW, disability and unemployment benefits in 2005  
- Abolish disability insurance for the self-employed  
- Reduce unemployment entitlement period by letting the actual work history determine it  
- Make 3 months of trial work possible without impacting on unemployment benefit | Very weak |
| 2005 | - Abolish tax benefits for pre-pension (VUT) schemes  
- Enable employees to accumulate 210 percent of their annual salary by saving an annual maximum percentage of 12 percent of the annual income. This enables one to spend three years of leave, including early retirement, on 70 percent of that salary  
- Employees who have accrued 40 years of contributions in the fund and are aged 63 or above are entitled to a pension of 70 percent of their last earned salary, even if actuarial recalculation of the accrued pension would result in a pension level of less than 70 percent  
- Possibility to accrue extra savings towards the pension via tax incentives over a 15-year period, making it possible to reach a pension level of 100 percent of last-earned salary. This may then be used to quit work earlier at a lower percentage of the last-earned salary | Very weak |
- Lift income tax for each year of participation in life course scheme
- Reduce the levy of 183 euros per year for each year of participation in the new life course arrangement
- Employers’ contribution will also be tax deductible for participants in the new life course arrangement
- Cut first two years of disability benefits from a maximum of 200 percent of the last earned salary to 170 percent
- People with a disability of at least 35 percent rather than 15 percent entitled to disability benefits
- Reduce disability benefits for non-working partially disabled
- Employers hiring or keeping a partially disabled are not obliged to continue paying the wage if an employee becomes sick in 5 years
- Reduce social premiums for employers when hiring or keeping a partially disabled
- Decrease premiums for employers when a partially disabled employee works more than before
- Increase premiums for employers when a partially disabled employee works less than before
- Partially disabled employees receive wage supplements if they use 50 percent of their earning capacity
- Work reintegration for those partially disabled who lose their benefits and cannot immediately find work
- Increase benefits for fully disabled by 5 percent upto 75 percent of the last-earned salary in 2006, providing the number of new WAO entrants is 25,000 or below

<table>
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<th>Year</th>
<th>Measures</th>
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| 2006 | - Restrict the work record condition for unemployment beneficiaries from 26 out of 36 (rather than 39) weeks  
- Insufficient attempts to find work after the three first months of unemployment result in suspension of benefit entitlement  
- Increase unemployment benefit from 70 to 75 percent of the previous wage for the first 2 months |

**Sources:** Information on reforms derived from Anderson 2007; Van Gerven 2008; De Staatscourant 2002-2006.
De Geus and Zalm maintained their portfolios as the CDA continued with the VVD. However, the six seats of D66, the third coalition party, were needed for a parliamentary majority. Table 8.5 shows that, especially from 2002 to 2004, the government led a course towards retrenchment and privatization under Balkenende’s leadership. The economic malaise provided strong political support for the cabinet to push through these market-liberal reforms. Economic growth had virtually come to a halt between 2002 and 2003. Furthermore, unemployment rose from less than 2 percent in 2002 to 4.7 percent in 2005 (OECD 2008). In Balkenende’s words, ‘a well-functioning economy, no unemployment problems and many windfalls would have given another color to, shall I say, the tough decisions one has to take’ (in Elsevier 2005: 32). Finally, the cabinet used the Lissabon target of a 50 percent participation rate among the elderly to legitimize the vehement attacks on early pensions (concept central agreement 2004; Balkenende 2005). Social minister De Geus, for instance, quoted Wim Kok in his EU report Facing the Challenge. ‘Time is running out and there can be no room for complacency’. De Geus continues that the report recommends a comprehensive active aging strategy. According to Kok, such a strategy demands a ‘radical policy and culture shift away from early retirement’ (in TK 25.11.04: 28-815).

Not surprisingly, the government’s market-liberal reform agenda did not please the unions. In November 2002, the social partners and the first Balkenende cabinet were still able to reach a central agreement on wage moderation for 2003. The two obstacles had been the employers’ demand for wage restraint, and the government’s plans to abolish job subsidy programs. In return, the unions were offered some small concessions, including a one-year delay of a retrenchment requiring unemployed over 57.5 to search for jobs. Furthermore, especially the FNV leadership staked its hope on a new government with the PvdA, now rising swiftly in the polls (Van der Meer and Visser 2005: 14-6).

A year later, it proved much more arduous to reach a central agreement. Female CDA parliamentarians in particular had been frustrated by the VVD’s initial role in marginalizing the life course savings arrangement and opportunities for paid parental leave (FD 30.10.02). During the subsequent coalition negotiations, the CDA then pushed through its demands. To quote a CDA politician, ‘we could have had it with the PvdA and now we really wanted it’ (interview). In October 2003, the CDA-VVD-D66 coalition began to negotiate the life course scheme with the social partners in exchange for wage restraint. The cabinet planned to abolish tax benefits for early
retirement (VUT) schemes and to introduce the life course arrangement. Unlike the collective obligation to save for early retirement, as stipulated in many collective labor agreements, the government favored an individual savings scheme to be executed via financial institutions (Van der Meer and Leijnse 2005: 13).

During negotiations in May 2004, this proved to be the main obstacle for the unions. The VNO-NCW, by contrast, embraced the opt-out clause and also agreed with the government to increase the minimum age for early retirement to 62.5. After the negotiations failed, the government aimed to unilaterally implement the bill. This only deepened conflicts since the trade unions had felt seriously offended by the government’s complete ignorance of the SER. In addition, social minister De Geus heated up the fire by announcing a study of the possibility to abolish or revise the minimum wage legislation. Finally, De Geus had made true his threats to retaliate against the FNV by sending a law to parliament allowing him not to extend collective agreements when these contained wage increases. Accordingly, the unions organized several protests in the Autumn, including the second largest demonstration against any post-war government (Van der Meer and Visser 2005).

By now, key representatives of VNO-NCW started to fear the end of peaceful labor relations. The government clearly began to overplay its hands. There was not much coordination with a sick prime minister absent from mid-September to late October 2004. To make matters worse, time was running out before the next election. Accordingly, the cabinet quickly settled at some concessions in return for wage restraint in 2004 and 2005. The SER advice on reforming the disability program was adopted almost completely. For instance, fully disabled persons will still receive 70 percent of their last earned salary. This was even increased by 5 percent in 2006, since the number of disability beneficiaries fell below 25,000 by then. Moreover, the government wanted to abolish unemployment benefits for the short-term unemployed and deduct all or part of the compensation awarded to dismissed workers from their unemployment benefits. However, it now settled for the SER advice (EIRO 2004; Van der Meer and Visser 2005).

The government’s plans to introduce a life-course savings scheme and to abolish tax deduction for early retirement were also moderated by the trade unions. Employees now have the right to accumulate 210 percent of their annual wage (rather than the 150 percent proposed in May). This enables them to spend three years of leave, including early retirement, on 70 percent of that salary. According to a CDA-
insider, ‘this was a good thing. Personally, I was very happy with the pressure by the trade unions. Otherwise, the life course arrangement would have been bound to fail. The VVD and D66 were not major proponents and Aart Jan de Geus was not all that keen on having that 210 percent. The CDA fraction clearly was. This is where the idea of that 210 percent came from. I think we have been lucky that the trade unions made themselves heard because it would not have came from the cabinet’ (interview).

Furthermore, the government’s plans had envisioned banks and insurance companies to offer life course schemes (Van der Meer and Leijnse 2005: 15). However, a CDA politician thanked the unions for also ensuring a role for pension funds, where unions take 50 percent of board responsibilities. ‘This allows the life course arrangement to become a success’ (interview). Paradoxically, the unions had thus eventually helped the CDA in establishing what Jan Peter Balkende called ‘the cornerstone of the cabinet’s reform agenda’ (in FD 26.11.2004). Or, in Ab Klink’s words, ‘the life course scheme stands at the base of the CDA’s welfare reform plans’ (interview).

What is perhaps most striking, however, is that the CDA’s market-liberal reform plans virtually met no opposition from within. Such criticism could easily have impacted upon the cabinet since it merely had a two seats majority in parliament. Criticism on the government’s welfare reform agenda mainly came from outside the CDA’s parliamentary fraction. For instance, the former social minister Bert de Vries became a well known critical voice when he published the book ‘Overconfidence and Discomfort’ (De Vries 2005). In addition, it probably was a prominent CDA member who disapproved the government’s proposal on early retirement on behalf of the Council of State, the government’s highest advisory council. The CNV leader hailed this as ‘a first class political statement’ against the cabinet (in Van der Meer and Visser 2005: 21). Unlike in Austria and Germany, however, traditionalists had already been marginalized within Dutch Christian democracy in the mid-1980s.
8.5 Conclusion

To understand why this is the case, it is worthwhile returning to my central propositions on organizational change. In comparison to Austria and Germany, Dutch parties were facing more severe austerity until the late 1980s. Furthermore, the Netherlands remains more de-industrialized and secularized than Germany and Austria. Indeed, secularization caused a large decline in the vote-share of the confessional parties and led to fear amongst denominational politicians to lose the dominant position in office. This triggered the merger into the CDA, a party with a marginalized traditionalist wing. Austerity reinforced the ability for pragmatists to push through pension cuts in a coalition with the liberals from 1982 to 1989. Especially when the economy improved in the mid-1980s, however, key politicians like Lubbers and De Koning slowed down the retrenchment efforts.

In response to the pivotal position of Christian democracy in the Dutch party system, politicians also came to dominate the social democratic party after the “victorious defeat” of 1986. By then, the polarization strategy had reached a dead end, since it had kept the party out of power for nearly a decade. Studies were written, but the former party leader just had no answer on how to cope with austerity and post-industrial social risks. Finally, it was questionable how a strategy appealing to the party’s core constituents could be implemented when this clientele was only shrinking against a background of de-industrialization. In order to enhance the possibilities for participating in future governments, the more pragmatic Wim Kok was brought to the helm of the party.

In 1994, the office-seeking ambitions of the PvdA let it even condone a large electoral defeat triggered by the unpopular welfare retrenchments of the CDA-PvdA coalition. Instead, the party’s pragmatic course enabled the transformed social democrats to govern with their former arch-enemies, the liberals. During its first term, the government did not really slow down its retrenchment efforts. Nevertheless, against the demands of the liberals, it was prime minister Kok himself who ensured that most old age benefits were not to be further cut at a time when the party-context had changed, i.e. the economy and public finances were booming now. Under these fortunate economic circumstances, Kok did not want to risk another electoral defeat on unpopular retrenchments.
Between 2002 and 2006, the economy slowed down and Christian democrats formed a government with several rightist parties, despite long talks with the social democrats. The formation of a grand coalition was made virtually impossible by the fact that Christian democrats had moved further in a market-liberal direction during a process of reorientation in the opposition phase. Accordingly, the center-right government implemented several market-liberal reforms, though the unions could water down the ambitions of a reckless cabinet.

Once again, it would be a period of reflection for the social democrats in opposition. According to a PvdA politician, ‘the 2002 election result had been a crystal clear defeat and we were excluded from office afterwards. This made the party more susceptible to renewal’ (interview). Indeed, the 2002 defeat led to a substantial evaluation report that pointed at the ‘ceased renewal debate after sudden participation in government in 1989’ (PvdA 2002: 12). After the government negotiations failed with the CDA in early 2003, the new party leader Wouter Bos did not waste any time and immediately announced a major renewal within the PvdA (Kalma 2004: 74). Typical of his pragmatic line of thinking is the title of a speech Bos gave in June 2003: Equality must take a step back in favour of participation. ‘I do not want equality of outcomes. This does not fit with my vision on emancipated citizens who want room to make room for their own choices’ (Bos 2003). Furthermore, a PvdA commission finished a study on the future of the welfare state in December 2005 and, amongst other things, concluded that the level of AOW should be guaranteed for all income groups (PvdA 2005). However, it faded into the background after the sudden fall of the CDA-VVD-D66 coalition in June 2006. In this respect, the fall of the second Balkenende government and the subsequent elections came too soon for the PvdA.

Most likely due to the unpopularity of welfare state retrenchment, the CDA polled extremely low from 2003 to 2006. Just before the elections of November 2006, however, Bos virtually repeated the CDA’s 1994 campaign blunder by politicizing the issue of population ageing and announcing a fiscal retrenchment in the AOW for higher income retirees. This backfired immediately and instigated a massive negative response among voters and party members from which the PvdA, although Bos withdrew the proposal, did not recover. Now, after four years of cutbacks, the CDA could suddenly present itself as the defender of the AOW while voters on the left massively opted for the Socialist Party. The latter jumped from nine to 25 seats.
Instead, the PvdA lost ten seats, a quarter of its former total. The CDA, in its turn, lost three seats and remained the largest party (Van Kersbergen 2008: 272-3).

In February 2007, the CDA joined forces with the PvdA and the Christian Union, a small confessional party that pursues a traditionalist program in transfer policy. Despite all the hectic about pensions during the campaign, the government has implemented a fiscal retrenchment for those retirees whose supplementary pensions exceed € 18,000. The measure will be effective from 2011 on and is gradually raised from 0.6 percent to 17.9 percent in 2040. If people between 63 and 65 work, they will receive a “bonus” that equals the amount the amount of the cutback. In short, despite the increased electoral threat from the SP, the PvdA still continues a pragmatic course. In line with my proposition on the importance of office-maximization behavior, the PvdA condoned a large electoral defeat and opted for government participation. In the meantime, to the regret of a few prominent CDA members, internal discussions are off the agenda for their party, with its firm, dominant role in office. According to one parliamentarian, ‘we are too busy governing this country. I lack discussion within the party, the ideological breeding ground’. Indeed, a party member complements that ‘the motto is: keep things silent, do not say a word. Why should we when everything is going well in the polls?’ (in NRC 10.11.07).