Why did workers join unions? Union rhetoric often claimed that they did so solely out of a desire to further the collective interests of the working classes. Such a claim dismisses workers who did not join: 'the unorganized commits a breach of duty to his fellow workers and to his class. He is an obstacle to the self-denying efforts to create a better society. ... It is ... necessary to make the proletariat clear that the unorganized worker is a socially disordered person.' Such a point of view may have its rhetorical uses, but it is inadequate in any serious analysis of the development of trade unions. It fails to understand the actions of large parts of the working classes since it portrays the unorganized as irrational. By neglecting the free-rider problem in collective action it also fails to understand union members and union organization. Olson pointed out that a self-interested group member will attempt to enjoy the benefits of a collective arrangement from which he or she cannot be excluded (because exclusion is impossible or not feasible because of high costs) without contributing to the arrangement. Such free-riding hampers collective action, even when this would be beneficial to all. So even if unions are established to further the collective interests of workers, it still does not follow that a rational worker would join; he or she would, for instance, profit just as much from better wages negotiated through the union by not joining. In Olson's words, 'the union member, like the individual taxpayer, has no incentive to sacrifice any more than he is forced to sacrifice'.

Fortunately for collective action, free-rider tendencies can be overcome. The state, for example, may coerce everyone to pay for a collective good, such as unemployment insurance. Furthermore, selective incentives may operate (these being individual rewards dispensed to participating group

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1 The article has benefited greatly from comments by George Boyer, Joost van Genabeek, Jacques van Gezwen, Chris Gordon, Michael Hechter, Ivo Kuypers, Lex Heerma van Voss, Marcel van der Linden, Erik Nijhof, Carine van Oosteren, Arthur van Riel, Peter Schrage, Marlou Schroen, Henk van der Velden, Hanke van Vonderen, Jan-Luiten van Zanden, participants in the Ninth British-Dutch Conference on Labour History, and the anonymous referees of this journal. Pascal Kreijen and Hanke van Vonderen kindly assisted in collecting data.

2 Oudegeest, Verzekering, p. 37.

3 As advocated, for example, by van Tiin, 'Scientific study'.

4 Olson, Logic, pp. 132-48. See also Crouch, Trade unions, pp. 43-74, and Freeman and Medoff, What do unions do?, pp. 61-77.

5 Olson, Logic, p. 91.
members, or punishments given to free-riders). Which selective incentives can explain the rapid rise of unions from the end of the nineteenth century? To answer this question, it will be fruitful to review briefly the literature on unionism.

The debate on the development of trade unions mentions a wide variety of determinants, which may be grouped under the following general headings: macroeconomic circumstances, union characteristics, and the characteristics of unionists, and other factors. Macroeconomic—or 'business cycle'—phenomena often shown to be of relevance are fluctuations in prices and wages and the rate of unemployment. An erosion of their labour-market position might induce workers to seek the protection of a union. Another important macroeconomic feature is the sectoral composition of the labour force. The initial shift away from agriculture into industry and the subsequent shift into services are seen as respectively promoting and hampering union growth. Relevant union characteristics include signs of union strength—in the form of strikes and shop-floor visibility—and cost-benefit considerations—including the extent of union/non-union wage differentials and fringe benefits. The prevailing degree of unionization is also often seen as important due to the existence of a saturation effect. The relevant characteristics of unionists include those of sex—men (in full-time employment) seem to be more inclined to join a union than women (working part-time)—and it is sometimes argued that ethnicity, religion, and level of education play a role too. Other determinants may include political and institutional variables such as the prevailing attitude towards labour—captured, for example, in the parliamentary success of affiliated parties or in laws on collective bargaining or working conditions.

The work of economists, and to a lesser but increasing degree that of other social scientists, on unionism can be interpreted from a rational choice perspective. In its mildest form this perspective stresses that aggregate human behaviour can best be explained by assuming that most individuals behave as if pursuing their perceived interests as best they can, and in so far as they are able. Economists would normally phrase this in terms of maximizing utility and often concentrate on objective interests and tangible goods, while other social scientists stress interests as perceived, emphasize less tangible human concerns such as social status, and look more closely at unintended consequences. From a rational choice perspective workers organized because their interests were best served by doing so, that is the benefits they individually derived from joining outweighed their contribution, and more so than would have been the case in an alternative course of action.

While this perspective allows for clear, parsimonious explanations of

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6 The studies of Ashenfelter and Pencavel, ‘American trade union growth’, and Bain and Elsheikh, Union growth, have been influential. See esp. pp. 2-57 of the latter for a review of the literature. For more recent reviews see, for example, van den Berg, Trade union growth, chs. 2, 6; Western ‘Postwar unionization’; idem, ‘Union decline’.

7 Any standard economic textbook will contain a paragraph on maximizing utility subject to constraints. A fine introduction to relevant sociological work is Boudon, ‘Subjective rationality’.

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the development of unionism, historical studies are often unclear about what were the actual individual benefits that workers in past societies could expect when joining a union, what the monetary or social costs were, and what the opportunity costs were. For present societies a cross-sectional analysis based on detailed survey material allows us to gather the relevant data and test rational choice explanations. For past societies most work has relied on time-series analysis, and this, in practice, has considerably narrowed the set of explanatory factors. Contribution levels and the financial benefits expected from membership are, at best, mentioned in passing but omitted from the equations. The problem of gathering long, unbroken, consistent datasets may be one reason for this. Another reason is that the range of union welfare provisions in the past is much underrated, perhaps due to the fact that a late twentieth-century welfare state perspective has been unwittingly chosen.

Under these circumstances it comes as no surprise that indications of the selective incentives to join a union in the past are at best indirect. It has been argued, for example, that in the United States unionization and the growth of state social services are negatively related, which could mean that workers have substituted state welfare for union disbursement. It is then conceivable that before the rise of the welfare state union welfare provision acted as a selective incentive to join, and contributed to the rapid rise of unions. It has also been noted that after the Second World War union growth in the West was more pronounced in countries where unions continued to disburse unemployment benefits and did not hand over all their activities to the state. Direct indications of the nature and effect of union welfare in the past, especially before the welfare state era, have been few and far between. A time-series study on the degree of unionization among blue collar workers in Denmark between 1912 and 1976 demonstrated that measures of contribution level, and of expected benefits—in the form of continuous replacement rates in the case of unemployment, and dummy variables capturing major changes in benefit entitlements—played a significant part in the prewar period. In addition, a few historical case studies for Britain now exist which provide relevant information, and which will be discussed later. All told, it is clear that both union rhetoric and much of the literature by economists or other social scientists are not very clear on the nature and extent of selective incentives in general, and on those offered by insurance schemes in particular. It may well be that the scope of union welfare before the welfare state era has been seriously underrated and that, as a consequence, the same holds true for its effects on the development of unions. This proposition will be tested against the historical record for Dutch unions.

8 Bain and Elsheikh, Union growth, p. 66, for example, acknowledges that 'some unemployed workers have a financial incentive to try to maintain their union membership. For by doing so, they obtain unemployment benefit, maintain their eligibility for other "friendly benefits" ... receive information about job openings, and acquire access to those which exist in closed trades.'
9 Neuemmann and Rissman, 'Where have union members gone?'.
10 Western 'Postwar unionization'.
11 Pedersen, 'Union growth'.
In the course of this article, several issues will be addressed. After sketching the development of unions in the Netherlands, we shall investigate what types of welfare provision they offered over time and on what conditions. In addition, the importance of union welfare (in terms of numerical strength and replacement rates) is determined for workers in general and unionists in particular. Furthermore, we consider whether unions had a competitive edge over other welfare providers, and if so, why. Subsequently, the issue of the importance of welfare provision by Dutch unions in furthering their growth and, by corollary, the importance of the substitution by state welfare for union decline can be properly addressed. Finally, a comparison is drawn with welfare provision by British unions in order to illustrate some salient features of unionism in general.

I

The origin of Dutch unionism is conventionally dated to 1861, when a group of Amsterdam printers formed a local organization administering friendly benefits and advocating higher wages.\textsuperscript{12} A few years later a national union of printers was founded, and in 1871 a national trade union federation established, loosely associated with the Liberal Party. Soon afterwards, a Protestant federation and a socialist one were established. A Catholic counterpart was slower to develop. By the early decades of the twentieth century a national pattern of "denominational" unions had crystallized that would remain in place until the 1960s. It took the form of a segmentation of unions along the more general lines on which social, political, and cultural life in the Netherlands was organized, a feature often denoted by the term 'pillarization' or \textit{verzuiling}. The largest union was the socialist Nederlands Verbond van Vakverenigingen (N.V.V.) followed by the Protestant Christelijk Nationaal Vakverbond (C.N.V.), the various Catholic unions (which changed their names as time went on), and other, smaller, ones. The N.V.V. was set up in 1906 as a national federation of existing socialist unions. The C.N.V. was set up in 1909 as a national federation of existing Protestant unions.

Higher wages, better working conditions, and a shorter working day were on the agenda of Dutch unions, as was universal suffrage. Unions had several means at their disposal to influence decision making on these points. These included strikes or threats of strikes, collective bargaining—the first national collective agreement was struck in 1914—and pressure channelled through affiliated political parties in parliament, which resulted in legislation to secure an eight-hour working day, combat child labour, and regulate conditions in workplaces. Dutch unions were formally independent of political parties, but in practice they had close ties to the party in their pillar. In due course unions became increasingly drawn

\textsuperscript{12} The development of Dutch unions is covered by Harmsen and Reinalda, \textit{Bevrijiding}, and by Harmsen, Ferry, and van Gelder, \textit{Meten en werk}. Summary descriptions in English are provided by Windmuller, \textit{Labor relations}, ch. 1, and van den Berg, \textit{Trade union growth}, ch. 3.

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into the Dutch corporative economy, taking seats, for example, in the High Council of Labour in 1919. This institution included among its members representatives of unions and employers’ organizations, as well as civil servants.

Table 1. **Number of workers covered by various union welfare schemes, 1921-1960 (’000)**

<table>
<thead>
<tr>
<th>Year (1 Jan.)</th>
<th>1921</th>
<th>1926</th>
<th>1930</th>
<th>1936</th>
<th>1940</th>
<th>1947</th>
<th>1950</th>
<th>1956</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td>582</td>
<td>465</td>
<td>596</td>
<td>763</td>
<td>773</td>
<td>937</td>
<td>1,141</td>
<td>1,237</td>
<td>1,317</td>
</tr>
<tr>
<td>Of whom, women</td>
<td>37</td>
<td>29</td>
<td>39</td>
<td>44</td>
<td>46</td>
<td>33</td>
<td>72</td>
<td>76</td>
<td>108</td>
</tr>
<tr>
<td>Strike</td>
<td>431</td>
<td>338</td>
<td>462</td>
<td>563</td>
<td>618</td>
<td>480</td>
<td>676</td>
<td>708</td>
<td>621</td>
</tr>
<tr>
<td>Unemployment</td>
<td>372</td>
<td>279</td>
<td>372</td>
<td>545</td>
<td>606</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sickness</td>
<td>235</td>
<td>164</td>
<td>214</td>
<td>218</td>
<td>200</td>
<td>44</td>
<td>62</td>
<td>84</td>
<td>108</td>
</tr>
<tr>
<td>Burial</td>
<td>314</td>
<td>210</td>
<td>319</td>
<td>306</td>
<td>359</td>
<td>368</td>
<td>271</td>
<td>474</td>
<td>470</td>
</tr>
<tr>
<td>Childbirth</td>
<td>13</td>
<td>7</td>
<td>10</td>
<td>14</td>
<td>36</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Travel</td>
<td>67</td>
<td>28</td>
<td>48</td>
<td>61</td>
<td>66</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Poverty</td>
<td>97</td>
<td>96</td>
<td>106</td>
<td>189</td>
<td>136</td>
<td>37</td>
<td>313</td>
<td>643</td>
<td>580</td>
</tr>
<tr>
<td>Disability</td>
<td>16</td>
<td>14</td>
<td>32</td>
<td>93</td>
<td>174</td>
<td>55</td>
<td>202</td>
<td>322</td>
<td>291</td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>9</td>
<td>40</td>
<td>60</td>
<td>174</td>
<td>115</td>
<td>10</td>
<td>17</td>
<td>100</td>
<td>40</td>
</tr>
<tr>
<td>Ind. accident</td>
<td>18</td>
<td>57</td>
<td>54</td>
<td>65</td>
<td>84</td>
<td>21</td>
<td>62</td>
<td>427</td>
<td>405</td>
</tr>
<tr>
<td>Old-age pension</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>22</td>
<td>2</td>
<td>77</td>
<td>36</td>
<td>56</td>
<td>174</td>
</tr>
<tr>
<td>Removal</td>
<td>0</td>
<td>9</td>
<td>3</td>
<td>6</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: data files based on C.B.S., *Overzicht.*

Most Dutch unions were not only engaged in collective action but offered their members insurance against loss of income due to strikes, unemployment, sickness, and a host of other misfortunes as well. According to Olson’s theory, such insurance may be of real importance in overcoming the free-rider problem of unionism. In explaining the growth of unionism in the Netherlands it would therefore be useful to analyse the available information on union insurance schemes. Little published information exists, but the Dutch Central Bureau of Statistics (C.B.S.) collected data on the number of insured unionists per local branch and published summaries of these. Each year tens of thousands of codes were noted. For the present research, these codes have been processed for every fifth year in the period 1921-60 (see table 1). Processing these

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13 It is generally held that the C.B.S. data are reliable. Data may, nevertheless, suffer from a mild form of under-registration since unions did not always send the C.B.S. all the data requested, either because of distrust and a penchant for secrecy or simply because they forgot. A further potential source of under-registration is the fact that some unions may have supplied incomplete information to the C.B.S. in the form of data which failed to meet the requirements of the material on which table 1 is based. If so, the aggregated totals in table 1 should differ significantly from the simple totals provided by the C.B.S. To test this, the numbers of union members in table 1 have been compared with totals in Harmsen and Reinalda, *Bevrijding,* pp. 426-9, which are based on simple C.B.S. totals. On average, data in table 1 were 3% lower, which could be due in part to small differences in the date to which the data refer, although both sets of data should in theory relate to 1 January. The difference is greatest in 1921, when it amounts to 11%. In addition, the numbers of unionists insured against unemployment in table 1 have been compared with totals tabulated in the C.B.S., *jaarcijfers,* for the years 1921-40. The data in table 1 are 1% lower than the simple C.B.S. totals. The difference is greatest (7%) in 1921, which could be due to under-registration but also to differences in the date to which the data relate, especially since membership at that time fluctuated markedly. So generally, save perhaps for 1921, the tabulated data do not appear to show evidence of gross under-registration.
data results in the first systematic overview of union insurance in the Netherlands. No other data source reveals a periodic picture of the full range of Dutch union welfare and its evolution over time.

Figure 1. Percentage of insured unionists, 1921-1960

Source: tab 1.

The number of insured union members as a percentage of the total number of union members is shown in figure 1 (which is based on the fuller information in table 1). The data cover union schemes for strikes, sickness, unemployment, industrial accidents, disability, and burial costs. With the exception of disability benefits, all schemes displayed in figure 1 covered one-third or more of all union members during at least one year. Insurance against loss of income resulting from strikes was the most common, covering some three-quarters of union membership before the Second World War and about half thereafter. The decline reflects a decrease in strike activity, as labour conflicts were increasingly settled by formal negotiation rather than industrial action. The second most significant scheme in terms of numerical strength was insurance against burial costs. This had been a favourite form of insurance among workers since the days of the mutual benefit societies.\(^\text{14}\) As far as unemployment is concerned, by far the majority of trade unionists contributed to such insurance schemes during the prewar period. During the war these

\(^{14}\) J. van Genabeek, 'Self-help in the Netherlands during the 19th century: the development of mutual insurance for the casualties of sickness, unemployment, old age and mortality', paper presented to the Ninth British-Dutch Conference on Labour History, Bergen (North-Holland), Sept. 1994; van Gerwen and Lucassen, 'Mutual societies'.

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schemes collapsed and were eventually replaced by a system of compulsory state insurance in 1952. The war years also saw the breakdown of schemes to insure against the costs of sickness, industrial accidents, and disability. Sickness insurance schemes declined steadily during the prewar period and were subsequently unimportant. However, the reverse was true in the case of industrial accident insurance and disability insurance; in both cases the number of unionists covered by such schemes peaked after the war. Figure 1 thus demonstrates that a large proportion of union members were covered in one way or another by union schemes, especially before the introduction of state welfare legislation.

![Graph showing percentage of labour force insured, 1921-1960](image)

**Figure 2. Percentage of labour force insured, 1921-1960**


Figure 2 expresses the number of insured unionists as a percentage of the dependent labour force (i.e. excluding the self-employed but including the unemployed). The difference between figures 1 and 2 is immediately apparent. For the dependent labour force none of the union welfare arrangements was of prime importance. Union insurance schemes to cover the costs of strikes, unemployment, burial, and industrial accident never attracted more than a quarter of the dependent labour force during the entire period 1921-60. Recalling the high coverage in figure 1, it is clear that the low coverage indicated in figure 2 is a consequence of the low level of unionization among the Dutch working population.

15 Several definitions of the labour force may be employed. Comparative trade union research often makes use of the data published by Visser, *Trade unions*. These data have been used here as well. While figure 2 presents the ensuing percentages of insured unionists in the labour force thus defined, the underlying data in table 1 will allow a reader to construct figures based on another definition of the labour force.
Although unions did not significantly improve the welfare conditions of the labour force as a whole—as opposed to those of their members—it is quite possible that union welfare schemes were of great importance for certain segments of the labour force. If, for example, figure 2 were to be reworked to refer only to men, levels of coverage would rise. Likewise, if the exclusion were extended to government employees (whose risk of unemployment, for example, was as limited as their desire to be insured) levels would rise to an even greater extent. In relation to this, it should be remembered that union insurance was not the only source of welfare. Collective agreements, social security laws, poor relief, company schemes, and mutual benefit societies all provided welfare. Which sections of the population the various forms of welfare covered collectively cannot be determined at present, and the possibility remains that the proportion in question was significant.

The attraction of union insurance schemes was, nevertheless, important to unionists—at least in terms of coverage. A large majority of unionists sought to obtain protection against destitution by taking advantage of such welfare provisions. Why were these schemes so attractive? Table 2 tries to answer this question for socialist unions in 1910-20, while table 3 does the same for Protestant unions in 1920-34. For each of the 48 socialist and each of the 39 Protestant unions, information was collected on levels of contribution, benefits, and eligibility for four types of insurance—sickness, unemployment, strikes, and burial costs. This labour-intensive method of collecting data was necessary because of the absence of a single source relating to all unions. The tables have one virtue and several drawbacks. Their one virtue is to permit a general overview, otherwise unavailable. A significant weakness is that Catholic unions are not covered and the data for socialist and Protestant unions do not cover the period after 1934. Furthermore, the unweighted averages presented are stylized. Special conditions either extending or limiting insurance rights for certain subgroups could only occasionally be taken into account. In addition, only fixed-level benefits could be included, thereby leaving out a small number of unions whose allowances were a fixed percentage of wages. Further, when a union reported several categories of insurance conditions, mostly dependent on contribution levels, the middle category has been taken to be the average. Ideally, an average weighted according to the number of insured per category would have been calculated, but no such data are available.16

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16 A limited cross-validation is possible by comparing data on socialist unemployment schemes in 1915 with those for all unions as reported by the Staatscommissie, Werkloosheid, vol. 9, pp. 1147-245. The average eligibility requirement was 55 days (table 2) compared with 53 days (national survey), the average period of coverage 55 weeks and 57 weeks respectively, and the average weekly allowance 5 and 6 guilders respectively. A further cross-validation is possible by comparing the average level of unemployment benefit offered by socialist and Protestant unions, given in tables 2 and 3, with a published national series. This series relates to all unionists and was estimated using sources and methods other than those used here. It gives only one average as opposed to one for married and one for unmarried union members; and it does not relate to agricultural workers, whose allowances were lower on average than those of non-agricultural workers. The national series suggests levels of unemployment benefit averaged 5 guilders (1915), 14 (1920), 12 (1925), 13 (1930), and 13 (1934). See Schrage, Nijhof, and Wielmsa, 'Inkomensontwikkeling', p. 393. These figures corre-
Table 2. **Insurance conditions, socialist unions, 1910-1920**

<table>
<thead>
<tr>
<th>Insurance</th>
<th>1910</th>
<th>1915</th>
<th>1920</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sickness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waiting period</td>
<td>—</td>
<td>6*</td>
<td>2*</td>
</tr>
<tr>
<td>Eligibility</td>
<td>32</td>
<td>37</td>
<td>38</td>
</tr>
<tr>
<td>Contribution</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Allowance</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>38</td>
<td>43</td>
<td>33</td>
</tr>
<tr>
<td>Entitlement</td>
<td>69</td>
<td>74</td>
<td>59</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waiting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Eligibility</td>
<td>52*</td>
<td>55*</td>
<td>34</td>
</tr>
<tr>
<td>Contribution</td>
<td>7</td>
<td>—</td>
<td>22</td>
</tr>
<tr>
<td>Allow. unmarried</td>
<td>5*</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Allow. married</td>
<td>5*</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>47</td>
<td>43</td>
<td>59</td>
</tr>
<tr>
<td>Entitlement</td>
<td>52*</td>
<td>54</td>
<td>65*</td>
</tr>
<tr>
<td><strong>Strike</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility</td>
<td>21</td>
<td>27</td>
<td>16*</td>
</tr>
<tr>
<td>Allow. unmarried</td>
<td>6</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Allow. married</td>
<td>6</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Child allowance</td>
<td>0.5</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>66</td>
<td>61</td>
<td>66</td>
</tr>
<tr>
<td><strong>Burial</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility</td>
<td>64</td>
<td>69</td>
<td>79</td>
</tr>
<tr>
<td>Allow. 1 yr.</td>
<td>43</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Maximum allow.</td>
<td>94</td>
<td>89</td>
<td>95</td>
</tr>
<tr>
<td>Max. all. time</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

*Note: a Data for between 5 and 9 union branches; data for fewer than 5 union branches are not tabulated.


**Key:**
- Allowance: Average weekly amount, in guilders
- Allow. 1 yr.: *Idem* after one year’s contributions
- Allow. married: *Idem* for married persons
- Allow. unmarried: Average weekly amount for single persons (not living at home), in guilders
- Child allowance: *Idem* per child
- Contribution: Average weekly amount, in cents
- Eligibility: Average number of contribution weeks before an allowance can be claimed
- Entitlement: Average number of days after one year’s contributions
- Maximum allow.: Average maximum allowance, in guilders
- Max. all. time: Average number of years before the maximum allowance is reached, from the end of the eligibility requirement onwards
- Replacement rate: Allowance of a married worker as a percentage of average wages; in the case of strike pay the worker is assumed to have two children.
- Waiting period: Average number of days at own risk

To what extent could benefits help prevent a structural break in the standard of living of workers who were sick, unemployed, or on strike? To answer this question data on nominal wages are needed, and two sets are available. The first covers average weekly wages. In tables 2 and 3, the data spond well with data in tables 2 and 3: all show the same pattern of change and their respective levels are similar. The sources for tables 2 and 3 do not give information on years after 1934. If such data exist at all, they would have to be assembled from the archives of each individual socialist and Protestant union, an undertaking which would not have been possible in the context of this article.
Table 3. **Insurance conditions, Protestant unions, 1920-1934**

<table>
<thead>
<tr>
<th></th>
<th>1920</th>
<th>1925</th>
<th>1930</th>
<th>1934</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sickness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waiting period</td>
<td>2*</td>
<td>2</td>
<td>2*</td>
<td>1*</td>
</tr>
<tr>
<td>Eligibility</td>
<td>27</td>
<td>32</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Contribution</td>
<td>14*</td>
<td>14*</td>
<td>11*</td>
<td>8*</td>
</tr>
<tr>
<td>Allowance</td>
<td>8*</td>
<td>8*</td>
<td>6*</td>
<td>7*</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>30</td>
<td>33</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>Entitlement</td>
<td>133</td>
<td>125</td>
<td>94*</td>
<td>84*</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waiting period</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Eligibility</td>
<td>31</td>
<td>32</td>
<td>32</td>
<td>47</td>
</tr>
<tr>
<td>Contribution</td>
<td>15</td>
<td>21</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Allow. unmarried</td>
<td>15</td>
<td>11</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Allow. married</td>
<td>15</td>
<td>16</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>55</td>
<td>65</td>
<td>61</td>
<td>77</td>
</tr>
<tr>
<td>Entitlement</td>
<td>81</td>
<td>54</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td><strong>Strike</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allow. unmarried</td>
<td>11*</td>
<td>9*</td>
<td>11*</td>
<td>11*</td>
</tr>
<tr>
<td>Allow. married</td>
<td>11*</td>
<td>11*</td>
<td>12*</td>
<td>11*</td>
</tr>
<tr>
<td>Child allowance</td>
<td>0.7</td>
<td>0.9*</td>
<td>0.8*</td>
<td>0.8*</td>
</tr>
<tr>
<td>Replacement rate</td>
<td>44</td>
<td>53</td>
<td>53</td>
<td>59</td>
</tr>
<tr>
<td><strong>Burial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility</td>
<td>54*</td>
<td>44*</td>
<td>59*</td>
<td>63*</td>
</tr>
<tr>
<td>Allow. 1 yr.</td>
<td>81*</td>
<td>56*</td>
<td>57*</td>
<td>69*</td>
</tr>
<tr>
<td>Maximum allow.</td>
<td>143*</td>
<td>107*</td>
<td>120*</td>
<td>111*</td>
</tr>
<tr>
<td>Max. all. time</td>
<td>5*</td>
<td>3*</td>
<td>5*</td>
<td>4*</td>
</tr>
</tbody>
</table>

*Note: a Data for between 5 and 9 union branches; data for fewer than 5 union branches are not tabulated.

Key: See tab. 2.

Source: data files based on CNV, Verslag.

3 union benefits have been expressed as percentages of these wages. Replacement rates in the event of sickness hovered around one-third of male wages, whereas unemployment and strike benefits varied between roughly half and two-thirds of male wages. Obviously, many working-class families did not depend solely on men's wages. The second type of data consists of household accounts for a small number of working-class families and covers a variety of income sources. They allow us to estimate family income during periods of sickness, unemployment, or strikes, as opposed to before or after such a disaster. If a married unionist fell ill, family income dropped to approximately 40 per cent of pre-sickness levels, both in 1910 and in 1920. If he was out of work, family income fell to just under half in 1910 and to around 60 per cent in 1920. Strike benefits were related to the number of children in a family. For a family with two children, income during a strike fell to

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17 Van der Veen and van Zanden, 'Real-wage trends', p. 223.

18 In 1910-1 the average weekly income was 17 guilders, 14 of which were earned by men. In 1918 the average weekly income was 26 guilders, 21 of which were male earned. No such data are available for 1920, but an estimate can be obtained by using the figures for 1918 and inflating them according to an index of nominal wages: van der Veen and van Zanden, 'Real-wage trends', p. 228. The result suggests average weekly incomes in 1920 of 31 guilders, 21 of which were male earned.
slightly less than 60 per cent in 1910 and slightly more than this in 1920. During the first decades of the twentieth century trade union insurance was far from sufficient to prevent a substantial fall in income due to sickness, loss of work, or labour conflicts, but it did prevent the income of families from being halved.

But under what conditions? Tables 2 and 3 contain information on conditions regulating admission and on rules for claiming benefits. All four types of insurance covered by the tables contained measures to counter the problem of adverse selection. When an insurer finds it impossible or too costly to distinguish ‘good’ from ‘bad’ risks, the latter may profit from insuring themselves, paying standard contributions with above-standard returns. As a consequence good risks find it increasingly worthwhile to leave, or not to join, in order to avoid subsidizing bad risks. Without proper measures, adverse selection might thus preclude an insurance scheme being set up, even though there are providers interested in offering it to good risks and good risks able and willing to pay for it.19 Solutions for adverse selection include compulsory insurance for all risks, good or bad, better screening techniques before a risk is accepted, a differentiation in contribution level according to risk category, or stipulations that the insurer will not indemnify if wilfully misled. As tables 2 and 3 show, Dutch unions combated adverse selection by requiring members to pay contributions for a period of between six months and one and a half years before being eligible for benefits. This eligibility requirement was longest in the case of burial schemes, probably to prevent terminally ill workers joining a union so that their family could receive the relatively high widows’ and children’s benefits. For the same reason, maximum burial benefits were restricted to those who had paid contributions for many years. Some unions made insurance compulsory for all members as a way of countering adverse selection.

All four types of insurance also contained measures to combat moral hazards, defined as behaviour that increases the occurrence of the risk for which one is insured. For example, in the absence of unemployment benefit, unemployed workers will be forced to look harder for new work and be less particular in accepting another job. This situation differs from search-induced unemployment: it may take time to find another job, however much one would like to find one. Furthermore, moral hazard is not the same as fraud: ‘the boundary between can’t work and won’t work is necessarily indistinct, and arguably a legitimate reason for insuring is to obtain a degree of discretion ... to quit a job when conditions have become intolerable, and to find the best available new job rather than have to accept the first one that comes along’.20 Moral hazard, however pardonable, does increase expenditure, and thus raise contribution levels. For some welfare arrangements moral hazard is less problematic than for others. Only the truly desperate would cut off an arm in order to receive a disability benefit. In the case of unemployment,

19 Akerlof, ‘Market’.
20 Southall, ‘Neither state nor market’, p. 77.
however, the problem is relatively serious. Solving for moral hazard may take the form of good monitoring techniques or co-insurance (where the insurer indemnifies only in part, and the client bears the remaining burden). The waiting period is an example of co-insurance. It refers to the length of time before which, for instance, sickness or unemployment benefits can be claimed. It shifts part of the loss of income resulting from ill health or lack of work on to the insured in order to reduce the risk of imaginary ailments or unacceptably high demands being made when deciding whether to accept a new position.

As moral hazard is likely to be a more pressing problem in the case of unemployment than sickness, it stands to reason that the average waiting period was longer (two to three times) in the case of unemployment, as tables 2 and 3 demonstrate. Moral hazard was also countered by limiting benefit entitlements to an average of two to three months. The averages presented do not, of course, show the variations between individual unions. Non-tabulated data reveal that diamond workers’ unions were at one extreme. They exemplified the relatively generous approach to trade union insurance, with high levels both of contributions and benefits but with a long eligibility requirement to curb the relatively serious adverse selection such high allowances entailed. Other unions followed the alternative policy of low levels of contributions and benefits.

II

Union insurance and the issues of moral hazard and adverse selection have so far been discussed in general terms. It will be instructive to consider these issues in more depth for the specific cases of sickness and unemployment insurance. These two forms of insurance are important, and better documented than others. A fuller discussion of union welfare in these two areas will also help to identify why, in comparison with other parties in the insurance market, unions were well placed—in the case of unemployment even uniquely well placed—to offer such welfare provisions.

As noted earlier, unions insured a high proportion of their members against loss of income due to sickness—roughly one-third in the 1920s. From 1930 onwards the proportions covered decreased—slowly at first, but very rapidly during the Second World War. In 1930 parliament passed the Sickness Benefits Act, providing compulsory insurance for many workers. Workers employed by a company (thus excluding servants and casual labourers, for example) and earning 3,000 guilders or less per annum were insured for a period of six months; benefits amounted to 80 per cent of wages. For unionists covered by the act this was an improvement since in the first few decades of the century union benefits amounted to 20 to 40 per cent of wages and were limited to between two months and four and a half months, as shown above.

Unions were not the only institutions to insure workers before the coming of the welfare state. Factory schemes, mutual benefit societies, commercial and poor relief schemes also operated. A government report
Table 4. Characteristics of sickness insurance, 1911

<table>
<thead>
<tr>
<th></th>
<th>Factory</th>
<th>Various employer schemes</th>
<th>Union</th>
<th>Mutual benefit societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance</td>
<td>4</td>
<td>3</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Entitlement</td>
<td>&gt; 13</td>
<td>&gt; 13</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Waiting period</td>
<td>—</td>
<td>—</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>N</td>
<td>92,377</td>
<td>14,316</td>
<td>43,868</td>
<td>265,302</td>
</tr>
<tr>
<td>(%)</td>
<td>(22)</td>
<td>(4)</td>
<td>(10)</td>
<td>(64)</td>
</tr>
</tbody>
</table>

Source: Directie van den Arbeid, Onderzoek.

Key:
- Allowance: Modal weekly allowance, in guilders
- Entitlement: Modal entitlement in weeks
- Waiting period: Average number of days at own risk
- N: Number of insured workers

Surveying such schemes was published in 1912. Some of its findings are summarized in Table 4. At this early date union-run sickness insurance schemes were of little importance compared with those operated by factories and mutual benefit societies. The table substantiates the claim that unions were in a good position to counter problems of moral hazard. If so, one would expect union benefits to be relatively high and the waiting period relatively short, and this is indeed borne out by the data. Whether this claim is also borne out by the material relating to unemployment benefits will be discussed next.

III

Before taking requests for an unemployment benefit into consideration, unions often required applicants to register at the labour exchange. After a request had been honoured, there was a further delay until the waiting period had expired. While in receipt of union benefits, workers had to sign on at the union office daily, at a variable hour specified to them at short notice. As it was relatively easy for workers with irregular employment (as opposed to unemployment), such as casual labourers, pedlars, and waiters, to sign on once a day, they had to do so twice. Government officials also tried to control fraud. In villages constables were often responsible for monitoring benefit recipients, while in larger cities full-time officials monitored those in receipt of unemployment benefit, whether they were union members or not. Some officials checked the paperwork, while others roamed the streets and made enquiries, helped by tip-offs from fellow workers, neighbours, and relatives. Since officials could turn up without notice, day or night, enter an applicant's house, search it and its occupants, tarnish one's reputation in a neighbourhood, terminate the allowance if the recipient was suspected of 'improper' activities (such as going to the cinema, being a member of a communist organization, or having a son who was homosexual), and even institute court proceedings,

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21 Benefits could sometimes be combined: Schwitters, Risico's, p. 240. On mutual benefit schemes covering medication see Japenga and van der Velden, 'Geneeskundige'.

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some officials were feared and hated. Others were just civil servants making a living and prepared to overlook minor irregularities.  

Unions were sometimes said to be too lax in enforcing the regulations relating to signing on, letting workers know too far in advance when they had to do so. Another alleged flaw was that the applicant sometimes had to sign on at the home of a union official while that official was at work. It was said that in such cases the official’s family sometimes connived to permit the applicant to sign the list unobserved, making it easy for him to sign for others too. The regulations stipulated that the union official had to check the list at the end of the day and that the spaces against the names of those who had not signed were to be crossed through, ensuring they did not receive an allowance. If this did not happen, as was sometimes rumoured, it gave applicants an opportunity to come the next day and sign for the previous day too.

Most authors claim that such abuse was decidedly not the rule, however. Because of their familiarity both with the workers in question and with the local labour market, the unions, it is said, were well placed to mitigate moral hazard:

The union brings together a number of workers, who are in regular contact with each other on numerous issues. Its members often know one another personally, see each other at meetings, the workplace and factory, and share multifarious interests, of which mutual insurance against unemployment is only one. It is thus safe to assume the union does not lack means of control, and thus it is only a question of whether one is willing to entrust the union with the task of control. Too often examples of fraud and lax control have been expatiated upon with a certain fondness by those who do not look upon the union with undivided sympathy, and without establishing conclusively that one is talking about a widespread phenomenon.

The government committee on unemployment of 1914 was of the same opinion: ‘The particular familiarity of officials and union members with, on the one hand, the work and the employers, and, on the other, with the ways and habits of each member, his virtues and shortcomings, and the special situation he may be in, ensure that fraud ... can [only] occur with exceeding difficulty. The interests of the organization ... forcefully counteract any abuse.’ The committee also claimed that commercial insurance companies were disadvantaged for that reason. In order to rival a union in controlling moral hazard, ‘such a large army of

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24 Goedhart, Ontwikkeling, p. 62; see also Recter, Armen, p. 113.

25 Staatscommissie, Werkloosheid, vol. 9, p. 867. The quotation is from the minority report, but the majority thought likewise: see pp. 806–16. Note that fraud control is a collective good and subject to a second-order free-rider problem. Why is it worthwhile for a unionist to pursue control? Perhaps the key to solving this problem is that exposing a fraudulent co-member would be looked upon with approval by other members. In any case, the problem may have been minor because of the generally small size of the local branches of union unemployment schemes and the high level of knowledge already acquired.

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agents would be required that profit would be out of the question'. When examining unemployment insurance schemes abroad, the commission discovered that the few French and German commercial companies trying to offer unemployment insurance had been unsuccessful precisely for this reason.26

Unlike commercial insurers, unions could also reduce the level or duration of benefits or increase the eligibility requirement, if in severe financial difficulty and if authorized to do so by their members.27 To the degree that membership of an unemployment fund was obligatory for union members, a union also suffered less from adverse selection than commercial insurance companies or mutual benefit societies did.

If we reflect on how unions could exert such stringent control over their members, two issues seem especially relevant: dependency and visibility.28 Workers were dependent on unions for protection during strikes and other disasters. Although various unions co-existed, it may not have been easy for a worker to switch. Dutch society was fragmented into socialist, Protestant, and Catholic 'pillars' and unions followed this pattern of fragmentation. Switching from one union to another would usually entail changing pillars, and, if not a moral problem, it could give rise to serious social problems.29 Next to dependence, visibility was of importance. Within each union, control was exercised by relatively small local branches. A local union branch was a closely knit network of friends and colleagues in which one's behaviour was clearly visible and could be judged repeatedly. Preserving one's reputation was important, and the social consequences of a bad reputation were damaging.

The singular capacity of unions to combat adverse selection and moral hazard, and thereby to lower expenditure, was indeed an important reason why municipalities and the central government entrusted the administration of state-subsidized unemployment insurance to unions, as was the belief that union administration diminished the need for government administration, thus reducing costs further.30 Beginning in 1906 some municipalities subsidized union unemployment schemes, and the state did the same from 1914 (under the Emergency Regulation of that year and under the 1917 Unemployment Benefits Decree). From 1914 to 1919 assistance was also provided by a state-subsidized nationwide private charity, by the state directly (1919-25), by various municipalities (1925-31), and from 1931 by the state once again, though the provision

26 Staatscommissie, Werkloosheid, vol. 9, pp. 731, 757-8. The foreign insurers were La mutuelle Parisienne, La mutuelle du foyer, Die Norddeutsche Versicherung- und Rentenbank in Hamburg, and Der Zentral Verein für Versicherung gegen Unverschuldetes Arbeitslosigkeit in Stuttgart. See also Goedhart, Ontwikkeling, p. 16, and Morren, Werkloosheidsverzekering, p. 3.
29 This was not invariably the case, as is illustrated by the example to be discussed later which relates to workers in the city of Maastricht choosing between a Catholic and a socialist union according to the level of union benefits.
30 It also saved money since workers partly financed their own unemployment benefits. During the 1920s, for example, the town of Vlaardingen put pressure on casual labourers to join a union and take out unemployment insurance, thereby hoping to save on poor relief: Soeteman, 150 jaar, p. 137.
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of assistance was interrupted by the war. Benefits were also granted to non-union members and to unionists whose right to union benefits had expired.\textsuperscript{31} Benefits were normally higher than poor relief, and the unemployed could not claim both at the same time. The schemes were not nationwide in their coverage, and they excluded certain categories of the unemployed.\textsuperscript{32}

The government aided the unions in combating adverse selection and moral hazard. In return for government subsidies, unions had to accept state influence with regard to general regulations as well as specific cases. As a rule, the Ministry of Labour accorded subsidies only to those union schemes that covered all unionists, in order to avoid paying enormous sums to cover just the bad risks.\textsuperscript{33} The ministry also streamlined union regulations, reducing the enormous local variation. Furthermore, it issued many rulings that served to distinguish between voluntary and involuntary unemployment, as is illustrated by the following examples. A discharged sailor who did not sign on anew was considered voluntarily unemployed. The same applied to a woman who worked in the cigar-making trade and married, knowing that under the conditions of employment that prevailed in the trade she would be sacked as a result. A worker who, after being dismissed, worked in a public house run by himself and his wife was deemed voluntarily unemployed as well. A worker who used to earn 33 cents an hour but refused to sweep snow for 30 cents an hour was similarly ineligible for support. Someone who was offered work 7 to 10 kilometres from home but who could not ride a bicycle—and who thus had to walk three to four hours to work daily—could not refuse without the loss of unemployment benefit. Such very precise rulings indeed reduced moral hazard.\textsuperscript{34}

State subsidies were also directed towards unions in recognition of the fact that, because of the problem of correlated risks, unemployment was a very difficult risk to cover. In an ideal insurance world the chances of two or more insured being exposed to the risk for which they are insured are independent. This is not the case with unemployment. An entire industrial sector can be short of work; a large proportion of all workers in this sector would then be unemployed and, if insured, entitled to unemployment benefit. Union unemployment schemes were vulnerable for another reason too. In the first few decades of the twentieth century most union schemes were of recent origin, and, even if they had levied insurance premiums sufficient to pay unemployment benefit in the long term, an unemployment crisis could still lead to bankruptcy since the unions had had insufficient time to accumulate sufficient funds

\textsuperscript{31} Unionists continued to be in a better position, enjoying higher benefits and receiving these at the union office, which was considered more ‘dignified’. Furthermore, unions continued to offer their members non-monetary rewards, such as classes and summer camps, particularly for women and children.

\textsuperscript{32} General histories can be found in Staatscommissie, Werkoosheid, vol. 9, pp. 749-806; Goedhart, Ontwikkeling; Berger, Armenzorg; Morren, Werkoosheidverzekering; de Rooij, Werkoosenzorg; Schrage and Niijhof, ‘Lange sisser’.

\textsuperscript{33} Morren, Werkoosheidverzekering, p. 77.

\textsuperscript{34} Ibid., pp. 96-7, 134-5.

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(unfortunately no study of the actuarial situation of Dutch unions exists). The prospect of masses of impoverished and discontented workers attracted neither municipalities nor central government since they feared public order might be threatened. They also feared they would end up paying the cost of poor relief.

Long before the 1949 Unemployment Insurance Act, local insurance policies for union members had gradually evolved into nationwide policies covering many more employed workers and with the state exercising a considerable influence.\(^{35}\) Progress on the road to state intervention was facilitated by the fact that antagonisms between unions and authorities decreased over the years as a by-product of joint efforts to mitigate the suffering caused by unemployment. As one scholar put it: ‘Union officials, deliberating year in, year out, with public institutions on unemployment insurance, still found them to be ... demanding opponents, but the traditional rhetoric of the “state oppresses, the law is a sham” could not prosper permanently in this atmosphere. ... Over the years the class struggle inevitably became something for Sundays and public holidays, weekdays were spent administering the funds.’\(^{36}\)

IV

An early historian of the labour movement claimed that union insurance functioned as a selective incentive attracting workers. In 1894 he wrote that the printers’ union ‘saw the desirability to attach certain advantages to membership in order to attract members. As an experiment, a mutual sickness fund and a mutual unemployment fund were to be founded’\(^ {37}\). In 1938, to give another example, socialist and Catholic trade unions in the city of Maastricht competed for members, using unemployment insurance schemes to recruit them. A socialist union official bitterly complained that the Catholic union offered better terms of entry to workers. It allowed men who were already unemployed to join, and, after six months paying dues, to collect union unemployment benefits; the socialist union would register only employed workers. In addition, the promise of relief from an affiliated Catholic charity lured scores of workers to join the Catholic union.\(^ {38}\) A final example comes from a survey conducted in 1956-8 among new members of a socialist engineering union in the city of Utrecht. Some workers described their motives for joining in terms of selective incentives: ‘I joined as a form of insurance in the event of trouble. In my previous job the boss was much tougher towards non-union members. There it was safer to be a member’; ‘It’s

\(^{35}\) One shrewd observer noted this process as early as 1926: ‘The trade union had adapted the organization of insurance to meet the requirements of the Emergency Regulation. ... And so in this Emergency Regulation lay a consequence of the utmost importance: it had to be the starting point of a road ... leading in the direction of uniformity and the centralization of unemployment insurance.’ See Goedhart, \textit{Ontwikkeling}, p. 90.


foolish not to be a union member. Just as there are [foolish] people who are not members of a sickness insurance scheme and have no fire insurance. We just saw someone's house burned down, and he was not insured’.

The relative weight of individual gains, including insurance, versus collective gains as a motive for joining a union is difficult to gauge. However, two quantitative studies suggest that the insurance motive may have been a major one, although certainly not the only one. One study investigated the extent to which the change in the number of unionists during the depression of 1929-35 could be attributed to differences in the risk of unemployment between the private sector (with a high risk) and the public sector (with a low risk), and the degree to which union members received higher unemployment benefits than unorganized workers. The data do not allow us to quantify the level of expected benefits in each of the cases. They do, however, suggest a rough and ready ranking of the benefits. These were presumably relatively high when the risk of unemployment was high—as it was in the private sector—and union members received much higher unemployment benefits than non-unionists. Benefits were relatively low in the reverse case with low unemployment rates and less liberal differential treatment, and they were neither high nor low in the other cases. The data show that during the depression Dutch workers were more inclined to join a union, or remain a member, if the expected value of individual benefits was relatively high. In the reverse case, workers were less likely to stay or become unionists.

Furthermore, in the 1956-8 survey more than one-third of new union members said they joined the union for support in the event of individual problems; more than one-third stated that they had been influenced in joining by family, friends, and colleagues; while less than one-third said they joined for the good of workers or society in general. This survey also allows us to investigate why workers left their union, by comparing the value they attributed to the union with the value attributed by those who continued as members. Table 5 makes clear that workers stayed if individual gains were important, especially the legal support offered during labour conflicts (when a worker was dismissed, for example), and, to a lesser extent, assistance when ill or unemployed. When individual incentives were judged to be of minor importance, workers generally left their union. (However, a sizable minority continued their membership for no apparent reason or because they wanted to support the union as an instrument of collective action.) It has to be borne in mind that this survey was carried out at the very end of the period under study, when

40 Nijhof and Scharge, 'Bondslokaal', pp. 270-7; see also Nijhof, Schrage, and Sturkenboom, Geesel, p. 55. It is interesting to note that during the great depression even unions with relatively low expected benefits experienced a modest increase in membership. A precise test focusing on the perceived life-cycle effect on workers' income—with information on unemployment expectations, expected wage levels, life-cycle contributions and benefits, and opportunity costs, by gender and by occupational group, age group, region, and time period—falls outside the scope of this article.
41 Van de Vall, Vakbeweging, pp. 147-8.

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Table 5. Perceived benefits of membership to unionists and former unionists in Utrecht, 1956-1958

<table>
<thead>
<tr>
<th>Type of benefit</th>
<th>Unionists</th>
<th>Former unionists</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Legal help during labour conflict</td>
<td>35</td>
<td>10</td>
</tr>
<tr>
<td>b Allowance when ill or infirm</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>c Assistance when unemployed</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>d Advice on family and housing problems</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>e General advice on workers’ issues</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>f Other forms of individual help</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total private goods (a-f)</td>
<td>62</td>
<td>22</td>
</tr>
<tr>
<td>Collective social security</td>
<td>26</td>
<td>7</td>
</tr>
<tr>
<td>None</td>
<td>18</td>
<td>71</td>
</tr>
<tr>
<td>All</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Note: the percentages for unionists sum to 106 because they include a limited number of multiple replies. This invalidates a chi-square test on the statistical differences. Test results are nevertheless given since the problem is minor. To give an indication of the significance of the differences: $\chi^2 = 122.85$, df = 2, $p < 0.0000$.

Source: van de Vall, *Vakbeneming*, p. 102.

many of the unions’ insurance functions had already been taken over by state social security schemes. It is probable, therefore, that a similar survey at an earlier date would have shown that the insurance motive played an even more important—although, of course, not the sole—role in the decision to become or continue to be a union member.42

V

The importance of welfare insurance as a selective incentive to join a union may also be judged by studying the implications of state welfare for union membership. The welfare state may be for the good of the workers, but it poses a problem for workers’ organizations. There is no need to be insured twice, through social security legislation and through union insurance schemes. Since the former is compulsory, a worker can economize only on union membership.

It is appropriate first to sketch the rise of the ‘welfare state’ in the Netherlands before studying any links between this rise and the decline of Dutch unions. Dutch social security legislation was introduced at the start of the twentieth century, and was very limited in terms of eligibility, benefit entitlement, and replacement rates.43 The first such legislation was the Industrial Injuries Act of 1901. Its coverage was gradually extended, culminating in the Disability Insurance Act of 1967. The Sickness Benefits Act was passed by parliament in 1913 but not implemented until 1930. In 1947 benefit entitlement was extended and in 1967 the means test was ended. Unions were, of course, still free to

42 It should be noted, however, that the survey was conducted during a period when unionists were dissatisfied with what they perceived to be the complacent attitude of the union with regard to wage increases: see van den Berg, *Trade union growth*, p. 65.

43 A survey in English is provided by the Ministry of Social Affairs and Employment, *Social security*. © Economic History Society 1997
provide additional insurance-based sickness benefits or negotiate, by
means of collective agreement, protection over and above that guaranteed
by law.\textsuperscript{44} Unemployment insurance was for long the domain of the
unions. Under the Emergency Regulation of 1914 and the subsequent
Unemployment Benefits Decree of 1917 the state did, however, subsidize
union unemployment schemes, as discussed earlier. Following incon-
sequential legislation by the Dutch government-in-exile during the war,
compulsory unemployment insurance for workers was enacted in 1949
and came into force in 1952. The Unemployment Insurance Act guaran-
teed a replacement rate of 80 per cent—later reduced to 70 per cent—
for six months. Benefits in the event of prolonged unemployment were
also regulated, culminating in the Unemployment Provisions Act of 1964
under which benefits of 75 per cent—later reduced to 70 per cent—of
wages were paid for a maximum of two years.

These laws are listed to make clear that the growth of compulsory
state welfare was a slow process, beginning modestly in the first few
decades of the twentieth century, growing substantially in the 1930s and
1940s, and culminating in the liberal provisions of the 1960s. The latter
part of this process was accompanied by a contrary, if lagged, develop-
ment of union participation rates. The precise course of the latter depends a
little on the precise definition used. In its simplest form—the number of
unionists as a proportion of the dependent labour force—a postwar peak
was reached in 1950 (43 per cent), followed by mild fluctuations until
the mid-1960s and a long descent thereafter (to 27 per cent in 1989).\textsuperscript{45}
It seems possible, therefore, that after a while the rise of social security
led to a decline in union membership.

Support for the claim that social security legislation was a factor of
prime importance is provided by a recent time-series analysis of trade
union membership in the Netherlands.\textsuperscript{46} It estimated the effect of a
limited number of factors such as fluctuations in prices, wages, and the
unemployment rate, on changes in the number of unionists. No infor-
mation on the costs and benefits of union welfare schemes was used,
perhaps because such information was not readily available. The results
of the study thus do not shed light on the effect of union welfare schemes
on the growth of Dutch unions in the prewar period. They do, however,
demonstrate that the growth in state social security expenditure after the
Second World War contributed significantly to the decline of union
membership. Apparently, state welfare schemes acted as a substitute for
trade union insurance. For this reason—and others—the attraction of
union membership declined, in some cases tipping the scales, and as a

\textsuperscript{44} Van Leeuwen, 'Collective agreements'.

\textsuperscript{45} Van den Berg, Trade union growth, p. 60. See also Visser, Trade unions, pp. 150-1. If part-
time workers are excluded from the labour force, this process of de-unionization appears more smoothed
(with peaks in 1950 and in the mid-1970s of 43%, and a subsequent drop (to 32% in 1989)). If
only active union members are taken into account—that is excluding retired members, conscripts,
and the disabled—an almost monotonous decline set in from a high point of 42% in 1950 and
reached 26% in 1989.

\textsuperscript{46} Van den Berg, Trade union growth, ch. 5.

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result some workers left their unions or decided never to join in the first place.

This statistical result is in line with statements made by Dutch union members. When workers leaving a union in 1956-8 were asked why they had left, many answered that ‘before the War the union did a lot of good’, but now ‘a trade union is just dead wood’, or used similar phrases. Many claimed the union had lost much of its importance to ‘the social security laws’, ‘the Labour Exchange’, or ‘the unemployment law’. The union had lost a major function to the state. As two former union members aptly remarked: ‘Before the War, the union had more of a say. ... Now the union is too weak and has been sidetracked. All the difficult issues are dealt with by the Labour Exchange.’ ‘The union? They don’t even offer unemployment benefits. Perhaps they still do something in cases of wrongful dismissal, but that is the only reason for still needing a union.’

In the light of these remarks one can well understand why trade unions actively sought to offer new selective incentives, such as legal assistance, savings schemes, travel discount schemes, and reductions in the cost of consumer goods. The dilemma facing unions is clear. When state insurance is implemented, unions lose a major incentive to attract workers.

Unions might therefore have been expected to oppose state unemployment insurance schemes, as, according to Rimplinger, they generally did in Western Europe. It seems, however, that Dutch unions favoured state involvement almost from the start, or, to be precise, they favoured state and employer funding but control by trade unions. Pivotal questions were how much the state and employers should pay, and how much control they would obtain in return. Employers were prepared to pay some of the costs of unemployment insurance, but not if such insurance remained tied to unions, as they would then be strengthening the very unions with which they battled over wages and labour conditions.

The unions, on the other hand, insisted that they should control unemployment funds. In the end, the trade unions gave in. In return for state and employer subsidies, the administration of unemployment insurance was placed in the hands of bipartite institutions of employers and trade unions, which began to operate in 1952.

Why the unions gave in is not entirely clear. The fact that they may have found it exceedingly difficult to finance unemployment benefits seems to have been important. Most schemes were still relatively young when unemployment rates began to soar to unprecedented levels in the 1920s and 1930s, and some unions simply did not have sufficient funds to cope with mass unemployment. If central and local government had

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not stepped in, schemes might have failed.\textsuperscript{51} With the help of the
government, union unemployment schemes did survive the economic
crisis, but perhaps they were so weakened that the thought of another
depression causing havoc to union funds was compelling in persuading
unions to favour tripartite unemployment insurance. In addition, union
officials found it difficult to deal with the increasing paperwork. The
Ministry of Labour swamped union volunteers with forms and regulations
which became too much to handle.\textsuperscript{52} Lastly, it may also be significant
that the union agreed to the ‘nationalization’ of their unemployment
insurance at a time when their capacity to counter moral hazard may
have diminished as they grew in size. This might have been true especially
after 1945 and even more so after 1960, when the bonds between union
and unionists and among unionists weakened for a number of other
reasons. Workplace meetings became rare as those at higher levels
increased in number and importance. Contributions were paid by cheque,
which put an end to visits—first weekly and later monthly—by union
collectors, who functioned as an ‘information channel’. Lastly, workers
increasingly lived further away from their place of work, in suburbs or
nearby towns or villages, but they were still registered in the union district
of their workplace. Thus the distance between home and meeting place
increased and, as a consequence, so did the reluctance to attend union
meetings at the workplace.\textsuperscript{53}

VI

There is a real danger in comparing the results of a detailed study of
primary sources in one country with those relating to another country
(in this case Britain) on the basis of a reading of its more important
secondary sources. The comparison is offered here with the aim, not of
giving a precise portrayal of British union welfare, but of highlighting
some salient features of union welfare in general.

Like their Dutch counterparts, British unions offered their members
insurance against strikes, unemployment, sickness, and burial costs. Information
on coverage is available for 1893 and 1908 and it shows that the
proportion of unionists covered was similar to that in the Netherlands in
the 1920s (the earliest date for which Dutch data are available; see
figure 1). In Britain the percentage of union members insured against
unemployment was 59 in 1893 and 62 in 1908. The corresponding
percentages for sickness were 48 and 31; the percentage of unionists with
burial insurance was 77 in 1893. Only a minority of the workforce was

\textsuperscript{51} Schrage and Nijhof, ‘Lange sisser’, p. 40. In 1938 an N.V.V. official claimed that union benefits
had declined steadily, while government support had grown: see Kuypers and Schrage, ‘Wage
bargaining’. However, union unemployment benefits were the same in 1938 as they had been in
(for example) 1934, both in absolute terms and as a percentage of average wages (see Schrage,
Nijhof, and Welsma, ‘Inkomensontwikkeling’, p. 393, and van der Veen and van Zanden, ‘Real-
income trends’, p. 228). Unfortunately, no data are available on benefits in later years, nor on insurance
conditions such as level of contributions or duration of, and qualification for, entitlements.

\textsuperscript{52} Morren, \textit{Werkloosheidsverzekering}, p. 86.

\textsuperscript{53} Harmseen, Perry, and van Gelder, \textit{Mensenwerk}, pp. 191-4.

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covered—less than 5 per cent for unemployment in 1891, though the figure grew thereafter. Unlike their Dutch counterparts, British unions shielded a sizable proportion of their members from the risk of destitution in old age.  

54 Although the adoption of national old age pensions in 1908 and national health and unemployment insurance in 1911 reduced the need for union insurance somewhat, it continued to be important during the interwar period and only ceased to be so after the Second World War. The reason for its continued importance is that the benefits paid under the national insurance scheme were low, and they could be supplemented by union allowances. These varied from union to union. The maximum unemployment benefit paid by the engineers’, bricklayers’, compositors’, and miners’ unions for example was between one-third and half of normal wages,  

55 demonstrating, in the words of Beveridge, that:  

the allowance is never by itself adequate for the maintenance of a family. . . .

It has to be supplemented and does get supplemented by the earnings of wife and children, by private savings, by assistance from fellow-workmen and neighbours, by running into debt, by pawnng and in other ways. It serves, however, as a nucleus. It keeps the rent paid. In practice, it prolongs almost indefinitely the resisting power of the unemployed.  

56 Thus both the level of union benefits in Britain and its implications resembled those in the Netherlands.

In Britain union benefits acted as selective incentives too. The Webbs, for example, noted that union insurance acted ‘as a potent attraction to hesitating recruits. To the young man . . . the prospect of securing support in sickness or unemployment is a great inducement to join the union, and regularly to keep up his contributions.’  

57 Recent research has revealed that union welfare was especially important for older workers, since they had high claims to lose and on leaving the union would probably have had to spend their remaining days in the workhouse.  

58 British unions were relatively well placed to counter moral hazard for much the same reasons as Dutch unions. In Beveridge’s words, ‘unions . . . come nearer than any other body to possessing a direct test of unemployment by which to protect their funds against abuse. They have,

54 Unfortunately, almost nothing is known of superannuation schemes in the Netherlands, save that, as table 1 has shown, they were a marginal feature compared with other Dutch union welfare provisions. Due to the regularities of mortality patterns as captured in a life table and the irregularities of the business cycle, predicting the number of beneficiaries of old-age pensions is much easier than predicting the number of those entitled to unemployment benefits. If, none the less, contributions to superannuation schemes prove actuarially unsound—for example, through carelessness or because of a marked rise in life expectancy—the ensuing financial strains easily become burdensome since old-age pensions are generally paid out for a longer period than unemployment benefits. See Fukasawa, ‘Superannuation benefit’; Hanson, ‘Craft unions’, pp. 251-3; Musson, ‘Craft unions’, p. 628; but compare Thane, ‘Craft unions’.

55 Boyer, ‘What did unions do?’, pp. 320, 322, 332; Harris, Unemployment, p. 298; see also Hanson, ‘Craft unions’, p. 248.

56 Beveridge, Unemployment, pp. 224-5. ‘Indefinitely’ is not to be taken literally: ‘of the forty-four “principal” unions outside the cotton trade paying unemployment benefits in 1899, twenty-seven made allowances for twenty consecutive weeks or more’ (ibid.).

57 Webb and Webb, Industrial democracy, p. 158.

first the knowledge of one another and of the trade possessed by individual members, and second, at least the beginnings of a Labour Exchange system.' He concluded that unions 'are better able, therefore, than anyone else at the present time to assist the unemployed in honourable terms without imminent risk of encouraging unemployment'.

Later commentators tend to agree, stating, for example, that 'local union officials knew their members and the nature of the work in a way the unemployment exchange officials never could'.

The conclusion to be drawn is that:

it is easy to imagine a commercial insurance company spending as much on private investigators as on disbursements, and any [such] scheme must have such high transaction costs that the honest individual at average risk will have a strong incentive to stay away. . . . To offer insurance against unemployment an organisation must possess a detail of knowledge of the labour market in which the insured individuals seek work and an ability to monitor their behaviour. The costs of acquiring these are too great for them to be treated as incidental costs of operating unemployment insurance; the organisation must possess them for other reasons.

In the early decades of the twentieth century it seems that unions in Britain too were in a better position than other parties, notably commercial insurers and state bodies, to counter problems of moral hazard and adverse selection.

Provided that the abuse of union funds, in particular the use of welfare contributions to finance strikes, could be blocked, state officials recognized these advantages. They also acknowledged that administering welfare through non-state bodies, including unions, considerably lowered the costs to the state of administration. In the end, however, officials and politicians, including Beveridge, reluctantly abandoned the notion of administering welfare through private agencies such as unions. They did so for a variety of reasons, including the decreasing capacity of these agencies to carry on their good work and the fact that these organizations protected only part of the labour force and provided no coverage at all to those outside it.

In Britain, unions did not embrace plans for state insurance wholeheartedly since such insurance might erode members' loyalty. The National Insurance Act of 1911, which introduced universal health and unemployment benefits, did, however, allow unions to administer these insurances for their members as official agencies. Considerations of convenience and respectability for workers apart, unions were thus able to secure considerable

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60 Whiteside, 'Social welfare', p. 216.

61 Southall, 'Neither state nor market', pp. 71, 81.


63 *Idem*, 'Private agencies'.

64 *Idem*, 'Social welfare', p. 213. In fact much depended on the financial situation of a particular union, and the applicability of provisions under state welfare legislation to the unionists concerned. The 1911 act was particularly ill-suited to cope with casual work, premised as it was on the notion of cyclical unemployment. Both structural underemployment and irregular work patterns would, in many cases, disqualify a worker from claiming state benefits: see Whiteside, 'Welfare insurance and casual labour'; *Idem*, 'Welfare insurance and unions'.
financial benefits for their members: 'a trade union could offer its members a 12s. unemployment benefit, coming alarmingly close to the minimum wage for agricultural labourers, at a cost to itself of only 4s. 2d. A subsidy of this size was unlikely to be resisted. Any trade union opposition to unemployment insurance had been effectively bought off.'\textsuperscript{65} Some unions tried to negotiate their way out of the unemployment insurance, especially if their members were skilled workers with low risks. However, the British government resisted these attempts to have 'good risks' covered by unions and 'bad risks' by the state, as was the case in the Netherlands.\textsuperscript{66}

During the interwar period mass unemployment greatly weakened union funds and, at the same time, resulted in a much greater administrative burden. As a consequence unions were in no position to rebuff Beveridge's plans to increase government unemployment insurance in 1942.\textsuperscript{67} The general effect of state interference was, however, 'to weaken the bonds that tied member to union. As a General Federation of Trades Unions' officer noted sadly in the mid-1930s, men who once had turned to their unions in times of trouble now turned to the state.\textsuperscript{68} This claim may sound familiar to the reader who recalls the answers given by Dutch unionists and former unionists in the 1956-8 survey.

British union-based welfare provisions can also be seen as precursors of the 'welfare state' because they set an example. Important continuities existed between the National Insurance Act of 1911 and the union schemes in terms of a tradition of workers' insurance, the groups of trades covered, and the qualifications regarding eligibility. This is perhaps not really surprising because, as Beveridge later noted, 'the only working model offered on a large scale was afforded by the trade unions'. In fact it has recently been pointed out that 'the architects of unemployment insurance under the Act were Board of Trade officials who had long had close contacts with the trade unions and many of the details were borrowed from the ASE [Amalgamated Society of Engineers]'.\textsuperscript{69} Union schemes were taken over neither abruptly nor wholly. The period when unions acted as approved societies nevertheless provided both continuity and opportunity for the state to influence union welfare schemes. The British state influenced contribution and benefit levels by requiring union schemes to be actuarially sound; it encouraged standardization and improved measures to counter moral hazard, as was the case in the Netherlands.\textsuperscript{70}

\textsuperscript{65} Gilbert, \textit{Evolution}, p. 280.
\textsuperscript{66} Whiteside, 'Social welfare', pp. 216, 222; \textit{idem}, 'Welfare insurance and unions', pp. 867-70.
\textsuperscript{67} \textit{Idem}, 'Social welfare', pp. 213, 227. Other factors applied as well. Sectors of the economy with a tradition of union welfare schemes declined, while other sectors without such a tradition, and as a consequence with more to gain from state welfare schemes, prospered. Furthermore, union membership was extended to include more semi-skilled workers, probably more of a 'bad risk' in actuarial terms: \textit{idem}, 'Social welfare', p. 218. It has, however, recently been questioned whether British union welfare would have collapsed in the interwar period had it not been supplanted by state welfare; see Southall, 'Neither state nor market', p. 76.
\textsuperscript{68} Whiteside, 'Social welfare', p. 237.
\textsuperscript{69} Southall, 'Neither state nor market', p. 71 with reference to Beveridge, \textit{Unemployment}, p. 263.
\textsuperscript{70} Whiteside, 'Private agencies', pp. 117, 184 ff.; \textit{idem}, 'Welfare insurance and casual labour', p. 520.

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Through union insurance schemes, British and Dutch unions achieved a measure of protection for their members against common risks of a working life. These schemes were especially important before the introduction of social security legislation. Union welfare acted as a selective incentive for workers to join a union, thus countering the free-rider problem facing unions. In the long term, union welfare contributed to shifting welfare provisions from local and varying arrangements to national and uniform provisions. This happened more or less 'naturally' as unions evolved from being local independent organizations to become branches of nationwide organizations. Over time the relationship between the state and the unions became more intimate. Municipalities and the state came to trust unions—and vice versa—as a result of the frequent contacts they had in administering insurance schemes. Governments knew this. During this transitional phase of welfare development unions were in a better position than commercial insurers or public agencies to combat problems of adverse selection and moral hazard.

In providing working models for insurance on a large scale—the only viable model in the case of unemployment insurance—union efforts paved the way for nationwide state-run welfare arrangements. As an ironic consequence, unions then lost something of their purpose with regard to welfare provisions. After parliament had enacted an Unemployment Insurance Act or a Sickness Benefits Act many workers no longer needed unions to insure themselves against unemployment or sickness. Hence insurance could no longer operate as a selective incentive. The general advancement of social welfare legislation had deprived unions of what had been a major incentive for workers to organize and cross the threshold to collective action. The success of unions in the field of welfare provisions was a victory for workers but a cause of concern for the unions themselves.

Although the current threat of the state seems to offer unions the possibility to reclaim lost ground by once again providing welfare schemes in order to solve the free-rider problem they face, it remains to be seen whether such attempts will prove successful. It is not yet clear in which areas unions will succeed in obtaining a clear competitive edge over other parties in the insurance market, notably commercial insurers. The degree of union control over workers, in terms of dependency and visibility, has decreased and the capacity of other insurers to counter classic insurance problems such as moral hazard and adverse selection has increased. If the situation is new in this respect and the outcome still uncertain, the return to insurance currently considered by Dutch unions should come as no surprise to students of unionism.\textsuperscript{71}

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