

# Options for social dialogue

and the importance of trust between employers and employees

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# Inspiration for your own social dialogue

Strong social partners and a good social dialogue can play an important role in the economic and social development process in a country, as evidenced by examples from various countries. A good social dialogue results in fewer strikes, improved protection of employees, greater employee satisfaction, increased employment and higher labour productivity. In many Western democracies, social dialogue has made an important contribution to growth and continued prosperity.

However, it is important that employers, unions and government are constantly aware of their mutual dependency on the further development of society. Employers and unions, particularly in the market sector, can explain to politicians that it is the market sector that generates prosperity and it is the task of politicians to create good conditions for this. The government must be willing to listen to social partners.



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This brochure will give an impression of what falls under the term social dialogue, what the benefits are of constructive discussions between employers and employees and under which conditions these discussions can flourish. We use the Dutch situation to illustrate how such a social dialogue can be shaped, which institutions play a role and what the benefits are.

A social dialogue is by definition specific to a country: it is not possible to transfer it one-on-one to another country with a different history, different institutions and a different culture. This brochure does not aim to dictate to others how they should arrange their social dialogue. On the contrary, it aims to inspire employers' organisations in other countries and to encourage them to explore the options for social dialogue.

## What is social dialogue?

Social dialogue is a broad concept. According to the International Labour Organisation (ILO), it encompasses "all forms of negotiations, consultation or exchange of information between representatives from government, employers and employees about economic and social policy issues with a common interest". This includes both bipartite forms of social dialogue (employers and employees) and tripartite forms (employers, employees and government).

Social dialogue thereby encompasses the broad spectrum of participation at a business level to international social dialogue in the ILO. The "broad" socio-economic dialogue in tripartite structures is mainly a European phenomenon. Nevertheless, there are many African, Latin American and Asian countries with a social and economic council or a similar institute. On a global level, the 'narrow' social dialogue - (bipartite) consultations between employers and employees on a sector or company level - is by far the most common. This brochure especially addresses the bipartite social dialogue between employers and unions at the national or regional level where a broad range of issues may be discussed. Some examples of these issues are included in this brochure. Bipartite consultations may lead to consultations and agreements between social partners and the government.

## The benefits

### **Benefits for employers**

Employers benefit from social dialogue, because countries with a good social dialogue generally have fewer strikes. The business and investment climate is also better than elsewhere. Another benefit for employers is that industrial peace improves their competitive position and productivity. Working together with the unions also results in employers' organisations having more influence in government policy and in politics. If employers and unions agree on a socio-economic topic, then it is hard for politicians to take a very different stance.

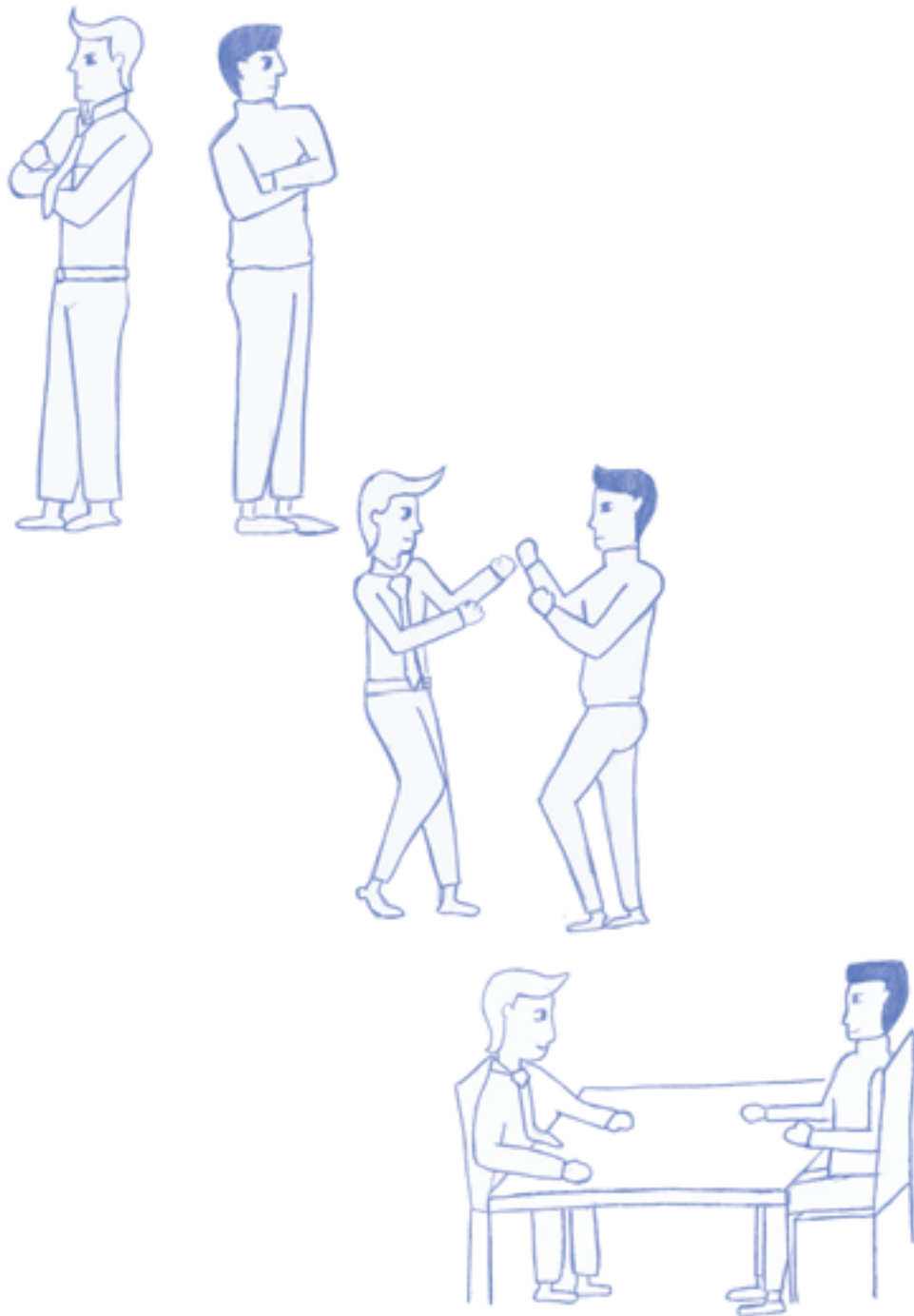
## **Employers and employees benefit from social dialogue**

### **Benefits for employees**

Similarly, unions are also able to exercise greater influence on government and parliament thanks to social dialogue. Structural consultations with employers generally result in lower unemployment figures and a smaller income disparity in society. For individual employees, social dialogue often results in a broader range in the employment package and improved employment conditions.

### **Benefits for the government**

In fully-fledged democracies, the government together with parliament has the final say. Nevertheless, the government leaves certain aspects of employment relationships and employment conditions to the employers and the unions. The benefit for the government is that this results in greater acceptance of the solution that is eventually proposed. This in turn increases the likelihood of the envisaged results actually being achieved.



# Trust and shared responsibility

In countries where the government is open to consultation with the private sector, what are the conditions in which a social dialogue can flourish?

## **Freedom of association**

The basic conditions for a good social dialogue are the universal values of freedom of association and collective negotiations.

## **Strong and independent employers' organisations and unions**

Freedom of association is necessary to be able to meet the second condition for a successful social dialogue: strong employers' and employees' organisations, which are well organized, professionally run and have the required socio-economic expertise. These employers' and employees' organisations must be independent and representative. The social partners must be able to represent a significant proportion of the employers and employees. They should also be able to express this by taking into consideration the public interests and by paying attention to the special interests of outsiders, such as people working in the informal sector.



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## Meeting each other, formally and informally

### **The will and the mandate to reach a joint conclusion**

Essential elements in the social dialogue itself are trust and shared responsibility. The key question is: do the central employers' organisations and the central unions have the will and the mandate to attempt to achieve a joint solution? If not, then confrontation is inevitable, with a lose-lose result. Then it becomes "everyone for themselves" in the lobby, resulting in the government being able to browse through the divided positions. In such cases, the result is often that very few of the proposals made by employers or unions are adopted into policy. The social partners then have very little influence.

### **Commitment**

Another essential question is whether the social partners are willing to commit to joint long-term objectives. Commitment to long-term objectives requires good relationships with the organisation's own members and between unions and employers' organisations. This agreement should not be achieved at any cost. You must always earn and gain the trust of members, both in the employers' organisations and in the unions. After all, consensus is never self-evident. Third parties can play a mediating role here, as is the case in the Netherlands. A shared analysis can be the start of a solution.



### Probing in informal meetings

Social dialogue is never fully developed. It is a process of constantly shifting towards the right balance. Each party - employer, union, government - can contribute to the solution. Informal meetings between the chairmen of the employers' organisations and trade unions at certain times are essential to this process. In the Netherlands, several major social agreements were created following informal meetings of the chairmen of the trade unions and the employers' organisations at someone's home or at a dinner.

During such informal meetings, it is possible to explore how far the other party is willing to go, without him alienating his members. In the end, everyone will come back to the negotiating table at some point: a new collective labour agreement has to be drafted or a new government is sworn in that wants to implement measures that are not favorable for the interests of employers or unions.

### Pragmatism and rationality

Unions with a rational outlook and pragmatic employers' organisations are very important, as they prefer to continue working together, rather than seeking confrontation. For employers in the Netherlands, the criteria to take part in social dialogue is the simple question whether better results can be achieved through dialogue, to improve the competitive position and productivity of the companies. This added value of social dialogue needs to be proven over the years. One has to remember that employers' and employees' organisations often have a longer time horizon than politicians, who are more focused on the issues of today on the road to the next elections.

### There must be something to negotiate about

There must always be a trade-off that is acceptable (to the members); there can be no agreement without trade-offs between the parties. In such cases in the Netherlands, three or four topics are discussed at the negotiating table simultaneously, so that package deals can be made and both parties can win something.





In real terms, this translates into the following conditions:

- The willingness to find something that you have in common and not only focus on that which divides you. Plus the skills to listen very thoroughly to what others have to say about what their needs and concerns are.
- The willingness and the skills to relinquish the initial stance in a fair, open and reliable process and to bend towards a solution. The skills to achieve - through give and take - a final result that is so broadly accepted that it can be justified to the public.
- Not having discussions for the sake of discussions, but having discussions to achieve results for the members. In countries where no social dialogue exists, unions often try to impose their will by seeking confrontations and organizing (political) strikes. This is often detrimental to companies and the economy.

## Observations

Social dialogue is not a model, it is a tradition of consultation that is based on a shared analysis by parties - in turn based on consensus about the most important socio-economic objectives - and trust in each other.

The result of negotiations between unions and employers' organisations is never the perfect picture, but rather the best possible compromise at that particular time. Times change, but agreements often last for decades.

There are always items that employers and unions cannot agree about, even after intense negotiations. That is part of the deal. The fact that a good social dialogue exists, does not mean that there are no opposing interests.

Industrial relations will always remain strained. After all, the government often wants to reform policies. The unions may want to cooperate, but their members will only give them limited room for this. Employers want to implement reforms, but also want to avoid major conflicts with the unions.

## Mutual trust is essential

The Dutch approach, but also - for example - the approach used by Scandinavian countries, is usually linked to the *couleur locale*. Each country has its own history, institutions and culture. The existence of an Economic and Social Council does not automatically mean that a social dialogue exists. In many countries, the government is represented in such councils by government officials, making it difficult for social partners to find their own solutions.

In countries where politicians lean heavily on either the employers' organisations or the unions, it is difficult to achieve a social dialogue. This also applies if one of the social partners relies on government support. A feeling of trust cannot be achieved in such situations. And mutual trust between employers and unions is essential for social dialogue.





Nevertheless, in general, any country can develop a social dialogue with its own typical characteristics. The following themes could be discussed in this social dialogue:

- education and vocational training in particular
- skills development
- employment conditions and safety
- health care
- infrastructure
- dealing with the informal economy
- combating poverty
- assisting the unemployed towards work

In general, the social dialogue in a country will develop in a number of steps. Firstly, the discussion will focus on negotiations about wages and aspects of social security or pensions. If a result is achieved, then other themes can also be discussed. In the end, this can result in national agreements about various socio-economic topics.

## The Dutch social dialogue

The Netherlands has a long history of cooperation rooted in the vulnerability of the country. 25 percent of the country is below sea level and 30 percent is threatened by water from rivers that run through the Netherlands. The only way to survive was to join forces and to consult closely about how to fight the water. For example, by building dykes to remove water from the polders and to keep it out. The Dutch even refer to their socio-economic variant of cooperation as the "polder model". This polder model has been partially adopted by a number of Scandinavian countries and successfully applied there within the context of their society.

The Second World War also provided an impulse to work together in a socio-economic context, when representatives from employers' organisations and unions were constantly having informal contacts. Together they discussed what the Netherlands should look like after liberation and how they should join forces to rebuild the country. The Labour Foundation ("Stichting van de Arbeid - STAR"), the bipartite co-operation body of employers and employees, was founded just two days after the liberation in 1945.

At the end of the 1940s, under the growing threat of Communism in Europe, the Labour Foundation started focusing on promoting of peace and order in social matters, such as wage increases, social legislation and improving the social and cultural position of the working class. Decisions made by the Labour Foundation would be legally binding for affiliated companies and members. For example, it was agreed that the unions would moderate their wage demands in return for more jobs. As the Labour Foundation is a private organisation that aims to achieve an exchange of information between social partners and to express the common positions of employers and employees, the government cannot really ignore these common viewpoints.

The need for a better economic framework resulted in the establishment by law in 1950 of the "Sociaal Economische Raad – SER" (Social and Economic Council). The SER is an advisory body to the government, in which representatives on behalf of employers and employees sit alongside so-called independent Crown Members, each with a one-third share. The Crown Members are individuals held in high regard, usually academics, who are deemed to serve "the public interest". Contrary to similar organisations in other countries, a deliberate decision was made not to include the government in the SER. The reason for this decision was that - in the end - the government needs to make its own deliberations and cannot advise itself. A government representative is often present as an observer during deliberations. The independent Crown Members often act as the lubricant between the interests of the employers and the employees.

## There are few strikes and unemployment is low

Through the Labour Foundation and the SER, employers' organisations have a great deal of influence on the socio-economic government policy. Through consultation with government officials, specialists from employers' and employees' organisations are often closely involved in the shaping of policy for the government.

The increase in prosperity in the 1960s and 1970s resulted in such high wage costs that the Netherlands was pricing itself out of the market and a wave of bankruptcies followed. As a result of these tensions, the normal consultations between employers, unions and the government became strained and almost failed completely. In the early 1980s, a number of repre-



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sentatives from employers and employees took the initiative to save the Netherlands from economic ruin. This resulted in 1982 in the first social agreement within the Labour Foundation. In this so-called "Wassenaar Agreement", the employers and the unions agreed to work together to strengthen the market sector. They agreed to moderate wage increases in exchange for enhanced assimilation of young people into the employment market, in order to tackle the enormous challenge of youth unemployment. As employers and employees joined forces, the government was also willing to accept responsibility by simultaneously reducing taxes and social security contributions on labour, which resulted in a significant impulse for the economy.

The success of the Wassenaar Agreement resulted in 1992 in a new social agreement, the so-called Flex Agreement. The aim of this agreement was to limit the increase in flex contracts - resulting in major uncertainty for employees - in a way that would also be acceptable to employers. A new social agreement was reached in 2013 for socio-economic policy until 2020, which covers aspects including a new dismissal law, the care for people in long-term unemployment and the disabled, training and pensions. Each of these general agreements resulted in legislation in the various areas.

The Dutch social dialogue is built on mutual trust in cooperation and on pragmatism. It is also built on everyone's own responsibility, by combining the interests that they represent with the will to find a solution in the interests of the country. This creates public support for socio-economic changes.

Is there no criticism of social dialogue in the Netherlands? Of course there is. A common complaint is that these agreements are made by a limited group of specialized insiders. Another common complaint is that the unions only represent a small proportion of the employees (approximately 20 percent). Finally, the social dialogue is often characterized as a slow process. Even though there is some truth to this, employers' organisations still value the great added benefits of the polder model. This is because it has proven to be the most effective way for the business community to influence the policies of the government, politicians, officials and the unions. It has been proven that this results in fewer strikes, a high labour productivity and a favorable business and investment climate.

The Netherlands is one of the countries that is internationally recognized for the good relations between employers' organisations and unions. In 1997, the chairmen of the confederation of employers' organisations and the trade union confederation received the prestigious German Carl Bertelsmann prize in recognition of this. The Germans were particularly impressed by the polder model, in which employers and unions openly discuss all sorts of topics relating to the economy and the employment market, according to the jury report.



Thanks to the good relationship between the social partners, there are hardly any strikes in the Netherlands: many conflicts are resolved before a strike is called. The Dutch productivity ranks amongst the highest in the world, most people enjoy going to work, whilst unemployment and income disparity are relatively low.

## Support from the Netherlands

Some countries can request Dutch organisations affiliated to employers' and employees' confederations for assistance in the development of their own social dialogue. In the case of employers' organisations, they can call on the Dutch Employers' Cooperation Programme (DECP). This is an initiative set up by the Dutch Ministry of Foreign Affairs and the umbrella organisations for employers: VNO-NCW and MKB-Nederland. Foreign unions can call on Mondiaal FNV and CNV International, which form part of the relevant trade union confederations. Agriterra can play a role in supporting the social dialogue within the agricultural sector.

### Employers and employees join forces

DECP supports employers' organisations in twenty countries in Asia, Africa, Eastern Europe and Latin America. In some of these countries, such as Vietnam, Indonesia and Peru, the partner organisations are working on setting up a social dialogue and call on the expertise of consultants from DECP in this process. These projects reveal time and again that there is great curiosity about how the Dutch social dialogue functions and what the conditions are under which it flourishes. This was the reason for DECP to create this brochure. DECP has previously published the Vietnamese and Spanish translation of the book *The Art of Negotiation, based on enduring industrial relations*<sup>1</sup> of AWWN, one of the Dutch employers' organisations that supports DECP.

<sup>1</sup> By Dirk Joosse (DECP) and Lars Doyer (AWWN)



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