Occupational Welfare in Europe: state of play, determinants and policy implications

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Introduction

This chapter draws conclusions about Occupational Welfare (OW) in Europe, discussing its main traits and describing how it has evolved in selected countries since the 1990s and especially in more recent years. In line with the research questions put forward in the introductory chapter, we first look at the role of OW in the nine countries under scrutiny in the volume: Austria, Belgium, Germany, Italy, the Netherlands, Poland, Spain, Sweden and the UK. The first section sketches how OW has evolved over time, addressing its capacity to protect workers against 'new' and 'old' social risks. While the analysis focuses mainly on the two policies under scrutiny in this book (pensions and unemployment protection), we use information on other policy fields – such as health insurance and reconciliation of work and family life – that have been studied elsewhere.

Section two focuses on the main traits of occupational social security schemes: we consider the institutions – social partners and enterprises as well as the state and financial players – involved in OW governance in Europe. We also look at the distributive outcomes of occupational schemes, providing information on the extent to which different types of OW arrangements can increase social inequalities. The second section also glances at the main triggers for the recent development of OW, testing some of the hypotheses proposed both in the introductory chapter and in some of the country chapters. The third and last section addresses some policy implications for social partners and policymakers, enabling them to manage the obvious risks while seizing apparent opportunities.

The previous chapters have shown the increasing role of OW in many European countries since the 1990s: this is the case in most of the nine countries under scrutiny. The diffusion of OW is however not uniform, with different trends emerging in different countries. Looking at the countries analysed in the Commission-funded PROWELFARE research projects and discussed in the edited volume, we distinguish four different clusters:

- countries with *encompassing* OW schemes which cover the whole workforce through largely common rules;
- countries with *wide but segmented* OW covering a major part of the workforce, though some groups have very little protection, if any;

— countries with *limited and segmented* OW, with only a minor part of the workforce being covered and with different levels of protection for different groups;
— finally, countries where OW *barely plays a role*.

Such a complex picture is the result of several factors shaping the long- and short-term evolution of occupational schemes: welfare institutions inherited from the past, industrial relations systems, the countries' political economy and stakeholders' attitudes and interests are some of the cardinal drivers of OW development. Many institutions are involved in the regulation and administration of these schemes. Rather than being in the sole realm of the social partners, OW can be situated at the core of a complex interaction of the state, the market and the social partners. As we will discuss below, OW is a 'double-edged sword', entailing both risks and opportunities for policymakers, stakeholders and workers.

1. Occupational Welfare in Europe: a comparative overview

One of the starting points of the PROWELFARE research projects was the hypothesis that there has been a general increase in the salience and importance of Occupational Welfare programmes in Europe. While, in general, this hypothesis has been confirmed through the nine country studies in this volume, our analysis offers a more complex picture. As suggested by the OECD data presented in the introduction, the role of OW is important in some countries, and has grown almost everywhere. As reported in Table 3 in the introduction, between 1990 and 2013 there was an increase of per capita voluntary private social expenditure in real terms of at least 45-50% (or even more) in several countries. Especially in the field of pensions, many countries have shifted to multi-pillar systems, with occupational pension funds playing an increasingly important role. However, the development of OW is not linear and varies by type of risks covered and by country clusters.

The comparative analysis of OW schemes in the nine countries under scrutiny, as well as the results obtained in a previous study for the European Commission (Natali and Pavolini 2014), show first of all that the scope of occupational plans *varies across policy areas*. It is indeed difficult to make a general statement about OW in any given country, since the role of OW can be extremely important in one policy area but very limited in another. All in all, OW is more widespread in certain policy fields, e.g. pensions and health insurance. Yet, in some countries (e.g. Sweden) occupational unemployment protection is also enjoyed by most employees.

OW also tends to *vary between countries*. At first glance, the traditional classification of OW proposed by Greve (2007) still seems to wield large explanatory power: occupational schemes are widespread in Western/Northern European countries, but much less so in Eastern/Southern European countries. Yet such an interpretation needs some qualification. Both country clusters provide evidence of key institutional differences within their aggregation. From a purely quantitative point of view, in the group of Western/Northern European countries, both the Netherlands and Sweden have nearly universal coverage of employees (in at least one policy area). There are fewer occupational schemes in the UK and Continental European countries, excluding the Netherlands, (Belgium and Germany) where such schemes cover between half and two-thirds of employees – see Pavolini and Seeleib-Kaiser (2016) for a more detailed discussion about pension funds. Differences are also evident between Southern European countries on the one hand and Central and Eastern European countries (notably Poland) on the other.

Overall, we distilled four different country clusters from the analysis: this can be seen in Table 1, where we focus on pensions and unemployment protection but also take into account health insurance and work/family reconciliation policies. The first cluster – including countries such as Sweden and the Netherlands – is characterised by an *encompassing* system of OW: differences in coverage and level of protection among workers are low and there is broad coverage of a variety of old and new social risks[1] for a large majority of workers.

Table 1 **Coverage of Occupational Welfare programmes by type of risk (% of total employees covered)**

	Pensions	Unemployment protection	Healthcare	Reconciliation**
Sweden	High	High	High*	High
Netherlands	High	Medium	High	High
UK	Medium	Low	Low	High
Germany	Medium	Low	Medium	High
Belgium	Medium	Low	High	High
Austria	Medium	Low	Low	Medium
Italy	Low	Low	Medium	Medium
Spain	Low	Low	Medium	Medium
Poland	Low	Low	Low	Low

Notes: Low: < 30%; Medium: 30-70%; High >70% – * Sickness insurance; ** Flexible working time arrangements
Source: Country chapters (this volume), Prowelfare Country Reports (2016)[2] and Natali and Pavolini (2014).

The second cluster, represented by the UK, Germany and Belgium, shows less widespread coverage and more evident differences in the protection provided by OW across social and occupational groups[3]. These countries represent a *wide and segmented* system of OW, based on voluntarism.

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1. Old social risks have to do with those risks that traditionally have been tackled through welfare programmes (retirement, unemployment, accidents, and ill-health). New social risks are defined as the risks that people now face in the course of their lives as a result of the economic and social changes associated with the transition to a post-industrial society (Taylor-Gooby 2004).
2. Unemployment and pensions protection in Europe: the changing role of social partners. Country reports AT, BE, DE, IT, NL, PL, SP, SE, UK. The reports can be downloaded from http://www.ose.be/EN/publications/ose_paper_series_prowelfare.htm
3. The prevalence of OW varies across policies: it is widespread in the field of reconciliation (in terms of employees who have access to flexible working time arrangements), there is substantial coverage in the field of pensions and healthcare (with the exception of the UK), and more limited coverage for unemployment risks through occupational schemes.

Southern Europe (Italy and Spain) and Austria can be found in the third cluster, with generally low to medium levels of coverage for both old and new social risks. In this cluster, there are huge differences in terms of coverage and generosity of OW programmes across industries, sectors, firms and by type of labour contract. We define this cluster as a *limited and segmented* system.

In Poland, the scope of OW is extremely limited – much more so than in the other countries – and there have been no signs of an increase in recent years. While further research is needed on Central and Eastern European countries, Poland is a case where Occupational Welfare *barely exists*: it therefore represents a fourth cluster.

If we look at what happened during the years of the economic crisis (2008-2015), the two policies under scrutiny in this book – pensions and unemployment protection – witnessed different trends (Table 2). In the field of occupational pensions, we see an increase in most Continental, Nordic and Anglo-Saxon countries, with relative stability in Southern (Italy and Spain) and Central and Eastern Europe (Poland), as well as in Austria. What is more, in many countries the third (personal pension) pillar has shown higher growth rates than the second (occupational) pillar. Although the second and third pillars take different approaches to risk and operate in a different way, higher growth rates in the third pillar are important, as they underline a shift towards individualisation and privatisation.

Table 2 Coverage of Occupational Welfare programmes by type of risk: changes during the economic crisis years (2008-15)

	Pensions	Unemployment protection	Healthcare	Reconciliation
Sweden	+ (=)*	=/+ (+)*	=	=/+
Netherlands	= (=)	= (=)*	=	+
UK	= (+)*	= (=)*	+	=/+
Germany	+ (=)*	=/+ (+)*	+	+
Belgium	+ (=)*	= (=)*	=	+
Austria	+ (=)*	+ (+)*	=	+
Italy	+ (=)*	+ (+)*	+	+
Spain	+ (-)*	= (=)	=/-	+
Poland	= (=)*	= (=)*	+	=/+

Notes: Decrease: -; Stability: =; Increase: +
* In parentheses: changes that took place during the years of economic crisis and austerity policies (2008-15);
** Several policy tools, including flexible working time arrangements.

Source: Country chapters (this volume), Prowelfare Country Reports (2016) and Natali and Pavolini (2014).

In some countries, unemployment-related schemes have been clearly designed as anticyclical employment protection measures (e.g. short-time working arrangements): they were used to buffer the negative effects of the economic recession on the labour market (often in conjunction with redundancy programmes). As for other policies, reconciliation, and in particular flexible working time arrangements for care reasons, became more common in practically all countries[4]. The extent of occupational healthcare schemes has not changed significantly, with a few exceptions: for example, there has been a strong increase in coverage rates in Italy.

If we consider these changes in OW schemes by looking at the functioning of the welfare system as a whole, no common trend is detectable. Indeed, a shift from public to OW protection can be seen in only some countries, and for specific policies, with no generalised change emerging. Germany, and Belgium to a certain extent, are the countries which have strengthened occupational schemes – especially pension funds – the most in the last fifteen years. In Sweden, the increased role of occupational pensions and unemployment schemes has been matched by a decline in the protection provided by statutory schemes (Ottosson *et al.* this volume). After years of decline, UK governments are again trying to boost private pensions, but no particular expansion is taking place in other policy fields (Naczyk this volume). In yet other countries, there has been no shift from public to Occupational Welfare (e.g. Austria, Poland).

Overall, it is safe to say that there is *no evident and automatic trade-off between public welfare provision and Occupational Welfare*: no generalized 'crowding-in' dynamic can be observed (i.e. weaker statutory welfare protection does not lead to increased Occupational Welfare); but there is also no 'crowding-out' effect (i.e. high-level statutory protection does not imply limited OW). As we will show in the following section, the interplay between statutory and occupational programmes is indeed rather complex and depends on both welfare and industrial relations institutions. In particular in relation to the supplementary or substitutive role of OW schemes, different tendencies can be detected among the different countries under scrutiny.

On the one hand, some countries are experiencing the increased role of occupational schemes as a challenge to social welfare. Occupational schemes thus act as a *substitute* for statutory schemes. This is the case of Italy, where supplementary healthcare protection provided through collective agreements (and/or unilateral decisions of the employer) seems to help the crowding out of state protection (Pavolini *et al.* this volume). On the other hand, the case of German sickness protection (but not the German multi-pillar pension system) provides evidence of how occupational and statutory schemes can be combined to enhance employee protection. When governments tried to cut public sickness protection, trade unions took action and used OW schemes to limit the negative effects of reduced public protection, thus counteracting cost containment and compensating workers, at least to some extent.

4. However, it should be kept in mind that this type of working arrangement is quite often used as a tool for arranging business interests and increasing firms' competitiveness, rather than strictly to help employees to reconcile their work and home lives.

OW can therefore be a 'hook' available to trade unions, forcing employers and decision-makers to retreat from public spending cuts in a particular policy area (Natali and Pavolini 2014). As we will discuss below, there are however certain risks.

2. Occupational Welfare: characteristics, triggers and distributional effects

The present section provides insights into the main characteristics of OW, its governance structure and distributional outcomes. It also discusses the main driving forces behind OW.

2.1 The blurred division between occupational, social and fiscal welfare

The introductory chapter stressed the difficulties in defining the concept of OW, outlining that the social partners' regulatory power is crucial in deciding whether a social scheme should be categorised as 'statutory' or 'occupational'. Social partners play a role in many different welfare schemes, both statutory and non-statutory, but only in OW are they the primary source of regulation through collective agreements or unilateral employer decisions.

The country chapters in this volume have shown that the 'social division' of welfare is even more complex than expected. This is true for the role of those involved – the state, the market and social partners – as well for the nature of the social benefits/services provided by the schemes. Both regulatory and administrative functions in OW are shared by different institutions rather than being the sole responsibility of the social partners. In the German pension system, for instance, occupational pensions are regulated by law. More specific rules are then provided in collective agreements at sectoral level, and these are then further specified and possibly amended at company level through detailed agreements between social partners or by unilateral regulation by the employer (see Blank this volume). In Germany, as well as in other countries, fiscal regulation is playing a crucial role in the re-launch of OW. This is an example of the integration and mutual support of different forms of welfare provision, where tax advantages for the employer and the employee are important in incentivising the spread of occupational protection. As flagged by some country chapters, the cost of these incentives for the public budget is not negligible and represents a key part of the broad welfare effort. In the Netherlands tax incentives to pension funds amounted in 2012 to some €14.5 billion (Keune and Payton this volume).

Another form of interplay between statutory and occupational schemes is the move beyond pure voluntarism in workers' participation in OW schemes. While some countries, like the Netherlands, have a long tradition of legally extending OW, some new forms of incentives have been introduced. This is the case in the UK and, to a certain extent in Italy, where policymakers have introduced measures that encourage, rather than oblige, workers to take out supplementary pension plans. These 'nudge' type pension systems encourage workers to contribute to pension savings accounts by making enrolment automatic when taking up a new job, but allowing workers to opt out if they prefer (Orenstein 2011: 76). Here again the state provides some framework regulation, leaving it up to employers and employees to act and further regulate pension funds. In Austria and Italy, schemes for addressing unemployment provide evidence of hybrid schemes. Labour Foundations in Austria are schemes set up at sectoral, company or local level to provide active labour market policies and additional unemployment benefits in the context of economic crisis and/or industrial restructuring. Labour Foundations are sometimes set up by the state or local authorities, while, in other cases, the social partners themselves initiate these schemes. Bilateral funds in Italy provide short time working benefits, which are sometimes mandated by the law. In all these cases the difference between statutory and occupational schemes is blurred (see Wöss this volume; Natali *et al.* 2016).

The same complexity can be observed in the benefits and services provided through OW. As stressed by Blank (this volume), occupational schemes addressing unemployment cover a number of policy measures. Some of them are typical social policy instruments – topping up unemployment benefits and providing vocational education and training (VET) services. Others relate more to wage-setting and labour market conditions, including working time. As a consequence, these schemes provide benefits and services that go beyond the field of welfare policies *sensu stricto*.

2.2 The complex governance of Occupational Welfare: state, market – and the social partners in between

The blurred line between different forms of welfare provision is mirrored in the complex governance of OW. At the beginning of the second PROWELFARE project (January 2015) we considered OW as an autonomous phenomenon, largely separate from social and fiscal welfare (see the conceptual clarification in the introductory chapter of this volume). But the empirical evidence collected through the country chapters requires us to give a more nuanced assessment.

OW takes different forms in different countries and, sometimes, within them (Table 3): company-level schemes, industry-level schemes, bilateral funds at local or regional level and national-level funds. Usually schemes cover one single risk (e.g. pension funds; sickness insurance funds, etc.), but there are also examples of multi-risk schemes, implemented especially in Belgium and Poland (see chapters by Ghailani and Peña-Casas this volume; Czarzasty this volume).

These different forms of OW often reflect the existence of what could be defined as a 'welfare chain' (Natali *et al.* 2016). In both the regulation and administration of OW, social partners play a key role, but act in a clearly-defined relation to other actors and institutions. Rather than being an example of the autonomy of the social partners, occupational schemes involve the close integration of a number of players[5]. The state

5. Civil society organisations are, for example, involved in work-family reconciliation programmes (cf. Natali and Pavolini 2014).

and financial investors are key players in the field. The former – as stressed by Keune (2016) – has supported the re-launch of OW in recent years, in the context of a broader strategy to contain public social spending. Evidence from several countries shows that public authorities still have a role to play in the field of (un)employment protection. Sometimes they cooperate with the social partners in setting up effective occupational schemes, as has been the case with unemployment-related schemes in Austria and Italy. In some other countries (see the Netherlands and Sweden), the state challenges the social partners' autonomy and tends to 'use' OW for its own strategy: to reduce public spending while maintaining its steering capacity in the field of welfare. As stressed by Natali *et al.* (2017), the hypothesis of a *substitution effect* (Rein and Turner 2001), with state intervention declining in parallel to the growing role of occupational schemes, *is not confirmed* by the country chapters in this volume.

Table 3 Governance of occupational pension schemes

	Main level	Role of the social partners	Role of the state
Countries with broad occupational pension coverage			
Sweden	Sectoral	Bipartite	Framework and tax regulation
Netherlands	Sectoral	Bipartite	Framework and tax regulation Legal extension
Countries with substantial occupational pension coverage			
UK	Company	Unilateral (Employers)	Framework and tax regulation Auto-enrolment
Germany	Sectoral and Company	Bipartite	Framework and tax regulation
Belgium	Sectoral	Bipartite	Framework and tax regulation
Countries with limited occupational pension coverage			
Austria	Company	Bipartite	Framework and tax regulation
Italy	Sectoral	Bipartite	Framework and tax regulation Auto-enrolment (TFR)
Spain	Company	Bipartite	Framework and tax regulation
Poland	Company	Unilateral (Employers)	Framework and tax regulation

Source: Country chapters (this volume) and Prowelfare Country Reports (2016).

Instead, complex interactions between the state and the social partners make 'the boundaries between the state's sphere, mandatory Occupational Welfare and voluntary Occupational Welfare quite vague' (Natali and Pavolini 2014: 4). This is the case for fiscal welfare programmes aimed at fostering occupational provisions, or state interventions aiming to transform voluntary occupational programmes into quasi-mandatory schemes (*ibid.*). Throughout the PROWELFARE projects we have collected information about the multi-level dimension of OW governance. The European Union (EU) is, for instance, increasingly involved in the field of occupational pensions and unemployment protection. In the case of pensions, EU regulation of the institutions for occupational pension plans provides a framework which some countries have used to develop a market for pan-European pension funds (see Ghailani and Peña-Casas this volume). In the case of unemployment protection, the European Social Fund has helped to finance active labour market policy initiatives through occupational (or hybrid) schemes involving the social partners (see Wöss this volume).

Financial players – especially in the UK and the Netherlands in the field of pensions – have tried to influence the management of assets and use the resources collected through contributions on the financial markets. In the field of pensions, financial investors play an important role in the management of occupational schemes' assets (see Keune and Payton this volume). This is especially the case when the funds' assets are huge and thus play an important role in financing enterprises and in fuelling national and international financial markets.

In many respects it seems that the social partners (and trade unions in particular) are being 'squeezed' between the state and the financial markets – even in OW, an area of activity expected to be their playing field. As shown by many country chapters in this volume, social partners often react to strategic moves by other players, instead of themselves taking the initiative. When they do act, their room for manoeuvre is largely shaped and constrained by a dense institutional context consisting of fiscal rules, market regulation and financial resources provided by national, sub- and supra-national institutions.

Different institutional configurations seem to have a direct effect on the distributional consequences of OW schemes and their spread across the labour force. The UK, for example, has high levels of spending, but this is very much concentrated in certain industrial sectors, occupational groups, etc. This uneven coverage is related to the fact that it is the employers – often at company level – more than trade unions that manage occupational schemes.

By contrast, Sweden has a lower level of spending, but broader coverage and a more even spread across industrial sectors and occupations. Its more widespread coverage is related to the bilateral regulation and administration of occupational schemes through collective bargaining. Along the same lines, the Netherlands has a relatively high level of spending with broad coverage (see the three country chapters): here again OW is largely regulated through collective bargaining.

2.3 Different triggers and traits of the recent development of OW schemes

This sub-section discusses some explanations of the spread of – or by contrast lack of – OW in Europe. Based on the evidence provided by the country chapters[6], we refer here to three key factors: institutions inherited from the past (both welfare state and industrial relations systems); the economic and social context (with a specific reference to the recent economic and financial crisis); and actors' strategies and motivations.

6. In some cases, we also drew on the earlier, more extensive, Country Reports published in the OSE Working Paper Series in the context of the PROWELFARE Projects. See footnote 2 above.

2.3.1 Institutions inherited from the past

The first factor that bolstered the evolution of OW in Europe is the role of statutory welfare schemes in connection with the so-called 'crowding-out' hypothesis: the more developed the welfare state is (in terms of coverage and benefit levels), the less room there would be left for OW. This hypothesis has been confirmed in at least some of the countries under scrutiny, but needs to be qualified. In both the UK and the Netherlands, meagre statutory schemes, for instance in the field of pensions, left room for OW. In these two countries, occupational funds are the main source of earnings-related protection. This is also the case of less clear-cut examples such as those of Belgium and Germany, which have seen a more recent shift, in the field of pensions, towards a multi-pillar model. The two countries belong to the social insurance pension model but also have lower levels of benefits – compared to Southern European countries – and have witnessed more intense cost containment reforms since the 1980s. The recent spread of occupational pensions in these two countries reflects the greater room left to supplementary schemes. In parallel, in Southern European countries (e.g. Italy and Spain) – where attempts to incentivise the spread of multi-pillar systems have not been accompanied by short-term cutbacks in public provision – the role of OW has proved more limited (see Pavolini and Seeleib-Kaiser 2016). Yet, in other cases, e.g. Poland, the low level of public social spending has not automatically led to the growth of OW.

As stressed above, industrial relations institutions are equally important in describing the interaction of statutory and Occupational Welfare schemes and in the coverage of the latter. Strong industrial relations seem to be a pre-condition for comprehensive OW, and, in some respects, also for activating 'crowding in' dynamics. Collective bargaining at sectoral or multi-sectoral level has indeed proved decisive in promoting the widespread coverage of OW in the Netherlands and Sweden. This has also had an important effect on the equal regulation of occupational benefits across social and occupational groups (see Section 2.4 below). However, where industrial relations are more fragmented and/or have been subject to decentralisation, the OW system has also proved more fragmented, with occupational schemes concentrated in certain sectors and covering some categories more than others. Weakening industrial relations systems (e.g. in Poland and Spain) tend to make it difficult for OW to replace statutory protection when there has been retrenchment of the latter (see the chapters by Martínez Poza and Czarzasty this volume). By contrast, when cost-containment is implemented in countries with strong social dialogue, such as Sweden, OW does partially replace statutory programmes.

Austria is a peculiar case. This country is characterised by strong social partnership, a stable industrial relations system and strong trade unions and employer organisations. In line with the 'crowding-out' hypothesis, the high level of statutory benefits – for instance in the field of pensions – has left no room for occupational protection. On top of that, social partner involvement in the administration of statutory schemes has reduced their interest in launching occupational schemes. The 'crowding-out' mechanism does not just apply to the level of protection provided by statutory schemes but also to their guiding principle. When statutory schemes are employment-based, it is more difficult for occupational schemes to develop and be integrated with them.

2.3.2 The timing of OW and the impact of the recent economic crisis

The time dimension has proved important in understanding social policy changes (see Pierson 2004; Bonoli 2005). This is also the case for OW. The role of the different explanatory variables (e.g. institutions of the past, stakeholder interests) largely depends on timing: when OW schemes were established and when any important changes took place. A comparative analysis of the occupational schemes in this book confirms the importance of the time dimension. In the long-term perspective, the OW frontrunners (or early birds) – the UK, Sweden and the Netherlands – used the opportunities provided by the socio-economic, political and institutional context of the first part of 20th century (or even earlier) to launch occupational social programmes. Statutory schemes were not so highly-developed, the economic context was favourable and the social partners and/or political forces in favour of occupational schemes enjoyed high-level political resources. All this encouraged the spread of OW (see the chapters by Naczyk this volume; Keune and Payton this volume; Ottosson *et al.* this volume).

When the latecomers started to embrace the same pro-OW strategy at the end of the 20th century, political, socio-economic and institutional conditions were different and much less favourable for advocating generous OW programmes. The Southern European countries are typical examples of such a situation: in a context of permanent austerity and huge pressure on wages, there was less room for OW to develop. Italy, as shown by Pavolini *et al.* (this volume), is a perfect illustration of this. The budgetary and fiscal crisis of the early 1990s led policymakers to embrace the multi-pillar paradigm in the pensions field. But the same fiscal context prevented the spread of occupational pension funds in the public sector due to the cost to the public budget. In parallel, the gradual decentralisation of collective bargaining and the pressure for stable wages largely limited the opportunity for win-win solutions, where the employees can see the setting up of occupational pensions as a gain more than a loss. Increased pension rights through occupational funds were seen, rather, as a tomorrow's benefit paid for by an absence of today's wage increases[7].

The recent *Great Recession* provides further evidence of the importance of the time dimension. Tensions in the financial markets in 2008-2009 largely contributed to reducing rates of return on the investments of occupational pension funds. Social partners and policymakers, who had hoped for potential gains from the spread of pension funds, in fact experienced huge market volatility and the risk of negative returns on the money contributed by employers and employees to their pension funds. This is what Austria experienced: over the crisis period, many social and political forces became more sceptical of the role of OW. In a similar context, Spain (see Martínez Poza this volume) provides evidence of the bleak prospects for OW in a country where the poor performance of the labour market (with high levels of unemployment and few rights for

7. There are two reasons for this. First, employees who pay more contributions for their OW schemes in exchange for flat wages are dissatisfied. Especially in the context of an economic crisis, they value an increase in wages more than investing in OW, as the latter puts constraints on their consumption choices. Second, while employers also contribute to OW, they ususally enjoy tax benefits which considerably lower costs and make investing in OW more attractive for them.

some groups, e.g. the young, women and immigrants) makes it difficult for OW to protect social rights. The latter are in fact a matter of citizenship, to be protected by statutory schemes, while OW can protect some groups but not others.

As far as the recent financial crisis is concerned, while we could expect growing pressure on the public budget, and therefore a further impulse to reduce public spending and invest in OW, the picture that emerges from the countries under scrutiny is more nuanced. While in some countries austerity has indeed led to more room for OW, in others, the situation has to the contrary discouraged occupational schemes. In Sweden, for example, the combination of pressure for a more decentralised industrial relations system and cost-cutting at company level is leading to increased problems for Occupational Welfare programmes (Ottosson *et al.* this volume). Both more recently and in the past, the main characteristics of Sweden's capitalist model impacted the spread and traits of OW.

2.3.3 Player strategies and motives

The country chapters in this book show that the social partners' motives and the reasons behind the introduction of OW schemes are fairly similar across the countries, as are the doubts and perceived risks[8].

First, there seems to be a difference between what social partners *think* of Occupational Welfare and what they *actually do* to foster such occupational schemes, especially outside the realm of occupational pensions. Social partners' declared views tend to be positive, with a more critical approach taken by the trade union movement, in terms of OW potential. However, at the same time the topic is perceived as marginal or at least not central to social partners' overall agenda, especially since the crisis. In many countries, there is a general discourse in favour of extending or strengthening occupational schemes, without any real commitment (see Natali and Pavolini 2014 for a review of social partners' attitudes on OW).

Employers' motives tend to be grouped around a few concepts. In nearly all nine countries considered, OW programmes are seen as a potential tool for human resource management: to recruit and to retain workers, especially qualified workers (by offering them complementary welfare benefits); to promote loyalty and, especially, to motivate and reward staff. Employers expect returns in terms of productivity. Moreover, in many countries there seems to be a link between the introduction and extension of OW schemes and the wish of employers' representatives to contain labour costs, especially social contributions to mandatory statutory schemes. At the same time, at least in some countries, employers seem to prioritise individual protection over occupational protection. As stressed by Ghailani and Peña-Casas (this volume), employers in Belgium see third-pillar pensions as a cheap option for individualising old age risks and avoiding the costs related to the direct provision of pension.

8. The present section focuses on the two sides of industrial relations systems, namely trade unions and emplyers organisations. The strategy of the state is not considered here.

Occupational Welfare programmes are considered by trade unions, when they give a positive assessment of such schemes, as a way of improving not only employees' working conditions, but, often, also the conditions of their families, thanks to a broadening of social provision, as in the case of reconciliation or healthcare. Yet, positions are less clear-cut in the countries where statutory schemes are based on an occupational logic, are earnings-related and financed through social contributions. In Italy, Spain, Austria – but also in Belgium – trade unions prefer to defend statutory schemes rather than invest in the spread of OW.

2.4 The risk of raising inequalities through Occupational Welfare

One of the main worries, expressed especially among trade unionists, relates to the actual and perceived impact of OW on social inequalities (often referred to in the literature in terms of welfare dualism and segmentation). The country chapters indeed confirm that, in several countries, there is a risk that OW will enhance and increase inequalities in access to social protection.

Table 4 summarises the main fault lines created by Occupational Welfare: by sector, company size and occupational group. High-productivity industries, as well as more export-oriented ones, more frequently offer more generous OW schemes to their workers. For example, companies in the pharmaceutical, energy production or automotive sectors, as well as in banking and finance, provide higher and better coverage than industries such as tourism, personal services and retail.

Table 4 **Workers more and less likely to have access to Occupational Welfare**

	More likely to have access	Less likely to have access
Economic sector	Higher productivity industries Export-oriented industries	Lower productivity industries Industries producing for the national market
Company size	Large Medium	Small-medium
Worker's skills profile	High general skills Specific skills	Low general skills
Type of employment	Employee	Self-employed
Type of labour contract	Open-ended	Fixed-term

Source: Country chapters (this volume) and Prowelfare country Reports (2016).

Sector characteristics also influence the prevalence of certain types of skills, and consequently OW coverage. Occupational pension coverage is generally high in sectors predominantly requiring workers with high general skills and/or with specific skills (such as those also required by blue-collar workers in many manufacturing enterprises). Coverage is usually low in those enterprises requiring low general skills from the majority of their workers. Company size also matters: SMEs less frequently offer less generous OW programmes than medium and large companies.

The relationship between the scale of Occupational Welfare and whether workers are employed in the private or public sector is less clear. In most countries, there is greater coverage of workers in the public than in the private sector. However, there are exceptions to this pattern, for example Italy and Belgium. Practically everywhere, the self-employed find it more difficult to access benefits than employees. Similarly, workers with fixed-term contracts find it more difficult to access benefits than those with an open-ended one.

Access to occupational benefits is not evenly distributed through all socio-demographic profiles: migrants and, in many countries, women are less likely to be entitled to OW schemes, because they are often employed in industries and enterprises less likely to provide occupational benefits, or because their labour contracts and/or skill profiles have the same negative effect.

As far as the different countries under scrutiny are concerned, the Scandinavian countries, such as Sweden, and, even more, the Netherlands seem to have developed a model of Occupational Welfare in which the risks of welfare dualism are greatly reduced, although not totally absent, especially when compared to the UK and other Continental countries (Germany and Belgium).

Tables 5 and 6 – which depict occcupational pension coverage by industry and type of contract as well as by gender and migrant background – are helpful in accounting for certain differences in coverage between countries. There are clear differences between countries with a medium level of coverage (Germany, the UK and Belgium) and those with high coverage (the Netherlands and Sweden). The table does not report the data for countries where occupational pensions are not common (Italy, Spain, Austria and Poland). Evidence from the country chapters shows that inequality in these countries is even higher than in countries with substantial occupational coverage (see, for a more detailed analysis of the issue, Pavolini and Seeleib-Kaiser 2016).

Table 5 Occupational pension coverage by industry and type of contract (2011-2013)

		Industry				Type of contract		
	Total	Manufacturing	Retail and hospitality	Financial intermediation	Public adm and welfare	Open-ended contract	Fixed-term contract	Ratio open-ended : fixed-term
Countries with medium occupational pension coverage								
Belgium	27.4	42.2	25.4	63.5	18.0	29.7	17.0	1.7
Germany	36.5	39.0	19.7	60.7	46.2	38.9	22.6	1.7
UK	58.1	50.1	22.7	79.5	74.4	62.8	55.6	1.1
Countries with high occupational pension coverage								
Netherlands	86.0	91.8	83.3	93.8	88.2	87.1	86.4	1.0
Sweden	92.3	94.6	88.6	95.0	95.2	93.6	84.7	1.1

Source: Pavolini and Seeleib-Kaiser (2016).

Table 6 Occupational pension coverage by gender and migration background (2011-2013)

	Gender (private sector)			Migration background		
	Male	Female	Ratio male : female	No	Yes	Ratio no migr. : migr.
Countries with medium occupational pension coverage						
Belgium	33.2	22.3	1.5	28.3	21.6	1.3
Germany	35.4	26.0	1.4	37.1	28.0	1.3
UK	47.1	44.3	1.1	63.8	48.5	1.3
Countries with high occupational pension coverage						
Netherlands	90.5	84.2	1.1	86.9	73.1	1.2
Sweden	72.4	84.0	0.9	93.5	81.7	1.1

Source: Pavolini and Seeleib-Kaiser (2016).

It seems clear that the only way to limit, if not avoid, inequalities is to provide the conditions enabling the vast majority of the (working) population to be covered. Half-way situations create *de facto* welfare dualism. As underlined by Pavolini and Seeleib-Kaiser (2016: 22): 'Belgium, Germany and the UK are very likely to encounter social protection dualism for future pensioners. Although we were also able to identify some level of social protection segmentation in the Netherlands and Sweden, this level of segmentation cannot be characterised as significant from a comparative perspective. In both countries, occupational pension coverage remains encompassing and to some extent is functionally equivalent to earnings-related public pensions'.

3. Policy implications for addressing Occupational Welfare: risks and opportunities

The key findings of the PROWELFARE projects allow us to spell out a number of policy implications for policymakers and stakeholders at national, supra- and sub-national level, and for the European Commission. The starting point is that the country chapters show OW programmes as a double-edged sword. They indeed have the potential to improve (some) workers' conditions and lives, to enhance company performance as well as to boost collaboration between social partners. At the same time, however, they are likely to be a source of risks for workers, stakeholders and policymakers, including in terms of increasing inequality. They can create incentives to weaken the welfare system (and the welfare state) and to fragment employment conditions on the labour market while providing limited forms of protection.

We start by discussing the risks and opportunities for all stakeholders. We then advance a number of suggestions for a fruitful debate on Occupational Welfare among social partners, trying to avoid a simple dichotomisation of the debate between those 'against' and those 'in favour' of OW.

3.1 Main risks associated with Occupational Welfare

— *OW may foster inequalities in access to social benefits among workers*. As shown by a number of country chapters (this volume) and in previous pages of the conclusions, OW provides social protection tailored to an employee's occupational group, the type of labour contract, the size of the company, etc. Gender and the migrant status of workers typically act as discriminatory factors.

— *The costs of OW schemes for the state should not be underestimated*. Policymakers, at least in some of the countries under scrutiny, have largely supported the development of OW by providing tax benefits to employers and employees. The impact of these on the public budget is not negligible and may have regressive effects. It is debatable whether more tax spending and less direct spending on social policy is an effective strategy to address social risks in an encompassing way.

— *OW may entail high administrative costs and risks of mismanagement, which are then borne by employees and companies*. We refer here to some evidence provided, for instance, by the UK and the Netherlands, on the risks related to the investment strategies followed by pension fund administrators in recent decades.

— *Lack of coordination between OW and social and fiscal welfare is a pivotal risk*. The fragmentation of benefits, lack of effective protection and excessive costs are all problems that need careful coordination between different welfare schemes. The institutional design of OW (e.g. the financing method, access to the schemes, benefit calculation.) and the way it interacts with other forms of social protection are important factors. A poorly coordinated mix of social, occupational and fiscal welfare may lead, for instance, to over-protection of some social and occupational groups and under-protection of others. The case of pensions in Continental and Southern Europe is a good illustration. The combination of statutory and occupational benefits has led to over-protection of some groups while others enjoy insufficient social protection in old age, resulting in high risks of poverty.

— *The increasing financialisation of OW presents a further major hazard*. In those countries where pension funds represent a key source of financing for enterprises, the administrative functions seem to shift from social partner representatives to investment funds, and to the financial market in general. There is also a risk that the 'professionalisation' of the funds' administrators may place key managerial functions in the hands of former bank and insurance managers and business representatives, leaving limited room for more traditional social partners' concerns.

— *Social partners risk losing their autonomy in the administration of OW schemes*. Here we refer to increased government pressure on OW. In many countries, policymakers delegate the provision of social protection to social partners, but exert growing influence through regulating and supervising the schemes. This process risks creating increased administrative burdens and responsibilities for the social partners, while policy guidelines and priorities of OW are set by the State.

3.2 Occupational Welfare: opportunities for social partners, workers and business

— *OW can represent an opportunity to provide better social protection to workers*. While statutory programmes, especially in countries subject to austerity measures, may provide insufficient protection, social partners may better protect their members. This is particularly the case for the risk of unemployment and the provision of both passive and active labour market policies. For example, evidence in the country chapters on Austria and Sweden shows that a new generation of occupational schemes have addressed the risk of unemployment in increasingly deregulated labour markets. In those countries where the State has difficulties – not just budgetary problems but also a lack of institutional capacities – developing new measures against skills obsolescence and allowing smooth transitions from one job to the next, OW may be an important source of (additional) protection.

— *Trade unions could use OW for innovative approaches to address social risks,* through new forms of governance in partnership with the state and the market. Some occupational unemployment schemes have provided evidence of a complex interaction between policymakers (at national and sub-national level, with the active role of the EU) and social partners, joining forces (and financial resources) to address mounting risks for the labour force.

— *OW may be an opportunity to increase trade union involvement in company organisation*: discussing Occupational Welfare issues can, for example in the field of work-life reconciliation, become an opportunity for workers' representatives to become more involved in the general planning of human resource management within the enterprise.

— *Companies can use OW to invest in their staff.* Occupational schemes are indeed an instrument to invest in greater worker loyalty and commitment, providing more potential to attract skilled staff and increase productivity while improving working conditions. Some cases have shown employers benefiting from tax advantages to set up OW schemes, thus giving them greater competitive potential while providing benefits for the labour force and helping to protect social rights.

3.3 Managing risk and opportunities: towards a 'realist' approach of Occupational Welfare

In this last subsection, we provide suggestions on how to deal with the risks and opportunities mentioned above. These are addressed to policymakers, stakeholders and analysts alike.

— Efforts are needed to develop *more systematic collection of statistical data on OW*, its scale and its impact on workers' social rights. Data collected by national experts in the PROWELFARE projects, as well as data provided by international organisations such as the OECD, needs to be improved. Some policy areas are being monitored more systematically (e.g. pensions) while others have been less often analysed. As a result, there is limited comparative information and data on all the social risks analysed, including pensions. Data collection is necessary to encourage a more accurate and evidence-based discussion on how to regulate OW, on its costs, benefits and the trade-offs it offers.

— *The same effort is needed to collect information on fiscal welfare* – the whole arsenal of tax advantages targeting both employers and employees to support them in the provision of social policy. This is important for an accurate cost-benefit analysis, assessing the impact of public fiscal strategies on mobilizing more company and employee resources for social protection.

The following points are more closely related to the development of effective strategies to address the main risks involved.

— *The interplay between statutory and non-statutory OW schemes needs to be carefully managed.* On the one hand, such interplay is crucial to further develop OW. Access to benefits (whether through mandatory coverage or forms of auto-enrolment), contribution rates and other aspects of the scheme have to be carefully designed. The situation in Southern European countries and some Continental European ones demonstrates that developing OW is no easy task. Despite a number of incentives and attempts to reduce statutory benefits and leave more room for OW, the latter may be limited in its extent and coverage if the rules are not set effectively. On the other hand, the interplay between statutory and non-statutory schemes is crucial to address inequalities. *OW plays an important role, especially when topping up universal statutory programmes.* In a top-up situation, it is easier to integrate with social welfare. When basic protection is available, OW may however increase inequality and provide inadequate and uneven protection. It is thus important for policymakers to focus on statutory schemes and their capacity to provide comprehensive protection. OW cannot replace statutory schemes in this task.

— *Policymakers and stakeholders could work further on innovative measures to address social risks through OW.* Occupational Welfare can be an important source of policy innovation. This was indeed the case in the 19th and early 20th century, when social partners invented new forms of social protection: the so-called 'Ghent system' is a typical example of how social partners autonomously addressed the social risks facing industrial societies. The nine country cases in this project show how a new generation of occupational programmes has helped to address the social risks related to the present labour market. Labour Foundations in Austria and Employment Transitional Agreements in Sweden are examples of the trade unions' role in addressing active and passive labour market policies through new instruments.

— *Policymakers and stakeholders should cooperate to strengthen industrial relations.* Strong industrial relations systems are a pre-condition for effective OW: the situations in Poland and Southern Europe show the limited scope for widespread and effective occupational funds in countries with weak industrial relations and where social partners are not heavily involved in labour market and social policymaking. There is an implicit contradiction between cost containment strategies and the decentralisation of industrial relations on the one hand, and a proposed increase in OW on the other.

— *It is important to focus on effective regulation of OW.* The regulation of the governance of OW schemes – e.g. investment strategies, representation of the schemes' members in their administrative bodies – is extremely important. The case of the Netherlands shows how occupational pensions, the flagships of the so-called 'Polder Model' – typical neo-corporatist institutions in the hands of social partners – may become a symbol of the increased financialisation of welfare. The growing role of financial investors in shaping strategies for managing fund assets has led to a risk that social partnership will be hollowed out, thus sidelining trade union and employer representatives from the governance of OW. It is important to focus on effective regulation of OW if employees are to be properly protected against old and new social risks. Furthermore, regulation may help to balance the roles of the various players and avoid social partners being 'squeezed' between the State and the financial markets.

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