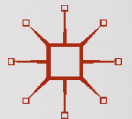


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MUTUAL INSURANCE 1550-2015

From Guild Welfare and
Friendly Societies to
Contemporary Micro-Insurers

MARCO H.D.
VAN LEEUWEN



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Marco H.D. van Leeuwen

Mutual Insurance 1550–2015

From Guild Welfare and Friendly Societies to
Contemporary Micro-Insurers

palgrave
macmillan

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Preface

The history of this book is not quite as long as the period it covers, but there were times when it seemed it was going to be. It all started when, many years ago, I was browsing through antiquated volumes published by Statistics Netherlands, the Dutch national statistical office. I stumbled upon page after page of curious numbers and undecipherable abbreviations relating to Dutch trade unions. I knew immediately this was a find, but it took me a long time to understand what kind of find: the data related to insurance provided by trade unions to their members. Of considerable importance in its time, trade union insurance more or less disappeared with the rise of the welfare state. Eventually I made sense of what to do with the material, not in the least because Jeroen Weesie drew my attention to welfare economics in general, and the classic problems of insurance in particular. In 1997 I published an article on Dutch trade unions and the provision of welfare in the *Economic History Review* (*EcHR*).

I subsequently worked on two books on risk and insurance in the Netherlands 1550–1890 as part of a project led by Jan Lucassen and Lex Heerma van Voss. It was then that I first understood the potential for similar studies on micro-insurance for the era prior to the trade unions. I benefited enormously from research at the International Institute of Social History in Amsterdam on the history of mutual aid, and in particular from data on the number of insurers between the sixteenth and

twentieth centuries collated as part of that research by Jan Lucassen, Piet Lourens, Jacques van Gerwen, and, last but not least, Sandra Bos for the early modern period and Joost van Genabeek for the nineteenth century. I could use only some of that material in my books on risks and insurance, but in 2007 I published a longer article on friendly societies in the nineteenth century in a book edited by Bernard Harris and Paul Bridgen, *Charity and Mutual Aid in Europe and North America since 1800*, and in 2012 an article on guilds as insurers in the *EcHR*. I am grateful to the *EcHR* and to the Taylor & Francis Group (Routledge) for permission to publish reworked versions of my work in this book.

I would like to thank, too, my kind colleagues, who have helped me with my previous publications, anonymous referees, and others, who are acknowledged elsewhere in this book. I am indebted most to the International Institute of Social History and its researchers, to Jan Lucassen and Piet Lourens for their generosity in sharing their data with me, and to Henk Looijesteijn for helping me. A book was already taking shape in my mind when I was approached by Aimee Dibbens at Palgrave Macmillan, and from then on things went smoothly, owing also to Grace Jackson, Alexandra Morton, and Tony Moore. I realize I owe much to Chris Gordon, who is not only a friend but also a splendid language editor; he went through all the texts. The book, or parts of it, was read by Vincent Buskens, Marleen Dekker, Ben Gales, Martin Gorsky, Bernard Harris, Lex Heerma van Voss, Henk Looijesteijn, Elise van Nederveen Meerkerk, and Robin Pearson. Kirsten van Houdt assisted me in the final phase of writing. I feel blessed with so much help.

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1

Mutual Insurance

Abstract In the Western world we have forgotten how to be insured without state or commercial insurers. Yet mutual or micro-insurance has a long and venerable history. In the non-Western world, mutual insurance is becoming increasingly important. This book traces the track record of mutual insurance from 1550 to the present, examining provisions for burial, illness, unemployment, old age, and widowhood insurance. In this chapter we set out our guiding questions: *How and why did it work?* and *Can it still work today?*

1 Introduction

Let me begin this book on a personal note. Born around the peak of the proverbial Dutch welfare state, I took for granted the state's willingness to pay for my education and to insure me against the vicissitudes of life. I did not think in terms of mutual insurance. I did not even know it existed. Had I considered it, I would probably have thought there was no need for it. In taking the welfare state for granted, I was no different

from the rest of my generation, who, advantaged by membership of a fortuitous birth cohort, were equally well protected. Most shared my attitude to the welfare state. Most had, and have, forgotten all about mutual insurance. In retrospect, it is clear that I was born, unwittingly, into a particular paradigm, that of generous state insurance.

The 1965 General Income Support Act—often regarded as marking the highpoint of Dutch welfare—gave every person legally residing on Dutch soil the right to an income sufficient to ensure a dignified existence. There was a consensus across virtually the whole political spectrum that this should meet the needs of, for example, a man living at one end of the country who wished to regularly visit his elderly mother at the other end and to bring her a fresh bouquet of flowers. This was the minimum. For a multitude of groups, other legislation and provisions supplemented this law. The elderly were ensured a state pension (regardless of whether they received a company pension). The sick were covered by a national health insurance scheme. Children received free primary and secondary education, before possibly moving on to tertiary education, also virtually free. Expensive equipment for the disabled was paid for by the state. The unemployed would receive unemployment benefit that could last many years; often, they were under little compulsion to take up a new job. And if an employee were to sustain injuries while on a holiday, the treatment would be paid for under social security legislation and the employee would continue to receive a salary while being unable to work.

It was at university that I first came across the history of private charity. To understand the workings of philanthropy provided by individuals, by churches, and by municipal but often independent bodies, it was necessary to look at other forms of welfare, and it became clear to me that there had long been a mixed economy of welfare, with various providers of welfare—state, market, and mutual—covering the risks of life. Although I did not realize it then, it is not implausible to argue that the very fact the welfare state did not progress any further (and in some respects we have seen it retreat over the past 50 years) created the mental space to reflect on non-state provision of welfare. In any case, it soon became clear that institutions other than the state had a long history of providing welfare, at least in Western Europe.

Looking at ways to study the mixed economy of welfare, I started exploring past reports issued by Statistics Netherlands (the Dutch national statistical office), though without knowing precisely what I was looking for. In those reports I came across data on insurance provided by Dutch trade unions in the first half of the twentieth century. After immersing myself in the literature on welfare economics in general, and on the classic problems of insurance in particular, I slowly made sense of what to do with this material. In the years that followed, I wrote on all kinds of insurance—commercial and mutual—that existed in centuries past, retracing the trail so to speak, beginning with mutual insurance in the nineteenth century and continuing back to guild-based insurance from the sixteenth century onward. It gradually became clear that in addition to state insurance (on the retreat) and commercial insurance (on the advance), there was a distinct but overgrown path of non-state, non-commercial, and often local and small-scale self-organized insurance. This type of insurance, which is now generally termed mutual or micro-insurance, has been in existence in the Netherlands for centuries, but its path had grown very faint and difficult to discern, buried as it was under the dense foliage of the modern-day welfare state.

I discovered that the Netherlands was not unique in this. In Britain, a stream of articles and books on friendly societies had appeared over the course of several decades, but I had assumed the friendly societies were a peculiarly British phenomenon. In fact, there were friendly societies not only—unsurprisingly perhaps—in its former colony, the United States, in the nineteenth and twentieth centuries, but actually all over the world, literally on every continent, even before the nineteenth century.¹ Clearly, then, community-based insurance-type arrangements run by and for those concerned existed long before wealth and welfare had reached their present levels, and long before the apparatus of the state had become so entrenched. Now that the Dutch welfare state has retreated somewhat, we are seeing not only the expansion of commercial insurance but also a modest re-emergence of mutual insurance, and indeed a whole range of

¹ See, for example, the essays in Green (1985), de Swaan (1988), Dreyfus (1988), Dreyfus and Gibaud (1995), van der Linden (1996), Emery and Emery (1999), Beito (2000), Cordery (2003), and Harris (2012).

new non-profit activities organized by citizens in their own communities, including food co-operatives and sharing arrangements.

The realization that there has been a long tradition of organized assistance other than that provided by the market or the state might help us to question the simple paradigm that sometimes underlies historical or political discourse, namely that what we have seen is a shift from Dickensian bleakness in the form of minimal help by family members and the community to an orderly, abundant but expensive welfare state.² And even if we append to this a historical lineage—the recent rise of commercial insurance—it is still too simple a narrative to comfortably fit the historical record.

My main aim here is to answer a few simple questions to get a better sense of the long-run historical record on mutual insurance. In doing so, I will sometimes step back from the peculiarities of time and place to ponder more general issues, such as the problems and pitfalls faced by insurance, and, making use of some simple concepts from welfare economics, consider to what extent, and how, these flaws have been overcome in the past. A historical description that offers little in the way of generalizations and that discusses only the many, often amusing, particulars of time and place—even if the time is long and the place is one of interest—can easily become as unconnected as grains of sand in the desert. Some generalization and reflection on the principles of mutual insurance is called for. On the other hand, theories cast carelessly over a barely scrutinized historical trajectory might provide as much insight as a mirage.

²‘Once the multi-dimensional character of welfare instruments is recognized, the picture of a progressive evolution of welfare provision across the twentieth century becomes blurred. The Victorian poor law, for all its faults, was based on the idea of a comprehensive risk pool, of a solidaristic rather than a contractual system of entitlement, and on substantial interpersonal redistribution. The combination of social insurance and social assistance since the Second World War has, in the main, continued to be comprehensive, solidaristic in practice and broadly supportive of interpersonal redistribution. But the Edwardian development of national insurance was a move towards an exclusive risk pool, towards contractual entitlement, and towards a self-financing system of intra-personal redistribution. Viewed from this perspective, the neat lineages of welfare development from the poor law to [the social security following] Beveridge are seen to be an erroneous historical construct’, Johnson (1996, pp. 245–6). See also, for example, Baldwin (1990), van Leeuwen (1994), Daunton (1996), Katz and Sachse (1996), Pearson (1997), Thane (2000), Leimgruber (2008), Lengwiler (2010), Harris (2004, 2012), and Pons Pons and Vilar Rodríguez (2014).

This book is rooted firmly in the rich history of insurance, and especially mutual insurance, in the Netherlands. It will discuss both practices and principles of mutual insurance, taken here to mean insurance run by the insured ('by us and for us'). It is, for reasons that will become clear, small scale and is therefore sometimes also referred to as micro-insurance; I will use both terms interchangeably. The historical record does not always lend itself to a simple definition, and each of the terms used to define mutual or micro-insurance will be scrutinized here. Has it, over the centuries, always been run by the insured? If so, how? If not, how much mutuality was there, and how was it organized? To what extent, and in what way, was it for the good of the insured? What were the limits to this 'goodness'? Did other people profit or did the non-insured contribute for the benefit of the insured? Just how 'micro' was it?

2 Questions

Mutual insurance against the vicissitudes of life, health, and work existed long before the beginning of the welfare state. Today it is witnessing a global renaissance. This book sketches its history, from the sixteenth century to the present, with an eye on the future. It deals particularly with the Dutch experience over the past five centuries, but in doing so it takes something of a comparative perspective. I consider at various intervals developments in other countries, as far as is possible in a book devoted to the Dutch case and as far as my knowledge of existing non-Dutch studies allows. The book discusses patterns, problems, and processes of burial insurance, old age and widows' pensions, unemployment insurance, and compensation for loss of income and the cost of medical treatment during sickness in the Netherlands from the sixteenth to the twenty-first centuries.

The historical literature on what have been termed mutual aid, mutual benefit societies, and fraternal, friendly, or benevolent societies has mushroomed in recent years. These societies appear to have existed in many countries across the world over the past two centuries, and indeed they still exist. However, they have seldom been studied as insurance groups, with their classic problems and solutions; nor have they been studied over

the long haul, in combination and in competition with welfare providers covering the same risks.³ This book rectifies this omission. It offers an assessment of their coverage and their terms and conditions; it also looks at the evidence on factors explaining their success, survival, or decline. In doing so, it will have to address the unhappy fact, familiar to welfare economists, that even if the overwhelming majority of the population desires to be insured against illness or other risks and can pay for it, and even if there are providers willing to insure them, insurance might not be offered—for several reasons, including the classic problems of moral hazards and adverse selection.⁴

The term ‘moral hazard’ refers to any behaviour that increases the occurrence of the risk against which one is insured. Insurance against loss of wages when ill, for example, might increase the frequency or duration of reported illnesses. Some illnesses are partly subjective, and certainly not always easy to establish objectively. A person with insurance has more of an incentive to stay at home sick and not work than a person without insurance. Likewise, whether there is suitable work available for an unemployed person might depend on what is deemed appropriate work, or on how diligently work is sought. For the sake of variety, I will sometimes refer to moral hazard as ‘malingering’. However, I use the term to denote not just some sort of deceptive behaviour but any tendency to use more medical care, for instance, when one is insured than one would do when not insured. Moral hazards thus range from the rightful exercise of a certain measure of personal discretion to fraud pure and simple.⁵ In 1705, Dordrecht’s shipwrights complained that some of

³With some notable exceptions. See, for example, Hechter (1987), Siddeley (1992), van der Linden (1996, 2006), van Leeuwen (1997a), Emery and Emery (1999), Pearson (2002), and Guinnane and Streb (2011).

⁴The economic literature on insurance, and the problems associated with it, is abundant. See, for instance, Johansson and Palme (2005) and Einav and Finkelstein (2011). Some of the classic articles by K. J. Arrow have been reprinted in Arrow (1971); on moral hazards, adverse selection, correlated risks, and the notion of co-insurance to combat these problems, see especially Chaps. 5 (‘Insurance, Risk and Resource Allocation’), 6 (‘Economic Welfare and the Allocation of Resources for Invention’), and 8 (‘Uncertainty and the Welfare Economics of Medical Care’). On moral hazards, see also Heimer (1985); on adverse selection, see Akerlof (1970).

⁵As Southall (1995, p. 77) wrote in the case of unemployment insurance: ‘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

their brethren purported to be ill and ‘that these master guildsmen made their guild servant collect the aforesaid sickness money from the respective guild brothers, and immediately or not later than the following day, after having received it, repaired once again to the street, without being inconvenienced by any sickness’.⁶ Whatever their moral, contractual, or legal status, moral hazards raise expenditure and are thus a problem for an insurer, and for the insured because insurance premiums go up. If the insurer fails to combat malingering sufficiently, no insurance can be offered because the expenditure for both real and imagined illnesses will exceed the income from premiums. Both the individual and society at large suffer a loss of welfare. Moral hazards can be seen as a problem of ‘hidden action’—the insurer cannot prevent the insured from acting in a way that will raise expenditure.

Adverse selection can be regarded as the problem of ‘hidden information’: some insured persons know that they are at a greater risk of becoming ill or unemployed, for example, knowledge that the insurer does not have. When an insurer finds it impossible or too costly to distinguish ‘good’ from ‘bad’ risks, bad risks may profit by insuring themselves, paying standard contributions with above-standard returns. Good risks then find it increasingly beneficial to leave (or not join), to avoid subsidizing bad risks, thus either ruining an insurance scheme or preventing it from getting off the ground. The Amsterdam porters’ guild, for example, stated in 1757 ‘that many persons of advanced years were from time to time moved to join the aforesaid guild, purely with the intent later of receiving assistance from it and that as a result [...] the guild’s reserves will no longer suffice to allow the aged and infirm guild-brothers [...] to receive a decent level of support.’⁷ Without proper measures, this problem of adverse selection might thus preclude an insurance scheme being set up, even though there are providers interested in offering it and people willing to pay for it. In the case of an established insurance scheme, adverse selection may cause what had potentially been a good scheme to go bankrupt.

find the best available new job rather than to have to accept the first one that comes along.’ See also Gorsky et al. (2011).

⁶Palmen (1998a, p. 224).

⁷De Ridder (1994, p. 111).

Apart from adverse selection and moral hazards, there is the classic problem of correlated risks. Insurers can predict expenditure and thus levy appropriate premiums if risks are uncorrelated. This is not always the case with illness, nor with unemployment. Correlated risks occur, for example, when a contagious disease hits an area and the insurer has to meet claims from a large number of sick policyholders at the same time. Similarly, a trade union could be faced with high expenditure on unemployment benefits if, due to a recession, many of its members are laid off simultaneously. To make matters worse, this is also likely to be a time when members find it most difficult to pay premiums.

Insurers suffer from classic insurance problems, notably from moral hazards and adverse selection, but they may take countermeasures, regardless of whether they are a state insurer, a for-profit market party, or a mutual organization run for and by those concerned. A state may make insurance compulsory and employ thousands of civil servants to check the behaviour of the insured; a market party may try to exclude certain risks beforehand and employ paid staff to check afterwards. But what can a mutual do? What, for example, did Dordrecht's shipwrights' guild do when confronted with malingerers in 1705? As we will see in the course of this book, it had several options, not least relying on the guild brethren observing and reporting imaginary ailments of one of their peers. Under what conditions did this work? Catching malingerers in a mutual scheme assumes both the existence of a mutual organization—a guild in this case—and the willingness of its members to spend time and energy that could also be spent on work or on drinking beer in a pub. How were guild members or trade unionists persuaded to spend their time and energy combating the moral hazards of their peers?⁸ How could members

⁸This can be seen as a free-rider problem. A self-interested group member may attempt to enjoy, without contributing, 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). See Olson (1965). A member of a guild box, a friendly society, or a trade union fund might think twice before spending time and energy combating someone else's moral hazard. Thus the realization by a member of a mutual, or even by all members, that a moral hazard exists may in itself not be enough to combat it. It should be noted, however, that Olson's classic analysis is valid for a single prisoner's dilemma faced by two parties with no prior knowledge. Many real-life situations depart from this situation, and Olson's analysis might in real life often be a worst-case scenario. See Taylor (1987), for example. For instance, actors might have prior knowledge on which to base their expectations. They might face a dilemma more than once and thus have to take into account the effect of present

of a mutual scheme trust that malingering would be checked? To answer this question, I will consider how easy it is for members to observe malingering and how easy it is to take efficient countermeasures. To do so, I will also discuss social ties between mutualists, such as those of blood, friendship, or those formed while drinking a good glass of beer. I will also investigate why, in a more general sense, members of Dutch mutuals could place their trust in their organization. Why did they apparently believe that a mutual fund to which they paid upfront would in time pay out? How were issues of commitment and credit that might dissuade reasonable people from taking out insurance overcome?

It should be noted that while it is important to discuss the historical evolution of measures to combat classic insurance problems, this book does more than that.⁹ I aim to make visible once again the path of non-state, non-commercial insurance run by those insured, often on a local scale, and to place it within the mixed economy of welfare. Because that path has become so overgrown that it is now sometimes scarcely visible, much of this book will be devoted to the simple, but at times painstakingly difficult, observation of the various forms of micro-insurance over the past five centuries and to a consideration of its problems and pitfalls. I will try to position the pros and cons of mutual insurance against those of other types of welfare arrangements, such as commercial insurance, state insurance, philanthropy, and the sharing of resources by family, friends, and neighbours. I realize I will ultimately fail, as we still know too little about the historical trajectory of the various types of welfare and there is still too much theoretical uncertainty about what we should be comparing. Nonetheless, the attempt is worth making.

The questions this book seeks to address are:

How did micro-insurance work?

What risks did micro-insurance cover between 1550 and 2015?

How has it been organized in the course of time, and who provided it?

What were the coverage, contributions, benefit levels, and conditions?

Why did it work?

'defection' on future relations. They might play several connected games simultaneously and expect to offset punishment for defection in one game by retaliation in another.

⁹ As advocated, for instance, by Hansmann (1996).

To what extent, and how, were classic insurance problems such as adverse selection and moral hazards overcome?

What position did micro-insurance assume in the mixed economy of welfare, and why?

Can it still work today?

A recent European Parliament policy document provides an evaluation of mutual insurance in Europe. It concludes that: ‘mutuals still have a reason to exist and have an added value for the European economy and for society as a whole. There are sound economic arguments to foster mutuality (differentiation in financial services, resilience in times of crisis) and there is a strong business case for mutuals, since a high number of European citizens still specifically choose them [...]’ It nevertheless worried that ‘the role of mutuality is likely to diminish in the European society of the future, if no action is taken’.¹⁰

The policy document seems to echo two rather different voices in the historical literature on mutual insurance. Some historians are sympathetic towards their object of study and see a role in present-day societies for insurance that is neither state nor market. David Green is a notable example. His ‘ultimate objective [is that] of replacing compulsory national insurance by voluntary provision’. Until the introduction of national insurance ‘many whose low income put them in danger of having to rely on the poor law or charity took steps to avoid both. They formed mutual aid associations. [...] Could this model serve as a basis for modern reform? It is obviously utopian in the short run. But I believe it is the ideal to keep in mind as we confront the manifest failings of state welfare.’¹¹ Others believe mutual insurance is a thing of the past. In a recent edited volume on the histories of mutuals in Europe and North America, Bernard Harris writes that on balance ‘it may be dangerously premature to suggest that the mutual organizations of the late-nineteenth and early twentieth centuries offer a realistic model for the reform of welfare services in the twenty-first century’, while also stating that these histories ‘cast some doubt on the assumption that the societies

¹⁰ Grijpstra et al. (2011, pp. 10, 74).

¹¹ Green (1996, pp. 141, 127); see also pp. 129–31, as well as Green (1993).

were necessarily moribund and show how they could provide an important defence of worker independence'.¹² In his history of mutual insurance in the United States, 1890–1967, David Beito writes: 'The rise of alternative forms of social welfare has dramatically reduced the demand for social welfare services among members [of North American mutuals]. Mutual aid was a creature of necessity. Once this necessity ended, so, too, did the primary reason for the existence of fraternalism. Without a return to this necessity, any revival of mutual aid will remain limited.'¹³ This issue is raised in the final two chapters of this book: is there still scope for insurance run neither by the state nor by commercial parties, but by us and for us?

Although historians are no better than economists at predicting the future, studying the very long Dutch historical trajectory in some detail will hopefully provide some pointers as to what sustainable options there are for micro-insurance in the modern world.

I will not argue that the Dutch mutual experience can be taken to represent the global experience, nor that choosing the Netherlands was part of a carefully designed grand scheme. Saying I chose the Netherlands would be just as true as saying that the Netherlands chose me. For a study like this, one would like to stand knee-deep in the historical record, and by virtue of being born there and having been trained in its history and sociology, I believe I do. Furthermore, there is an abundance of tradition. But the locus of this book is not entirely a capricious coincidence. The fact that the history of mutualism spans five centuries of momentous political, cultural, economic, social, and demographic change allows us not just to see how well mutualism can cope with such changes, but on occasion also, by comparing periods, to try to gauge the effect of such changes on micro-insurance. Although there is still much we do not know, this history has been rather well preserved in the archives and has been recorded in several excellent studies, of which I make grateful use here. Of course, it could be argued that the wealth of information, and its long duration, make the Netherlands anything but typical. Given the present state of research, I am afraid we cannot conclusively rule that out,

¹²Harris (2012, pp. 6–7).

¹³Beito (2000, p. 234).

but I do, in each chapter, consider the information available on other countries.

3 Structure

This book is organized chronologically, starting in Chap. 2 with the early modern period, 1550–1800. It covers the origins of the Netherlands as we know it—a country that won its freedom in a war of independence, ousting a Spanish king without replacing him by a new one. This bourgeois republic cherished the rights of its citizens, its cities, and its provinces, including freedom of religion. It grew enormously rich. This was the era of the guilds, which had virtual control of the urban male labour market, even including some ‘proletarian’ occupations. Many of these guilds offered their members micro-insurance. They suffered, however, from the French Revolution, being labelled reactionary institutions. In France the guilds and the church were arguably more pro-monarch than in the Netherlands, which did not even have a monarch and where there were many religious denominations. In the wake of the French Revolution, Dutch guilds were abolished, though in some cases their insurance funds lingered on. Throughout this book we will be careful to situate the workings of micro-insurance within not only the spectrum of the mixed economy of welfare in the Netherlands but also the social, political, economic, cultural, and demographic Dutch landscape. Such information is needed if we are to understand the historical trajectory of mutualism, as that landscape profoundly shaped the options open to ordinary men and women to counter collectively the risks of health and work in a way different from those offered either by the market or the state.¹⁴

Even before 1800, there were a few non-guild micro-insurers, and they seized the opportunity when the guilds were abolished. The nineteenth century saw the emergence of an enormous number of micro-insurers.

¹⁴These institutions are not only organizations, rules, and laws but also norms, values, or, even vaguer, mindsets. Such ‘institutions reduce uncertainty by providing a structure to everyday life’. North (1990, p. 3 et passim).

Their history is discussed in Chap. 3. This was the era of the friendly societies. Despite the dissolution of the guilds, micro-insurance did not collapse. Oddly enough, it became more popular over the course of the century, organized now though on a voluntary basis and no longer restricted to occupational groupings. The nineteenth century saw an evolution from *laissez-faire* liberalism at the beginning of the century to social liberalism at the end, and that particular incarnation of liberalism had an eye for those social problems that the market could not resolve.

The very end of this period saw an innovation in the form of mutual insurance schemes organized by trade unions for their members. After the mid-nineteenth century, workers were allowed to organize again, and this included forming trade unions, first as local organizations and later as local branches of the ‘pillars’ that came to characterize Dutch society until after the Second World War. Right from the start, trade unions offered micro-insurance, and in the case of unemployment they were the sole agency providing that particular form of security until, after the war, this role was assumed by the state. Trade union insurance is discussed in Chap. 4, which deals with its heyday, 1900–65, against the backdrop of the mixed economy of welfare as a whole. This period saw classic forms of welfare—poor relief by churches, and the municipalities—more or less subsumed by the welfare state, whose origins can be dated to 1901 and which peaked in the late 1960s and early 1970s.

Chapter 5 deals with the period after the heyday of the welfare state and, for that matter, of friendly societies and trade union insurance. For a brief period, the expansion of the welfare state was so luminous as to blind the eyes of contemporary politicians, citizens, and key players in the welfare arena: everything else seemed pale and moribund in comparison. But neither friendly societies nor private philanthropy died out, and Dutch micro-insurance is now witnessing a modest renaissance (and commercial insurance a more spectacular growth) as the welfare state retreats somewhat. The opening up of the insurance market is evident not just in the Netherlands but also in other parts of the world. In Africa and Asia, attempts are being made by Dutch organizations to introduce micro-insurance, based in part on the long-established principles and practices of the Dutch experience, which we will discuss briefly. We do not yet know whether the developments seen in the past few decades will,

in retrospect, be seen to herald another golden age of micro-insurance in the Netherlands, or indeed elsewhere. But from the temporal particularities and local idiosyncrasies of micro-insurance of the past five centuries, we may at least try, cautiously, to distil some principles underlying mutualism, and this we do in the final chapter.

The final chapter returns to the questions set out in this introduction. How did micro-insurance work? Why did it work? And can it still work today? The conclusion to this book begins by considering a question that could easily become obscured in a book in which each chapter discusses a new incarnation of mutualism in a certain era, namely the issue of the degree of continuity between mutual insurance by the guilds, by friendly societies, and by trade unions. This is followed by a brief summary of *how* Dutch micro-insurance worked over the past five centuries with regard to the risks covered, the scope of coverage, contributions, benefit levels and conditions, as well as its organization. It considers whether mutuals can be regarded as proto-bureaucracies, and, if so, whether we can consider the growth of mutualism as a breeding ground for democracy.¹⁵ The notion of local civic associations as breeding grounds for democracy dates back to Alexis de Tocqueville.

We also look at *why* mutual insurance worked. Assessing to what extent, and how, moral hazards and adverse selection were overcome requires not only a brief recapitulation of the specific measures taken but also a discussion of the underlying reasons such measures could be taken; this includes a consideration of internal governance and sociability among mutuals, as well as issues of scale and homogeneity. Finally, I will address a question historians are generally weary of asking—and not without reason, for we are not by nature forecasters. Can mutual insurance still work today? With some trepidation I take stock of the evidence assembled to explore whether, and to what extent and under what conditions, mutual insurance can still work both in Western coun-

¹⁵ The issue of bureaucratization over time and its intended and unintended consequences has been set squarely on the table by Max Weber (1968 [1921]). For the notion of local civic associations as breeding grounds for democracy, see de Tocqueville (1961 [1835]). More recently, the question of mutual fund members exercising their democratic rights has sometimes been situated in a larger debate about the contributions of civil-society institutions to the strength of political democracy, which Robert Putnam's (1993) work has emphasized.

tries with welfare states and in developing societies. In part to facilitate answering these questions, I do my best to make comparisons with guild insurance, friendly societies, trade union welfare, and micro-insurance in countries outside the Netherlands.

2

The Era of the Guilds: Mutual Insurance 1550–1800

Abstract This chapter traces mutual insurance, mainly that provided by the guilds in the Netherlands, from the earliest date the sources allow (1550) to the dissolution of the guilds (*c.* 1800). It traces the number of schemes, their type (for burial, sickness, old age, or widowhood), and their nature in terms of premiums, conditions of eligibility, and allowances. It also deals with how and why these schemes originated, and how they were able to sustain themselves—withstanding the perennial problems of correlated risks, moral hazards, and adverse selection. We discuss the micro-nature of the schemes, their place in the world of the artisan and in the political economy and the mixed economy of welfare. We discuss, too, the social component of those schemes.

This chapter draws on my article, van Leeuwen (2012a), which has benefited from research carried out at the International Institute of Social History in Amsterdam, and in particular from data on the number of insurers between the sixteenth and nineteenth centuries collated as part of that research. I am indebted to Sandra Bos, Piet Lourens, and Jan Lucassen for their generosity in sharing their data with me. I am also grateful to Chris Gordon, Clé Lesger, Jan Lucassen, Piet Lourens, Elise van Nederveen Meerkerk, and the anonymous referees of the *Economic History Review* for their very valuable comments.

1 Introduction

Of the troubles prevalent in the Golden Age, the Amsterdammer Hermanus Verbeeck (1621–81) had to face quite a few. The son of Catholic immigrants, he was born in Amsterdam in 1621. His father was a member of the furriers' guild. Verbeeck became a furrier, too, but his business was not a success, chiefly because of his poor constitution. When, in 1648, he took ill again, he sold his business. He married well, the following year, to his brother's sister-in-law, Clara, whose father had left her a grocery business. In 1650, the first of nine children was born; five were to die at or soon after birth. Though his children were a source of joy, they were also a major expense. When the grocery business steadily became less profitable, it soon proved too difficult to provide for them. With the First Anglo-Dutch War (1652–4), the Dutch economy was affected by a general malaise, and the number of customers fell. 'In the past, we took in a day what we now take in a week', he wrote in 1653.¹

He then became a broker. The brokers' guild was one of the most expensive in Amsterdam. The initial subscription fee was 50 guilders, of which 3 paid for the broker's baton and 40 for the sickness fund. Members were then free to trade, but they were required to specialize in a particular commodity or type of merchandise, acting as an intermediary in the trade of a range of merchandise and insurance. One of the principal advantages of guild membership were the social benefits provided by the guild and the monetary assistance the guildsmen gave to one another, particularly in times of illness. This will have been an important consideration for Verbeeck. However, his brokerage activities made little headway. In his best year he earned 374 guilders; in other years he earned even less—certainly not enough to keep up his middle-class position in Dutch society. Nonetheless, he spent a great deal of money providing for his children. Although Verbeeck was hard up, he was not dependent on poor relief.

In 1660, things improved for Verbeeck. He earned as much in that year as he was ever to earn during his life: 400 guilders. Sadly, his brother-in-law, who was also his principal client, died soon after. As a result,

¹ Verbeeck (1999, p. 98); see also Blaak (1999).

Hermanus Verbeek lost much of his business. Before he could trim his sails to the winds he was again hit by illness—the decisive factor in his life—and was bedridden from the end of 1661. Once more, the family were left dependent on Clara's earnings. She was now taking in sewing work. She cannot have earned much though, as seamstresses were usually paid very little—at the insistence of the male-dominated tailors' guild. Hermanus Verbeek received 3 guilders a week from the guild's sickness fund, until he was able to leave his home. Each week, the guild journeyman took the money to Verbeek's house, and a receipt for the money had to be given. Once a recipient could leave his house, he was assumed to be ill no longer. It was not until 24 May 1664 that Verbeek returned to the Exchange as a broker, after first going to church. But business was poor, and six months later he was ill again. This was, and remained, a recurrent pattern in Verbeek's life, one that worsened with the years, and especially in winter.

By 1670, Verbeek had recovered sufficiently to return to work, this time as a clerk, although he remained registered as a broker. As a clerk, he was responsible for financial administration. He earned 316 guilders annually, a typical amount for clerical work at the time. But on 25 October 1670, fortune was again cruel to the Verbeeks: a fire broke out in an adjacent house and their attic was engulfed in flames. Furthermore, Verbeek was again taken ill and dismissed from his job as a result. His dismissal was attributable not only to his illness, but also to the difficult times. Fortunately, he was still a paying member of the brokers' guild, which entitled him to continue receiving benefits. At the beginning of 1673, he was afflicted by a serious lung disease. Verbeek probably never fully recovered. He died in 1681 at the age of 60. His funeral cost 16 guilders, a fairly typical sum.

Despite Verbeek's privileged positions in more prosperous sectors of Amsterdam's economy, misfortune was never far away. It was not only because of help from family and patrons, and because his wife worked, that Verbeek's family avoided becoming dependent on poor relief: assistance from the guild was crucial and without its help his family would have been unable to keep their heads above water. Between 1663 and 1670, and again from 1675, the guild regularly paid him around 3 guilders a week, between a third and a half of what he had earned in normal times. That was not

enough for him to live on, but it was indispensable, and is probably why Verbeeck remained a member of the guild despite seldom carrying out his profession. Despite his ailments, and his no doubt difficult character, he was able to survive thanks to the enduring support of the brokers' guild; support he continued to receive long after he had stopped working as a broker.

Guilds provided for burial, sickness, old age, and widowhood to masters and journeymen. Guild welfare was important for artisans, to the functioning of guilds—of which it was part and parcel—to myriad urban social relations, and to the body politic.²

This chapter traces formal mutual welfare provisions, mainly those by the guilds like the one that helped Verbeeck, in the Netherlands from the earliest date the sources allow (1550) to the dissolution of the guilds (*c.* 1800). It looks at the number of such schemes, their type (for burial, sickness, old age, or widowhood), and their nature in terms of premiums, conditions of eligibility, and allowances. It deals with why these schemes originated and how they were able to sustain themselves—notwithstanding the perennial problems of correlated risks, moral hazards, and adverse selection. Their survival over such a long period owed much to their mutual governance and their sociability. The place of guilds in the mixed economy of welfare is discussed. A brief comparative perspective is taken in the conclusion by comparing the insurance activities of Dutch guilds with those in other countries. To understand the activities of Dutch guilds better, it is expedient to begin with a brief introduction to the Netherlands in the early modern era.

2 A Corporatist World³

Hermanus Verbeeck lived in Amsterdam, then a city that dominated the Dutch Republic and was the centre of the global economy. How had such an unlikely situation come about, in which a small city governed the Republic and that small Republic defied kingdoms much larger in size?

² For a recent survey see Lynch (2003).

³ Histories of the Dutch Republic include those by de Vries and van der Woude (1995), Israel (1998), and Prak (2005). For this section I have drawn also on van Leeuwen (2000a).

By the end of the late Middle Ages, the area we now call the Netherlands had become part of the Habsburg Empire, a huge conglomeration of which ‘the lowlands’ was just a small part on the periphery. Since 1543, Emperor Charles V had ruled what would subsequently become the Republic as one of his fiefdoms and governed the territory. Ultimately, though, even the most powerful ruler must rely on the support of important institutions and stakeholders in the society he governs, and Charles’s son Philip II managed to lose that support. Disputes arose between the Habsburg crown and the Dutch nobility and cities, one of the most important centring on Habsburg enthusiasm for centralization and bureaucracy. This also saw the appointment of non-nobility to government positions, and the nobles were afraid they would lose their influence and privileges. Other important disputes concerned religion, commercial policy, and taxation. The result was revolt, which turned into a war, in which a number of northern Dutch provinces fought for independence from the Habsburgs, rejecting Phillip II as their king in 1581 and eventually securing their independence in that same year.

The Habsburg policies of centralization and bureaucracy were not perpetuated and Dutch cities remained somewhat autonomous. The Republic continued to be part of an urban zone known as ‘the backbone of Europe’, a spine running across the continent from northern Italy through southern Germany and along the Rhine to the Low Countries, which was characterized by strong urban power and weak state power, and dominated by ‘corporatism’—of which more in due course. In electing to remain autonomous, the urban elites, unwilling to defer to central government to maintain public order, were forced to ally with the middle classes and their militia companies (*schutterijen*). The result was a form of state virtually unique at the time, namely the Republic of the Seven United Provinces, forerunner of the current Kingdom of the Netherlands that was established in 1814.

Foreign diplomats often found it difficult to understand the process of decision-making in the Dutch Republic, because the centrifugal local forces were counterbalanced by weak centripetal state forces. After the Dutch Revolt, a parliament was established, the States General (consisting of representatives of the Dutch provinces), each of which claimed to be, and to a large extent was, sovereign. There was no monarch, but there

were opposing political individuals. There was no constitution, save for a rather vague treaty drawn up in 1579, when the perils of the times forced the provinces to put something on paper. In the absence of anything better, this document, the Union of Utrecht, came as close as anything to being a constitution prior to the equally perilous period of the French Revolution and its aftermath. The Union of Utrecht was deliberately rather vague on religion: to every province its own religious regime. In practice, this meant that the dominant religion—and the sole provider of politicians—was the Dutch Reformed or Calvinist Church.

In the Dutch Republic every religious group was required to pay for its poor. But they were also given the right to organize church services for their—Catholic, Lutheran, Jewish, Mennonite—co-religionists, as long as they had the common sense to do so discreetly and not disturb the public peace or incite the anger of Dutch Calvinists. This high degree of religious tolerance, so surprising to foreigners used to a single state religion, was intimately connected with the religious divisions within the Dutch population.⁴ After the Dutch Revolt, Catholic charities had initially been distrusted, and often their property was confiscated. In time, however, they resurfaced even in predominantly Protestant parts of the country, tolerated at first and encouraged later as they relieved the municipal poor relief agencies of the burden of caring for the Catholic poor. Characteristic of the religious tolerance of the seventeenth century was the fact that in Amsterdam Hermanus Verbeeck, a Catholic, could attend a Catholic church unhindered, and felt free to ask, and even received, favours from the city's Protestant mayors. And, of course, there was the fact that he could become a guild member in the first place.

Cities were administered by an oligarchy of prominent Reformed families, and vacancies were filled by co-option. Such ruling families accounted for only a small minority of the urban population. Nonetheless, the majority of the population were not without influence. They enjoyed certain rights and obligations, not just according to the political theory of

⁴At the turn of the eighteenth century, the earliest period for which we have such figures, about half of the population was Calvinist, a third Catholic, and some 10% were split among almost every religious denomination under heaven. While we do not have exact figures, it is clear that, before then, there were more Catholics, more Mennonites, and also a higher proportion of the population who were not quite sure where they stood.

the time but also in practice. These rights and obligations differed from city to city, but every city had them. For example, a city's population had the right of recourse to the jurisdiction and laws of their own city, regardless of where the crime had been committed. They were also eligible for poor relief, and, as guild members, had access to lucrative sectors of the economy. Regulations on manufacturing and distribution were delegated to guilds, whose artisan members were drawn from what, in the Dutch Republic, constituted the urban middle class. They, like other citizens from the middle class, served in the militia companies. A militia was akin to the military police and entrusted with maintaining order in the city. Guild membership and that of the militia companies were the preserve of a minority of the city's inhabitants, the so-called burghers. One became a burgher through birth, by marrying a burgher, or by purchasing the title. Most of the urban population were 'ordinary inhabitants'. They had the right of petition and could use this right to try to influence the city council. Indeed, every urban resident could petition the council or submit a complaint and, as a result, much of the council's time was taken up with reading, investigating, and ruling on such petitions.⁵

The Dutch Republic and its towns were far from being democratic, but neither were they dictatorships. They are said to have been corporatist.⁶ Corporatism is a political system in which government devolves much of its powers to corporate bodies. Today, one usually takes government to mean national government. However, in the Dutch Republic, government largely meant town government. And towns had transferred a number of key responsibilities to corporations, the most important of which were the guilds. Indeed, the term 'corporatism' comes from the French word for guild, *corporation*. Underpinning this corporatism was the urban middle class, which had at its core craftsmen such as Verbeek. Corporations, such as the civic militias, churches, universities, and poor relief institutions, had a considerable degree of autonomy, with their own

⁵ Individuals or organizations could also petition to have certain regulations, or ordinances, rescinded, amended, or implemented. In fact, ordinances were rarely changed except as the result of a petition. In Amsterdam in the eighteenth century, for example, thousands were submitted, around half by guilds, a quarter by other organizations, and a quarter by individual burghers. Van Nierop (1997, pp. 286–7).

⁶ On corporatism, see Prak (1999, 1995, 1997a) and van Nierop (1997).

members, self-government, their own statutes, capital, and income. As a political system, corporatism was an alternative not only to the system of democracy as we know it today, with universal suffrage and public accountability, but also to the bureaucratic, centralist state, headed by a sovereign, and it dominated Europe at that time.

Guilds and guild-based welfare were core elements of the Dutch Republic's corporatist system.⁷ This system gave the town government legitimacy in the eyes of its citizens, without compelling it to yield democratic representation to those citizens. Naturally, these local governments monitored the activities of the guilds. Guilds were bodies governed by public law and ultimately subject to the authority of the town government, which sometimes also approved their annual accounts. In the event of a dispute with his guild, a guildsman could always appeal to the town government.⁸ Furthermore, amendments to guild statutes were subject to the approval of that government, while town governments sometimes rejected proposals to radically curtail allowances or to introduce actuarially unsound 'improvements'. If rumours of fraud or maladministration were serious enough, the town government would launch an inquiry.

Guilds were statutory bodies representing the interests of their members, mostly urban craftsmen but also other occupations such as brokers or even weighers in the Netherlands. For its foundation, activities, and survival, a guild depended crucially on the town government. That government provided the guild with its *raison d'être*, giving it a monopoly while making membership mandatory. Where a particular guild existed, all those working in that profession in the city were required to join and to work in accordance with the rules and statutes of that guild. The guilds set wages, and prices too. Only guild members were permitted to work, and the sale of merchandise produced outside the city (and thus beyond the auspices of the local guild regime) was highly regulated. The town governments closely supervised compliance with these restrictions and

⁷On Dutch guilds see Prak (1992, 2006), Lourens and Lucassen (1994), and Lis and Soly (2006).

⁸A fine example relates to the shipwrights' guild in Amsterdam in 1744. The guild initially refused benefits to seven or eight retired members. One of them sued the guild in court and won. He was then offered an allowance, which he refused unless his colleagues were given the same. The guild then appealed to the city fathers, who overturned the court's decision. See Bos (1998a, p. 101).

regulations. There were many guilds in the Netherlands, just as there were many cities: each town had its own guilds.

The Republic was an urbanized society, and although its total population was small by comparison with other states, the number of people living in its cities was relatively large, so that while the population rose from 1 million in 1500 to barely 2 million in 1630—at which figure it remained roughly stable until the end of the eighteenth century—the proportion of city dwellers among them increased rapidly. In 1525, 27% of the population lived in towns of more than 2500 inhabitants; by 1675 that figure had risen to 42%, while by the end of the eighteenth century the figure was nearer 37%.⁹ Urbanization was most extensive in the region delineated by Amsterdam, Utrecht, Rotterdam, The Hague, Leiden, and Haarlem, today's so-called *Randstad*. With approximately 100,000 inhabitants in 1622 and twice that number in 1795, Amsterdam was far and away the largest of all the cities in the Republic. Indeed, alongside Paris and London, Amsterdam could claim to be among the greatest cities in Western Europe.

Such a high degree of urbanization had important consequences. Cities are never self-sufficient. Urbanization implies trade and a great dependence on the rest of the mercantile world. If a city's food supplies faltered, or there was a reduction in demand for what the city produced, famine would come quickly, and urbanization brought with it the risk of epidemics of sickness, as high population density promotes the spread of infectious disease. It was nothing unusual, then, that of the nine children born to Hermanus and Clara Verbeeck, no fewer than five died in infancy. The strongly urban nature of the Republic also meant that relatively few people earned their living from agriculture. Current research suggests that 'the Republic already by the 1670s had attained an occupational structure and infrastructure of local provisioning that was precociously modern'. In no other European country did fewer than half the population work in agriculture, with only England achieving comparable figures.¹⁰

⁹ De Vries and van der Woude (1995, pp. 59–61).

¹⁰ At the end of the eighteenth century, 41% of the working population worked on the land, 32% worked in industry, and 16% in trade and transport, while 11% worked in other sectors of the economy. *Ibid.*, pp. 524–9, and quotation on p. 527. See also van Zanden (1993), various articles

From a social point of view, too, urban culture had certain effects. Rich and poor lived their lives in close proximity to each other rather than in separate neighbourhoods.¹¹ Rich and poor could hardly avoid one another, not least because the early modern city was compact, and even in the ‘great city’ of Amsterdam, as far as we know, Verbeeck hardly ever made use of any kind of transport. The result was that life was carried on with great self-restraint, with problems being solved in a way that would later come to be seen as ‘typically Dutch’: a politics of compromise, official tolerance, the upper classes ruling over the lower orders with a velvet glove, and a ‘bourgeois’ culture. Such a culture allowed the middle classes a certain measure of freedom and self-organization, of which guilds and guild funds were a part.

Foreigners visiting the Republic could scarcely believe their eyes. The reports of English, German, and French visitors were full of both praise and criticism—some of it sharp—but everyone who came was brimming with amazement.¹² They remarked on the almost complete absence of a social hierarchy—although some saw that as more of a plague than a wonder.¹³ For most foreign visitors, a good society was a well-ordered society where everyone knew their place, but the Republic was an enigma for the attentive traveller. One puzzle was what class an individual belonged to. Another mystery was how folk from a lower class got the idea that they could behave so uninhibitedly towards their betters. With great amazement, in the 1730s, the Marquis of Argens related the following anecdote, from personal experience: ‘To some extent the origin of the insolence seen among commoners is the sort of equality without which I suppose no Republic can exist. A

in Davids and Noordegraaf (1993) as well as those in Davids and Lucassen (1995), and Israel (1998).

¹¹ Van den Berg et al. (1998), Lesger and van Leeuwen (2012), and Lesger et al. (2013).

¹² Israel (1998, pp. 1–2). There were always clichés in travellers’ tales, originating from the conventions of the genre and because everyone read everyone else’s work and plagiarized it. There were statements that were obviously untrue, the result of simple ignorance. But allowing for the limitations of the genre, there is much value to be had from it; an outsider’s eye sees things clearly, and even misconceptions are interesting examples of how an image is created.

¹³ One English visitor thought it remarkable that the Amsterdam mayor Cornelis Valkenier, a man ‘taxed at two ton of gold’, ‘walked about the streets just like a shopkeeper’, while East India Company seamen, pretty much the lowest of the low on the job market, sauntered by on payday like real gents in their Indian silk clothes, with rusty sabres, and a boy marching before them to carry their hats. Van Strien (1993, p. 141).

gentleman from the States General whose coach comes head-on with a farm cart must get out of the way just like any farmhand would. It'd be the same for either of them. His retinue would think twice before even shouting at the driver of the cart, let alone offering him violence. The driver is a citizen of a Republic; he recognizes a magistrate only when he's at work; apart from that, everyone's equal!¹⁴ Perhaps the Marquis was carried away a little by his amazement, but other French visitors remarked, usually with great relish, that the law applied equally to everybody: 'A citizen, assured alike of secular and religious freedom, lives in complete surety, without fear of unjust treatment from the government, neither the temporary power of the minister nor the arrogance of the powerful. [...] The only thing that counts for him is the law. He makes a distinction between the position and the person of the magistrate; he accords the official the respect his position deserves—and treats the man as his equal.'¹⁵

The Dutch Republic attracted not only distinguished travellers but also many more immigrants of modest means in search of a better life. In the seventeenth and eighteenth centuries, hundreds of thousands of immigrants made their homes in the Netherlands. Almost as many passed through on their way to other destinations, and seasonal workers came as well as migrants. Measured by the number of persons, the proportion of migrants in coastal areas of the Republic accounted for roughly half the male population, although not all migrants stayed to work for the whole year.¹⁶ The Republic was thus a land of immigrants; the presence of so many of them—among them Hermanus Verbeeck's parents—consti-

¹⁴'Une espèce d'égalité qu'il faut qu'il y ait dans les républiques, est en partie la cause de l'insolence du peuple. Un seigneur des Etats Généraux, dont le carrosse rencontre en chemin le chariot d'un paysan, doit se ranger ainsi que le manant. Il faut que tout les deux aient la moitié de la peine. Ses valets se garderaient bien d'insulter le charretier, ou encore moins de le battre. Il est citoyen de la République, il ne reconnaît le magistrat que lorsqu'il est dans ses fonctions. Ailleurs chacun est égal.' Van Strien-Chardonneau (1995, p. 200).

¹⁵'Le citoyen, assuré de la liberté civile et religieuse, vit dans une sécurité parfaite, sans avoir à redouter ni les injustices du gouvernement, ni l'autorité momentanée d'un ministre, ni les hauteurs des grands, toujours prêts, pour parvenir à leurs dessins, à rendre leurs égaux ou leurs inférieurs victimes de leur ambition. La loi seule lui en impose. Il distingue dans le magistrat la charge de la personne: il rend à la première ce qui est dû et partout ailleurs le traite en égal.' Ibid., pp. 201, 219.

¹⁶Lucassen (1995). Measured in work-years, the proportion of migrant workers in the economy was 10% in the Republic as a whole, while in Holland it was twice that. De Vries and van der Woude (1995, p. 72).

tuted both the breeding ground of the Republic's modern economy and was itself the result of it. The foreign education, professional expertise, business capital, and connections of many of the migrants were a welcome complement to those of 'the native Dutch', many of whom were in any case descendants of immigrants.

The openness of Dutch society to immigrants was visible in many places. Second-generation immigrants are to be found in lists of the wealthiest inhabitants of Amsterdam, putting them therefore among the richest individuals in the Western world. Guilds put few barriers in the way of immigrants, above all in the west of the country, so any foreign craftsman who paid his dues could be a guildsman.¹⁷ Any immigrant could afford burgher rights for a month or two's salary, although it might have been more difficult to arrange in some of the border towns of the Republic; Jews and gypsies were exceptions to the rule everywhere save in Amsterdam and The Hague, where they could and did acquire citizenship. Ghettos were unknown; if migrants lived alongside each other that was because they wanted to, most often because others from the same place or of the same religion already lived there, or perhaps because they followed trades that operated in certain neighbourhoods, such as near the docks.

In many respects the Dutch Republic was a relatively open, urban society, where the social fabric was regulated not from above, as the Habsburg monarch had wanted before the Dutch Revolt, but from within by various organizations, such as guilds, in a corporatist fashion. This meant that welfare was organized largely by religious communities in the form of philanthropy for their own poor, but also by and for guild members in the form of micro-insurance.

3 Micro-insurance at the Time of the Dissolution of the Guilds

For which risks did guild welfare arrangements exist in the Netherlands between 1550 and 1800, and what were the coverage, contributions, benefit levels, and conditions? Can guild welfare arrangements be regarded

¹⁷Jews were an exception to this: they could only rarely become guildsmen.

as insurance? How were guilds able to offer these provisions, and to what extent and how did they overcome the classic insurance problems of adverse selection and moral hazards? What were the respective roles of guild provision and poor relief in the political economy of the Dutch Republic?

To answer these questions a combination of sources and approaches is needed. A survey at the end of the *ancien régime* allows us to sketch a national, albeit static, picture of the types of provision and their coverage. Further, a database incorporating all known formal guild welfare arrangements during the period 1550–1800 allows us to determine how those arrangements evolved over time, while data for several Dutch cities from 1600 to 1800 allow us to track changes in benefit levels. For a few guilds, detailed information on benefit levels, contributions, and conditions can be estimated for the mid-eighteenth century; this is complemented by similar information from a collection of rules and regulations of early modern Dutch guilds and by taking stock of the existing literature. But let us begin at the end, as a survey prepared right at the end of the eighteenth century allows us a comprehensive overview.

During the debates in the Dutch National Assembly in 1796 and 1797 in the wake of the French Revolution, advocates of laissez-faire liberalism supported the abolition of guilds, claiming they led to intolerably high wage costs and high prices. Their opponents preferred reform, arguing that abolition would also end guild welfare. They lost, and guilds were abolished under the 1797 Constitution. Guild welfare schemes nonetheless lingered on for a while. In 1805, Amsterdam sent its town secretary to the capital, The Hague, for clandestine deliberations to save the guilds from dissolution, and noted those deliberations in a secret minute book. His comment on the shipwrights' and the fishmongers' guilds reads: 'It is well known that a large number of people, who can safely be counted amongst the roughest and the most uncouth of the local population, belong to these two guilds. If such numbers and types of men are not made to comply with the strictest laws, and are not constantly [...] supervised by such persons as move amongst them every day, then it is certain that they cannot possibly be kept under control.' The city fathers believed the abolition of the guilds would mean that 'all the resources for the sick, for the aged and for widows would run completely dry, and that

the number of needy people, of whom Amsterdam already has so frightful a multitude, would be infinitely multiplied'.¹⁸ Their concerns and the secret talks were to no avail. When the Kingdom of the Netherlands was established in 1814, the guilds were not re-established; they were finally abolished in 1820. Though the guilds could not be saved, the attempts to do so led to surveys listing Dutch guilds and their schemes, as well as a few commercial schemes.

Table 2.1 lists the number of such schemes and also offers an estimate of the percentage of the total Dutch population directly covered. At first sight, the numerical coverage is unimpressive. Even the burial schemes directly covered only 3–7% of the total population (the margin reflects the fact that while the number of funds is known, their precise average size is not). This initial impression might be misleading, however. The percentages relate to the number of persons directly covered—mainly male artisans and journeymen—as a percentage of the total population. But many of those men had families that were indirectly covered. If a master carpenter became ill and he received sickness benefit to compensate for lost income, this also helped his wife and children. Thus, the indirect coverage was perhaps three to four times as great, depending on the average family size. Furthermore, as guilds were an urban phenomenon, the coverage of the urban population was still greater, certainly in the west of the country. All in all, in 1811, the percentage of the male labour force with some form of mutual insurance may have been as much as 42% in Utrecht, 55% in Leiden, and at least 22% in Amsterdam.¹⁹

Of all the sickness benefit schemes existing in 1811, only 10% were founded in the nineteenth century; the remaining 90% had their roots in the three preceding centuries (see Table 2.2, panel A). The situation in 1811 is thus more than just a reflection of the situation at the very end of guild welfare; it offers a glimpse into the distant past. The fact that by far the most guild schemes in existence in 1811 were old suggests not only that they did something good, but also that they might have given mem-

¹⁸ De Boer (1932), Wiskerke (1938), and Van Leeuwen (2000a, p. 168).

¹⁹ Bos (1998a, p. 245). Her data suggest that in Amsterdam, coverage was *c.* 25%, i.e. 14,000 artisans, journeymen, and their families. This was 7% of the total population, correcting for under-registration. Van Leeuwen and Oeppen (1993, p. 72).

Table 2.1 Insurance schemes for burial, sickness, widowhood, and old age in the Netherlands, 1800–10

| Covering | Provider | Numbers | | % Dutch population insured | |
|------------------|------------|---------|------|----------------------------|------|
| | | 1800 | 1810 | 1800 | 1810 |
| Burial | Mutual | 248 | 279 | . | . |
| | Commercial | 6 | 13 | . | . |
| | Total | 254 | 292 | 3–6 | 3–7 |
| Sickness benefit | Mutual | 194 | 211 | . | . |
| | Commercial | 1 | 1 | . | . |
| | Total | 195 | 212 | 1–3 | 1–3 |
| Medical costs | Mutual | 55 | 69 | . | . |
| | Commercial | 5 | 10 | . | . |
| | Total | 60 | 79 | 0–1 | 1 |
| Widowhood | Mutual | 21 | 22 | . | . |
| | Commercial | 0 | 2 | . | . |
| | Total | 21 | 24 | 0–1 | 0–1 |
| Old age | Mutual | 49 | 50 | . | . |
| | Commercial | 0 | 0 | . | . |
| | Total | 49 | 50 | 0–1 | 0–1 |

Source: Numbers of insured van Genabeek (1999), coverage van Leeuwen (2000c); see also the tables in Chap. 3

bers the assurance that their micro- insurer would not abscond or default, and that they would actually deliver when the time came.

Of those 225 schemes, the great majority (150) were operated by the guilds, while a further 20 were operated by an organization of fellow craftsmen (see Table 2.2, panel B), working in a particular *nering*.²⁰ The *nering* was an organization set up by the urban authorities to regulate the production and sale of a certain type of product. It supervised masters, journeymen, and merchants, but was organized more loosely. Unlike guilds, a *nering* had no members. It could not, therefore, offer welfare directly; however, a separate organization of fellow craftsmen could. In another eight cases, a fund was restricted to migrants from a particular region (many of whom would have worked originally in the same trade) and their descendants, or to co-religionists. In 46 cases,

²⁰ Posthumus (1937) and Davids (1996).

Table 2.2 Sickness benefit insurers in the Netherlands in 1811

| A Age | | | |
|---------------------------|-----|--------------------------|----|
| No. of years in existence | | % | |
| 0–9 | | 10.7 | |
| 10–19 | | 11.6 | |
| 20–29 | | 5.3 | |
| 30–39 | | 5.7 | |
| 40–49 | | 2.7 | |
| 50–100 | | 19.1 | |
| 100+ | | 44.9 | |
| Total (N=225) | | 100 | |
| B Type (N=225) | | | |
| Guild | 150 | Of which for: | |
| | | Master | 75 |
| | | Journeyman | 59 |
| | | Master and journeyman | 10 |
| | | No distinction | 6 |
| Fellow craftsmen | 20 | | |
| Special | 8 | | |
| General | 46 | | |
| Unclear | 1 | | |

Source: *Bussen* database

the scheme was of a general nature, while in 1 case the exact nature is unclear. Most guild schemes were for masters only, but there were also many just for journeymen, and also a few open to both masters and journeymen; some guild schemes had only one type of member and did not differentiate between masters and journeymen. In rare cases, journeymen were full members of the guild. Guild schemes existed for bakers, bargemen, basket makers, blacksmiths, brewers, brokers, carpenters, compass makers, coopers, corn millers, drapers, furriers, goldsmiths and silversmiths, hatters, linen weavers, masons, painters, printers, shipwrights, shoemakers, surgeons, tanners, tinsmiths, vintners, and others of the middling sorts.

We can calculate the level of benefits in 1811. As a national average, sickness benefit amounted to 2 guilders a week; the mean burial allowance was 39 guilders, whereas the average annual widow's pension was

64 guilders, and an old age pension 104 guilders per year. In themselves, these averages are not very revealing, but we can compare them with the average amounts given by poor relief agencies. The level of guild benefits was much higher than poor relief, which amounted to 11 guilders annually in the years 1832–50.²¹

Regional differences are also of interest. The small number of schemes offering widows' and old age pensions for which data are available precludes a breakdown of these data by province, but in 1811 burial allowances were clearly highest in the western provinces of North and South Holland, and in Utrecht—35, 47, and 35 guilders respectively—compared with 16, 16, and 17 guilders in Friesland, Gelderland, and Overijssel respectively. In the case of sickness benefits, we can observe the same regional disparity: high levels in North Holland (2 guilders per week), South Holland (2.4), and Utrecht (1.9) and low levels in Friesland (1.5), Gelderland (1.6), and Overijssel (1.6). These disparities in part reflected differences in the cost of living, or perhaps we should say the cost of dying in this case as the figures relate to burials, but also differences in wages.

In 1811, we thus see the tail end of early modern guild welfare being more prominent—in terms of the number of schemes and the average benefit level—in the provinces of Holland and Utrecht, but by no means absent elsewhere. Recently, some historians studying villages and small towns in the Netherlands have surmised that guild welfare was almost non-existent outside Amsterdam.²² The data presented here, and in the following, make it clear that while guild welfare peaked in the towns of Holland, it was by no means non-existent in other places. Over the whole country, artisans were protected by this form of welfare. But to what extent?

²¹De Meere (1992, p. 49). His numbers relate both to those on relief for the whole year as well as those on relief for part of the year, often during the winter season. The comparison with guild benefits is not easy to make, and is intended only to give a sense of the order of magnitude.

²²Remmerswaal (2006, Chap. 9, esp. p. 125) and Zondergeld-Hamer (2006, p. 155).

4 Scope of Coverage

Guild welfare before 1811 is difficult to describe comprehensively. One helpful source though is the *Bussen* database, containing information on mutual funds with written rules and regulations between 1500 and 1820.²³ While the database has been formed over a great many years from a range of both published and archival sources, there is no guarantee that it contains every fund that ever existed in the Northern Netherlands. It certainly includes the overwhelming majority of them, approaching full coverage at the end of the period; but, especially for the earlier period, some, notably short-lived funds, might not have been recorded. Furthermore, we do not always know exactly when a fund actually began and when it ceased to exist.²⁴

Table 2.3 confirms that mutual insurance for burial and sickness had a long history. Even in the mid-sixteenth century, there were funds to cover burial costs and loss of wages; from at least the mid-seventeenth century,

²³ This database was created over many years by Sandra Bos and others as part of research conducted at the International Institute of Social History by Jan Lucassen and Piet Lourens. See Lourens and Lucassen (1994), Bos (1998a, pp. 357–8), and van Genabeek (1999, apps. 1 and 2). The starting point was the registers compiled by H. G. Schuddebeurs of his database on Dutch insurance companies up to 1952: Netherlands Economic Historical Archives, Bijzondere collecties, collectie Schuddebeurs. Two national statistical surveys were also used: the 1798 survey held by the government to deal with the dissolution of the guilds, Nationaal Archief, Wetgevende Collecties; and the 1812 survey, 'Caisses de secour et de prévoyance', Nationaal Archief, Binnenlandse Zaken. Data relating to schemes for journeymen were taken mainly from the survey by Timmer (1913). Lourens and Lucassen have supplemented this material with information from many local articles and printed and archival sources for the period 1500–1820. Bos has not quantified the development of insurance schemes over time using the *Bussen* database; I have, however, benefited greatly from her study and its wealth of detail. Her databases have now been made publicly available at http://www.collective-action.info/_DAT_Main2.

²⁴ The start year in the database is the year in which a fund was first mentioned as having written rules and regulations. If it is unclear whether a scheme existed in a reference year given in the tables presented here, it was excluded from the calculations for that year. For each guild box, the database gives a single start year and a single end year, even if several types of insurance were offered. A guild might actually have offered a particular type of insurance from its inception and another type only later. The data do not allow one to satisfactorily resolve this problem. It was probably more significant in the case of widows' and old age insurance, which, as a rule, guilds provided only later on, and much less significant with health and burial insurance. To avoid antedating schemes for widows and the elderly, these data are omitted from Tables 2.3 and 2.4. An insurer providing multiple types of insurance is included just once in the 'Total' column.

Table 2.3 Minimum number of insurance schemes for burial and sickness in the Netherlands, c. 1550–1795

| | Burial | Sickness benefit | Medical costs | Sickness benefit or medical costs | Total number of insurers |
|------|--------|------------------|---------------|-----------------------------------|--------------------------|
| 1550 | 4 | 6 | 0 | 0 | 7 |
| 1600 | 18 | 27 | 0 | 0 | 33 |
| 1650 | 57 | 74 | 5 | 1 | 105 |
| 1700 | 100 | 111 | 11 | 2 | 161 |
| 1750 | 191 | 176 | 25 | 5 | 276 |
| 1795 | 258 | 211 | 35 | 8 | 354 |

Source: Bussen database

NB In 1795, for instance, there were 258 insurers for burial, 211 for sickness benefit, 35 for medical costs, and 8 for either sickness benefit or medical costs. This gives a total of 512 insurance schemes for burial and sickness. Those were offered by 354 different providers, some offering more than one type of scheme see also note 24.

there were also funds to meet the cost of medical treatment. After burial insurance, sickness benefit was the most frequent form of guild insurance. Some guilds not included might have reimbursed the costs of a physician or medicines, too, but only on an informal basis.

Table 2.4 gives a breakdown of Dutch health insurers by type of organization. For all years, the great majority of providers of sickness benefit operated within the context of a guild, while there were also insurers that restricted membership to fellow craftsmen. This ensured a close link between occupation and insurance. Only a small minority of insurers operated general schemes open to all, or schemes exclusively for special groups, such as migrants. Some ‘general’ schemes might actually have been restricted to members of the same occupation or to those of a particular faith, particularly Calvinists. The figures show that during the eighteenth century, the hold of the guilds on the health insurance market weakened; more general schemes emerged, as did occupational schemes specifically for workers in the same sector. This picture is confirmed by the data from 1811. In that year, the average age of guild funds was 112 years; the comparable figure for general funds was only 42.

Table 2.4 Minimum number of insurance schemes in the Netherlands, by type of provider, c. 1550–1795

| | Guild | Fellow craftsmen | Special | General | Total % | <i>N</i> |
|---------------------------------------|--|------------------|---------|---------|---------|----------|
| 1550 | 100 | 0 | 0 | 0 | 100 | 7 |
| 1600 | 88 | 6 | 0 | 6 | 100 | 33 |
| 1650 | 86 | 12 | 0 | 2 | 100 | 105 |
| 1700 | 84 | 11 | 2 | 4 | 100 | 161 |
| 1750 | 74 | 10 | 3 | 14 | 100 | 276 |
| 1795 | 62 | 9 | 3 | 25 | 100 | 354 |
| Key: Membership restricted to: | | | | | | |
| Guild | Masters and/or journeymen of a guild | | | | | |
| Fellow craftsmen | Craftsmen in the same occupation | | | | | |
| Special | Migrants from a particular region (and their descendants) or co-religionists | | | | | |
| General | All other schemes | | | | | |

Source: *Bussen* database

5 Benefit Levels and Conditions

What could one expect from mutual insurance? A guild member expected, first and foremost, a dignified funeral, one worthy of his profession's status. The cortège would wind its way from the deceased's home to his grave. Guild members acted as pall-bearers, carrying the pall-covered bier on which were also placed the guild's silver shields, if, that is, it had any. Heading the procession was usually a journeyman. In 1811, the average allowance to cover burial expenses was 39 guilders, with quite a degree of geographical variation in benefits, ranging from 16 guilders in the provinces of Drenthe and Friesland to 47 guilders in South Holland (the former province of Holland was split into two in 1811). Table 2.5 gives the level of burial allowances in some Dutch cities between 1650 and 1800 and suggests that from at least the mid-seventeenth century, Holland's cities were generally more generous than those elsewhere, even given the fact that burials in the west were probably more expensive than in the rest of the country. Within Holland itself, however, there was considerable variation.²⁵ Some guilds paid only an allowance; some paid nothing and provided services in kind; others did a bit of both, or responded ad hoc.

²⁵Around 1750, journeymen carpenters in Utrecht received more than their masters, who, however, received items in kind, such as a pall and a grave. Nor were the sickness benefits paid to

Table 2.5 Level of burial allowances in Dutch cities, c. 1650–1800, in guilders

| City | Guild | 1650 | 1700 | 1750 | 1800 |
|------------------|---------------------------|------|------|-------|-------|
| Amsterdam | Surgeons | 30 | 30 | 30 | 30 |
| Utrecht | Carpenters | . | 30 | 30 | 50 |
| Utrecht | Journeymen carpenters | . | . | 36 | 50 |
| Leiden | Journeymen woolcombers | . | 20 | 30 | 35 |
| Rotterdam | Journeymen bricklayers | . | 10 | 10 | 10 |
| Kampen | Carpenters' guilds | . | . | 11 | 20 |
| 's-Hertogenbosch | Various guilds | . | . | 10–30 | 20–30 |
| Groningen | Journeymen shoemakers | . | . | . | 10 |

Source: Selles (1967–8, p. 250), van Druenen (1986, pp. 98–9), Bos (1998a, pp. 67–8, 162, 189–90, 224–5), Vos (2007, p. 197), and Buursma (2009, p. 307)

We are particularly well informed concerning one burial scheme, the *Vrijwillige Liefdebeurs* ('Voluntary Love Fund'), founded in Haarlem in 1719 and still in existence today.²⁶ It was (and still is) a general scheme, independent of the guilds. Continuing to admit new members even today, it is the oldest general life insurance company currently in existence in the Netherlands. At its inception, the joining fee was 10 *stuivers*, that is half a guilder, with a weekly contribution of 1 *stuiver* (2 *stuivers* for the first 13 weeks). Benefits were 30–65 guilders, depending on the fund's reserves. This was sufficient for a sober burial, with a little left for the next of kin, but it was not enough for a grand funeral. To prevent adverse selection—discussed later in more detail—in which only the very elderly or seriously ill joined, a number of measures were taken. An aspirant member had to appear before the board so that his or her health could be assessed. Further, applicants over 40 were rejected because of the higher rate of mortality among the elderly; similarly, those younger than 12 were rejected because of the high rate of child mortality. Finally, one had to have been a member for three months before one became eligible for an allowance. Other schemes had similar restrictions. Some demanded a doctor's certificate before admitting an applicant.

journeymen lower, as will become clear, though both the entry and the benefit conditions were less favourable; moreover, journeymen carpenters paid double the annual premium of their masters, though not the high initial fee.

²⁶ Halbertsma (1982) and Sliggers (1994). It has now merged with another insurer. See <http://www.onderlinge1719.nl>, date accessed 28 May 2015.

After burial insurance, the second most important form of cover was sickness insurance. In 1811, the weekly level of sickness benefit generally averaged 2–3 guilders. Table 2.6 shows how those levels changed between 1600 and 1800. Allowing for inflation, the real value of benefits was probably fairly constant from 1650 (and possibly from as early as 1600) until the end of the eighteenth century, when it slipped. Benefit levels tended to be between a third and a half of wages. To give a sense of the order of magnitude, they were two to three times those of poor relief. In terms of the level of sickness benefit, guild members were better off receiving an allowance from the guild than from a poor relief agency, as the city fathers in Dordrecht pointed out to the sack-carriers, who were considering establishing a sickness benefit scheme: ‘such a scheme would not only unburden the poor relief, but also provide its members with more generous support’.²⁷ A member was sometimes allowed to continue receiving benefits for longer than the rules and regulations permitted, though the duration of receipt would be restricted when the guild’s resources were low.²⁸

Apart from compensating lost income, the guild sometimes paid the costs of medication and the physician’s or surgeon’s fee. The guildsmen were also required to keep a vigil at a brother’s sickbed, except in cases of infectious disease. To counter infection, the Amsterdam carpenters’ guild ruled that if a brother ‘were to be taken ill from the rapid sickness of pestilence, red measles, and suchlike he should be confined to his house for six weeks’, during which period he received sickness benefit.²⁹

Guilds by no means supported all their sick members.³⁰ Assistance was sometimes denied if the applicant had not been a member long enough,

²⁷ Palmen (1998a, p. 223).

²⁸ We know little about actual benefit duration. In the case of the coopers’ guild in Gouda, 1755–84, of the 156 incidences of sickness benefit, the duration of receipt was 1–6 weeks in 69% of cases, 7–12 weeks in 12%, 13–18 weeks in 12%, 19–24 weeks in 6%, and 25–30 weeks in 3%. *Ibid.*, p. 222.

²⁹ Bos (1998b, p. 107).

³⁰ We also know little about the proportion of guild members who benefited from an allowance for illness. For example, in the eighteenth century, the shipwrights’ guild in Amsterdam provided support in the event of sickness to somewhere between 3 and 7% of its members. Bos (1998a, pp. 90 and 98). In the seventeenth century, the Plantijn printing shop in Antwerp saw a sickness percentage of 4%, and in the eighteenth century 7%. These figures refer to the average number of weeks each employee lost to sickness in a year as a percentage of the total number of weeks they were

Table 2.6 Level of sickness benefit in Dutch cities, c. 1600–1800

| City | Guild | 1600 | 1650 | 1700 | 1750 | 1800 |
|---|---------------------------|-------|-------|---------|---------|---------|
| <i>A. Benefit in guilders per week</i> | | | | | | |
| Amsterdam | Surgeons | 2 | 3 | 3 | 3 | 3 |
| Amsterdam | Shipwrights | 0.5 | 2.5 | 2.5 | 2.5 | 1.25 |
| Amsterdam | Peat-porters | 1.5 | 2.5 | 3 | 3.25 | 3 |
| Utrecht | Master carpenters | . | . | 1.5 | 2.5 | 2 |
| Dordrecht | Three guilds | 2–3 | 2–3 | 2–3 | . | . |
| Delft | Various guilds | 3.5 | 3.5 | 3.5 | 2–3 | . |
| Gouda | Pipemakers | . | . | . | 3 | . |
| Kampen | Carpenters | . | . | . | 1.5 | 1.5 |
| Rotterdam | Journeymen bricklayers | . | . | 1.5–2.5 | 1.5–2.5 | 1.5–2.5 |
| Utrecht | Journeymen carpenters | . | . | 2.5 | 2.5 | 2.5 |
| Leiden | Journeymen woolcombers | . | . | 1.5–2.5 | 2 | 1 |
| Groningen | Journeymen shoemakers | . | . | . | 2 | 1.5 |
| Groningen | Journeymen boxmakers | . | . | . | 1.2 | . |
| <i>B. Estimates of sickness benefit as % of wages^a</i> | | | | | | |
| Amsterdam | Surgeons | . | . | . | . | . |
| Amsterdam | Shipwrights | 10 | 40 | 40 | 40 | 20 |
| Amsterdam | Peat-porters | 40 | 40 | 50 | 60 | 50 |
| Utrecht | Master carpenters | . | . | 30 | 40 | 30 |
| Dordrecht | Three guilds | 50–70 | 30–50 | 30–50 | . | . |
| Delft | Various guilds | 80 | 60 | 60 | 30–50 | . |
| Gouda | Pipemakers | . | . | . | 50 | . |
| Kampen | Carpenters | . | . | . | 40 | 40 |
| Rotterdam | Journeymen bricklayers | . | . | 30–50 | 30–50 | 30–50 |
| Utrecht | Journeymen carpenters | . | . | 50 | 50 | 50 |
| Leiden | Journeymen woolcombers | . | . | 30–50 | 40 | 20 |
| <i>C. Sickness benefit as multiple of winter payment by poor relief board^b</i> | | | | | | |
| Amsterdam | Surgeons | . | . | 3 | 3–4 | 2 |
| Amsterdam | Shipwrights | . | . | 2–3 | 2–4 | 1 |
| Amsterdam | Peat-porters | . | . | 3 | 3–5 | 2 |
| Dordrecht | Three guilds | 2–3 | 2–3 | 2–3 | . | . |
| Delft | Various guilds | 2 | 2 | 2 | . | . |

(continued)

Table 2.6 (continued)

Source: Selles (1967–8, p. 246), van Leeuwen et al. (1981), Nusteling (1985, p. 255), van Druenen (1986, pp. 98–9), de Meere (1992, p. 75), van der Wiel (1994), de Vries and van der Woude (1995, pp. 609–15), Hulshof (1996, p. 135), Bos (1998a, pp. 68, 93, 97–8, 118, 123, 135, 165, 191, 195, 225–6, 281), Palmen (1998a, p. 221, 1998c, p. 240), and Buursma (2009, p. 305)

^aGuild benefits as a percentage of wages were calculated as follows. The starting point is the wages paid to Amsterdam shipwrights and peat-porters as supplied by Bos for the period 1650–1800. These may also be used as approximations for those of masters in other towns in Holland in the same period due to the rather uniform level of wages in its towns. For journeymen in Holland, it has been assumed that their wages during this period were 85% of those of masters. Wages in Holland in 1600 have been estimated at 75% of those in 1650, an estimate consistent with the index for Amsterdam presented by Nusteling (1985). Outside Holland, wages were lower, so for wage levels there, some kind of downward correction had to be made. Kampen wages have been estimated at 70% of those in Amsterdam, based on wage data for 1819 presented by de Meere (1992).

^bThe Amsterdam poor relief benefits, as presented by van Leeuwen, Schoenmakers, and Smits (1981), are those paid by the municipal poor relief agency, the Oudezijds Huiszittenhuis. Where a pair of multiples is given in the bottom panel of the table, the lower figure relates to winter relief paid to a single pauper while the higher figure relates to winter relief to a pauper family with two children.

or if he had been sick too long or too often, was behind in paying his premiums, had incidental earnings that alleviated his poverty, or if he led an ‘unseemly’ life—if, for example, he had an illness (such as venereal disease) or injury (perhaps incurred in a fight or through being drunk) attributable to reprehensible conduct.³¹ These restrictions were meant to curb moral hazards, which we discuss in more detail later.

Alongside burial and sickness insurance came insurance for old age. A few guilds offered members no longer able to work a pension from the age of 50 or 60. In 1654, for example, the Amsterdam shoemakers’ guild ruled that from about the age of 60, shoemakers could receive a pension if

employed, for the period from 1654–1765, as calculated by Riley (1987, appendix). Some of the increase was the result of the ageing of the workforce, because obviously as people age they tend to fall ill more often. These percentages for the early modern workforce that were sick are similar to those for Dutchmen today.

³¹ Brouwer Ancher (1895, pp. 104–7), Kölker (1968, pp. 158–60), Timmer (1913, p. 173 et passim), de Ridder (1994, p. 110), Bos (1998a, passim), and Palmen (1998a, p. 224).

Table 2.7 Level of old age pensions in Dutch cities, c. 1600–1800

| City | Guild | 1600 | 1650 | 1700 | 1750 | 1800 |
|---|---------------------------|------|------|---------|-------|-------|
| <i>Guilders per week</i> | | | | | | |
| Amsterdam | Surgeons | . | . | . | 3 | . |
| Amsterdam | Shipwrights | 0.25 | 1.5 | 2.5 | 3 | 1.5 |
| Amsterdam | Peat-porters | 1.5 | 2.5 | 3 | 3.5 | 3 |
| Gouda | Pipemakers | . | . | 3 | . | . |
| Leiden | Journeyman woolcombers | . | . | 1.8 | 1.8 | 1 |
| Rotterdam | Journeyman bricklayers | . | . | 1.5–2.5 | 1.5–2 | 1.5–2 |
| <i>Pension as % of wages</i> | | | | | | |
| Amsterdam | Shipwrights | 5 | 25 | 40 | 50 | 25 |
| Amsterdam | Peat-porters | 35 | 45 | 50 | 60 | 50 |
| Leiden | Journeyman woolcombers | . | . | 35 | 35 | 20 |
| Rotterdam | Journeyman bricklayers | . | . | 30–50 | 30–40 | 30–40 |
| <i>Pension as multiple of winter payment by poor relief board (see Note b, Table 2.6)</i> | | | | | | |
| Amsterdam | Surgeons | . | . | . | 3–4 | . |
| Amsterdam | Shipwrights | . | . | 2–3 | 3–4 | 1 |
| Amsterdam | Peat-porters | . | . | 3 | 3–5 | 2 |

Source: Van Leeuwen et al. (1981), Nusteling (1985, p. 255), van Druenen (1986, pp. 98–9), de Vries and van der Woude (1995, pp. 609–15), Hulshof (1996, p. 135), and Bos (1998a, pp. 70–1, 110, 118, 123, 227)

they were no longer able to carry out their trade due to ‘illness [...] or such like’.³² As with many other guilds, the age limit was flexible. The fund’s administrators might occasionally grant an old age pension to younger members. The old age pension was generally between a third and a half of normal wages; it was thus insufficient to allow the elderly craftsman to maintain the standard of living he had enjoyed before retiring, although it was still higher than poor relief (see Table 2.7).³³ Even so, many guilds

³²Brouwer Ancher (1895, p. 107).

³³Of course, even today the most generous pension schemes pay only a percentage of a recipient’s final salary. In the Netherlands, currently, the target percentage is often thought to be about 70%. The last panel of Table 2.7 displays an interesting change: by 1800, the value of a pension relative to poor relief had dropped. This drop reflects in part a fall in pension levels, but also a significant rise in the value of bread offered by the poor relief board during a year of high grain and bread prices.

still regarded pensions as too expensive. A guild could end up having to pay them for many years.³⁴ To ensure the guild's reserves were not wiped out by this burden, strict eligibility requirements were set. Recipients had to have been a member for a long period. And the guilds imposed a limit on the number of recipients at any one time. Unlike with widows' insurance, no non-guild-based insurers for old age emerged, which suggests only a few well-organized guilds, with their compulsory membership and accumulated capital, were in a position to provide these expensive old age pensions.

Last but not least, guilds helped craftsmen's widows, too, often granting them the right to continue their late husband's business in their own name, while a master journeyman actually did the work.³⁵ Many widows thereby retained their husband's guild rights. For example, in 1605 the Amsterdam fellmongers and shoemakers' guild ruled that 'if a guildsman has died and his widow has [continued to pay] [...] the membership fee and a contribution to the fund, she shall be entitled to benefit from the fund in the same way as other guildsmen'.³⁶ Occasionally, where a widow was unwilling or unable to continue the business, she received a widow's pension. Table 2.8 shows that for widows of Amsterdam surgeons and peat-porters, this pension was generally higher than poor relief—sometimes three to four times higher. It was only a quarter of wages, however. Guilds could insist that widows—and other beneficiaries—had to be poor to claim benefits, but widows could dispute this. In 1770, for example, widows of carpenters in Amsterdam claimed a right to a pension 'regardless of whether they were poor', as indeed is the principle with insurance. The city authorities agreed, apparently regarding it as an entitlement too. The carpenters' guild even had to pay a pension to a wealthy widow owning shares worth 20,000 guilders.³⁷

It is interesting that some—although not all—guilds paid the widow of a master a pension equal to, or not much less than, that of a retired

³⁴ In the period 1681–1800, an inhabitant of Amsterdam aged 60 could generally expect to live another 11 years. Van Leeuwen and Oeppen (1993) and van Leeuwen (2000a, p. 60).

³⁵ Schmidt (2001, pp. 205–10).

³⁶ Bos (1998b, p. 108).

³⁷ De Ridder (1994, p. 110). The carpenters' guild in 's-Hertogenbosch also paid pensions to widows of master carpenters 'regardless of whether they were indigent'; Vos (2007, p. 185).

Table 2.8 Level of widows' pensions in Dutch cities, c. 1700–1800

| City | Guild | 1700 | 1750 | 1800 |
|--|-----------------|------|------|------|
| <i>Guilders per week</i> | | | | |
| Amsterdam | Surgeons | . | 3 | . |
| Amsterdam | Peat-porters | 1.5 | 1.6 | 1.5 |
| Vlissingen | Combined guilds | . | 2.9 | . |
| Zierikzee | Carpenters | . | 2.3 | 1.8 |
| <i>Pension as % of wages</i> | | | | |
| Amsterdam | Peat-porters | 25 | 30 | 25 |
| <i>Pension as multiple of winter payment by poor relief board</i> (see Note b, Table 2.6) | | | | |
| Amsterdam | Surgeons | . | 3–4 | . |
| Amsterdam | Peat-porters | 1–2 | 1–2 | 1 |

Source: Van Leeuwen et al. (1981), Bos (1998a, pp. 75, 120–1), and Remmerswaal (2006, pp. 119–20)

master himself, as can be seen by comparing Tables 2.7 and 2.8 (and also from Tables 2.10 and 2.12). This suggests a notional gender equality with regard to old age pensions: if a guild could afford it, it would pay a widow the same allowance as a master. The fact that not all guilds could afford this, and preferred then to pay more to their client, the master, than to his widow is perhaps less surprising than the notional gender equality in the first place. After all, guilds were operated by and for their male members.

In the course of the eighteenth century, commercial widows' funds emerged, and their fate is illuminating for the dealings of mutual widows' funds too. Widows' funds outside the guilds were subject to a degree of official supervision.³⁸ The founders normally applied only for approval (from the highest provincial court or even the States General). Only the States of the province of Zeeland actually issued (in 1776) ordinances regulating such funds. Approval did not entail regular monitoring; it meant simply that the fund's regulations had to comply with legislation and local ordinances. The authorities seldom inspected the annual accounts. Government consent was, however, almost always required to amend a fund's regulations. Further, fund members could complain to the authorities if they suspected fraud or mismanagement. Nonetheless,

³⁸Van der Valk (1998, pp. 29–33).

non-guild widows' funds did frequently go bankrupt.³⁹ In the early nineteenth century, non-guild funds mushroomed, promising high returns for low premiums. It was often only when their widows actually had to be provided for that it became clear that premiums had not always been calculated prudently. The error was often fatal. That is why, in 1830, the Dutch government rejected 27 of the 28 widows' funds approved ten years previously.⁴⁰ Nor was calculating premiums prudently necessarily a solution either, as this did not just prevent bankruptcy; in many cases it prevented the very formation of a fund, as the market became too small: there were simply not enough citizens willing and able to pay such premiums. Outside the guilds, Dutchmen could not be sure that widows' funds could be trusted to deliver. And outside the guilds, where widows' schemes could not be subsidized from sources of income other than premiums, the market was tough.

Time and again the lessons of the Dutch mathematician Nicolaas Struyck (1687–1769) were ignored. He was one of the first to calculate an actuarially sound premium for widows' pensions.⁴¹ Struyck was born to a prosperous silk trader and goldsmith, and thus a guild member, in Amsterdam in 1687. He was destined to become a mathematician, but he also studied and taught astronomy and navigation.⁴² In insurance circles he is still known principally for his life tables, published in 1740. These were the first to make a distinction between men and women. Struyck's life tables commanded considerable respect right from the start and his publications earned him great prestige at home and abroad. In 1749 he was elected a fellow of the Royal Society in London and in 1755 a member of the *Hollandsche Maatschappij van Wetenschappen* and a corresponding member of the *Paris Académie des Sciences*. One of Struyck's achievements was to prove that the premiums charged by the

³⁹ This seems to hold true, too, for German widows' funds. See Wunder (1985, p. 72) and Rosenhaft (2004).

⁴⁰ Gales (1998a, p. 15).

⁴¹ Bouwstoffen (1897), van Haften (1925), Meijer (1976), and Stamhuis (1998, pp. 168–9).

⁴² His first publication, *Uytrekening der Kanssen in het spleen*, appeared in 1716, but his principal writings were *Inleiding tot de algemeene geographie, benevens eenige sterrekundige en andere verhandelingen* (1740) and *Vervolg van de beschryving der staartsterren, en nader ontdekkingen omtrent den staat van 't menschelyk geslagt, benevens eenige sterrekundige, aardijkskundige en andere aanmerkingen* (1753).

widows' funds were often too low to pay for the pensions being promised (a major reason for the bankruptcy many of them faced). One example was Voorziet Uw Huis ('Take Care of Your Home'), a widows' fund set up in Amsterdam in 1750. Premiums were age-related. A couple both aged 40 paid a one-off deposit of 70 guilders plus 30 guilders annually. In return, the wife was promised an annual widow's pension of 200–300 guilders. Struyck calculated that an annual premium of not 30 but 100 guilders would be necessary to sustain such payments.

No insurer could charge premiums of this kind. Some guilds charged lower premiums, covering the deficit from other sources of income, notably capital endowments. Non-guild widows' funds could not do that.⁴³ In all cases, over the course of his life, a client paid a large lump sum to a fund, which undertook to pay his widow a periodic pension in due course, creating a large gap between the time the client fulfilled his obligations and the time the insurer needed to do so. The first widows' fund was established in Middelburg in 1735. As far as we know, there were close to 50 such funds during the lifetime of the Dutch Republic. Their growing popularity reflected the demand for this type of insurance from among members of the middle class affluent enough to pay the contributions but denied access to the guild schemes.

In 1754, a widows' fund was set up in Monnickendam. Under the device 'What man is he that liveth, and shall not see death?' (Psalm 89: 48), the fund urged husbands to take out life insurance on behalf of their wives. This motto appealed to a middle-class culture stressing the importance of vigilance and foresight; it was an attempt, too, to avoid the aura of gambling associated with insurance. Probably the fund also intended to appeal to the general Christian concept of good stewardship. In any case, anyone who appeared healthy and was younger than 60 could join the Monnickendam widows' fund. Contributions were age-related. Although it was actuarially possible at the time to calculate sound premiums, as Struyck had demonstrated, the problem was that an actuarially sound premium would have been so much higher as to dissuade most artisans, shopkeepers, and others of the 'middling sort'. A comparison between contributions made and the level of contributions necessary to cover

⁴³Riley (1982, p. 72) and Bos and Stamhuis (1998, pp. 179–82).

expenditure shows that the pensions paid were too high. Not surprisingly, then, the Monnickendam fund soon went bankrupt. The insolvency of non-guild widows' funds illustrates a comparative advantage enjoyed by mutual funds, backed up by the support of the city authorities, over market parties: trust. Given the timespan between premiums being paid and returns being received, an important element in the viability of micro-insurance is the credibility of the insurer. Clients need to feel that the insurer will be around in the future, and not abscond with the coffers or go bankrupt. The ill-fated history of the Monnickendam fund reminded the Dutch that guilds were to be trusted more than for-profit companies.

6 Guilds as Micro-insurers

Welfare economics makes clear that there are certain recurrent problems that plague insurers in general: moral hazard and adverse selection. How did the guilds cope with these challenges?

As noted in Chap. 1, a moral hazard relates to behaviour that increases the occurrence of the risk against which one is insured, thus raising expenditure. Limiting moral hazard might take the form of co-insurance, for instance, by introducing a waiting period during which benefits cannot be claimed. This shifts part of the income loss onto the insured. In cases of illness, there was often a waiting period of around a week (Table 2.9). For burial insurance, it was usually six months or even a year, to prevent the terminally ill joining at the last moment and their widows subsequently claiming an allowance (Table 2.10). Good monitoring techniques are another way to curb malingering. Guilds almost invariably demanded a doctor's certificate and often sent out someone to check on claimants at home. Hefty fines might be imposed if fraud was discovered. Furthermore, those receiving sickness benefits were required to remain in the city, otherwise there was no way of monitoring them.

Benefits were withdrawn where a recipient's lifestyle was deemed to have caused his incapacity: 'And where a guild brother is afflicted by a lingering illness, due either to a fall or any other inconvenience or misfortune, that brother shall be supported from the fund, but if he contracted the lingering illness through an insalubrious way of life, such as drinking

Table 2.9 Sickness benefit insurance in some Dutch cities, c. 1750

| | Amsterdam | | | Utrecht | | Leiden | |
|--|-----------------|--------------------|---------------------|--------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Surgeons' guild | Shipwrights' guild | Peat-porters' guild | Master carpenters' guild | Journeyman carpenters' association | Journeyman woolcombers' guild | Beurs der Leydsche Gerechtigheyd |
| Initial fee (guilders) | 150–250 | 56–77 | 10 | 69 | 0 | 1 | 1 |
| Annual premium (guilders) | 5 | 7–12 | 4 | 2 | 5 | 5 | 5 |
| Average cost per annum (over 30 years) | 10–13 | 8–14 | 4 | 4 | 5 | 5 | 5 |
| <i>Premium as a % of income</i> | | | | | | | |
| Initial fee | . | 18–25 | 3 | 22 | 0 | 0 | 0 |
| Annual | . | 2–4 | 1 | 1 | 2 | 2 | 2 |
| Per annum over 30 years | . | 5 | 1 | 1 | 2 | 2 | 2 |
| <i>Payment conditions</i> | | | | | | | |
| Compulsory membership | Yes | Yes | Yes | Yes | No | No | No |
| Max. age on joining | No | 30–32 | 60 | No | 50 | 30 | 40 |
| Waiting period in days | 8 | . | 8 | . | 8 | . | . |

Table 2.9 (continued)

| | Amsterdam | | Utrecht | | Leiden | | |
|--|-----------------|--------------------|---------------------|--------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Surgeons' guild | Shipwrights' guild | Peat-porters' guild | Master carpenters' guild | Journeyman carpenters' association | Journeyman woolcombers' guild | Beurs der Leydsche Gerechtigheyd |
| Max. duration in weeks | . | . | . | . | 52 | 26 | 26 |
| <i>Allowance in guilders per annum</i> | | | | | | | |
| Sickness benefit | 3 | 2.5 | 3.25 | 2.5 | 2.5 | 2 | 3 |
| Cost of medical treatment | No | No | No | No | No | Yes | No |
| <i>Also insured for</i> | | | | | | | |
| Burial costs | Yes | No | No | Yes | Yes | Yes | Yes |
| Widows' pension | Yes | No | Yes | No | No | No | No |
| Old age pension | Yes | Yes | Yes | No | No | Yes | Yes |

Source: Nusteling (1985, p. 255), de Vries and van der Woude (1995, pp. 609–15), and Bos (1998a, p. 337)

Table 2.10 Insurance for burial, widows', and old age pensions in some Dutch cities, c. 1750

| | Amsterdam | | Utrecht | | Leiden | | |
|------------------------------|-----------------|--------------------|---------------------|--------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Surgeons' guild | Shipwrights' guild | Peat-porters' guild | Master carpenters' guild | Journeyman carpenters' association | Journeyman woolcombers' guild | Beurs der Leydsche Gerechtigheyd |
| <i>Payment conditions</i> | | | | | | | |
| Compulsory membership | Yes | Yes | Yes | Yes | No | No | No |
| Max. age on joining | 30–32 | 60 | . | . | 50 | 30 | 40 |
| Waiting period: | | | | | | | |
| Burial insurance | 58 | . | . | . | 52 | 26 | 26 |
| (weeks) | | | | | | | |
| Illness (days) | 8 | . | 8 | . | 8 | . | . |
| Restrictions for: | | | | | | | |
| Widows' pension | . | After age 60 | After age 45 | . | . | . | . |
| Old age pension | . | After age 60 | At max. 45 p. | . | . | 12+ years member | At max. 18 months benefit |
| <i>Allowance in guilders</i> | | | | | | | |
| Burial allowance | 30 | . | . | 30 | 36 | 30 | 32 |
| Widow's pension, per week | 3 | . | 1.6 | . | . | . | . |

Table 2.10 (continued)

| | Amsterdam | | Utrecht | | Leiden | | |
|---------------------------|-----------------|--------------------|---------------------|--------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Surgeons' guild | Shipwrights' guild | Peat-porters' guild | Master carpenters' guild | Journeyman carpenters' association | Journeyman woolcombers' guild | Beurs der Leydsche Gerechtigheyd |
| Old age pension, per week | 3 | 3 | 3.5 | . | . | 1.8 | 1.5 |
| <i>Also insured for</i> | | | | | | | |
| Burial costs | Yes | No | No | Yes | Yes | Yes | Yes |
| Widow's pension | Yes | No | Yes | No | No | No | No |
| Old age pension | Yes | Yes | Yes | No | No | Yes | Yes |
| Sickness benefit | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Cost of medical treatment | No | No | No | No | No | Yes | No |

Source: Bos (1998a, p. 337)

to inebriety, engaging with disreputable women or such like, he shall not enjoy the support of the fund; any person afflicted by any misfortune arising through drunkenness or quarrelling or who himself wilfully contributes [to such misfortune] shall not enjoy the support of the fund unless he can demonstrate convincingly that such misfortune was not of his own making.’ Guild regulations contain many such conditions.⁴⁴ Public drunkenness, visiting prostitutes, and other wanton behaviour were not exactly bourgeois culture, but that was not the point. A guild could hardly be expected to pay for the dire consequences of such high-risk conduct.

The city authorities usually sanctioned compulsory guild membership, embedded as the guilds were in the Dutch corporatist political economy, and if there was a guild insurance fund, this normally also implied compulsory membership of that fund. That allowed the guilds to circumvent problems of risk selection. It also ensured a continuous inflow of new members, making it less problematic if premiums were occasionally too low relative to allowances. A scheme outside the sphere of corporatism lacked the support of the authorities to combat adverse selection in this way. Political support thus gave guilds a comparative advantage in the insurance market.

Sometimes membership of a guild insurance scheme was not mandatory, which gave rise to serious challenges. The Amsterdam porters’ guild stated in 1757 ‘that many persons of advanced years were from time to time moved to join the aforesaid guild, purely with the intent later of receiving assistance from it and that as a result [...] the guild’s reserves will no longer suffice to allow the aged and infirm guild-brothers [...] to receive a decent level of support.’⁴⁵ It was advantageous for the sick and the elderly to join, because they could expect to receive more in the way of pension than they had paid in premiums. If premiums

⁴⁴The examples are taken from the collection of regulations at the International Institute of Social History, courtesy of Piet Lourens: Kleermakersbos in Amsterdam in 1610, EHB Br.Ned 1750:3, art. 44; Schoenmakers- en Looiersknechtsbus in Rotterdam, EHB Br.Ned 1750:1, art. 20. For journeymen’s associations, see Timmer (1913), boxes in: Groningen, pp. 19 and 28 (no drunkenness or fighting); Haarlem, pp. 43 and 47 (plus no loitering and no visits to an inn when claiming to be ill); Leiden, p. 94 (plus no immoral behaviour); Rotterdam, p. 125 (no benefits if ill while outside the town); Kampen, p. 153 (when found feigning illness, no benefits for the next year while still obliged to contribute); Zwolle, p. 159 (if a journeyman who was ill and received an allowance miraculously recovered just before the maximum duration expired and then became ill again, he would not be helped); Nijmegen, p. 167 (no benefit if accident was own fault); Delft, p. 173 (plus only for work-related accidents); Oudewater, p. 193 (no fighting, no venereal diseases).

⁴⁵De Ridder (1994, p. 111).

were raised as a result, younger and healthier members would leave to avoid subsidizing the unhealthy. In the absence of medical expertise to distinguish between good and bad risks, and in the absence of practical actuarial expertise, a viable strategy to keep the fund afloat was to make membership compulsory and allow pensions to fluctuate in line with reserves. That is what the guilds did, but other funds could not. They were thus prone to bankruptcy, as were the guild funds when artisans, and other occupational groups, were no longer obliged to join. The voluntary scheme covering Leiden's foot-fullers was sucked into a downward spiral of adverse selection in the first few decades of the eighteenth century. So many widows received a pension that premiums had to be increased. For younger members, membership became costlier and less attractive. They left. Premiums for the remaining members had to be increased further. This again deterred younger members and caused the influx of new members to dry up completely.⁴⁶ The same happened to the Amsterdam surgeons' fund at the beginning of the nineteenth century when membership was no longer mandatory. It managed to stay afloat only by selling off a Rembrandt painting and other treasures. The vicissitudes of the Amsterdam carpenters' guild are instructive here. From 1708, membership was mandatory because the fund would otherwise have been non-viable. At the end of the eighteenth century this requirement had to be relaxed when the guilds were abolished; in 1806, financial necessity required its reinstatement. In 1820, when the guilds were abolished once and for all, forced membership became illegal, leading to bankruptcy in 1845.⁴⁷ Guilds clearly benefited from mandatory participation in mutual insurance, but they had more tricks up their sleeve.

Restricting benefits to those who had been members for at least one year also reduced adverse selection by deterring the sick from joining in the hope of receiving a benefit. Often applicants above a certain age were rejected—see Tables 2.9 and 2.10. Effective screening to establish the risk level and a commensurate premium before admitting someone would have been better, but because effective medical tests were virtually

⁴⁶ Van der Valk (1998, p. 38). The same spiral occurred in some (voluntary) Dutch and British friendly societies in the nineteenth century. See van Genabeek (1999, p. 328) and Cordery (2003, p. 70).

⁴⁷ Bos (1998a, pp. 83, 160, 165, 173).

non-existent, this was not easy to achieve. Stipulations that no benefits would be paid if the insurer had been wilfully misled were, however, part and parcel of the rules of guild funds and of journeymen's associations.⁴⁸

Differentiation in contribution level by risk category is another way to counter adverse selection. Those more likely to draw from the fund pay higher premiums. This sometimes happened. A voluntary burial fund in Haarlem allowed anyone in good health and between the ages of 12 and 40 to join. It also stated, however, that: 'it shall nonetheless be at liberty to demand of anyone having reached an age of more than forty who wishes to be admitted to this Fund, and if there shall be a place available, that such person shall pay [a one-off fee of] three guilders for each year that aforesaid person is over the age of forty years.'⁴⁹

Moral hazard and adverse selection were not the only challenges faced by mutual insurance. There was also the issue of correlated risks. These are unrelated to the manipulative behaviour of the insured, but they are nonetheless disruptive. Insurers can predict expenditure and levy appropriate premiums only if the risks are uncorrelated. This is not always the case. Correlated risks occur, for example, when a contagious disease hits an area and the insurer has to meet claims from many sick policyholders all at the same time. Epidemics—not uncommon in the early modern era—could exhaust its reserves.⁵⁰ Setting a maximum benefit duration of around 18 months

⁴⁸Timmer (1913), journeymen's boxes in: Groningen, p. 19, and Haarlem, p. 40 (not reimbursed if already ill at time of admission or if applicant understated his age); The Hague, p. 109 (no claim in the event of concealed illness).

⁴⁹*Reglement van de Liefde-Compagnie tot de begraaffnissen* (Haarlem, 1747), EHB P.Ned 1749.1. The use of such a round number suggests it was an experience-based estimate rather than a calculated number, and one that was easy to conceive and remember, in Schelling's terms a 'focal point': 'Most situations [...] provide some clue for coordinating behavior, some focal point for each person's expectation of what the other expects him to expect to be expected to do. Finding the key, or rather finding *a* key—any key that is mutually recognized as the key becomes *the* key—may depend on imagination more than on logic; it may depend on analogy, precedent, accidental arrangements, symmetry, aesthetic or geometric configuration, casuistic reasoning, and who the parties are and what they know about each other'; 'it is the intrinsic magnetism of particular outcomes, especially those that enjoy prominence, uniqueness, simplicity, precedent, or some rationale that makes them different from the continuum of possible alternatives [...] One has to have a reason for standing firmly on a position. [...] The rationale may not be strong at the arbitrary "focal point", but at least it can defend itself with the argument "If not here, where?"'. Schelling (1960, pp. 57, 70).

⁵⁰See, for example, the review of the literature in the chapter on illness in van Leeuwen (2000a). Even in the nineteenth century, when epidemics gradually abated, funds remained vulnerable to outbreaks of cholera, smallpox, and other epidemics, as a year in which the number of sick recipi-

may appear to have been one way of limiting this problem somewhat, but in practice this shielded the guild funds mainly from extended claims from those with lingering illnesses. Epidemics usually do not last that long.

Guilds sometimes also limited the number of recipients by rejecting new applicants wanting to join their insurance funds. This applied chiefly to the relatively expensive widows' and old age pensions, but it could also apply to sickness insurance. The nineteenth-century friendly societies did this, too, for fear the scheme would become too large for amateurs to manage in terms of administration or liability, and also because it would reduce social control too much. However, capping the number of recipients meant that if premiums had been set too low in the past, no compensation could be sought from the contributions of new members. If the number of sick members was too high relative to the available reserves, contributions might be raised, or a limit set on the number of sick granted relief. Matching current income to meet future expenditure was not always easy for mutual insurers.

How was this system of welfare financed? Artisans paid contributions to their funds, as did journeymen, but that was not always enough. The exploitation of stand-ins or substitutes (*noodhulpen*), capital endowments, and flexibility also aided the guilds. The financial exploitation of *noodhulpen* is a remarkable phenomenon.⁵¹ If a guild member was unable to work due to illness or old age, he could ask the guild to have a stand-in appointed who did the work for half the pay. The other half went to the sick guild member. The transfer from the substitute to the sick was made either directly, or indirectly—in which case the substitute paid the guild, which then paid the sick guild member. Even journeymen could have a substitute when ill.⁵² This system benefited masters and journeymen, who received extra income, and the guild, which could economize on its benefit payments. In 1750, the Amsterdam peat-porters' guild received no less than a quarter of all its income from substitutes.⁵³ The stand-in

ents was above average could exhaust reserves. There is thus a trade-off between increasing membership size to combat bad luck and decreasing it to increase the social control needed to combat malingering.

⁵¹ Van Eeghen (1974, pp. 38, 134), Bos (1998a, pp. 75–6, 121–30), and Zondergeld-Hamer (2006, pp. 152–4).

⁵² Timmer (1913, p. 75).

⁵³ Bos (1998a, p. 130).

Table 2.11 Capital formation among Dutch guilds, 1660–1800

| <i>A. Bond holdings of the Amsterdam surgeons' guild, 1660–1800, in guilders</i> | | |
|--|---------|-------------------|
| Year | Value | Value per surgeon |
| 1660 | 13,000 | . |
| 1670 | 37,000 | . |
| 1680 | 27,000 | 110 |
| 1733 | 24,000 | 90 |
| 1750 | 51,000 | 220 |
| 1760 | 70,000 | . |
| 1770 | 95,000 | . |
| 1780 | 102,000 | . |
| 1790 | 99,000 | . |
| 1800 | 94,000 | 450 |

B. Guilds and bond holdings, the Netherlands, 1798

| | Value of bonds in thousands of guilders | | | Per guild |
|---------------------------|---|------------|-------|-----------|
| | No. of guilds | % of total | Total | |
| Guilds without bonds | 547 | 71 | 0 | 0 |
| Guilds holding bonds | 223 | 29 | 1961 | 9 |
| of which in Amsterdam | 45 | 6 | 1457 | 32 |
| of which not in Amsterdam | 178 | 23 | 504 | 3 |
| Total | 770 | 100 | 1961 | 3 |

Source: Bos (1998a, pp. 58 and 77) and van Genabeek (1999, p. 64)

‘profited’ in that he could do guild work and hope to become a full member in time. He might, however, work for a great many years and still remain a stand-in. Indeed, he could remain a substitute member with substitute rights right until the end of his working life. One could argue that in using substitutes, the guild, backed by the town council, took full advantage of its position as official organizer of labour in a corporatist political economy to exploit non-members to the advantage of its own coffers. The same argument could be made for the widespread practice of allowing the widow of a guild master to continue the business of her late husband on condition she hired a journeyman to do the work.⁵⁴ This journeyman worked as a master but received the pay of a journeyman, or perhaps a little more, the difference being pocketed by the widow as a sort of widow’s pension. Without this right, however, many artisans’ wid-

⁵⁴Schmidt (2001, pp. 146–54, 205–6).

Table 2.12 Flexible per capita allowances granted by the Leeuwarden bricklayers and masons' guild, c. 1750

| No. of recipients | Assistance | Total annual allowance in guilders |
|------------------------|--|------------------------------------|
| 1 widow and no master | 100 guilders if she were in 'real need', otherwise 80 guilders | 80–100 |
| 1 master and no widow | 100 guilders | 100 |
| 1 master and 1 widow | 80 guilder to each | 160 |
| 2 masters and 1 widow | 60 guilders to each | 180 |
| 1 master and 2 widows | 70 guilders for the master | 190 |
| 2 masters and 2 widows | 60 guilders per widow 65 guilders per master | 250 |
| 2 masters and 3 widows | 60 guilders per widow 60 guilders per master | 285 |
| 3 masters and 3 widows | 55 guilders per widow 55 guilders per master | 315 |
| 3 masters and 4 widows | 50 guilders per widow 50 guilders per master | 330 |
| 3 masters and 5 widows | 45 guilders per widow 45 guilders per master | 335 |
| In excess of this | 40 guilders per widow 40 guilders per person | |

Source: Mud (1998, p. 90)

ows would have faced destitution or forced to marry their journeyman more often than was already the case.

Guild welfare was also financed from the capital endowments of the guilds. Some guilds built up considerable capital reserves over many years (Table 2.11, panel A). In 1748, the Amsterdam surgeons' guild stated that 'benefits are paid from the interest on capital'.⁵⁵ This goes far to explain why the elderly and widowed guild members in Amsterdam were so well provided for. Panel B also shows that, beyond Amsterdam, these reserves were much more modest. Nonetheless, a number of guilds in the rest of the country did have capital reserves. Those reserves could become considerable because under the corporatist political regime the

⁵⁵ Bos (1998a, p. 79, note 135).

city government provided the guilds with additional sources of income, not only income from substitutes. The Amsterdam shipwrights' guild had been given the right to tax owners of ships wharves, mast-makers, sloop owners, and others. The Amsterdam peat-porters' guild not only levied a tax on all incoming peat ships, it also rented out peat baskets and block and tackle at a sizeable profit. The Utrecht carpenters' guild levied a tax on incoming wood. At the zenith of the guilds' fortunes, at the end of the eighteenth century, members of Amsterdam's wealthy guilds probably paid no more than half of their welfare costs from their members' contributions, and sometimes considerably less.⁵⁶ The ill, the elderly, and the widowed were thus provided for not only from the contributions of masters and journeymen, and those of substitutes, but also from the income from certain entitlements granted to the guilds by the city authorities, such as the right to levy a tax on each freight boat docking at the town, or on the use of certain equipment such as ropes, pulleys, or bellows.⁵⁷ These rights can be seen as public taxes to finance a common good—the guild and its members' welfare—in the same way that certain other rights were granted to poor relief institutions. It might be argued that they extended, however, to the outright exploitation of substitutes to finance middle-class welfare.

If the premiums and additional sources of income—from certain levies, from capital endowments, and from substitutes—were still insufficient to meet costs, the solution was to cut those costs. Table 2.12 illustrates how guilds operated a flexible policy, with pension levels depending on the number of recipients. If the reserves of the Leeuwarden bricklayers and masons' guild dropped below 335 guilders, pension levels would be reduced. The Leeuwarden guild was not unique in this. The regulations of one Leiden widows' fund in 1738 stipulated, for example: 'But if it should happen that there are more than 11 or 12 widows and the fund has no surplus from previous years, in such case, but not otherwise, the widows will have to be content with receiving much less as there

⁵⁶Ibid., pp. 104–5, 126–7, 166–7, and 349–51.

⁵⁷Ibid., pp. 76–80, 104–6, 115–23, and 166–9.

shall be more widows'.⁵⁸ If money was tight, guild administrators would not hesitate to cut allowances, tighten eligibility criteria, or refuse new applicants. This inequality in relation to entitlement was the downside of guild-based welfare, but it solved problems that would otherwise have caused many of them to sink.

The fact that premiums were generally not calculated in an actuarially sound way is in itself insufficient ground to deny guild boxes—as the mutual insurance funds were also called—the status of insurance company, nor is the fact that premiums were often too low to cover benefits.⁵⁹ However, the subsidy through the exploitation of *noodhulpen* and the other sources of income sanctioned by the Dutch city authorities that fed the capital endowments that, in turn, subsidized guild welfare should perhaps make one slightly more dubious about regarding early modern Dutch guilds as insurance companies in the modern sense of the word, though arguably those were legal measures comparable with certain favourable tax rulings for companies today. Today's Dutch citizens would not accept from insurers the policy of flexibility to cut allowances, which came to the aid of guilds in times of need. But it was an accepted feature not just of early modern guild welfare, but also of mutual insurance in the nineteenth and twentieth centuries. Overall then, it is fair to regard the schemes for masters and journeymen as mutual insurance schemes, with all the classic problems that characterized such schemes.

⁵⁸ Regulations of the *Burger Weduwe Societeit binnen Leyden* (Leiden, 1738), IISG N1609/310, art. 39. *Reglement der Societeit van de Weduwen en Weesenbeurse binnen de stad Goes* (Goes, 1752), IISG P Ned 1752: 1, art. xv: 'If, unexpectedly, the Fund becomes unable to pay the annual allowance as the result of many deaths, the widows and orphans will have to be satisfied with what can be disbursed from the capital available.' See, too, Posthumus (1939, pp. 873–4) and de Ridder (1994, p. 113). Such policies were not always tolerated by the city authorities however; van Eeghen (1974, p. 57).

⁵⁹ There are many examples in modern and early modern Europe of insurers that failed to charge actuarial rates. The problem was not limited to Dutch—or English—friendly societies in the nineteenth century. Some early life insurance corporations in England, such as the Royal Exchange Assurance and London Assurance (both dating from 1720), actually charged premiums in excess of what was actuarially necessary because they overestimated mortality. See Supple (1970). The same applied to early modern and modern property insurers. See, for example, Zwierlein (2011). Incidentally, many Dutch health insurers recently deliberately charged premiums that were too low in an attempt to gain a significant share of the newly privatized market. Dutch life insurers would have suffered huge losses had it not been for the profits they had made on the then seemingly ever-rising stock market.

Of course, blithely granting guild welfare the status of an early modern insurance scheme does not imply that guilds were mere insurance companies, nor even that insurance was their main function. Dutch guilds had emerged for other reasons and fulfilled many other roles, but their micro-insurance was no less important for that.

7 Governance and Sociability

Guilds could be so flexible because *their governance was mutual*. Though varying in size and influence, all Dutch guilds shared the same organizational structure.⁶⁰ In general, the guild was governed by one or two deans, acting as chairmen; they were assisted by a number of overmen. The deans were formally appointed by the mayors of the towns for a limited term, for example two years in Haarlem and one year in 's-Hertogenbosch.⁶¹ Some guilds, in Utrecht for example, were so large they had to institute committees to deal with specific issues.⁶² Guild schemes for mutual assistance were usually governed by officials, the box masters. They were elected by guild members from among the guild masters.⁶³ Once a year, the members first drew up a list of candidates, usually twice the number needed.⁶⁴ They would then submit that list to the mayors, who would make the final selection, usually choosing the three top names on the list. Only very rarely did the mayors see fit to ignore the list of recommended candidates.⁶⁵ In many guilds the same guild officials' names keep recurring, suggesting that formal democracy may in reality have been more

⁶⁰ It was moreover a common way of organizing oneself in early modern society. Neighbourhood associations were often organized in the same manner. See Dorren (1998b, p. 27) and idem (2001, p. 73).

⁶¹ In guilds with more than one occupational group, the situation could be slightly more complicated as the guild board needed to reflect all constituent trades; some thus had a board of ten members or even more. See Brouwer Ancher (1895, pp. 119–27), Bos (1998a, pp. 38–9), Dorren (2001, p. 97), Remmerswaal (2006, p. 36), Vos (2007, p. 157), and Slokker (2010, p. 57).

⁶² Prak (2006, p. 101), Vos (2007, pp. 157–8), and Slokker (2010, pp. 57–60).

⁶³ Brouwer Ancher (1895, pp. 101–2).

⁶⁴ Bos (1998a, p. 38), Dorren (2001, p. 97), Prak (2006, p. 100), and Vos (2007, p. 157).

⁶⁵ Brouwer Ancher (1895, p. 102), Dorren (2001, p. 97), Prak (2006, pp. 100–2), and Slokker (2010, p. 57).

restricted (as it was with mutuals in the modern era, and even today with the bread funds we discuss in Chap. 5). Often overmen were an elite among the guild brethren, wealthier and more prominent than others.⁶⁶

The overmen had to ensure the regulations governing their particular profession were upheld, resolve conflicts between guild members, and act as representatives of the guild in dealings with civic authorities.⁶⁷ The overmen would visit the guild members at least once a year, when they came to collect in person the annual membership fee or to assess their shops and working conditions.

Guild members themselves had a great deal of influence during meetings. In some towns, the deans would summon members only for important matters, with the magistrate's permission. Meetings were to be held in an orderly fashion. Members were not to interrupt a speaker, and members were given a say according to seniority. Violence, physical as well as verbal, was forbidden. At the meetings the retiring dean would step down once the records had been approved by the assembled guild members.⁶⁸ In principle, every guild member was equal to another—a fundamental principle underlying guild life—and enjoyed the same rights. Status differences within a guild were frowned upon.⁶⁹ Whether everyone attended is a moot point, but most Dutch historians think they did.⁷⁰

The more inhabitants a city had, the larger the number of workers in a particular trade, and generally the larger the guilds. The largest guilds needed a more elaborate system of governance. In Amsterdam, guilds

⁶⁶ Prak (2006, pp. 101–2). It is also true, however, that guild board functions were not always covered, as overmen were unpaid and were responsible for ensuring that the guild was free of debts at the end of their term. Their only compensation were the ceremonial, often lavish, dinners on the occasion of a change in the composition of the board, at which the mayors would sometimes be present. See Dorren (2001, p. 97), Vos (2007, p. 161), and Slokker (2010, p. 145).

⁶⁷ Palmen (1998b, pp. 206–8), Dorren (2001, pp. 97–9), Prak (2006, pp. 103–4), Remmerswaal (2006, pp. 36–7), and Vos (2007, pp. 156–7, 159–60).

⁶⁸ Palmen (1998a, pp. 232–3) and Remmerswaal (2006).

⁶⁹ Prak (1997b, pp. 303–4) and Slokker (2010, pp. 63, 71).

⁷⁰ One claims, however, that in the province of Zeeland only a select number of members attended, even though he cites examples of a broad basis for particularly important decisions. For example, in 1751, a great number of members of the Zierikzee carpenters' guild met to approve the establishment of a fund for widows and orphans. In general, however, it is claimed, the boards of the Zeeland guilds governed with a far-reaching mandate, with rank-and-file members rarely intervening as long as the guild was not indebted and did not raise contribution levels. The rank and file could, of course, criticize board decisions retroactively. See Remmerswaal (2006, pp. 34–5).

amalgamating occupations with a great number of members often felt the need to appoint separate box masters for each occupational group to look after the guild's funds. The bricklayers', carpenters', sawyers', bakers', smiths', and shoemakers' guilds all appointed committees of box masters—comprising two or even four members.⁷¹ All the other Amsterdam guilds left the task of looking after the guild funds to the overmen. Guild size generally paralleled town size—certainly for non-specialized guilds such as those of bakers. As towns generally grew in size in the early modern period, most guilds were larger in 1800 than they had been in 1600.⁷² The Amsterdam shipwrights' guild, for example, continued to grow throughout the early modern age, from 400 members in 1688 to no fewer than 1717 guild members by 1788. By the end of the eighteenth century, it was the city's largest guild. One consequence of such increases in guild membership might have been a certain loss of coherence. Paralleling the growth of the Amsterdam shipwrights' guild was an evolution towards stricter eligibility rules for mutual insurance.⁷³ This suggests that, unless it was countered by a guild being split into different branches, an increase in size could lead to less social control, greater moral hazard, and thus an increase in costs.

Apart from insurance, another prime function of a guild was that of sociability. As will become clear, sociability was important in creating and maintaining guilds and their mutual insurance. Guilds generally attached great importance to festive meals or drinks at important moments in guild life, such as new members joining, a new governing board being appointed, and on special days. Drinking and eating communally was the most important guild ritual, intended to strengthen ties, resolve conflicts, and underline the common goals to which members were committed.⁷⁴

⁷¹ Brouwer Ancher (1895, pp. 101–2).

⁷² The growth of cities was not continuous. With the population of Utrecht growing throughout the sixteenth and early seventeenth centuries, the number of guilds and the size of those guilds steadily rose. A decline in the size of guilds set in just as Utrecht's population began to decline. See Slokker (2010, pp. 54–6). Furthermore, there were also occasions when one guild serving two or more occupational groups grew and split into two or more guilds, thus reducing the size of each new guild.

⁷³ Bos (1998a, pp. 90, 98, 100, 106–7).

⁷⁴ Brouwer Ancher (1895, pp. 92–6), Dorren (1998b, *passim*, 2001), de Munck (2007), Vos (2007, pp. 160–1), and Janssen (2009, *passim*). Such militia guilds also existed in Gelderland, Limburg,

Guild sociability basically took two forms: annual festive meals and guild funerals. Guilds organized banquets in the city's inns on special days, the feast day of their patron saint or other saints days, even in the seventeenth century, long after the Reformation and despite the grumblings of Protestant ministers. Some guilds also celebrated other events, such as Copper Monday (*koppermaandag*), a festive guild occasion held on 6 January.⁷⁵ In Dordrecht, guilds held formalized banquets, 'merry meals', on such days. Banquets could last for two days, sometimes including a Sunday, a practice much complained about by the church, though to no effect. In 1632, the hatters of Dordrecht were so merry that the sermon in a nearby church was disturbed by their revelry.⁷⁶ In Utrecht, too, festive dinners were a recurrent part of guild life. Some banquets were for the entire guild, but guild committees within large guilds had their own dinners.⁷⁷ In the province of Zeeland a number of guilds spent up to two-thirds of their annual income on these feasts.⁷⁸ To reinforce the merrymaking, some guilds employed a silver goblet, which needed to be drained completely before being passed on to the next drinker.⁷⁹ Guild meals could be raucous affairs. They simultaneously strengthened the guild by building trust and developing a sense of community but could also weaken it by diverting excessive funds (incidentally, this was one of the issues that led to calls for the closer regulation of friendly societies in nineteenth-century Britain, though such voices were rare in the Netherlands).

In the predominantly Catholic city of 's-Hertogenbosch, guilds continued the tradition of honouring their patron saints with a celebratory meal. They spent considerable sums on these feasts, reinforcing guild identity by the use of banners, statuettes of patron saints, and other guild objects, such as lavish silver cutlery. Even though Protestant guild members sometimes grumbled, on the whole they, too, seem to have been attached to 'their' patron saint, who embodied the guild's corporate iden-

and Zeeland. See Janssen (2009, p. 36).

⁷⁵ Thijs (2006, p. 165).

⁷⁶ Palmen (1998a, p. 233).

⁷⁷ Slokker (2010, pp. 145–6).

⁷⁸ Remmerswaal (2006, p. 45).

⁷⁹ Vos (2007, pp. 162–5). See also Remmerswaal (2006, p. 130).

tity. In Zwolle in 1652, even the newly formed guild of painters and glass painters saw no difficulty in placing the organization under the patronage of St. Bartholomew when they seceded from the guild of St. Luke, a guild amalgamating all sorts of practitioners of the decorative arts. In general, whether Protestant or Catholic, most Dutch artisans continued to identify with particular saints that were widely known to be associated with their particular occupational group. Patron saints remained firmly embedded in guild culture, as they had long been; indeed, for centuries patron saints had been crucial to the identity of the group entrusted to their protection. This desire for a common figure as the symbolic embodiment of unity continued to be of importance long after the Reformation.

Another important aspect of guild life was the honourable funeral provided to its members.⁸⁰ Originally, all guild members were expected to attend the funeral of a colleague or incur a fine. In Haarlem, guild members assembled in the house of the departed to say a prayer before the funeral procession departed.⁸¹ Sometimes a list of all guild brothers was read out before and after the funeral to check whether they were present.⁸² Funerals were an expression of guild solidarity and identity. The bier was carried by younger members, covered with the guild shroud and funeral shield, usually made of silver, followed by suitably attired guild members in order of seniority.⁸³ The deceased was buried in the communal tomb of the guild, if it had one.⁸⁴ Over time, some early modern guilds sold their tombs, while others enlarged them. Funeral shields were often engraved with images—of the guild's patron saint or of other religious, mythological, or heraldic emblems relevant to their trade. The shield of the Dordrecht guild of tavern keepers, for example, displayed an image of Bacchus, the Roman god of wine.⁸⁵ Often guilds maintained a

⁸⁰ Dorren (2001, p. 126), Dambruyne (2006, p. 219), Remmerswaal (2006, pp. 37–38, 124–5), Vos (2007, pp. 192–4), and Slokker (2010, pp. 62, 189, 195).

⁸¹ Dorren (2001, p. 127).

⁸² Palmen (1998a, p. 226).

⁸³ *Ibid.*, p. 227, Remmerswaal (2006, pp. 37, 124, 128), and Vos (2007, pp. 195–6).

⁸⁴ In Dordrecht most guilds possessed such a tomb. See Palmen (1998a, pp. 227–9).

⁸⁵ Palmen (1998a, pp. 228–9), Vos (2007, p. 194), and Slokker (2010, pp. 68, 195–6). For the way depictions of patron saints survived the Reformation, see Vos (2007, pp. 170–8).

public presence in church, not just through their tombs, but also through guild boards and chandeliers.⁸⁶

Over the course of the eighteenth century funeral regulations increased in number and detail. This seems to have been a response to a fall in attendance.⁸⁷ Members, certainly in the larger guilds, began to regard funeral attendance as an onerous duty. In the interests of group solidarity, guilds tried to encourage their members to attend by raising penalties for absence and charging buyout fees from members who did not want a guild funeral.⁸⁸ Not only did funeral attendance become less prevalent, the festive meals previously discussed also declined in importance and in many towns, such as Amsterdam and 's-Hertogenbosch, festivities such as feasts to mark new members joining were abolished.⁸⁹ The decrease in sociability was probably bad news for guild insurance as sociability also implied social control, an important means of combating malingering. Indeed, this same process might have been partly responsible for the formalization of guild welfare into mutual insurance in the first place.

8 Formalization into Mutual Insurance

Why did Dutch guilds formalize welfare into insurance? Most Dutch guilds did not actually offer formal insurance schemes. This might seem surprising given that in some towns a large proportion of the male labour force was insured. The paradox arises from the fact that it was generally the larger guilds that offered schemes; the smaller ones did not. Guilds offering no formalized help did, however, often provide informal assistance in the case of illness and burials, and sometimes help for widows and elderly masters no longer able to work. The flexibility of guilds in providing welfare worked both ways: assistance could be withheld when funds were inadequate but it could also be given outside of rules and regulations.

⁸⁶ Vos (2007, p. 167) and Slokker (2010, pp. 143–4, 171–2, 190–4, 196–202). In 's-Hertogenbosch the guilds did not have guild tombs; Vos (2007, pp. 192–3).

⁸⁷ Dorren (2001, pp. 126–7), Bos (2006, p. 183), and Vos (2007, pp. 193–4).

⁸⁸ Brouwer Ancher (1895, pp. 245–9) and Bos (2006, p. 184).

⁸⁹ Brouwer Ancher (1895, p. 93) and Vos (2007, p. 148).

Informal help had been part and parcel of Dutch guild life from the late Middle Ages. Guildsmen were expected to keep a vigil at a brother's sickbed, to attend his funeral, carry his coffin, and sometimes, too, to distribute bread and peat. As early as 1302, the blacksmiths in 's-Hertogenbosch directed that 'if one of the aforesaid smiths or their wives or their children succumbs to death, all the other aforesaid smiths [...] will accompany the body to the church and in the masses, which will be said for the dead, be required to offer [money]'. They also directed that if 'one of the aforesaid guildsmen is taken sick or succumbs to poverty, he will be given eight pennies; if he dies [the smiths] will [...] take care of his funeral.'⁹⁰

Later centuries saw a formalization and extension of that informal mutual help. In 1387, the Dordrecht carpenters' guild required every member to pay four pennies a week to support their sick brothers. Initially, the sickness and burial premium was levied on all healthy brothers. In many cities, over the years, the guilds switched to setting up separate mutual funds. To some extent these simply formalized the informal help the guilds were already giving. But they also entailed an extension of that help. We know of 20 guild-based sickness benefit funds that operated in the sixteenth century, though it is not always easy to determine to what extent a fund operated independent of the guild and to what extent premiums and payments served as poor relief or a system of insurance.

It is not easy to determine why that process took place. Few guild archives have survived; those that have do not document this process. On inspection, the earliest Dutch health insurance funds turn out to have been for those engaged in basic crafts and trades, including bakers, tailors, carpenters, and bricklayers; most were located in Amsterdam. These guilds were relatively large. Guild size was thus probably a factor.⁹¹ The more masters a guild had, the more troublesome it became to ensure they all turned out for the funeral of one of their brethren or gave a few coins to support his widow. In fact, for all members of a large guild to take part in a burial procession would have caused chaos and disruption. At the same time, a certain number of craftsmen were needed to justify

⁹⁰ Bos (1998b, p. 90).

⁹¹ A town's size was an important factor in the establishment of guilds, a point not discussed here. See de Munck et al. (2006).

the effort of drawing up rules and regulations for their welfare, including setting up a separate insurance fund and recruiting officials to administer it. Perhaps it also took a steadily growing number of disputes before guild officials became weary of dispensing welfare informally and resorted to formalization. Guilds operated on the assumption that all members were equal, even if the reality was different. So once one sickly artisan had received sickness benefit, a precedent was set, which other sick artisans could use to support their claims. Except in times of financial difficulty, it became difficult for the guild to refuse such claims.

Interestingly, the relationship between the size of a guild and its capacity to insure may have been non-linear. Contemporary sociological studies tell us that in relatively homogeneous groups whose members are dependent on, and in frequent contact with, one another, monitoring is generally easier and cheaper than in heterogeneous groups whose members meet infrequently and who are not highly dependent on one another.⁹² The more homogeneous, and thus generally the smaller, a group is, the better it is at monitoring the behaviour of its members. Homogeneous groups are more favourably positioned to observe and combat malingering, and can thus offer insurance that large heterogeneous groups either cannot do or can do only by charging substantially higher premiums. Guilds and journeymen's associations were relatively small and homogeneous groups, certainly initially. They may have been able to contain moral hazards relatively well because members knew one another; guild members certainly complained if they felt benefits were being given too generously.⁹³ By the same token, the growth in the number of members of a guild or journeymen's box over time may have weakened social control, as did the decline of sociability. This might in turn have had another effect. In the eighteenth century, some Dutch guild funds increasingly faced financial deficits because expenditure was too high in relation to the premiums charged, reflecting partly a lack of financial and actuarial expertise. The boards administering the guild funds often consisted of ordinary craftsmen, not all of whom had experience in managing money

⁹² Hechter and Kanazawa (1993, pp. 460–1).

⁹³ See, for example, Vos (2007, p. 186).

and securities. Guild welfare may thus have been stimulated by the guilds growing beyond a minimum threshold, but it may also have been hampered if they continued to grow beyond a maximum threshold.⁹⁴

Prior to the Reformation, the guilds had close links with Catholicism. As noted, each guild had its own patron saint, and members commemorated their saint in religious services at the guild's altar and in masses and festivities held on the saint's feast day. Such festivities did not come cheap. Guilds survived the Reformation but the Calvinist authorities severed their links with Catholicism. They abolished the religious festivals associated with saints, freeing up large sums of money previously allocated by the guilds to those festivities. Was this money used instead to augment guild funds? In 1578, the Amsterdam Calvinist city fathers ruled that the guilds should no longer use funds for 'useless superstition, drunkenness and indecent debauchery, but [...] for the sustenance and maintenance of the aged, impoverished or infirm, and needy guild-brothers and sisters'.⁹⁵ Can we trust such Calvinist rhetoric? It is noteworthy that the growth of guild insurance schemes began in the sixteenth century before the Reformation⁹⁶ and accelerated after *c.* 1630. The early sixteenth-century guild funds for which we have data were relatively successful; most survived beyond 1800.⁹⁷ The fact that the process of formalization began before the Reformation, that afterwards guild welfare schemes continued and even grew in number in Dutch cities where the majority of the population was Catholic, and that they expanded in the Southern Netherlands, which remained Catholic, suggests that the Reformation could not have been the sole factor.⁹⁸ At the same time, funds certainly

⁹⁴ Furthermore, if premiums calculated were too low, deficits would grow as numbers increase. In addition, there were clear limits to economies of scale, certainly given that guilds in the Netherlands were always local; there was no federation with local branches.

⁹⁵ De Ridder (1994, p. 108).

⁹⁶ Brouwer Ancher (1895, pp. 100–1), Blok (1910, p. 15), and Bos (1998b, p. 97) all date the start at around 1530.

⁹⁷ This finding may partly reflect how the data were collected. The older funds may have left more traces in the literature than those surviving only briefly. The longevity of at least some funds suggests, however, that even in the sixteenth and seventeenth centuries, enduring success in providing welfare was possible.

⁹⁸ De Munck (2009).

were freed up, and it is a distinct possibility that this boosted formalized guild welfare.⁹⁹

There may also have been a link between medieval religious confraternities (*broederschappen*) and guild mutualism. Confraternities were Catholic laymen's associations, sometimes, like guilds, formed around an occupational group. Members joined a confraternity for spiritual purposes, or to ensure a decent burial, or to be part of a group with a similar background and social status. Of the 89 confraternities in existence before the Reformation in the province of Utrecht, only 15 ran a hospital and another 8 were connected to a guild. The remaining 66 limited themselves to providing for the spiritual well-being of their members, burying them in a common tomb and erecting an altar where prayers and masses were said for the dead, using only a minor part of their income to provide for members in need. After the Reformation, the ecclesiastical authorities tried to suppress confraternities, eventually succeeding in 1615. By that time, mutual aid had taken on a prominent role among confraternities. After the confraternities were abolished, almost all the occupational groups (7 out of 8) that were united both in a guild and a confraternity established either a mutual insurance fund or ran a hospital for indigent members. Thus, arguably, the Reformation had a belated effect in stimulating guild mutualism by suppressing confraternal aid.

Alongside the size of the guilds and the effects of the Reformation, we should consider the effect of the capital endowments of guilds. This was not particularly a reason for establishing guild schemes in general, but it can be seen as favouring the more unusual and costlier schemes for widows and the elderly. These schemes were problematic for at least two reasons. Premiums had to be set with precision because the benefits

⁹⁹ The Reformation might have affected guilds in another way. Before the Reformation, the number of working days was probably 270 a year at most. This rose to 307 after the Calvinist Synod resolved in 1574 to abolish all holidays except Whit Sunday, Christmas, Easter, and Sundays. Not all these extra days will have been worked, but even in the first half of the seventeenth century examples can be found of men working more than 300 days a year. See de Vries and van der Woude (1995, pp. 616–7). Given that a degree of prosperity was necessary before the guilds could consider asking members to relinquish part of their income in return for insurance against sickness and other such vagaries of life, an increase in earnings capacity would have enhanced the likelihood of members being able to afford such insurance.

could be long term; any mistake might have enduring effects. But if they were set high enough, who could afford them? The discussion of the data in Table 2.11 has already alluded to the fact that the capital endowments of guilds in Holland, particularly in Amsterdam, might have been a key factor in keeping costly schemes in operation, notably those providing old age pensions. As a rule, these important, if not crucial, capital endowments had not only been accumulated from the contributions of guild members, the civic authorities, too, played a part, by granting guilds income from certain entitlements and backing the use of substitutes.

The fact that some Dutch guilds could amass fortunes is part and parcel of a larger issue that influenced the viability of middle-class welfare, namely the position of guilds in the corporatist Dutch polity, and, in particular, the endorsement of guilds and guild schemes by the urban authorities. Town governments allowed the guilds unprecedented, though not unlimited, scope to exercise their responsibilities, including those as providers of middle-class welfare, by requiring mandatory guild membership. And many guilds required their members to join the guild's health insurance scheme as well. Hence, the guild schemes quickly secured enough participants, while avoiding the problem of adverse selection that could easily wreck voluntary schemes. In addition, the guilds were equipped with the jurisdiction to be flexible or arbitrary. In dire times, as we have seen, they could and did adjust expenditure to reflect revenue. Masters opposed to such reductions could try either to have a new guild board appointed or to petition the town government to reverse this infringement of their rights. The town government could intervene, but it was seldom eager to do so. No one was keen to see a fund go bankrupt and the city fathers would be faced with a new problem of poor relief agencies having to pick up the bill. Moreover, corporatism by definition entailed the town government delegating such matters. The town, the guild, and its members had to accept a certain degree of 'flexibility' in benefit policies if the corporatist political economy that protected the city's craftsmen was to be preserved.

9 Guilds in the Mixed Economy of Welfare

Although of prime importance to certain groups among the Dutch, guild insurance was not the only form of welfare known to the Netherlands. Dutch guild welfare can be compared with other forms of welfare. For the sake of simplicity and brevity, Table 2.13 offers a schematic comparison. Not surprisingly, poor relief and guild welfare were generally more ‘bureaucratic’ than the help provided by neighbours, friends, and family, who offered informal help in cases of maternity, sickness, death, and poverty. Precisely because of its informal nature, such help often remained unobserved, but though precarious it could be pervasive. Both in rural areas and in some cities, organizations offering such help existed, with rules governing who was entitled to what form of help and who was expected to give it. In the countryside, neighbouring farms might be expected to provide help on the basis of reciprocity. The kind of help to be given was not always specified in writing; it was often well understood though. In some cities, there were organizations of neighbours providing help. They were known as ‘neighbourhood guilds’ (*buurtgilden*), although they were not actually guilds. They each had their own set of rules and regulations on how neighbours should co-exist and help one another.¹⁰⁰ Generally, these neighbourhood associations provided only short-term help and they were probably more important in rural than in urban areas when it came to assistance, as opposed to festivities.

Of more importance to the welfare of the Dutch were the thousands of relief agencies, which astonished foreign visitors.¹⁰¹ Entitlement was restricted to those who had either been resident locally for some time—in the case of municipal poor relief—or—in the case of ecclesiastical poor

¹⁰⁰ See Sleebe (1998), and also Dorren (1998a, 2001), van Wijngaarden (2000, pp. 223–9), van der Vlis (2001, Chap. 8), and Walle (2005). For the Southern Netherlands see Lis and Soly (2006) and Deculaer (2009).

¹⁰¹ See Spaans (1997), Parker (1998), Prak (1998), van Leeuwen (2000a, 2012b, 2013), van Wijngaarden (2000), van der Vlis (2001), Buursma (2009), Nederveen Meerkerk and Vermeesch (2009), Nederveen Meerkerk (2011, 2012), Heerma van Voss and van Leeuwen (2012), Levie Bernfeld (2012), Looijesteijn (2012, 2014), Teeuwen (2012, 2014), and Looijesteijn and van Leeuwen (2014). No nation was more charitable than the Netherlands. England began to approximate it—in terms of per capita giving—only at the end of the eighteenth century, as Lindert (2004) shows.

Table 2.13 Mixed economy of welfare in the Dutch Republic

| | Guild welfare | Help from neighbours, friends, and family | Poor relief |
|------------------|--|--|---|
| Risks | Sickness and burial, sometimes widowhood and old age | Chiefly maternity, sickness, burial, and general poverty | All cases of poverty, especially those involving large underemployed families, old age, sickness or invalidity, and widowhood |
| Recipients | Craftsmen and journeymen | Neighbours, family, and friends in the widest sense | Local residents and practising church members |
| Legal form | Membership, often compulsory for masters and sometimes, too, for journeymen, with rights and obligations set out in regulations, but subject to change | Goodwill, sometimes involving formal arrangements | Custom, often involving formal arrangements |
| Type of help | Money, and cost of, and attendance at, funeral | Services and sometimes items | Money, food, fuel, medical assistance, and sometimes housing |
| Duration of help | Variable | Variable but very limited as a rule | As long as the recipient remained in poverty |
| Degree of help | More generous than poor relief | Generally limited | Variable, but insufficient to live off, except for shamefaced and institutional poor |

Table 2.13 (continued)

| | Guild welfare | Help from neighbours, friends, and family | Poor relief |
|----------------|---|---|---|
| Conditions | Paying contribution, but subject to limiting conditions | Reciprocity, sometimes formal arrangements | Number of years resident or churchgoing, and other conditions relating to gender, age, number of children, and personal conduct |
| Administrators | Representatives of recipients | Neighbours, friends, and relatives, local organizations | Local, civic, and ecclesiastical charities managed by the middle and upper classes |
| Implementation | Unpaid board with paid staff, doctors contracted | Informal, chiefly by neighbourhood communities in rural areas but also by associations in urban areas | Unpaid board, sometimes with paid staff and sometimes with volunteers |
| Financing | Initially ad hoc, later contributions, pay-as-you-go or capital funding | Gifts, sometimes collections or contributions | Gifts, interest on own capital, sometimes subsidy from local government |

relief—been an active member of their church for some time. Generally speaking, there were written rules and regulations, and certainly in the cities one could speak of customary rights. There were large local variations in sources of income: gifts, income on endowments, and sometimes subsidies from local government. Guild welfare provided relatively high benefits to the middle classes; poor relief provided lower benefits to the bulk of the population. Although we do not have national figures for those on relief and there was much local and temporal variation, we can safely say that, overall, municipal and ecclesiastical charity together sup-

ported more individuals in the Dutch Republic than guild welfare did. Guilds, incidentally, transcended the religious divisions of the Dutch population, while poor relief, because it was grounded in religious faith and organized denominationally, transcended occupational divisions.

Religious denomination was seldom a reason to exclude an applicant from membership of a guild or guild fund, as is illustrated by the case of the Catholic guild member Hermanus Verbeeck, with whose fate this chapter began.¹⁰² In the case of poor relief, the situation was different. Poor relief was grounded in religious faith and organized denominationally. Each denomination was obliged to give alms to its co-religionists, but not to those of other denominations. Guild-based welfare was grounded in the organization of labour. Craftsmen were obliged to help the needy in the same sector, in the same guild, but not to support members of other guilds.

Could masters and journeymen claim poor relief? The regulations of guilds and poor relief agencies in the Netherlands did not explicitly forbid it. If a master or journeyman was not, or no longer, in receipt of a guild allowance, he could certainly apply for relief, and relief agencies would have treated him like other applicants. They would have looked at his income from work, family, and others; if that fell short of what he needed for himself and his family, and if he met the requirements set by the relief agency, they would have no reason to deny him an allowance. However, those requirements generally favoured women, the elderly, and the infirm, while large families unable to earn a living might also receive support. Because guild benefits were higher than poor relief and applying for the latter would have meant loss of status, one would expect a master or journeyman to have turned first to the guild, and only later, when the guild allowance had ended, to apply for relief.

Interestingly, in his detailed memoirs, Verbeeck never once mentioned receiving poor relief, nor applying for it, nor even contemplating applying. In Delft it was rare for a master or journeyman to claim an allowance from the city's poor relief agency. The same was true in the city of Zwolle in the same period. Those who did were usually special cases.

¹⁰² Jews were the exception. Catholics were sometimes excluded from board positions, though they were welcome as members of guilds and guild boxes.

Sometimes a guild paid an old age pension to a former member, not directly but through a relief agency, which in turn paid a third party to offer him board and lodging. In one case we know of, a perpetually drunk cloth-shearer initially received a guild benefit; he then applied for poor relief, which he received (until it was stopped because of his drinking). We do not know whether he continued to receive a guild benefit in the meantime. The small group of individuals receiving assistance from both a guild and a poor relief agency seems to have been dominated by widows. Sometimes a guild might provide a small benefit, such as one loaf of bread a fortnight or a token allowance, to a widow on relief. Those widows did not receive a guild pension, but they were given token assistance informally. In Groningen, between 1731 and 1795, the Calvinist relief agency helped on average one artisan and his family a year, out of a total of perhaps 1000 recipients of relief. In many instances, those helped appear to have been journeymen who had failed to pay their contribution to the guild's box and who could therefore claim no benefit. Sometimes, a poor relief allowance was used to 'buy back' entitlement from the box—the poor relief allowance was then used by the recipient to resume paying his dues to the guild, or alternatively the poor relief board paid the guild directly to resume the recipient's coverage.

All told, the evidence available at present suggests that it was usually only in rare and special cases that a master or a journeyman could simultaneously claim benefits from a guild box and a poor relief agency. Perhaps this happened a little more frequently with widows of guild members, but it probably still remained a rare phenomenon. Relief agencies were open to those masters and journeymen, and their widows, who, though they might sometimes have received a token gift from general guild funds, did not receive an allowance from a guild box, perhaps because the guild had no insurance fund or because entitlement had been forfeited, notably because of failure to pay contributions to the box or because the duration of guild benefits was limited. Master artisans were perhaps also reluctant to join the queue of paupers standing in line to receive bread or money.

There might have been a way out, however, sparing former guild members or their widows a degree of humiliation by providing secret assistance to the genteel or shamefaced poor, but we know very little about

it.¹⁰³ On a very small scale, almost clandestinely and certainly inconspicuously, administrators of poor relief agencies did help members of the middle class who had fallen on hard times. This elite among the poor were given significantly more than rank-and-file paupers. It is conceivable that, could we lift the veil of secrecy that shrouded these elite poor, we would find that they included current and former guild members or their widows.

Apart from the help provided to the shamefaced poor, there was another aspect of poor relief that benefited the middle classes: the burgher orphanages. The first Dutch orphanages date from the late fifteenth century. After the Reformation their number grew rapidly, not only because all religious denominations wanted their own but also because of a growing social diversification. Alongside the ordinary orphanages for children whose parents would have received poor relief, a more dignified type of orphanage existed for children of those Amsterdammers who had either inherited or bought full citizen rights. In all, some 75 burgher orphanages opened in the Netherlands from 1550 to 1800.¹⁰⁴ Living in an orphanage might not have been a joyful experience, but overall the standard of living of orphans was no worse than that of other children from the same social class. The diet provided by the Amsterdam burgher orphanage contained enough proteins, vitamins—except perhaps for vitamin C—and calories. Indeed, it would have sufficed to feed today's taller and sturdier American children.¹⁰⁵ The mortality rate in the burgher orphanages was far lower than that reported for the common orphanages and comparable with that of non-institutionalized children. The care they provided was grounded in 'middle-class notions of comfort and respectability [...] The politically disenfranchised members of the *burgerij*, who were nonetheless culturally engaged and vital to the Republic's economic well-being, were guaranteed that if they died prematurely their sons and daughters would not lose their social status. Moreover, it would be the urban elites

¹⁰³ Spaans (1997, pp. 199–200), van Leeuwen (2000b, pp. 69–70, 131–2), van Wijngaarden (2000, pp. 60–2), and van der Vlis (2001, pp. 281–4).

¹⁰⁴ Groenveld (1995) and Groenveld et al. (1997).

¹⁰⁵ McCants (1997).

[as the regents of the orphanage] who would act as the guarantors of this promise.¹⁰⁶

The burgher orphanages, the help given to the shamefaced poor, as well as the many almshouses can be regarded as part of an implicit social contract between the middle classes and the urban elites.¹⁰⁷ It was there that the world of middle-class welfare, centred on guild support, met the world of poor relief. Guild insurance and the like offered the politically disenfranchised middle classes not just a means to maintain their living standards, important as that was, but also the assurance that they were a vital part of early modern society and that their interests, too, would be taken into account. Not the insurance as such—organized for and by artisans themselves—but the material support in the form of subsidies and the political support in legitimizing the exploitation of substitutes were, so to speak, the ransom paid by the urban elites for the acquiescence of the middle classes.

It is interesting to note that guild benefits began to slip at the end of the eighteenth century (Tables 2.6, 2.7, and 2.8), at a time of growing political turmoil when the ideas of the French Revolution began to have an impact on the Dutch Republic. Some of the Dutch bourgeoisie protested against the regent oligarchy that had governed the cities and provinces for so long with such little opposition. While no straightforward connection is suggested, it is conceivable that the decline of welfare added insult to injury in a period of economic distress and political turmoil. The so-called Patriots, who eventually brought the Republic to an end, were no longer prepared to acquiesce in their lack of political participation, as we will see in the next chapter.

10 Conclusion

While poor relief was more important than guild insurance when it came to the numbers of Dutchmen (and women) covered, guild welfare was more generous. Dutch guilds offered masters and journeymen primarily

¹⁰⁶ *Ibid.*, p. 200.

¹⁰⁷ On almshouses, see Looijesteijn (2012, 2014) and Looijesteijn and van Leeuwen (2014).

burial and health insurance, sometimes widows' insurance, and exceptionally old age pensions. From the mid-sixteenth century until the end of the eighteenth century, the number of those schemes increased. While most of the smaller guilds relied on informal help, the larger schemes in particular provided formal assistance. The sickness benefits paid by guilds were normally two to three times the level of poor relief, equivalent on average to between a third and a half of wages. This was not sufficient for an artisan to maintain his standard of living, but nor was it negligible; it allowed him and his family to manage for a time. Poor relief was substantially less generous than the middle-class welfare provided by the guilds. Welfare by guilds topped the already comparatively generous Dutch poor relief 'system', albeit on a lesser scale in terms of the percentage of the total population covered, and this at a modest cost. A master or journeyman could be insured for multiple risks for just a few percent of his income. If necessary, guilds could adjust expenditure to reflect revenue. Though they sometimes paid an allowance to a member even if, strictly speaking, he was not entitled to one, they would not hesitate to cut the number of recipients or benefit levels if their reserves became exhausted.

That the guilds could offer insurance at all reflected the special relationship between the guilds and town governments under the corporatist political economy. Town governments forced craftsmen to join a guild and often also required them to join a guild fund, if one existed, thus countering the problem of adverse selection. Moreover, town governments sanctioned the guilds' policy of adjusting benefits depending on their financial situation, and granted them privileges, such as income from certain taxes and the exploitation of substitutes, which subsidized guild welfare.

Early modern poor relief arguably served to 'integrate' the poor, in the sense of helping them to survive without having recourse to survival strategies that would have caused concern among the elites and the middle classes.¹⁰⁸ If poor relief can be seen as part of an implicit social contract—or an institutionalized exchange mechanism—between elites and poor, where do the middle classes fit in? How could hard-working artisans who bore the brunt of taxation and formed the backbone of society be assured

¹⁰⁸ Van Leeuwen (1993, 2000b).

that their concerns would be taken into account by the elites who governed their cities? Every form of governance needs legitimacy to survive. What forms of legitimacy were needed for the middle classes? The insurance offered by the guilds integrated ‘the middling sort’. Guilds offered insurance, effectively ensuring that their members and their families would retain their social rank even during difficult stages of their life.¹⁰⁹ This form of middle-class welfare—together with the burgher orphanages, the almshouses, and discreet assistance to the genteel or shamefaced poor—can be seen as a form of compensation for the political influence denied to the middle classes under the corporatist political regime. It might also help to explain the paradox noted by de Vries that the Dutch middle classes did *not* protest, even though in setting the price of bread (the *broodzetting*) the urban authorities stipulated a relatively low price for the rye bread eaten by the poor and a relatively high price for the wheat bread consumed by the middle classes and even though the poor were protected by a range of poor relief institutions while the middle classes were not.¹¹⁰

Dutch guilds offered their members insurance as well as sociability, and the two were intertwined. Guilders spent on drinking and eating were spent not only enjoyably but most probably also wisely, in that they helped to sustain an organization run for and by its members. And they cemented the bonds between members. This was needed to counter problems of hidden action and hidden information, as discussed in the introduction. This sociability, together with the micro-scale of guild operations, created conditions of dependence and visibility among the insured, which helped to keep malingering within limits.

Did Dutch guilds offer their members more than insurance and sociability? Were guilds vehicles of political expression? Did they give artisans and journeymen a voice in politics in the way trade unions did and do? Modern trade unions recognize that, at times, the interests of workers collide with those of employers or the state. Apart from providing micro-insurance, defending workers’ interests is one of their *raisons d’être*. However, if early modern Dutch guilds had acted on this presumption,

¹⁰⁹ A point also made by Prak (1992).

¹¹⁰ De Vries (2009, pp. 106, 114).

they would have been outlawed. Further, given that guilds united both journeymen and masters and that they were one of the pillars of Dutch corporatism, it is difficult to see how they could ever have become vehicles of class struggle. In this respect, the answer to the questions posed has to be a very definite ‘no’. Even in a general sense, early modern Dutch guilds were not political organizations. During the Middle Ages, in the Southern Netherlands and in a few towns and cities in the north, such as Utrecht, many guilds did have direct political influence.¹¹¹ At the time of the Dutch Republic, however, this was very rare. Any political influence the guilds might have had ended after the Provincial States of Holland forbade consultation with guilds, militias, and the like in 1581. In cities with a history of guild influence, such as Utrecht and Dordrecht, in times of political crisis guilds did sometimes act as rallying points for disaffected burghers. This happened in Dordrecht in the 1640s and 1650s, in 1672, and in the 1780s. In 1784, guilds claimed to represent the people of Dordrecht. A similar assertion was made in Utrecht in the 1780s, where the shopkeepers’ guild claimed the same.¹¹² These were exceptions, however, and in most other Dutch provinces the guilds played no such role.¹¹³

Having said this, it seems almost unthinkable that groups of sometimes educated men—like Hermanus Verbeeck—who worked, ate, and drank together at festive occasions and discussed guild matters at guild meetings, would have been able to avoid politics entirely. Furthermore, the guilds were expected to represent the interests of their members. For such interests to be voiced, they had to be formulated and discussed. Guild influence was exercised through the submission of petitions containing legislative proposals relating to guild matters. In addition, as Dutch

¹¹¹ Prak (2006, pp. 74–106).

¹¹² *Ibid.*, pp. 88–91. See also Slokker (2010, pp. 151–69).

¹¹³ Prak (2006, pp. 89–98). Groningen and Guelders were exceptions. In Groningen, guild influence was largely informal, but it nonetheless remained considerable until 1662, when a guild revolt was put down by government troops. In Guelders, guild influence on the election of civic officials survived the transition to Habsburg rule in 1543 and persisted throughout the early modern age, although it was gradually curtailed over the years. In Arnhem, for example, guild masters played a role in urban politics, but they were forbidden to consult guild members on political matters. At times, guild influence was negligible. In times of crisis, though, the guilds knew how to reassert their influence; thus the Arnhem guilds maintained their influence on and off throughout the early modern age.

guilds were part and parcel of urban governance, and because some guild masters were both very wealthy and highly respected citizens, the ties that bound guild masters to the masters of the polity were sometimes short. Such power had to be yielded discreetly, however. Although guilds were usually excluded from decisions on major policy matters, when it came to their own interests, they were well able to make their position felt. In that sense, the guilds were a training school for the political ambitions of their male middle-class members.

In recent years, guilds have begun to take centre stage in a range of historical debates. So far, those debates have focused less on their welfare role than on other issues, such as their power to innovate or not, their role in furthering group identity, and the degree to which they successfully tried to exclude non-members such as Jews, women, migrants, and rural workers.¹¹⁴ In terms of guild welfare, there is not much in the way of a comparative perspective. The Dutch Republic was certainly not unique in providing welfare through guilds. Comparisons of guild welfare in the Dutch Republic with that in other European countries are fraught with difficulties because of variations in how the guild system was organized in each country. In England and Germany, for example, guilds paid travel money to unemployed journeymen to help them find employment elsewhere; in the Netherlands they did not. Assistance in kind and informal ad hoc support also complicate comparisons. It has been claimed that England and the Southern Netherlands formed a middle ground between high levels of support in Germany and the Northern Netherlands and low levels of support in France, Italy, and Spain, which were characterized by ‘a total lack of guild-based mutual funds’.¹¹⁵ It is enormously difficult to evaluate those claims at present, as guild welfare has been studied so little.¹¹⁶ What is clear, however, is that in parts of early modern Europe a

¹¹⁴ See, for example, Kaplan (1996), Epstein et al. (1998), Epstein (1998, 2008), Ogilvie (2004, 2007, 2008), Greif (2006), de Munck et al. (2007), Kluge (2007), and Epstein and Prak (2008). See also Lucassen et al. (2008). For a recent Dutch study focusing on civil society, see van der Heijden et al. (2009).

¹¹⁵ Bos (1998a, Chaps. 8 and 9, esp. pp. 305, 312, 319, 325, 340) and Bos (2006, p. 192); see also Riley (1982, p. 67) and van Genabeek (1999, Chap. 1).

¹¹⁶ Recent studies suggesting there were guild welfare schemes in Italy and Belgium include Allio (1998) and de Munck (2009). Several studies suggest a high level of guild-based welfare in Germany too: Strube (1974), Fröhlich (1976), Tenfelde (1979), Frevort (1984), and Kluge (2007). See also

system of middle-class welfare existed, operated by the guilds. It certainly did not cover all artisans fully in every place for all risks of life, but in certain places it was of importance to masters and journeymen, and to the political economy at large: if the relationship between the early modern citizen and the state is to be seen as an implicit contract,¹¹⁷ middle-class welfare provisions such as micro-insurance have to be written into it.

Micro-insurance for and by Dutch guild members was impressive in certain ways. It covered a sizeable part of the adult male labour force in the cities in the west of the country, and, by extension, their wives or widows, at least sometimes, and children if they had any. Furthermore, it gave to the middling sorts a voice in public affairs that would otherwise have been more difficult for them to obtain. It encouraged organizational and administrative skills, as well as fostering an ability on the part of male artisans to deal with urban authorities. This micro-insurance helped many a family to survive bad times, whether owing to a fall in demand for artisan goods during an economic downturn or to a personal illness or incapacity that prevented the male breadwinner from working. It covered a shorter period than poor relief, but it offered allowances more likely to ensure recipients maintained their standard of living and their personal dignity, avoiding the need for them to stand in line to receive bread and peat from poor relief officers. All this will have helped preserve stability in a generally peaceful urban society, thus strengthening the social fabric and economic life of the period and even contributing to the acquiescence of the middling sorts in being denied a direct voice in matters of politics. On top of that, guild sociability made the lives of artisans more colourful, while at the same time increasing the viability of micro-insurance by enhancing monitoring capacity and thus reducing malingering.

Guild insurance had its limits though. Overall, as discussed earlier, even the popular burial schemes covered only 3–7% of the total population directly. Guild insurance was generally dispensed for a much shorter period than poor relief and could even be denied (by mutual consent of the guild members) if funds were low. Further, with the numerically

Ben-Amos (2008, pp. 95–106), on England: 'Alongside the parishes, the most conspicuous form of organization that provided support to its members was the craft guild', p. 95.

¹¹⁷Van Zanden and Prak (2006, esp. p. 123).

minor exception of provisions for widows, guild insurance was directed towards men only. The exclusion of women was not the only exclusion, however. Guild insurance was an urban phenomenon. Over a third of the labour force worked in agriculture at the end of the eighteenth century, and they were not covered. Nor was it just farmers and rural labourers who were not covered. Even in the cities, a large proportion of the male labour force was unable to join. As mentioned before, it has been estimated that in 1811 the percentage of the male labour force covered by some form of mutual insurance may have been as much as 42% in Utrecht and 55% in Leiden. This still left 58 and 45% not covered. Coverage rates in very many other Dutch cities will have been lower. Not all workingmen were members of guilds, and where guild insurance funds were not obligatory, not all guild members will have paid contributions. In some cities, such as Amsterdam, some 'proletarian' occupations, such as peat carrying, had their own guild, and thus the proportion of workers covered by guild funds was broader than the group we are now inclined to think of as male artisans. Having said that, even outside agriculture, lower-paid segments of the population, working outside guilds, were excluded from what was essentially a middle-class provision. It was not until the nineteenth century that, despite the abolition of the guilds, Dutch micro-insurance was gradually transformed to cover many more people than just the middle classes.

3

The Age of the Friendly Societies: Mutual Insurance in the Nineteenth Century

Abstract The end of the guilds marked the beginning of mutual insurance on a voluntary basis through Friendly Societies. These grew enormously in scope of coverage, until, around 1900, the majority of the population were insured for the costs of burial. Almost all other forms of micro-insurance, too, increased in scope. The nineteenth century saw the rise of commercial insurers as well as insurance provided by doctors, factory funds, and local trade unions. Their terms and conditions are discussed, including those relating to classic insurance issues. We discuss the place of micro-insurance in the worlds of the artisan and the working classes, including issues of sociability, and the place of micro-insurance in the political climate of *laissez-faire* and social liberalism as well as socialism, and, finally, its place in the mixed economy of welfare.

This chapter has benefited in particular from data on the number of insurers in the nineteenth century in van Genabeek (1999). I used these data to estimate the proportion of the population insured in van Leeuwen (2000c) and for the chapter ‘Historical Welfare Economics from the Old Regime to the Welfare State’ I contributed to Harris and Bridgen (2007, pp. 89–130). I have reworked this material, adding observations of a more general nature while omitting certain technical details.

1 Introduction

The nineteenth century began with a deep recession. These were the years during which the Netherlands irrecoverably lost its leading economic position to England. It was also a period during which great structural changes in government and society laid the foundations for the Netherlands as we know it today. The decentralized and corporatist system of the Republic gave way to centralized control. In 1820 the guilds were definitively abolished and, along with them, the micro-insurance they had provided. As we shall see, however, micro-insurance itself remained. It was not because of any defect in their micro-insurance arrangements that the guilds were abolished, quite the contrary in fact; their abolition was politically motivated.

Opposition to the existing political structure had already begun to manifest itself towards the end of the eighteenth century. Citizens turned against the religious and political monopoly of the oligarchs who ruled them. That opposition was fuelled by the economic stagnation of the period, which left people with worse prospects than before. A fierce struggle had broken out between the change-minded Patriots and the more conservative Orangists. In 1787, with the help of Prussian troops, the Orangists initially defeated the Patriots and forced them out of the country.¹ In 1793, Revolutionary France declared war on both the Republic and England, and two years later, after an invasion by the French, the Batavian Republic (1795–1805) came into being. On the political front, there was radical criticism of several of the Republic's institutions. The champions of laissez-faire liberalism wanted the guilds abolished because they regarded them as incompatible with the 'natural law' of the economics of the free market. Guilds were held responsible for such high labour costs that it had become impossible to compete with more cheaply produced goods from abroad. Others were convinced that although reform of the guilds was needed, abolition was not, as it would also dissolve the guilds' mutual insurance funds at a time of deep recession and unemployment. All the same, in 1798 abolition is precisely what happened. At the instigation of

¹The following is based on Schama (1977), Daalder (1985), van Tuin (1991), and Stuurman (1992).

the French emperor Napoleon, the Batavian Republic was superseded by the Batavian Commonwealth (1805–6), followed in turn by the newly created Kingdom of Holland (1806–10). French troops eventually withdrew from the Netherlands in 1813.

That same year saw the investiture of the Prince of Orange as monarch, to be known as King William I. The first Dutch law establishing the Netherlands as a constitutional monarchy dates from 1814, but it was replaced by another just a year later. As with the first constitution, a central tenet of the second was the retention of the unitary state set up in the French-Batavian period, along with legal equality for all religious denominations. It also enshrined the principle of equality before the law.² Instead of local and provincial independence, central government was established in The Hague and attachment to a town became attachment to a nation. It was a far-reaching change taking up the first half of the nineteenth century. It brought about a uniform, decimalised currency and system of weights and measures, and national taxation to replace the myriad local rates and duties. Population policy and judicial matters, too, became subject to central control with the introduction of civil registration and codified laws.

The one constant throughout the first half of the nineteenth century was the rule of the House of Orange and the power of the regent families and their clientelistic political culture.³ The citizenry enjoyed voting rights, but there were no national elections and the electoral colleges consisted almost exclusively of a small number of patricians. Members of parliament's lower house were elected by the Provincial States under a limited franchise, and mayors and alderman were appointed by the king. The political culture of the old Republic survived only in the informal sphere, the more so because many of the old grandees and families returned to assume their traditional role in local government and 'representative bodies'.

The turning point came with 1848, the year of revolutions. There had already been a great deal of social unrest when the potato crop failed in 1845, and two years later, in 1847, there was further unease caused by high

² The following is based on Knippenberg and de Pater (1990, pp. 9ff) and Stuurman (1992).

³ Stuurman (1992, pp. 93, 102).

food prices and severe unemployment. The following year, while the whole of Europe was buzzing with talk of revolution, King William II went from being a conservative to a liberal overnight and set up a commission charged with drawing up a new constitution. The result laid the foundations of a liberal state, with direct elections to parliament and local councils at its centre—albeit with a franchise limited by wealth. Over time, that made for a significant shift in power from the local to the national level, as well as for a certain measure of democratization. The pace of change was slow and its parliamentary basis was far from broad. Until 1887 only 12% of men over the age of 23 were entitled to vote. By the end of the century, voting rights had been extended to a fifth of the adult male population.⁴ After 1848, parliament was composed almost entirely of conservatives and liberals, and until 1890, more than half its members came from the nobility and patriciate. Even liberals were of the opinion that the government ought to consist of the ‘educated classes’, individuals whose private means would allow them to make independent judgements. It was the age of classic liberalism, but slowly, resistance grew among liberals.

The social-liberal politician Samuel van Houten (1837–1930), for example, decried the notion that ‘laissez-faire, laissez-aller’ would by itself create a harmonious society. He thought Adam Smith’s dictum that by promoting one’s own interest one would promote that of society fundamentally mistaken and saw no ‘invisible hand’ promoting the general good. Van Houten saw society not as an assemblage of separate individuals but as an interconnected whole, like a living organism. He agreed wholeheartedly with Jeremy Bentham’s claim that in promoting the general good one would best serve one’s own true interests,⁵ and so he advocated an extension to the franchise sufficient to ensure a fair balance among the classes. He was a leading proponent of repealing the anti-union law prohibiting workers from organizing or going on strike (it was eventually repealed in 1872), and called for child labour to be prohibited (a start was made with van Houten’s Child Labour Act of 1874).⁶

⁴Daalder (1985, pp. 308 ff), Knippenberg and de Pater (1990, pp. 46–149), and Stuurman (1992, pp. 159ff).

⁵Stuurman (1992, p. 83).

⁶Daalder (1985, pp. 312–3).

So the last quarter of the century saw a desire to make a start on ‘repaying the enormous debt of the “haves” to the “have-nots” in order to build a bridge between the “two nations”, whatever the cost’.⁷ Pressing ‘social questions’, begging to be answered, were fiercely debated. In the 1880s, unfavourable economic conditions called for social insurance and other measures to protect the working classes.

In matters of religion, the Netherlands remained divided. Practically everyone belonged to one denomination or another; a third of the population was Catholic and almost two-thirds Protestant, the largest proportion of whom were members of the Reformed Church, which comprised approximately half the overall population of the country. There were also a small number of Jews, perhaps 1 or 2%. In the wake of the French Revolution, the Reformed Church had lost its dominant position in the social life of the Netherlands, for since 1796 all religious denominations had enjoyed equal rights.⁸ Officially, church and state were separate, but the reality was different, for through their dispensing of alms and involvement in education, churches exerted considerable control over almost everyone in the Netherlands. As associations of workers and providers of mutual insurance, guilds had rarely limited their membership to any particular group of co-religionists. However, it was a different matter with the trade unions that came into being in the second half of the nineteenth century, for in them could be seen the outline of the neo-corporatist Netherlands of the early twentieth century, divided along religious lines. We will be looking at this in Chap. 4.

Since the turn of the century, the economic situation had deteriorated greatly. The occupying French made substantial financial demands, as compensation for the ‘costs of liberation’. The national debt had risen sharply and the introduction of the Continental System—which prohibited trade between the European continent and England—had brought the business of the Republic practically to a standstill. It was a time of grinding poverty and signalled the complete collapse of the Netherlands as the world’s leading commercial nation; even after the withdrawal of the French, the country never regained its old lustre as a trading nation.

⁷ De Rooy (1983, p. 99).

⁸ See van Leeuwen (1998a).

Throughout the century there was underemployment in certain sectors of the economy, including among dockers in Rotterdam and Amsterdam.

The economy began to see a general improvement only in the second half of the nineteenth century, especially in relation to the trade in goods, from the colonies for example, and in agriculture and industrial production, initially mainly production in small workshops with a small number of craftsmen using traditional tools. As the century wore on, the scale of such operations increased, partly owing to the introduction of steam power and other sorts of machine tools. It was in the textile industry, food and beverages sector, and the chemical industry that steam power was deployed most frequently. There were still relatively few industrial workers, although the number was certainly increasing.

For many Dutch people, the slightest setback—illness or loss of employment, higher food prices, or having many young children—could push them into poverty. This is illustrated by the household budgets of the working class (see Table 3.1). When more than half of income is spent on food, there is little left for expenses such as a funeral, or to pay a doctor, or afford medicine.⁹ There was hardly any extra money to save or to pay an insurance premium. However, gradually, during the century, more money became available. For the most part, the budgets do not tell us whether people took out insurance or not, and, if so, for what. However, we do know what one worker at a spirits distillery in Delft in 1875 did with the money he saved for himself, his wife, and two small children. That particular worker's family spent 9.22 guilders per week, nearly all of which went on rent, food, and fuel, the exceptions being a pound of soap a week at 19 cents, a pound of sugar for 35 cents, and a weekly contribution of 32 cents to a sickness and burial fund.¹⁰ Jacob van Marken (1845–1906), the enlightened owner of the distillery, remarked about this budget, 'I should dare ask it of anybody; what of this expenditure could you forego, and not go without even the most pressing requirements to nourish four persons? [...] The hardships that the working classes must endure are, in all probability, greater than many a man

⁹ Incidentally, in a recent dataset of workers in 18 very poor countries today, all non-Western, food accounts for 52–74% of total income for the urban poor and 45–72% for the rural poor. Banerjee and Duflo (2011, p. 22).

¹⁰ Giele (1979, p. 124), de Groot (1988, p. 171), van Zanden and van Riel (2004, pp. 323–5).

Table 3.1 Income and expenditure of working families in the late nineteenth century in guilders

| | 1807–8 | 1852–63 | 1886–97 | 1886–97 |
|-----------------------------------|--------|---------|---------|--------------|
| | | | Holland | Other cities |
| <i>A. Expenditure</i> | | | | |
| Food | 54 | 58 | 43 | 58 |
| Clothing, apparel | 13 | 15 | 16 | 14 |
| Housing | 7 | 11 | 23 | 10 |
| Energy | . | 9 | 8 | 8 |
| Soap, etc. | . | 3 | 1 | 1 |
| Drink, tobacco | . | 1 | 3 | 2 |
| Other | 26 | 3 | 6 | 7 |
| Total in % | 100 | 100 | 100 | 100 |
| Total in guilders per annum | . | 442 | 633 | 549 |
| No. of families | . | 15 | 16 | 22 |
| | | 1886–91 | 1910–11 | |
| <i>B. Income</i> | | | | |
| Average annual income in guilders | | 581 | 872 | |
| Income share of husband (%) | | 74 | 83 | |
| Income share of wife (%) | | 7 | 3 | |
| Income share of children (%) | | 9 | 8 | |
| Other (%) | | 10 | 6 | |
| No. of households | | 38 | 70 | |
| Average size of household | | 6 | 5 | |

Source: Smits, Horlings, and van Zanden (1999, Table 6.1) and van Zanden and van Riel (2004, pp. 276 and 324)

would be willing to believe. I am convinced that wages in this country are too low'. Even so, the three exceptions to this particular budget are not devoid of significance. They show that for the better-off worker there was some money to spare for hygiene in the form of soap and for luxuries (sugar), in addition to a modest sum for insurance. Apparently, a small amount of sugar was a 'guilty pleasure' for nineteenth-century Dutch workers, as it is for workers in poor countries today.¹¹

The Netherlands experienced an epidemiological transition in the nineteenth century. The number of deaths from epidemic disease declined

¹¹As is apparent from budgets of workers in a number of the world's poorest countries today, where expenditure on sugar, tobacco, and alcohol is stated separately. Banerjee and Duflo (2011, Chap. 2).

and gave way to a new pattern of illness dominated by non-infectious diseases. The preponderance of deaths shifted increasingly from infants and children to the elderly, but the transition was only partly the result of improvements in medical science. There were of course medical improvements, but they had a strictly limited effect and much more important was the improvement in living standards from the middle of the century and the arrival of clean drinking water, along with improved refuse disposal and effective sewerage. Public health became a political problem that necessitated government intervention, as is evidenced by the legal requirement introduced by royal decree in 1823 that all children of school age be vaccinated against smallpox. There were also nationwide regulations to prevent the spread of cholera. Both cases are examples of political regulation that would have been impossible under the decentralized Republic.

A glimpse of the epidemiological transition in the Netherlands can be seen in Table 3.2, which compares crude mortality rates for the period 1815–90 and for the period 1700–1814 in a number of large Dutch cities.¹² Not only were mortality rates lower in the nineteenth century than in the early modern period, there was also much less fluctuation, a sign of the gradual decline of the great epidemics, such as smallpox, although they did not disappear altogether, as the occasional cholera epidemic makes clear.¹³ We can see, too, from Table 3.3 that

¹² For the period 1700–1814 the figures permit only estimates to be made. The sources provide only total deaths in the period, and the highest and lowest figures, along with the year in which the extremes occurred. The source therefore provides no details of mortality rates and no figures at all for deaths between 1700 and 1814. Mortality rates have been calculated by relating the total number of deaths to the number of inhabitants of the place concerned for 1750. The lowest mortality figure is estimated by relating the lowest number of deaths to the number of inhabitants in the relevant year. A similar method was adopted to calculate the highest mortality rate. Two minor difficulties presented themselves. First, for some years only an approximate number of inhabitants is available. Second, it is theoretically possible that the year in which the fewest number of deaths occurred is not the year with the lowest mortality rate—and vice versa. That is particularly likely to apply to cities, where the number of inhabitants changed greatly between 1700 and 1814, but not to the extent that the estimated figures will be very different from the true ones. Therefore, the conclusion that both the extent and the fluctuations in mortality rates for 1700–1814 were higher than for the subsequent period remains valid.

¹³ The term ‘epidemiological transition’ is used in a general sense here. A fuller discussion drawing on cause-specific mortality data and morbidity data is not possible here. The causes of the decline in mortality continue to be contested, as does the nexus between mortality and morbidity. See van

Table 3.2 Epidemiological transition in the Netherlands, 1700–1890

| | 1700–1814 | | | 1815–90 | | | Difference between two periods in: | |
|------------|-----------|------|-----|---------|------|-----|------------------------------------|-------------|
| | Mean | High | Low | Mean | High | Low | Level | Fluctuation |
| Maastricht | 34 | 57 | 15 | 26 | 38 | 19 | 1.3 | 2.3 |
| Arnhem | 33 | 52 | 14 | 25 | 50 | 20 | 1.3 | 1.3 |
| Amsterdam | 35 | 57 | 29 | 30 | 49 | 22 | 1.1 | 1.1 |
| The Hague | 38 | 58 | 29 | 25 | 39 | 19 | 1.5 | 1.5 |
| Middelburg | 35 | 54 | 26 | 30 | 47 | 19 | 1.2 | 1.0 |
| Leeuwarden | 29 | 42 | 13 | 26 | 56 | 19 | 1.1 | 0.8 |
| Zwolle | 28 | 60 | 16 | 25 | 37 | 20 | 1.1 | 2.5 |
| Groningen | 36 | 69 | 25 | 28 | 45 | 17 | 1.3 | 1.5 |

| Key | |
|-------------|---|
| Mean | Average mortality rate over whole period, per thousand inhabitants |
| High | Highest mortality rate |
| Low | Lowest mortality rate |
| Level | Average mortality rate in the period 1700–1814 as a multiple of average mortality rate in the period 1815–90 |
| Fluctuation | Difference between the highest and lowest mortality rates for the period 1700–1814 as a multiple of the difference for the period 1815–90 |

Source: Van Leeuwen (2000c, p. 122)

mortality rates fell during the nineteenth century, with declines in most years, although the remaining epidemics occasionally disrupted this pattern. Most of the decline in mortality was due to falling infant and child mortality, as is indicated by the average life expectancy at birth, which increased from 29 to 50 years (men and women combined) in Amsterdam from 1801 to 1901 and from 40 to 50 years for women and from 38 to 47 years for men in the Netherlands as a whole from 1850 to 1900. But adults lived longer too. A Dutchman aged 20 could on average expect to live for another 40 years in 1850 and gained an extra four years in the next half century. This meant that adults contributing to burial funds would pay premiums for a longer period before they died, which was good for the mutual funds. The gradual disappear-

Leeuwen (2000c) and the literature cited there for the Netherlands. For Britain see Harris et al. (2011, 2012a).

Table 3.3 Life expectancy in the nineteenth century

| <i>A. Amsterdam, men and women combined, 1801–1905</i> | | | | | | |
|--|----------|-----------|-----------|------|-----------|------|
| Period | At birth | At age 20 | At age 60 | | | |
| 1801–5 | 29.4 | 34.0 | 11.2 | | | |
| 1811–5 | 25.1 | 32.7 | 10.9 | | | |
| 1821–5 | 34.0 | 35.6 | 11.5 | | | |
| 1831–5 | 28.1 | 33.6 | 11.1 | | | |
| 1841–5 | 32.1 | 34.9 | 11.3 | | | |
| 1851–5 | 31.9 | 34.9 | 11.3 | | | |
| 1861–5 | 37.8 | 37.0 | 11.8 | | | |
| 1871–5 | 35.7 | 36.2 | 11.6 | | | |
| 1881–5 | 37.9 | 37.0 | 11.8 | | | |
| 1891–5 | 43.6 | 39.3 | 12.3 | | | |
| 1901–5 | 50.3 | 42.3 | 13.2 | | | |
| <i>B. The Netherlands, 1827–1900</i> | | | | | | |
| | At birth | | At age 20 | | At age 65 | |
| | Women | Men | Women | Men | Women | Men |
| 1827–8 | 39.3 | 36.4 | 36.9 | 34.4 | 9.9 | 9.3 |
| 1850 | 40.4 | 38.3 | 40.8 | 40.2 | 11.5 | 11.1 |
| 1860 | 37.7 | 35.4 | 39.6 | 38.2 | 10.8 | 10.4 |
| 1870 | 37.9 | 35.6 | 40.2 | 39.4 | 10.6 | 10.2 |
| 1880 | 41.4 | 38.2 | 42.8 | 41.7 | 11.4 | 10.8 |
| 1890 | 45.4 | 42.6 | 43.4 | 42.0 | 11.3 | 10.8 |
| 1900 | 49.6 | 46.6 | 45.2 | 43.9 | 11.6 | 11.0 |

Source: Amsterdam, van Leeuwen (2000c, p. 52); the Netherlands, van Poppel et al. (2005)

ance of epidemics reduced the problem of correlated risks and this also reduced the minimum size of a viable insurance fund from perhaps 500 members to some 300.¹⁴

Following this sketch of the Dutch society in which micro-insurers operated, we look at the general development of the number of funds and analyse each type of insurance, with particular attention paid to the conditions required for both membership and payouts. We also consider how micro-insurers managed—or failed—to counter the classic difficulties insurance funds faced from correlated risks, moral hazards, and adverse selection.

¹⁴ Gales (1992a, 1992b).

2 Scope of Coverage

A preliminary impression of the development of micro-insurance in the Netherlands can be seen in Table 3.4. The upper panel shows the *number of funds*, mutual as well as non-mutual, by type of insurance by decade (excluding factory funds, for which such data do not exist). The table makes several things clear. The most prominent form of insurance was insurance to cover the cost of a burial, followed by insurance to cover loss of income due to illness, and then by health insurance. All three types of insurance saw a significant increase in the number of funds. During the period 1800–90 the number of burial funds and funds covering loss of income increased more than threefold. The number of health insurance schemes rose sevenfold. There were, however, distinctly fewer funds

Table 3.4 Funds in the Netherlands, 1800–90, excluding factory schemes

| | Burial | Illness: loss of income | Illness: medical costs | Widowhood | Pension | Unemploy ment |
|--|--------|----------------------------|---------------------------|-----------|---------|------------------|
| <i>A. Number of funds</i> | | | | | | |
| 1800 | 254 | 195 | 60 | 21 | 49 | 0 |
| 1810 | 292 | 212 | 79 | 24 | 50 | 0 |
| 1820 | 316 | 205 | 110 | 31 | 39 | 0 |
| 1830 | 409 | 261 | 184 | 53 | 45 | 0 |
| 1840 | 440 | 282 | 224 | 40 | 47 | 0 |
| 1850 | 509 | 301 | 270 | 39 | 50 | 0 |
| 1860 | 515 | 288 | 257 | 26 | 50 | 4 |
| 1870 | 582 | 349 | 265 | 30 | 62 | 10 |
| 1880 | 680 | 473 | 339 | 39 | 72 | 15 |
| 1890 | 822 | 754 | 461 | 52 | 87 | 39 |
| <i>B. Percentage of funds that were mutual</i> | | | | | | |
| 1800 | 98 | 99 | 92 | 100 | 100 | . |
| 1810 | 96 | 100 | 87 | 92 | 100 | . |
| 1820 | 94 | 99 | 88 | 84 | 100 | . |
| 1830 | 91 | 97 | 87 | 57 | 100 | . |
| 1840 | 89 | 95 | 83 | 78 | 100 | . |
| 1850 | 85 | 93 | 77 | 82 | 100 | . |
| 1860 | 82 | 91 | 71 | 73 | 100 | 100 |
| 1870 | 81 | 91 | 66 | 80 | 100 | 100 |
| 1880 | 82 | 94 | 57 | 87 | 100 | 100 |
| 1890 | 84 | 95 | 59 | 92 | 100 | 100 |

Source: Van Genabeek (1999), *passim*; see also the tables later in this chapter

offering insurance against the risk of widowhood and old age pensions than in the early modern era. The number of widowhood schemes fluctuated, peaking in the 1830s. Unemployment insurance was not offered until the 1860s, with the rise of local trade union funds, but it then grew rapidly, while still remaining underrepresented in terms of the number of funds. The increase in numbers of funds suggests an increase in the proportion of the Dutch population insured, despite the dissolution of the guilds, over the course of the century. To be sure of this, we need to convert the number of funds to the number of insured and relate this to the Dutch population, a task we turn to in the following sections. Each section is devoted to a particular type of insurance and discusses potential problems and the margin of error associated with making such estimates. As a flashforward, however, we can reveal that, in general, the proportion of the population covered rose, and in some cases rose substantially: over the course of the century, micro-insurance in the Netherlands was transformed from welfare covering the middle classes organized in guilds to welfare covering a much broader segment of the population.

The lower panel of the table shows the percentage of all insurance funds that were mutual. In the first and second decades of the nineteenth century, almost all funds were mutual, guild-operated funds for artisans and journeymen. The dissolution of the guilds in 1820 ended neither insurance as such (which continued to grow) nor micro-insurance. During the century as a whole, most funds continued to be mutualist, no longer rooted in guilds but operating on a voluntary basis, usually locally, and open to those working in a range of occupations. Apart from pension and unemployment schemes, which were provided by mutual insurers only, all other risks saw the mutualist tradition facing increasing competition after the insurance market was liberalized in 1820 with the dissolution of the guilds, with their mandatory insurance. The proportion of funds offering insurance against loss of income owing to ill health and that were mutual fell by 4 percentage points during the course of the nineteenth century, with corresponding falls of 8, 14, and 33 percentage points in the case of widowhood (with a large dip in the 1830s and an increase thereafter), burial insurance, and health insurance, respectively.

Table 3.4 thus points to a few interesting developments: the marked expansion of the insurance market as a whole, indicative, as we shall see,

of the development of insurance from a middle-class phenomenon into one covering large segments of the labouring population; the loss of market share by mutual micro-insurers, though they continued to predominate; that something remarkable was going on in relation to widowhood insurance in the 1830s; the growth of health insurance vis-à-vis insurance to cover loss of income when ill, which seems to have taken place largely outside the mutual sector; and, last but not least, the mutualistic monopoly when it came to insuring the risks of retirement and unemployment. The table has a significant heading though: it refers to the number of funds (and not the number of insured, for which we generally have no serial data) and it explicitly excludes factory funds. Both issues are inter-related, and we need to find a way to address them.

To turn the number of funds into an estimate of the number of insured persons (for sickness benefits, medical costs, widowhood, old age, and unemployment) we have in general adopted the following procedure. The estimates given for a certain type of insurance are based on back projections from a fixed point in the late nineteenth or early twentieth century, taken from a national survey. For this late date we know the number of insurance funds and the number of insured, and thus the average number of insured per insurer. From there, we can work backward using the known total number of funds per decade in the nineteenth century and an estimate of the average number of insured per type of fund, taking into account any general information available on developments over time. This information may differ between type of risk, and details about the estimation procedure are given in the following by type of risk. To be on the safe side and to enable us to better indicate the margins of error relating to the estimates, we have used both a low and a high average for the number of insured per fund. The actual figure will have been somewhere in-between.

There is, however, one further complication: the existence and growth of factory schemes. Sometimes, factory workers were insured through an insurance fund that covered only their factory or a group of factories in the same branch of industry (and usually in the same region). The number of workers insured through factory schemes can be estimated for the period 1888–90, but no information on the number of factory schemes or on their membership exists for the period before that. We

have addressed this problem by estimating the coverage excluding factory schemes and adding in an estimate of the numbers covered by factory schemes per decade. For the latter, we use the number of workers insured under factory schemes in 1890 and project back on the assumption that factory schemes did not exist in 1810 and that they grew especially rapidly after 1860.¹⁵

Before making our back projections, we will first discuss the nature and evolution of factory schemes. In the rest of this chapter we then discuss burial insurance in more detail, before going on to look at old age and widows' pensions, unemployment provisions, and sickness insurance (both for loss of income and for the costs of medical treatment).

Although the earliest known factory scheme was that at a textile factory in 1812, most such schemes date from after 1860. Around that time, more than half of all textile employees in the eastern region of Twente were covered under a health insurance scheme. In addition to textiles, there were other branches of industry with similar schemes, most notably the machine and metal industry, chemicals, mining, building, and the railways. The employer often bore part of the costs. Not only was he concerned to ensure his money would not be wasted, he also wanted assurance that the fund could not be used against him, as a strike fund of sorts. In some instances, employees had no influence over their factory schemes and the employer acted as a benevolent dictator.¹⁶

Some factory owners used the existence of the funds as a way to attract, and retain, good workers. During the First World War there were even factory schemes covering unemployment.¹⁷ These seem to have been set up in cases where it was too costly to dismiss a surplus worker and rehire

¹⁵ For further information on how our estimates of the number of insured have been calculated, see van Leeuwen (2000c, p. 404, note 53, and pp. 409–10, note 114). It has been assumed that factory schemes had no members in 1810, and in 1860 a quarter of the number they had in 1888–90, while the number of insured in other years has been calculated using linear interpolation.

¹⁶ In those cases, benefits were usually a little higher—funds operated in part by workers themselves tended to be somewhat more frugal—but the rules of the game were more arbitrary too. In its benevolence, the employer could be generous to a friendly employee; in a malevolent mood, he might be anything but. At the end of the nineteenth century the labour inspectorate noted that factory owners were increasingly of the opinion that their employees should be covered by some kind of scheme. Some factory owners even advocated state health insurance. Smisjaert (1902, p. x) and Van Genabeek (1999, pp. 221–36).

¹⁷ De Wildt (1986).

Table 3.5 Workers in Dutch factories and workplaces with more than ten employees, insured for sickness, 1888–90

| | No. of employees (thousands) | | % of employees | | |
|-----------------|------------------------------|-------------------|---------------------------|-------------------|---------------------------|
| | Any coverage | Covered for wages | Covered for medical costs | Covered for wages | Covered for medical costs |
| Factory schemes | 46 | 44 | 35 | 31 | 25 |
| Other insurers | 16 | 16 | 13 | 11 | 9 |
| Ad hoc | 22 | 22 | 17 | 16 | 12 |
| None | 56 | 58 | 75 | 42 | 54 |
| Total | 140 | 140 | 140 | 100 | 100 |

Source: Van Leeuwen (2000c, p. 173)

him when demand picked up. This would have been the case where workers with a specific skill were relatively rare (there was the obvious risk that they might go to work for another factory), if their work necessitated a long period of on-the-job training (an investment that would be lost if they were dismissed), or if the skills they needed became apparent only after a time (the cost of supervising a new worker was relatively high).

During the period 1888–90, the Dutch government carried out a survey of the degree to which workers in factories and workplaces with more than ten employees were insured against sickness and other risks.¹⁸ As Table 3.5 shows, 42% of all factory workers were not compensated at all for loss of wages in the event of sickness; 16% might receive ‘something’ from their employer; 11% were insured through mutual or commercial funds, but might also receive a supplement from the factory; and 31% received an allowance through a factory scheme. A more-or-less similar situation existed with regard to medical costs. About a quarter of workers were insured through their factory scheme; a quarter might receive discretionary payments, perhaps to supplement an allowance under a policy taken out privately; half received nothing and were forced to apply for medical poor relief. About a quarter of all factory workers had burial insurance through a factory scheme and one in six was insured for the

¹⁸The results were not straightforward due to both over-registration and under-registration. Tables 3.5 and 3.6 contain the corrected results. See van Leeuwen (2000c, pp. 410–1, note 116).

Table 3.6 Workers in Dutch factories and workplaces with more than ten employees, insured for costs of burial or childbirth, 1888–90

| | No. of employees (thousands) | | | % of employees | |
|-----------------|------------------------------|--------------------|------------------------|--------------------|------------------------|
| | Any coverage | Covered for burial | Covered for childbirth | Covered for burial | Covered for childbirth |
| Factory schemes | 45 | 36 | 24 | 26 | 17 |
| Other insurers | 16 | 13 | 9 | 9 | 6 |
| Ad hoc | 22 | 18 | 12 | 13 | 9 |
| None | 56 | 73 | 95 | 52 | 68 |
| Total | 140 | 140 | 140 | 100 | 100 |

Source: Van Leeuwen (2000c, p. 87)

costs of childbirth (Table 3.6). By 1890, there were even around 30 funds offering old age pension schemes. They covered a mere 3000 individuals, but they also formed the nucleus of a Dutch tradition that, by the start of the twenty-first century, had resulted in enormous capital sums being built up by company pension funds to fund old age pensions.¹⁹

3 Burial Insurance

Burial schemes were big business in the nineteenth century, with an ever-increasing multitude of mainly very small local funds covering more and more individuals. They may be regarded as micro-insurers. And micro they were. At the end of the nineteenth century, almost every village had its own burial fund and there would be several in a city. While the number of members could exceed 100,000 (in one instance), most had no more than 500 members; some, indeed, had only a handful. Table 3.7 lists the number of burial schemes by type; factory schemes are excluded. Around 1800, mutual societies associated with guilds dominated the market almost totally, leaving room for only a few commercial insurers. Burial insurance usually offered a modest sum to cover the cost of a modest funeral. Such insurance had originated long before, with guild members collecting coins for the widow and carrying the coffin to its final

¹⁹ On company pension funds, see van Genabeek (1998a, pp. 883–905).

Table 3.7 Burial insurers in the Netherlands by type, 1800–90, excluding factory schemes

| Year | Mutual, non-trade union | Mutual, trade union | Total mutual | Doctors | Commercial | Total |
|------|-------------------------------|---------------------------|-----------------|---------|------------|-------|
| 1800 | 248 | 0 | 248 | 0 | 6 | 254 |
| 1810 | 279 | 0 | 279 | 0 | 13 | 292 |
| 1820 | 298 | 0 | 298 | 1 | 17 | 316 |
| 1830 | 373 | 0 | 373 | 1 | 35 | 409 |
| 1840 | 392 | 1 | 393 | 1 | 46 | 440 |
| 1850 | 426 | 8 | 434 | 3 | 72 | 509 |
| 1860 | 404 | 20 | 424 | 5 | 86 | 515 |
| 1870 | 392 | 79 | 471 | 5 | 106 | 582 |
| 1880 | 405 | 150 | 555 | 5 | 120 | 680 |
| 1890 | 448 | 240 | 688 | 6 | 128 | 822 |

Source: Van Genabeek (1999, pp. 112, 133, 145, 156, 191, 200)

resting place. At the end of the eighteenth century, burial insurance was still largely guild-based, but by then it was more formally organized. After the dissolution of the guilds in 1820, both commercial and mutual insurance took over the business of insuring burials. From the mid-nineteenth century, schemes were set up by trade unions and doctors. The number of schemes rose across the board, with the total number of burial schemes more than trebling over the century.

To estimate the proportion of the population covered by burial insurance (Table 3.8), we multiplied the known number of insurers by the estimated average number insured and added in workers covered by the factory schemes.²⁰ The tremendous growth in burial insurance in the nineteenth century is evident from the figures, with the proportion of the total population covered rising from a few percent at the start to more than 50% by the end. The rest had their burial paid from their savings or by friends and relatives; or they were buried free of charge in a pauper

²⁰ For further information on how the estimates have been calculated, see van Leeuwen (2000c, p. 81, pp. 404–5, note 57), where an explanation is given of how the total number of insured has been derived. The average number of insured per fund in 1810 is assumed to have been between 250 and 500. The average number of insured between 1810 and 1890 has been calculated using linear interpolation. The increasing scope of coverage of Dutch burial insurers is also evident from Gales's (1998b) estimates of the premium income of funds as a percentage of national income.

burial, the cost paid by a poor relief agency—something greatly to be avoided.

The percentages reported are for the total Dutch population. As both the geographical coverage and the rate of coverage between the sexes were uneven, in some instances coverage would have been much higher and in other cases much lower. It may reasonably be assumed, for example, that in the urban west of the country a higher-than-average proportion of the population would have been covered and in the east, north-east, and south a lower-than-average proportion. Although we lack data on membership by gender (and, also, by other characteristics, such as age and ethnicity), it may safely be assumed that many of the insured were adult males. The coverage rate among male adult workers must have been higher than the coverage rate in Table 3.8, which refers to the total population (women and children included).

Avoiding a pauper burial was often said to be the prime reason why most Dutch workers committed themselves to the periodic savings that burial insurance funds required.

Members of the popular classes attached great importance to being buried decently. Even those from the lowest ranks of society, including beggars and paupers, wished to avoid ‘being buried as a pauper’. Contributions to the mutual fund were paid if at all possible. In times of difficulty, membership of a sickness fund was more likely to be terminated than membership of a burial fund—and the latter only in times of dire necessity. Quite naturally, workers were less concerned about leaving something to their widow and children than about being buried properly. It must be said, however, that burial funds did unwittingly accustom their members to the notion of insurance, of providing for the future, forcing even those with hardly anything to spare to save, on however modest a scale.²¹

During the first few decades of the nineteenth century, it was still customary for funds to be set up locally by a group of mutually interested individuals. Often, such initiatives took the form of for-

²¹ Molengraaff (1891, p. 133). This detailed report contains some of the information referred to later in our text. See also van Genabeek (1999) and van Leeuwen (2000c, p. 89).

Table 3.8 Coverage of burial insurance in the Netherlands, 1800–90

| Year | Minimum no. of insured, excluding factory schemes | | Maximum no. of insured, excluding factory schemes | | No. of insured under factory schemes | Minimum no. of insured | | Maximum no. of insured | | % of population covered |
|------|---|------------------|---|------------------|--------------------------------------|------------------------|------------------|------------------------|------------------|-------------------------|
| | No. in thousands | No. in thousands | No. in thousands | No. in thousands | | No. in thousands | No. in thousands | No. in thousands | No. in thousands | |
| 1800 | 254 | 64 | 127 | 0 | 64 | 127 | 127 | 127 | 3–6 | |
| 1810 | 292 | 73 | 146 | 0 | 73 | 146 | 146 | 146 | 3–7 | |
| 1820 | 316 | 183 | 252 | 2 | 185 | 254 | 254 | 254 | 8–11 | |
| 1830 | 409 | 371 | 447 | 4 | 375 | 451 | 451 | 451 | 14–7 | |
| 1840 | 440 | 544 | 613 | 5 | 549 | 618 | 618 | 618 | 19–21 | |
| 1850 | 509 | 797 | 860 | 7 | 804 | 867 | 867 | 867 | 26–8 | |
| 1860 | 515 | 975 | 1024 | 9 | 984 | 1033 | 1033 | 1033 | 30–1 | |
| 1870 | 582 | 1293 | 1330 | 18 | 1312 | 1348 | 1348 | 1348 | 36–7 | |
| 1880 | 680 | 1735 | 1756 | 27 | 1762 | 1783 | 1783 | 1783 | 43–4 | |
| 1890 | 822 | 2367 | 2367 | 36 | 2403 | 2403 | 2403 | 2403 | 53 | |

Source: Van Leeuwen (2000c, p. 81)

malizing pre-existing small-scale arrangements between members of the same trade, and most notably of a guild, or between inhabitants of the same neighbourhood. Such arrangements would include adorning the coffin, carrying it to the grave, and providing food and beverages for mourners. From the 1830s onward, commercialization set in. Undertakers began to take over the whole business of death and burial. So, too, did others, including innkeepers, barbers, and doctors, who had hitherto been active only in a certain part of the burial process but who, thus, already possessed some familiarity with the business of burying. They levied contributions in return for a burial allowance. To start such a fund, neither a great deal of money nor a great number of participants were needed; nor did the initiators need much more knowledge than they already possessed. This made it easy to set up a fund, and many new ones appeared during those years.²²

The larger funds, operating in the major cities or regionally, worked with *bodes*, or insurance collectors. An insurance collector was the pivotal player in the burial insurance business:

Most members do not know to which fund they belong; they never see a policy, nor the scheme's regulations; nor are they particularly interested in seeing them. Instead, they simply consider themselves to be a member of the fund, with this or that collector. 'They are with collector A or collector B.' This they know, and it is enough to satisfy them. Neither the name nor the financial soundness of the fund are looked into; the only compass they sail upon is the insurance collector's assurance that the fund is reliable and its premium lower than that of other funds.²³

This great trust could not be abused with impunity. Abuse meant ill-repute and loss of custom: 'the effect of a refusal to pay a benefit, or the irregular or partial payment of a benefit, was usually of great

²² Van Gerwen (1998, pp. 378–81).

²³ Molengraaff (1891, p. 90). Such lack of information may imply that not all the insured will have chosen funds that were indeed reliable.

consequence for a fund, or a branch of it. Occasionally, a collector lost his whole branch as a result.²⁴

Burial funds were big business. Around 1890, total annual premiums were 4.1 million guilders, and the funds received a further 0.4 million guilders in interest on their assets (of around 12.5 million guilders). They provided a total of 2 million guilders a year for some 50,000 funerals. In theory, they could predict future expenditure, and thus the level of the premium reserve from which future obligations would be paid, using a life table to calculate life expectancy. However, a national survey conducted in 1890 concluded that most funds did not calculate future expenditure, though it added that in many cases the reserves were sufficient. It was estimated that of the 1.8 million insured, 300,000 were covered by actuarially unsound funds, representing obligations amounting to 22 million guilders compared with total future obligations of 128 million guilders. A not insignificant part of the insurance market was thus rotten, though it is perhaps surprising that the situation was not worse given the seemingly arbitrary nature in which premiums were often calculated.²⁵

At the end of the nineteenth century, by which time the premium reserve was being calculated correctly, it often exceeded the value of future obligations. The Amsterdam branch of Groot-Noordhollandse had a surplus of 40% in 1890; for the rural branch, the corresponding figure was 200%.²⁶ Prudent guesswork played a part in this fortuitous situation, but sheer luck did too. Mortality rates were being calculated unsoundly—if at all. But adult life expectancy rose in the nineteenth century, as Table 3.3 demonstrated, so the insured lived longer and paid premiums for longer than past experience would have suggested.

Another prime cause of the healthy financial situation of these funds was the widespread and profitable practice of cancellation. ‘It was generally remarked that “a fund could stay solvent on the proceeds of cancellation [alone]”. [...] the necessity for a sound reserve is countered to some extent by the fact that it applied only if the insured continued with the

²⁴Ibid.

²⁵Ibid, pp. 31, 35, 157 and van Gerwen (1998, p. 385).

²⁶Gales (1992a, p. 11).

same fund until they died. But often they did not. After several years, participants might switch to a different fund, and so their insurance should be considered temporary; as a result, the annual premiums are almost always sufficient, and it is not necessary to set part of these aside.²⁷

What did one get in return for one's premium? Reminiscent of guild burials described in the previous chapter, a typical funeral arranged by a friendly society in the nineteenth century would '[...] provide a coffin for the deceased, toll the church bells, and organize a church service and transport to the cemetery. Often some members carried the deceased in a solemn procession to his or her final resting place, in the company of other members, whose presence at the service was generally assumed. The funds often possessed attributes such as a hearse and a bier. Some associations of typographers had a banner embroidered with the association's name, and this could be draped over the coffin during the funeral.'²⁸ In addition, many funds offered financial support. Around 1890, the average allowance provided was approximately 50 guilders.

Complaints were often voiced about the high level of premiums, and the rules and regulations that seemed to benefit the funds more than the insured—an opinion voiced in particular by the Dutch Medical Society (Maatschappij ter Bevordering der Geneeskunst), a branch organization of doctors. In retrospect, as we have already noted, premiums were generally more than sufficient to meet any claims, and in this sense could indeed be said to have been too high. On paper, the rules and regulations of the insurance funds did seem to allow them considerable scope to abuse their discretionary powers, but in reality the situation seems to have been less dramatic: 'the rules are formulated in such a way as to allow the funds, as a guarantee against bad practices [on the part of the insured], to reject claims in all but a few cases. But it was also in the interests of the insurance funds and societies to offer an interpretation of the rules that was as generous as possible.'²⁹ Clients flocked to those funds with a good reputation, and shunned those considered tight-fisted.

²⁷ Molengraaff (1891, pp. 51–2); see also p. 165.

²⁸ Van Genabeek (1998b, p. 341).

²⁹ Gales (1992a, pp. 2–3, 15).

Burial funds accepted clients without requiring them to first undergo a medical examination. Examinations were simply too expensive—around one and a half guilders, equivalent in many cases to the annual premium. Cheaper examinations were available, but they were less useful: ‘we vividly remember [...] how someone was witness to several examinations being carried out [by a doctor], without the doctor, who was also driving, leaving his carriage’. A more efficient way to counter the adverse selection of clients was to instruct the insurance collector to be scrupulous: ‘in practice an honest collector who does not accept a member without having seen him can exercise stricter control than a doctor’.³⁰ Many funds refused to pay out if they subsequently discovered that they had been misled and that a member had failed to report an existing illness when joining the fund. Of course, they first had to discover that they were being misled—by no means an easy matter. It was for this reason that some funds resorted to a classic remedy: either not paying out if a member died within a year of taking out burial insurance, or remitting the full amount only after a member had paid dues for several years. This was a continuation of guild policy in the past.³¹

Moral hazards were few. However, like the guilds, some funds explicitly stipulated that no payment would be made in cases of suicide, or if death resulted from a fight begun by the deceased, in cases of death while serving in the army, if the death took place in the workhouse, at sea, or, more generally, but rarely, ‘in all cases decided on for serious reasons at the discretion of the directors’. Funds terminated insurance if a member insulted either the collector or management. In general, however, ‘the regulations governing the monetary allowances do not give rise to disapproving criticism: on the contrary, the generosity of many funds deserves to be greeted with enthusiasm’.³²

Mutual funds had a comparative advantage over commercial ones in that their premiums did not include a margin for profit. Furthermore, they were run by and for the insured themselves, although we do not know exactly how this worked, whereas commercial funds generally denied them

³⁰ Molengraaff (1891, pp. 104, 105).

³¹ And again an example of a ‘focal solution’.

³² Molengraaff (1891, pp. 86, 87)

any influence. On another point, commercial funds had a comparative advantage though. The mutuals provided relatively low benefits, while covering fewer women and villagers. They sometimes turned away potential new members once the number of members had reached a self-imposed limit. Mutuals probably did this to avoid time-consuming administration and perhaps also because they felt that this would enable them to minimize the risk of bankruptcy due to their inability to calculate premiums correctly. Closing the scheme to new members once a certain maximum had been reached meant, however, that premiums had to be calculated accurately, with, in any case, higher premiums for those members who joined later on in life, since they would generally contribute to the fund over fewer years, while being entitled to the same benefits as younger clients. Premiums had to be calculated correctly because if they turned out to be insufficient to cover costs these costs could not easily be recovered from the premiums charged to new entrants. As mutual funds generally did not use life tables to calculate premiums, they sometimes levied premiums that were too low and were forced to increase premiums when their mistake became apparent. This increase had to be borne either by a fixed number of clients or by new entrants, hardly an attractive prospect for those young men and women. In some cases, the schemes went bankrupt.

Commercial funds did not have these limitations, and the allowances they provided were about double those of the mutual funds (Table 3.9).³³

Table 3.9 Burial allowance in the Netherlands, by type of insurer, 1812–90

| Year | Type of insurer | Average allowance (in guilders) |
|------|-----------------|---------------------------------|
| 1812 | Mutual | 28 |
| 1827 | Mutual | 39 |
| 1827 | Commercial | 68 |
| 1890 | Mutual | 49 |
| 1890 | Commercial | 185 |
| 1890 | Trade Union | 46 |

Source: Van Genabeek (1999, pp. 116, 139, 206)

³³In fact, nearly four times as high in 1890, according to van Genabeek's data. It is not quite clear how they managed to do this and yet turn a profit. Perhaps it was in part by adjusting premiums according to the risk category, notably by requiring older members to pay more than younger members.

Nor did the commercial funds set a limit to the number of members, thus ensuring the possibility of a continuous inflow of new, young contributors. Furthermore, older members were charged higher premiums (to reflect their greater mortality risk) than younger members, and so the latter did not need to feel they were subsidizing the premiums of the former. Commercial funds proved better able than their mutual competitors to expand regionally, and then nationally. At first they tried to expand their membership by charging lower premiums and offering higher benefits in urban areas. However, this put pressure on profits without attracting sufficient new members. After the mid-nineteenth century, they therefore opted for a new approach and directed their energies to attracting participants in rural areas. It soon became apparent that there was a market here that could afford insurance while at the same time being so geographically dispersed as to prevent a mutual fund being established in each and every village.³⁴

At the end of the nineteenth century, the overwhelming majority of funds were still small—with fewer than 500 participants, and many with less than 100—but there were also a few large insurance companies operating nationwide. The evolution of *Let op Uw Einde*,³⁵ or *Memento Mori*, is illustrative of the rise, flourishing, and then demise of burial insurance, though it was exceptional in its subsequent ability to rise from its ashes.

Let op Uw Einde was begun by D. Stolwerk and W. P. Ingenegeren in Utrecht in 1847. Stolwerk had been an insurance collector for a major

³⁴Van Genabeek (1999, pp. 205–7). For property insurance in the United States in the twentieth century, Hansmann (1996, pp. 284–5) attributes the loss of market share by mutuals to commercial insurers as follows: ‘[...] the balance of organizational costs and benefits seems to have moved increasingly in favor of investor-owned over mutual property and liability insurance companies. Transportation and communication costs have declined significantly since the nineteenth century, with the result that most insurance markets are now national in scope. At the same time, as experience has accumulated and as insurance companies have come to share their loss experiences, it has presumably become far easier to assess the risk presented by any given applicant for insurance. As a consequence, the environment for effective competition in property and liability insurance markets is now far better than it was in the nineteenth century, and the special protection afforded policyholders by the mutual form may no longer be a particularly significant advantage [...]. [...] mutual property and liability companies have come increasingly to look like their investor-owned counterparts. Effective policyholder control has long since disappeared in many mutuals. [...] Such mutuals presumably survive partly out of institutional inertia (capital lock-in), partly as a result of the impetus given to them by state rate regulation [...] [and] taxation.’

³⁵The following is based on Bollerman and Broenink (1983).

mutual fund; he left, taking with him not only his expertise but also 'his' members. Ingenegeren had been a dealer in second-hand goods, and so was familiar with the funeral branch, as he often bought clothes and household effects from the families of the deceased. He also had a sharp mind and was quicker than most of his competitors to see where the future lay. The number of participants in *Let op Uw Einde* grew from 8000 in 1848 to 264,000 in 1884, before declining to 217,000 in 1893. The company worked with insurance collectors, who collected premiums on a weekly basis. Such rapid growth was made possible by the system of collectors and their supervisors, the agents. The collector recruited new participants, collected premiums, paid out benefits, and was responsible for the paperwork.

By visiting the homes of his clients at the right moment, the collector in a sense put pressure on the housewife to sacrifice part of the household's income, which she could otherwise have used to buy food, clothing, or even sweets, to save for long-term protection in the case of illness or a burial, even when short-term needs were pressing. As in Britain, the Dutch collector too 'imposed the sort of discipline for saving that many people could not exercise on their own, and without this discipline lapsing rates would certainly have been higher'.³⁶ Of course, the insured worker knew this, and, while fearing the collector's arrival, he or she may also have welcomed it, as 'binding oneself is a privileged way of resolving the problems of weakness of will; the main technique for achieving rationality by indirect means'.³⁷

The agents were the middlemen, operating between the collectors and head office; they were responsible for ensuring that the collectors operated in a uniform way, regardless of their location, and for detecting irregularities and fraud. Collectors came and went all the time; 40% resigned within a year, and 70% within two years. Their work was far from easy and their success depended, in large measure, on their personal skills. The insurance collector kept a fairly modest set of records. He added the names of the newly insured on one list and marked those no longer insured on a separate one. Another list included the names of

³⁶ Johnson (1985).

³⁷ Elster (1979, p. 37).

members who had moved locally, while those moving outside his district were listed separately. All this information was carefully copied into a *stamboek*, or register, for the agent to inspect. The collector also had a *loopboek*, or notebook, in which he ticked off the names of those he had visited in his district and whose premiums he had collected. Every week, he listed the premiums he had collected, and those still due, in a *rekeningboekje*, or accounts book, which he then sent to the agent, who signed it by way of endorsement before sending it on to head office.

It was for the agent to decide whether and when to pay out any benefits. He would check the collector's work for mistakes—inevitable given the frequent changes that had to be recorded—and for signs of fraud. Sometimes, for instance, the collector himself temporarily paid the premium for a sick adult or child to avoid a lapse, expecting, or even hoping, for an early death—in which case he might claim part or all of the insurance payout for himself. A more friendly collector might also take pity on the deceased's family and pay them the full benefit, even after a short lapse in the payment of contribution. In both cases, the company lost out through what they regarded as fraud. Some collectors forged death certificates and claimed the insurance payout for themselves. Sometimes a collector 'lent' the premium to a family unable to pay it, either out of compassion or because he expected to gain in the event of an early death in the family. The agent not only endeavoured to combat fraud, he also tried to prevent collectors leaving and either moving to another fund or beginning one of their own (taking with them their clients, whose loyalties, if any, were to the insurance collector rather than the company). Naturally, the directors of *Let op Uw Einde* decried such practices, though in fact they had started out the same way.³⁸

³⁸It was relatively easy for a *bode* to run away with 'his' clients and start an insurance fund of his own. And this happened. But why did it not happen more frequently? Why did they not all run away? Some *bodes* may have been risk averse and glad to leave correlated and other entrepreneurial risks to the insurance fund. Some clients may have been attached to a certain mutual fund and unwilling to be transferred; this was certainly the case with the guild funds that were still in existence in the nineteenth century and with the trade union funds, where a sense of belonging played an important role. Of course, there was also the practical hindrance that some of the administrative records were not in the hands of the *bode*, and that investing funds in bonds took time and energy that not all *bodes* might have had. Being employed by a large insurance company also had the advantage that the company made the effort to invest the premiums, usually in government bonds and land, while *bodes* were usually unwilling to take the time and effort involved and simply placed

Let op Uw Einde was run by the two founders (directors) and four members of the supervisory board. The directors were in charge of day-to-day activities and received a salary, which, until 1879, was based on the benefits paid out in any one year: a virulent epidemic was thus bad for clients and for the company, but a financial blessing for the directors. After 1897, directors' salaries were set at between 3 and 4% of annual premiums, the equivalent in 1882 of 8000 guilders. Ingenegeren was in charge of the company's central administration and, as such, responsible for ensuring that the data in the collectors' registers and notebooks were recorded and processed. He had weekly reports drawn up on the number of insured, premiums collected, premiums in arrears, and benefits paid out. These weekly reports subsequently formed the basis of monthly and annual reports.

The fund was open to everyone. There were six classes of coverage, each with its own level of premium and benefit. Premiums were determined only partly by the applicant's age on joining. Around the mid-nineteenth century, premiums ranged from 1.5 cents per week for a child aged eight or older in the lowest class to 32 cents or more for elderly members in the highest class. Most weekly premiums were between 1.5 cents and 10 cents. Premiums did not rise with age, even though the mortality risk did, especially among the elderly. On joining the fund, a young adult would therefore be paying a modest supplement, thereby avoiding having to pay a higher premium later on.

Non-payment was frequent and usually the result of insufficient income, especially in winter. Alcoholism was another cause. The more astute collectors tried to ensure premiums were paid before they could be spent on drink. There was also a group of professional defaulters, who switched from one collector to another, sometimes after changing their address. Because premiums tended not to vary with age, one could get away with frequently rejoining without paying a prohibitive penalty in the form of a higher premium. Cancellations for arrears were common:

them on a bank account. The issue of 'goodwill' is not likely to have played a part. As a rule, a *bode* had to pay goodwill to his predecessor when taking over his district—in much the same way window cleaners do today—even with large insurers. If successful on his own, a 'runaway' *bode* would be able to recover any goodwill from his profit, and if he moved to another insurance fund he would be able to recoup it when he transferred his district to his successor. See Gales (1992b).

in 1882, 10% of policies were cancelled. Given the administrative costs involved, this was an expensive practice for the company if the policy was of fairly recent date. In all other cases the company would profit, as it could forfeit the premiums in full without having to pay for a burial. This policy, alongside the unexpected rise in the level of life expectancy, was a major cause of the success of burial funds in the nineteenth century.³⁹ It was also a growing cause of criticism of mutual funds in the Netherlands, as it was in Britain.⁴⁰

The level of benefit depended on the age at joining and the class of insurance. In the mid-nineteenth century, benefits varied from 5 guilders for a one-year-old child in the lowest class to 190 guilders for an adult in the highest class. Roughly half of total revenue was spent on benefits, with a quarter used to meet personnel costs and other operating costs; the remainder was invested in stocks and bonds.

Like most burial funds, *Let op Uw Einde* had two characteristics that distinguished it from the so-called modern life insurance companies that emerged at the end of the nineteenth century. First, it did not make acceptance conditional on a medical examination. This attracted a number of people who were seriously ill and who, realizing they were unlikely to live very long, hoped to help their families avoid having to pay for the funeral themselves. A medical examination could have prevented such adverse selection, but this would have been too expensive in relation to the premium. Instead, as we noted earlier, the fund relied on the intuition and common sense of the collector. This may not have been an inappropriate alternative given the rather limited predictive powers of medical tests at that time, although if the collector had been paid a commission for everyone he signed up, he would have had a financial incentive not to reject applicants.⁴¹ Sometimes, however, a collector received a commission only if the new client remained a paying member for some time. Furthermore, the insurance policy included a clause allowing the company to insist on a medical examination if it

³⁹ For this reason, some friendly societies in Britain encouraged lapsing. See Cordery (2003, p. 122).

⁴⁰ See Alborn (2009) and Johnson (2010).

⁴¹ Horstman (2001, Chap. 2).

suspected fraud, that is, if it believed an applicant had failed to divulge details about a pre-existing illness. This was not necessarily an effective solution though, as some doctors tended to sympathize with the relatives of the deceased.

Whereas 'modern' insurers registered children separately and could thus calculate their premiums on a fairly sound actuarial basis, *Let op Uw Einde* (along with most other burial funds) did not. Children under the age of eight were insured 'free of charge'. What this meant, of course, was that the costs of a child's funeral were met by the insured as a group, in the form of higher premiums. Given that the burial funds did not register children separately, neither the precise number of individuals insured nor the volume of potential claims could be accurately calculated. Nor, then, strictly speaking could premiums. This problem was aggravated by adverse selection: families with young children were attracted to funds that did not charge a separate premium for children. However, as most funds did charge such a premium, the problem was relatively mild.

To circumvent these problems, in 1883 *Ingenegeren* founded *De Utrechtse*, a modern burial insurance company, which did register children separately. From then on, the board channelled most of its energies into the new company, to the detriment of *Let op Uw Einde*. In 1893, *Let op Uw Einde* was absorbed by *De Utrechtse*, a process that took ten years due to two complications. To begin with, it was unclear whether, legally speaking, the directors owned *Let op Uw Einde* or were merely employed by it as managers.⁴² A solution to this problem was found by buying off any claims to ownership for 150,000 guilders. One final problem remained. It was also unclear whether *Let op Uw Einde*'s assets exceeded its liabilities, in the form of future obligations. From 1881 onward, the young children insured premium-free were gradually included in the records of the fund, allowing a reliable statement of assets and liabilities to be drawn up a decade later.

⁴²The problem of establishing ownership was a more general one in the life insurance business in the nineteenth century. See Molengraaff (1891, pp. 67–70), Gales (1992a, pp. 22–5), and van Gerwen (1998, p. 384).

As a result, the number of insured was calculated at 210,000. Assets exceeded liabilities by 150,000 guilders: of this, 50,000 guilders was paid to the directors and 80,000 guilders to the company's employees, while the residue was repaid to policyholders in the form of slightly higher benefits.⁴³ The payment to buy off claims to ownership was equal to the book value of the company, and it was paid to both the directors and the employees.

In all, burial insurance continued to dominate the insurance market even after the guilds had been abolished in 1820. In fact, its market share increased considerably over time due to geographical expansion and attempts to attract farmers and farmworkers, women, and low-paid urban workers. This expansion was helped, in turn, by an increase in living standards from the middle of the century, which allowed some workers to finally set aside a few coins a week to avoid a pauper burial. As death generally cannot be faked, moral hazard was not a major issue. Adverse selection was more of a problem, and may even have increased as the scale of the funds grew over the years. Fortunately, the use of outdated life tables came to the aid of burial insurers (as their clients lived longer than expected and thus paid premiums longer), as did the fact that moving to another town or non-payment of premiums led to claims being forfeited—to the advantage of the insurers. Towards the end of the nineteenth century, mutual insurers increasingly faced competition from commercial insurers, or indeed became commercial insurers themselves, and the mutuals lost market share. A possible explanation, discussed later, is that commercial insurers were better able to exploit the possibilities of increased communication and transport to scale up, reduce costs, bring down premiums, and attract more clients, although we know little about other factors such as differences between mutual and commercial insurers in the mean age of the insured and differences between the results of investing premiums and placing these on a bank account.

⁴³In this case, there was thus no actuarial deficit, unlike in the case of some British friendly societies. Cordery (2003, pp. 129–31, 143–6). See also Gilbert (1965) and Broten (2012).

Table 3.10 Coverage of old age pension schemes in the Netherlands, 1800–90

| Year | No. of schemes, excluding factory schemes | No. of insured (thousands) | | % of population covered |
|------|---|---------------------------------|---------------------------------|----------------------------|
| | | Excluding factory schemes | Including factory schemes | |
| 1800 | 49 | 13 | 13 | 0.6 |
| 1810 | 50 | 13 | 13 | 0.6 |
| 1820 | 39 | 10 | 10 | 0.4 |
| 1830 | 45 | 11 | 11 | 0.4 |
| 1840 | 47 | 12 | 12 | 0.4 |
| 1850 | 50 | 13 | 13 | 0.4 |
| 1860 | 50 | 13 | 13 | 0.4 |
| 1870 | 62 | 16 | 17 | 0.5 |
| 1880 | 72 | 18 | 20 | 0.5 |
| 1890 | 87 | 22 | 25 | 0.5 |

Source: Number of insured and coverage, van Leeuwen (2000c, p. 96), number of schemes, van Genabeek (1998b, p. 339) and idem (1999, p. 200)

4 Old Age, Widows', and Unemployment Insurance

Death may have been an insurable risk when it came to paying for the funeral, but paying for the widow was uncommon, as indeed was insurance for old age generally. Old age pension schemes cost considerably more than burial insurance, and very few people could afford them. Table 3.10 gives the number of funds offering old age pensions and provides estimates of coverage.⁴⁴ The number of funds doubled in the second half of the nineteenth century, but total coverage remained low: just 0.5% of the population. By far the great majority of insurers were mutual funds; there were never more than a handful of commercial insurers.

⁴⁴The number of insured, excluding those insured under factory schemes, has been estimated by multiplying the number of funds in the table by an assumed average number of insured per fund of 250, which, if anything, might be rather high. The number insured by factory schemes has been estimated using the 1888–90 survey of factory schemes, in the same manner as we did earlier for burial insurance. Almost all schemes in the table were mutual; very few were commercial. The table does not cover the rare occasions when a sickness fund allowed a permanently disabled member to draw a benefit until his death, as a retirement pension of sorts. See van Genabeek (1998a, p. 887, note 8). Nor does it cover national pension schemes for civil servants and the military.

Most funds were local and small. Their premiums were estimated on the basis of past experience. In the case of burial insurance, this worked rather well, because life expectancy rose and so, too, did the number of years during which premiums were paid. However, this same development must have created problems for mutual old age pension schemes as it also meant an increase in the number of pension years.

Insurance to provide widows or widowers with a pension was even rarer. The guilds had provided such pensions by the seventeenth century, as did commercial companies in the eighteenth, on a limited scale. Wealthy guilds could use some of their investment income to subsidize widowhood insurance, but the abolition of the guilds in 1820 put an end to this practice. Widows' benefits now had to be paid from the reserve set aside for this purpose and from the annual premiums. That required a rather high level of premium. Nonetheless, schemes to provide for widows (and orphans) were established after 1820. Initially, almost all of them were mutual schemes, sometimes guild schemes resuscitated under a different name but with many of the same members. A decade later there was a brief period that saw a significant number of new commercial funds being founded. But the proportion of the Dutch population covered by widowhood insurance never reached more than 1% during the nineteenth century, with the exception of the peak around 1830 when, at most, 1.5% of all Dutch men and women were insured (Table 3.11).⁴⁵ Even if we were to consider the percentage of married women covered—which arguably makes more sense, although it confounds the comparison with the other tables presented in this chapter—one would have to conclude that with the exception of the 'freak peak' in 1830, Dutch insurers were not good at protecting widows in the nineteenth century.

Such widows' funds often made unrealistic promises. The Dutch historian Ben Gales has summarized the resulting problem as follows:

The core problem was that if the premium were to be calculated correctly, it would be too high and the market as a consequence too small. It was

⁴⁵The number of insured, excluding factory schemes, has been estimated by multiplying the number of funds in the table by an assumed average number of insured per fund of 800, which, if anything, might be rather high. The number insured by factory schemes has been estimated using the 1888–90 survey of factory schemes, in the same manner as we did earlier for burial insurance.

Table 3.11 Coverage of widowhood insurance in the Netherlands, 1800–90

| Year | No. of schemes, excluding factory schemes | | | No. of insured, including factory schemes, as % of total population |
|------|--|------------|-------|--|
| | Mutual | Commercial | Total | 0–1 |
| 1800 | 21 | 0 | 21 | 0–1 |
| 1810 | 22 | 2 | 24 | 1–2 |
| 1820 | 26 | 5 | 31 | 0–1 |
| 1830 | 30 | 23 | 53 | 0–1 |
| 1840 | 31 | 9 | 40 | 0–1 |
| 1850 | 32 | 7 | 39 | 0–1 |
| 1860 | 19 | 7 | 26 | 0–1 |
| 1870 | 24 | 6 | 30 | 0–1 |
| 1880 | 34 | 5 | 39 | 0–1 |
| 1890 | 48 | 4 | 52 | 0–1 |

Source: Coverage, van Leeuwen (2000c, pp. 96, 381), number of schemes, van Genabeek (1998b, p. 339) and idem (1999, p. 200)

tempting therefore to attract a larger market by charging lower premiums. [...] Insurers could try to ensure rapid growth by offering premiums that were too low and then trust to a miracle to meet their obligations. [...] The life insurance branch thus demanded a rather large measure of self-discipline, and this was not always forthcoming during the nineteenth century. Companies operating on actuarially sound principles emerged only very slowly. Of the 28 widows' funds established in the decade prior to 1830, only one, the *Algemeen Meisjes-, Vrouwen- en Weduwenfonds*, met with the approval of the government adviser [Rehuel Lobatto].⁴⁶

Another problem with insurance is the lag between payment of premiums and the receipt of benefits: how could funds credibly signal to customers that they would still be around to pay out? If they could not do this, then a clear-thinking customer would hesitate to buy insurance. This problem was particularly pressing for widows' insurance. Many years could elapse, however, between the start of an unsound but expanding fund and its demise, as during this period rising expenditure could be financed from the expansion in revenue. A series of bankruptcies in 1830 led to a Royal Decree that brought all widowhood, old age, and general life insurance funds under state supervision.⁴⁷ From then on, funds were

⁴⁶ Gales (1998b, p. 15). For more information on Lobatto, see van Leeuwen (2000c, pp. 104–5).

⁴⁷ Van Genabeek (1999, p. 204).

required to submit their regulations to the Ministry of the Interior for approval. Never again during the nineteenth century did the total number of insurers reach its 1830 level.

An example of an unsound fund was the Rietveld and Te Winkel widows' fund, founded in 1827.⁴⁸ It became the most notorious insurance company of the nineteenth century. Its bankruptcy in 1862 not only cost its widows dearly, it also gave the insurance industry in general a bad name among the public at large, who had insufficient knowledge themselves to separate the sheep from the goats. As noted in the introduction to this book, this is a structural issue that might challenge the feasibility of commercial insurance. As late as 1915, the mere mention of the name Rietveld and Te Winkel was enough to make people wary of taking out life insurance. They had offered insurance to cover widows' pensions and burial costs since 1827. In return for a low premium, policyholders were entitled to a widow's pension of 250, 500, or 1000 guilders, depending on the level of premium. The fund garnered much of the market by charging very low premiums, but within 5 years it was forced to cut benefit levels, which were reduced again, to half, after 12 years. In 1831, 1832, and 1840 the fund applied for ministerial approval, but it was refused on each occasion. Indeed, it was even placed on a list of unapproved funds, though it was permitted to remain in operation. The low premiums it charged continued to attract customers, of whom there were 1652 by 1852.

In that same year, the Amsterdam mathematician Franciscus Johannes Stamkart (1805–82) published a paper in which he demonstrated that the premiums being charged were too low to enable the fund to pay out the pensions promised. Rietveld and Te Winkel charged an annual premium of only 5 guilders to a man of 25 and a woman of 20, while 29 guilders were necessary. An elderly couple of 55 and 52 years paid only 11 guilders, while actuarial calculations put the premium required at 47 guilders. Rietveld and Te Winkel rejected Stamkart's criticism: 'The warning against the society relies on imaginary figures and theoretical reflections that ignore the practical results of over 25 years of experience, the special nature of the society, and the flourishing state thereof. That so-called science fails to trouble itself with such considerations.' A gross miscalculation of the premiums need not indeed be a problem as long

⁴⁸The following is based on Gales (1998b), Stamhuis (1998), and van Gerwen (1998).

as the adult participants remain healthy and continue to pay premiums, and as long as there are only a few widows' pensions that need be paid. The situation is comparable to that of a pyramid scheme. The scheme can actually be sustained for a long time as long as more and more new young members join who simply continue to contribute money and to whom little has to be paid out. And new members did, indeed, carry on joining in large numbers. No modern life insurer charged such incredibly low premiums in relation to the level of pension being offered. By 1853, the fund had a deficit of 3 million guilders, the difference between its assets and its future obligations. In 1862, the scheme failed. About 7,000 policyholders, including more than 400 widows, saw their pension entitlement rendered worthless. One widow wrote: 'No, so much deception, so much bad faith I had not presupposed; I was often worried, but I, too, never expected such a blow.'

Unemployment insurance schemes were rare before the twentieth century. Commercial insurers did not offer them, nor did factory owners, though a few mutual funds, operated by trade unions, did (Table 3.12). At their 'zenith', these funds insured about 0.15% of the Dutch labour force against unemployment.⁴⁹ In addition, two out of

Table 3.12 Coverage of unemployment insurance in the Netherlands, 1800–90

| Year | No. of funds providing unemployment insurance | % of the labour force covered |
|------|---|-------------------------------|
| 1800 | 0 | 0.0 |
| 1810 | 0 | 0.0 |
| 1820 | 0 | 0.0 |
| 1830 | 0 | 0.0 |
| 1840 | 0 | 0.0 |
| 1850 | 0 | 0.0 |
| 1860 | 4 | 0.1 |
| 1870 | 10 | . |
| 1880 | 15 | . |
| 1890 | 39 | 0.1 |

Source: Van Genabeek (1998b), p. 339; van Leeuwen (2000c, p. 231)

⁴⁹ The number of insured has been estimated by multiplying the number of funds in the table by an assumed average number of insured per fund of 500. For more details see van Leeuwen (2000c, p. 413, notes 58 and 59).

seven national trade unions offered unemployment insurance of sorts in 1890, as will be discussed in detail in the next chapter. Again, few workers were insured, and we can thus conclude that unemployment insurance was only a marginal phenomenon during the nineteenth century. Moreover, those schemes that did offer such insurance were not really very generous. In 1895, a trade unionist could claim unemployment benefit for at most nine weeks,⁵⁰ during which time he would receive up to five guilders per week, about half his wage. After that, he would have to resort to poor relief, which, though less, could last much longer. Furthermore, the trade union paid no benefit during the first week of any unemployment.

Unemployment schemes were notoriously difficult to operate due to the problems of adverse selection, moral hazard, and correlated risks. Those who worked in a sector of the economy plagued by periodic unemployment, such as the building industry, would be among the first to take out unemployment insurance, as it would certainly repay itself. Apart from such adverse selection effects, the problem of moral hazard was also a major hindrance to unemployment insurance. While it was most unlikely that a pension claimant could fake old age or a severe handicap, unemployment was something of a grey area, one whose boundaries were liable to be thoroughly tested by the more unscrupulous.

The political climate in the nineteenth century was hostile to the notion of a national unemployment insurance scheme. During the Dutch Republic there had at least been the notion that local authorities, employers, and patrician families were responsible for the well-being of workers in their locality, although workers' organizations were often regarded with suspicion. However, the nineteenth century witnessed the flourishing of laissez-faire liberalism and a weakening of that sense of local responsibility, while the hostility to workers' organizations continued. Under French rule, the *Code Pénal* was implemented in the Netherlands in 1811, and it explicitly denied workers the right to unite in order to strike or demand higher wages. Although this part of the Code seemed to be contradicted by the rights granted to workers under the Dutch Constitution of 1848,

⁵⁰Van Genabeek (1999, pp. 139–40).

it was not abolished until 1872, after an intervention by a social liberal Member of Parliament. Indeed, it was not until towards the end of the century that social liberalism, which was less averse to workers' organizations, truly gained ground. Social liberals believed that the state had a duty to intervene in serious social problems that would otherwise be left unsolved. For most of the century, however, laissez-faire liberalism predominated, and this did nothing to advance the emergence of unemployment insurance by trade unions, as laissez-faire liberals considered trade unions as much an obstacle to the well-being of society as the guilds of the *ancien régime*.

5 Sickness: Compensation for Loss of Income

The *ziekenfonds*, or health insurance fund, was a feature of the Netherlands right up until 2006, and in 2015 the Dutch Socialist Party proposed reintroducing it. The *ziekenfonds* insured its members against the costs of medical treatment. Such insurance started out as micro-insurance on a local scale and was first mandatory under the guilds; after 1820, it became voluntary. It subsequently became compulsory again, and nationwide, in 1941. As a term, however, *ziekenfonds* has a much longer provenance and it did not acquire its present meaning until well into the twentieth century. Around 1800, *ziekenfonds* primarily meant insurance against loss of income during periods of sickness.⁵¹ A national survey in 1892 listed every *ziekenfonds* in the country. Half of these covered loss of income—they were, to be more precise, *ondersteuningsfondsen*, or benevolent funds; a third covered the costs of medical treatment—the *medicijnfondsen*; and the remainder covered both. Half of the insurance funds called themselves mutual funds, which in principle meant that they were owned by their members and that these members could dismiss the director (though this rarely happened); in some cases the term was exploited by companies with an entirely different legal structure because it evoked

⁵¹ Stoeder et al. (1895, p. 103). The next general survey, in 1908, used *ziekenfonds* only in the modern sense of the word. See Schreve et al. (1908, p. 84 et passim).

Table 3.13 Number of insurers in the Netherlands covering loss of income due to sickness, by type of insurer, 1800–90, excluding factory schemes

| Year | Mutual | Trade union | Total mutual | Doctors | Commercial | Total |
|------|--------|-------------|--------------|---------|------------|-------|
| 1800 | 194 | 0 | 194 | | 1 | 195 |
| 1810 | 211 | 0 | 211 | | 1 | 212 |
| 1820 | 203 | 0 | 203 | | 2 | 205 |
| 1830 | 253 | 0 | 253 | | 8 | 261 |
| 1840 | 268 | 1 | 269 | | 13 | 282 |
| 1850 | 270 | 9 | 279 | 3 | 19 | 301 |
| 1860 | 237 | 25 | 262 | 3 | 23 | 288 |
| 1870 | 229 | 89 | 318 | 6 | 25 | 349 |
| 1880 | 252 | 191 | 443 | 7 | 23 | 473 |
| 1890 | 343 | 374 | 717 | 8 | 29 | 754 |

Source: Van Genabeek (1999, pp. 112, 133, 145, 156, 191, 200)

a sense of trustworthiness. In addition to the mutuals, there were *doktersfondsen* (doctors' funds, operated by a single general practitioner), *directiefondsen* (commercial-based schemes run by boards of directors), and *artsenfondsen* (general practitioners' funds, run by a group of general practitioners). There were also factory-based schemes covering employees at a single factory or a group of factories in a specific branch of industry.

Table 3.13 gives the number of insurers (excluding factory schemes) covering loss of income due to sickness; Table 3.14 presents an estimate of the proportion of the population covered by all insurers (including factory schemes).⁵² Around 1810, between 4 and 7% of the labour force was insured against loss of income in the event of sickness; by the end of the century the corresponding figure was 27%. This growth, which was particularly apparent after 1860, can be attributed to two factors:

⁵²Briefly, the following procedure was adopted to produce the estimates given in Table 3.14. Data on the number of funds per decade are available from van Genabeek (1999). Multiplying those figures by the average number insured yields total numbers insured per decade. But how does one calculate this average? The total number of insured in 1911 as reported in surveys was corrected for under-registration. This yields a figure of 639,000 insured in 1911. The average number of insured per fund could then be calculated for 1911. For previous years, it had to be estimated. We assumed an average of 150–300 insured per fund in 1800 and 1810, and interpolated linearly for the period after 1810 and before 1911. One complication is that the number of factory schemes is known for 1890 and 1911, but not for earlier years. For 1900 we used the average of the figures for 1890 and 1911. We also assumed that the figure for 1860 was a quarter of that for 1911 and that there were no factory schemes in 1810. The number of factory schemes in the intervening years was estimated using linear interpolation. See van Leeuwen (2000c, p. 410, note 115) for more details.

Table 3.14 Coverage of insurance for loss of income due to sickness, the Netherlands, 1800–1911

| Year | No. of insurers, excluding factory schemes | No. of factory schemes | Total no. of funds | Minimum no. of insured (thousands) | Maximum no. of insured (thousands) | % of the labour force insured | % of the population insured |
|------|--|------------------------|--------------------|------------------------------------|------------------------------------|-------------------------------|-----------------------------|
| 1800 | 195 | 0 | 195 | 29 | 59 | . | 1–3 |
| 1810 | 212 | 0 | 212 | 32 | 64 | 4–7 | 1–3 |
| 1820 | 205 | 33 | 238 | 40 | 72 | . | 2–3 |
| 1830 | 261 | 67 | 328 | 61 | 101 | . | 2–4 |
| 1840 | 282 | 100 | 382 | 79 | 119 | . | 3–4 |
| 1850 | 301 | 134 | 435 | 98 | 137 | 8–11 | 3–4 |
| 1860 | 288 | 167 | 455 | 111 | 145 | 8–11 | 3–4 |
| 1870 | 349 | 268 | 617 | 161 | 198 | . | 4–5 |
| 1880 | 473 | 368 | 841 | 236 | 274 | . | 6–7 |
| 1890 | 754 | 468 | 1222 | 366 | 402 | 21–3 | 8–9 |
| 1900 | 992 | 569 | 1561 | 502 | 519 | . | 10 |
| 1911 | 1229 | 669 | 1898 | 639 | 639 | 27 | 11 |

Source: Van Leeuwen (2000c, p. 175)

Table 3.15 Average weekly levels of sick benefit in the Netherlands, 1812–95

| | Type of insurer | Average weekly benefit (in guilders) | As % of wages | As a multiple of poor relief |
|------|-----------------|--------------------------------------|---------------|------------------------------|
| 1812 | All | 2 | 44 | . |
| 1827 | All | 2.1 | 47 | 9 |
| 1890 | All | 3.1 | 45 | . |
| 1895 | Trade union | 4.5 | 52 | . |

Source: Van Genabeek (1999, pp. 116, 139, 157), idem (1998b, p. 342), and van Leeuwen (2000c, p. 175)

first, women and farmers also began to take out insurance; secondly, rates of coverage rose among industrial male labourers—the traditional target group. All types of insurer, but especially the commercial, profited from this growth. Commercial insurers had a negligible share of the market around 1800; a century later they had almost a third.

In 1812, average weekly sick benefits were around two guilders, in 1890 three guilders, approximately half the average wage (Table 3.15).⁵³

⁵³ For a critical discussion of the sources see *ibid.*, p. 410, note 116.

These benefits were significantly higher than those paid by poor relief agencies, but they were paid for a shorter period. Poor relief continued for the duration of the sickness, while health insurance benefits were generally restricted to a maximum of three months—though there was much variation here. The pattern was clear: the longer the maximum duration, the lower the level of benefit.⁵⁴

In 1890, the standard premium was five cents, which entitled a member to a weekly benefit of three guilders for 13 weeks. Members joining after the age of around 35 to 45 generally paid a higher premium, with premiums being increased 50% for every five years beyond that age; they were sometimes obliged to pay a substantial joining fee too.⁵⁵ This differentiated premium structure was aimed at avoiding adverse selection and reflected the fact that the elderly were more likely than young workers to become (or be) ill; it was felt only fair that they should therefore pay more. Once a member had joined, the premium was fixed. Young members thus bore part of the cost of insuring the risk of sickness among older members, and this is still the case in the Netherlands today.

Often the level of premiums was calculated on the basis of a young insurance base; this led to difficulties as members aged. It was a problem familiar to all nineteenth-century micro-insurance funds. Though any annual surplus was transferred to a reserve, a practice also followed by the burial funds, after a time this reserve became deceptively large and, as a national commission noted at the end of the century, '[the size of this reserve] was thought, particularly by the mutual funds, to warrant either a reduction in premiums or an increase in benefit levels, or to justify making other provisions for members, such as organizing festivities, monetary distributions, introducing death or retirement benefits', without the fund really knowing whether, actuarially speaking, it could afford to.⁵⁶ Having a 67,000-guilder reserve, one (unspecified) fund was particularly 'generous'; an actuarial calculation, employing morbidity tables, suggested that the reserve actually needed a further 56,000 guil-

⁵⁴Stoeder et al. (1895, p. 28).

⁵⁵Ibid., p. 29.

⁵⁶Ibid., pp. 54 and 85.

ders to meet its commitments. A national commission stated: 'Many schemes live literally from hand to mouth, each year paying out more or less as much as they receive; often, they can carry on like this for a long time since deficits are ruled out. After a while though, benefits for the growing number of elderly decline until they are inadequate in relation to premiums; the young no longer join at all, and so a scheme like this goes under.'⁵⁷

The finances of the smaller funds, and most funds were small, were of particular concern. First, because 'a year in which the number of sick is just slightly above average completely exhausts the reserve and can force the fund to increase premiums or reduce benefits out of all proportion to what members are accustomed.'⁵⁸ This problem reflected a combination of a small insurance base and correlated risks. Many funds were vulnerable in times of widespread sickness, despite the fact that epidemics were less frequent in the nineteenth century, as we noted in the introduction to this chapter. During the cholera epidemics of 1832–3, 1848–9, 1855, and 1866, and the smallpox epidemic of 1871, for instance, bankruptcies were frequent.⁵⁹ Secondly, because of the 'life cycle' of the funds: 'First there are several favourable years with surpluses, then several years of deficits and failings; finally the fund has to be dissolved—in some cases being reincorporated immediately by the younger members, the elderly being regarded as a burden.'⁶⁰

There was another problem, according to the commission: 'It is by no means uncommon for the operator of a benevolent fund to continue collecting the premiums, using these to create a good impression or simply saving them, and then, in the first case, to terminate the fund the moment significant numbers apply for benefits [...], or, in the latter case, to vanish as soon as he has collected enough.'⁶¹ The commission urged 'a degree of government regulation, to avoid abuse and ensure confidence among

⁵⁷ *Ibid.*, p. 55.

⁵⁸ *Ibid.*

⁵⁹ Van Genabeek (1999, pp. 101, 177).

⁶⁰ Stoeder et al. (1895, p. 55).

⁶¹ *Ibid.*, p. 85.

the general public.⁶² Despite the commission's remark, few documented cases of actual fraud have been found. Mismanagement did happen, but fraud seems to have been rare. So why was fraud so infrequent among the mutuals? Was their internal governance so foolproof that treasurers and other officials could not abscond with the funds? This might well have been the case for the smaller mutuals, whose members convened regularly and checked the accounts. Still, one wonders whether this was the whole story. Some of the friendly societies were also places of conviviality—this was certainly true of the trade unions—and fraud would have meant not only the usual loss of reputation (and business) but also loss of friendships. Furthermore, in the case of the larger commercial firms that were beginning to emerge, the insurance collector may have been a pivotal player in fraud protection. His 'herd', the ordinary insured, may not have been aware of early signs of fraud, but the *bode*, who was in contact with the middle management, was better placed to detect these signs, and he could protect his clients as a good shepherd would by moving them to another fund.

Benefit levels were not always fixed. If the reserves were insufficient, premiums would be raised or benefits reduced.⁶³ Under the Dutch Republic, the guilds, too, found this an effective way of managing risks that were difficult to predict. For many friendly societies, the alternative was bankruptcy, or such high premiums—or such low benefits—that few workers could or would consider joining. In addition, the funds generally used the same means to limit the moral hazard of malingering: 'As a rule, the benefits paid by a fund could never exceed the weekly wage, and sometimes three-quarters, a measure to counter malingering.'⁶⁴ Benevolent funds that accepted women often required a surcharge of 50%, 'a measure apparently necessary due to the higher rates of morbidity among women (whether actual or due to malingering)'.⁶⁵ This

⁶²Ibid., p. 90.

⁶³'As a general rule, the fund pays 3 guilders a week; but if its capital falls to less than 1200 guilders this is reduced to 2 guilders, and to as little as 1 guilder if the fund's capital is less than 300 guilders; another fund suspends payments completely if its capital is less than 1000 guilders; in this case an appeal is made to members on behalf of the sick.' Ibid., pp. 30–1.

⁶⁴Ibid., p. 31.

⁶⁵Ibid., p. 29.

practice could be explained, the commission claimed, by the fact that in winter these women were unable to find sufficient work and hoped the insurance would compensate for this.⁶⁶ Another measure to limit moral hazard—and preclude bankruptcy—concerned the duration of the benefit. Funds often limited the benefit duration to between 13 and 18 weeks. This limit sometimes depended on the nature of the illness: 4 weeks for an external sore, 12 for a broken arm or leg, and 52 weeks for a serious illness. Non-mutual funds often restricted the total number of weeks recipients could claim benefits to about 40–60 during the lifetime of the policy. The *karenztime*, or waiting period (the initial period of sickness during which members were not eligible for benefit), was between 3 and 14 days.⁶⁷ Often, a doctor's certificate was required. Many societies also required applicants to have been a member for a minimum number of months or years before they were eligible for benefits. Some funds refused to pay benefits, as did the guild funds earlier, if the sickness 'is due to: contributory negligence, attempted suicide, fighting, rioting, war, excesses, or if the sickness is an undisclosed regular tertian fever, rheumatic disorder, or madness.'⁶⁸

6 Sickness: Compensation for Costs of Medical Treatment

Whenever a doctor had to be paid, or medicines or bandages bought, there were generally three options: having one's health insurance pay—if one were fortunate to have a policy; turning to the medical branch of a charity; or paying out of one's own pocket—even if that meant borrowing or pawning. There was a bewildering variety of health insurers, of various types and setting various conditions, and it is by no means easy to distil an overall impression from the historical sources. We will start, as before, by looking at the number of insurers by type, excluding factory schemes. We then provide estimates of the total number and proportion

⁶⁶ Ibid., p. 31.

⁶⁷ Van Genabeek (1999, pp. 139, 157, 177). See also Directie van den Arbeid (1912).

⁶⁸ Stoeder et al. (1895, p. 33).

Table 3.16 Number of health insurers in the Netherlands, by type, 1800–90, excluding factory schemes

| Year | Mutuals (excluding trade unions) | Trade union | Mutuals total | General practitioners' funds | Doctors' funds | Commercial funds | Total |
|------|---|----------------|------------------|------------------------------------|-------------------|---------------------|-------|
| 1800 | 55 | 0 | 55 | 0 | 0 | 5 | 60 |
| 1810 | 69 | 0 | 69 | 0 | 0 | 10 | 79 |
| 1820 | 97 | 0 | 97 | 0 | 0 | 13 | 110 |
| 1830 | 160 | 0 | 160 | 1 | 2 | 21 | 184 |
| 1840 | 187 | 0 | 187 | 2 | 3 | 32 | 224 |
| 1850 | 207 | 0 | 207 | 9 | 10 | 44 | 270 |
| 1860 | 180 | 2 | 182 | 13 | 11 | 51 | 257 |
| 1870 | 168 | 8 | 176 | 18 | 14 | 57 | 265 |
| 1880 | 177 | 15 | 192 | 24 | 64 | 59 | 339 |
| 1890 | 235 | 37 | 272 | 27 | 96 | 66 | 461 |

Source: Van Genabeek (1999, pp. 112, 133, 145, 156, 191, 200)

of the Dutch population covered by insurers (including factory schemes), and summarize the various conditions set by the funds and how these funds operated. We conclude with an interpretation of the data.

In 1800, there were some 60 providers of health insurance, almost all of which were mutual (Table 3.16). In 1890, there were 461 providers (excluding factory schemes), half of which were ordinary mutuals while a further 37 were run by trade unions. The total number of mutual funds rose between four and fivefold during the century, but they still lost ground to commercial insurers (the number of which showed a thirteenfold increase) and to funds operated by the medical profession. Both types flourished in the second half of the century. A possible explanation, discussed in the following, is that mutual insurers fared worse in making use of improved communication and transport to scale up and drive down costs, although we cannot presently rule out other explanations, such as differences in returns on investment, in the age and morbidity profile of clients, or, when it came to the doctors' funds, general practitioners possibly having lower costs. It is unlikely that competition among general practitioners forced them to work for less, as the number of general practitioners per 1000 inhabitants decreased over the century.⁶⁹

⁶⁹ See the table in van Leeuwen (1998a, p. 132).

The coastal provinces of North and South Holland in the west of the country had the most funds. Drenthe, Limburg, and Zeeland had the fewest. This geographical pattern was evident as early as 1795, but it can actually be dated to 1700 and even to 1600. It was a continuation of a phenomenon seen not only during the Dutch Republic but also in medieval times, and it survived right up until the very end of the nineteenth century. One should not assume that it reflected the development of medical poor relief, with those provinces offering better medical poor relief having fewer health insurance funds. Indeed, the reverse was probably the case: in Holland's cities, poor relief was also well developed. A number of more convincing factors have been adduced to explain this pattern and its survival over time. They include the relative prosperity of Holland and its comparatively high degree of urbanization (which set it apart from other Dutch provinces). These fostered a modern occupational structure and the expansion of guilds—an important development as, in the Netherlands, health insurance originated with the guilds. These same factors explain why a geographical pattern rooted in medieval times continued for several centuries. Furthermore, over time, the existence of funds itself became a factor perpetuating this geographical pattern, as it was easier for a well-established and reputable fund to continue than it was for a new, and thus unfamiliar, fund to become established and successful. It is remarkable that this medieval legacy continued to influence the dissemination of health insurance in the Netherlands for centuries.

Table 3.17 provides estimates of the percentage of the Dutch population directly covered by health insurance. This time, we begin our quantitative analysis in 1901, the year of a comprehensive national survey. Projecting back from our data for that year, we construct estimates of rates of coverage in the nineteenth century, using the known number of health insurers and the estimated average number of insured per insurer. We have a fairly accurate figure (18%) for 1901. But there is a margin of error before that date as we have no precise figures for the average number of insured. The best we can do here, as in our previous estimates, is to offer minimum and maximum percentages.⁷⁰ The overall pattern of

⁷⁰Data on the number of funds (excluding factory schemes) by decade are available from van Genabeek (1999). The number of factory schemes in 1901 is known. The number for previous

Table 3.17 Health insurance coverage in the Netherlands, 1800–1901

| | No. of funds, excluding factory schemes | No. of factory schemes | Total no. of funds | Minimum no. of insured (thousands) | Maximum no. of insured (thousands) | % of the population insured |
|------|---|------------------------|--------------------|------------------------------------|------------------------------------|-----------------------------|
| 1800 | 60 | 0 | 60 | 9 | 18 | 0–1 |
| 1810 | 79 | 0 | 79 | 12 | 24 | 1 |
| 1820 | 110 | 3 | 113 | 34 | 49 | 1–2 |
| 1830 | 184 | 7 | 191 | 86 | 108 | 3–4 |
| 1840 | 224 | 10 | 234 | 141 | 165 | 5–6 |
| 1850 | 270 | 13 | 283 | 214 | 237 | 7–8 |
| 1860 | 257 | 17 | 274 | 248 | 266 | 7–8 |
| 1870 | 265 | 29 | 294 | 311 | 326 | 9 |
| 1880 | 339 | 42 | 381 | 460 | 473 | 11–2 |
| 1890 | 461 | 54 | 515 | 700 | 709 | 15–6 |
| 1901 | . | 67 | 616 | 930 | 930 | 18 |

Source: van Leeuwen (2000c, p. 179)

growth is clear, however: a more-or-less continuous increase in coverage from very low levels—around 1%—at the beginning of the nineteenth century.

Insurance to cover the consequences of sickness originated as an urban middle-class phenomenon, but during the nineteenth century it was opened up to an increasingly larger share of the population, to include some of the working classes. The poor were catered for by medical poor relief, while the rich bore the costs themselves. Sickness funds were primarily meant for those poorer sections of society that desired no charity and could afford a modest weekly contribution; these included artisans, factory workers, servants, low-paid workers in offices, civil servants, and those of modest rank who had retired.

Over the course of the century, two new types of health insurance scheme emerged alongside the factory schemes: doctors' funds and trade

years was estimated by assuming that the figure for 1860 was a quarter of that in 1901 and that there were no factory schemes in 1810. The number of factory schemes in the intervening years was estimated using linear interpolation. Once the total number of funds, including factory schemes, is known, the total number of insured can be calculated by multiplying the number of funds by the average number of insured per fund. This average is known for 1901. We assumed an average of 150–300 insured per fund in 1800 and 1810, and interpolated linearly for the period after 1810 and before 1901.

union funds.⁷¹ In the countryside, doctors set up their own schemes, with members paying a fixed premium. The doctor acted as manager of the fund, provided medical treatment, and supplied medicines, which he also often prepared himself. For doctors, this arrangement was attractive because it enabled them to attract patients who would otherwise normally never consult a doctor. Hitherto, when such patients did consult them, the doctor was faced with the option of either not helping them or of forgoing payment, which, so it was said, was not uncommon. Furthermore, rural doctors could hardly expect to make a living from their few private patients.

In addition to these initiatives by individual doctors, groups of medical practitioners also began to set up health insurance funds. One of the first was the *Algemeen Ziekenfonds Amsterdam (AZA)*, founded in 1846. The AZA targeted the middle classes. Membership was restricted to workers earning less than a set limit. Those earning above this rather high threshold had to sign up with a commercial insurer, leaving the middle and lower classes to the AZA. An innovative feature of the general practitioners' funds was that members could choose from among the AZA-affiliated doctors and that the doctors had the right to refuse patients. The choice of doctor had no effect on the level of contribution, which was the same for everyone. This way, the AZA tried to combine the advantages of a private practice with those of a health insurance scheme. The fund offered insurance against the costs of medical treatment as well as sickness benefit and life insurance, with separate premiums and benefits for each. The AZA grew rapidly. By 1850, 4% of the Amsterdam population was directly insured by the AZA; by 1900, the figure was 18%. That growth was not at the expense of the mutual and commercial health insurance funds. The total proportion of Amsterdam's population insured rose from 25% in 1842 to 42% in 1898. The AZA's success inspired initiatives elsewhere and similar health insurance funds emerged in other Dutch towns.⁷² None of these was as successful as the AZA, though.

⁷¹ See, for example, *ibid.*, pp. 175–91; van der Velden (1993); Companje (1997, 2008); Widdershoven (2005).

⁷² Middelburg (1849), Zeist (1856), Gouda (1857), Rotterdam and Haarlem (1858), Den Helder (1862), Beverwijk (1865), Delft (1873), Almaar and Gorkum (1874), Hoorn (1880), Breda

In the course of the nineteenth century, health insurance coverage rose significantly. The scale of activities also increased, especially among the commercial funds and the doctors' funds. To join a fund, an applicant had to supply a health certificate; this was usually issued either by the patients themselves (oddly enough) or their doctor. Not surprisingly, this form of risk selection was not very effective. 'It led to abuse on a number of occasions, with people joining only once they were sick and leaving soon after they had recovered.' This adverse selection was tolerated for a reason: '[...] for doctors, especially in rural areas, where they were also charged with poor relief, this practice was often the lesser of two evils, since they would otherwise have to offer help free of charge or simply not get paid.'⁷³ In fact, there was a process of double adverse selection: the sick applied to join in return for a premium calculated on the assumption of their being healthy, and left the fund when they were better again.⁷⁴ The funds did, though, exclude the elderly—those aged 50 to 70 and above—and those who applied to join during an epidemic (or they insured them only on restrictive terms). Risk selection was managed in other ways too. For instance, new members might have to wait between 8 days and 13 weeks before being entitled to benefits. Moral hazards were also restricted: 'Many funds provide no help in the case of venereal or syphilitic diseases, unless the patient is younger than fifteen or unless it can be shown that the disease had not been contracted as the result of contributory negligence. This question of contributory negligence is applied in a broader sense, too, and includes being wounded as the result of one's negligence, in a duel, due to wilfulness, a dissolute life, or the abuse of alcohol.'⁷⁵ The older funds especially had many such restrictions.⁷⁶ These were not inconsistent with bourgeois culture, but they were certainly not free from financial considerations by aiming to counter moral hazards.

(1885), Arnhem (1866), and Nijmegen (1888). See Van Genabeek (1999), pp. 185–90; similar schemes existed before then in Schiedam (1819), Zierikzee (1840), Nijmegen (1844), Dordrecht (1845), and Vlaardingen (1845).

⁷³ Stoeder et al. (1895, p. 14).

⁷⁴ *Ibid.*, pp. 15, 17, and 25; see also Schreve et al. (1908, p. 27).

⁷⁵ Stoeder et al. (1895, p. 25).

⁷⁶ Schreve et al. (1908, p. 37).

The weekly premiums were almost always identical across age groups, with the exception of very young children.⁷⁷ As with the burial funds, it was relatively easy, therefore, for the elderly to switch to another fund if they found themselves unable to pay their premiums, or if they moved elsewhere, as the new premium would be scarcely any higher than that charged by their existing insurer. On average, each family paid a premium of 15–35 cents. In practice, there was some leeway, and the rural doctors' funds in particular might charge less; the alternative in some cases was having no members at all.⁷⁸

The benefits provided by the insurer included reimbursing the costs of consulting a doctor. The costs of minor treatment, medicines, and bandages, for example, were also reimbursed. Maternity care was rarely covered; nor was hospital admission. Many of the risks that health insurers cover today were thus excluded in the nineteenth century. In general, the funds provided only very narrow assistance, restricted to what one might term 'ordinary sickness', a practice foreshadowing that of micro-insurers in the developing world today, as we will see in Chap. 5.⁷⁹ The duration of that assistance was almost always unrestricted. However, the funds did exclude people who had been sick for too long or too often—perhaps for more than two consecutive months or more than 13 weeks in a six-month period.⁸⁰ This practice was more common among funds that paid their doctors or pharmacists on a consultation or prescription basis rather than a fixed annual sum per insured, as in the former case a lengthy sickness could prove to be expensive.

How can one explain the existence, let alone the growth, of medical insurance during the nineteenth century, despite the existence of classic insurance problems and the dissolution of guild-based medical insurance in 1820?⁸¹ The mutual funds were the oldest of the funds, dating from the early modern period. The prime function of the early

⁷⁷ Stoeder et al. (1895, pp. 15–7).

⁷⁸ *Ibid.*, p. 17.

⁷⁹ *Ibid.*, pp. 22–4; Schreve et al. (1908, p. 36).

⁸⁰ Stoeder et al. (1895, p. 26).

⁸¹ Another potential determinant, not discussed in the text, would be the supply of growing numbers of doctors in need of a job. See Riley (1997) and Gorsky (2006).

modern funds had been to cover loss of income, and that is probably why, at the start of the nineteenth century, the word *ziekenfonds* referred to that type of insurance rather than to the medical costs insurance that came to predominate in the twentieth century. This shift in meaning was accompanied by shifts in numbers. Around 1800, four times as many insurers covered loss of income than medical costs; around 1860, the corresponding figures were more or less equal; 30 years later, at the time of the national survey of 1892, the pattern was similar to that seen in 1800. These shifts can be explained as follows. The main providers of health insurance in 1800 were guilds, whose expertise and concern lay primarily with work rather than medical care. Over the century, medical practitioners, too, began to offer health insurance as a way to supplement their income, and they were more oriented towards paying the costs of medical care. From the middle of the century, however, trade unions became active in the insurance market, and their focus was similar to that of the guilds. These unions had the advantage that their administrative work was carried out largely by unpaid union members—and they were thus relatively cheap compared with commercial companies, costing about the same as the mutual funds. But they were also familiar with their members. At relatively low cost, they could obtain information on the earnings capacity of a particular claimant, because other unionists could be relied on to provide information; after all, these members had to meet the cost of any claims, so they had a stake in keeping costs low. Trade unions therefore had a comparative advantage both when it came to insuring loss of income due to sickness and when it came to providing unemployment insurance: indeed, they were the only party able to offer such insurance.

The centuries-old tradition in the Netherlands of insuring against loss of income and the cost of medical treatment in the event of sickness survived the abolition of the guilds, from which that tradition emerged. Other occupational mutuals, but also the general, non-occupational, mutuals set up especially after *c.* 1750, assumed the role previously undertaken by the guilds. Commercial insurers, factory schemes, and doctors' funds developed that tradition further. For both types of health insurance, coverage rose significantly throughout the country. The relative importance of commercial insurers and general

practitioners' funds also grew. Average fund size in terms of membership rose for all types of fund, though least in the case of the mutuals. By origin, mutuals were local and often fairly small organizations. They were able to operate successfully due to their low administrative costs. They had a good knowledge of their locality and were able to monitor their members carefully; they were thus relatively well placed to counter moral hazards. They believed that their small size gave them a competitive edge, and with the exception of the problem presented by an ageing membership this was probably true, although we are in need of detailed case studies to confirm this impression. Commercial insurers—but also the general practitioners' funds—appointed full-time managers. When innovative forms of communication—the telephone, tram, and railway lines—as well as insurance collectors and agents reduced the problem of communicating information over long distances, the information gap between the commercial insurers and the mutuals narrowed, while the organizational advantages of upscaling activities continued to benefit the commercial insurers. Gradually, the advantages of the local mutuals in terms of knowledge and costs began to disappear, and economies of scale became increasingly important, especially perhaps at the end of the nineteenth century. This reasoning is at the very least consistent with the fact that the growth in scale began with burial funds, while sickness funds—where social control mattered more—remained local much longer; even commercial sickness funds hardly ever became very large.

We have already noted the epidemiological transition that took place in the Netherlands in the nineteenth century. It gradually increased the ability of insurers to predict morbidity and mortality, and made it easier for them to design schemes to cover these risks. As noted earlier, correlated risks, such as those of epidemics, are a problem for insurers, and the decline of epidemics enabled insurers to cover illnesses more effectively. As a result, many workers were now able to insure themselves with the mutuals, and later with commercial insurers, for the cost of medicines and loss of income. In the nineteenth century, as before, health insurers endeavoured to limit the classic insurance problems of adverse selec-

tion and moral hazards. Adverse selection was not normally countered by requiring a full medical examination or by making participation compulsory. The first was too expensive, and, given the lack of diagnostic equipment, not entirely useful. The second was vetoed by *laissez-faire* liberals. With the abolition of the guilds in 1820, compulsory guild membership and funds were also swept away. It was not until the end of the nineteenth century that support cautiously began to be voiced for a compulsory national health insurance scheme, one that really only began to take shape during the following century.⁸² Adverse selection was, in fact, often countered by requiring a superficial medical examination (applicants appearing to be critically ill were not accepted), by setting age limits (because morbidity risks among the elderly were relatively high), and by paying benefits only to those who had been members for a minimum period. More importantly, the maximum benefit duration period was restricted to 13 weeks, after which the insurer was no longer liable to pay for the chronically sick—including those who had failed to disclose an illness on joining. Moral hazards were countered through doctors and work colleagues, who, it was felt, could be relied on to identify malingerers, and by refusing to pay benefits in cases where the applicant was culpable. The costs of treating an accident arising from drunkenness were not therefore normally reimbursed; nor were the costs of treating venereal disease. Furthermore, there was a *karenztime* of around one week, during which no benefits were payable.

These strategies were insufficient to prevent some funds from going bankrupt, owing to premiums being set too low and inadequate reserves being built up. There was also the problem of correlated risks: an epidemic could easily hit so many fund members as to bankrupt the fund. In the nineteenth century, insurers tried to mitigate this problem in the same way as their predecessors had during the Dutch Republic: by increasing premiums and cutting benefits. Crucially, they could do this with the mutual consent of their members.

⁸² Exceptions to this were the compulsory factory schemes and company pension schemes, including those for government employees.

7 Governance and Sociability

*How self-governing were mutuals?*⁸³ This question is obviously of importance for an evaluation of mutualism. Yet it is not easy to answer, in part owing to lack of sources—or at least in-depth studies that have identified such sources—and in part because there might have been a difference between the legal situation and the situation ‘on the ground’. As we know from democratically run events today, many who can have a say often in fact abstain for whatever reason. We already discussed this when dealing with guild governance. In the following, we will first discuss what we know about formal mutualism and then turn to the practice.

During an annual meeting of a mutual insurer, co-members were elected from among all members present to form the board, often for two years and virtually never for more than nine years. Such board positions were nearly always unremunerated. During the meeting, the insured also elected a treasurer. Most treasurers presented a report on the body’s financial affairs to the general meeting—sometimes only to the board, and sometimes, though much less frequently, to an external party, such as an accountant. Approval by an auditing committee composed of representatives of the insured might be part of the procedure. In principle, therefore, mutuals were self-governing; in matters of life and death the insured took their fate into their own hands.

How did this governance work in practice? A modern scholar is glowing in his appreciation of

[...] the strong commitment of members to the policy, especially in comparison with [that of] other insurance organizations. During general meetings, members could raise questions about certain limited matters, demand that matters be put to a vote, pass judgement on the actions of the board, and elect members to the board. And even if the board were appointed for an indefinite term, members could often still exert major influence on policy. [...] To a great extent the members determined the measures to be taken, even where those measures resulted in higher contributions or reduced benefits. Subsequently, when it came to implementing any such

⁸³ Directie van den Arbeid (1912, pp. 46, 65–6, 77, 89–90) and van Genabeek (1998b, pp. 332–8).

measures, resistance was minimal because the members themselves had already approved them.⁸⁴

Contemporary observers were sometimes more sceptical. Although we do not have data on participation rates, a national survey of burial funds noted that members of mutual funds did not always exercise their right to control: 'General meetings often meant little or nothing, especially in the cases of large funds, and especially those with members scattered throughout the country. The individual insignificance of each member, the distance from the meeting's location, the time taken up by meetings and the loss of earnings entailed in attendance, these and so many other causes deterred members from turning up.' A similar remark was made about sickness funds.⁸⁵ In a democracy, members do not always exercise their rights and duties, so it would indeed be surprising if all members of friendly societies had shown up. Why should they? Apart from the naming and shaming that in small communities might push the slightly unwilling to attend, the clue to high participation rates might well be found in the social and festive nature of the activities of those societies. Festivities are generally more enjoyable than board meetings, and membership meetings that are timed to coincide with such festivities are more likely to be well attended. It was certainly fortunate in this respect, and arguably not a coincidence, that mutual insurance by guilds, as well as by trade unions, was part and parcel of a tradition of eating, drinking, and celebrating together. As in the case of the early modern guilds, sociability certainly played a part in encouraging mutualism in the nineteenth century. We will illustrate this by turning to sociability and mutuality among early trade union funds, about which we know much more.

From the dissolution of the guilds up until the new liberal constitution of 1848, labour organizations remained suspect in the eyes of the law. In 1850, just after the new constitution had lifted the ban on association, reformer and plumber Evert Hendrik Hartman (1811–73) published a book calling on artisans to reunite into guilds.⁸⁶ His call had, in fact,

⁸⁴ Van Genabeek (1998b, p. 345).

⁸⁵ Molengraaff (1891, p. 155) and Stoeder et al. (1895, pp. 36–8).

⁸⁶ Bos (2001, p. 83).

already been pre-empted by the Amsterdam typographers, who founded *Voorzorg en Genoegen* (Prudence and Pleasure) in 1849. This union promised to provide for its members at the most difficult times of their life, ensuring mutual support in the event of illness, childbirth, and the death of a member or his wife. Social and moral support was regarded as even more important. At a member's funeral, a board member and at least 16 bearers in appropriate attire—'long, black trousers, black tail-coat, black waistcoat, white cravat, round hat, and gloves', adorned with 'distinctive markings, also on the rosette'—would escort him to the grave.⁸⁷ It is said that a few years later, Amsterdam's carpenters founded their union *Concordia Inter Nos* after perchance witnessing a funeral at which the deceased's fellow unionists marched in procession following the bier, wearing their union insignia, and were moved to adopt the same ritual.⁸⁸ It is possible it had been the typographers they had seen. In any case, the funerary spectacle stood in a long tradition, one that the carpenters took up wholeheartedly.

Each year, the typographers celebrated Copper Monday, with a great banquet held on the second Monday in January to commemorate the invention of book printing.⁸⁹ Indeed, they, and other artisans, spent a large proportion of union funds on such banquets and social events. The well-read typographers regarded themselves as 'heralds of enlightenment and progress', and believed in educating themselves and their children; it was an opinion shared by radical thinkers in Amsterdam. Those radical artisan thinkers set up associations with impressive names—*Concordia Inter Nos* (Harmony among Ourselves, 1865) for the carpenters, or *Vooruitgang Zij Ons Doel* (Progress Is Our Purpose, 1866).

In matters of festivals and burials, the early trade unions—being local associations of artisans—borrowed from the artisanal traditions of the Golden Age, embodied most of all by the guilds. Just as guilds had honoured the medieval Catholic tradition of having a patron saint even after

⁸⁷ Giele (1972, p. 9).

⁸⁸ Bos (2001, p. 84).

⁸⁹ *Ibid.*, p. 86. The oldest typographers' union (founded in 1847 in Breda) was established with two purposes in mind: to organize social festivities and to provide mutual support in the event of illness or burial. Its rules stated that no more than two-thirds of its annual income should be spent on the annual Copper Monday festivities. Giele (1972, p. 4).

the Reformation, early trade unions and their mutual insurance funds borrowed symbolic imagery from the guilds.⁹⁰ Many associations had banners colourfully embroidered with logos, mottoes, and slogans.⁹¹ Subsequently, local branches of the Socialist Party would also habitually decorate their conferences with images of great leaders and heroes.⁹²

As with the guilds, sociability played an important role in the foundation and maintenance of the early trade unions. Often, whole families were active within a union, for example, in the case of the typographers, whose union was remembered in later years as primarily a 'social-cultural association'.⁹³ Amsterdam's early trade unions were tight-knit communities with a restricted number of members: in 1871 the cabinetmakers' union was the largest, with 380 members. Most, however, had fewer than 200 members, following perhaps the example of the typographers, who, in 1849, had decided to limit the number of union members to 200, as more would impede the sociability and social control necessary for the union's functioning. Some unions were even smaller, with as few as 50 (tailors), 52 (lithographers), or just 34 (metalworkers) members. Being small, and with every member knowing and being in close touch with every other member, they were a breeding ground for friendship, love, and marriage, as well as being well suited to disseminating the socialist gospel.⁹⁴

Some groups of artisans set up unions not just to provide mutual support but also to form recreational societies, such as the smiths convening to listen to lectures and to sing. In 1871, the tailors organized a great annual feast that lasted the whole night and attracted 400 people, including the typographers' union's choir. With so much sociability, a regular meeting place was of importance. Sometimes, those meeting places were

⁹⁰Thijs (2006, p. 166). This was perhaps not as remarkable as the continued use of Catholic symbols by Protestant guilds after the Reformation. After all, there was no iconoclastic schism between the early trade unions and the guilds.

⁹¹Van Veldhuizen (2015, p. 54).

⁹²Ibid., p. 83.

⁹³Bos (2001, pp. 86–7) and van Veldhuizen (2015, p. 30).

⁹⁴Bos (2001, pp. 90, 135).

fairly elaborate, decorated with a framed list of its members and large enough to accommodate the entire membership.⁹⁵

Sociability played a vital role in the early socialist associations, which first took off in the 1870s, and, before that, in the first communist association, founded in 1847.⁹⁶ Though ostensibly ideological in origin, these, too, were patterned by existing social circles of family, neighbourhood, or professional members. The first Amsterdam communists were a tight-knit group, who would witness, for example, each other's marriages or the registration of their newborn children with the municipal authorities. It was no accident that they were recruited from among a limited number of artisanal occupational groups, such as the tailors, cabinetmakers, and shoemakers.⁹⁷ They would often meet in cafes to discuss all sorts of subjects.⁹⁸ In time, many of these associations joined larger alliances, some of which became national in scope. Sociability was again an important element in forging supra-regional ties, and one association organized feasts to which representatives of another association were also invited. Such meetings would form an important part of social-democratic associational life.⁹⁹

Sociability played an important role in political life in general, and in the process of democratization in particular. In the organizing of political parties, sociability provided an important stimulus to party membership. Making friends was perceived as an effective way to win new party members.¹⁰⁰ Members of the early Socialist Party not only met in a political setting, they also took part in reading clubs, cycling clubs, women's clubs, and choirs associated with the party. Indeed, many people joined the party as part of their everyday networks, along with family, neighbours, friends, and colleagues. Prior associations and networks thus fed into larger organizations.¹⁰¹ The party also acted as an informal marriage market, members witnessing marriages and naming their children after one

⁹⁵ *Ibid.*, pp. 79, 134–5.

⁹⁶ *Ibid.*, pp. 43, 57, 172–4.

⁹⁷ *Ibid.*, pp. 58–60.

⁹⁸ Van Veldhuizen (2015, pp. 64–5).

⁹⁹ *Ibid.*, pp. 36–7, 208–9.

¹⁰⁰ *Ibid.*, pp. 9, 195.

¹⁰¹ *Ibid.*, pp. 16, 67–8, 70–1, 77, 81, 169, 174–8, 210–11, 269.

another.¹⁰² Socialists started to regard the party as one large family and spoke of it in familial terms.¹⁰³ Some branches were entirely comprised of members from one or two families, whole dynasties of party members and officials emerging over time.¹⁰⁴ Everyone knew everyone else.¹⁰⁵ Socialists often escorted party members to the grave, carrying their coffin and laying wreaths on behalf of the party.¹⁰⁶ The heritage of the guilds was far from forgotten in the second half of the nineteenth century, and to a large extent it shaped party and union culture.

Local artisan trade unions with mutual funds but without any interest in the class struggle predated militant socialist local and national unions. Artisans generally first organized themselves as mutuals, and later as local unions. Of the four national unions in existence in 1869 at least three—the carpenters, the furniture makers, and the typographers—had their roots in health and burial insurance.¹⁰⁷ The fact that the origin of socialist national unions is thus rooted in artisanal mutual funds irritated early historians of the trade union, who were often socialist unionists. This irritation may very well have obstructed the emergence of a clear view of the importance of mutual funds for labourers and even for unionists.¹⁰⁸

¹⁰² *Ibid.*, pp. 146–9.

¹⁰³ *Ibid.*, pp. 263–4.

¹⁰⁴ *Ibid.*, pp. 151–2, 183, 191.

¹⁰⁵ *Ibid.*, pp. 161–2.

¹⁰⁶ *Ibid.*, pp. 85, 153.

¹⁰⁷ The national cigar makers' union stemmed from an Amsterdam union *Door Vriendschap Bloeiende* (Through Friendship Flourishing), which had had a mutual fund since its inception, and possibly before. See Hudig (1904, pp. 54–7, 191).

¹⁰⁸ It certainly led to a patronizing tone, for example, where one such socialist-unionist historian had to concede that the typographers' mutual fund predated their union: 'In the past, our country was rich in artisan associations, but such cannot be regarded as trade unions in a narrow sense [...]. They were far removed from all efforts to play a role in the division of social income, for as a rule the aim of such associations was to pay a modest allowance in the event of sickness or death. They were characterized, too, by the serious cumbrousness typical of the period; on the occasion of the funeral of a member, some of the other members were obliged to attend; ceremoniously outfitted in white gloves, they donned top hats and carried along with them the association's ceremonial shields. The celebration of an annual feast was also a serious event in the life of these associations; there was speechifying, both humorous and in earnest, suitable ditties were sung, and comedic interludes provided, preferably directed at sympathetic patrons who would attend in an engaging spirit of willingness to watch the amusing antics of their inferiors, rather as they might watch the games played by their children'. *Ibid.*, p. 2.

From the mid-nineteenth century onward, the festive tradition originating in medieval and early modern guilds and fraternities manifested itself in artisanal associations and it continued with the festive celebrations of national trade unions and political parties in the twentieth century. Even when festivities are modest, they might have far-reaching consequences. In no small measure, this festive tradition turned workmates and other co-insured into family and friends. A web of social threads was spun that, once in existence, tied together the insured in a more or less natural way through affection, reputation, and shared memories. This bond alone was generally sufficient to pre-empt malingering, while it was also clear that the behaviour of members had become more transparent and that misconduct would not be tolerated with impunity.

8 International Comparison

To highlight some of the universal and some of the typically Dutch features of friendly societies, we will contrast the Dutch experience with that elsewhere, especially in Britain, where friendly societies have been studied extensively, and have had a conspicuous presence, running ‘like a bass line through British social history’.¹⁰⁹

There were a great many friendly societies in Britain, covering the same risks as in the Netherlands, for only a few percent of a person’s income. In Britain, too, burial insurance was the most conspicuous and widespread form of insurance offered by friendly societies: ‘a pauper funeral—the worst sort of pauperdom, a stigma not only for the dead, but on those living who could not pay for a more becoming interment. Families would break up their home and sell off their furniture if struck by the calamity of an uninsured child. They would even go short of food and hasten their deaths in order to afford the insurance premiums’.¹¹⁰ ‘What people wanted was a “respectable” funeral, and in general greater expense was held to confer increased respectability. A respectable funeral had to have all close relations dressed in black,

¹⁰⁹ Cordery (2003, p. 11).

¹¹⁰ Johnson (1985, p. 43).

horse-drawn (later motorized) carriages and hearse' and afterwards, of course, food and drink. Those 'funerals were not just affairs for private mourning, they were the "greatest festivals of all" in working-class life'.¹¹¹ This situation resembled that in the Netherlands, as we have seen, and is comparable, too, to that in some developing countries today, as we will see in Chap. 5.

Most friendly societies were organized as small units, and, in principle, run by and for their members.¹¹² A master or journeyman could have burial and health insurance covered for just a few percent of his income, generally between 2 and 5%.¹¹³ But the societies had a very wide range of organizational forms, which can be illustrated by the national deposit friendly societies and the affiliated orders.¹¹⁴ The national deposit friendly society would remain foreign to the Netherlands until the twenty-first century, when it eventually appeared in the form of the bread funds we discuss in Chap. 5, but it existed in nineteenth-century Britain. Its chief principle is that 'a contribution made by each member, after a deduction for the management, goes in part to a common fund for sickness benefit, and in part to his personal account, where it grows for him at a compounded interest. The member at entry can fix his contribution to suit his means and needs [...]. This determines the rate of benefit he receives in sickness.'¹¹⁵

The affiliated orders bore colourful 'Robin Hood' types of names, such as the Ancient Order of Foresters, The Independent Order of Odd Fellows, Manchester Unity, the British Order of Ancient Free Gardeners, and the United Ancient Order of Druids.¹¹⁶ These orders had a treelike

¹¹¹ Ibid.

¹¹² Green (1993, pp. 27–31); Beveridge (2015 [1948], pp. 21–62). The small scale was less true, however, for burial insurance; by the end of the nineteenth century there were a number of large collecting societies. See Harris (2004, p. 82).

¹¹³ Cordery (2003, p. 75). Of course burial insurance was much cheaper than sickness (or health) insurance.

¹¹⁴ The paternalistic 'county societies' were another variant, set up by local rural elites—landowners and clergy—to provide a financially sound form of friendly society not based in the pub. Overviews of the various types of friendly society can be found in Green (1993, pp. 35–7), Cordery (2003), and Beveridge (2015 [1948]).

¹¹⁵ Beveridge (2015 [1948], p. 46). The growth of the national deposit friendly society may be taken as an example of the decline of the kind of collective spirit that animated the original friendly societies. On this decline see Harris (2015).

¹¹⁶ Johnson (1985, pp. 50–3), Green (1993, pp. 27–31), and Beveridge (2015 [1948], pp. 337–8).

character, with local branches and a central organization as a trunk. Dutch guilds, in contrast, had been local only—there was no national guild association—as indeed most Dutch friendly societies were in the nineteenth century, though some did evolve into organizations covering parts of the country, with local branches. In Britain, this process of upscaling by affiliation was much more prominent, however. ‘The affiliated order [...] represented a practical solution of the central problem that arises in the administration of sick benefit—that of combining the responsibility and personal contact of small units with the strength and capacity to weather storms that depend on size.’¹¹⁷ Upscaling may lead to economies of scale, but it might also increase monitoring problems: ‘Every [...] unit is a society with its own life, its separate rules and scales of contributions and benefits. It is a society of men who can know one another, a society which still gets from its members much unpaid service. The problem for all friendly societies is to remain, in spite of growth and of the size needed for stability, true fellowships, in place of becoming mutual insurance companies. The affiliated order was, and remains the best solution of that problem’, as Beveridge put it.¹¹⁸

All these organizational forms covered a large and growing share of the population: 8–9% of the total population in England and Wales in 1815; 35–40% of adult males in Britain in 1870.¹¹⁹ While few casual workers and servants joined, and fewer women than men, taken together there was an ‘exclusive inclusivity of the societies [...] individual societies tended to attract members with similar jobs, earnings levels, or interests, but in the aggregate the friendly society movement encompassed the broad range of working-class, and a smattering of middle-class, people’.¹²⁰

¹¹⁷ Beveridge (2015 [1948], pp. 34–9). Prominent among the storms that depend on size were the consequences of correlated risks for maintaining actuarial viability; an affiliated order could bail out a failing branch. See also Ismay (2015). Affiliated orders also led to a standardization of rules and procedures.

¹¹⁸ Beveridge (2015 [1948], p. 31). See also Gosden (1961, pp. 36–43) and Harris et al. (2011).

¹¹⁹ Cordery (2003, pp. 24, 68). The fact that the estimates have different denominators makes it difficult to see how much growth there was. If, say, 30% of the population comprised adult males, this would suggest that approximately 24–7% of the adult male population belonged to a friendly society in 1815. While there would still have been growth, expressing the data in this form would make the difference between 1815 and 1870 less pronounced.

¹²⁰ *Ibid.*, p. 68.

The Dutch friendly societies probably started out as being more middle-class based, given their guild origins and the fact that guild masters were part of the Dutch middle classes. The British friendly societies included a small numbers of white-collar workers, but they were essentially working class, though with the Odd Fellows, in some places, tending to attract the artisan elite. Women and casual workers were underrepresented among British friendly societies, as they were in the Netherlands, and in both countries this was often not so much because they were excluded by patriarchal rules and regulations or by bossy men administering the funds, but because their earnings were too low and too erratic.¹²¹

Friendly societies in Britain suffered from moral hazards and adverse selection, too, as they did in the Netherlands, and indeed almost everywhere, almost always.¹²² However, their micro nature gave them the qualities of shared information and a high degree of social control to counter malingering.¹²³ Adverse selection was combated by entrance barriers according to age, health, occupational, and moral requisites; those who were already ill or old and thus presumed to have a higher likelihood of becoming ill (which on average was true) either could not join or would have to pay a higher premium according to a sliding scale of entrance fees, a practice that seems to have grown over time as the affiliated orders became more aware of the precise actuarial risks of older members. However, in practice, new friendly societies especially often bent the rules by allowing everyone to pay the same premium. This attracted a lot of new members, including those older members who, from an actuarial point of view, would later become a liability.¹²⁴

In Britain, the vast majority of early friendly societies were located at inns, which on occasion displeased social reformers such as Jeremy Bentham: “To meet in a public-house to encourage thrift was, in Jeremy Bentham’s eyes, “like choosing a brothel for a school of continence”.

¹²¹ Johnson (1985, pp. 54, 58) and Cordery (2003, pp. 69–70). Like Harris (2015), Cordery does not exclude these cultural factors altogether however.

¹²² See also Sibalis (1989, p. 25) and van der Linden (1996, pp. 19–20).

¹²³ Cordery (2003, pp. 26–7), Beveridge (2015 [1948], pp. 43 [on dividing societies], 29 [age limit], 67 [malingering]), Neave (1988 pp. 14–5), Green (1993, pp. 46–52), Johnson (1985, p. 55), van der Linden (1996, p. 24 [on dividing societies]), and Harris et al. (2011).

¹²⁴ Cordery (2003, pp. 26, 70, 131–3).

[...] This criticism somewhat ignored the fact that a friendly society had to be more than a mutual insurance company. It was a fellowship of men knowing and trusting and influencing one another; for that, apart from churches, the public-house [...] provided as a rule the only social centre'.¹²⁵ As in the Dutch case, in Britain conviviality was not by and large at odds with insurance; indeed, it was a very important element of mutualism. It bonded members, and, by bonding, it not only countered malingering—by making such behaviour easier to observe and the costs of expulsion higher—it also gave mutuals flexibility to provide assistance by mutual consent over and above what the rules and regulations would normally permit.¹²⁶

Much more so than in the Netherlands, conviviality was ritualized in the British case: 'Much of the conviviality [...] took the form of rituals, from simple club-night opening ceremonies to complex initiation rites [...] They [...] supplied colour, drama, enjoyment, and transcendence in the lives of members. They cemented bonds among members and provided a source of routine celebration in labouring life, especially in the annual club feast and accompanying revels'.¹²⁷ The same, incidentally, held true for US friendly societies: 'Americans were attracted to fraternal societies for a variety of reasons. Some wanted sick and death benefits. Others sought to expand social ties. Still others hoped to find a source of entertainment and diversion. But there were motivations less easy to identify but perhaps more important. By joining a lodge, an initiate adopted, at least implicitly, a set of values. Societies dedicated themselves to the advancement of mutualism, self-reliance, business training, thrift, leadership skills, self-government, self-control, and good moral character.'¹²⁸ 'Mutual aid societies gave those who belonged to them invaluable experience in managing their affairs, which developed pride and confidence

¹²⁵ *Ibid.*, pp. 13, 29–33, 81–3, 114–5) and Beveridge (2015 [1948], pp. 27–8, 58–62).

¹²⁶ This applied, too, to benevolent help being given to a branch of an affiliated order hit by misfortune. See Ismay (2015, esp. pp. 122–3, 133). This was more apparent during the first half of the nineteenth century than the second half.

¹²⁷ Gosden (1961, pp. 115–37), Johnson (1985, pp. 62–7), Green (1993, pp. 38–43, 47–9), Cordery (2003, p. 181), and Harris (2015). The attractiveness of these features seems to have declined over time.

¹²⁸ Beito (2000, p. 27).

and prepared them to organize on their own for the promotion of their economic interests', and 'the discipline essential for the safe-keeping of funds, the orderly conduct of meetings and the determination of disputed cases, involved an effort of self-rule.'¹²⁹

In Britain, sociability decreased from the late nineteenth century onward, in part because friendly societies, aspiring to be seen as respectable, tended to meet less frequently in pubs.¹³⁰ Husbands and wives went to music halls, sporting events, and suchlike together, whereas formerly only the husband enjoyed these pleasures. Perhaps the ageing membership also played a part. In any case, there was certainly 'a shift away from active participation and toward the enjoyment of commercial spectacles'.¹³¹

During the last few decades of the nineteenth century and into the interwar period, English friendly societies were better off than they had ever been with regard to the scope of coverage and financial reserves, but they also had to face the prospect of paying out premiums for the mass of their ageing members, while facing severe competition from commercial insurers and factory funds in attracting new members.¹³² In part because of these reasons, after an initial hesitation, many British friendly societies were willing to become agents for state insurance, starting with the new national sickness insurance: 'The National Insurance Act of 1911 represented a fundamentally new departure, which would have been impossible without the pioneer work of the friendly societies and the trade unions. The actuarial calculations on which the contributions and benefits of the State scheme were founded were based on the experience of Manchester Unity in calculating the risks of sickness. The actuary who made these calcula-

¹²⁹ Thompson (1980, p. 458). See also Frevert (1984, p. 17) and de Swaan (1988).

¹³⁰ Johnson (1985, pp. 67–8), Cordery (2003, pp. 114–5, 145), and Harris (2015).

¹³¹ Cordery (2003, p. 137). With the contributory hospital schemes, too, 'despite the vigour of democratic procedures, power devolved to a small number of enthusiasts with the time and experience to engage in hospital management'. Gorsky et al. (2006, p. 117).

¹³² Whether the ageing membership did indeed pose actuarial problems is a question that has yet to be resolved. Broten (2012), for example, argues that in the case of the Ancient Order of Foresters it did not. Ismay (2015) notes that unlike commercial insurers, mutuals were run for and by their members, which gave them slightly more discretion to, as it were, circumvent actuarial logic by raising premiums or lowering benefits in one way or another.

tions was appointed as the first government actuary. Furthermore, the state made the fateful decision of using existing societies to administer the new benefits and of avoiding direct state administration.¹³³ This affected their character. Their scale increased and they ‘became more official and less personal, more of insurance agencies and less of social agencies’.¹³⁴ But ‘the marriage of 1911 between the State when it entered the field of insurance against sickness and the voluntary agencies [...] has been followed in 1946 by a complete divorce. The State, like a Roman father, has sent the friendly societies back to live in their own house. The State is now engaged in constructing a complete and exclusive administrative machine of its own.’¹³⁵ ‘Whether any such machinery can grapple with the fundamental problem of sickness benefit, of reconciling sound finance with sympathy and intimate local handling is uncertain’.¹³⁶

The marriage between the state and the friendly societies never took place in the Netherlands. One Dutch historian, van Genabeek, thinks this is because the Dutch state had been so distant from mutual insurers that it lacked both the information and the trust to entrust such tasks to them, in contrast to the situation in Britain and Germany.¹³⁷ It is certainly true that the Dutch state did not play a role in encouraging insurance funds, while the British state always figures as important in encouraging thrift, through the friendly society registration process that sought to encourage actuarial soundness, and by fostering the growth of institutions such as the Post Office Savings Bank. The Dutch state did, however, play some role, for example, in supervising widows’ pensions schemes and in requiring the use of certain life tables, as well as by gathering national data for the annual report on the state of the poor.¹³⁸ So it did have some information. In fact, the Dutch state started its welfare programmes in areas not covered by the friendly societies, and in doing so, more or less passed them by. A factor explaining the divergence

¹³³ Beveridge (2015 [1948], p. 74).

¹³⁴ *Ibid.*, pp. 78–9.

¹³⁵ *Ibid.*, pp. 80–8.

¹³⁶ *Ibid.*, p. 82.

¹³⁷ Van Genabeek (1999, p. 313).

¹³⁸ Van der Valk (1996).

between the Netherlands on the one hand and Britain and Germany on the other with regard to the role of friendly societies administering state sickness insurance may be that medical poor relief seems to have been more prominent in the Netherlands. While the British friendly societies might not have acquiesced in the creation of a state scheme without their being given a role in it, and perhaps it would not even have got off the ground without their support, the Dutch friendly societies might have had less clout.

9 Friendly Societies in the Mixed Economy of Welfare

Ever since the birth of the Dutch Republic at the end of the sixteenth century, a variety of risks had been covered by a variety of arrangements. The dissolution of the Dutch Republic in 1795 did not put an end to the mixed economy of welfare, and here we will sketch the position of mutual insurance in this varied landscape, amid poor relief, savings, and modern life insurance.

From the end of the eighteenth century onward there were debates about nationalizing the church-based local poor relief agencies that covered the country. This never happened. Dutch poor relief continued to be organized as it had been since the late sixteenth century, although it gradually lost out to state social security, until by 1965 the state had become the official provider of care for the ill and infirm, the unemployed, and both indigent children and the elderly. Even a pauper burial was possible—and still is, though nowadays organized by the municipal social services. If no savings were available and the family were too poor or absent, a pauper burial would be the funeral of last resort for those paupers unfortunate enough to have their last journey not covered by micro-insurance. Over the course of the century, both the standard of living increased and burial insurance became more widespread, eventually covering the majority of the population. Fewer people had to resort to poor relief agencies for their final journey, no doubt in part because

a pauper funeral was seen as undignified and to be avoided.¹³⁹ As it had done before, Dutch poor relief also helped large numbers of widows and the elderly with amounts that, though modest in comparison with the allowances provided by micro-insurers, had the advantage of being provided for a comparatively long period, sometimes until death.¹⁴⁰ Dutch poor relief agencies also helped those who were ill or infirm with food, fuel, and funds. They saw to it that doctors treated the sick and paid for certain medicines, including nutrients such as milk, eggs, and bouillon. Some organizations employed a doctor or an apothecary. Others paid the costs of a doctor's visit, or had a contract under which they paid a small fee per pauper per year in advance. Some gave money direct to a sick pauper so that he or she could pay these costs, wholly or in part. In rare cases, poor relief agencies supplied the doctor with a list of those in receipt of relief who were ill, so that the doctor could decide to charge them less at his own expense. Poor relief agencies sometimes encouraged recipients to join a mutual insurance scheme while they were healthy and offered to pay part of the premium.

As medical poor relief was organized in such a kaleidoscopic way, it is not easy to generalize about how many individuals were assisted. It was certainly a significant proportion of the population. In the southern city of Maastricht, for example, between a fifth and a third of the population were helped in this way during the nineteenth century. Health insurance and factory schemes helped just a few percent.¹⁴¹ Although the new Poor Law of 1854 reaffirmed the municipality's role as one of last resort (if the church failed to help), church-based relief was already on the retreat. As time went by, municipal relief helped increasing numbers (including the sick and the infirm). By the mid-nineteenth century, in half to two-thirds of cases it was the municipalities, not the church, that appeared to be helping.¹⁴² Over the years, this proportion grew, and, first in the major cities and later in the smaller ones too, ecclesiastical agencies withdrew altogether. By the end of the century, medical poor

¹³⁹ Gales (1997a) estimates that total expenditure by burial funds on allowances for burials was much higher than that by poor relief agencies.

¹⁴⁰ See van Leeuwen (1998a).

¹⁴¹ Gales (1997b, p. 272).

¹⁴² Van der Velden (1993, pp. 33, 35, 55).

relief was the preserve almost wholly of municipal poor relief agencies. They, in turn, transferred the sick to the new municipal health service, the Gemeentelijke Geneeskundige Diensten.

In the development of schemes to counter the risks of life, death, and work, the nineteenth century thus built on the legacy of the Dutch Republic. While one legacy of the Republic, the health insurance funds, expanded and innovated, another legacy, medical poor relief, stagnated, as did poor relief in general. During the nineteenth century, an increasing proportion of the Dutch population began to take out insurance against sickness, a response to a rise in living standards, as a result of which increasing numbers could afford such insurance. The insured tended to be middle class. They earned too little to pay doctors' fees or to cover loss of earnings during sickness from their savings, but they also earned too much to be eligible for poor relief.

Nowadays, *saving* is a way to mitigate the effects of hard times, and some researchers believe that, in the past too, a form of 'life-cycle saving', by which they mean saving during good times and relying on savings in poorer times, was an important way of trying to avoid poverty in old age.¹⁴³ Other researchers believe that, for most people in the past, saving cannot have been a realistic way to provide for old age, or prolonged illness before that, as they had so little income. What then was the situation in the Netherlands in the nineteenth century? The workers' budgets we cited earlier suggest that there was little spare money for savings, but the development of savings banks might illuminate this question to some extent. The very fact that reliable savings banks to which the working classes and middle classes had access actually existed in the nineteenth century was something new. It compares favourably with the situation the working classes find themselves in in the poorest countries today.¹⁴⁴

Savings banks of the type in which relatively small sums of money could be deposited on an interest-bearing account and withdrawn more or less on demand did not exist during the Republic.¹⁴⁵ It was only in

¹⁴³ Modigliani and Brumberg (1955) and Modigliani (1988).

¹⁴⁴ See, here, Banerjee and Duflo (2011, Chaps. 7 and 8).

¹⁴⁵ The following is based on van der Voort (1998), unless otherwise indicated. Van Genabeek (1999, p. 171) also provides data on the development of savings banks in the Netherlands from

1817 that the liberal society *Maatschappij tot Nut van 't Algemeen* set up the first of them, with branches in Haarlem and Workum. The number of people investing in savings banks rose after the establishment of the *Rijkspostspaarbank* in 1881. The *Rijkspostspaarbank* attracted a large number of new depositors partly because it was active in places that hitherto had had no savings bank and because it offered more convenient opening times. Savings banks were most interested in attracting the better-off working classes, whom they addressed in inspired terms: 'Every workman or servant who takes his first *stuiver* [sixpence] to the bank has begun an internal battle with his own self-indulgence, and every increase in that first deposit is witness to his repeated mastery of himself.' And 'Saving, the fruit of robust morals and certainly of self-control, consideration, and providence, bears its own fruit: self-awareness and self-respect; a sense of independence.'¹⁴⁶

But did the banks succeed in this? It appears not. Although from 1825 to 1890 the number of savings banks in the Netherlands increased steadily from 51 to 257 and the number of savers from 15,000 to 582,000, the average level of savings remained more or less the same.¹⁴⁷ Average savings were between 120 and 170 guilders per saver, while the distribution of savings in nineteenth-century Leiden reveals that the savings bank there had a small number of very wealthy customers whose large deposits greatly raised the average. The average saver in Leiden had far more modest savings of no more than 20 guilders, so that for them, saving could offer comfort at best for short-term illness or a brief spell of unemployment.¹⁴⁸ Such levels of savings seem more like a buffer intended to be

1855 to 1908. His data are generally consistent with the data in van der Voort. See also Dankers et al. (2001).

¹⁴⁶Van der Voort (1998, pp. 456–7).

¹⁴⁷Assuming all depositors had just one savings book, one can conclude that the number of depositors as a percentage of the population rose from 0.6% in 1825, to 1% in 1850, and to 12.9% in 1890. However, given that an individual could have more than one book, these percentages would actually have been lower.

¹⁴⁸It is tempting to suppose that the few savers with large savings were also workers who had saved their entire life and for whom those savings were, indeed, intended as a provision for old age. This is unlikely though. The Leiden savings bank committee itself concluded that they were 'the more affluent members who [participated] with considerable sums'. See van der Voort (1998, p. 460).

used for many kinds of things. Most savers were servants or craftsmen.¹⁴⁹ Very few uneducated workers can be found among the ranks of savers.

Only in exceptional cases could elderly workers live off their savings. Towards the end of the nineteenth century, a clergyman reported from Zeeland: 'I know of a few cases of workmen in unusually fortunate circumstances who through their own thrift managed to buy a house—or even two—and were able to derive benefit from them in their old age. The fortunate circumstances are most often the wife's talent for economy; but such women are few.' A workman from Akkrum stated: 'I am acquainted with three workmen here who, now elderly, are receiving benefits, for although in their best years they managed to scrape together enough to buy their own houses, when they got older they had to sell them. These workmen never had any trouble finding a job and were always in well-paid work, and so were their wives. They didn't have large families, and lived frugally. It just shows that there can be no question of having anything to save for your old age.'¹⁵⁰ Particulars of the saving habits of a small sample of mostly agricultural workers in Winterswijk tend to confirm that picture.¹⁵¹ Roughly a quarter of them saved on average just over 200 guilders each. Past the age of 60 there was generally no using up of savings, suggesting that savings were not intended as a provision for old age. Either the money had already been dipped into or saving continued until death.

So practically by definition, anyone who saved could not have been poor. Savings banks functioned more as a means for the middle classes to try to cover the risk of temporary illness, unemployment, or some other setback than as a way for them to provide for old age; nor were savings banks really a survival strategy for the poor. Such banks were suitable for saving small sums of money, also in places other than where a depositor lived, which reveals partly why the savings banks were so popular with (female) servants, who saved a little money to take home with them, for example to fund a dowry.

¹⁴⁹ Van Leeuwen (2000b, pp. 165–6).

¹⁵⁰ Idem (1998a, p. 307) and based on Millard (1898, pp. 50–3).

¹⁵¹ Bulder (1993, pp. 154–63).



Fig. 3.1 Model estimate of life-cycle savings for two types of family, 1880
 Source: Gales (1997a)

Figure 3.1 illustrates the scope for savings as a means to mitigate problems of the life cycle.¹⁵² It is a modern reworking of a contemporary estimate of income and expenditure for two types of family with three children, both families fully employed: a working-class family and the family of a school principal. For the working-class family, there were opportunities to save prior to getting married and for a time once the children had left home, while young families and the elderly dissaved. The worker and his wife would, however, end their life in poverty. The school principal was better off than the worker: he could save more (though he also dissaved more). In midlife, the costs of educating his children bore on him and his wife. He was certainly better off than the worker's family during the early years of his old age, and thereafter his savings still exceeded his debts. For the worker, the reverse was true, and, as noted, he would end his life in poverty if he did not have an extra source of income. Could he perhaps expect support from his family?

It is difficult to discover to what extent people in need could draw on support from their *families* in the nineteenth century. An indirect indication of how much of that sort of help was potentially available is the extent to which members of the same family cohabited. According to the census of 1879, the average Dutch household comprised 4.4 people, of whom there were roughly two adults and two children and the half per-

¹⁵² Courtesy of Ben Gales, to whom I am grateful.

son represented live-in servants, relations, or boarders.¹⁵³ It is not known exactly how many households included cohabiting relations, but it might have been somewhere between 10 and 25%. In any case, households containing no relations were greatly in the majority.¹⁵⁴ One poor-law guardian gave a characteristic answer to the question of whether adult children provided financial support to their parents: 'Rarely', he said. 'Children are not in a position to do so because of their own multitudinous families and the insufficiency of their own incomes.'¹⁵⁵

In the nineteenth century, both in the cities and the countryside, *neighbours* were prepared to assist each other.¹⁵⁶ Those who were in a slightly better position at any particular moment, and were able to come to the aid of a neighbour, could expect him or her to reciprocate during hard times. During the Republic, a form of organized neighbourly help called 'neighbourhood guilds' had come into being in the cities. These 'guilds' had already begun to lose their influence during the eighteenth century and few of them survived into the nineteenth century. All of them disappeared during the course of the nineteenth century. Informal assistance with funerals also became less frequent, while professional undertakers became more commonplace. Informal neighbourhood assistance also disappeared in some rural areas of the north and west of the country. As an example, the 'Gouden Pand' neighbourhood society (*nabuurschap*) in Appingedam noted in 1828 that by then there were too few neighbours prepared to offer assistance. The society certainly continued in existence for quite some time, but it became more of a social club.¹⁵⁷ The old system of *nabuurschap* survived only in the sandy regions of the east and south of the country. One historian wrote:

¹⁵³ Verduin (1985, p. 72).

¹⁵⁴ But we do not know whether this means that, during the life course, most households *never* had cohabiting relations. Verduin (1985, p. 78) believes it does. In the nineteenth century cohabitation was a more frequent phenomenon than in the twentieth century. The 1960 census showed that a mere 7% of all households included cohabiting relations. See Verduin (1985, p. 73).

¹⁵⁵ *Ibid.*, p. 472, based on Millard (1898, pp. 68–75).

¹⁵⁶ The following is based on Sleebe (1998).

¹⁵⁷ *Ibid.*, p. 486.

In the Achterhoek [in the east of the country] a hamlet was extremely formal. Every household had its permanent group of *naobers* (neighbours), although not geographically determined so that the nearest neighbour was not necessarily the first *naober*. There was a sort of pecking order, by which a newcomer had to present himself or herself at ten or a dozen households to ask if they would act as *naobers*. If they agreed, they would help the newcomer with cleaning his new house and moving into it, in return for food and, more especially, drink. *Naobers* might help with the building of a new house, perhaps by fetching the bricks or constructing the frame. In return they would be given a meal, called a *steenmaal* or *richtmaal*. Conflict could lead to a household being ostracized by the *naoberschap*.¹⁵⁸

Even more formal were, of course ‘modern life insurers’, of which there were a handful. Of those, the *Hollandsche Sociëteit van Levensverzekering* (1807) is thought to have been the first to calculate premiums based on life tables. The number of such life insurers remained very small until the last decades of the century. They targeted the upper classes and charged high premiums in return for insuring high amounts. In 1860, there were only three, in 1870 there were 11, and in 1880 there existed 19.¹⁵⁹ Between 1880 and 1890, 23 new companies entered the market, and this growth continued afterwards, in no small measure because the premiums and the amounts insured were reduced greatly to attract a broader market. Most modern life insurers operated on a commercial basis, though some operated as mutuals.¹⁶⁰ Modern insurers calculated actuarially sound premiums with the help of tables of age- and gender-related mortality rates. In other words, men and women paid different premiums, which also truly varied depending on the age at which insurance was taken out. Mutual burial funds generally did not vary premiums in this way, though they did reserve the right to raise them if a lack of funds so warranted. Increasingly, ‘modern’ funds drew on the professional skills of mathematicians, doctors, and lawyers, whom they employed and with whose help they could more

¹⁵⁸ *Ibid.*, p. 487.

¹⁵⁹ Van Gerwen (1998, pp. 391, 395–9, 401).

¹⁶⁰ Such as the *Algemeene Friesche Levensverzekering Maatschappij* (1860), the *Levensverzekerings Maatschappij van het Nederlandsche Onderwijzers Genootschap* (1863), and the *Onderlinge Levensverzekering van Eigen Hulp*, the later *Olveh* (1878).

precisely establish the rights and responsibilities of both the funds and their members.

Modern life insurers began to require a declaration of good health before agreeing to insure anyone.¹⁶¹ Until 1865, it being thought indelicate for a well-to-do citizen to strip naked in front of an unknown medical practitioner, the prospective candidate's own doctor or sometimes a well-to-do citizen would provide such a declaration. Occasionally, even the applicant himself would do so! In 1865, unqualified individuals were forbidden by law from practising medicine and around that time, the Dutch Medical Society advised all its member doctors not to assess their own patients, to prevent a conflict of interest between their obligations to their patients and their obligations to the insurance companies. More and more insurance companies then took to employing their own doctors to assess those applying for insurance. However, lack of reliable diagnostic expertise meant that even they found it difficult to establish who might be a high risk for the insurers. The growth of modern life insurers had been hampered by the fact that taking out high levels of life insurance was restricted to the very sort of well-to-do people who considered insurance the height of vulgarity.¹⁶² It took a long time before insurance companies succeeded in winning access to the mass market of mutual insurance. That market was already well served, and people were less than keen to entrust their hard-earned cash to newcomers. Trust may have been an issue of importance, but also the fact that it took modern life insurers some time to figure out that reducing the level of insurance offered would result in more customers.

Ever since the 1840s, a mixed market of modern and mutual insurance companies had gradually emerged. Some mutual funds, aware that the competition was breathing down their necks, reinvented themselves as modern life insurance companies. The publication of a practical manual exerted as great an influence here as had the government regulations that, since 1845, had obliged insurers to make use of mortality tables and charge actuarially sound premiums.¹⁶³ For the modern insurers to expand

¹⁶¹ Van Gerwen (1998, p. 393). See, too, Horstman (1996).

¹⁶² Schöffer (1967, pp. 186–7).

¹⁶³ Stamhuis (1998, p. 403, later quotation on p. 407).

their market share, some kind of government regulation was necessary to create trust among potential clients. Experts in statistics, at first working as outside consultants, assisted the insurance companies with this, but as time went on, their work increased to such an extent that the insurance companies were forced to appoint full-time advisers. In 1888, there were about ten such statistical advisers. The mathematician Rehuel Lobatto published his manual on how to correctly calculate premiums in 1830. Lobatto avoided using formulae, which made matters somewhat easier for those lacking an advanced mathematical education. Besides being a practical guide for insurers, the book was more than anything a piece of propaganda. Lobatto insisted heart and soul that insurance was a form of social care that could reduce not just poverty but also the cost of caring for the poor. In fact, he said, everyone ought to insure himself for a prosperous future:

What household head whose income ends at his death leaving him without the ability to bequeath any benefit to his wife and children shall not gladly make use of the assistance offered to him to safeguard, in return for a small weekly contribution, the objects of his affection against their inevitable decline to the condition of neediness? [...] Shall he not willingly forswear all other pleasures in order to be able to offer them the protection of his thrift, which so greatly fosters his household's peace of mind and makes the thought of the hour of his demise less mournful?

The same was true for the poor. 'How many vices, above all among the lower orders, shall this willing sacrifice not prevent, when one considers that it is a goad to greater activity [...] that it holds men back from all profligacy outside the home which leads to pernicious habits and so frequently undermines morals, because of the unholy consequences it brings with it.'

The idealistic image of insurers was also judiciously reflected in their advertisements. They came as guardian angels, patron saints, and maidens bearing sword and shield to the rescue of people in need.¹⁶⁴ Lobatto was not only a publicist, he was also an adviser to the government and

¹⁶⁴ Van Gerwen (1998, p. 394).

the *Hollandsche Sociëteit van Levensverzekeringen*.¹⁶⁵ He assisted with the selection of the mortality tables that formed the basis for calculating premiums, although he was unable to prevent the underestimation of life expectancy for, as we saw in the introduction to this chapter, it became apparent during the nineteenth century that the Dutch were living longer than their forebears. The result was losses for life insurers, but profits for the sellers of burial policies, and some companies offered both of these products as they formed a natural hedge.

The short history of modern life insurers in the nineteenth century shows that the Dutch state, newly created in 1814, was at first reluctant to interfere with the workings of insurers, or for that matter with those of poor relief. The brand new nation started out from a weak position and remained short of money. In ideological terms, the doctrine of *laissez-faire* held the upper hand, and so the government felt little obligation to involve itself in economic and social life. The guilds were abolished without thought being given to what might replace them, although, remarkably, micro-insurance not only continued to exist but actually greatly extended its customer base after the middle of the century, when living standards rose.

Under the corporatist system of the Republic, local governments retained control over insurers but in the Kingdom there was no longer any legal basis for it. Gradually, this form of local oversight declined.¹⁶⁶ Partly for that reason a broad range of mutual funds of greatly variable scale came into being, with widely differing organizations, legal forms, and financial arrangements. It was only at the end of the nineteenth century that it became necessary to chart this uncontrolled growth and keep it in check. A Royal Decree of 1830 had already set up a mild form of government monitoring of widows' pension funds, life insurers, and tontines. Official permission was now required to establish any such operation, for which companies were required to show that they could meet their legal obligations to policyholders. Poorly managed companies were placed on an official list, although as there were no sanctions against them they were able to continue in business. Naturally, it followed that there were many

¹⁶⁵ Stamhuis (1998, pp. 409–11).

¹⁶⁶ Van der Valk (1998, pp. 256–63).

disappointed clients of widows' pension funds who found themselves cheated. The civil servants whose job it was to supervise them dared not take companies to court, however, for fear that the Royal Decree would be ruled invalid, as actually happened in the Supreme Court in 1880. Another Royal Decree in 1845 had established a certain amount of control over life insurers offering old age pensions, obliging them to have at least 500 members and to be actuarially sound to ensure that the amount demanded in premiums would be sufficient to meet the costs of payouts. The companies were therefore required to use an accurate mortality table to calculate their premiums, but it was only in 1864 that a particular table was prescribed.

Laissez-faire liberalism gave way to social liberalism only in the final decades of the nineteenth century. Social liberalism had counted the blessings brought by the free market, but it also favoured government intervention to counter certain social injustices. Big business, too, wanted to see legal regulation setting out how industrial accidents should be dealt with so that conflicts would be 'neutralized' rather than companies having to come up with a new solution each time to contain unrest on the shop floor. The call for social security heard in the twentieth century was prompted by the realization of laissez-faire liberalism's shortcomings. Political debates in the first half of that century concerned not the principle of social security itself but how it should be implemented.

Table 3.18 Percentage of the population insured against various risks in the Netherlands, 1800–90

| | Burial | Medical costs | Loss of income when ill | Widowhood | Old age | Unemployment |
|------|--------|---------------|-------------------------|-----------|---------|--------------|
| 1800 | 3–6 | 0–1 | 1–3 | 0–1 | 0–1 | 0 |
| 1810 | 3–7 | 1 | 1–3 | 0–1 | 0–1 | 0 |
| 1820 | 8–11 | 1–2 | 2–3 | 0–1 | 0–1 | 0 |
| 1830 | 14–7 | 3–4 | 2–4 | 0–2 | 0–1 | 0 |
| 1840 | 19–21 | 5–6 | 3–4 | 0–1 | 0–1 | 0 |
| 1850 | 26–8 | 7–8 | 3–4 | 0–1 | 0–1 | 0 |
| 1860 | 30–1 | 7–8 | 3–4 | 0–1 | 0–1 | 0 |
| 1870 | 36–7 | 9 | 4–5 | 0–1 | 0–1 | 0 |
| 1880 | 43–4 | 11–2 | 6–7 | 0–1 | 0–1 | 0 |
| 1890 | 53 | 15–6 | 8–9 | 0–1 | 0–1 | 0 |

Source: See previous tables

10 Conclusion

After having discussed the development of Dutch micro-insurance in the nineteenth century according to type of insurance, and having placed its workings within the context of the mixed economy of welfare, we are now in a position to draw some general conclusions.

What proportion of the population was covered and how did this coverage evolve over time? As Table 3.18 makes clear, coverage varied widely at the beginning of the nineteenth century, and these variations increased over the next century: some types of insurance grew rapidly; others did not. The growth in burial insurance (initially covering just a few percent, later covering over half the population) is remarkable. Even before the first national social security law, the Industrial Accidents Act of 1901, a majority of the Dutch population had become accustomed to paying a small, periodic premium of about 3% of their income on social welfare.¹⁶⁷ Of the two types of health insurance, insurance against loss of income was the most popular around 1800—less so around 1890. Both types expanded, but insurance to cover medical costs expanded more rapidly. Insurers paid the doctors' bills of one in six Dutchmen around 1890, and compensated one in 12 workers for loss of earnings. Medical health insurance continued to grow. National legislation in 1941 making health insurance compulsory did not, in fact, raise rates of coverage much: a similar proportion of the population was already insured under voluntary schemes. It is important to note that our coverage rates for burial and health insurance are national averages. In some regions—notably the west of the country and in cities, and *a fortiori* in cities in the west—coverage was higher than the national average. Elsewhere it was lower. The same was true of the other types of insurance listed in the table (old age, widowhood, and unemployment), though in all these cases the national average was so low as to be barely detectable.

¹⁶⁷ Giele (1979) contains 11 working-class budgets for the period 1864–89, mostly in the west of the country, with listed expenses for burial and health insurance. As a percentage of all expenditure, insurance costs in these cases ranged from 1.3% to 6.8%, and were on average 3.3%. This is of the same order of magnitude as in Britain, where, according to Cordery (2003, p. 75), it was between 2% and 5%.

Why did the insurance market grow? One factor was the growth in the standard of living after the mid-nineteenth century, which allowed many more men and women to take out insurance against the most common risks of life. At the same time, poor relief—in a sense an alternative form of protection against those risks—became less attractive. Poor relief had barely managed to avoid collapse during the difficult times around 1800, and the allowances granted after that period never equalled those prior to 1800. Another factor was the long tradition of mutual insurance—an institutional heritage of the Dutch Republic. Experience and trust can accumulate over time: joining a new insurance scheme might seem less attractive than joining an existing one.

Remarkably, the dissolution of the guilds' mutual funds in 1820 did not create a discontinuity: mutualism continued on a voluntary basis. Mutual insurers were experienced in administering burial and health insurance, and even widowhood and old age insurance. There were time-proven techniques in operation to combat adverse selection and moral hazards. A little luck also contributed to the success of insuring a large part of the population against common risks. The rise in life expectancy meant that because burial insurers did not calculate premiums in an actuarially sound way, their revenues were higher than expected—in many cases more than necessary to pay the costs of burying their clients.

What factors explain the variation in coverage risks? Surely, one prime factor explaining why burial insurance was so popular and pension schemes were not was the price. Burial insurance was relatively cheap. Everyone faced having to be buried, while many people could afford the premium. Not everyone would survive to old age, and premiums for an old age pension were simply unaffordable for many. The classic insurance problems of moral hazards and adverse selection played a part in raising premiums for certain types of insurance to high levels. These problems were of little significance in the case of burial insurance, and of much greater significance for unemployment and health insurance. There was also the problem of correlated risks associated with both unemployment and illness, though in the case of illness the degree of correlation declined over time due to the epidemiological transition. There was the institutional heritage of the Dutch Republic too. Guilds were the prime providers of health insurance at the begin-

ning of the century. They were work-based and their primary concern was to compensate loss of income among their sick members; this was where their expertise lay. Even before the dissolution of the guilds, from the mid-eighteenth century onward, other insurers entered the market for health insurance. Many more did so in the course of the nineteenth century, including funds operated by doctors. Their primary concern was to cover the costs of medical treatment, and this was where their particular expertise lay. It was only after the middle of the nineteenth century that trade union insurers entered the market, and they were perhaps better equipped to deal with the problem of loss of earnings than the problem of paying doctors' bills.

The dissolution of most guilds in 1820 robbed Dutch mutuals of an easy way to counter adverse selection through mandatory insurance, and it may have diminished their capacity to counter moral hazards through the existence of micro-associations of members of the same occupational group, imbued if not with alcohol then at least with conviviality. But it did not eliminate all measures to counter both classic insurance problems. A waiting period of several months, for example, prevented those who knew their days were numbered from opportunistically joining a burial or a widows' fund. Furthermore the *bode*, or insurance collector, played an important role in deciding whether or not a new member would be accepted. He also regularly visited the insured at home to collect the insurance premium. This gave him, if he had a sharp eye, information to see through imaginary ailments and such moral hazards, which were also combated by a period of co-insurance, the *karenztime*, when the insured paid for his own illness. The dissolution of the guilds probably diminished the ties of conviviality among the insured; ties that also served to diminish malingering. However, in the year the guilds were dissolved there was no clear-cut watershed between very strong conviviality and none. Some guilds were allowed to remain in existence after 1820, many continued to provide insurance to former members, and quite a few friendly societies seem in practice to have consisted of more or less the same individuals, or their descendants, who had been insured by the guilds (a point to which we will return in the final chapter of this book). Furthermore, after the middle of the century, a new and strong form of associational life with insurance emerged, that of local trade unions, which were so strong in terms of con-

viviality that their members spoke of them as a family. This once again gave mutual insurance enough influence to closely monitor its members at low cost and to take action in the event of malingering. The first half of the century was the era of laissez-faire capitalism, and the Dutch authorities were weary of intervening in the market, and actually denied workers the right of association. However, in the wake of the malfunctioning and collapse of a number of widows' funds, they backtracked and supervised these and other mutual funds rather more actively, including mandating the use of proper life tables. Towards the end of the century social liberalism replaced its laissez-faire sibling as the dominant form of liberalism, and it did not turn a blind eye to the flaws of mutual insurance. In fact, there were several national surveys of burial and sickness funds; these led to recommendations regarding, *inter alia*, their financial reserves, the position of the directors, and the internal governance by members.

How was the market divided between mutual and for-profit insurers, and how did this division evolve over time? This is a difficult question to answer as our data cover only the number of funds by type and we have no precise figures on the average membership of mutual and commercial insurers. The number of for-profit insurers grew more rapidly than the number of mutual insurers, at least until the final decades of the century, and some commercial insurers became very large at the end of the century. As a percentage of all funds, these private insurers continued to grow until at least the 1870s. They subsequently lost ground—in terms of numbers of funds, though not per se in terms of membership—to trade union funds as well as to doctors' funds. It seems likely that commercial insurance was expanding throughout most of the century. This was due perhaps to the fact that, as the century progressed, it became easier for commercial insurers to profit from economies of scale. Apparently, they were able to offer insurance to large numbers, fairly cheaply, without suffering a concomitant loss of control. Covering a large part of the country had previously meant relatively high administrative costs and a loss of power to combat moral hazards and adverse selection among clients and to limit fraud among employees. Improvements in transport, communication, administration, and medical tests seem to have opened up larger markets.

Mutual aid reached its zenith in the Netherlands in the nineteenth century—almost five centuries after it originated in the medieval guilds.

By then, half of the total population had become accustomed to the savings regime of the burial societies, in which mutual insurance played such a prominent role. This self-imposed discipline of saving for a better future not only provided some protection against the vicissitudes of life, in mitigating dependence on others for assistance, it also boosted the self-esteem of a multitude of workers, as well as colouring their lives with social events. Although commercial insurance covered part of the market, and possibly an ever-increasing part, there were many signs suggesting that mutual aid was the road to human progress.

There were also signs pointing in the other direction. Despite the enormous growth in mutual insurance in the nineteenth century, from the end of the century, public debate on state insurance became more intense and before too long all major political parties were in accordance with, or at least not opposed to, the idea of state insurance.¹⁶⁸ The first insurance debates focused on risks seldom covered by friendly societies, namely those of old age and industrial accident. Burial insurance was never on the agenda. Health insurance was initially left untouched, although it was noted that the health insurers were spread unevenly across the country, with rural areas being particularly poorly served, that allowances were not enough to live off, and that their duration was short.¹⁶⁹ However, the proponents of state insurance aimed their arrows not so much at what the mutuals did as at what they did not do—the risks they did not cover.¹⁷⁰

¹⁶⁸ Sociaaldemokratische Arbeiderspartij in Nederland (1897, esp. p. 4). Dutch Catholics followed the position of the papacy, namely that while mutual aid was in principle preferable, in special circumstances a case could be made for state insurance. See Leo XIII (1904, pp. 40–59). Dutch Calvinists agreed that the state could intervene, as long as such intervention did not infringe excessively on what they considered to be the domain of employers and employees. See Kuyper (1990 [1891]). The Liberal Party thought likewise in 1896.

¹⁶⁹ See Roebroek and Hartogh (1998, pp. 117–35), van Genabeek (1999, pp. 247–301). Cf. de Swaan (1988, pp. 148–51).

¹⁷⁰ They discussed even more, for that matter, the failings of the workings of private and civic charity organizations covering the country. By the close of the nineteenth century, it had become clear that ecclesiastical charity increasingly suffered from grave problems for which no easy solution could be found. These problems included the lack of volunteers, a dependence on voluntary gifts, and a lack of uniformity—originating in the wide variety of local and ecclesiastical traditions. This resulted in a certain measure of arbitrariness, as rules were far from uniform across the country. Allowances, too, could vary, and in any case they were generally much lower than those offered by the mutuals, sometimes being nothing more than a pittance.

4

The Rise and Decline of Modern Trade Union Insurance, 1900–65

Abstract Between the *fin de siècle* and the zenith of the welfare state lay not only two world wars and a Great Depression, but also the rise and decline of micro-insurance provided by modern trade unions. Unions kept alive working models of large-scale micro-insurance and, indeed, developed the only viable such model in the case of unemployment. They did so in a country undergoing economic, religious, political, and social transformation. We will discuss the scope of coverage, and terms and conditions, including those relating to classic insurance issues. We discuss the place of micro-insurance among unionists and the population at large, its place in the political climate of de-pillarization, economic growth, and the egalitarian revolution, and its role in the mixed economy of welfare, where state insurance seemed destined to dominate forever.

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1 Introduction

Between the *fin de siècle* and the zenith of the welfare state lay not only two world wars and a Great Depression, but also the rise and decline of micro-insurance by modern trade unions. Unions kept alive working models for micro-insurance and, indeed, developed the only viable such model in the case of unemployment. They did so in a country undergoing economic, religious, political, and social transformations.

As early as *c.* 1900, slightly more than a third of the labour force worked in the service sector, with industry and agriculture being slightly smaller (each accounting for somewhat less than a third of the labour force). During the course of the twentieth century, the share of the agricultural sector continued to decline and, until the 1960s at least, that of both the industrial and service sectors increased—the service sector expanded further after the 1960s, while the size of the industrial labour force contracted. After an initial wave of mechanization, which saw human power being supplanted by machinery around 1865, a second and stronger wave swept the country from 1895 to 1914.¹ This economic transition saw an increase in per capita income, but by no means continuously. The overall growth of the Dutch economy was punctuated by the effects of the First World War (even though the Netherlands remained neutral, trade suffered), the Great Depression, and the devastating impact of the Second World War. After 1945, the Dutch economy continued to grow.

As noted in the previous chapter, there was tension in the air at the end of the nineteenth century, a feeling of imminent social and political change. Social liberals spoke about ‘social questions’ begging to be answered. The turmoil of strikes, steam, and socialism loomed so large that the more enlightened among the Dutch elites realized that a new social order was called for. Between 1870 and 1914, the established Dutch elites slowly learned to make room for the working classes in the modern ‘pillarized’ society that would continue to characterize the Netherlands for much of the twentieth century, and that would continue to mould mutual insurance. We will discuss this mode of organizing Dutch society later. For now, it suffices to say that each pillar—Catholics, mainstream

¹ De Jonge (1968) and van Zanden and van Riel (2000).

Protestants, Orthodox Protestants, and socialists—organized their everyday social and political life by and among themselves. This new society incorporated the right of association and to strike, the right to vote, trade unions and farmers' unions, agricultural co-operatives, and social insurance.² Proprietors of large businesses, too, demanded the same things, realizing the benefit of harmonious industrial relations and uninterrupted production. An acknowledgement of the shortcomings of nineteenth-century *laissez-faire* liberalism's effect on social security prompted calls for social insurance.

The first form of social insurance in the Netherlands was the Industrial Accidents Act of 1901, which offered state payments in the event of an industrial accident.³ There was a general belief that the introduction of steam power had brought with it many more dangers than the Dutch working class had faced before. The socialist Johan Schaper declared that 'the more industry spreads, the greater will be the number of workers crushed in its machinery'. The industrialist Jacob van Marken said the pipes and boilers, the roaring fires and bubbling mixtures, the myriad shafts and machines, the belts and brakes [...] might become fearsome enemies instead of servants, causing death and destruction.' For his part, the liberal lawyer Cort van der Linden wrote 'by making use of extremely complex machinery driven by enormous forces of nature, and by the crowding of huge numbers of workers in enormous factories [...] the worker cannot but be exposed to dangers that in less developed times were simply unthinkable.' The Orthodox Protestant politician Abraham Kuyper opined that he was sure there was 'much greater danger to life and limb than heretofore' as a consequence of the 'powerful developments in capital and mechanization'. The image of the dangerous machine took hold.

There was another important change. Both the legal profession and owners of large factories began to see industrial accidents increasingly in terms of 'risk'. The legal profession was in the vanguard here, but the rise of social liberalism also played its part, with its eye not just

² Van Leeuwen (1998a, pp. 288–90), van Zanden and van Riel (2000, pp. 316–23), and de Rooy (2002, *passim*).

³ The following is based on Schwitters (1991, pp. 4, 47–51, 78, 100, 209–10, 230–5).

for individual liberties but a wish, too, to see the state involve itself in resolving collective evils. Alongside that, the power of employees became greater, both in the shape of an electorate that had grown with the reform of voting rights and as a result of extra-parliamentary activity. The political and economic influence of the Dutch working class continued to grow until the elites were forced to take them seriously.

After the 1901 Industrial Accidents Act, other social security laws followed, covering those who had previously been covered in part by the Poor Law or by micro-insurance. The Sickness Benefits Act (1913 and 1930) and the Old Age Pensions Act (1919) led to more of the sick, disabled, and elderly being covered by the state. The Unemployment Benefits Decree (1917) and the relief schemes of the 1920s and 1930s did the same for the unemployed, although those schemes arose from largely local initiatives. The Family Allowances Act (1939) helped large families. After the Second World War, a cascade of new social security laws followed, including the Old Age Pensions (Emergency Provisions) Act (1947), improvements in the Invalidity Act (1948), the 1949 Occupational Pension Scheme, the Municipal Sheltered Employment Scheme for Manual Labourers (1950), National Welfare for the Blind (1951), and the 1952 National Assistance Scheme, which was replaced by the Unemployment Benefits Act in 1957. The General Income Support Act of 1965 granted relief to *all* persons legally residing on Dutch soil who were in need and not covered by any other social security law. It is conventionally seen as the defining point of the Dutch welfare state, which continued to grow for a decade or so until it became too costly. It was that law that ended the prime role played by the various churches in assisting the needy among their flock, and arguably contributed to the end of 'pillarization' in the Netherlands: there was no longer any material reason to be affiliated to a church.

The educational expansion of the nineteenth century continued into the next century. By the time primary education had become mandatory, in 1900, almost all Dutch children were attending school and were able to read and write, but the real progress was in secondary and tertiary education. At the turn of the century, about 5% of all boys of school age were in secondary education (the percentage for girls was lower), but

by 1968 almost all children attended secondary school.⁴ All in all, the expansion of educational opportunities (at all levels) benefited an increasing proportion of those aged 0–20: about 40% in 1900, 50% in 1945, and about 60% in 1965.⁵ This educational expansion was connected to the expansion of the service sector.

While the Netherlands had been a religiously divided nation ever since the sixteenth century, from the late nineteenth century the social impact of the religious divisions grew to such an extent that they came to dominate Dutch society as a whole. This phenomenon is known as *verzuiling* (pillarization), a term coined by Lijphart, whereby members of one confessional pillar organized their everyday social and political life around that pillar.⁶ Ideally, they would attend a school organized by their own pillar and read a newspaper published by their pillar; if they went to hospital, church, or claimed charitable help, they would do so from among their own kind. Each confessional pillar had its own trade union, its own political party, and its own social clubs. Ever since the early days of radio (and later television), the broadcasting media were organized along confessional lines. From 1895 onward, the following pillars existed: Catholics, mainstream or Reformed Protestants, Orthodox or Re-Reformed Protestants, and socialists. Liberals had no pillar of their own. The ‘beauty’ of this type of organization of social and political life was that within a pillar everyone in a certain community, regardless of social status, was brought together, and that there was little need for real contact with those from other pillars. Collectively, however, these pillars supported a common roof, so to speak, where, certainly at the national level, the elites from the various pillars were in contact with one another. This way, Dutch society was both divided and stable. The broadening of the franchise in 1918 to include all male adults (rather than just the wealthy) had been the result of pillariza-

⁴By then, it was compulsory to have at least four years’ secondary education, a period extended in 1975 to the year in which the child became 17. Tertiary education was not compulsory, but an ever-increasing proportion of the Dutch population, young men and women, did take advantage of it, especially after 1945. See Jensma and de Vries (1997) and Mandemakers (1999).

⁵Centraal Bureau voor de Statistiek (2014).

⁶Or, as Wintle has termed it, ‘confessionally dominated pluralism’. Lijphart (1968), de Rooy (1983, pp. 174–80), Post (1989), and Wintle (2000, p. 258).

tion and followed concerted efforts by socialists and liberals on the one hand and Protestants and Catholics on the other to achieve permanent political stability during the turbulent years of the First World War. The former succeeded in securing an extension of the franchise at the price of agreeing to state subsidies for Protestant and Catholic schools. Initially, trade unions were set up for Protestants and Catholics alike. But, in 1912, the Catholic Church banned Catholics from joining.⁷ From then on, pillarization became increasingly entrenched, and it remained the predominant form for organizing the political and social fabric of Dutch society until after 1945.

The post-war period saw increasing political support for government-initiated measures to offset poverty.⁸ A reborn Labour Party was founded in 1946 and included progressive Christians. It had traded in the notion of class war for a multi-party welfare state designed to free society of the five giant evils identified in Britain by Beveridge—want, disease, ignorance, squalor, and idleness—that guided the first post-war British government. This process of de-pillarization at the national political level lasted until 1958, although other aspects of confessional pluralism increased, in relation to leisure at the local level, for example. In 1954, Dutch Catholic bishops decided they had had enough and, again, prohibited Catholics from reading a socialist newspaper, listening to a socialist radio broadcast, or joining the Labour Party or a socialist trade union. While this had the immediate effect of bolstering pillarization, in the longer run it put the whole phenomenon on the political agenda and marked the start of its demise, as we shall see in the next chapter.

Trade unions were part and parcel of the pillars. 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.⁹ 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 after, a

⁷De Rooy (1983, pp. 155, 139).

⁸Ibid., pp. 208–12, 221, 225.

⁹The development of Dutch unions is covered by Harmsen and Reinalda (1975) and by Harmsen et al. (1980). Summary descriptions in English are provided by Windmuller (1969, Chap. 1) and van den Berg (1995, Chap. 3).

Protestant federation and a socialist one were established. A Catholic counterpart was slower to develop. By the early decades of the twentieth century, the modern national pattern of 'denominational' unions that would remain in place until the 1960s had crystallized. It took the form of a segmentation of unions along the pillars. The largest modern union was the socialist Nederlands Verbond van Vakverenigingen (NVV), followed by the Protestant Christelijk Nationaal Vakverbond (CNV), the various Catholic unions (which changed their names as time went on), and other, smaller, ones. The NVV was set up in 1906 as a national federation of socialist unions. The CNV was founded in 1909 as a national federation of Protestant unions. Higher wages, better working conditions, and shorter working days were high on the agenda of Dutch unions. They 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 into the Dutch neo-corporatist economy, taking seats, for example, on the High Council of Labour in 1919. This institution included among its members representatives of unions and employers' organizations, as well as civil servants.

In the course of this chapter we shall investigate what types of insurance the unions offered over time, and on what conditions. In addition, its importance in terms of numerical strength and replacement rates is determined for workers in general and unionists in particular. We consider, too, whether unions had a competitive edge over other insurers, 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 of union welfare by state welfare in the decline of the unions can be properly addressed. Finally, a comparison is drawn with insurance by British unions to illustrate some salient features of union-based insurance in general.

2 Scope of Coverage

Not only were most Dutch unions engaged in collective action, they also offered their members insurance against loss of income due to strikes, unemployment, sickness, and a host of other misfortunes as well. As noted in the previous chapter, from early on the trade unions had an interest in micro-insurance. Little pertinent published information exists, but Netherlands Statistics (CBS, the Dutch central statistical bureau) has collected data on and published summaries of the number of insured unionists for each local branch. Each year, tens of thousands of codes were noted. These have been processed for every fifth year in the period 1921–60 (see Table 4.1).¹⁰ The result is the first systematic overview of union insurance in the Netherlands. No other data source reveals such a detailed picture of the full range of Dutch union welfare and its evolution over time.

Figure 4.1 shows the number of insured union members as a percentage of the total number of union members (based on the more elaborate information in Table 4.1). The data cover union schemes for strikes, sickness, unemployment, industrial accidents, disability, and burial costs. Excepting disability benefits, all schemes shown in Fig. 4.1 covered a third or more of all union members for 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

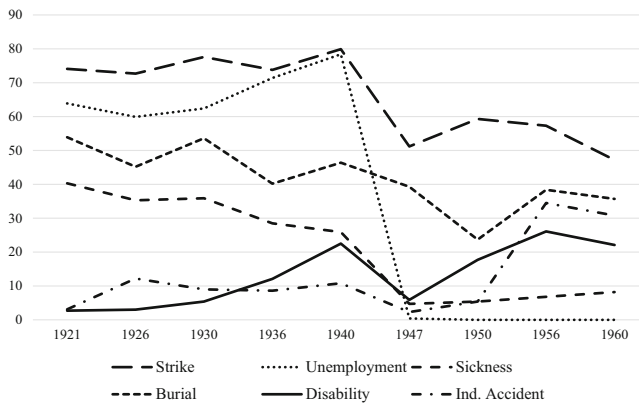
¹⁰ It is generally held that the CBS data are reliable. The data may, nevertheless, suffer from a mild form of under-registration as unions did not always send the CBS all the data requested, either because of mistrust and a penchant for secrecy or simply because they forgot. A further potential source of under-registration is the fact that some unions may have supplied incomplete information to the CBS in the form of data that failed to meet the requirements of the material on which Table 4.1 is based. If so, the aggregated totals in Table 4.1 should differ significantly from the simple totals provided by the CBS. To test this, the numbers of union members in Table 4.1 have been compared with the totals in Harmsen and Reinalda (1975, pp. 426–9), which are based on simple CBS totals. On average, data in Table 4.1 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 number of unionists insured against unemployment in Table 4.1 has been compared with the totals tabulated in the CBS, *Jaarcijfers* for the years 1921–40. The data in Table 4.1 are 1% lower than the simple CBS 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 because 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.

Table 4.1 Number of workers covered by Dutch union insurance schemes, 1921–60 (thousands)

| | Year | | | | | | | | | |
|---------------------|------|------|------|------|------|------|------|------|------|--|
| | 1921 | 1926 | 1930 | 1936 | 1940 | 1947 | 1950 | 1956 | 1960 | |
| Members | 582 | 465 | 596 | 763 | 773 | 937 | 1141 | 1237 | 1317 | |
| Of which women | 37 | 29 | 39 | 44 | 46 | 33 | 72 | 76 | 108 | |
| Strike | 431 | 338 | 462 | 563 | 618 | 480 | 676 | 708 | 621 | |
| Unemployment | 372 | 279 | 372 | 545 | 606 | 4 | 0 | 0 | 0 | |
| Sickness | 235 | 164 | 214 | 218 | 200 | 44 | 62 | 84 | 108 | |
| Burial | 314 | 210 | 319 | 306 | 359 | 368 | 271 | 474 | 470 | |
| Childbirth | 13 | 7 | 10 | 14 | 36 | 0 | 0 | 0 | 0 | |
| Travel | 67 | 28 | 48 | 61 | 66 | 0 | 9 | 0 | 0 | |
| Poverty | 97 | 96 | 106 | 189 | 136 | 37 | 313 | 643 | 580 | |
| Disability | 16 | 14 | 32 | 93 | 174 | 55 | 202 | 322 | 291 | |
| Tuberculosis | 9 | 40 | 60 | 174 | 115 | 10 | 17 | 100 | 40 | |
| Industrial accident | 18 | 57 | 54 | 65 | 84 | 21 | 62 | 427 | 405 | |
| Old age pension | 0 | 0 | 5 | 22 | 2 | 77 | 36 | 56 | 174 | |
| Moving house | 0 | 9 | 3 | 6 | 17 | 0 | 0 | 0 | 0 | |

Source: Data files based on Centraal Bureau voor de Statistiek (1920–60)

NB: Dates relate to 1 January

**Fig. 4.1** Percentage of insured unionists, 1921–60

Source: Table 4.1

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. As far as unemployment is concerned, by

far the majority of trade unionists contributed to such insurance schemes during the pre-war period. During the war, these 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 had already declined during the pre-war period and subsequently became 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 4.1 thus demonstrates that a large proportion of union members were covered by union schemes in one way or another, especially so before the introduction of state welfare legislation.

Figure 4.2 shows the number of insured unionists as a percentage of the dependent labour force (i.e. excluding the self-employed but including the unemployed).¹¹ The difference between Figs. 4.1 and 4.2 is immediately apparent. Union insurance schemes to cover the costs of

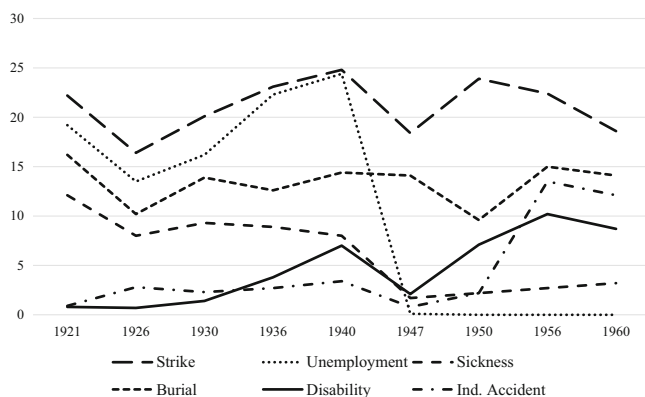


Fig. 4.2 Percentage of labour force insured, 1921–60

Source: Table 4.2 and Visser [1989, pp. 151–2]

¹¹ Several definitions of the labour force can be employed. Comparative trade union research often makes use of the data published by Visser (1989). These data have been used here as well. While Fig. 4.2 shows the ensuing percentages of insured unionists in the labour force thus defined, the underlying data in Table 4.1 will allow the reader to construct figures based on an alternative definition of the labour force.

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 Fig. 4.1, it is clear that the low coverage indicated in Fig. 4.2 is a consequence of the low level of unionization among the Dutch working population. It is quite possible, however, that union welfare schemes were of great importance for certain segments of the labour force. If, for example, Fig. 4.2 were to be reworked to refer only to men, levels of coverage would rise. Likewise, if one were to exclude government employees (who had little need for insurance as their risk of becoming unemployed was low), levels would rise to an even greater extent, and still further if one excluded the agriculture sector where there were few unionists. In relation to this, it should be remembered that union insurance was not the sole source of welfare. Collective agreements, social security legislation, poor relief, company schemes, and friendly societies all provided welfare, as we will discuss later.

The attraction of union insurance schemes was, nevertheless, important to unionists—at least in terms of coverage. By far the majority of unionists sought to obtain protection against destitution by taking advantage of such mutual insurance. Why were these schemes so attractive? Table 4.2 tries to answer this question for socialist unions in 1910–20, while Table 4.3 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 vices. Their one virtue is to permit a general overview, which would otherwise be unavailable. A significant weakness is that Catholic unions are not covered and that 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, which leaves out a small number of unions whose allowances were a fixed percentage of wages. Further, when a union reported several

Table 4.2 Insurance conditions of Dutch socialist unions, 1910–20

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

Key:

| | |
|------------------|--|
| Allowance | Average weekly amount, in guilders |
| Allow. 1 yr. | Idem after contributing for one year |
| 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 allowance can be claimed |
| Entitlement | Average number of days after contributing for one year |
| Maximum allow. | Average maximum allowance, in guilders |

(continued)

Table 4.2 (continued)

| | |
|------------------|---|
| Key: | |
| Max. allow. time | Average number of years before the maximum allowance is reached, from the end of the eligibility requirement onward |
| 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 |

Sources: Data files based on NVV (1920–60); wage data in van der Veen and van Zanden (1984, pp. 227–8) and Schrage et al. (1989, p. 353)

NB: *Data for between five and nine union branches; data for fewer than five union branches are not tabulated

Table 4.3 Insurance conditions of Dutch Protestant unions, 1920–34

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

Source: Data files based on CNV (1920–60)

Notes and key: See Table 4.2

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.¹²

To what extent could benefits help prevent a decline in the standard of living of workers who were sick, unemployed, or on strike? To answer this question, data on nominal wages are needed. Two sets of nominal wage data are available. The first covers average weekly wages. In Tables 4.2 and 4.3, 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 a half and two-thirds of male wages. For sickness, the replacement rate in the early years for which we have data—1910 and 1915 for socialist unions—seems incidentally to be more or less similar to that for most Dutch guilds for which we have data in the early modern period—see Table 2.6, panel B—and with that given by nineteenth-century friendly societies—see Table 3.15, although we would really have liked more datapoints to rule out local and temporal idiosyncrasies. For the later years 1920–34, trade union replacement rates were lower than for the earlier years, and thus seem to be slightly lower than those of guilds and friendly societies.

Obviously, many working-class families did not depend solely on men's wages. This was probably true, of course, for earlier periods, for which we lack family budgets, and certainly for the twentieth century, for

¹²A limited cross-validation is possible by comparing data on socialist unemployment schemes in 1915 with those for all unions in Table 4.5 as reported by the Staatscommissie (1914, vol. ix, pp. 1147–245). The average eligibility requirement was 55 weeks (Table 4.2) compared with 53 weeks (national survey), the average period of coverage 54 days and 57 days respectively, and the average weekly allowance five guilders in both sources. A further cross-validation is possible by comparing the average level of unemployment benefit offered by socialist and Protestant unions, given in Tables 4.2 and 4.3, with a published national series. This series relates to all unionists, rather than just socialists or Protestants, and was estimated using sources and methods different from those used here. It gives only one average as opposed to one for married and one for unmarried union members; nor does it include 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 guilders (1920), 12 guilders (1925), 13 guilders (1930), and 13 guilders (1934). See Schrage et al. (1989, p. 393). These figures correspond closely with the data in Tables 4.2 and 4.3: all show the same pattern of change, and their respective levels are similar. The sources for Tables 4.2 and 4.3 do not give information on years after 1934.

which we do have such data. The second type of data to be used thus consists of household accounts for a small number of working-class families and covers a variety of income sources.¹³ They allow us to estimate *family* income during periods of sickness, unemployment, or strikes, as opposed to before or after such a disaster.¹⁴ If a married unionist fell ill, family income fell to approximately 40% 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% 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 slightly less than 60% in 1910 and to slightly more than this in 1920. During the first few decades of the twentieth century, trade union insurance, while far from sufficient to prevent a substantial fall in income due to sickness, loss of work, or labour conflicts, did prevent the income of families from being halved.

But under what conditions? Tables 4.2 and 4.3 contain information on conditions regulating admission and on rules for claiming benefits. Dutch unions combated adverse selection by requiring members to pay contributions for a period of between 6 and 18 months 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. For the same reason, maximum burial benefits were restricted to those who had paid contributions for many years. Some unions made insurance mandatory for all unionists as a way to counter adverse selection, as the guilds had done before.

All four types of insurance also involved measures to combat moral hazards, such as a waiting period and a form of co-insurance. The waiting period was the length of time before which sickness or unemployment benefits could be claimed. It shifted part of the loss of income to the insured to reduce the risk of malingering. As that is a more pressing problem in the case of unemployment than sickness, it stands to reason that

¹³Van der Veen and van Zanden (1984, p. 223).

¹⁴In 1910–11, average weekly income was 17 guilders, of which 14 guilders was earned by men. In 1918, average weekly income was 26 guilders, of which 21 guilders was earned by men. 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. See *ibid.*, p. 228. The result suggests average weekly incomes in 1920 of 31 guilders, of which 21 guilders was earned by men.

the average waiting period would be longer (two to three times longer) in the case of unemployment, as Tables 4.2 and 4.3 demonstrate. Moral hazards were countered, too, by limiting benefit entitlement 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 the close-knit 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 great adverse selection such high allowances entailed. Other unions followed an alternative policy of low levels of contributions and benefits.

3 Sickness and Unemployment Insurance

Union insurance and the issues of moral hazards and adverse selection have so far been discussed in general terms. It is 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 insurance.

As noted, unions insured a high proportion of their members against loss of income due to sickness—roughly a third in the 1920s. From 1930 onward, the proportions covered decreased—slowly at first, but very rapidly during the Second World War. In 1930, the Dutch parliament passed the Sickness Benefits Act, providing compulsory insurance for many workers. Those employed by a company (thus excluding servants and casual labourers, for example) and earning 3000 guilders or less per annum were insured for a period of six months; benefits were 80% of wages. For unionists covered by the act, this was an improvement, as in the first few decades of the century, union benefits had been 20–40% of wages and were limited to between two and four and a half months, as previously shown.

Table 4.4 Characteristics of Dutch sickness insurance schemes, 1911

| | Factory funds | Various employer schemes | Union | Mutual benefit societies |
|----------------|---------------|--------------------------|--------|--------------------------|
| Allowance | 4 | 3 | 7 | 5 |
| Entitlement | >13 | >13 | 10 | 10 |
| Waiting period | . | . | 4 | 11 |
| <i>N</i> | 92,377 | 14,316 | 43,868 | 265,302 |
| (%) | (22) | (4) | (1) | (64) |

Key:

| | |
|----------------|-------------------------------------|
| Allowance | Modal weekly allowance, in guilders |
| Entitlement | Modal entitlement in weeks |
| Waiting period | Average number of days at own risk |
| <i>N</i> | Number of insured workers |

Source: Directie van den Arbeid (1912)

Unions were not the only institutions to insure workers in the pre-welfare-state era. Factory schemes, friendly societies, commercial, and poor relief schemes also operated. A government report surveying such schemes was published in 1912. Some of its findings are summarized in Table 4.4. At this early date, union-run sickness insurance schemes were of little importance compared with those operated by factories and friendly societies. If unions were in a good position to counter problems of moral hazard, one would expect union benefits to be relatively high and the waiting period to be relatively short, and this is indeed borne out by the data.¹⁵ Whether this claim is also borne out by the material relating to unemployment benefits is something we will discuss next.

A national survey of union *insurance against unemployment* in the Netherlands carried out in 1914 illustrates some of the characteristics of micro-insurance by local branches of the pillarized national unions. At this early date, some 78,000 Dutch unionists were insured against unemployment. The survey contains data on approximately three-quarters of

¹⁵ Cf. Emery and Emery (1999, Chap. 4, esp. pp. 64–85). On p. 5 they note that for the United States ‘friendly society insurance provisions were more efficient than those of commercial insurers’.

these workers (see Table 4.5). When unemployed owing to lack of work—that is, excluding strikes and voluntary unemployment—a Dutch unionist received an average daily allowance of 0.6 guilders, but only after eight days had elapsed (the so-called *karenztime*) and provided he had been a union member for at least a year. Assuming he met these conditions, he would be entitled to an allowance for just under two months. If still out of work after that, he could apply for assistance under the municipal unemployment scheme or apply for poor relief. Dutch unions were aware of the problems caused by moral hazards and adverse selection, and, as

Table 4.5 Characteristics of union unemployment insurance in the Netherlands, 1914

| <i>Characteristic*</i> | |
|---|--------|
| Total number insured | 59,889 |
| Of which compulsorily insured in % | >40** |
| Average waiting period in weeks | 53 |
| Average <i>karenztime</i> in days | 8 |
| Average maximum duration in days | 57 |
| Average maximum daily allowance in guilders | 0.6 |
| <i>Fraud control in %</i> | |
| None | 6 |
| Registration only | 13 |
| Inspectors only | 7 |
| Reporting regularly | 60 |
| Inspectors+reporting regularly | 6 |
| Other | 3 |
| Type of control not stated | 5 |
| <i>Punishment in event of fraud in %</i> | |
| None | 35 |
| Termination of allowance | 20 |
| Repayment of allowance | 6 |
| Fine | 4 |
| Membership terminated | 12 |
| Fine and repayment of allowance | 22 |
| Fine and termination of membership | 1 |

Source: Van Leeuwen (1997b, p. 79), and based on Staatscommissie (1914, vol. ix, pp. 1147–245)

*Averages have been weighted according to the number of insured unionists per union

**The source registers only whether membership is 'explicitly' compulsory, suggesting that for some other unions, too, membership might have been compulsory

Table 4.5 indicates, they took measures to mitigate them. Adverse selection was often combated by compulsorily insuring all risks, good or bad, and by requiring a long waiting period before a member could receive an allowance. Moral hazards were countered by shifting part of the risk back to the insured by imposing a *karenztime*—a period during which any illness, for example, had to be covered by the insured and not the insurer—and through the various forms of control to eliminate fraud and through the penalties imposed in the event fraud was detected.

The problem of correlated risks refers to the fact that the probability of workers becoming unemployed is not independent but correlated, because economic cycles can lead to a large number of workers in the same sector being made unemployed at the same time. When, for example, the demand for steel falls, an engineering union might find many of its members in need of unemployment benefit. This could cause serious financial problems for the union, and, in extreme cases, lead to bankruptcy. The problem of correlated risks is especially high for unemployment, and this, in part, accounts for why commercial insurance to cover unemployment has seldom been viable. Recognizing this problem, Dutch local and central government offered unions subsidies to offset these correlated risks.

These subsidies were of three types: the Norwegian system, the Ghent system, and the Danish system. The Norwegian system was implemented only in The Hague, where it proved a failure. Under this system, the municipality subsidized union expenditure on unemployment, provided the union allowed non-union members to join its unemployment fund. This was seen as unacceptable interference by some of the more major unions, which, accordingly, declined to register for municipal support. As a consequence, the scheme died a quick death.¹⁶ The Ghent system, on the other hand, was quickly taken up by many municipalities after being introduced in Arnhem in 1906. Under this system, union expenditure on unemployment benefits was matched, without requiring unions to cover for non-unionists. In a situation of high unemployment, this still left unions with a heavy burden to bear. In 1914, the government had to step in, at the request of leading unions and others. Together with the

¹⁶Goedhart (1926, pp. 54–5).

municipalities, it would not only match union expenditure, but, should union assets fall to one-fourth of their normal level, even take over all expenditure. In addition, the authorities provided unemployment benefits to non-unionized workers and to unionists who had already been receiving unemployment benefit beyond the maximum duration of the union scheme. Unemployment having peaked in 1917, the government switched to the Danish system. Under this system the authorities matched union contributions instead of union expenditure on unemployment, thus creating a buffer for unemployment funds to be used in crisis periods rather than intervening during these crises.

What happened during the interwar and post-war periods? Unions certainly continued to organize micro-insurance. While we do not have a single quantitative source paralleling the 1914 National Commission on Unemployment to illustrate this, there have been a number of studies that allow us to trace further the development of trade union insurance, which we consult in the following.

Before considering requests for unemployment benefit, unions often required applicants to register at the Labour Exchange. Even if a request were honoured, a unionist would have had to wait until the waiting period had expired. While in receipt of union benefits, workers had to sign on at the union office daily, at a time specified to them at short notice. Because it was relatively easy for workers in irregular employment (as opposed to unemployment), such as casual labourers, pedlars, and waiters, to sign on once a day, they had to sign on twice a day. Government officials also tried to control moral hazards. 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 tips from fellow workers, neighbours, relatives, and others. Because 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 any benefit 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, some

officials were feared and hated. Others were just civil servants making a living and prepared to overlook minor irregularities.¹⁷

Unions were sometimes said to be too lax in enforcing the regulations, letting workers know too far in advance when they had to sign on. 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. 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 received no 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.¹⁸

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

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 that the union does not lack means of control, and thus it is merely 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.¹⁹

¹⁷De Rooy (1979, pp. 87–91, 164–70, 203–4), Cillekens and Roebroeks (1983, pp. 42–5), Nijhof et al. (1983, pp. 40–3, 83–9), and Groot (1987, p. 254).

¹⁸Recter (1940, pp. 109–13), de Rooy (1979, pp. 166–7), and Nijhof et al. (1983, pp. 42–3).

¹⁹Goedhart (1926, p. 62); see also Recter (1940, p. 113).

The 1914 National Commission on Unemployment had been 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.’²⁰ Exposing a malingering co-member is not, however, without its costs, in terms of time, energy, and possibly friendship. So a unionist would have to balance his or her personal ‘loss’ against the ‘gain’ for the union as a whole. In this respect, the fact that exposing a malingering unionist would be looked upon approvingly by other members might have been a pivotal consideration. In any case, doing so may not have taken up much time or energy because of the generally small size of the local branches of union unemployment schemes and the high level of knowledge already acquired. The commission also claimed that commercial insurance companies were disadvantaged for that reason. To rival a union in controlling moral hazards, ‘such a large army of 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.²¹

Unlike commercial insurers, unions could also reduce the level or duration of benefits or increase the eligibility requirement if in severe financial difficulties and if authorized to do so by their members, as guilds had done before them.²² 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 friendly societies did.

²⁰ Staatscommissie (1914, vol. ix, p. 867). The quote is from the minority report, but the majority thought likewise. See pp. 806–16.

²¹ *Ibid.*, vol. ix, pp. 731, 757–8. See also Goedhart (1926, p. 16) and Morren (1941, p. 3). The foreign insurers were La mutuelle Parisienne, La mutuelle du foyer, Die Norddeutsche Versicherungs- und Rentenbank in Hamburg, and Der Zentralverein für Versicherung gegen Unverschuldete Arbeitslosigkeit in Stuttgart.

²² Webb and Webb (1897, p. 156) and Hanson (1975, pp. 255–6).

If we pause for a moment to reflect on how unions could exert such stringent control over their members, two issues seem especially relevant: dependency and visibility.²³ 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. The pillarization discussed earlier also permeated the trade unions. Switching from one union to another would usually entail changing pillars, and, if not a moral problem, that could give rise to serious social problems.²⁴ Next to dependence, visibility was important. 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 an individual'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 hazards, and thereby to lower expenditure, was indeed an important reason why municipalities and central government entrusted the administration of state-subsidized unemployment insurance to unions, as was the belief that union administration minimized the need for government administration, thus reducing costs further.²⁵ It also saved money, because workers partly financed their own unemployment benefits. During the 1920s, for example, hoping to save on poor relief, the town of Vlaardingen put pressure on casual labourers to join a union and take out unemployment insurance. Beginning in 1906, some municipalities, as we have seen, 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; later, it was provided by the state directly (1919–25), by various municipalities (1925–31), and from 1931 by the state once again, though the provision of assistance was interrupted by the Second World

²³ Hechter and Kanazawa (1993, esp. pp. 460–1, 480).

²⁴ 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 based on the level of union benefits.

²⁵ Soeteman (1962, p. 137).

War. Benefits were also granted to non-union members and to unionists whose right to union benefits had expired. Unionists, incidentally, continued to be privileged, 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. Benefits were normally higher than poor relief, and the unemployed could not claim both at the same time. The schemes, however, were not nationwide in their coverage and they failed certain categories of the unemployed.²⁶

The government aided the unions in combating adverse selection and moral hazards. In return for government subsidies, unions had to accept state influence both with regard to general regulations and to specific cases. As a rule, the Ministry of Labour accorded subsidies only to those union schemes that covered all unionists, to avoid paying enormous sums to cover just the bad risks.²⁷ The ministry also streamlined union regulations, reducing the enormous local variation. Furthermore, it issued a series of rulings that served to distinguish between voluntary and involuntarily unemployment. For example, a discharged sailor who did not sign up 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 pub 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. Work offered 7–10 km from home to someone who could not ride a bicycle—and who thus had to walk three to four hours to and from work daily—could not be refused without the loss of unemployment benefit. Such very precise rulings reduced moral hazards, at the cost, however, of also reducing entitlements perceived as legitimate by the claimants.²⁸

²⁶General histories can be found in Staatscommissie (1914, vol. ix, pp. 749–806), Goedhart (1926), Berger (1936), Morren (1941), de Rooy (1979), and Schrage and Nijhof (1992).

²⁷Morren (1941, p. 77).

²⁸*Ibid.*, pp. 96–7, 134–5.

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, which 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 modern 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 because the unions had had insufficient time to accumulate sufficient funds (unfortunately no study of the actuarial situation of Dutch unions exists). The prospect of masses of impoverished and discontented workers was attractive to neither the municipalities nor central government as 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. One shrewd observer noted this development 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’.²⁹ Progress on the road to state intervention was facilitated by the fact that antagonism between unions and the 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 perma-

²⁹Goedhart (1926, p. 90).

nently in this atmosphere [...] Over the years the class struggle inevitably became something for Sundays and public holidays; weekdays were spent administering the funds.³⁰

4 Mutual Insurance as an Incentive to Trade Union Membership

Why did workers join unions? Union rhetoric often claimed that workers did so solely out of a desire to further the collective interests of the working class, dismissing 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 understand that the unorganized worker is a socially disordered person.'³¹ Such a point of view may have its rhetorical uses, but it is inadequate in any serious analysis of the development of trade unions.³² It fails to understand large parts of the population because it portrays them 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.³³ 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 would, for instance, profit just as much from better wages negotiated through the union by not joining. In Olson's words, 'the union member,

³⁰ Mannoury (1985, p. 193). See also de Rooy (1979, p. 25) and Nijhof and Schrage (1984, p. 274).

³¹ Oudegeest (1914, p. 37).

³² As advocated, for example, by van Tijn (1976).

³³ Olson (1965, pp. 132–48). See also Crouch (1982, pp. 43–74) and Freeman and Medoff (1984, pp. 61–77).

like the individual taxpayer, has no incentive to sacrifice any more than he is forced to sacrifice'.³⁴

The debate on the development of trade unions referred to a wide variety of determinants: macroeconomic circumstances, union characteristics, personality traits of unionists, and other factors.³⁵ An erosion of their labour-market position might induce workers to seek the protection of a union. The initial shift away from agriculture into industry and the subsequent shift into services are seen as promoting and hampering union growth respectively. Relevant union characteristics include signs of union strength and cost-benefit considerations.³⁶ Relevant personality traits include those of gender—men (in full 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. While this perspective allows for clear, parsimonious explanations of the growth in unionism, historical studies are often unclear about what the actual individual benefits were that workers in past societies could expect when joining a union.

An early historian of the Dutch labour movement claimed that union insurance functioned as a pivotal 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, socialist and Catholic trade unions in the city of Maastricht competed for members, using unemployment insurance schemes to recruit them. A socialist union official complained bitterly that the Catholic union offered better terms 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,

³⁴ Olson (1965, p. 91).

³⁵ The studies by Ashenfelter and Pencavel (1969) and Bain and Elsheikh (1976) have been influential. See esp. pp. 2–57 of the latter for a review of the literature. For more recent reviews see, for example, Western (1993, 1995) and van den Berg (1995, Chaps. 2 and 6).

³⁶ Examples of union strength are strikes and shop-floor visibility, while cost-benefit considerations include the extent of union/non-union wage differentials and fringe benefits.

³⁷ Bymholt (1894, vol. 2, pp. 403, 405).

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 from 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 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'.³⁹

The relative importance 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 it was certainly not the only one. One study looked at to what extent 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 to the degree to which union members received higher unemployment benefits than unorganized workers. The data do not allow one 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 when union members received much higher unemployment benefits than non-unionists. They were relatively low in the reverse case of low unemployment and less liberal differential treatment, and 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 remain or become unionists.⁴⁰

³⁸ Cillekens and Roebroeks (1983, pp. 65, 83, 114–5).

³⁹ Van de Vall (1963, p. 153).

⁴⁰ Nijhof and Schrage (1984, pp. 270–7); see also Nijhof et al. (1983, p. 55). It is perhaps interesting to note that during the Great Depression even unions with relatively low expected benefits experienced a modest increase in membership.

Furthermore, in the 1956–8 survey, more than a third of new union members said they joined the union for support in the event of individual problems, more than a third stated that they had been influenced in joining by family, friends, and colleagues, while less than a third said they joined for the good of workers or society in general.⁴¹ This survey also allows one to investigate why workers left their union, by comparing the value the ex-unionists attributed to the union with the value attributed by those who continued as members. Table 4.6 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 sizeable minority continued their membership for no apparent reason or because they wanted to support the union as an instrument of collective action). It is important

Table 4.6 Perceived benefits of membership to unionists and former unionists in Utrecht, 1956–8

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

Source: Van de Vall (1963, p. 102)

NB: The percentages for unionists add up 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 as the problem is minor. To give an indication of the significance of the differences: $\chi^2=122.85$, $df=2$, $p<0.001$

⁴¹Van de Vall (1963, pp. 147–8).

to bear in mind that this survey was carried out at a time when many of the insurance activities of the unions had already been assumed 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

The importance of welfare insurance as a selective incentive to join a union may also be understood 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. Because the former is compulsory, a worker can economize only on union membership.

The first Dutch social insurance law, the Industrial Accidents Act of 1901, was originally limited in terms of eligibility, benefit entitlement, and replacement rates, as we saw. 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 actually implemented until 1930. In 1947, benefit entitlement was extended, and in 1967, the means test was abolished. Unions were, of course, still free to provide additional insurance-based sickness benefits or negotiate a form of collective agreement protection—discussed later—over and above that guaranteed by law. 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, as we have seen, subsidize union unemployment schemes. Following inconsequential legislation by the Dutch government-in-exile during the Second World War, compulsory unemployment insurance for workers was enacted in 1949 and came into force in 1952. The Unemployment Insurance Act guaranteed a wage replacement rate of 80%—later reduced to 70%—for six months. Benefits in the event of prolonged unemployment were also regulated, culminating in the Unemployment Provisions

⁴²It 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 (1995, p. 65).

Act of 1964, under which benefits of 75%—later reduced to 70%—of wages were paid for a maximum of two years. Both the duration and the level of state insurance, incidentally, were higher than those that had characterized union insurance.

That the main provisions of state welfare were enacted over a period of seven decades shows how slow that process was. It began 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 later part of this process was accompanied by a contrary, though delayed, change in union participation rates, the precise course of which depends somewhat on the precise definition used. In its simplest form—the number of unionists as a proportion of the dependent labour force—a post-war peak was reached in 1950 (43%), followed by mild fluctuations until the mid-1960s and a long descent thereafter.⁴³ On the face of it, it seems possible that, after a time, the development of state welfare led to a decline in union membership over and above that caused by other factors, such as the shift in occupational structure from industry to the service sector.

Support for the claim that social security legislation was a factor of prime importance in this is provided by a time-series analysis of trade union membership in the Netherlands.⁴⁴ It estimated the effect of a limited number of phenomena, such as fluctuations in prices, wages, and the unemployment rate, on changes in the number of unionists. No information on the costs and benefits of union welfare schemes was used, possibly as such information was not readily available. So the results of the study do not shed light on the effect of union welfare schemes on the growth of Dutch unions in the pre-war 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

⁴³Ibid., p. 60. See also Visser (1989, pp. 150–1). If part-time workers are excluded from the labour force, this process of de-unionization appears less volatile (with peaks in 1950 and in the mid-1970s of 43%, and a subsequent drop). If only active union members are taken into account—that is excluding retired members, conscripts, and the disabled—one sees an almost constant decline from a peak of 42% in 1950.

⁴⁴Van den Berg (1995, Chap. 5).

trade union insurance. For this reason—and others—the attraction of union membership declined, in some cases tipping the scales, and as a result some workers left their unions or decided never to join one 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.’⁴⁵ 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 agencies, and discounts on the cost of consumer goods.⁴⁶ The dilemma facing unions is clear. When state insurance is implemented, they lose much of their appeal to workers.

Unions might therefore have been expected to oppose state unemployment insurance schemes, as, indeed, according to Rimlinger, 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.⁴⁷ 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 unemployment insurance remained tied to unions, as they would then be strengthening the very unions with which they battled over wages and

⁴⁵ Van de Vall (1963, pp. 101, 216–7).

⁴⁶ Windmuller et al. (1987, p. 323).

⁴⁷ Oudegeest (1914, p. 55) and Rimlinger (1982).

labour conditions.⁴⁸ The unions, on the other hand, insisted on union control of 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 the bipartite institutions of employers and trade unions that began to operate from 1952.

Why unions gave in is not entirely clear. The fact that they may have found it exceedingly difficult to fund unemployment benefits seems to have been important. Most unemployment schemes were still relatively young when unemployment rates began to soar to unprecedented levels in the 1920s and 1930s, and some unions simply lacked funds to cope with mass unemployment. If central and local government had not stepped in, schemes might have failed.⁴⁹ With government help, 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 flooded union volunteers with forms and regulations, which became too time-consuming to handle.⁵⁰

Lastly, it might also be significant that the unions agreed to the 'nationalization' of unemployment insurance at a time when their capacity to counter moral hazards may have diminished as they grew in size. This might have been true especially after 1945, and even more so after 1960. After 1960, the bond 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

⁴⁸Berger (1936, pp. 276–92) and Suurhoff (1952).

⁴⁹Schrage and Nijhof (1992, p. 40). In 1938, an NVV official claimed union benefits had steadily declined, while government support had grown. See Kuypers and Schrage (1997). 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 van der Veen and van Zanden 1984, p. 228 and Schrage et al. 1989, p. 393). Unfortunately, no data are available on benefits in later years, nor on insurance conditions such as level of contributions or the duration of, and qualification for, entitlements.

⁵⁰Morren (1941, p. 86).

an ‘information channel’, similar to the role of the friendly societies’ collectors. Lastly, workers increasingly lived further away from their place of work, in suburbs or nearby towns or villages, while remaining 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.⁵¹

5 Trade Unions in the Mixed Economy of Welfare

As in the centuries before, trade union mutualism operated within a mixed economy of welfare, now including state welfare, collective labour agreements, friendly societies, commercial insurance, and poor relief. The Dutch state started offering mandatory social insurance from 1901, and over time an ever-increasing proportion of the Dutch population became insured against risks previously covered by guild boxes, friendly societies, and poor relief. This inevitably had an effect on the micro-insurance provided by trade unions and indeed by other providers. Because there is no need to be insured twice, and state insurance was for the most part mandatory, the rise of compulsory state insurance implied the decline of voluntary micro-insurance.

Table 4.7 gives a stylized presentation of the characteristics of Dutch social security in the twentieth century, both before and after the Second World War. Generally, the scope of the social security system increased, as is indicated by the appearance of even more all-encompassing arrangements (shown in italics in the table). If we look closely at the lower panel of the table, we see that many different risks were covered for the labour force and in many cases for the population as a whole. To give just one example of the growth of social security, in 1913 parliament passed a ‘general sickness act’, a section of which relating to invalidity benefits was implemented separately in the Invalidity Act of 1919. The introduction of the actual legislation suffered serious delays, largely thanks to disagreement over how it should be implemented and

⁵¹ Harmsen et al. (1980, pp. 191–4).

Table 4.7 Characteristics of Dutch social security

| | |
|-----------------------------------|--|
| <i>A. Before Second World War</i> | |
| Risks | Industrial accident, sickness, medical expenses, invalidity, old age, death, costs of children |
| Recipients | Workers |
| Legal form | Compulsory and voluntary social insurance, entitlement |
| Type of help | Money and in kind |
| Duration of help | Dependent on duration of risk |
| Degree of help | Wage-related benefits |
| Conditions | Income-eligibility limits, degree of occupational disability, age, employment history |
| Administrators | National government, organizations of employers and employees |
| Implementation | Government agencies (National Insurance Bank, labour councils), employers and employees (industrial insurance boards), health insurance schemes |
| Financing | Contributions (employers and employees) |
| <i>B. After Second World War</i> | |
| Risks | <i>Occupational disability</i> , sickness, medical expenses, invalidity, old age, death, costs of children, <i>unemployment, hardship</i> |
| Recipients | Workers, <i>entire population</i> |
| Legal form | Compulsory and voluntary social insurance, <i>welfare benefits</i> , entitlement |
| Type of help | Money and in kind |
| Duration of help | Dependent on duration of risk |
| Degree of help | Wage-related benefits, <i>benefits at the level of the social minimum</i> |
| Conditions | Income-eligibility limits, degree of occupational disability, age, employment history, <i>size of family, assets, availability for work, obligation to work</i> |
| Administrators | National government, organizations of employers and employees |
| Implementation | <i>Municipalities</i> , government agencies (labour councils, Social Insurance Council), employers and employees (industrial insurance boards), health insurance schemes |
| Financing | Contributions (employers and employees), <i>general funds</i> |

over the question of whether it should cover only illness-related loss of earnings or also the cost of treatment. A decision was finally made in 1930—the Sickness Benefits Act would cover only illness-related loss of earnings, with medical costs to be covered by separate legislation paving the way for a national health insurance scheme. It was not until the German occupation of the Netherlands that this was actually effected, in the Health Insurance Decree of 1940, until which time—and after, too, in fact—medical costs were covered in some cases by the Industrial Accidents Act. This did not end until the enactment of the 1964 Health Insurance Act. It is remarkable that even before the 1940 Health Insurance Decree, many Dutch people had taken out insurance voluntarily; the late introduction of compulsory insurance therefore made little real difference. ‘Just before the Health Insurance Decree came into effect, half the Dutch population already had voluntary health insurance, and they were for the most part the same people as were now obliged to be insured.’⁵²

Most arrangements were financed by employees, employers, and by the state, that is by the public at large. As they are mandatory, they do not generally suffer from adverse selection (except when misused, as when, for example, Dutch employers and trade unions pushed healthy redundant workers into disability benefit). As the administration and implementation of state insurance is complex and formal, this might be expected to increase costs. These could be offset to some extent by economies of scale, but increased on the other hand owing to the greater exposure to malingering or higher costs of controlling those moral hazards.

The 1965 General Income Support Act was the culmination of a lengthy development that saw assistance established as a legal right. Article 1 declared that ‘Every Dutch citizen living in the Netherlands who finds himself in such straits, or risks being in such straits, as to be unable to meet the cost of subsisting shall be offered assistance by the mayor and aldermen.’⁵³ The act also marked the end of municipal charities,

⁵²Japenga and van der Velden (1992, p. 503). Commercial insurers had not been very profitable: between 1910 and 1930, 17 out of 29 went bankrupt. See Vonk (2012, p. 170). In the first half of the twentieth century, new and costly medical treatments such as X-rays and the use of radioactive materials came into use. See Vonk (2012, p. 168).

⁵³*Staatsblad*, 13 June 1963, p. 284, taking effect on 1 January 1965.

which in some places were still more or less autonomous. Throughout the Netherlands, municipal social services became the agencies implementing a national scheme. The significance of religious and private charity, too, in the provision of relief declined further in the wake of the 1965 act. Social welfare became almost entirely a state responsibility and benefit levels rose rapidly.

An interesting but little studied form of welfare that became important was formed by 'collective agreements'. Dutch unions influenced the welfare of workers by negotiating welfare provisions under collective agreements, in which an employer agrees to pay a unionist a stipulated wage under specified conditions. Parties are under no obligation to enter into such a collective agreement, but having entered into it they are bound to it for the duration of the contract. A disaffected union, or an individual union member, an employer, or its organization may go to court in the event of infringement to ensure that the collective agreement is honoured. The first national collective agreement in the Netherlands was struck in 1914. After an initial lack of clarity, a law passed in 1927 stipulated that a collective agreement would prevail over individual labour contracts, thus strengthening the use of collective agreements. This law promoted the power of collective agreements in another way as well. Before then, non-union members had neither been bound to, nor protected by, these agreements (unless, of course, their individual labour contract stated otherwise). The 1927 law changed this. It stipulated that if an employer offered a collective agreement to union workers, it must offer it to other workers as well, unless the unions and employers had explicitly agreed otherwise. The 1937 Collective Agreements Act changed things further. It stated that, at the request of a contracting party, the Minister of Labour could declare a collective agreement binding for all employers and employees in a sector of the economy, provided a 'fair' proportion of employees in that sector were already included. With minor modifications, this situation has remained the case until the present day.⁵⁴ Collective agreements do not and did not cover all union members, as some major companies did

⁵⁴Fase (1982), Windmuller et al. (1987)—the original of which was in English: Windmuller (1969)—and Brug and Peer (1993).

Table 4.8 Number of employees in receipt of family allowance under collective agreements in the Netherlands, 1920–40

| Year | Number of employees | | | |
|------|--------------------------------------|------------------------------------|-------------|------------------------|
| | Covered by collective agreements (A) | In receipt of family allowance (B) | B as % of A | B as % of labour force |
| 1920 | 273,505 | 34,028 | 12 | 1 |
| 1925 | 265,400 | 58,608 | 22 | 2 |
| 1930 | 383,727 | 59,825 | 16 | 2 |
| 1935 | 209,688 | 46,226 | 22 | 1 |
| 1940 | 351,500 | 90,247 | 26 | 3 |

Source: Van Leeuwen (1997b, p. 74)

NB: Dates refer to 1 January 1920 and 1 June of 1925, 1930, 1935, and 1940

not enter into them, and because some unions refused to do so either or because it was illegal or uncommon, as in the case of civil servants.

A collective agreement contained many stipulations. Over the years many grew into full-length books.⁵⁵ Tables 4.8 and 4.9 present information on provisions for illness and child allowance for the period 1920–40. Between one in eight and one in four workers falling under a collective agreement had child allowance paid by the employer. Child allowance, if paid at all, was either granted under collective agreements, under separate schemes for civil servants, or as part of poor relief. Collective agreements were thus not intended to cover the whole population; nor did they. In fact, they covered only a few percent of the total labour force. Although unimpressive on the whole, they might nevertheless have been important to certain segments of the labour force. Furthermore, taken together, the constituent parts of the mixed economy of welfare protected by far the majority of the Dutch population.

We have no data on levels of child allowance, save for 1935, for which information exists for seven branches of industry. A worker in one of these branches received an average allowance of 0.7 guilders per child per

⁵⁵ It is not entirely clear what constitutes a collective agreement (*CAO* or *collectieve arbeidsovereenkomst*) and what constitutes a so-called company regulation (*arbeidsreglement*). In principle, the latter deal with minor labour conditions, unilaterally imposed by a company and governing such matters as lunch hours, drinking, or cursing. In practice, they sometimes contain provisions for matters normally dealt with under a collective agreement. The data refer only to what employers (and unions) called a collective agreement, and thus miss some of the collective labour agreements presented as company regulations. See Schrover (1991, pp. 13–5).

Table 4.9 Number of employees covered by illness provisions under collective agreements in the Netherlands, 1920–40

| <i>A. Coverage</i> | | | | | |
|--------------------|---------------------------------------|---------------------------|---------------------------|---|--|
| | Number of employees | | Percentage of employees | | |
| | Covered by collective agreements (CA) | Covered for illness by CA | Covered for illness by CA | Coverage as % of dependent labour force | |
| 1920 | 273,505 | 166,239 | 61 | 9 | |
| 1925 | 265,400 | 233,601 | 88 | 11 | |
| 1930* | 383,727 | 276,332 | 72 | 12 | |
| 1935* | 209,688 | 118,925 | 57 | 5 | |
| 1940* | 351,500 | 93,396 | 27 | 4 | |

| <i>B. Characteristics</i> | | | | | |
|---------------------------|-----------------------------------|----------------------------|---|----------|-------------------|
| | Average allowance as % of wages** | Average duration in days** | Better than required by law in terms of | | |
| | | | Level | Duration | <i>Karenztime</i> |
| 1920 | 71 | 76 | . | . | . |
| 1925 | 62 | 132 | . | . | . |
| 1930* | . | . | 15 | 82 | 90 |
| 1935* | . | . | 39 | 50 | 70 |
| 1940* | 3 | . | 36 | 29 | 87 |

Source: Van Leeuwen (1997b, p. 75)

*From 1930 onward, illness provisions other than those dictated by the Sickness Benefits Act of 1930

**Estimates based on multiplying numbers for each class by the class average

week. Under most collective agreements, family allowance was paid only for the third or fourth child onward. The Family Allowances Act, passed in 1939 and implemented two years later, granted most workers entitlement, starting with the third child, and similar legislation extended these entitlements to the self-employed in 1951. The Family Allowances Act seems to have obviated the need for family allowance arrangements in collective agreements, as well as for employer-organized funds.⁵⁶

⁵⁶A 1950 report mentions, for example, the end or imminent end of such funds in the metal, cigar, textile, and shoe industries. A CBS report for 1954 records that average benefits under the Family Allowances Act were 1 guilder in 1947 and 1.4 guilders in 1954.

Prior to the Sickness Benefits Act of 1930, most collective agreements also contained provisions for ill workers (see Table 4.9). These provisions stipulated that, on average, two-thirds of normal wages would be paid, but only for a few months. The proportion of the labour force covered by sickness provisions under collective agreements was far from impressive, but, once again, it should be stressed that they may have been important for certain segments. If, for example, the degree of protection could be calculated for men only, the percentages in Table 4.9 would probably increase by a factor of one and a half to two.⁵⁷ Even after the Sickness Benefits Act, collective agreements continued to protect workers who were ill, but now in a different and far more modest form, by supplementing statutory provisions. By far the majority of illness provisions under collective agreements reduced the length of the period not covered by the law, the *karenztime* (three days), and a sizeable minority offered benefits over and above the legally required minimum of 80% of normal wages. In addition, some extended the duration of sickness benefits beyond the six months provided for under the law. This was the case with more than three-quarters of all collective agreements in 1930, a proportion that fell to one-quarter by 1940. Supplementation continued after the war.⁵⁸

It is true that collective agreements tied the hands of workers, unions, employers, and their organizations for the duration, but they also offered advantages. They gave workers the option of having their labour conditions negotiated by the union, giving them a better bargaining position. They also offered security for as long as the agreement

⁵⁷ If one were to focus on other subgroups, male workers in the construction industry for example, one might well see even higher levels. In relation to this, it should be remembered that collective agreements were not the only source of welfare. Trade union insurance, social security laws, poor relief, company schemes, and micro-insurance by trade unions or friendly societies all operated in the field of welfare. Combined, these welfare arrangements covered significant sections of the population.

⁵⁸ While the CBS data continued to give information on provisions relating to illness in collective agreements, they no longer stated the number of workers covered by each agreement. Hence it is not possible to extend the table to include the post-war years. To give an impression of the situation, the CBS report for 1950 makes it clear that many collective agreements stipulated that workers who were ill would receive wages—either in full or 80% of their normal wage—during the *karenztime*, and that afterwards statutory sick benefits would be supplemented. The report shows that the same happened in the event of industrial accidents.

lasted. A collective agreement implied that both parties acknowledged the power, if not the legitimacy, of the other. Originally, the latter had not been very attractive to employers, who were not kindly disposed towards unions nor to the revolutionary elements within unions. Employers could nevertheless have had an interest in helping trade unions—with regard to welfare or otherwise—if these trade unions helped them in turn. In a wonderfully counter-intuitive way, employers and workers' organizations could use each other to combat free-rider problems. Both employer organizations and unions could use collective agreements to discipline individual free-riders in their ranks. Employer organizations might use a collective agreement to force non-organized employers to join, just as unions might find it instrumental in coercing non-organized workers to become unionists. To achieve this, quite a few collective agreements stipulated that organized employers could not employ non-organized workers, nor could organized workers work for non-organized employers. These 'exclusivity agreements' have been termed 'conspiracies of the organized against the unorganized of the other party', to illustrate their coercive effect on non-organized workers and non-organized employers.⁵⁹

An employer might also promote collective agreements with welfare provisions in the hope of striking a deal with unions on substantive issues.⁶⁰ Employers might hope, too, that doing so would help temper radical socialist or communist unions and factions within unions. The founding father of a Catholic employers' organization

⁵⁹Van Waarden (1985, esp. p. 250); see also van Zanden (1987, esp. p. 76) and Vijn (1993, esp. p. 104).

⁶⁰The following example relates to the sphere of labour conditions in general and not to social welfare in the narrow sense. In 1965, paper mill employers wanted continuous working shifts instead of the existing three shifts a day. This meant some workers would have to work at unsocial hours, and there was strong worker opposition. Trade unions were more understanding, as they accepted management's argument that competition from Germany and Sweden made continuous shifts a necessity. The unions agreed, and many of their members resigned. By way of concession, employers accepted a longstanding union desire, namely for employers to subsidize the unions. Subsidies meant contributions could be reduced, which might persuade irate workers to remain in the union or help the union to attract non-unionized workers. Of course, it also implied unions becoming less dependent on their members. For this reason, the agreement was controversial among unions, as it was, too, among employers' organizations, which felt uneasy about employers subsidizing unions. See Windmuller et al. (1987, pp. 315–9).

noted that a collective agreement ‘steadily makes the attitude [of workers] less susceptible to the influence of red agitators’. He stated that ‘we, who, on occasion, are worried that socialist feelings and notions will perpetrate the ranks of our religious workers, may have more hope that the “moderns” [that is the socialist unions] by accepting a collective agreement have brought into their walls a Trojan horse.’⁶¹ By giving in to some union demands, on welfare issues or otherwise, the greater good of preventing labour unrest might be achieved indirectly.

It is clear that, before the welfare state, Dutch unions and employers ensured through collective agreements a fair measure of welfare for unionists, at least by the standards of the time. Further, since collective agreements continued to provide welfare even after social security legislation had gradually built up the welfare state, it would be dangerous for a historian of welfare to study just these laws. Unions and employers continued to provide welfare supplementing that guaranteed by law. By researching only the legal aspects of welfare, one would thus underestimate its true level. In addition, the practice of making welfare provisions as part of a collective agreement can, in a sense, be seen as paving the way for social security legislation. Important achievements of the welfare state, such as a minimum wage and paid holidays, originated in collective agreements. Such provisions were given a statutory basis only once they had become generally accepted.⁶²

After having discussed the Dutch case in detail, we now briefly make a comparison with developments in Britain, just as we did when discussing guilds and friendly societies. In comparing Dutch union welfare with British union welfare, we are not endeavouring to give a precise portrayal of the latter, but to highlight some of the more salient features of the mutual insurance provided by trade unions in general.

⁶¹ Quoted by Rutjens (1993, p. 51).

⁶² Fase (1982, p. 15). This process benefited workers without collective bargaining agreements; it was probably neutral for unionists, but it was problematic for unions as it deprived such agreements of their role in providing selective incentives.

6 International Comparison

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 such Dutch data are available). 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 covered though—less than 5% for unemployment in 1891, though the figure subsequently grew. Unlike their Dutch counterparts, British unions also shielded a sizeable proportion of their members from the risk of destitution in old age.⁶³ 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 ceased to be so only 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. Allowances varied per union. The maximum unemployment benefit paid by the engineers', bricklayers', compositors', and miners' unions, for example, was between a third and a half of normal wages,⁶⁴ 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

⁶³ Unfortunately, almost nothing is known about union pension schemes in the Netherlands, save that, as Table 4.1 has shown, it was a marginal phenomenon 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, nonetheless, contributions to pension schemes prove actuarially unsound—for example, through carelessness or because of a marked rise in life expectancy—the ensuing financial strains easily become burdensome, as old age pensions are generally paid out for a longer period than unemployment benefits. See Hanson (1975, pp. 251–3), Musson (1976, p. 628), and Fukasawa (1997). See also, however, Thane (1976).

⁶⁴ Harris (1972, p. 298) and Boyer (1988, pp. 320, 322, 332); see also Hanson (1975, p. 248).

wife and children, by private savings, by assistance from fellow-workmen and neighbours, by running into debt, by pawning 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.⁶⁵

Thus both the level of union benefits in Britain and its implications resembled those in the Netherlands, as did the fact that in both countries mutual insurance functioned within a broader, mixed economy of welfare.

In Britain, union insurance acted as a selective incentive 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.'⁶⁶ Union welfare was especially important for older workers, too, because they had high claims to lose and on leaving the union would probably have had to spend their remaining days in the workhouse.⁶⁷

British unions were relatively well placed to counter moral hazards, for much the same reasons as their Dutch counterparts. 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, 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.'⁶⁸ Later commentators tended 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'.⁶⁹ Echoing the opin-

⁶⁵ Beveridge (1909, pp. 224–5). 'Indefinitely' is not to be taken literally: 'of the 44 "principal" unions outside the cotton trade paying unemployment benefits in 1899, 27 made allowances for 20 consecutive weeks or more'. *Ibid.*

⁶⁶ Webb and Webb (1897, p. 158).

⁶⁷ Musson (1976, p. 628) and Boyer (1988, p. 329).

⁶⁸ Beveridge (1909, p. 217); see also Boyer (1988, p. 323). For an example relating to modern US unions, see Freeman and Medoff (1984, pp. 65–6).

⁶⁹ Whiteside (1987, p. 216).

ion of the Dutch National Commission on Unemployment mentioned earlier, the conclusion to be drawn for Britain 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 detailed 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.⁷⁰

In the early decades of the twentieth century it seems unions in Britain, too, were in a better position than other parties, notably commercial insurers and national bodies, to counter problems of moral hazard and adverse selection. Provided the abuse of union funds, in particular the use of welfare contributions to fund 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.⁷¹ 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 useful work, and the fact that these organizations protected only part of the labour force and did not provide coverage at all to those outside it.⁷²

In Britain, unions did not embrace plans for state insurance wholeheartedly, as it was feared such insurance might erode members' loyalty.⁷³ The National Insurance Act of 1911, which introduced universal health

⁷⁰ Southall (1995, pp. 71, 81).

⁷¹ Whiteside (1980, p. 860) and idem (1983, pp. 167, 189–90).

⁷² Idem (1983).

⁷³ Idem (1987, 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 National Insurance Act was particularly ill-suited to cope with casual work, premised as it was on the notion of cyclical unemployment. Both structural underemployment as well as irregular work

and unemployment benefits, did, however, allow unions to administer these benefits for their members as official agencies. Considerations of convenience and respectability for workers apart, unions were thus able to secure considerable 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.'⁷⁴ Some unions tried to negotiate their way out of 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.⁷⁵

During the interwar period, mass unemployment greatly diminished 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 1942.⁷⁶ 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.'⁷⁷ This claim sounds familiar if we recall the answers given by Dutch unionists and former unionists in the 1956–8 survey.

British union-based welfare provisions, too, can 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

patterns would, in many cases, disqualify a worker from claiming state benefits. See *idem* (1979, 1980).

⁷⁴ Gilbert (1993, p. 280).

⁷⁵ Whiteside (1980, pp. 867–70) and *idem* (1987, pp. 216, 222).

⁷⁶ *Idem* (1987, pp. 213, 227). Other factors were at work 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. *Ibid.*, p. 218.

⁷⁷ *Ibid.*, p. 237.

so surprising because, as Beveridge later noted, ‘the only working model offered on a large scale was afforded by the trade unions’. In fact, as Southall pointed out, ‘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]’.⁷⁸ Union schemes were taken over neither abruptly nor wholly. The period during which unions acted as approved agencies nevertheless provided both continuity as well as an opportunity for the state to influence union welfare schemes. Like the Dutch, the British government used its powers to influence contribution and benefit levels by requiring union schemes to be actuarially sound; it also encouraged standardization and improved measures to counter moral hazards, another parallel with the Netherlands.⁷⁹

7 Conclusion

Dutch unions were not only engaged in collective action, they also offered their members insurance against loss of income due to strikes, unemployment, sickness, and a host of other misfortunes, including industrial accidents, disability, and burial costs. Insurance against loss of income resulting from strikes was the most common form of union insurance, covering some three-quarters of union membership before the Second World War. The second most significant scheme in terms of number of participants was insurance to cover burial costs. This had been a favourite form of insurance among workers since the days of the guilds. Unemployment insurance was pivotal. During the pre-war period, the vast majority of trade unionists contributed to such schemes, but during the war those schemes collapsed and were replaced by mandatory state insurance in 1952. Sickness insurance schemes steadily declined during the pre-war period and subsequently became unimportant. Industrial accident and disability insurance, however, peaked after the Second World War.

⁷⁸ Southall (1995, p. 71), with reference to Beveridge (1909, p. 263).

⁷⁹ Whiteside (1979, p. 520) and idem (1983, pp. 117, 184ff.).

A significant proportion of unionists were thus protected by union-operated mutual insurance schemes, especially so prior to the introduction of state welfare legislation.

As a consequence of the low level of unionization among the Dutch working population, the proportion of the total population covered by trade union micro-insurance was not especially high, but it was still of great importance for certain segments of the labour force, notably men working outside agriculture or the civil service. Union insurance was not the only source of welfare, however. Micro-insurance by trade unions has to be seen in the context of the mixed economy of welfare as a whole. Collective agreements, social security laws, poor relief, company schemes, and mutual benefit societies all provided welfare. The attraction of union insurance schemes was certainly clear for unionists, and by far the majority of unionists sought to obtain protection against destitution by taking advantage of such insurance.

To what extent could benefits help prevent a structural decline in the standard of living of workers who were sick, unemployed, or on strike? Replacement rates in the event of sickness hovered around one-third of male wages, whereas unemployment and strike benefits varied between roughly a half and two-thirds of male wages. Compared with benefits from non-union micro-insurers, union benefits were relatively high, and the conditions attached, such as the waiting period, were scarcely onerous.⁸⁰ Of course, union benefits were much higher than poor relief, but poor relief lasted longer. An additional benefit was that this micro-insurance was paid and organized by the members themselves. It was a form of self-expression and more dignified than receiving either poor relief or state welfare. In fact, 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

⁸⁰ An issue difficult to determine at present is the extent to which individuals might belong to more than one fund. This is also relevant here because some trade union members might also have been affiliated to a non-trade union sickness fund, and if dual membership was tolerated (or unseen) they would not therefore have needed the same level of benefit in the event of illness as they needed if they were unemployed.

being local independent organizations into branches of nationwide organizations. In this sense, unions were instrumental in the bureaucratization of welfare, a point to which we will return in the conclusion of this book.

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. The support of the municipal and national authorities was important for the functioning of trade union mutual insurance. It also helped the unions to decide which claims were legitimate and which were not.

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 hazards. Unions were in a better position to uncover hidden information or hidden action, because they were federations of local rather small branches and their insurance functioned as micro-insurance. Members were generally in close enough contact to limit malingering. They met one another on the work floor, at union meetings, and during festivities. Malingering was not only relatively easy to detect, it could be combated easily by naming and shaming. This was all the more so as Dutch unionists were organized in pillars, which governed social, political, and religious life. Deceiving a for-profit insurer or an anonymous state bureaucracy was one thing, deceiving one's friends, family, co-religionists, and co-members of the same political party was quite a different matter. Arguably, trade unions would have continued to organize mutual insurance—either as micro-insurers themselves or as approved societies implementing social insurance—had it not been for the Great Depression, which more or less forced them out of business in the case of unemployment insurance.

In keeping alive 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. Once 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 for concern among the unions themselves.

Although the current retreat of the state seems to offer unions the possibility to reclaim lost ground by again providing insurance schemes to solve the free-rider problem they face,⁸¹ it remains to be seen whether they will, and, if so, whether they will prove successful. It is not yet clear in which areas unions might 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. Though the situation is new in this respect and the outcome still uncertain, the return to union-based insurance currently being considered by Dutch unions should come as no surprise to students of either unionism or micro-insurance.

The largest Dutch union federation, the FNV, is considering offering its members the option of paying a contribution to supplement state benefits in the event of illness. As early as 1995, the FNV believed that the level of state welfare benefits would in general be cut. So far, however, it has not acted much upon this idea, perhaps because it coincided with an intense and complicated process of restructuring decision-making within the federation, which continued until 2015. The FNV does at present offer health insurance to its members, but this is effectively provided by a third party and open to anyone, though it is offered to union members at a modest discount (and under slightly different conditions).⁸² It also offers other kinds of insurance on a similar basis, and, interestingly, the third party is an insurance company with many historical antecedents, the oldest being a mutual insurer dating from 1794.⁸³ The modest incentives the Dutch trade union presently provides its members may not be

⁸¹ See van Empel (1995).

⁸² <http://www.menzis.nl/web/Consumenten/Zorgverzekering/CollectieveZorgverzekering/ZorgcollectiefFNVMenzis> (last accessed 14 June 2015).

⁸³ The Onderlinge Waarborgmaatschappij Univé Noord Groningen B.A. See <http://www.unive.nl/verzekeringen>, last accessed 14 June 2015.

enough to entice young workers to join. For this, the union would need to make insurance more central to its members, as the Freelancers Union in New York has done.⁸⁴ This union caters for freelancers and makes it quite clear that offering individual benefits in the form of various types of insurance (including health, dental, retirement, and disability) falls within its core business. As we will see in the next chapter, the number of freelancers has risen in the Netherlands—and indeed in many other countries—too, and this creates challenges to the welfare state, which somehow needs to incorporate this new development, to the freelancers not covered by state provisions, and to the trade unions, who need to reconsider their position.

⁸⁴ See <https://www.freelancersunion.org>, last accessed 14 June 2015, and van Grunsven (2011).

5

New Initiatives, 1965–2015

Abstract While still a beacon of security, the light shed by the Dutch welfare state dimmed a little after having reached its zenith. It was beset by both financial problems and classic insurance problems. Commercial life and health insurers regained lost ground, but so has the mutual insurance tradition, steadily but modestly. The bread funds cater to the needs of the self-employed, who are not well covered by either the state or the market. In developing countries throughout the world, forms of micro-insurance have emerged, to some extent building on the Dutch tradition.

1 Introduction

In the 1950s, pillarization was still fairly entrenched in the Netherlands. As late as 1954, Catholic bishops could order their flocks not to join socialist political parties or non-Catholic leisure clubs, and not to read non-Catholic newspapers or listen to radio broadcasts put out by non-Catholic radio stations, on pain of being refused the sacraments.¹ It soon became clear, how-

¹ For the following see de Rooy (2002, Chap. VIII).

ever, that the pillars were crumbling. Partly as a consequence of the Second Vatican Council (1962–5), held less than a decade after their heavy-handed admonition to Dutch Catholics, the bishops withdrew from political life for a soul-searching quest of what it meant to be a Catholic in the modern world. The leading national Catholic daily gave up its Catholic identity. In 1963, the Dutch Catholic Trade Union refused to donate funds to help finance the Dutch Catholic Party's election campaign. In the same year, the church withdrew its 1954 ordinance (and incidentally declared the use of modern contraceptives a matter of personal choice). Pillarization itself was clearly on the way out though, a fact that became more evident when Catholic, Protestant, and 'non-aligned' employer organizations merged in 1995; Catholic and socialist trade unions merged too.²

Both Catholics and socialists promoted the expansion of social security. With the enactment of the General Income Support Act in 1965, the Dutch welfare state reached its greatest extent. Within a decade it became clear that it had become too expensive: the rate of economic growth was declining, the population was ageing, and welfare provision was generating a demand of its own. After 1973, the Dutch government's borrowing requirement rose every year, with the national debt reaching more than 500 billion euros in 2000. Social security legislation became more stringent, in a painstaking process that is still ongoing.³ Although political

² It was, however, given a new lease of life when Protestant and Catholic political parties amalgamated in 1980, placing themselves at the centre of the political Dutch landscape. In a divided country like the Netherlands, with its tradition of coalition government, that was a comfortable position to be in, and so, despite growing secularization, confessional politics continued to dominate the country for years to come.

³ There were a number of milestones in this process:

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| 1983 | Benefits and civil service pay cut by 3%. |
| 1986 | Cuts in unemployment, occupational disability, and sickness benefits. |
| 1991 | Cuts in occupational disability benefits; eligibility reassessed. |
| 1994 | Tougher criteria for unemployment benefit. |
| 1998 | Absenteeism Reduction Act: more stringent criteria for eligibility under the Occupational Disability (Benefits) Act. |
| 2006 | Maximum duration of unemployment benefit cut from five to three years. |
| 2006 | Work and Income (Capacity for Work) Act replaced Occupational Disability (Benefits) Act: more stringent assessment criteria. |
| 2009 | State retirement age to be raised from 65 to 67 in phases. |
| 2012 | Increase in state retirement age to be phased in more quickly; reduction in the duration of unemployment benefit. |

parties across almost the whole political spectrum in the Netherlands accepted the necessity to curb costs, for some parties the decline of the welfare state also matched their neo-liberal political creed.

In 2015, the Disabled Persons (Participation) Act was implemented, devolving state responsibility for the unemployed and the disabled or chronically sick to the municipalities, while cutting funding.⁴ The government argues that social control is more effective at the local level, where, it is claimed, cost-effective solutions will emerge, including families increasingly assuming the role of caregiver.

The contraction of the welfare state coincided with a period of both lower economic growth and a less equal redistribution of wealth, halting the ‘great egalitarian revolution’ that had made the Netherlands appear poverty-free.⁵ Well before the 2008 banking crisis, unemployment levels had begun to rise. More and more people were no longer covered by social security, and they have become the subject of a large and growing body of literature on the ‘new poor’. That literature has shown that around one-tenth of Dutch households now survive on an income no higher (and in some cases lower) than the level of supplementary benefit.⁶ They sometimes find it difficult, if not impossible, to replace consumer goods, to pay the rent, or to repay debts and loans.

The church played an important role in making Dutch people aware of the problem of poverty.⁷ In 1987, the Council of Churches in the Netherlands organized a conference in Amsterdam to discuss how to address poverty. The general secretary of the Council of Churches acknowledged that there had been a fundamental change in church thinking on the subject. A year or so earlier, it had been common to associate poverty with the third world: ‘We don’t have poverty any more, many church charities sighed; what are we to do now?’ He continued:

⁴ See <http://www.divosa.nl/dossiers/participatiewet>, last accessed 10 June 2015.

⁵ See van Zanden (2001). Income inequality in the Netherlands rose greatly in the 1980s, becoming more or less stable until 2010. It seems to have widened somewhat in recent years. See Caminada and Salverda (2015).

⁶ See, for example, *Armoedemonitor*, published by the Netherlands Institute for Social Research and Statistics Netherlands.

⁷ See van Leeuwen (1998b).

‘That has changed completely. There are a large number of poor people in the Netherlands.’ Initially, politicians were reluctant to believe that poverty could exist in such a prosperous country as the Netherlands, and it was not until 1995 that in setting out its legislative programme for the coming year, the government acknowledged the truth of it. Here, too, the Catholic Church played a role in raising awareness. In an interview on Dutch television in 1995, Bishop Muskens (1935–2013) of Breda said that Catholic teaching had long taught that a man who is so poor that he no longer has enough to survive may steal a loaf of bread.⁸ His comments ignited a fierce debate among politicians and public alike concerning the extent of poverty in the Netherlands.

Around, and even a few years before, that time, a number of articles had appeared in Dutch newspapers claiming that state welfare laws were being abused on a large scale, both by individual claimants who, allegedly, had been unable to resist moral hazards and by organizations of employers and trade unions, which had been unable to resist the lure of shifting the burden of large-scale redundancies in a constantly reorganizing economy away from companies and employees onto the state. The modernization of the Dutch economy meant that after the failure of attempts to keep the shipbuilding, textile, and other industries alive with state subsidies, workers made redundant were not sacked but categorized as unable to work (or allowed early retirement). This entitled them to a higher level of state benefit than they would have received as ‘unemployed’ and led to fewer concerns on the part of the employer. However, it also meant the Dutch taxpayer having to pay, according to one estimate, for an additional 750,000 to 1,000,000 ‘disabled’ persons.⁹

An interesting example of this policy recently came to light. In the 1970s, one of the Netherlands’ most famous—and bestselling—novelists Willem Frederik Hermans (1921–95) and his employer, Groningen University, decided to end their unhappy relationship by allowing him to claim disability benefit from 1973 until his retirement in 1986 under the terms of a secret agreement that also involved a compliant doctor

⁸ Schreuder (1996).

⁹ De Rooy (2002, p. 271) and van Gerwen (2000a, pp. 158–61).

exaggerating a minor ailment.¹⁰ The agreement worked to almost everyone's advantage. The university ended a labour conflict and the famous author went to live in Paris, with an income of which about a quarter was 'disability' benefit and which far surpassed that of even the prime minister. Also, the Dutch public benefited from the novels the author was now in a position to write. However, the taxpayers who did not read his novels were on the end of a rotten deal. They were paying for Hermans to write his acclaimed novels as well as for the tens of thousands of ordinary Dutch workers made redundant and disabled at the same time. Similar problems with regard to moral hazards and those claiming unemployment benefits became headline news at the time. While the example of Hermans is just that, an example, a detailed inquiry by a special Dutch parliamentary commission revealed that such moral hazards were widespread, and indeed had contributed to creating high numbers of 'disabled' or 'redundant' claimants of state benefits, over and above more legitimate claims.¹¹

Over the last decade, permanent full-time contracts have become increasingly rare for those entering the Dutch labour market for the first time. More often than not, new entrants were forced to accept a series of short-term contracts, often part-time and with intermittent spells of unemployment, or they opted for self-employment or freelance work. Indeed, the number of self-employed has risen considerably over the past ten years, fuelling new labour-market initiatives and allowing for greater flexibility and reducing official unemployment rates. However, it also means a large part of the labour force has no fixed income, and although insurance to cover the cost of medical treatment is mandatory, many now have no insurance against loss of income when ill; furthermore, their income declines when work is more difficult to find or when they retire. Permanent contracts are becoming in large measure a privilege of the middle aged, and as younger entrants to the labour market are being

¹⁰<http://www.elsevier.nl/Cultuur-Televisie/achtergrond/2015/5/Het-grote-mysterie-waarom-WF-Hermans-vertrok-uit-Groningen-1757993W/>, last accessed 7 May 2015.

¹¹In 1992–3 a formal parliamentary inquiry was held into the huge increase in the numbers receiving disability benefit. Its proceedings, and its final report, attracted a great deal of publicity. See http://www.parlement.com/id/vh8lnhrpmxw2/parlementaire_enquete_uitvoeringsorganen#p3, last accessed 7 May 2015.

forced to rely on such short-term contracts or self-employment, there are serious concerns about intergenerational equity when it comes to state welfare.¹²

The leading Dutch trade union, the FNV, has long stood on the sidelines with regard to the self-employed and failed to follow the example of the New York Freelancers Union mentioned in the previous chapter. Though the FNV has had a rather small branch catering for freelancers since 1999, its general attitude has long been ambiguous. In an interview in June 2015, the FNV's president accused freelancers of being 'seemingly independent' and of undercutting wage levels by paying lower national insurance premiums than the employed, while being indirectly subsidized by the Dutch tax system. He argued strongly against giving freelancers the same social security entitlement as the employed, claiming that to do so would reduce the general level of provision. While the Dutch tax system does offer significant tax credits to freelancers, and the effects of opening up social security to freelancers do merit consideration, the publicity the interview triggered was damaging to the FNV branch that was trying to attract freelancers to join—so damaging in fact that it publicly distanced itself from the remarks of the FNV president, who was forced to issue a retraction.¹³ Until his words have ceased to reverberate, Dutch freelancers will be reluctant to turn to trade unions for insurance. They might, though, join a mutual initiative, the 'bread fund'.

2 The Bread Fund

A bread fund is a form of mutual insurance for the loss of income the self-employed face when ill. It guarantees its members a monthly benefit for up to two years in the event of ill health.¹⁴ The first was started

¹² See, for example, Josten et al. (2014).

¹³ See <https://nrccariere.nl/artikelen/fnv-voorman-heerts-fel-tegen-sociale-voorzieningen-zzper/> for his statements and, for the retraction, <http://www.fnvzpp.nl/zzp/zzp-nieuws/nieuwsberichten/2015/06/interview-ton-heerts-fd-lelijke-uitglijder>, last accessed 14 June 2015.

¹⁴ This section is based on information given on the bread fund website (www.broodfonds.nl) and its Facebook page (<https://www.facebook.com/Broodfonds>), both last accessed 10 June 2015, and supported by the information kindly provided to me by its directors during an interview in Utrecht on 9 December 2014. See, too, de Ridder (2012) and Fink-Jensen (2014).

in 2006 on a local scale, and eventually went national in 2010. Since then, the number of funds has grown rapidly, from one in 2006 to 124 by the end of 2014. By September 2015, there were 152 funds in 83 municipalities; total membership was 5900, meaning an average of 39 members per fund—growth fuelled by the sharp rise in the number of self-employed. Though the bread funds are not the only new initiative,¹⁵ our focus will be on them owing to their quick growth and the abundance of documentation.

A bread fund is formed from below, in a specific municipality, as a local branch of a national federation. Anyone can express an interest in forming a branch and attempt to recruit an initial group of 20 individuals. Once those 20 potential members have been found, the administrators of the fund will be invited to a meeting to explain the principles and answer questions. At the next meeting, potential members decide on issues such as the geographical area they want to cover and the *karenztime* or waiting period (usually one month), draw up rules and regulations, and decide on the composition of the local board. With the assistance of the national administrators, the local paperwork is then completed. That is followed by an official launch, after which the fund will try to increase membership to a maximum of 50, with each member paying a one-off sum of 275 euros to the national office as well as 10 euros a month and a premium, the level of which depends on the level of insurance opted for.¹⁶ Members co-opt one another. Occupation-wise a group might be quite diverse. The members must have been in business for at least a year, with net earnings of at least 750 euros per month. To meet the conditions set by the Dutch tax authority, the legal form selected is that of a system of dedicated savings used to support members who are ill. For practical purposes, it operates as a form of mutual insurance (organized by and for its members, with monthly premiums and benefits paid).¹⁷

¹⁵ See, for example, the recent survey by van Beest (2014). This study, and those referenced in the previous note, were carried out by members of a research group led by Tine de Moor at Utrecht University. See www.collective-action.info, and de Moor (2013).

¹⁶ The costs of the national office include remuneration for the directors and the national staff for assistance in setting up the fund, setting up the association and the board, opening all bank accounts, and day-to-day administration, including operating a portal for members.

¹⁷ As the tax form is that of a dedicated savings scheme, the premiums are placed in an individual dedicated account for each member, and it is from that account that benefits to sick members are

Members can determine the level of their own premium; not surprisingly, the higher the premium, the higher the benefit in the event of illness. A minimum monthly premium of 34 euros is sufficient for a monthly benefit of 750 euros; a maximum premium of 113 euros will entitle the member to 2500 euros a month in the event of illness.¹⁸ Members sometimes help one another in other ways, too, by taking over work on behalf of a member who is ill, or by coaching, and in some cases by running errands and doing the shopping. There is no direct risk selection other than that pregnant women may not apply to join.¹⁹ A local bread fund may, at its discretion, resolve not to admit any applicant, but, once admitted, members with ‘high-risk’ occupations or who have a history of ill health are not required to pay a higher monthly premium. That applies to the elderly, too, and even to those who have retired, both categories of people from whom a commercial insurance scheme would require higher premiums—if they were willing to accept them as members at all. There is usually a month’s co-insurance period in the event of illness, during which no benefit is paid. In a similar form of risk management as that practised by the guilds, the maximum duration of benefits paid by the bread funds is two years, which enables the funds to avoid the obligation to pay benefits to the chronically ill for extended periods. Those wanting to insure themselves for longer periods would then have to switch to a commercial insurer, which may not be a very attractive proposition to a for-profit insurer. Commercial insurers are ambivalent about the bread funds: the bread funds might attract some

paid. If a member leaves a bread fund, the balance on the account continues to be owned by that member.

¹⁸ It is possible to be a member of two bread funds, in which case the maximum premium and benefits will be twice as high. However, there are only three instances so far of multiple membership, and a local bread fund is at liberty to refuse such membership.

¹⁹ The bread fund website does point out, however, that ‘The best way to diversify the risks of occupational disability is through a widely based bread fund. A group comprising largely those aged over 55 has a quite different risk profile from a group with a more diverse age structure. Those aged over 55 are ill no more often than those aged under 55, but when they are ill they tend to be ill for longer. A bread fund comprising filmmakers or text writers will have a low-risk profile. Bread funds with a large number of members in high-risk occupations or in occupations that involve heavy manual labour, such as construction or security, might include supplementary conditions on prevention and safety in their regulations. Thanks to the modest scale of these schemes, those in such occupational bread funds can easily take account of the risks relating to their work.’

clients away from the commercial schemes, but those clients are usually the uninsured. At any one point, an average of 1% of all members will be in receipt of benefits, a figure below that of the Dutch population as a whole, although by how much lower is difficult to say.²⁰ The illnesses reported by the bread funds are seldom, if ever, work-related, but relate instead to illnesses such as cancer, which could afflict anyone.

The bread fund is a mutual arrangement, with decisions taken collectively by its members. The regulations stipulate that the board is to be drawn from members of the fund itself, and a limit is set on the duration of board membership to ensure it has to rotate. The main board informs the boards of the local bread funds, and encourages them not to supervise too closely. Members should do as much as possible themselves, seeing to things like organizing information sessions and attending meetings several times a year. Membership administration is organized centrally by the main board, with information provided on a digital portal, and the members are consulted by their local bread fund using that same medium. The main board also provides feedback in the event of non-payment and can ask the local board to make inquiries of a non-paying member. To streamline procedures, FAQ and information are published on a portal, which local administrators can also use to ask one another questions.

Unlike the commercial schemes, there are no inspectors or medical examiners.²¹ Nor are they deemed necessary, as the bread funds comprise a small group of people who either live in the same region or who are members of the same occupational networks, who know one another, and whose reputations would be seriously compromised if they claimed benefits improperly. No member has yet to be suspended due to malingering, though that would certainly be done if it happened. As more and more bread funds are set up, it is inevitable that at some stage some member or

²⁰ Statistics Netherlands publishes data on illness-related absenteeism based on data from the Employee Insurance Administration Agency (UWV), and those figures put illness-related absenteeism at around 4–4.5%. But those figures relate to employees who have been ill for more than one day, while the figures for the bread funds relate to the self-employed who have been ill for more than a month. The Statistics Netherlands figure for small companies (comprising between two and ten people) is 2%.

²¹ A local bread fund might require a written report from a doctor. See Zonneveld (2013), although it remains to be seen whether a Dutch doctor would actually agree to provide one.

other will be suspended, but so far each bread fund has remained a small club exerting a strong degree of social control. As one member of a bread fund put it: ‘In the case of the bread fund, there is an assumption that if the group is small and everyone knows one another or knows of one another, if you claim to be ill then you will actually be ill. Monitoring is left to fellow bread fund members. That has its advantages but also its disadvantages. I can no longer report sick and remain anonymous.’²² Being more impersonal, commercial insurers face a greater risk that clients will find malingering easier to reconcile with their conscience.

On average, bread fund members tend to be slightly more left-wing than the average Dutch population and have a certain dislike of for-profit insurers. Bread fund members also form a select group within the Dutch population in the sense that they are more engaged in voluntary or social activities (75%) than both all Dutch (45%) and all self-employed (58%).²³ They are, on average, highly educated compared with all Dutch self-employed, but they do not earn more.²⁴ When asked in 2013 about their motives for joining, the most important reasons given were ‘solidarity’ and ‘financial advantages’. The most important actual rewards stated were ‘contributing to a better society’ and ‘financial gain’.²⁵ The fact that bread fund members currently constitute a somewhat more selective group of individuals, more socially engaged and attributing greater value to social engagement, certainly helps ensure that work is shared, free-riding avoided, and moral hazards both limited and easier to combat.

The self-employed may go to a commercial insurer, but only a third of the nearly one million self-employed actually does so, because such insurance is expensive and complicated, and the schemes are characterized by all sorts of conditions, exclusions, and exceptions.²⁶ The average individual does not understand the policy conditions, and some are afraid that the small print could lead to a claim for benefit being rejected even though they are entitled to it. Commercial insurers usually observe

²² Quoted by Fink-Jensen (2014, p. 37).

²³ *Ibid.*, pp. 45 and 69–70.

²⁴ *Ibid.*, pp. 68–71.

²⁵ *Ibid.*, pp. 75–7.

²⁶ In 2013, it was estimated that at least half of all self-employed individuals were not insured with a commercial insurer. See <http://www.zzp-nederland.nl/nieuws/30679-zzp-onverzekerd>.

a form of risk selection and may decline to cover those over 50, people working in hazardous occupations, or those with a problematic medical history. Because of the scale of the commercial schemes, there is a certain anonymity among major insurers, leading to requirements for inspections and examinations to be carried out. The main bread fund administrators do not want compulsory insurance for the self-employed (though that would solve the selection problem), because they feel the small-scale structure of the bread funds is not suitable for large numbers and because they believe the ‘wrong’ kind of people would try to join—those who are not socially engaged enough to want to take part in the activities of the bread funds.

A bread fund is based on trust and effective agreements. It must remain easy to consult with one another and to maintain close contact. A group of at most 50 members is small enough to allow everyone to know every other member personally. Once a group becomes larger than that, it is thought to become difficult to get to know everyone, and a degree of anonymity sets in,²⁷ while trust, control, and collaboration are at the heart of every bread fund. The small scale ensures a degree of manageability, as many of the mutual schemes in the nineteenth century discovered. There is now, though, as there was then, a certain trade-off between limiting malingering and adverse selection by being small scale, and the risk of being too small in the event of a random and minor increase in the number of ill members. Capping membership might also lead to problems when members age and costs rise, but new members cannot be admitted. This risk emerges only after some time, and it is possible that the bread funds have not yet been in existence long enough for it to have become apparent.

The bread funds are a new and conspicuous form of mutual insurance in the Netherlands, but they are not the only manifestation. Mutual burial insurance, often on a local scale, continues to exist today, but

²⁷ Some 30% of all members report that they play an active part in administering their bread fund. See Fink-Jensen (2014, pp. 78–9). The newer funds seem to have less social cohesion than the less recent funds—as measured by the proportion of all members who know one another by name. This could indicate either that social cohesion is on the decline or that it takes time before members get to know one another by name.

we are not well informed about its workings.²⁸ There is indeed a prime example of a mutual burial insurer originating in the eighteenth century still active today, whose workings we discussed in Chap. 2.²⁹ In the case of health, some of the larger Dutch insurers not only have mutual roots, they can also be regarded as mutual. On its website, the health insurer Achmea writes: ‘Achmea was founded in 1811 by farmers. Later, organizations with a social purpose became part of our company. As a result, Achmea has a co-operative character, because together we can bear the financial risks more easily than alone’.³⁰ Achmea certainly engages in non-commercial activities. It commissioned, for instance, a report on what Dutch people think about solidarity, the *Achmea solidariteitsmonitor* 2015. However, the insured themselves no longer control the company. The company’s shares are owned by a foundation, whose directors are not elected by a general meeting of members. In fact, in quite a few instances, in their workings, Dutch health insurers with mutual roots are difficult to distinguish from commercial insurers, and, for the most part, the general public in the Netherlands does not seem aware even of the existence of a mutual tradition.

3 Micro-insurance in Developing Countries

The bread funds have run against the tide in the Netherlands, where the mutualist tradition has become rather less prevalent, but, at the same time, in other parts of the world, micro-insurance has grown due in part to a Dutch initiative. In our quest to identify the practices and principles of mutualism, it might be instructive to broaden our horizon for a moment and look at the wider contemporary world.

Given that the consequences of poor health are so far-reaching, micro-insurance can be of great importance to developing countries, where state

²⁸ Van Gerwen (2000b, pp. 59–61). In 1922 there were a mere 26 (ibid., p. 81), while in 1980 there were 11 supplying a monetary allowance in the event of a funeral. See van Gerwen (2000a, p. 79). In addition, there were and are many burial associations, mutual as well as commercial, which take care of the funeral directly (for example, by covering the cost of a coffin).

²⁹ See <http://www.onderlinge1719.nl>, last accessed 14 June 2015.

³⁰ See <https://www.achmea.nl>, last accessed 14 June 2015.

facilities, for-profit insurance, and faith healers may often be of limited importance in treating the sick.³¹ Health problems might lead to a poverty trap, when, for example, the poor health of children prevents them from going to school or learning, reducing future earnings capacity, or when the poor health of parents means they become debt ridden instead of being able to work their way out of poverty. Often there are some simple and cheap solutions to common health problems in developing countries, notably combating malaria (mostly through the use of bed nets), immunization, breast feeding, de-worming, disinfecting with bleach, drinking water disinfected with chlorine, and dispensing oral rehydration salts to combat diarrhoea. Government facilities, however, are often worse than they seem, for example because they have long waiting lists and close unpredictably. Private doctors are often too expensive, while both they and faith healers tend to give patients what they want instead of what is effective.

Banerjee and Duflo recommend basic solutions, starting with simple information campaigns from credible sources and an acknowledgement that market failures do exist in the case of health insurance. They advocate subsidizing insurance premiums or health clinics, as well as the use of modern technology, including the ability to transfer cash using mobile phones. It is also important, they emphasize, to do all this in small steps, with good governance, and to test the results of the programmes. They note that to cover major risks such as illness, the insured must know one another relatively well. To avoid adverse selection, it might be prudent to make insurance compulsory for a select group (the clients of micro-credit organizations, for example). In all cases, mistrust must be alleviated through information and regulation. The subsidized top-down approach taken by PharmAccess is one attempt to tackle this problem.

The Dutch PharmAccess Foundation was founded in 2001 by a prominent Dutch HIV researcher whose original interest was in combating AIDS but who quickly understood that its social consequences needed addressing as well. Like other Dutch micro-insurers in the past, PharmAccess is small scale, funded by modest contributions from participants—as well

³¹ Banerjee and Duflo (2011). I have also benefited from Dekker's presentation (2014).

as by large subsidies—and covers basic medical costs.³² It is also deeply rooted in the communities it seeks to serve. It offers insurance for basic health care only, excluding costly medical treatment. It covers the cost of non-expensive primary health care, minor surgery, HIV treatment, and maternal care and childcare. The top five reasons for visiting a health-service worker in 2011 were malaria, hypertension, pregnancy, upper respiratory tract infections, and myalgia (muscle pain). PharmAccess makes use of local insurers, local administrative offices, and local care providers. There is a real focus on groups with a strong social structure, such as market women in Lagos (Nigeria), small and medium-sized ICT entrepreneurs in Lagos who are members of a particular umbrella organization, Tanzanian coffee growers who have joined Africa's oldest cooperative, and Tanzanian dairy farmers who are members of a particular dairy plant. These affinity groups were pre-existing groups with strong ties, which, one presumes, makes organizing health insurance easier, as well as cheaper, as monitoring costs are likely to be lower.

To a large degree, the recruitment of new members is a matter of word of mouth, with satisfied members informing other potential members of the existence and workings of the health insurance scheme. This form of personal recommendation is aided by organized village meetings, around a market or in a faith house, a trusted institution. In all cases, enrolment takes place during events close to the homes of the villagers, with community volunteers being involved in local health education. Support from trusted authorities—the church, village elders, on occasion a faith healer, but often a community mobilizer—has proven to be influential in getting villagers to start paying premiums; this stands to reason as the micro-insurer has no track record in providing medical services. Creating trust had also been of prime concern for trade unions, friendly societies, and guilds, and they, too, had adopted similar approaches to demonstrating credibility. In the case of PharmAccess, trust is also fostered through

³²Information can be found on the foundation's website—<http://www.pharmaccess.org>—and at https://en.wikipedia.org/wiki/PharmAccess_Foundation, which also lists some underlying documents, notably the Health Insurance Fund Annual Report 2011, http://issuu.com/pharmaccess/docs/2673.1005_jaarverslag_hif_lr/1?e=6848349/1062013; on the founder of PharmAccess, Joep de Lange (1954–2014), see https://en.wikipedia.org/wiki/Joep_Lange; all last accessed 25 July 2015. I have also drawn on general information kindly provided by Annegien Langedijk-Wilms during a presentation (2014).

the provision of material symbols, such as a physical presence in the villages on the part of the insurer, or a membership card, by radio broadcasts, and by testimonials given by those who are happily enrolled. A visit to a brightly coloured, refurbished clinic also engenders confidence that the scheme will actually deliver. Contributions are collected monthly, locally, in cash, rather as the Dutch mutuals did for most of their history.

An impact evaluation of the PharmAccess health insurance scheme in the Nigerian province of Kwara showed that a little over three-quarters of the adult population were aware of the scheme (81%), with just under (72%) having enrolled at least once and current enrolment standing at 70%. The programme has insured people who had previously not been insured, led to a decrease in health-care expenditure by those members who previously had to pay doctor's bills and medicine privately, encouraged an increase in treatment, for example, in the case of pregnancies, and contributed to a general increase in well-being.

Sometimes members of such schemes pay the full contribution, but more often than not they pay just part, with subsidies making up the rest. The middle classes are expected to pay the premiums themselves, while poor members, such as those living and working on remote farms, pay low premiums financed by subsidies. In 2011, the average yearly premium for micro health insurers in all countries covered was 33 euros, of which 13% was paid by the insured themselves and 87% was covered by subsidies, provided, *inter alia*, by the Dutch Ministry of Foreign Affairs, the Stop Aids Now Foundation, the World Bank, the Kwara state government in Nigeria, and the International Labour Office. As a subsidized micro-insurance scheme, it seems at first sight to differ from the Dutch tradition. However, it must be remembered that Dutch guild funds were also subsidized in various ways, as were the trade union funds.

There are now very many more examples of micro-insurers outside the Western world. Some, like PharmAccess, also have Dutch origins. The Dutch health insurer Achmea, for example, insures both in the Netherlands and the developing world. Not only did it start out as a mutual insurer, in 1811, it is still largely owned by its members.³³ Some

³³ On Achmea today see <https://nl.wikipedia.org/wiki/Achmea>; on the Dutch Platform for Health Insurance for the Poor in which it participates, see <http://www.hip-platform.org>; both last accessed

micro-insurers do not work top-down but bottom-up. They start from home-grown micro-insurance, often rooted in burial insurance, and scale that up.³⁴ Such schemes exist throughout the developing world, including African countries such as Ethiopia, Kenya, South Africa, Tanzania, and Uganda. Funerals there can be expensive events, lasting several days and involving costs for feeding and lodging many guests. A recent study has looked at rural Ethiopia and Kenya at the turn of the present century. Many villages have more than one mutual burial fund, with written regulations and bookkeeping. They are governed by officers elected from among and by the insured, and pay out a fixed amount in cash, while also supplying manpower. They also co-insure against the risk of other disasters. In the case of Ethiopia, insurance can be taken out to cover the destruction of homes (40% of the insurers), illness (30%), fire (28%), and other costly events, echoing the Dutch guilds and trade unions, though the guilds and their successors did not mix life and non-life insurance. The Ethiopian burial funds also offer loans (64%). In the case of Ethiopia, such schemes date from the early 1900s, and they expanded rapidly after the Italian occupation of Ethiopia in 1936. In Tanzania, they seem to be of more recent origin. They have a high rate of coverage: 80% of all households in the 15 Ethiopian villages studied were members, while the rate for Tanzania was similar. Moral hazards are not a problem in the case of burial insurance, but for health insurance they are. Those Tanzanian mutual schemes offering health as well as burial insurance have taken measures to curb it, including proper monitoring by insuring only hospitalization. In Tanzania and Ethiopia, but also in other African countries such as Benin, there are micro burial and health insurers, governed by democratically elected bodies, with a clearly defined membership, regulations, and procedures, including sanctions and fines in the event of late or no payment.³⁵ In Benin, mutual schemes co-insure other risks, such as illness (88% of all insurance groups), marriage (85%), childbirth (76%), destruction of homes and personal property (68%),

20 October 2015.

³⁴ Platteau (1997), Mariam (2003), Dercon et al. (2006), de Weerd et al. (2007), and Criel et al. (2009).

³⁵ LeMay-Boucher (2009).

and loss of job (37%). The schemes covered just over a third of all households included in the survey.

If burial insurance is used in part to finance ‘lavish’ funeral ceremonies, it may be regarded as financing a form of conspicuous consumption. In other circumstances, insurance might actually be saving the poor money. The poor can even be said to have money for insurance, in the sense that the insurance premiums are lower than the costs the uninsured incur when having to pay for a doctor. Marginalized groups are more often confronted with income shocks, have fewer opportunities to cope with these, and it takes them longer to recover, if they recover at all. Health insurance can be a solution, but solutions have to be found for a lack of trust and familiarity with the concept, for the investments that have to be made in health-care facilities for these to perform well, for high transaction costs in remote areas, and for problems of moral hazards and adverse selection. However, some studies have shown that the ultra-poor are still not being reached, presumably because they cannot *currently* afford to pay even a very modest part of the premium, and also because they are nearly always on the move. Though a good investment, premiums still need to be paid up front. Furthermore, potential members often live far away from medical facilities and cannot afford to travel to them. It is very difficult to include marginal groups, as opposed to pre-existing affinity groups, in micro health insurance, or indeed in most development interventions. However, as this book makes clear for the Netherlands, there are long stretches of time in the history of nations when the best is the enemy of the good. Covering some may be preferable to the illusion of covering everyone.

4 New Initiatives in the Mixed Economy of Welfare

Various Dutch governments curbed the costs of social insurance by lowering entitlement levels and tightening conditions, thereby widening the scope for initiatives on the part of Dutch citizens themselves, such as the bread funds. This has also created opportunities for commercial insurers,

who became key players in the field of medical care. Indeed, by 2006, medical insurance had become the domain of commercial insurers, and recently they have been able to enter into agreements with general practitioners and hospitals covering the nature and level of services to patients. That has also meant that most Dutch people could be barred access to certain GPs or hospitals, or even certain treatment, unless their insurer had contracted to provide such access. These developments are still in an early phase and it is hard to tell what the long-term consequences will be. For most forms of treatment, nothing much has really changed yet, and for a few euros more per month, every Dutch person can take out a more extensive contract with their insurer that gives them access to a health-care provider of their own choice. The reductions in state welfare have allowed the role of commercial insurers to grow significantly with regard to health, occupational disability, and life insurance. It is too early to tell whether this will ultimately slow down the increase in costs. The example of the expensive US health-care system tells us that having more than one player in the insurance field need not invariably reduce costs. It might, indeed, lead to higher overheads and weaker checks on medical pricing. However, the Dutch state and Dutch commercial insurers are currently focusing closely on the latter, and the Dutch do not yet have the litigation culture that drives up costs, directly or indirectly, by encouraging excessive treatment as a precaution.

In 2015, new measures were introduced to cut state spending by making not the state but the municipalities responsible for many social welfare benefits. The municipality now decides whether a child with autism needs additional educational support and whether an elderly person needs home care. Though the municipalities receive funding for this from the state, the funds allocated are less than they once were. The socialist-liberal coalition government, backed by a number of other parties, has supported this shift out of financial necessity, sustained by an ideology that claims such measures create greater scope for those in need to participate in society. Municipalities all over the country have responded with new initiatives, hoping they would be more efficient than their state-sponsored predecessors, and that they would encourage the needy to take greater control of their own circumstances. They have also placed the burden of care on family, friends, and neighbours and, indirectly, slashed

the salaries of nurses and cleaners. Interestingly, neither the perceived causes of welfare state overspending nor the perceived solutions of shifting responsibility away from the state to the locality and, in part, to the family are new.

One traditional objection to state welfare has been the cost. Nicolaas Pierson (1839–1909), a liberal economist, had warned that state welfare would become prohibitively expensive. He claimed that local government would cease to be prudent in its expenditure on welfare if welfare were managed at the state level. Only local government could exercise control sufficient to avoid a generous and uncritical dispensation of relief.³⁶ In a proposal for a new Poor Law submitted in 1895 by the influential liberal society *Tot Nut van 't Algemeen*, in which Pierson was involved, poor relief was the responsibility of the municipality, not the state, one reason being that this would limit costs. The Nut wanted to avoid the need to appoint an army of civil servants, which would cost money. Moreover, many of those caring for the poor, without being paid for it, preferred not to be subject to government officials. Also, municipal-level provision would reduce moral hazards: '[...] regardless of how one regulates and provides for state welfare, one will always face considerable, indeed excessive, costs [...]. It is a fact that most municipalities which are reluctant to expend 100 guilders if it is to be paid from their own exchequer would not deem thousands of guilders to be excessive if, for payment, they could draw on the national exchequer [...]. Government services are always expensive. One sees that everywhere.'³⁷ In 1960, the director of Amsterdam's municipal social welfare department was another who predicted that inherent in the continued collectivization of social welfare was the risk that incentives to limit costs would diminish. In the director's opinion, an appropriate balance had to be found between collective and individual measures, including saving, aimed at welfare.³⁸ In retrospect, it is clear that the costs of social welfare have, indeed, risen enormously and it is not inconceivable that the 1965 General Income Support Act and comparable national schemes contributed to this. It did so not just by

³⁶Smissaert (1893, p. 165).

³⁷Goeman Borgesius et al. (1895, pp. 218–9, 345).

³⁸Van Dam (1960, pp. 274–5).

increasing moral hazards, but also by giving more extensive and expensive welfare entitlements to Dutch citizens, including the right to receive new, costly medical treatment.

For devolution to be cost-effective, municipalities need some autonomy, but if municipalities pay for and make the decision about whom to help and how that should be done, the nature and level of such help will inevitably vary from one municipality to another. As the history of Dutch philanthropy prior to 1965 shows, a wealthy municipality is unlikely to support a poor one, so there are bound to be local variations, and a degree of arbitrariness. A wealthy community might be more willing to offer support than a poor community; indeed, wealthy communities might well be better off because they contain a higher proportion of well-to-do residents and fewer poor people. There is a risk, then, that the level of support might be highest in those communities that actually have the least need for such support and least forthcoming in those municipalities in which it is most needed.³⁹ Furthermore, there is the risk that some communities will try to evade costs by making it difficult for newcomers in need to reside within their borders—a problem that characterized Dutch poor relief up until the 1965 General Income Support Act. One hopes that these particular effects of the Disabled Persons (Participation) Act will be studied in due course, and, if need be, its adverse consequences alleviated.

There have been earlier attempts to shift part of the welfare burden back onto the family.⁴⁰ The Dutch Civil Code of the early nineteenth century was certainly generous in making provision for assistance to others. Parents and children, grandparents and grandchildren, and even stepchildren were obliged to support one another. The 1912 Poor Law made that obligation statutory when it stipulated that in the event of indigence, help should first be sought from one's family and then from church or denominational bodies. State agencies were required to help only as a last resort. To discipline those citizens who had conveniently forgotten their obligations, the authorities might agree to pay an allowance and then reclaim that from other family members. The problem, of course, was on

³⁹ Van Leeuwen (2013).

⁴⁰ See de Regt (1993), and Bulder (1993, Appendix 3) for the 1954 guidelines.

which family members should the burden of assistance be placed? How much should be paid, and how? From 1940, there were national guidelines on how much family members were entitled to, with the amount varying depending on earnings and the size of the family. In Amsterdam, from 1912 to 1945, the obligation to provide assistance was enforced more often than in later years. After the Second World War, the tradition of claiming support from grandparents or grandchildren came to an end, even though the amounts and numbers involved at the time were not inconsiderable. Just as this attempt to diminish the role of the collectivity and to increase that of the family was so unsuccessful that it has been virtually eradicated from our collective memory, it remains to be seen whether current attempts under the Disabled Persons (Participation) Act to achieve something similar will be successful.⁴¹

The role of friends, neighbours, and family in supporting those in need might indeed have diminished somewhat with the rise of the welfare state, and the Disabled Persons (Participation) Act might have the effect of increasing their role again. However, the idea that there has ever been a Golden Age of unbridled help on offer from family and neighbours instead of the community at large is a myth, or at least it has been for the past five centuries. The exigencies of modern life, with small nuclear families working in a modern market economy, simply do not permit family and neighbours to help out much, and certainly not for extended periods, save in exceptional cases and even then often at considerable cost to those family members helping.⁴²

Would a return to the situation in the centuries before 1965, to philanthropy, be an alternative solution to the retreat of the welfare state? For centuries, the needy in a Dutch community were helped by church charities and by non-ecclesiastical relief agencies (which, although connected to a municipality, were in principle autonomous bodies, with their own funds and their own co-opting board). The 1965 General Income Support Act ended this and many church relief agencies turned to the poor in third world countries. In the 1980s, it became clear that

⁴¹ The Dutch are currently sceptical. See the *Achmea solidariteitsmonitor* 2015.

⁴² See the various publications on informal care by the Netherlands Institute for Social Research, <http://www.scp.nl>.

there were still poor people living on Dutch soil. By organizing conferences, the churches played an important role in making people aware that the problem of poverty had not been eradicated, as we have seen in the introduction to this chapter.⁴³ The 1987 conference referred to there galvanized dissatisfaction within society on the issue of poverty in the Netherlands—as, incidentally, a report by the Anglican Church had done for Britain two years before.⁴⁴ In the years that followed, hundreds of meetings were held throughout the country, newspaper articles appeared, political initiatives were taken, and inquiries held. New charitable activities flourished in response to the ‘new’ poverty. Many traditional institutions gained a new lease of life and restarted their work after a period of inactivity. Over the past decade, more and more people have turned to church-based social welfare for help, despite the fact that more and more Dutchmen no longer attend church.⁴⁵ To certain groups—immigrants legally residing in the Netherlands, for instance—such help is invaluable. The role of Dutch philanthropy in caring for those in need may increase in the years to come, but even the great philanthropic foundations will be unable to assume the role of the enormous Dutch welfare state—nor do philanthropic organizations aspire to such a role, certainly not, in this day and age of secularization, church-based organizations.

Thus, while the scaling back of the Dutch welfare state opens up the prospect of a greater role for private philanthropy and family members, it is unlikely that they will be able to compensate for the loss of the former. There is still room for forms of mutual insurance, such as that provided by the bread funds, especially since bread funds are still very small numerically. No single solution to the current retreat of the welfare state is likely to be wholly adequate. The full gamut of the mixed economy of welfare might very well be needed, a situation that had existed for centuries, except during the short-lived interlude while the Dutch welfare state was

⁴³ See van Leeuwen (1998b).

⁴⁴ <https://www.churchofengland.org/our-views/home-and-community-affairs/community-urban-affairs/urban-affairs/faith-in-the-city.aspx>, last accessed 5 September 2015.

⁴⁵ Holtland (2015). In 2013, Dutch Protestant churches are estimated to have spent some 66 million euros in the Netherlands to support those in need. See <http://www.federatie-diaconie.nl> and <http://www.kerkinactie.nl/over-kerk-in-actie/onze-themas/armoede-in-nederland>, last accessed 14 June 2015.

at its peak. Of course, the precise ‘mix’ will not be the same as before, one reason being the decline in the number of Dutch men and women who support ecclesiastical philanthropy or who are members of a trade union. The appropriate mix for contemporary society will have to be found time and again. With any alternatives, however, problems of moral hazard and adverse selection will need to be kept in check by means of ever-changing local solutions that not only admonish free-riders and fakers without discouraging genuine claims, but also provide sufficient selective incentives for individuals to begin and continue to co-operate.

The availability of more information on the past and present behaviour of participants certainly helps.⁴⁶ More information may be found in the big data that the state, municipalities, social media, commercial insurers, and some major companies now demand from us, and about us; data that are already being used to counter insurance risks. Commercial Dutch insurers actively check their records for indications that clients, or doctors and hospitals, are defrauding them or submitting excessive claims. The Dutch state does something similar, linking tax records to records on property, or on car use. That certainly is one way ‘forward’. But perhaps there is another way. The question becomes one of how to encourage the growth of mutual insurance and to permit it to recover some or much of its former role in the mixed economy of welfare without such upscaling weakening its preconditions. Devolving its organization to small local groups does generally make co-operation easier to achieve; it has long been a basic principle of Dutch philanthropy and is the aim of the 2015 Disabled Persons (Participation) Act. The same thing has also been an age-old tenet of micro-insurance in the Netherlands, as we have seen. But what will its twenty-first-century incarnation need to look like if it is to be successful? One option could be for mutual insurance to consider recent developments in the sharing economy and possibly borrow some of its tools to achieve co-operation and use social media to distribute information on local bread funds and their members.

One fascinating development seen in recent decades is the rise of the sharing economy. Because it is so fluid and inchoate, much about it is still unclear. There is no real consensus even over its definition. It includes

⁴⁶Axelrod (1984, pp. 124–41).

sharing cars, bikes, taxis, houses, and many other goods and services, such as hammers and ladders, usually through a website or smartphone app. It can be described as one peer giving temporary access to a good they own, or providing a service, to another peer, sometimes free of charge, sometimes for a modest payment to cover costs, and sometimes with a view to making a profit. In some cases there is an organization, commercial or non-commercial, interposed between the lender and the borrower. Peerby enables parties to contact one another directly for the purpose of borrowing things from other users in their neighbourhood. Peerby hopes, but does not require, that borrowers also become lenders. With BlaBlaCar you can get a seat in a car for a long-distance ride, with the driver receiving a modest remuneration to cover costs. Uber helps users find a cheap taxi, while UberPOP—illegal in most European countries at present—links drivers with passengers looking to share a ride for a certain price.⁴⁷ The question that concerns us here is whether the rise of organizations like Uber is a real form of sharing, or just a newer reincarnation of a for-profit firm. And possibly one that might not only undermine ‘licensed traders’ but also encourage the growth of undeclared income, and thus reduce local tax bases.

The sharing economy has diverse organizational forms, with marked differences between for-profit and not-for-profit initiatives, and some having a large organization interposed between the provider and the user. In some of its manifestations, the sharing resembles the sharing of resources between neighbours, a phenomenon seen since time immemorial. In other manifestations, it bears the hallmarks of a highly commercial undertaking making innovative use of modern internet or phone-based communication tools. Sometimes companies rooted in the traditional economy buy up their more innovative competitors in the sharing economy. Quite possibly, we will see a shake-out in the next few years, with many sharing groups either scaling up to become very large organizations that might be subsumed within global companies—or becoming global companies themselves—or remaining relatively small grass-roots initiatives. If the forms of sharing initiatives are as yet unclear, so, too, are their

⁴⁷ See <https://www.blablacar.nl>; <http://en.velib.paris.fr>; www.uber.com; <https://www.peerby.com>; <https://www.airbnb.com/>; all last accessed 6 June 2015.

social consequences. They might foster co-operation and reduce inefficiency in terms of use—of cars for instance, thus lowering environmental costs. Equally, they might actually increase those costs as more people start to use cars because car use has become cheaper. These initiatives might lead to work being shared with those who would otherwise not have had work. They might also lead to regulated work and remuneration being substituted by a series of unregulated low paid ad hoc tasks.

Interestingly, almost all these sharing initiatives involve the use of a website for communication purposes, as does the bread fund. They use such websites to create trust too. For trust is almost always a prerequisite for mutual aid. Guilds and trade unions had their own ways of creating trust. In no small measure because they were rooted in conviviality, members were familiar with and had considerable knowledge of one another. There were high costs to breaching that trust. That trust was supported, too, by both internal rules and regulations and by support from external, civic, authorities. The same was true of the friendly societies. In the case of informal mutual aid by neighbours, trust was rooted, too, in cordial relations and in-depth knowledge. The sharing economy is different in that respect, as it organizes services between people who, as a rule, do not know each other. So how is the trust created that the service will actually be provided or that an item of appropriate quality will actually be lent?

Some providers invite user ratings or recommendations (and sometimes also invite users to be rated, as providers also want to know how trustworthy users are). Many rely on reputation effects. If the service provided was of an unsatisfactory quality or an item that had been borrowed returned in poor condition, the online community (and, when the sharing is neighbourhood-based, the real-life community) can quickly be informed, at virtually no cost. Non-profit-based sharing can thus suffer from the free-rider problem. This can be mitigated using reputation effects or by formalizing exchange by requiring borrowers to lend as much as they borrow.

At present, few of these sharing initiatives cover the risks traditionally covered by Dutch micro-insurers in the past. By definition, they do not provide income support, but they could possibly evolve to provide goods and services to those who are underemployed or unemployed, and to those who are ill or disabled. In fact, there are parts of the sharing

economy that link those looking for work with those offering it (as in the UberPOP example mentioned earlier), and examples of initiatives to help those with special needs.⁴⁸ And there are internet-based initiatives to facilitate sharing time and skills among urban inhabitants. A few Dutch websites now exist to match people who need help—because, for example, they are ill and need someone to do their shopping for them, to clean their house, to help in dealing with various Dutch bureaucracies, or who simply need companionship—to those individuals wanting to give a helping hand.⁴⁹ Similar initiatives can be seen in other Western countries.⁵⁰ As yet, these sharing initiatives constitute just a minor part of the sharing economy and not yet a real alternative for micro-insurance, but the world is changing rapidly. In today's world, when governments and companies are trying to cut welfare costs by passing these on to individuals, we might at least be able to benefit from considering whether certain sharing initiatives could grow into modern forms of mutualism that can alleviate our individual burdens.

5 Conclusion

After the decline in union micro-insurance in the second half of the twentieth century, the mixed economy of welfare initially became less mixed than it had been. Non-union micro-insurance certainly did not die out—one of the micro burial insurers still in business today dates from the early 1700s—but many burial insurers either wound down or were absorbed by commercial insurers.⁵¹ By the 1960s, state-run social

⁴⁸ See, for example, <http://sociaalplanbureaugroningen.nl/news/zorgcooperaties> and <http://www.noaber.com/>, last accessed 14 June 2015.

⁴⁹ See <https://zorgvoorelkaar.com> and <http://www.wehelpen.nl>, last accessed 23 October 2015. I owe this reference to Rense Corten.

⁵⁰ Such as *Stadinaikapankki*, where inhabitants of Helsinki exchange their time and services. See <https://stadinaikapankki.wordpress.com/in-english/helsinki-timebanks-abc/>, last accessed 9 October 2015. I owe this reference to Martijn Arets.

⁵¹ The conversion of Dutch mutuals to for-profit firms, especially in the 1980s, seems to have been driven by the need to acquire capital for foreign expansion, capital that could be more easily attracted through shares than through loans. However, the trend towards conversion started much earlier, as the history of *Let op Uw Einde* given in Chap. 3 shows.

security had basically taken over most forms of insurance against illness, industrial accidents, old age, and widowhood, and also provided a means-tested general allowance scheme. By 1965, a means-tested general allowance scheme effectively also ended the major role played by Dutch charity, mostly church-based, in sustaining the welfare of Dutch citizens. Health and burial insurers with a mutual background continue to exist today. In the case of health insurance, though, most have become more or less impossible to distinguish from commercial insurers. All this is to say that not even in its heyday had the Dutch welfare state excluded all other welfare providers. Many commercial and some mutual insurers continued to exist, Dutch charities recovered and simply spent their income on other collective goods, within the Netherlands on nature conservation, and on sports and other leisure activities, for example, and outside it supporting, for example, African micro-insurance schemes.

In recent decades, the mixed economy of welfare has again become more mixed. The Dutch welfare state has been in retreat, partly because of its cost—as discussed earlier—but also because the political climate began to favour neo-liberalism. That change was predated by a change in public opinion, after a number of publications appeared claiming that the instruments available to the state to counter moral hazards were too weak and that, as a result, many individuals claiming benefits were not actually entitled to them. In some cases, workers' and employers' organizations had colluded to shift the burden of restructuring and layoffs from employees and employers to the public at large. The past few decades have seen a prolonged and painful process in which expenditure on state welfare has been cut in many ways, including making the public bear more of the costs directly, for instance, through the commercialization of health insurance and by increasing the level of own risk.

As a result, the old thread of micro-insurance that had worn rather thin in the Netherlands is now slightly thicker. For a modest premium, bread funds offer an allowance for up to two years in the event of illness for the ever-growing army of self-employed. Interestingly, the premiums are lower than those charged by commercial insurers, because the number of contributors is small, the organizational structure is transparent, and members know one another, which can be presumed to help counter moral hazards. As in the past, groups of individuals usually with shared

characteristics, notably place of residence and type of work, collaborate to organize their own insurance schemes in a still relatively rich Western country like the Netherlands, as they do in many African and Asian countries. Interestingly, those participating in the Dutch bread funds are among the more social and idealistic of the self-employed. In addition to the bread funds being characterized by more traditional measures, such as co-optation and reputation effects, their members add a dose of conviviality and trust that makes organizing a mutuality easier.

How much more scope there is for micro-insurance today will vary according to place and depend on future developments not easy to foresee. Micro-insurance can be scaled up in a variety of ways, notably through more top-down initiatives and through subsidies (as in the case of PharmAccess) and by rekindling the mutual schemes (formally still in existence in the Netherlands), as well as by expanding existing schemes to cover new ground (starting, for example, from the traditional burial schemes in non-Western countries). It can also be scaled up in a more grass-roots fashion, as in the case of the bread funds, and perhaps by incorporating certain new initiatives from the sharing economy. Interestingly, the bread funds can be seen as micro-insurers with a sociability component. They not only attract individuals who attach greater value to sociability, they also organize meetings that are also social events. Their sociability, in combination with their small scale and the use of internet-based resources, has once again given rise to a form of insurance that has particular influence over its members, owing not so much to the force of inspection as to the volition of those members.

6

Principles and Practices of Mutual Insurance, 1550–2015

Abstract This chapter summarizes the track record of mutual insurance from 1550 to the present. We ask: *How did micro-insurance work? Why did it work? Under what conditions can it still work today?* In answering these questions we consider issues of continuity and discontinuity over the centuries, determinants and preconditions of mutual insurance, past and present, as well as the consequences for those covered and for society at large. We argue that it is wasteful to allow the tradition of mutualism to be lost without adequate recognition of its past importance (flaws included), careful consideration of its present performance (even if limited), and an imaginative assessment of what we might make of it today, and in the future.

1 Introduction

When Hermanus Verbeeck, ‘our early modern man’, whose fate we described in Chap. 2, became ill, he could depend on mutual insurance provided by a guild that, as an artisan, he had been obliged to join. His

story took place long after micro-insurance began in the Netherlands. In the late Middle Ages, a tradition of micro-insurance emerged that, even if much diminished, continues to this day. Having seen how mutualism has developed and changed over the past 500 years, it is now time to answer the questions we set in Chap. 1. How did micro-insurance work? Why did it work? Can it still work today?

To answer these questions we will begin by considering the degree of continuity between the various incarnations of mutual insurance across the periods covered by each chapter in this book.

2 Continuity or Discontinuity?

At the start of the twentieth century, E. M. A. Timmer, a Dutch historian working on journeymen's boxes, posited a direct line between guild insurance in the Golden Age and insurance in his time.¹ At the end of the twentieth century, this claim received further support from another Dutch historian working on the broader theme of labour organization in general, Jan Lucassen, though it was subsequently contested. We are now in a position to consider whether a continuous line ran from the mutual insurance of the sixteenth century to that of today.

Timmer and Lucassen based their claims for continuity on the following arguments. First, a minority of guilds continued to exist after 1820, notably those in the public sector, such as the porters' and weighers' guilds.² Secondly, although most guilds had been abolished, in a number of instances their insurance funds continued to provide allowances to former guild members, their widows, and children. In 1877, there were still some 180 such funds with a sizeable capital.³ Thirdly, the earliest trade unions were established by those types of artisans who had been organized in guilds.⁴ However, another historian, Altena, has disputed

¹ One of Timmer's theses, adduced in his Ph.D. (Timmer, 1913), was that the 'Dutch funds were an extension of the guild system'.

² Lucassen (1991, p. 32).

³ They owned government bonds worth three million guilders. Wiskerke (1938, pp. 233–4) and Lucassen (1991, pp. 30–1).

⁴ Lucassen (1991, pp. 32–4, 54, note 111), with a reference to Timmer (1913, pp. 157–60).

the claims of Lucassen and Timmer, pointing to evidence for discontinuity in the small town of Dordrecht.⁵ The data now at our disposal will enable us to evaluate these claims and counterclaims.

Bos, whose guild data we analysed in Chap. 2, provides documented examples of guild funds surviving after 1820. The first example she gives relates to the Amsterdam shipwrights' guild, which was liquidated in 1820 but which continued to make payments from its assets to former guild members and their widows and children, and even to shipwrights who had never been guild members, their widows, and children.⁶ Indeed, widows and children continued to receive an allowance as late as 1919. Even in 1980, interest on the former capital of the guilds was still being used to provide support, though by then the recipients were Amsterdam's needy in general rather than descendants of the shipwrights. Interestingly, in 1869, within living memory of the dissolution of the guilds in 1820, Amsterdam's shipwrights formed a new trade union, which continued to provide mutual insurance until 1914. As artisan occupations were then still to a large extent passed down from father to son, it is likely that in a fair number of cases the members of the shipwrights' micro-insurance scheme in the late nineteenth and early twentieth centuries were descendants of those Amsterdam shipwrights who had been members of the shipwrights' guild in the Golden Age. The Amsterdam peat porters' guild—the second example given by Bos—was one of the guilds permitted to continue until 1859, and all peat porters had to be members. After 1859, the peat porters lost their monopoly but reorganized without compulsory membership. This is an example of direct continuity in membership, organizational capacity, and probably also funds, from which the new association continued to pay allowances to ill members until it was transformed into a burial fund at some date between 1884 and 1908. It continued to pay allowances to former peat porters and their

⁵ Altena (1996) does note that guilds for public-sector work continued to exist and that both they and the former guilds continued to make disbursements, but he believes these allowances were relatively insignificant. He sees no direct link between guild funds and local trade union funds. Furthermore, he stresses the point that the new, often national, trade unions of the second half of the nineteenth century were different in their working-class membership from the local artisan unions of the first half of the century, a point incidentally also stressed by Lucassen (1991).

⁶ Bos (1998a, pp. 107–9 (shipwrights' guild), pp. 131–3 (peat porters' guild)).

descendants until at least 1937. As late as 1980, this former guild fund was still making disbursements to the poor in general from a still sizeable capital. There are a few other documented cases of continuity, in addition to these examples.⁷

Are the instances of continuity exceptions or the rule? The guild database analysed in Chap. 2 shows that of the 390 guild and journeymen funds that provided a form of mutual insurance in 1811, 282 were still active in 1825, 185 in 1850, 130 in 1875, 78 in 1895, and 32 in 1925.⁸ The few documented cases of continuity noted were thus far from being exceptions. There were many such examples, providing allowances to former members. Moreover, the former guild funds formed an ‘institutional buffer’ in which expertise concerning mutual insurance was encapsulated in the form of regulations, administration, experience, meetings, and social events.⁹

Having observed a degree of continuity in micro-insurance by looking at the post-abolition life of the guild funds, we will now approach the issue from the other direction, by looking at the origin of nineteenth-century friendly societies and trade union funds.¹⁰ In the first few decades of the nineteenth century, about half of Dutch friendly societies were still organized on an occupational basis, like the guilds, while the other half were general in nature, open to everyone (at least according to the rules and regulations, though in practice some might still have been populated mainly by members of the same occupational group). Over the course of the century, the relative importance of the general societies in terms

⁷The *Leydsche Gerechtigheyd*, a general fund based in Leiden, was founded in 1719. It was converted into a burial fund in the nineteenth century and continued to exist until at least 1890. See Bos (1998a, p. 238). Van Genabeek (1998b, p. 323) gives examples of former guild mutuals that became mutuals open to all. Insurance funds operated by several former guilds in Nijmegen with a sizeable capital continued to provide allowances to former members and their descendants until 1940, and even later. One fund continued until 1972, presumably for Nijmegen’s poor generally. See Janssen et al. (2015).

⁸Calculated on the basis of Sandra Bos’s *Bussen* database, discussed in Chap. 2. One can assume that for 1811, this *Bussen* database was more or less comprehensive. See Chap. 2 as well as van Genabeek (1998b, p. 323, esp. note 10). In addition, in the case of a very few funds, we know they were converted into or absorbed by another insurer or savings bank.

⁹Journemen’s boxes regularly copied one another’s regulations. For example, the regulations of Utrecht’s journeymen bricklayers in 1741 were copied from those of the journeymen carpenters drawn up in 1730. See Bos (1998a, p. 176).

¹⁰Based on van Genabeek (1998b, p. 318).

of numbers increased to about three-quarters in 1860, before declining again to just over half by 1890. This reversal was caused not by the guild-like local societies increasing their market share; their share continued to decline, to about 10% in the final decades of the century. It was caused by the rise of local branches of national trade unions offering micro-insurance.¹¹ These data demonstrate the continuation, but also decline, of local, artisanal, middle-class, occupational micro-insurance and, at the same time, the rise of national working-class occupational micro-insurance. They show that throughout the nineteenth century, traditional guild-style micro-insurance co-existed alongside micro-insurance that, at least in theory, was accessible to the public at large, while in the final decades of the century, occupational micro-insurance expanded again. This, too, suggests a real measure of continuity in micro-insurance from the early modern period to the modern era, at least from an institutional perspective.¹² But was it equally true when viewed from the perspective of members?

There exists only one detailed study of continuity between an early modern guild and that of a nineteenth-century association for the same occupational group, namely that of goldsmiths and silversmiths in the small town of Schoonhoven. All the new association's initial 11 administrators had parents working as goldsmiths or silversmiths, 10 of them in the same town. Of those 10, 6 had fathers and grandfathers who had been guild members. From its origin in 1863 until 1895, the association had a sickness fund. In this case, therefore, there is continuity at the level of families between a guild fund and a friendly society within the same occupational group.¹³

¹¹This, in turn, was connected with the transition from local trade unions of mostly artisans to national unions, first also of artisans and later of other workers. See Lucassen (1991). Such a transition also occurred in other European countries. See Lenger (1991) and Chase (2000).

¹²This might hold true for countries other than the Netherlands as well. Gorsky (1998a, pp. 306–7) stresses the similarities between the first British friendly societies and guilds with regard to governance, social control, sociability, funeral, and other rituals. Cordery (2003, p. 17) notes that British friendly societies copied guild models (although some also invented guild origins). The oldest mutual benefit societies in Britain appear to have been founded by Huguenot refugees from France, who will have been familiar with the guild tradition of mutual help. See Cordery (2003, pp. 20–1) and Beveridge (2015 [1948], p. 23).

¹³Kappers and Luijt (1999). I owe this reference to Jan Lucassen.

But what about continuity between friendly societies and trade union funds? The example given in Chap. 4 of the Amsterdam printers' union founded in 1861 made clear that, even from an early date, trade unions were interested in micro-insurance. This interest is illustrated, too, by the case of the Amsterdam carpenters' union, which was inspired to adopt burial insurance after, in 1866, some of its members had observed a funeral procession attended by members of another union wishing to pay their last respects to a colleague.¹⁴

Van Genabeek notes that the local trade union funds set up in the 1850s and 1860s looked not only at the rules and regulations of guild funds but also adopted the same funeral rituals and the use of banners and ceremonial shields. He thought it also probable that the members and administrators of friendly societies played a key role in setting up trade union funds.¹⁵ Such continuity at a personal level is difficult to confirm in the absence of detailed case studies, but given the considerable temporal overlap between guild funds, friendly societies, and trade union funds, and the fact that some of these mutuals organized the same artisans in the same place while using the same symbols, it is more than a distinct possibility. Also, because shops and workplaces were often handed down from generation to generation, it would be surprising if among the typographers in a certain town who had joined a trade union there were not at least a few whose grandfathers had been a member of a guild and whose fathers were members of a friendly society.

Did the first modern, that is national, trade unions have their roots in the insurance funds of local trade unions formed by artisans who had had a long history of guild-based micro-insurance funds? After all, they arose at a time when not only the dissolution of most guild funds could still be remembered, but also when many of the insurance schemes of former guilds were still in operation.¹⁶ In 1874, the first national carpenters' union was created with the amalgamation of an Amsterdam and a Rotterdam union of carpenters. The Amsterdam union had been

¹⁴ See Chap. 3 and Bos (2001, p. 84).

¹⁵ Van Genabeek (1999, pp. 309–10). He also believed that there were hardly any friendly societies that became trade union organizations. New research discussed in the following makes clear that there were.

¹⁶ See Hoekman and Houkes (2015, pp. 47–9).

founded in 1865 and originally operated only as a sickness fund and not as a trade union. The first national union of furniture makers originated in 1871 following the amalgamation of eight local unions, the oldest of which, too, had begun as a sickness fund in Amsterdam. Thus, of the four national unions in existence in 1869 at least three—the carpenters, the furniture makers, and the typographers—had their roots in health and burial insurance.

Taking stock, we note the following. Only a generation separated the formal end of the guilds and the creation of the first local trade union funds. That relatively brief intervening period saw the continued operation of the funds of both those guilds in the public sector that continued to exist and those guilds that had been abolished but which continued to pay out allowances, and of which the fathers and grandfathers of the later trade unionists had been members, while some of the fathers were also organized into occupationally based mutual schemes. These funds were well known and can be regarded as guiding beacons for the new friendly societies with regard to rules and regulations, boards of management, management culture, and all that it takes to safeguard a reputation for providing allowances. Not only did the first national trade unions have a mutual fund, as far as we can tell, the modern, national trade unions were more often than not the result of an amalgamation of local, artisan unions, of which at least one had originated not as a union but as a mutual health or burial fund. There was clearly continuity in the culture of the mutual schemes. Organized workers were aware of this and endeavoured to foster this continuity.

After the demise of the trade union funds, the tradition of mutualism waned significantly due to the expansion of the welfare state. However, the notion of workers' self-organization continued to exist in the collective memory of the Dutch. After all, trade unions did not disappear, they merely declined in terms of membership. Mutual health insurance schemes continue to exist even today, though between 1940 and 2006 they were part and parcel of the state health insurance system and one would have to dig very deep to uncover their mutualist origins. Perhaps not surprisingly, then, the youngest generation of Dutch men and women have grown up with only a vague memory of the venerable tradition of mutual insurance that protected so many of their predecessors.

3 How Did Mutual Insurance Work?

Having established the existence of a web of threads linking early modern and modern Dutch micro-insurance, we will summarize the findings of previous chapters on how this micro-insurance actually worked. In doing so, we will attempt to answer the questions posed in Chap. 1: What risks did micro-insurance cover between 1550 and 2015? How has it been organized in the course of time, and who provided it? What were the coverage, contributions, benefit levels, and conditions?

From the late Middle Ages, Dutch guildsmen kept a vigil at a brother's sickbed, attended his funeral, carried his coffin, and sometimes distributed alms. In the course of the sixteenth century, these rituals began to be formalized in micro-insurance schemes, though only in a minority of cases. Most guilds did not offer formal insurance; only the larger guilds did. This still meant that a large proportion of the male labour force was insured, certainly in the cities in the west of the country. The earliest Dutch health insurance funds were for those engaged in basic crafts and trades, and most were located in Amsterdam. These guilds were relatively large. A certain number of craftsmen were apparently needed to justify the effort of setting up a separate box and of recruiting administrators. As time passed, their numbers grew, with at least 354 mutual schemes in existence in 1795, mostly operated by guilds, although from the mid-eighteenth century there were also mutual schemes open to all. Most were burial schemes, but there were also a large number of mutual schemes providing sickness benefit.

From the mid-seventeenth century, insured guild members normally received two to three guilders for each week that they were sick. This provided them with a third to a half of normal earnings, just enough to enable the insured and their families to survive. Guild allowances were two to three times higher than poor relief, but they were generally shorter in duration, and if the coffers of the guild were empty this could mean either new sick guild members not receiving anything or all allowances being reduced, provided the majority of guild members agreed. Often guild members were co-insured for burial costs as well and sometimes also for a widow's pension, or, much more rarely, for an old age pension. A master or journeyman could have multiple risks insured for just a few

percent of his income.¹⁷ This sounds like a good deal and it was, in fact, for those who could join.

Guilds and their funds generally flourished during the eighteenth century, but attempts were made to abolish them in the wake of the French Revolution. In 1820, they were finally dissolved, save for those in the public sector, although their funds continued to pay benefits to members and former members and their relatives until the beginning of the next century, as we saw in the previous section. One may assume that this diminished the coverage of micro-insurance among the Dutch—we cannot tell for certain as we do not have reliable estimates of membership rates for the eighteenth century, but, if so, this diminution did not last long. Burial insurance schemes run by friendly societies—on a voluntary basis—expanded rapidly. Initially covering just a few percent, they eventually covered most of the population by the close of the nineteenth century, losing ground to commercial insurers soon after. Health insurance grew in the nineteenth century, most notably through factory funds and doctors' funds. By the end of the nineteenth century, insurers paid the medical bills of one-sixth of all Dutchmen when they were ill. They also compensated 1 in 12 workers for loss of earnings. Health insurance subsequently continued to grow. National legislation in 1940 making health insurance compulsory did not actually raise rates of coverage much: a similar proportion of the population was already insured under voluntary schemes.

As in the case of guild schemes, the contributions paid to friendly societies formed a very modest percentage of wages. The levels of sickness benefit paid by those societies were insufficient to replace normal wages, but they were, again, much higher than poor relief: slashing income by half will have brought hardship to the members, but it avoided the misery and loss of dignity that poor relief could imply. Like the guilds, friendly societies did not cover certain groups, notably those who could not pay the premiums or who lived in places without a micro-insurer. They thus did not cater for the bottom of the male labour market and were, as far as we can tell, underrepresented among women and those working the land, although the enormous growth in coverage during the nineteenth century must have lessened this problem.

¹⁷As was the case with British friendly societies too. See Cordery (2003, p. 75).

National trade unions, too, were weak among these groups, but they did manage to protect many male industrial workers, notably in the event of strikes and unemployment—arguably their core business—but also by providing sickness benefits, an allowance to cover burial costs, and, on a minor scale, benefits to cover a host of other misfortunes (including travel money, something Dutch guilds had never done). Their peak was in the first half of the twentieth century. The onset of state insurance had already tempted away the insured, but once health insurance had become mandatory in 1940 and state unemployment insurance had become compulsory after the Second World War, trade unions effectively stopped being micro-insurers, save mainly with regard to covering legal costs in the event of a labour conflict. During the first few decades of the twentieth century, they offered a kind of protection similar to that provided by their predecessors in terms of allowances as a proportion of wages or as a multiple of poor relief, though, again, for a shorter period and at a low cost. The success of the welfare state was in part a success of the unions, but it also effectively ended their insurance role.

Micro-insurance did not, though, die out completely in the Netherlands. Mutual burial insurers continue to operate even today, although many of the Dutch are now either insured through commercial insurers or put money aside to cover their funeral costs. In addition, since 2006, all the Dutch have had mandatory health insurance through commercial insurers. Though some of those insurers have their roots in mutualism, only a historian or a lawyer would be able to recognize the difference between these and more conventional commercial insurers. In recent decades, the growth in the number of self-employed who are not covered by social insurance has prompted a modest but significant revival in mutualism, and at a relatively low cost compared with premiums of commercial insurers.

4 Consequences of Mutualism

Before the welfare state, mutuals provided low-cost security for the common risks of life for their members, originally a small proportion of the labour force but rising to comprise a large proportion by the beginning

of the twentieth century. For a modest period (generally shorter than the help offered either by state welfare or poor relief), they helped the insured to overcome bad times. This was not only a great comfort during such times, it must also have been reassuring during good times. Of course, some of the families who had joined a mutual could have saved instead, using their savings as a buffer if need be. However, prior to the nineteenth century, savings banks did not really exist. Furthermore, mutualism has the advantage of sharing risks: if illness hits you when you have just started to save, that is bad luck, but if illness hits when you have been a member of a mutual for say a year, there is at least some good fortune to compensate for that bad luck.

For society as a whole, mutualism not only alleviated some of the collective suffering due to loss of welfare, and some of the social antagonisms this might have caused, it also freed up money for either investment (in educating one's children, for example) or consumption, both of which can be considered social gains. The sense of being provided with security by a mutual may also have allowed some members to take more risk than they would otherwise have—to have a more entrepreneurial spirit—and this, too, can be regarded as a social gain.

The self-organization of the middle and working classes in mutuals raised not just welfare, it also raised self-esteem, both individually and collectively. It arguably helped to incorporate the middle and working classes in a society that, up until the introduction of universal suffrage, was undemocratic in the modern sense of the word. Guilds and their funds served to assure artisans and journeymen (and sometimes even those working in proletarian occupations, such as porters), who bore the brunt of taxation, that their concerns would be taken into account by the elites who governed their cities. With their micro-insurance, guilds can be seen as a form of compensation for the political influence denied to the middle classes under the prevailing political regime, in the same way that poor relief was provided for the working poor. Despite the formal dissolution of the guilds, not all of this suddenly disappeared: public-sector guilds continued until the mid-nineteenth century; other guilds continued as friendly societies for the same occupational group they had served before. Very many guild boxes continued to operate well into the twentieth century, helping former guild members and their families, who

could join friendly societies. In that sense, the integration of the middle classes continued. The protective shield of micro-insurance broadened as the nineteenth century progressed. More and more ordinary workers and their families were tied to the social fabric of the modern era through micro-insurance, just as the middle classes had been in the early modern era. After the mid-nineteenth century, the elite oligarchy that characterized political life in early modern municipalities gave way to a degree of political representation by the middle classes in the wake of the introduction of wealth-based voting rights. Workers continued to be excluded from the polity until the introduction of universal male suffrage in the Netherlands in 1917 and universal female suffrage in 1918, not long after the first social security legislation had been passed by parliament. All in all, friendly societies can be said to have helped integrate both workers and the middle classes into Dutch society.

Mutualism also developed organizational experience in insurance matters, which was put to good use in later social security legislation. Indeed, one might reasonably ask to what end this organizational experience was put. In particular, we might consider the question whether the hundreds of micro-insurers that existed at one time or another can be considered proto-bureaucracies. Can we indeed regard the growth of mutualism that occurred between the sixteenth century and the first half of the twentieth century as a special case of bureaucratization? If we can, this makes a stronger case for considering the organizational experience of mutualism as a breeding ground for democracy as we know it today.

Since Max Weber's research in the 1920s, the historical process of bureaucratization in the Western world has been much researched by historians and sociologists.¹⁸ Their definitions of what constitutes bureaucracy are complex and varied, but they share a common focus of continuity, professionalism, goal-orientation, and equity.¹⁹

¹⁸ Weber (1968 [1921]).

¹⁹ In Dutch research, van Braam's criteria (1977) have often been used. See Raadschelders (1990), for example. These criteria comprise a dozen characteristics of the persons involved and eight characteristics of their work. There is no need to adopt van Braam's criteria lock, stock, and barrel. They are not an international standard for measuring bureaucratization—indeed, there is no such standard—and even in the Netherlands, other researchers have used similar, though not identical, criteria. For simplicity's sake, I have tried to stay close to this scheme, while applying it to mutuals.

In a sense, continuity of existence is the most basic criterion. An institution that periodically ceases to exist cannot be said to be bureaucratic. The number of Dutch mutual insurers, however, increased steadily over time—perhaps dipping around the time the guilds were dissolved—until well into the twentieth century, when state welfare began to expand. Mutualism declined considerably after 1945, and especially after the 1960s, but there are still mutual burial and health insurers today, and recently the bread funds started to provide sickness benefits. So on balance, one could argue, Dutch mutualism meets this criterion, though minimally for very recent decades.

The second criterion is professionalism, in the sense of an institution having trained and paid personnel as opposed to volunteers. Not only do the staff need to be equipped to do their job, so, too, does the institution. Guilds, however, were run for and by their members. Their boards comprised unpaid guild members without special training and were supervised only remotely by the town government. The degree of specialization increased somewhat over time, in the sense that different schemes evolved, with little use, though, of life or morbidity tables. Long after these were available, Dutch mutuals continued to rely on past experience as well as simple but shrewd measures to deal with classic insurance problems. This may not have been very professional, but on the whole it worked rather well. The officials were not exactly volunteers—artisans had to be members of a guild—nor were they professionals, but they were not ill-equipped to do the job. Precisely because they knew their colleagues well and were in contact with them, they could cope with the classic insurance problems that bedevilled such schemes otherwise. The officials were amateurs trained on the job. If anything, micro-insurance became more professional over time. The formalization during the sixteenth century of informal assistance in the form of insurance schemes can already be regarded as professionalization. And certainly the books of rules and regulations tended to grow in length. Moreover, in the nineteenth and early twentieth centuries, friendly societies increasingly employed paid personnel; and trade unions, with guidance from the state, tightened up the grey zone of moral hazards by stipulating in detail what constituted a legitimate reason for refusing work and what did not. These mutuals also copied best practices from each other, as the guilds had done before. The

central online portal of the bread funds today, with its FAQ, might have the same effect of professionalizing local schemes. Although the verdict on the guilds—and later trade unions and bread funds—is not clear-cut, it would on balance be an exaggeration to call them unprofessional.

The third criterion is goal-orientation. Does the institution serve primarily to improve the welfare of those men, women, and children it helps? Does it do so at relatively low cost? And does it do so in collaboration with other welfare providers, in the sense that it does not raise the costs unduly? Guild schemes did improve the welfare of masters and journeymen and their families in the event of illness or death. We are very much in the dark concerning the costs of administration, but we do know that the premiums were low.²⁰ At the time the guilds were dissolved, the city authorities argued that dissolution could prove disastrous for civic finances as former guild members would then have to apply for poor relief. The guilds were certainly not abolished because their welfare arrangements were generally financially unsound; quite the contrary, as testified by their sizeable capital. There was a modicum of co-operation with other welfare providers: after enjoying relatively high but short-lived guild entitlements, sick guild members could apply for poor relief. As guilds were local, there was no co-operation with guilds elsewhere, however. A guild member who relocated or who changed guilds lost his entitlement without receiving any compensation. The premiums charged by friendly societies, trade-union schemes, and the bread funds were also low—relative to income and, generally, also compared with those charged by commercial insurers—and here, too, it would be difficult to argue that these forms of mutualism did not contribute to the welfare of their members and their families. Over the past two centuries, the problem of losing entitlement when relocating has diminished for mutual insurance as quite a few mutual schemes became local branches of a federation. Mutuals have been able to overcome this problem, at least partly, as, of course, have commercial insurers and the state.

One could argue, though, that only a small proportion of the premiums was actually spent on the business of insurance, with the bulk being

²⁰It is true, however, that some of the costs of guild micro-insurance were paid by taxpayers in general, raising the true costs above the observable costs.

devoted to festivities. If mutualism were a bureaucracy of sorts, it was at times a somewhat giddy bureaucracy. Members of guilds and trade unions did attach great value to sociability. They sacrificed funds and leisure to organize social events. Indeed, many were initially established for social reasons and only later began providing insurance. While it might appear that every guilder spent on a social event was one less for insurance, one should not forget that micro-insurance was very much part of a wider culture of occupational pride, of a dignified existence in the event of sickness, a dignified funeral, and of conviviality. Conviviality made it easier to organize and maintain a mutual scheme, because such bonding made malingering less easy, as well as cutting the organizational costs of combating moral hazards.²¹ Dutch mutualism did not flourish despite conviviality; it flourished in no small part because of it.

The fourth criterion is equity. Is an institutional arrangement open equally to anyone at risk or does it favour some? Are the rights to claim or continue entitlements arbitrary? Is the level or the duration of benefits fixed? And does a client whose claim has been refused have the right to appeal to an independent body? Guild insurance schemes were open to any guild member who paid premiums, and were, in fact, often mandatory. Entitlement rights and benefits were fixed in the sense of following written regulations or well-established practices. Over time, as we have noted, the printed rules and regulations grew in length. On occasions, a guild member or his widow received benefits over and above those to which they were entitled; and worse, if a flood of claims threatened to deplete the guild's funds, some or all claimants were given less, or even nothing at all. Unequal as this might seem, it reflected a decision on the part of guild members themselves, with a view to keeping guild insurance afloat, and not a wish to make an arbitrary distinction between a likeable

²¹ Hansmann (1996, pp. 27–9, 33 [quote]) points out that even in mutuals with a generally lower incidence of malingering than in for-profit insurance, combating moral hazards still comes at a cost to its members: 'If the problem is that patrons, having information inaccessible to the firm's management, can behave opportunistically toward the firm, then this problem is not completely solved by having the patrons own the firm [in this case, having members own the insurance box]. There remains an incentive for each patron to act opportunistically even as an owner, since he will bear only a small fraction of the costs of his behaviour, while the rest falls on the other patron-owners'. Hechter (1987, p. 123) rightly surmised that having a social club first and an insurance function later will lower these costs.

and a less likeable applicant. A disaffected member could appeal against the guild's decision to the city government, though being part and parcel of a corporatist political economy, the city government and the guilds cannot be regarded as entirely independent of one another. If anything, equity might have been enshrined a little more securely after 1800, as rules and regulations became longer and more detailed. Nonetheless, it remains a tenet of mutual insurance that members can decide to change benefits and conditions to a degree commercial insurers would hesitate to do for fear of being taken to court.

All in all, we can regard Dutch mutuals as proto-bureaucracies, albeit small scale, incomplete in coverage, and having ample scope to interpret rules quite flexibly on occasion.²² State insurance in the first few decades of the twenty-first century is a fully developed bureaucracy: much larger in scale, coverage, and uniformity (at least, it was until the effect of the devolution in 2015 of some important tasks from the state to the municipalities started to be felt). Though far less bureaucratic, mutualism was still a bureaucracy of sorts, rooted in its core values of small scale, sociability, and flexibility. Apart from teaching 'habits of thrift and economy', mutuals had another effect.²³ As a bureaucracy, mutualism can in retrospect be seen as one of the main breeding grounds of what de Tocqueville termed 'social democracy', of the art of preparing and structuring a public debate, forming, expressing, and modifying arguments, persuading or dissuading, and winning an argument or losing it in a dignified way, through participation in local civil organizations.²⁴ This was not only useful for the specific causes debated—and also at times a source of pleasure—it was essential for fostering social movements and for political democracy as we know it today. Mutualism did not play a lone role in this. It came with its siblings of charities, reading clubs, sports clubs, and nature conservation movements, for example, but it was no less important than any of its wider family, and arguably one of the oldest.²⁵

²² This statement leaves undiscussed whether mutuals were more or less bureaucratic than other institutions at the time, such as charities or civic guards, although there is no evidence that they lagged behind.

²³ Thompson (1980, pp. 457–8), de Swaan (1988, p. 144), and Beito (2000, pp. 17–43).

²⁴ De Tocqueville (1961).

²⁵ A point also stressed, for example, by Gosden (1961, pp. 151–4) and Beito (2000).

5 Why Did It Work?

Here we briefly answer the following questions. To what extent, and how, were classic insurance problems such as adverse selection and moral hazards overcome? What position did micro-insurance assume in the mixed economy of welfare?

To begin with the first question, how did mutuals combat classic insurance problems? Guilds dealt with *adverse selection* mostly by making membership of the box mandatory, ensuring both good and bad risks were included. Where membership was voluntary, notably in the case of some journeymen's schemes, there was usually a waiting period of six months, or even a year, in the case of burial insurance to prevent the terminally ill joining and their widows claiming an allowance. *Moral hazards* were limited generally by having a claimant monitored by his brethren, who might visit him at home, but guilds also demanded a doctor's certificate in the case of illness. Benefits could be cancelled where a recipient's lifestyle was deemed the cause of his incapacity. Compulsory co-insurance by imposing a waiting period—often a week in the case of illness—also helped to combat imagined diseases, because part of any income loss would not be compensated. Like later generations of micro-insurers, guilds had one effective, though not necessarily just, option of last resort to deal with many insurance problems: they could, by mutual consent, adjust expenditure to reflect revenue. Though they sometimes paid an allowance to a member even if, strictly speaking, he was not entitled to one, they would not hesitate to cut the number of recipients or benefit levels if their reserves became exhausted. That the guilds could offer insurance at all reflected the privileged relationship between the guilds and town governments under the prevailing political economy. Town governments not only forced craftsmen to join a guild, and a guild fund if one existed, they also sanctioned the guilds' policy of adjusting benefits depending on their financial situation and granted them privileges, such as income from certain taxes and the exploitation of substitutes, which subsidized guild welfare. This backing by the authorities also helped early micro-insurers to establish their credibility and trustworthiness, given the potentially long period between the point at which members paid into the fund and the time they reaped the benefits.

Non-guild micro-insurers had appeared on the scene even before the formal dissolution of most guilds, but the nineteenth century was the golden age of the friendly societies. They were voluntary associations, which meant bad risks could join and good risks could leave. Still, mutuals were not entirely powerless in the face of *adverse selection*, as they could screen before accepting a member and did differentiate in contribution level according to risk category by having older people pay more. Further, they stipulated that they would not pay out if a claim proved to be fraudulent. Of course, friendly societies could, and did, cut benefits with the consent of their members if there were too many bad risks, as sometimes happened when they had an excessive number of elderly members. But lower benefits—or higher contributions—might drive out good risks. This did indeed occur in some cases during epidemics or when the society's membership aged. It could, and did, lead to bankruptcy in a few instances, though on the whole, the nineteenth century saw an enormous growth in mutualism. Like their predecessors and successors, friendly societies were ill-equipped to deal with *correlated risks* in the case of unemployment or ill health, but fortunately the epidemiological transition saw a reduction in the number of epidemics. Solving *moral hazards* often took the form of good monitoring techniques or co-insurance, notably by means of a waiting period. Waiting a few days before members become eligible to claim sickness or unemployment benefits shifts part of the loss and reduces the risk of their imagining ailments or setting excessive demands when considering whether to accept new employment.

Trade unions were particularly well suited to monitoring their members. They generally constituted small, homogeneous groups whose members were in frequent contact with one another, and sociability certainly helped. In that case, monitoring to combat *moral hazards* is generally easier and cheaper than in large, heterogeneous groups whose members meet infrequently and who are not highly dependent on each other. Monitoring may be delegated to experts, such as a doctor or the agent of an unemployment office, but it is generally both cheaper and more effective if participants do this themselves. Of course, members are not professional insurers and may lack a certain routine. They might be pressed for time, as they are unpaid and have to do their monitoring

work in whatever spare time they have. They might also be inclined to tolerate an imaginary ailment of a close colleague or friend a little longer than a civil servant or a commercial insurer would. For most of history, however, these potential flaws have been outweighed by two generic factors. The first is that mutual insurance groups have members who share a certain affinity. It is one thing to claim money from a large commercial insurer whose for-profit directors are not always looked upon kindly, and quite another to claim money from close colleagues, peers, or even friends and family. The social, moral, and labour market costs of malingering were rather high. The second is that the costs of monitoring members are generally much lower due to the existence of the mutual bond of conviviality.

If small homogeneous groups are more favourably positioned to observe and combat moral hazards, why is it that guild and trade union funds, as well as some friendly societies, grew in size as well as number over time? Many Dutch mutuals were not just micro-insurers; they were part of a bigger movement. Initially, guilds were, indeed, generally relatively small and homogeneous groups. However, over time, the number of guild members generally increased. Guild mutualism might have been encouraged by the guilds expanding to beyond the minimum threshold needed to make formalization of assistance worthwhile, but it might also have been weakened when those guilds continued to grow beyond a maximum threshold. As guilds in the eighteenth century had, in some cases, amassed a sizeable capital, in part due to their privileged and subsidized position within the political economy of the day, growth in size might, incidentally, not have been a great problem financially. The same process may have been at work with friendly societies and trade union funds. The growth of mutualism meant either that the size of a local micro-insurer increased—weakening monitoring capacity—or that mutualism emerged in new places without such a tradition—in which case one could surmise that monitoring would also be more difficult than in places where there had been a venerable tradition, which lowered monitoring costs. In any case, it seems that the cost advantage that mutuals had over commercial parties declined over the course of the nineteenth century, just as mutualism increased.

A similar cycle was at work for trade union funds. The singular capacity of unions to combat adverse selection and moral hazards, and thereby to lower expenditure, had indeed been an important reason both why they could offer unemployment insurance (as well as a host of other types of insurance) and why municipalities and central government entrusted the administration of state-subsidized unemployment insurance to unions. Unions were able to reduce costs to levels far lower than they would have been had the state or a commercial insurer been involved. After 1945, and even more so after 1960, the local union branch—as a closely knit network of friends and colleagues in which the behaviour of individuals was clearly visible and where the social consequences of a bad reputation were damaging—gave way to the more amorphous trade unions we know today. Workplace meetings became rare, contributions were no longer paid in person but by cheque, and commuting workers no longer shared work and residential areas to the degree they had done before. The present-day bread funds are still small in number and they comprise a relatively close group of somewhat more social and idealistic individuals. This gives them an edge over commercial insurers in combating moral hazards and also adverse selection (by vetoing new applicants), but if their success continues they might have to find ways to counter a certain loss of visibility and dependence among their members, which would increase monitoring costs and expenditure.

Some Dutch mutuals were thus not very small because the body they were part of—a guild or union—was not small; and having two insurance funds each catering for half of the members of the mutual has not been seen as an option (and indeed, most probably would not have decreased the costs of countering malingering). Thus, the success of a mutual movement holds within it the seeds of future problems. That is only part of the answer, though. Larger insurance groups do have the advantage of being better able to cope with random fluctuations in risk levels. If an epidemic sweeps the country, it will not fell its victims neatly, one per thousand in each city, village, or hamlet. Some places will be spared entirely, others will suffer disproportionately, and these random fluctuations may be fatal for very small funds.

6 What Position Did Micro-insurance Arrangements Assume in the Mixed Economy of Welfare?

In the Netherlands, mutuals have never been the sole provider of welfare in the event of sickness, death, and other misfortunes—which suggests that for some groups, in certain periods, they were not the best way to protect against such vicissitudes. Having said that, they were important in all but the most recent period, a fact that can be taken as a sign of their superiority in other respects.²⁶

As far as we can tell, help by neighbours and family has always existed and probably always will. It can, however, easily be overstretched if help is needed for a prolonged period, is time-consuming, or costly. Some individuals either do not have neighbours or family able or willing to help, or they may not want to be helped by them for whatever reason. As far as we can tell from the written record, there was never an era in Dutch history in which familial help predominated. Even in the Middle Ages, we see an important role for collective help, by churches and monasteries. In early modern Dutch society, with its large cities full of newcomers whose families were often beyond reach, help from family and neighbours seems, if anything, to have decreased over time. This opened up slightly—though it did not necessarily create—the need for help by collective institutions such as the parish, municipality, and mutuals.

For the early modern period we may surmise that poor relief by the many churches and by civic bodies was the most common way of combating the effects of illness and death, unemployment or underemployment, being a widow, being elderly and in poverty, as well as of ensuring one could feed a large family. Though organized on a voluntary basis—lacking a general

²⁶Hansmann (1996, p. 22) sees continuity as a hallmark of superiority. In his discussion of why some firms are for profit, others mutual, philanthropic or otherwise, he states that ‘The least-cost assignment of ownership is [...] that which minimizes the sum of all the costs of a firm’s transactions. That is, it minimizes the sum of (1) the costs of market contracting for those classes of patrons that are not owners and (2) the costs of ownership for the class of patrons who own the firm’. From this, he deduces that in the absence of subsidies and distorting laws and regulations, survivorship rates can be used as indicators of least-cost assignment because ‘over the long run, cost-minimizing forms of organization will come to dominate most industries’.

poor law as in Britain—Dutch charity was continuous in its existence, massive in coverage, and it could last for long periods, longer in fact than guild help. Charity was a low-lying safety net, operating in Dutch cities as well as in most of the countryside, helping more women than men. Guild relief was predominantly urban, middle class, and centred on male artisans and their families. During the nineteenth and twentieth centuries, Dutch charity lost ground, in no small measure because it increasingly lacked funds and volunteers, while during the nineteenth century Dutch mutualism was on the rise. Only in 1965 did Dutch church-based charity lose its role as an institution of last resort for certain groups of the needy. Today, philanthropy is far from being a low-level safety net. Instead, it caters to certain special concerns among major donors or the public at large, and is less about providing welfare to Dutch citizens and more about culture, sports clubs, and environmental issues within the Netherlands and abroad. Charities do, however, still provide welfare to those left unprotected by the social security system, either because they are living in the Netherlands illegally or because they are special cases that ‘fall outside the system’.

The first inroads into Dutch mutualism were made by commercial insurers offering burial insurance or modest life insurance from the late nineteenth century onward. Life insurance existed before then, as a high-end product for a select group, but only with the simultaneous rise in living standards and the introduction of cheaper ‘modern’ life insurance did it become affordable for those of more modest means. This expansion continued throughout the twentieth century, not least because of major fiscal subsidies and the high profits made by insurers on their investments in a period of rising stock prices. With both of these stimuli disappearing in the twenty-first century, Dutch commercial life insurance has lost ground. For-profit insurers may have certain advantages over mutuals. They are contractually bound to honour their agreements, unlike a state or a mutual, where an agreement can be amended if supported by a majority decision, and from the late nineteenth century onward they may have been able to organize insurance better than some mutuals. However, we do not yet really know how they succeeded in competing successfully with micro-insurers. As the example of *Let op Uw Einde* illustrates, some mutuals became for-profit burial insurers, offering lower premiums and exploiting economies of scale better. Modern communication and transport facilities made a national burial insurance company

possible. The disadvantages of scale probably mattered less for burial insurance—where there is little malingering—than it did for sickness insurance. However, commercial insurers have generally lacked the social control and dependency of mutuals to do what the state now does and mutuals used to do: to provide welfare for the masses. And, of course, they aim to make a profit, which, *ceteris paribus*, raises premiums or lowers benefits.

State insurance in the Netherlands is uniform, regulated, financed from taxation, relatively trustworthy, and subject to democratic control. From the end of the nineteenth century, proponents of almost all political parties were in favour of state insurance, but not for burial and health, which were well covered by mutuals. Instead, they wanted state insurance to cover old age and industrial accidents, forms of risk covered poorly by mutuals and charities. During the course of the twentieth century, the state took over health and, later, unemployment insurance from the mutuals. Arguably, Dutch state institutions were less able to combat moral hazards than the mutuals—in part because organizations of employers and employees at times deliberately turned a blind eye to these hazards, as discussed in the previous chapter. At present, the Dutch state still covers more people, for longer, and with higher levels of entitlement than did charities, mutuals, or commercial insurers (with the exception of health insurance, since it was effectively privatized in 2006).²⁷ Where the state cannot be completely trusted (as in some developing countries, or, to a far lesser extent, in welfare states in decline), it loses some of its inherent advantages, and mutuals may gain in comparison. There was, is, and is likely to remain a mixed economy of welfare, dynamic in form but nevertheless a constant in the history of mankind over the past 500 years.

7 Can It Still Work?

The Russian anarchist Prince Peter Kropotkin (1842–1921) regarded mutual aid as a prime constant factor in human evolution. With special reference to the situation in the Netherlands, he wrote:

²⁷ The growth of public as opposed to commercial or mutual insurers characterized many countries. See Lindert (2004) and (2014).

The mutual-aid tendency in man has so remote an origin, and is so deeply interwoven with all the past evolution of the human race, that it has been maintained by mankind up to the present time, notwithstanding all vicissitudes of history. [...] All these associations, societies, brotherhoods, alliances, institutes, and so on, which must now be counted by the ten thousand in Europe alone, and each of which represents an immense amount of voluntary, unambitious, and unpaid or underpaid work—what are they but so many manifestations, under an infinite variety of aspects, of the same ever-living tendency of man towards mutual aid and support? [...] In the practice of mutual aid, which we can retrace to the earliest beginnings of evolution, we thus find the positive and undoubted origin of our ethical conceptions; and we can affirm that in the ethical progress of man, mutual support—not mutual struggle—has had the leading part. In its wide extension, even at the present time, we also see the best guarantee of a still loftier evolution of our race.²⁸

By covering the basic risks of life, micro-insurance has made the lives of millions a little less insecure. For societies as a whole, there have been gains in welfare as the energy that would otherwise have been wasted was freed up, just as there have been gains in terms of self-organization and dignity, gains in avoiding costly social unrest and enhancing trust in democratic institutions, and gains in providing working examples that helped pave the way for state insurance. There were also downsides to micro-insurance, such as its limited duration, the extent to which its implementation was, by mutual consent, flexible, the slow growth in coverage over the centuries, and the fact that certain segments of the population were unprotected. Dutch micro-insurance has been in operation for more than five centuries, despite momentous regime changes, such as the Reformation (which ended the unison between church and state), the effects of the French Revolution (which dealt the guilds a mortal blow and led to centralization and democratization), major wars and occupations (the Dutch revolt against the Habsburgs, the Napoleonic wars, the Second World War), pillarization and de-pillarization, and the rise of the welfare state and its gradual retreat after peaking during the 1970s. Organized micro-insurance has seen colossal economic, political, religious, and social changes in a relatively open country with more or

²⁸ Kropotkin (1902, pp. 194, 237, 251).

less permanently high levels of immigration, high mobility, and a highly diverse population. That it did not collapse is testimony to its resilience. And, as argued in the previous chapter, there are some options in the contemporary world to scale it up (either top-down, by rekindling or extending, or in a grass-roots fashion).

Yet, there is no natural law stating that micro-insurance can resume its former role and assume the present function of state welfare; in fact, in Western countries it cannot at present. The majority of the workforce in the Netherlands and in other Western countries is still much better protected by national social security schemes than by a bread fund only. Mutual insurance may be a good option outside the West, where state social security schemes do not exist or do not deliver. It might, indeed, be a good option in the West for certain groups, such as the self-employed, who are not served well either by the state or by commercial insurers, or who may find the fees too high or even unacceptable. If Western welfare states continue to contract, this will create more room for mutualism.

Even then, mutual insurance can increase its coverage in the West only if those concerned make it happen. For this, they need to know that there exists an alternative to either state or commercial insurance; in the Netherlands, this knowledge has gradually diminished. They also need to discover where, at present, mutualism has a competitive edge. Mutual insurance outperformed commercial insurance in some areas in the past not just because it does not need to make a profit, but also because mutual insurers possessed more of the knowledge necessary to combat moral hazards and adverse selection. This, in turn, was related to issues of visibility and dependence. While it is probable that a decrease in dependency and monitoring techniques did contribute to the decline of trade union insurance after the Second World War, this development need not be a permanent obstacle. It is conceivable that new ways will be found to forge communities with sufficient impact to sustain micro-insurance.

The options for mutualism in the modern world depend on factors we cannot always foresee or alter, such as inflation, global banking crises, and wars. The uncertainty of the human condition may in itself be seen as advantageous to mutualist forms of insurance, for the unforeseen losses

of the insurer are the gains of the insured and vice versa, while, as we have seen, the mutualist nature of an institution makes its rules and regulations flexible.²⁹ The options for micro-insurance also depend on things we can foresee, and the track record of Dutch mutualism over the past five centuries may allow us to consider carefully its preconditions.

Firstly, where *the ability to successfully combat moral hazards and adverse selection is essential, micro-insurance may hold an advantage*. In the history of mutualism in the Netherlands, we have seen various solutions used to combat *adverse selection* (including mandatory insurance, premium differentiation according to risk level, terminating long and costly allowances, the forfeiture of allowances if the recipient failed to mention having a pre-existing illness) and *moral hazards* (informal control by members, naming and shaming, use of doctors' certificates, forfeiture of allowances, fines, loss of membership if caught pretending to be ill). The

²⁹ For life insurers in the United States, Hansmann (1996, p. 268) sees the mutual form as being advantageous in certain respects for profit companies. 'Even if the company's policyholders were financially quite sophisticated and in a position to remain closely informed about the company's affairs, it would be extremely difficult for them to know what level of reserves a company should maintain in all possible situations, much less to write an effectively enforceable insurance contract that would ensure that the company maintained such reserves. The amount of reserves required, after all, varies appreciably with the age, health, and occupation profile of the company's policyholders, with the type of assets in which the company has invested its funds, and with the best current wisdom about the future performance of the economy. Writing a contingent contract that would deal effectively with such variables over a period of decades would be a heroic task.' He goes on to say (pp. 269–70) that 'With the policyholders as owners, there is little incentive for the company to behave opportunistically in setting the level or riskiness of its reserves. A mutual company can simply establish a nominal premium for its policies that is high enough to provide reserves adequate for the most pessimistic forecasts of mortality, rate of return on investments, and inflation; then, if and when, events turn out better than a worst-case forecast, the excess reserves can be liquidated and returned to the policyholders as dividends. The difficulty of market contracting between companies and policyholders is eliminated by eliminating the market and replacing it with an ownership relation.' And on pp. 270–1: 'With a mutual company, a policyholder can purchase pure life insurance without having to bear the costs of these additional risks. Since the policyholder is on both sides of the transaction, there is no gamble. If the inflation rate, the real rate of return on investments, or the mortality rate turn out to be different than forecast, then what the member of a mutual insurance company loses on his policy he gains as owner of the company, and vice versa. A mutual insurance company can regularly adjust its policyholder dividends, which can be paid either in cash or in the form of further insurance, to ensure that the company's policyholders always have in force the appropriate amount of insurance and pay only the actual cost of providing that insurance.'

precise mixture of these measures varied according to local circumstances; indeed, they had to if they were to be effective.³⁰

Secondly, a micro-insurance group can combat moral hazards and adverse selection properly only if it can *monitor its members reasonably well and if it can take action in the event of undesirable behaviour*.³¹ In the past, this has equated to the criteria of visibility of members by members and dependency of members on the mutuality.³² Limiting group size to avoid loss of visibility and requiring claimants to remain in their home town are easy ways to ensure visibility, but the cap in numbers depends very much on the available monitoring techniques—in person by a doctor or trade union official, by other members, and in this age of unsurpassed geographical mobility quite possibly electronically—and on the preconditions for monitoring, notably the characteristics of the ties between members of an insurance pool. Visibility and dependence are relatively large if the micro-insurance group is rooted in local labour markets, as was the case, of course, with guilds and trade unions but also with occupation-based friendly societies and as is the case with the bread funds. The closer the ties, the more visible the actions, or non-actions, of members are, and, through naming and shaming, the larger the potentially damaging effect of being caught malingering but also the higher the potential for help by co-members. Social control is not, of course, necessarily agreeable; close ties could imply levels of surveillance that many today would resist. Such resistance might be less, though, if those close ties are in part ties of friendship.

Thirdly, it helps greatly if a micro-insurance group is not just about insurance but *also about sociability*. Sociability greatly increases visibility

³⁰ A point stressed by Ostrom (1990), who, on pp. 88–102, lists design principles for long-enduring common pool resource institutions, which we will compare with our empirical findings.

³¹ See the references to Arrow, Akerlof, and others in the introduction to the present book. See also Ostrom rule no. 4 on monitoring: those who actively monitor common pool resource conditions and appropriation behaviour are accountable to the appropriators or are the appropriators. See esp. pp. 93–4: '[...] even in repeated settings where reputation is important and where individuals share the norm of keeping agreements, reputation and shared norms are insufficient by themselves to produce stable cooperative behavior over the long run. If they had been sufficient, appropriators could have avoided investing resources in monitoring and sanctioning activities. In all of the long-enduring cases, however, active investments in monitoring and sanctioning activities are quite apparent'.

³² See Hechter (1987) and Hechter and Kanazawa (1993, pp. 460–1).

and dependence, while it may also act as a filter to attract the right kind of people—those who do not join primarily with the aim of receiving and who might also be willing to give some friendly advice, practical help, or, indeed, to sacrifice some of their leisure time to combat malingerers. Medieval guilds not only had a labour-market purpose, they also took part in religious ceremonies, and festivities were an integral part of their activities. Despite the formal dissolution of the guilds, guild funds and the funds of guild-like associations continued to exist well into the twentieth century, and the sociability aspect of Dutch mutualism certainly did not cease. Local trade union activities also involved meeting and drinking in pubs and on festive occasions. As Dutch trade unions were split according to the pillars that defined Dutch society as a whole, being a member of a certain trade union fund more or less implied going to the same Protestant or Catholic church or enjoying a socialist dance around the maypole. It is interesting to note that the earliest micro-insurers, the early modern guilds, were organized first as sociable organizations before they went on to develop micro-insurance. Once operating as labour organizations, as well as insurers and as organizers of social events, they managed to continue this tradition and it was adopted by the many nineteenth-century friendly societies and later by many local trade unions. The first Dutch national unions to subsequently emerge were amalgamations of local unions that combined both social and insurance functions. It is also true, however, that the social functions of Dutch trade unions declined over time.

Fourthly, a degree of *support from civil authorities* is necessary, if only because it helps the mutuals establish credibility that they will be around in the long run.³³ Guilds were part and parcel of the political economy of the *ancien régime*, which compelled artisans to join and which over-

³³This goes beyond Ostrom's (1990, p. 101) principle 7 on the minimal recognition of rights to organize, including the rights of appropriators to devise their own institutions and those not being challenged by external authorities. See Beveridge (2015 [1948], pp. 71–2), 'The most important things which by law must be provided for by the rules [of a registered friendly society] are the following: (a) the conditions of membership; (b) the conditions of benefit; (c) the manner of governance of the society; (d) the mode of investment of the funds; (e) the keeping of accounts and getting them audited once a year at least; (f) the manner in which disputes between the society and its members shall be settled; (g) the rights of every person having an interest in the funds to inspect the books of the society.'

saw and legitimized their actions, and gave them privileges that generated income. The era of laissez-faire capitalism that followed the end of the *ancien régime* left mutual funds less embedded than before, but they were still required to report on their activities, and, after a while, the Dutch state did intervene in the case of malfunctioning widows' funds and did mandate the use of proper life tables for burial insurers. When social liberalism replaced laissez-faire liberalism as the dominant form of liberalism towards the end of the nineteenth century, the government commissioned surveys of mutual schemes; these surveys helped to identify their defects. The pillarization of Dutch political life was intimately associated with the pillarization of trade unions and their micro-insurance. In the case of unemployment insurance, the Dutch state and the socialist unions cautiously, and at times reluctantly, came to trust one another, and this trust was vital if such insurance were to be provided. Trade unions possessed a degree of visibility and dependency neither the state nor commercial insurers had, but when the Great Depression hit they still needed support from the state in the form of subsidies and a privileged position for their members. Today, national states and supra-national organizations, such as the European Union, may serve both to make the notion of mutual insurance well known and to provide simple but effective regulation.

Fifthly, micro-insurance has to be *well embedded in the prevalent mixed economy of welfare*. If, at one extreme, one happens to live in an exceedingly prosperous and well-governed country situated on top of enormous gas fields, the proceeds of which are used in part to finance generous state welfare schemes, and one is not particularly concerned about the increase in moral hazards, then the scope for micro-insurance will be small, as it was in the Netherlands in the 1970s. If that country then decides to fiscally subsidize commercial life insurance schemes, there will be even less scope for micro-insurance. However, at the other extreme, in an exceedingly poor and badly governed country, micro-insurance might be more viable than state schemes—which will collect premiums but probably not deliver allowances. Even then, there have to be parts of the population who can afford the premiums, and organizations willing to organize micro-insurance and whose members will be sufficiently visible and dependent on the mutuals and their co-mutualists. Where corruption is

rife, for example, it is conceivable that the family will be trusted most. Between these two extremes, there is a middle ground with scope for mutualism, not as a wholesale replacement for state or commercial insurance but as a useful option for those served less well by either.

Sixthly, one has to accept that micro-insurance will not have full coverage, and in particular that *not everyone can be included*.³⁴ Poor migrants in developing countries coming from different parts of the country, and perhaps from different ethnicities, living temporarily near a metropolitan rubbish dump, sorting through various items in the hope of being able to sell them, will not normally be able to organize a micro-insurance scheme. They cannot afford to pay regular premiums, even if those premiums are low, and normally they will lack a stable nucleus around which an organization can be formed with sufficient visibility and dependence to make a scheme work. During the five centuries of Dutch mutualism, workers were more fortunate in this respect, but here, too, certain groups were not included. In early modern times, Dutch women and rural labourers could generally not be organized into mutual insurance schemes. Of course, there is little reason to assume that these very same groups would still be excluded everywhere today. In fact, it would be surprising, as well as illegal, if women were to be excluded. The end of the *ancien régime* opened up micro-insurance for all these groups, but slowly, and there continued to be those whose earnings were insufficient, or who were unable to self-organize. Which groups will be unable to organize insurance schemes for themselves is time and place specific, but such groups will probably always exist. Whether this is a major problem will depend on the availability of equivalent forms of assistance in the mixed economy of welfare prevailing at that time. In that respect, the welfare state might be an impetus for mutualism, as mutuals can afford to be selective because of the existence of statutory provisions

³⁴ All Dutch micro-insurers, save the bread funds, have provisions on who can become a member—or on the termination of membership in the event subsequent information comes to light that, had it been known in the first instance, would have prevented the applicant from becoming a member—and rules to limit adverse selection, usually relating to age or high-risk behaviour. The bread funds do not have such rules, with the exception of not allowing pregnant women to join, but they do sometimes veto applicants where they are seemingly unfit.

creating a safety net, serving to counter the problem of non-universal mutual coverage.

Seventhly, one has to accept that *certain types of insurance are easier to organize on a mutual basis than other types*. The home ground of micro-insurance as it evolved in the Western world has been health insurance organized around occupational groups. These groups had enough impact to combat an imaginary illness or an inflow of those who were already unhealthy. Their members were dependent on the organization and there were close social ties between them, in part due to sociability. As a consequence, their actions and circumstances were highly visible and could be monitored without too many mistakes being made and at a low cost. This was also the case with burial insurance. People seldom die to claim an allowance, although they might join only when they become terminally ill to provide for their family; but for this there are countermeasures, such as not providing an allowance if the mutual has been misled, or observing a long waiting period before any allowance is paid. One could argue that burial insurance is even more the home ground of micro-insurance, but it is generally only so in a certain phase of the welfare trajectory of a country. If help with washing the dead, organizing a dignified funeral, and providing help to a widow and children are realistic in a relatively poor community, and these work well, why does one need micro-insurance? It was only when these informal help schemes weakened, both within the Dutch guilds as they grew in size and outside the guilds, and when living standards became sufficient to cover the cost of paying small premiums that formalization took place. Dutch micro-insurance for burial costs increased in coverage from the sixteenth century until the late nineteenth century, after which commercial insurers took over, often providing national coverage. Today many Dutch people are sufficiently well off to save for a burial, and state social security protects widows and widowers as well as orphaned children.

In addition to health insurance and burial schemes, unemployment may be adequately covered by mutual arrangements such as those provided by trade unions, and possibly bread funds, who have enough inexpensive monitoring capacity and whose capacity to sanction through naming and shaming or fining works well. That, too,

depends on the context. Dutch unions lost much of their capacity to monitor after the Second World War, but it is conceivable that they, or other organizations, might recover lost ground using social media and other modern surveillance tools.³⁵ Of course, one may wonder at what point modern surveillance is perceived to be excessive. A person might be willing to see others subjected to surveillance, but would he or she be prepared to submit him- or herself to the same surveillance? This issue deserves careful consideration, although privacy concerns seem to matter less and less in this era of social media. Furthermore, if the mutual insurance is rooted in conviviality, in part through these social media but also through real-life meetings, these privacy concerns may appear less stringent to those concerned. However, the very same bureaucratic tendencies in the history of Dutch mutualism, which we 'praised' earlier, might also have robbed it of some of the vitality that mutualism needs. Even among those who support their cause, Dutch trade unions, for example, do not presently engender much in the way of warmth.

Bureaucratization has been a spectacular and consequential historical process; it is now the standard way of organizing and coordinating large numbers of people in organizations, but, as Max Weber pointed out long ago, it also leads to feelings of disenchantment. Injecting a degree of conviviality by reintroducing mutualism will require energy and creativity. And perhaps only a minority of the population is interested in making the effort to make mutualism work.³⁶ In that case, it is only this convivial minority that will reap the fruits of their labour.

³⁵ Dutch guild funds and most of the first friendly societies were local only. Upscaling into organizations covering parts of the country may lead to economies of scale, but it might also increase monitoring problems. Whether a layered structure with a regional or national office and local branches works effectively will depend on whether the existing organizational and information technology is able to minimize monitoring problems. There can thus be a critical phase when these technologies do not keep up with upscaling, as was the case with some friendly societies at the end of the nineteenth century and with trade unions after 1945. Perhaps the big-brother surveillance capabilities of today's social media might permit a confederation of local micro-insurers. The English-speaking world has harboured such large federative mutuals, so-called affiliated orders. See, for example, Beveridge (2015 [1948], p. 37 et passim). See also Ostrom's (1990, pp. 101–2) design principle for common pool resources that are part of larger systems, nested organizations. An affiliated order might, if the balances of its small local branches can be consolidated without loss of local affinity, offer a solution to the problem of random fluctuations in small insurance groups.

³⁶ A point also raised by Harris (2015).

In all cases, of course, mutualism presumes an organizational form of insurance by and for its members (who should thus have real decision-making power) and rules and regulations that are simple and clear but that also offer adequate flexibility even to the point of permitting benefits to be cut if necessary, as long as this is discussed by well-informed members and approved in a well-organized way.³⁷ The micro-insurers discussed in this book had clear rules on who could join and who could not, what the level of premiums and benefits were, and under what conditions they could be claimed, while, as mutuals, these rules could be amended by their members either in a general meeting or by the board, membership of which was, in principle, open to every insured member.

All told, the history of micro-insurance is a living history. We have examined its history over the past 500 years. Who can tell how, or indeed whether, that history will continue? Mutualism may perish if we no longer need it, in which case this book may serve to commemorate it. But mutualism might also be in peril despite being potentially useful to those less well served by other welfare providers. Then we have a choice. If we are imaginative and caring, we can seek to find new incarnations of micro-insurance for the contemporary world. Would it not be wasteful to allow the tradition of mutualism to come to an end without adequate recognition of its past importance—flaws included; careful consideration of its present performance—however limited; and an imaginative assessment of what we might make of it today and in the future?³⁸

³⁷This is equivalent to Ostrom's (1990, pp. 91–4) requirements for common pool management 1, 2, and 3: (1) clearly defined boundaries: individuals or households who have rights to withdraw resource units from the CPR [common pool resource] must be clearly defined, as must the boundaries of the CPR itself; (2) congruence between appropriation and provision rules and local conditions; and (3) self-government: most individuals affected by the operational rules can participate in modifying the operational rules.

³⁸Cf. Beveridge (2015 [1948], p. 296), who wrote in 1947: 'Anything that can be done to encourage the friendly societies to be undefeated by their present troubles is well worth while. It would be a pity if the whole field of security against misfortune, once the domain of voluntary Mutual Aid, became divided between the State and private business conducted for gain'. He also noted that 'The field is open to experiment and success or failure; secession is the midwife of invention. The new institution may fail or may remain limited. It may grow according to the life that is in it, and growing may change the world.' *Ibid.*, pp. 59–60.

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