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ORIGINAL ARTICLE

Responsive corporatism without political credit: social concertation, constructive opposition and the long tenure of the Rutte II cabinet in the Netherlands (2012–2017)

Anton Hemerijck[1] · **Johannes Karremans**[2] · **Marc van der Meer**[3]

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Abstract
This paper analyses the unexpected return of social concertation in the Netherlands under the Rutte II government (2012–2017). Despite political fragmentation, electoral volatility and intensified EU budgetary surveillance, between 2012 and 2017 the Netherlands witnessed several social pacts that proved vital to the enactment of long-awaited reforms, allowed the government to turn post-crisis fiscal deficits into surpluses, and helped regenerate economic growth. After describing the contextual differences with the Dutch 'miracle' years of the 1980s and 1990s, we reveal a novel institutional logic of responsive corporatism whereby, first, a social pact with civil society actors is agreed which, then, becomes a launching pad for the de facto minority government to enlist parties from the 'constructive opposition' in these agreements to deliver anticipated reforms. Unlike the 1980s and 1990s, however, pro-active engagement with the social partners did not pay out electorally, in particular for the social democrats.

Keywords Corporatist concertation · Social pacts · Minority government · Constructive opposition · Public finance · European economic governance

Introduction

In the aftermath of the global financial crisis, between 2012 and 2017, the Dutch government coalition of liberals, the Volkspartij voor Vrijheid en Democratie (VVD), and social democrats, the Partij van de Arbeid (PvdA), managed to enact

✉ Johannes Karremans
johannes.karremans@eui.eu

1 Political Science and Sociology, European University Institute in Florence, Fiesole, Italy

2 Department of Political and Social Sciences, European University Institute in Florence, Fiesole, Italy

3 Tilburg Law School, Tilburg University, Tilburg, Netherlands

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a series of intrusive reforms, followed by economic success that resembles the acclaimed Dutch 'miracle' of the 1990s (Visser and Hemerijck 1997). In 2018, a decade after the onslaught of the Great Recession—which deeply affected the Dutch (financialized) economy—the Netherlands was performing at a yearly growth record of 3% of GDP, with unemployment down to less than 4% and public finances in line with the spending rules set by the European Union (EU). The recent Dutch success story can arguably be accredited to the Rutte-Asscher cabinet (2012–2017) which, through several long-awaited reforms in the areas of labour market regulation, housing policy, education and health care, managed to comply with strict EU budgetary requirements, while at the same time regenerating economic and employment growth. Most surprising perhaps—against the backdrop of a watershed crisis and the rising populism that affected also the Netherlands (Vossen 2016)—is that the Rutte-Asscher coalition made history as the longest serving cabinet since World War II, and the first Dutch coalition government since 1998 able to rule until the end of the legislature (from autumn 2012 to the summer of 2017).

Given its accomplishments in reform delivery, economic recovery and record tenure, in hindsight the Rutte II cabinet appears as strong and stable. Yet a close inspection of the political and social support bases behind the cabinet's reform record brings to light a less fortuitous picture. Being de facto a minority cabinet, it needed support from opposition parties in order to have legislation approved in the first chamber, where the government lacked a majority. Internally, the governing majority was made up of two parties on competing poles of the mainstream left–right spectrum: the (neo-) liberal VVD on the one hand, and the social-democratic PvdA. Furthermore, the cabinet's intrusive reform agenda inevitably encountered ever mounting disapproval and at the 2017 elections the two coalition parties suffered severe electoral losses, especially the PvdA whose vote share declined from 24.84% (38 seats in parliament) to an abysmal 5.70% (9 seats) (Paparo et al. 2018). Notwithstanding these contingencies, the cabinet stayed in office until the 2017 elections and throughout the first months of the next legislature, until the formation of the Rutte III cabinet. All this raises the fundamental question of how an unpopular and ideologically divided coalition government accomplishes an ambitious austerity reform agenda in a time of rising populism, to become—paradoxically—the longest serving Dutch cabinet since 1945.

On this score, corporatist governance, the key success factor behind the 'Dutch miracle', regains importance. The reform agenda of the Rutte II cabinet was supported by a long series of social accords with key trade unions, employers' organizations and other societal stakeholders, which regularly preceded legislation in negotiations with the opposition parties in parliament. One of the most important of these accords was the social agreement of 2013, which Prime Minister Rutte coined as the 'new' Accord of Wassenaar, after the famous 1982 accord that cured the Netherlands from the infamous Dutch Disease (Visser and Hemerijck 1997). Unlike recent depictions of these developments as 'old solutions to new problems' (Louwerse and Timmermans 2021; Otjes et al. 2018), we argue that this return of 'responsive corporatism' (Hemerijck, 1992) took effect through fundamentally different mechanisms than the modus operandi of the Dutch 'polder model' of the 1980s and 1990s, which relied on strong governments imposing a 'shadow of hierarchy' (Visser and Hemerijck 1997). The differences are not limited to the involvement of small opposition parties in the reform process, but also include a different logic and time-sequencing in the negotiations: first an agreement with social partners is reached and then the government seeks approval from 'constructive' opposition parties. As this new modus operandi is closely linked to transnational developments, such as de-industrialization and Europeanization, we argue that the experience of the Rutte II cabinet can be considered as illustrative of how decision-making processes in consensus democracies are changing under such developments.

In this paper we process-trace the resurgence of Dutch corporatism in the context of weaker political and social representation and in the shadow of intensified EU fiscal constraints, showing that the different modus operandi is largely linked to these contextual differences. Our analysis focuses on three relevant social pacts and consequent parliamentary compromises, which served the Rutte II administration to pursue three key reforms that, as we will show, allowed it to effectively implement its macro-economic agenda. To re-construct the reform-process we rely on policy documents, parliamentary papers and semi-structured interviews with elites from both the parliamentary and corporate tiers.[1] The combined use of official documents and interviews allows us to identify the time sequences of the steps leading to the major reforms. As we will argue, the time sequence of the negotiations between government, social partners and opposition partners is a key distinguishing feature of the revival of Dutch corporatism.

Before illustrating our analysis, in Sect. 2 we first clarify why the social pacts of the Rutte II government are puzzling and discuss how—between the 1980s and today—the prerequisites for Dutch corporatist governance have profoundly altered. In Sect. 3 we focus on economic and financial conundrums faced by Dutch governments in the early 2010s under the constraints of European economic governance. Subsequently, Sect. 4 reports our analysis of the processes behind the policies that allowed the Rutte II government to reduce public deficits and boost employment. In the conclusion we reflect on how this empirical case is illustrative of changes in socioeconomic governance in the era of de-industrialization and Europeanization.

Corporatist governance in the Netherlands reconsidered

Stein Rokkan (1977) famously argued that democratic political systems are made up of 'two tiers' of governance. He distinguished between a 'parliamentary tier' and a 'corporate tier', wherein the former is occupied primarily by political parties, while the latter is formed by interest groups, most prominently business and labour interests. In corporatist systems, labour and business associations are attributed with public status as central interlocutors for the government in the development of socioeconomic policies (Schmitter 1974; Lehmbruch, 1979). The recent literature on corporatism in advanced industrial countries has highlighted that, especially in

[1] Sources are indicated as much as possible in the text. See also the appendix for an overview of the sources consulted.

challenging economic times, social concertation is an appealing policy-making strategy for weak (minority) governments (Avdagic et al. 2011; Baccaro and Lim 2007). Opening the decision-making process to more actors, in turn, may also be an appealing blame-avoidance strategy for governing parties that are bound to pursue a reform agenda that they perceive as electorally risky, as it allows them to signal openings to societal inputs and blur the clarity of responsibility (Wenzelburger 2011).

The appeal of making social pacts, however, is contingent upon whether the organizations involved—i.e. the trade unions—are strong enough to guarantee (or threaten) policy implementation (Baccaro and Simoni 2008). The Dutch trade unions of the 2010s featured many of the same characteristics that lead Culpepper and Regan (2014) to argue that 'governments don't need trade unions anymore'. Since 2007, trade union membership has dropped below 20% of the working population, particularly in the market sector (OECD 2019a). In parallel, over the last ten years there has been an increase from 15 to 22% of people with a flexible work contract, and a decrease from 72 to 62% of individuals with a permanent work contract (Centraal Bureau voor de Statistiek 2017). Considering also the spectacular growth of the solo self-employed, the working population has become much more heterogenous and trade unions struggle to remain representative. In the 2010s, therefore, trade union support was not necessarily the equivalent of societal support.

Furthermore, the revival of social concertation under a weak government also challenges the existing knowledge about how Dutch corporatism operates most effectively, namely through politically strong governments 'sharing political space' with social partners, with the (generally implicit) threat of unilateral action through the parliamentary tier (Visser and Hemerijck 1997; Visser and van der Meer 2011). During the post-war period, the Netherlands was a prime example of state-led corporatist governance, with regularized channels of deliberation, consultation, and negotiation between labour and capital contributing substantially to economic growth and social peace (Katzenstein 1985). As scrutinized in great historical detail by Colin Crouch (1993), effective state-led corporatist governance relies most prominently on strong governments and on well-organized functional interests that are representative of large sections of the economy and the workforce, so as to stabilize political exchange relations between the state and civil society. Governments must be strong enough to 'share political space' with the social and economic interest organizations (Crouch 1993) and have the ultimate authority to impose a 'shadow of hierarchy' in order to ratify agreements among social interests (Scharpf 1997). The Wassenaar Agreement of 1982 was a prime example of governments 'sharing political space' with organized interests, while still imposing a 'shadow of hierarchy' (Visser and Hemerijck 1997).

At the time of the Wassenaar Agreement, the stability of the Dutch corporate system was guaranteed by the relative strength of the main social actors involved and by a firmly established apparatus of bi- and tripartite boards for nation-wide social and economic policymaking, such as the tripartite Social-Economic Council (Sociaal-Economische Raad, SER), which includes trade unions and employers' associations, as well as the president of the National Bank and the directors of various independent planning agencies. In addition, on the government side there was a constant rotation in office between Christian-democratic, liberal and social-democratic

Table 1 Parties with five seats or more in the Dutch Second Chamber

	1982	1986	1989	1994	1998	2002	2003	2006	2010	2012	2017
PvdA	47	52	49	37	45	23	42	33	30	38	9
CDA	45	54	54	34	29	43	44	41	21	13	19
VVD	36	27	22	31	38	24	28	22	31	41	33
D66	6	9	12	24	14	7	6	3	10	12	19
GL			6	5	11		8	7	10	4	14
AOV				6							
SP					5	9	9	25	15	15	14
LPF						26	8				
PVV								9	24	15	20
CU								6	5	5	5
PvdD											5

The total number of seats in the Dutch Second Chamber is 150. The 5-seat threshold of this table has been chosen for visualization purposes, to give a sense of how the traditional bigger parties have lost a large share of their seats of their time, and that the numerical relevance of smaller parties has increased over time. If we chose a lower threshold, the list of parties to be included would have been too long. It must however be noted that—because of this threshold—some important parties that appear later in the paper (like the SGP) are omitted in this Table

mainstream parties. The employer organizations and trade unions, in turn, exhibited widespread and inclusive membership patterns. The relative strength and stability of the parliamentary and corporate tiers of democratic governance reinforced the status and proficiency of the bipartite and tripartite institutions in the Dutch political economy (Visser and Hemerijck 1997; Visser and van der Meer 2011).

Today, this depiction of political, social, and institutional stability no longer holds. Similar to other parts of western Europe (Mair 2008), between the 1990s and 2010s the main governing parties—the Christian Democrats (CDA), PvdA and VVD—progressively lost vote shares; after the 2017 elections they held less than half of the parliamentary seats and the Parliament has progressively become composed of a larger number of smaller parties. To illustrate this political sea-change, Table 1 reports the parties that have had at least five seats in the Dutch second chamber since 1982, indicating the number of seats they held in each legislature. Growing fragmentation of political representation has possibly made the formation of governing majorities more difficult and fragile. In fact, while in the 1980s and 1990s the average government tenure was 1440 days, during the last two decades this dropped to an average of 929, making the Rutte II cabinet with 1749 days an exception to the erstwhile rule.

The fragmentation of the parliamentary party system took place at the same time as intrusive changes in the Dutch economy and society, related to intensified economic internationalisation, skill-biased technological change, the flexibilization of the labour market, and demographic ageing (Thelen 2019; van der Meer and Brinkman 2019). Between the 1980s and today, the financial and the service sectors acquired increasing prominence vis-à-vis industrial production, particularly in terms of job generation. Figure 1 illustrates the share of total

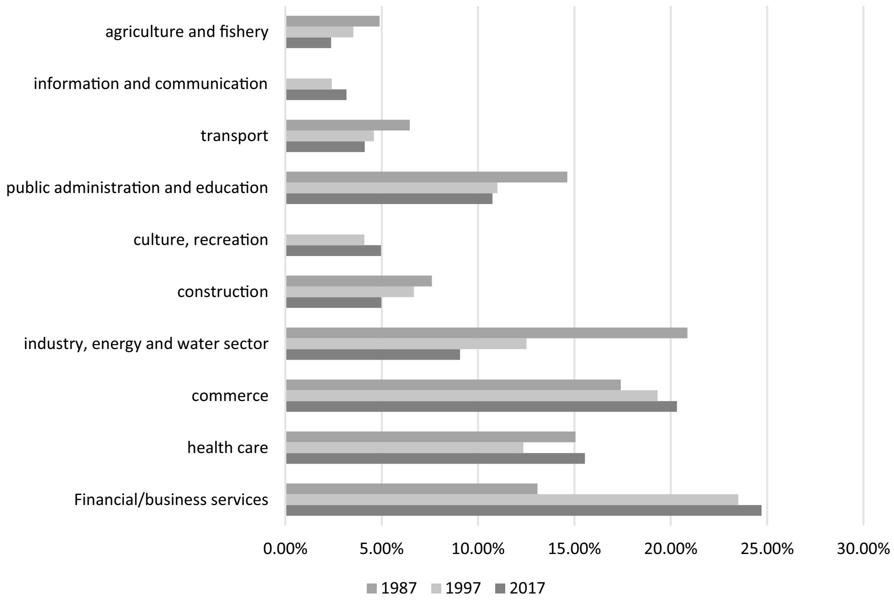

Fig. 1 Number of jobs per economic sector in 1987, 1997 and 2017 (% of total N of jobs). Source: Centraal Bureau voor de Statistiek (2017)

number of jobs generated by various sectiors of the economy in 1987, 1997 and 2017. As a result of these changes, the workforce has become far less homogeneous and thus more difficult for trade unions to organize. The collective action conundrum—which is present also in other western European countries (e.g. Damhuis and Karremans 2017; Gingrich and Häusermann 2015)—has fed back to the parliamentary tier, with social-democratic parties managing a growing diversity of left-oriented voters, ranging for example from those with a low income and flexible contracts, to those with a middle income, still with permanent employment contracts from a declining industry and a stagnant public sector (Centraal Plan Bureau 2019).

These interrelated changes inevitably weakened the political and social foundations of Dutch corporatism. Given that the presence of strong governments was a fundamental feature of traditional Dutch corporatism, the resurgence of social pacts under Rutte II raises questions about how the polder model works in the current context of political fragmentation and weaker social partners. In parallel, in the new context, government activity is also greatly affected by European economic governance. Before embarking on the empirical analysis, in the next section we discuss how the reform agenda of the Rutte II cabinet originated from the consequences of the global financial crisis of 2008 and was largely shaped by European budgetary constraints.

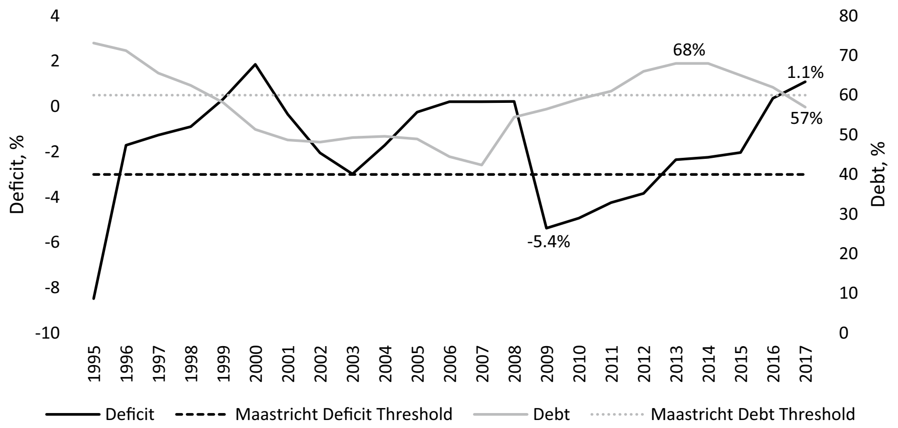

Fig. 2 Deficit (left axis) and debt (right axis) levels in the Netherlands (in % of GDP) between 1995 and 2017. Note: Deficit values in black (left axis); debt values in grey (right axis). Source: Eurostat data

Crisis budgeting under the shadow of European Union economic governance

Since the entry into force of the Maastricht criteria for economic policymaking, European polities are arguably composed of a third ‘tier’ of governance, constituted by European fiscal rules (Laffan 2014; Schäfer and Streeck 2013). Under the framework of European economic governance, the power balance between the executive and the legislative powers have shifted in many ways towards the former (Mair 2014; Maatsch and Cooper 2017). The Netherlands was no exception (Hemerijck and van der Meer 2016). The consequences of the global financial crisis of 2008 reinforced this shift and, as a result, within a few months the Netherlands became an infringer of European budgetary rules, a condition that worsened during the early 2010s.

As a highly financialized economy, immediately after the Lehman Brothers bankruptcy in September 2008, the Netherlands was forced to bail out four out of the six large, internationally active, financial institutions. The bailout support from the public purse for the Dutch banking sector amounted to an injection of €81 billion (12.68% of GDP) through nationalization and lending, all in the fourth quartile of 2008, during which time public debt spiked from 46% to over 58% of GDP (Centraal Bureau voor de Statistiek 2009). Even though money lending resumed already in 2009, the overall costs of the bank bailouts is estimated to have been around €23 billion, which corresponds to roughly 3.60% of the Netherlands’ GDP for 2008. Dutch public debt, which at the beginning of 2008 stood comfortably at about 43% of national GDP, in autumn 2008 quickly rose by more than 12 percentage points, coming close to the EU threshold of 60%. In 2009 government spending rose from 43% of GDP to over 48%, causing a sharp increase in the government deficit, well beyond the EU threshold of -3%, reaching -5.37%. Figure 2 reports the Dutch deficit and debt levels between 1995 and 2017.

As the government was compelled to reduce public debt and deficit levels, a major challenge pertained to the demographic composition of the labour force and its adverse effect on the public purse. After coverage ratios of many pension funds were already regularly falling below the minimum requirement of 105%, the Fourth Balkenende cabinet (2007–2010), a coalition between Christian Democrats and Social Democrats, placed the future sustainability of the pension system high on the post-crisis policy agenda. According to figures of the Dutch Bureau for Economic Policy Analysis (Centraal Planning Bureau), rising old age dependency ratios could in the long run lead to uncontrollable costs for the Treasury. After managing to conclude a wage pact with the social partners in early 2009, raising the retirement age proved more controversial for the internally divided centre-left government, especially between Prime Minister Balkenende and finance minister and PvdA leader Wouter Bos, triggering outside opposition within the Parliament (mostly from populist parties) and from the trade unions. Aware of these sensitivities, in the spring of 2009 the Balkenende IV government approached the social partners to work towards an agreement to incrementally raise the retirement age from 65 to 67 years. However, in 2009 the social partners proved unable to accept the proposal of the Balkenende IV government. Consequently, the CDA-PvdA cabinet decided to go forward without social partnership consent. In December 2009, the government presented its proposal to curtail retirement costs to the second chamber. Soon after, between January and February, the PvdA-CDA coalition clashed over extending a military mission in Afghanistan and on 23 February 2010 the PvdA cabinet members resigned. In the meantime, the legislative proposal on raising the retirement age was declared controversial, while top-level civil servants were implementing a full public-administration budget reconsideration to reach a potential 20% cut in costs per Ministry by 2011.

Due to the stalemate, the pension conundrum was forwarded to the reform agenda of the next cabinet. After a major internal tussle, the CDA decided to join the VVD in an attempt to form a centre-right government with the external support of the populist far-right Partij voor de Vrijheid (PVV). Ultimately, the three parties managed to agree on an austerity reform platform, wherein the PVV's demands were accommodated by cuts in development aid and tougher immigration legislation. The stepwise raising of the retirement age and gradual revision of occupational pensions from a defined benefits to a defined contributions system were part of the reform agenda on the basis of a concept agreement (10 June 2010) with the social partners, which was eventually accepted (on 17 September 2010) in a referendum by the main trade union federation, the Federatie Nederlandse Vakbeweging (FNV). However, by September 2011 the FNV rejected the pension pact because of dissenting votes from both FNV's market sector union (FNV Bondgenoten) and the main public sector union ABVAKABO. The pension accord also failed to reach legislation via the parliamentary route, because in spring 2012 the PVV withdrew its support from the cabinet precisely because of the pension reform. The only measure that reached legislation was the unpopular increase of the retirement age from 65 to 67, which the cabinet managed to have approved—as we will see below—with the help of 'constructive opposition' forces.

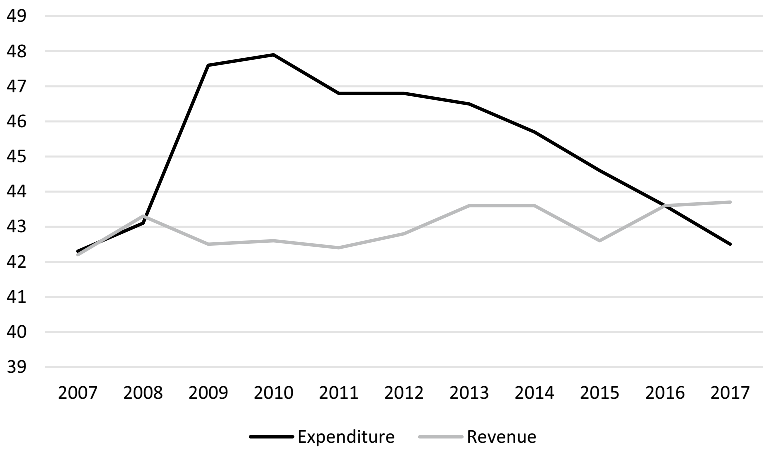

Fig. 3 Total general government expenditure and revenue levels, 2007–2017 (% of GDP). Source: Eurostat data

The walkout of the PVV turned the Rutte I government into a minority coalition. Meanwhile, the Dutch economy was confronted with a second dip, and thus pressed ahead with a new round of austerity measures in order to meet the criteria of the European budgetary thresholds. Ultimately, parliamentary support came from the progressive orthodox Calvinist Christen Unie (CU), the leftist green GroenLinks, and the social liberals of Democraten 66 (D66). Teaming up with the VVD and CDA coalition, the five parties came to be known as the 'Kunduz' coalition.[2] Later the more general term of the 'constructive opposition' was coined for instances of parliamentary support from opposition parties for de facto minority coalition legislation. On 26 April 2012 the Kunduz coalition agreed on the general terms for the 2013 budget—which would be characterized by cuts worth €12 billion (including the retirement age increase)—and also found an agreement on the Law on the Sustainability of Public Finances (LSPF), which obliged the successive governments to strictly adhere to the EU's budgetary rules and guidelines (see also Doray-Demers and Foucault 2017). The LSPF induced the government to consistently follow an austerity path, with a strong impetus to push expenditures below revenue levels in a pro-cyclical manner. Figure 3 shows the total Dutch general government expenditure and revenue levels between 2007 and 2017, both indicated as a percentage of yearly GDP.

The compromise reached by the Kunduz coalition laid the foundations for both the coalition agreement between the VVD and PvdA as well as the subsequent budgetary policy of the Rutte II and Rutte III cabinets, which was arguably more austere than that demanded by the EU. As can be observed, during the years of the Rutte II

[2] The term 'Kunduz' originated from an earlier instance when the five parties agreed to a police-training mission to the province of Kunduz in Afghanistan, after the PvdA had walked out of the Balkenende IV government coalition on 23 February 2010.

Table 2 Expenditures and revenues in the budgets of Rutte II (in billion €)

	2013	2014	2015	2016	2017
Main revenues					
Income tax	46.4	45.3	52.4	48.5	56.1
Indirect taxes	58.2	55.8	56.1	58	59.4
Social security contributions	95.6	100.3	91.1	99.4	99.7
Corporate tax	14.9	12.9	14.4	16.1	18.5
New revenues					
Tax on housing rents	–	*1.2*	*1.3*	1.6	1.7
Main expenditures					
Social sec., labour market	*73.4*	*78.6*	*77.6*	78.1	78.5
Health care	*76.6*	*77.8*	*72.9*	74.6	75.4
Education, culture	31.4	32.1	33	34	33.8
Local admin	20.5	20.8	18.4	23.2	23.4
Infrastr., environment	9.8	10.2	9.2	8.1	8
Security	9.8	10.4	10	9.9	10.5

Source: Yearly budgets presented by Dutch governments in September (*Miljoenennota´s*)

cabinet (2012–2017), public expenditure declined at a yearly pace of around 1% of GDP, which in absolute terms corresponds to roughly €7 billion. Inescapably, measures with such consistent expenditure decline entailed severe disruption in the everyday functioning of Dutch economy and society, especially for those most dependent on welfare provision. When weak governments are confronted with the need to pursue such intrusive and unpopular policies, they may recur to social concertation to enhance their public legitimacy (Avdagic et al. 2011). In the next section, we analyse how the Rutte II cabinet revived the corporate tier, while at the same time continuing negotiations with the 'constructive opposition'. The long tenure of the cabinet, as we will show, rested largely on this fragile balance.

The return of social concertation after 2012

The cuts enacted by the Rutte II administration hit Dutch social security and health care hard. In terms of revenue, a new tax on housing rents (*verhuurderheffing*) ensured a yearly extra revenue of €1.3 billion from 2014 onwards. Table 2 reports the main revenues and expenditure items foreseen by the yearly budgets (*Miljoenennota's*). The numbers represent the government's budgetary expectations for the following year, which are presented to parliament every September, on the basis of both economic and demographic developments as well as of its political decisions (and agreements).

The numbers in the table that are highlighted in italics indicate the changes in revenues and expenditures that most substantially helped Dutch public finances to move from a situation of excessive deficits to successive years of fiscal surpluses. The changes include:

(1) The introduction of a new revenue in the form of a levy on housing rents;
(2) Containment of the social security and labour market spending between 2013 and 2015; and
(3) A sharp decrease of health-care expenditures between 2014 and 2015.

These changes in revenues and spending were achieved through what cabinet members recall as ‘hellish negotiations’ (Borgman and van Weezel 2018, p. 28). The negotiations were about how to redistribute budgetary cuts worth €7 billion that were presented as imperative to honour EU-tier fiscal commitments.

The three budgetary changes not only mark the beginning of successive years of fiscal surpluses, but are also the result of a novel decision-making process that would characterize the entire tenure of the Rutte II two-party coalition. The main difference regards a novel temporal two-step negotiation process, wherein first a preliminary agreement with the social partners is sought after, which then is brought to parliament in order to secure the votes needed to have budgetary measures approved. In this new practice, the government no longer appears to be acting as an executive decision-maker but appears rather as a broker across varying societal and parliamentary forces. In the temporal two-step sequence from the corporate to the parliamentary arena, as we shall see below, the government first tries to find solutions with the social partners over amendments they deem necessary to the government’s reform agenda, and then the government seeks support in parliament from the (centrist) opposition parties that are willing to back the government’s reform agenda.

Table 3 provides an overview of three major agreements made in 2013 that were fundamental for the 2014 and 2015 budgets, namely the housing market, the social and the health care agreements. In all three cases, social pacts preceded political agreement in parliament. This intertemporal pattern, most evident for the social and health care pacts, continued in later years with additional agreements, covering many areas such as technology (13 May 2013), education (19 September 2013), and energy transition (6 September 2013). The civil servant coordinator of the talks labelled ‘2013 as the ultimate year of agreements’. In the following paragraphs we describe the three most fiscally intrusive agreements in more detail, by paying special attention to the rationale of government ministers to first ‘share’ the political space with social partners with reform adaptation, and subsequently work towards a broader alliance in Parliament, which more often than not implied another round of recalibration of the original social agreements.

The housing market agreement

The housing market agreement of 13 February 2013 has its origins in the policy advice of the Sociaal-Economische Raad (SER) from April 2010. The SER underscored the undesired regressive consequences of the long-term policy practice—introduced in the 1960s—of tax deduction on mortgage interest payments by homeowners, while urging at the same time for a significant increase in social housing rents to loosen up the rental housing market.

Table 3 Policy-reform under the Rutte II cabinet: between the corporate and the parliamentary tiers

	Start of legislative effect	Budgetary impact	Agreement with social partners	Agreement with parliamentary opposition
Housing market agreement	January 2014	Increased revenues of 1.3€ billion	**Date: April 2010** Previous policy advice from SER	**Date: 15 February 2013** Governing coalition plus D66, CU, SGP
Social agreement	January 2014 (with adaptations in the following years)	Tempering of planned cuts by 600€ million	**Date: 11 April 2013** *Stichting van de Arbeid* (i.e. Employer organizations and trade unions)	**Date: 17–25 April 2013, Autumn 2013** Varying majorities on different motions to the agreement. Final majority: VVD, PvdA, plus support from D66, CU and SGP
Health care agreement	January 2014 (parliamentary agreement of April 2014 brings changes for the next fiscal year)	Reduction in expenditure of more than 4€ billion	**Date: 24 April 2013** Sectoral employer organizations and trade unions (but without FNV); hospitals, insurance companies and patient-organizations	**Date: Autumn 2013; April 2014** D66, CU and SGP support the government when it comes to voting the 2014 budget, and make a new parliamentary agreement on 17 April 2014

Remarkably, the Association for House Owners (Vereniging Eigen Huis) played a leading role in the first agreement, reasoning that in the long run the stability of house prices was more important than the cherished tax rebate for house owners. The two coalition partners, and arguably all previous coalition governments, were split on the future of housing. Tampering with home owner mortgage interest rate reduction was a taboo for the VVD, while a rent hike in social housing would hurt a considerable part of the social democrat constituency. The crisis situation helped the coalition partners to break out of the reform stalemate steeped in political taboos. The reform agreement introduced new conditions for mortgage interest deduction, whereby individuals buying a house can only deduct the mortgage interest from their tax if the mortgage is being repaid within thirty years. The coalition partners also agreed on income-related rent increases for social housing and a new tax for housing corporations.

In essence, the Rutte II cabinet put into practice the SER advice, which had been masterminded in the corporate tier of the Dutch political system. However, turning a reform agreement into legislation confronted the government with a novel complication. When the housing reform was tabled, within two months of taking office, it became clear that the reform would become stranded in the first chamber, where the government lacked a majority. Even though the main contours of the reform were already part of the agreement of May 2012 between the parties of the Kunduz coalition, the CDA and GroenLinks now withdrew their support for the proposed reform in the housing market. Both parties opposed the increased fiscal pressure on housing corporations, as this would result in higher rents in times of need. D66, SGP and CU, instead, appeared to be willing to follow the government's lead, but not without some softening of the proposed measures. In agreement with these three parties, the cabinet curtailed the tax hike on housing corporations by about €0.5 million and reduced the planned rent increases on social housing by roughly two percentage points. The social partners, in turn, successfully negotiated for additional investments in construction.

Before being finally translated into legislation, in December 2013, the housing reform was unexpectedly put in jeopardy once again. On the eve of the budget agreement for 2014, the government was close to falling because one PvdA member of the first chamber, Adri Duivesteijn, threatened to veto the budget because he was particularly concerned about the social consequences of the new tax on housing rents. Duivesteijn eventually decided to support the deal after extensive pressure and discussion with deputy prime-minister Asscher from his own party, and after Stef Blok, the responsible minister from the VVD, ensured that the rate of the tax would be adjusted if circumstances required. The housing market agreement set the pattern for the following, and possibly more intrusive, social pacts, namely reform agreements that originate from the corporate tier and are then further negotiated in Parliament between the government and constructive opposition parties.

The 2013 social accord

Due to the period of high economic uncertainty, the Rutte II cabinet not only faced the political problem of mustering consensus over fiscal retrenchment, but also the economic problem of rising unemployment. This conundrum required a reform of the labour market that would both reduce the social security costs as well as generate employment. The government strongly felt it needed agreement with social partners for unpopular crisis measures, as well as for developing a more long-term strategy for getting jobless people back to work. The social partners, in turn, wished to return to the negotiation table with the government after having been side-lined during the centre-right Rutte I government, especially to improve social relations after the bank bailouts and political crisis at the heart of the previous government. Social partnership re-engagement would eventually be instigated on 13 December 2012 by a parliamentary motion by Mariëtte Hamer (PvdA) (Dutch Second Chamber, Motion nr 33400-XV-38), urging social partners and the new cabinet to work together, after the Rutte I cabinet's failed experiment of going it alone with tacit PVV support. Hamer would later become (on 10 September 2014) the first chairwomen of the SER.

The social accord of 2013—also known as the Mondriaan Pact—was negotiated in 12 top-secret meetings between prime minister Mark Rutte, Social Affairs minister Lodewijk Asscher, the main representatives of Dutch business and labour (Bernhard Wientjes and Ton Heerts), and two pivotal civil servants (Maarten Kamps and Kajsa Ollongren) who translated the agreements into the government budget. The involvement of social partners was a precondition of the PvdA to the VVD: the social democrats agreed to budgetary retrenchment on the condition of social partnership consultation. On their part, in their interviews Ton Heerts and Bernhard Wientjes both declared that they were mainly determined to stabilize the cabinet. The social pact was reached on 11 April 2013, with the cabinet and the main employers and employee organizations as signatories.

With the steep rise in flexible contracts and the number of self-employed peaking to the unprecedented number of one million (Centraal Bureau voor de Statistiek 2017), the government and social partners sought to create a new policy template to temper the effects of what in the agreement was referred to as 'excessive flexibility' (see Wilthagen et al., 2012; Boonstra, 2016; Pentenga, 2019). The pact formed the basis of the Work and Security Act (2015), the Sham Employment Arrangements Act (2015) and the Assessment of Employment Relationships (Deregulation) Act (2016). The pact also resulted in the Participation Act of 2015 whereby key functions of implementation, activation, employment reintegration, and poverty alleviation were decentralized to the municipalities and the responsibility of providing work-to-work assistance to the unemployed was partially devolved from the government to the social partners.

In budgetary terms, the Mondriaan Pact was about measures aimed at reducing future growth in public expenditure. In the letter the government sent to the second chamber after the agreement, it is estimated that the measures agreed in the pact softened the planned €4 billion cuts by roughly €600 million. This tempering was largely the result of keeping the maximum time period during which people could receive unemployment benefits at 24 months, while the government's initial plan was to lower benefit duration from 38 to 12 months. Despite tempering the cuts, the agreement relieved the government from a considerable burden of social expenditure, estimated at about €4 billion. In exchange, the social partners managed to secure a third year 'private' arrangement for unemployment benefits, by increasing employees' unemployment benefit contributions (WW premiums). This side-deal pre-empted an expected structural increase in expenditure of €1.3 billion.

After having signed the agreement with the social partners, the government brought the pact to Parliament, seeking the necessary support for majority backing for the policy package. Ultimately, support again came from the 'constructive' opposition constituted by D66, SGP and CU. This support, however, did not come about easily. The three parties, and especially D66 leader Alexander Pechtold, were concerned whether the social pact would continue to fulfil the cabinet's budgetary obligations. Moreover, on 17 April 2013 Pechtold raised the issue of the democratic legitimacy of granting social partners sway over important issues of labour regulation and social security, which he felt should remain within the remit of the primacy of Parliament (Dutch Second Chamber, Motion Nr 33,566–18). On 25 April, the three parties voted in favour of the Mondriaan package, with the provision that incremental amendments could be made in preparation for the 2014 budget. By hanging on to the budgetary framework set by the Kunduz coalition in 2012, and at the same time securing social partners' consent, the cabinet secured support in both the parliamentary and the corporate tiers of Dutch politics.

The health care agreement

As can be observed from Tables 2 and 3, the largest savings achieved by the Rutte II government regarded health care. The cuts were already foreseen in the coalition agreement. Since the financial crisis, health care expenditures had spiked from around 9% of GDP to almost 11% of GDP (OECD 2019b). Having formerly worked for the employers' organization VNO-NCW as a secretary for health, Minister Schippers (VVD) reasoned that the most effective way to implement savings was in agreement at the sectoral level with the social partners who possess tacit knowledge on effective expenditures and potential savings. The government offered the social partners the possibility of co-deciding how the retrenchments were going to be implemented and distributed in the most reasonable way (Borgman and van Weezel 2018).

Planned reductions in expenditure were largely directed to curative care and savings were anticipated to result from a significant decentralization of home care to municipalities and more cost-effective agreements with health insurance companies. This two-track reform strategy was also expected to entail a substantial reduction in the number of jobs in the health sector, which made the negotiations highly controversial (Maarse and Jeurissen 2016). Despite the cabinet's efforts to include a broad range of actors in the negotiations and the promise that job losses would eventually be compensated with a reservation of €100 million for work-to-work transition, the cabinet did not succeed in finding support from the trade union FNV (Abvakabo), which felt that the cuts fell too heavenly on the shoulders of employees.

On 24 April 2013 the cabinet and the social partners—excluding the FNV Abvakabo, which opposed wage cuts and zero-hour contracts—reached an agreement, confirming the planned savings of €4 billion, but the accord also included various ad hoc agreements about how the cuts were going to be distributed from the national to municipality level. In the evening, the cabinet discussed the health care agreement in the second chamber where it became uncertain whether it would find a majority (*Het* Parool 2013). On the one hand, there were concerns, expressed by the CDA and SP, that the agreement was not accepted by all the relevant social partners. On the other hand, D66 voiced concerns that the concessions made by the government to social partners would produce shortfalls in the budget. In the months following the health agreement, the second chamber voted on several amendments to it. Overall, the agreement remained intact and became an integral part of the budget for 2014, for which the cabinet could eventually rely on constructive opposition support from D66, SGP and CU.

In the following year, the cabinet struck a new parliamentary agreement with the usual suspects of D66, CU and SGP (17 April 2014), wherein the general lines of the previous agreement were followed, but the bar of retrenchments was raised from more than €4 billion to around €6 billion.[3] The new agreement also had approval from the Ministry of Finance and, on presentation of the annual budget in September for the fiscal year 2015, further cuts were confirmed (see also Table 2). These additional cuts provoked some bitterness among the leadership of the FNV, which expressed concerns about the tens of thousands of jobs that it claimed would be lost. For the remainder of the cabinet period, impoverished labour conditions in the health care sector became a political nightmare for the PvdA labour party; it was a political boomerang which resulted in steeply declining results in electoral polls. Nonetheless, despite the fragile equilibrium between reaching agreements with social partners and negotiating compromises with the 'constructive opposition', the cabinet remained in office until the end of the legislature.

Discussion and conclusion

The three pacts discussed in this paper constitute the beginning of a series of negotiations that exemplified the Rutte II tenure. Interestingly, this pattern of corporatist concertation with constructive opposition support continued under the following Rutte III cabinet, which came to power on 26 October 2017, formed by a four-party coalition of VVD, CDA, CU and D66. In June 2019, the Rutte III cabinet concluded the long-awaited pension pact with Dutch social partners, including the main FNV union federation which, after an internal referendum, signed up to the agreement on the premise of special provisions for vulnerable workers. The closure of the pension pact reaffirmed a double compromise between the cabinet and social partners to raise both the statutory retirement age (first pillar of the pension scheme) and to revise the standards of occupational pensions from a system of defined benefits to one of defined contributions (second pillar). The change of pensions system was, however, more moderate than was foreseen respectively in 2010 (rejected pension agreement), April 2012 (agreement between the parties of the so-called Kunduz

[3] Source: Minister Schippers, written answers to questions from Members of the Dutch Second Chamber, 19 June 2014.

coalition), in autumn 2012 (coalition declaration of the Rutte II government), and in the revision of 2015. As the four-party coalition lost its majority in the first chamber after the provincial elections of March 2019, the Rutte III government was compelled to reach out for constructive opposition support from the PvdA and GL in Parliament to enact the long-cherished pension reform agreement. The pattern of developing social pacts and successive parliamentary negotiations with 'constructive' opposition parties seems thus not to be confined to the Rutte II cabinet, but might be an enduring feature of Dutch politics in the current times of political fragmentation. Ironically, the party that worked hardest to enlist societal support from the Dutch trade unions and employers—the PvdA—entirely lost its standing as a force majeure in Dutch politics.

Even though the resurgence of creating social pacts certainly represents an element of continuity with the past in terms of socioeconomic governance, it also features important differences. In terms of continuity, we observe the role of extant bi- and tripartite institutions, the Foundation of Labour and the SER, which helped to foster ongoing dialogue between the government, employer and employee organizations. Even though its function was limited to routinely discussing labour market and pension reform, from April 2010 the SER's policy advice on housing market reform (inadvertently) provided the first impulse towards a new wave of social pacts that facilitated long-awaited and intrusive socioeconomic reforms. The institutional heritage of the polder model of the Dutch miracle years thus facilitated a revival of 'responsive corporatism' (Hemerijck 1992) at a time when both parliamentary and corporate tiers had weakened. The main difference with the traditional polder model, however, is that, unlike the Dutch miracle years of the 1990s, when governing coalitions were large enough to impose their shadow of hierarchy, in the current times of political fragmentation cabinets often cannot rely on a governing coalition with a large enough majority to ensure ample support for intrusive reform. Consequently, a distinctively novel inter-temporal two-round negotiating logic materializes: first, a social pact with civil society actors is settled and, second, the social accord becomes the launching pad for the de facto minority government to solicit parties from the 'constructive opposition' to authorize anticipated reforms. In each of the two-stage joint decision-making process, amendments are agreed on, thereby making the process overall more open to alternative policy-views. In this novel inter-temporal consensus-making logic, reform teamwork with the social partners and constructive opposition parties proves more fragile than in the past. Parties and unions have weakened, resulting also in internal tussles from within coalition parties and the relevant organized interests.

Returning to Rokkan's notion of tiers of democratic governance, another point of difference with the past is how today the European tier co-exists and interacts with the national parliamentary and corporate tiers in political reform dynamics. Complying with the European budgetary threshold was the overarching goal of the Rutte II cabinet. Consequently, negotiations in the parliamentary and corporate tiers were essentially focused on how budgetary cuts were to be distributed, and how to share responsibilities between the government and 'constructive opposition' on the one hand, and employers and employees on the other. In other words, the European budgetary rules—the new third 'tier'—provided a 'shadow of hierarchy' (Scharpf 1997), under which the Dutch government acted as a broker between different actors in the parliamentary and corporate tiers. The European budgetary rules thus compensate for the government's weakness in imposing the shadow of hierarchy that is necessary for sharing political space, both with social partners and with the constructive opposition. Under this framework of governance, the Rutte II government was able to implement a policy agenda that was more austere than that demanded by the EU.

Finally, the experience of the Rutte II cabinet also serves as an example of how consensus democracies quite effectively incorporate the European tier in national democratic governance. Hard economic crises confront governments with the difficult task of processing unpopular and intrusive reforms while trying to maintain public legitimacy (Schäfer and Streeck 2013). While in majoritarian and presidential politics, like Britain and France, crisis management easily polarizes national politics, the consensual model of the Netherlands offers an alternative, wherein the government 'shares political space' with societal stakeholders and builds different (centrist) majorities behind feasible reform proposals (Hemerijck and Van Kersbergen, 2019). Against the backdrop of European constraints and the growing success of populist parties, the consensus and corporate model of democratic governance, based on proportional representation in the parliamentary tier and social partnership in the corporate tier, seems to make reform sequences politically viable and fit for the purpose of adaptive change in hard economic times. At the same time, the electoral difficulties of centrist political parties on the one hand and the membership challenges of social partners on the other, raise questions about the extent to which this pattern of policy-making is viable in the long run.

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Anton Hemerijck is Professor of Political Science and Sociology at the European University Institute in Florence (Italy).

Johannes Karremans is Research Fellow at the Department of Political and Social Sciences of the European University Institute in Florence (Italy).

Marc van der Meer is professor by special appointment on the Labour Market for the Education sector at the Tilburg Law School (Tilburg University)