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**Comparing (Voluntary)  
Occupational Welfare  
in the EU: Evidence  
from an international  
research study**



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## **Comparing (Voluntary) Occupational Welfare in the EU: Evidence from an international research study**

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1. Chiara Agostini has worked on tables and graphs from the Prowelfare country reports and the on line survey.

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## Introduction

Social benefits and transfers set up by the social partners, through bilateral initiatives as well as unilateral actions by the employers, have played a growing role in the last decades. What is referred to as occupational welfare is not a new phenomenon, yet it has gained new relevance in some EU countries (in terms of total spending, benefit level and coverage of the workforces). On the one hand, these schemes have contributed to shape social dialogue between trade unions and firms, and on the other hand to revise the welfare public/private mix.

While occupational welfare is thus relevant to understand recent trends in welfare states and industrial relations, relatively little research has dealt with the issue, especially from a comparative point of view. The present paper sheds light on the recent evolution of supplementary social benefits provided by social partners <sup>(2)</sup>. Based on the results of the project 'Providing Welfare through Social Dialogue: A renewed role for social partners?' (PROWELFARE), the paper sheds light on those occupational benefits and services voluntarily provided by social partners. We call this Voluntary Occupational Welfare (VOW). The focus is on three policy areas (health care; reconciliation of work and family life, and training), in three sectors (manufacturing, public sector, and private services), and in eight countries (Austria, Belgium, Germany, Italy, Poland, Spain, Sweden, and UK). Evidence collected through the project proves VOW is becoming relatively more widespread. It usually represents an addition rather than a substitute to statutory schemes. However VOW programmes represent a 'double-edged sword': they offer possibilities for improving workers' conditions and life; at the same time they could create incentives to weaken the welfare state and to fragment employees' conditions on the labour market.

The paper is organized as follows. Section two provides some definitional clarification on occupational welfare. Section three introduces some analytical insights about the role of VOW at the crossroads of welfare reforms and the evolution of industrial relations. Section four presents some comparative data on VOW and integrates them with the main results of PROWELFARE on: the benefits and services provided by social partners, the coverage of VOW schemes, and their governance. Section five gives evidence of social partners' motivations and their own evaluation of VOW on the base of the online survey and a set of interviews for the eight countries under scrutiny. Section six concludes with some reflections on the key research questions that should be addressed in the future.

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2. This paper presents the results of the European Commission-funded "Prowelfare" project, which was coordinated by the European Trade Union Confederation (EUC) and the European Social Observatory (OSE). The European Commission assumes no responsibility for facts or views expressed in this publication, or their subsequent use. These are the sole responsibility of the authors.

## 1. Defining Key concepts

Different concepts can be used to describe the phenomenon under scrutiny: corporate welfare (Crouch and Keune, 2012), contract welfare, enterprise-based welfare (Mares, 2003). Moreover different scholars use these concepts in different ways.

The present paper uses the term “occupational welfare”, originally proposed by Richard Titmuss almost 60 years ago (1958). The “occupational welfare” consists of market-driven social benefits provided by private employers and the state in its role as employer (Goodin and Rein 2001; Sinfield 1999). We use this concept with three qualifications, about: the policies to be covered; the voluntary/mandatory nature of the provision; the broad interplay between state and social partners (in terms of public/private competences and tasks). About the first point, occupational welfare is used here to refer to social policy programs only, including benefits and services, but excluding ‘fringe benefits’ (e.g. Shalev 1996; Cutler & Waine 2001; Greve 2007) <sup>(3)</sup>.

As far as the coexistence of mandatory and voluntary programmes is concerned, we focus on voluntary programs introduced by social partners (bilaterally or through the unilateral employers’ action) <sup>(4)</sup>. This has allowed us to address the role of social partners and their autonomy *vis à vis* the State.

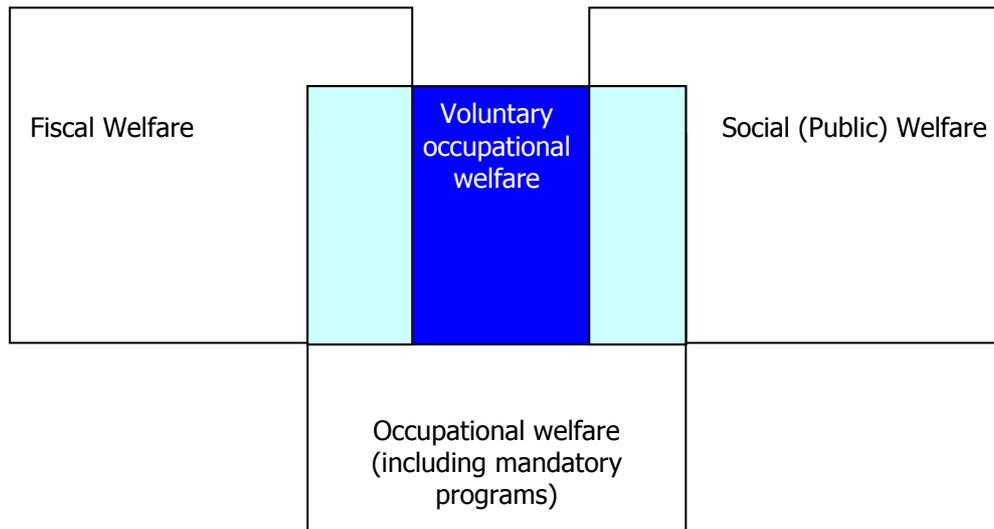
As for the third point, on the complex interaction between state and social partners, there are two situations where the interplay among these actors makes the boundaries between the state’s sphere, mandatory occupational welfare and voluntary occupational welfare quite vague (Adema & Whiteford 2010):

- when the state fosters occupational provision through fiscal welfare programs; e.g. the State can act through tax incentives for those companies that introduce and support occupational pensions or health care schemes;
- when the State transforms public/mandatory occupational programs into voluntary occupational programs or vice versa; e.g. in the Netherlands a whole series of welfare programs dedicated to disability and care has been shifted from State-run to collective bargaining programs (Yerkes & Tijdens 2010).

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3. Fringe benefits are: e.g. cars, lunches, holidays and other recreational activities, free / discounted access to IT. For a more clear definition of social policy, we refer to the OECD definition of social policy fields. OECD (Social Expenditure Database) includes the following elements: old age; survivors; incapacity-related benefits; health; family; active labour market programs; unemployment; housing; other social policy areas. We added training and education.

4. OECD defines “Mandatory private social expenditure” as: “social support stipulated by legislation but operated through the private sector, e.g., direct sickness payments by employers to their absent employees as legislated by public authorities, or benefits accruing from mandatory contributions to private insurance funds”.

**Figure 1: The focus of the project: voluntary occupational welfare**

**Source:** Titmuss (1958) our own modification.

The primary focus of the paper is on voluntary occupational welfare (the “blue area” in Figure 1 above).

## **2. The relevance of voluntary occupational welfare in contemporary welfare systems and industrial relations**

Despite some seminal works that have focused on occupational welfare (Titmuss, 1958; Sinfield, 1978; 1986), this has been a relatively neglected area in both theoretical and empirical studies of the welfare state despite its importance to the overall levels of social provision.

As a matter of facts, relatively little research has dealt with the issue (e.g. Farnsworth 2004; Greve 2007), with studies focusing in general on specific issues, mostly occupational pensions (e.g. Shalev 1996; Rein & Wadensjö 1997; Forssell et al 1999; Ebbinghaus 2011), and more recently on social care, family policy issues (Seelieb-Kaiser & Fleckenstein 2009 and 2011, Yerkes & Tijdens 2010) and sickness benefits programs (Jarvi & Kuivalainen 2012). Some contributions have adopted a broader comparative view: Seelieb-Kaiser, Saunders & Naczyk (2012) focus on different social policy fields (pensions, health care and unemployment) in the UK, the US, Germany and France.

There are good reasons for an increased effort in analysing voluntary occupational welfare. While VOW has a key relevance in terms of spending and coverage, see Section 4 below, it is also important for the on-going welfare state transformations, and for industrial relations systems -

with a particular focus on firms' strategies, and the role that social partners play in both decision-making and management.

## **2.1 VOW and changing welfare states**

VOW is part of the changing welfare state in Europe. In recent decades all European countries have adopted welfare reform strategies that have been shifting between retrenchment, restructuring and recalibration. In particular by "retrenchment" it is meant a situation of general rollback of social programmes in a given country. By "restructuring" it is meant a set of policy changes aiming at welfare state adjustment, in response to rising costs, increased numbers of claimants, structural changes in the labour markets and families, whereas by "recalibration" it is meant the adaptation of social policies to the transformation of social risk structures under post-industrialization ("new social risks") <sup>(5)</sup> (Morel, Palier and Palme 2012).

Even if there is a strong debate on the real magnitude of retrenchment (Pierson, 2001; Levy, 2010), the literature underlines two possible ways for rolling-back the welfare state: direct interventions reforming and cutting social programs; more indirect ("hidden") retrenchment strategies, based on the principle of "blame-avoidance" <sup>(6)</sup>, aiming at dismantling the Welfare State, without paying the political and electoral costs (Hacker 2004; Streeck and Thelen 2005). More interestingly Hacker (2002; 2005; 2006) argues that a possible hidden retrenchment strategy might use, as a tool, private or employer-provided welfare benefits.

Therefore a potential relationship between welfare state retrenchment policies, blame avoidance and occupational welfare could take two forms:

- a. the State cuts public programs and fosters private occupational welfare programs, that are not able to provide the same coverage (or generosity) as the public ones;
- b. the State does not cut public programs but relies heavily on occupational welfare programs, and the latter are increasingly cut by employers (this is the situation mostly described in Hacker's studies).

As for the trends that characterize both social and occupational welfare, Greve (2007) argues convincingly that it is an empirical question assessing whether specific programs of (voluntary)

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5. According to Hemerijck (2008), welfare recalibration refers to: "a shift ... away from an emphasis on *protection from the market*, providing people with a replacement income of traditional male breadwinner families in the case of old age, unemployment, illness, and so on, towards an emphasis on *labour market (re)integration* for both men and women in an open, knowledge-intensive economy with an emphasis on enabling choice and encouraging behavioral patterns rather than providing benefit" (p. 47).
  6. Blame avoidance refers to the attempts made by national governments, introducing retrenchment policies, to deflect responsibilities for unpopular program cuts.

occupational welfare are “supplementary” or “substitute” to public provision and whether these programs “grow in tandem” or follow a “dual retreat” with public coverage and expenditure. VOW is “supplementary” (or integrative) when the public program provides the basic support and the occupational program delivers an additional protection (functioning really as a “second pillar”). They are “substitute” to public welfare when the development of voluntary occupational welfare programs leads (directly or indirectly) to the reduction in the level of public provision.

Moreover voluntary occupational welfare might play an important role in terms of redistribution and inequalities. Part of the most recent literature on welfare state outputs and outcomes has focused on *welfare dualism and dualization* (Emmenegger et al. 2012). By “dualization” these scholars refer to the increased differentiation of rights, entitlements, and services provided to different categories of recipients. Thus, dualization is a process that is characterized by the differential treatment of insiders and outsiders creating or strengthening institutional dualisms (*policy output*). At the *outcome* level, the process of dualization is very likely to lead to greater social divides: between insiders and outsiders.

Matching dualism and dualization with occupational welfare is quite relevant. Comparing US, the UK, Germany and France Seelieb-Kaiser, Saunders & Naczyk (2012) have studied different welfare programs (pensions, healthcare, unemployment protection), both in the public and in the private (occupational domain). The main conclusion of their study is that, if institutional welfare dualism has always been a part of social protection arrangements in Liberal and Conservative welfare systems, the onset of post-industrial welfare capitalism led to the growing number of outsiders within the workforce. In particular, in relation to the occupational welfare role, the authors argue that private social protection can under specific conditions constitute a functional equivalent of public social protection for some occupational groups but not for all, and thus results in a profound bifurcation of welfare.

The issue of dualization and occupational programmes is quite relevant especially in relation to how VOW works. The heart of occupational programs is based on a strong connection between the employment contract and characteristics and the access to welfare benefits. In post-industrial capitalism, labour conditions are increasingly differentiating and this might have an impact in terms of fostering even more segmentation and dualization, (e.g. companies are able or eager to offer / accept differently generous welfare benefits to their employees, depending on the company size, industrial sector, level of skills required to their labour force, positioning in the national and international goods and services markets etc).

Depending on their substitutive / supplementary role, the trends in their evolution and the degree of homogenization of benefits’ coverage and generosity across different types of firms (in terms of economic industrial sectors, company size, etc.), voluntary occupational welfare programs can

have an impact in reinforcing or not dualization, widening socio-occupational inequalities among workers (and their families). Moreover, this impact will also depend on the institutional design of the public welfare state, being it residual, universal or corporatist.

Overall, VOW might have a positive impact in risks' coverage but they might also represent the abandonment of the universalistic ambition of many modern social policy programmes (e.g. if occupational programs are designed as substitutive, planned at the company level, cross-firms heterogeneous, and they increase their role, while public programs are cut, the result will be an undeclared shift from universalism). New social and occupational divisions are clearly emerging across European countries: between manufacturing and the service economy, public-sector and private-sector employees; and between those employed in large or small and medium enterprises. In such contexts, VOW might even accentuate these processes of social rights differentiation, creating even higher barriers and deeper divides between different categories of workers and citizens.

## ***2.2 VOW and changing industrial relations***

Voluntary occupational welfare is also relevant to better understand the changing industrial relations dynamics and collective bargaining. The shift from national all-encompassing bargaining to sector-level bargaining, and from sector-level bargaining to decentralised bargaining at the enterprise level (Baccaro & Howell 2011) has developed in parallel with the renewed interest of employers in welfare provision. Research over the last decade has started to offer more complex explanations about the employers' role in providing welfare policies (e.g. Mares 2003; Yerkes 2011). In many European countries, collective bargaining is increasingly taking the shape of "concession bargaining" where wage stability is traded against social benefits. For instance in Southern European countries, but not only there, there is an increasing trade-off between the "right" to work and rights at the workplace (Pavolini, Ascoli and Mirabile, 2013).

VOW is also changing trade unions' strategies. As stated by Johnston, Kornelakis and Rodriguez d'Acri (2011), in line with Trampusch (2007a; 2007b), the 'collectivization' of social risks might be an alternative perspective to privatization and welfare state retrenchment: "Unions and employers may fill some gaps in welfare state provision through collective agreements, providing protection for either new or old social risks, and thus reaching out to new constituencies ... and 'reinvent' themselves by pursuing a new mode of action" (p. 350).

What is more, in the post-industrial age, unions are likely to be interested in policies that cover not only 'old', but also 'new' social risks (<sup>7</sup>). The latter may add to their chances of membership revitalization and expand their reach to new constituencies such as the unemployed (Clegg and van Wijnbergen, 2011) or other outsiders.

Providing welfare through social dialogue may hold a "silver lining for unions": "the meaning of collectivization was (that) ... once pressing social risks became manifest, collective agreements were utilized by social partners to address rising concerns" (Johnson et al, 2011, p. 354). In the Netherlands, unions opposed government reform of disability benefits by means of active, and cohesive, opposition throughout sectoral bargaining arenas. In Italy, atypical workers' unregulated status was mitigated by direct union negotiations with employers to contain welfare risks associated with temporary, part-time and marginally regulated work (Burrioni e Pedaci, 2014).

In sum, voluntary occupational welfare programs represent a source of both potential progress and risks for trade unions and social dialogue institutions. First, occupational welfare is a potential source of legitimacy and organisational power for trade unions. Trade Unions could potentially gain new tasks and further services/benefits to offer to their membership. Secondly, the social and unemployment protection provided through social dialogue and/or unilateral action by employers represents a complement to the (declining) state efforts in the area, safeguarding basic workers' rights. Thirdly, additional benefits/services may be used as a functional equivalent of wage increases, in a context of economic austerity and growing pressure on the competitiveness of European firms. Fourthly, occupational welfare may represent a way to strengthen workers' and citizens' rights through collective bargaining, with a large share of the resources provided by enterprises.

VOW, however, may also entail risks for trade unions and workers. The shift toward an occupational welfare approach could foster decentralisation in collective bargaining (where there is a tradition for national / industry bargaining) or the strengthening of decentralized bargaining (where the company level is already central): a shift from general and national overall trade union strategies, to more specific and diversified industrial-sector and firm-level strategies. It could, eventually, bring about a change within trade unions away from a universalistic approach to socio-economic policies (welfare issues included) to a more strictly-particularistic ones (at sector and enterprise level). It might also pose a threat to trade unions at the enterprise level: although in

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7. 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; p. 3). These new social risks include the inability to reconcile paid work in the labour market and care work in households, poverty among single parents, precarious employment and/or long-term unemployment among low-skilled workers. Old social risks refer to the risks of wage earners being unable to obtain an income from the labour market due to occupational injury, sickness, incapacity, unemployment, old age, etc.

some cases an equal role is given formally to both actors, in other cases employers seem to attempt to use welfare provision in a paternalistic or strategic way to limit the role of the trade unions and regain total control of human resources management. It could also weaken workers' bargaining conditions in front of enterprises: if voluntary occupational welfare benefits become more relevant, a worker not satisfied by the conditions offered by the firm might be double punished if she leaves the company, losing a salary and also social benefits.

### **3. The changing role of Voluntary Occupational Welfare**

In the following we summarise the main findings of the research carried out in the context of the project PROWELFARE. All work has been based on information and data collected through the limited secondary literature available, the text of collective agreements and regulations providing the legal framework for occupational welfare, interviews with stakeholders, and surveys and research carried out by social partners themselves, public institutions and private consulting firms.

As already stated, the focus has been on three social policies (healthcare protection; reconciliation of work/family life; and training, with some further information on pensions) in three industrial sectors (manufacturing - automotive and food industries; public services; and private services - banking and retail).

The countries under scrutiny have been chosen on the base of the 'most dissimilar cases' perspective. The first criteria has been related to the welfare regime they belong to. Every welfare regime is represented: the Liberal model (UK); the Social-democratic model (Sweden), the Conservative- corporatist (Austria, Belgium and Germany), the southern European model (Italy and Spain), and the so-called fifth Europe (Central-Eastern European countries, represented by Poland) (Bonoli, 1997).

The eight countries present a large variation in terms of industrial relations models too. On the base of Ebbinghaus (1999) and Greve (2007), Sweden is assumed as a typical case of 'Nordic' industrial relations model: with high density, centralised organisations and bargaining (with decentralising tendencies) and high Siaroff's index of corporatism (see De Deken, 2007). Austria, Germany and Belgium are examples of the Central-European model (with centralised organisations with declining membership, and coordinated bargaining, with a lower index of corporatism). Italy and Spain are examples of the Southern model with a very low index of corporatism, weak and fragmented organisations and decentralising bargaining. Poland is the case of post-communist system characterised by extremely low level of trade union density and coverage, with decentralised collective bargaining and weak organisations. UK is a paradigmatic case of the 'Anglo-Saxon' model with fragmented organisations, weak membership and decentralised bargaining (with a low level of the Siaroff's index).

What is more, the countries under scrutiny represent the different welfare clusters characterized by the different weight of supplementary social programmes and the interplay between public and non-public schemes. On the one hand we refer here to the two categories proposed by Greve (2007): the Nordic/Central cluster (with a higher level of spending on occupational welfare schemes), and the Eastern/Southern cluster (with lower spending). Using these categories, Austria, Belgium, Germany, Sweden and UK are part of the first cluster, while Poland, Italy and Spain belong to the second cluster.

In the following we provide a map of the state of occupational voluntary welfare programmes; and trace their recent evolution (in terms of the emergence of a new phenomenon – as it seems the case in Southern Europe – or the further development of a more traditional aspect of welfare states – as it is the case in UK and to some extent in Nordic and Continental European countries).

Section 4.1 describes the main traits of voluntary occupational welfare (and occupational welfare in general) in the eight countries under scrutiny. We start with some comparable data published by international organisations (e.g. the OECD through SOCX datasets; Eurostat and Eurofound). We then draw some conclusions from the country reports provided by the project partners (see the Annex). Each country partner has collected information from primary and secondary literature (67 collective agreements analysed by the country partners) and from interviews with trade unions and social partner representatives (54 interviews carried out by the eight partners). In particular we aim at shedding light on three major aspects:

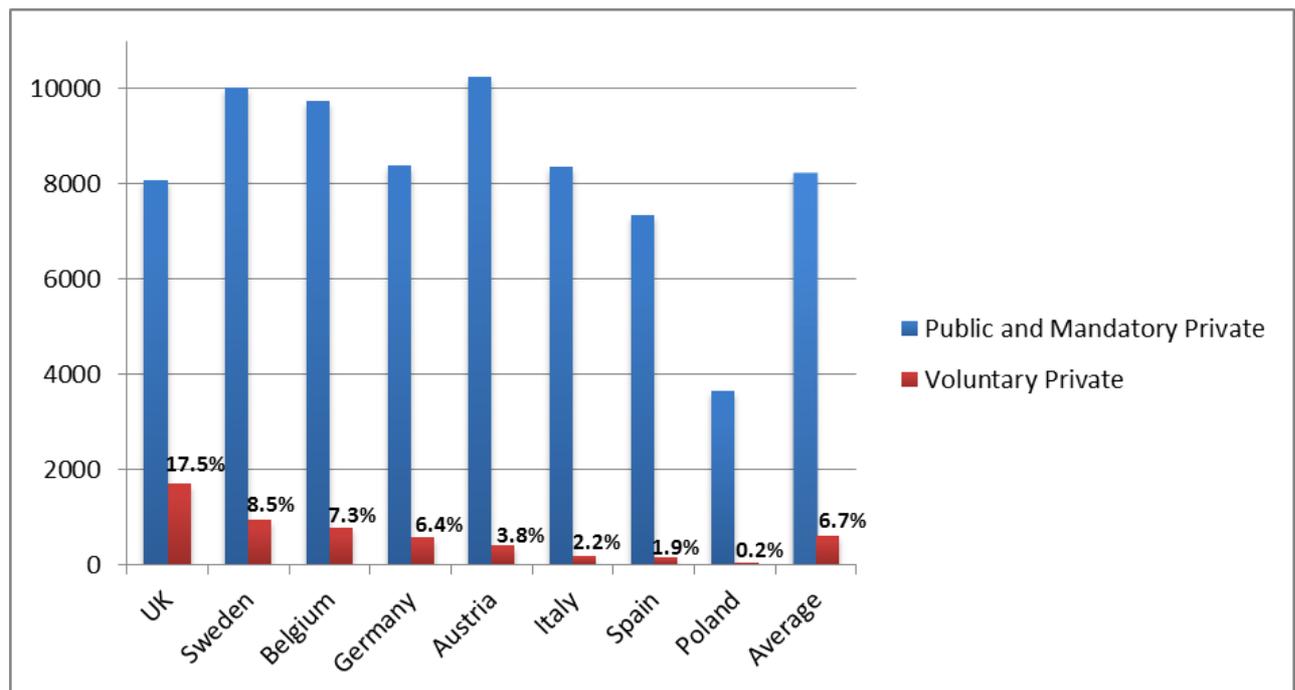
- first, we look at the importance of VOW in the eight countries (in terms of coverage);
- secondly, we focus on the type of benefits and services provided by social partners and/or unilaterally by the employers;
- thirdly, we look at the forms taken by this welfare provision, its role *vis à vis* statutory schemes; and its governance (interaction and tasks of public authorities and social partners at national and subnational level);
- fourthly, we look at trends (in the long term and especially in the most recent years since the crisis).

Sections 4.2 and 4.3 provide reflection on the interplay between VOW and statutory welfare programmes (so called social welfare) on the one hand, and between VOW and industrial relations institutions on the other, also examining the social partners' motivations for supporting VOW in their own country. Section 5 provides insights on the social partners' motivations to invest on VOW and their own perceptions of both opportunities and risks related to welfare provision. Here the main source of information is the on line survey we have launched through the project (integrated by interviews and the main findings of the country reports).

### **3.1 Monitoring VOW**

Comparative information on occupational welfare is very limited. However, some international databases provide a first set of data to help us begin to understand the role of supplementary occupational schemes (VOW) in the countries under scrutiny. This is the case in the OECD database on social expenditure (SOCX), which provides a clear picture. The OECD defines 'Voluntary private social expenditure' as: "benefits accruing from privately operated programmes that involve the redistribution of resources across households and include benefits provided by NGOs, and benefit accruing from tax advantaged individual plans and collective (often employment-related) support arrangements, such as, for example, pensions, childcare support, and, in the United States, employment related health plans". In a way this definition is broader than the definition of voluntary occupational welfare as it is used in the present project, but it does not include expenditure on education and training. The definition excludes individual out-of-pocket and strictly private expenditure, which does not involve some redistribution of resources.

Figure 2 summarises how much each country spends on voluntary private welfare (compared to total social expenditure, i.e. public and mandatory private welfare spending). Voluntary private social spending represents a limited proportion of total expenditure (which also includes public plus mandatory private): the average data for the 8 countries is 6.7%. Yet there is a wide variation between countries. We can distinguish between two groups: northern and continental European countries (Sweden, Belgium and Germany) where voluntary private spending is above the average; and southern and central-eastern European countries (Italy and Spain plus Poland) where voluntary private spending is well below the average, as Greve (2007) suggests. Moreover there are two countries with unusual profiles: the UK has an 'oversize' voluntary private welfare sector (almost three times the average); Austria is the only continental European country with voluntary private welfare provision below the average (but still much higher than in southern and central-eastern countries).

**Figure 2: Public and private social expenditure (PPS per head), 2009**

**Source:** OECD Socx online Database.

Data referring to single policy areas show that this sort of variation is replicated at this level as well: for instance in the UK (and to a lesser extent in Germany), occupational pensions are extremely significant in terms of spending and pension fund liabilities (spending on occupational pensions contributes to the high level of voluntary private welfare spending). Voluntary pension spending is much lower in the other countries (especially Poland and Austria).

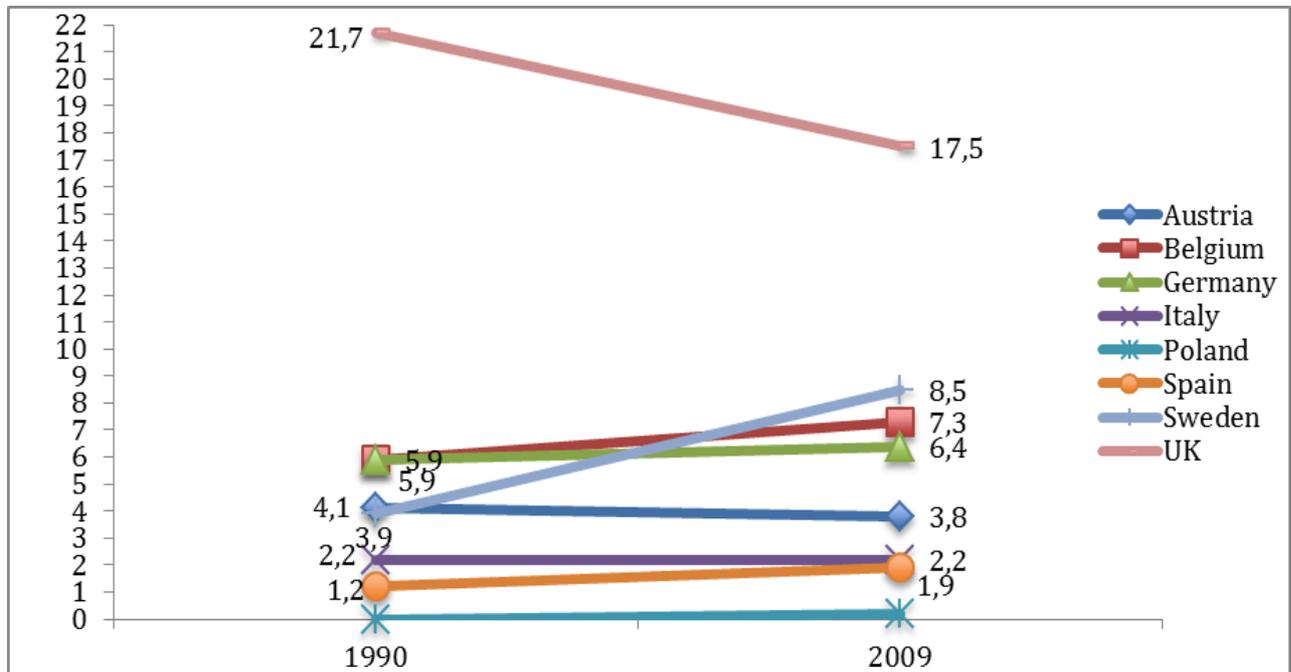
Figure 3 provides a more dynamic picture: comparing data for 1990 and 2009 some key trends for the eight countries can be traced. Three groups can be detected: the first group (UK and Austria) have experienced some decline of voluntary private social spending in recent decades. This means that total social spending (including public and private spending) has grown more (or decreased less) than voluntary private expenditure.

The second group of countries (Sweden, Belgium, Spain, Germany, and Poland) has seen a strengthening of the role of voluntary private social spending (it has grown more than public and private spending together). In Italy, the role of voluntary private schemes has remained stable.

This comparative data provides some first information about the role of private welfare, but more in-depth information is needed to understand the role, shape and trends of voluntary occupational programmes in the eight countries. On the basis of the country reports provided by the project partners (see the Annex), we can add some crucial information (despite the lack of complete

statistics at national level and the problems the partners have experienced in collecting comparable data).

**Figure 3: Trends in voluntary private welfare (as a % of public and mandatory social spending), 1990-2009**



**Source:** OECD Socx online Database.

Table 1 summarises key evidence on the coverage of voluntary occupational schemes. We refer here to the number of employees covered by VOW programmes (as a % of total employees) for the three policies covered by the project: healthcare, reconciliation of work and family life, and training (with reference to continuing vocational training). We have also evidence of voluntary occupational pensions that are of extreme importance in many countries.

**Table 1: Coverage of VOW (% of total employees)**

|                | <b>Pensions</b> | <b>HC</b>                 | <b>REC</b>                                   | <b>TRA (CVT)</b> |
|----------------|-----------------|---------------------------|--|------------------|
| <b>Austria</b> | MARGINAL        | MARGINAL                  | MARGINAL<br>WIDE (working time arrangements) | SUBSTANTIAL      |
| <b>Belgium</b> | SUBSTANTIAL     | WIDE                      | MARGINAL                                     | WIDE             |
| <b>Germany</b> | WIDE            | -                         | SUBSTANTIAL                                  | WIDE             |
| <b>Italy</b>   | SUBSTANTIAL     | SUBSTANTIAL               | SUBSTANTIAL                                  | SUBSTANTIAL      |
| <b>Poland</b>  | MARGINAL        | MARGINAL                  | SUBSTANTIAL                                  | MARGINAL         |
| <b>Spain</b>   | SUBSTANTIAL     | WIDE                      | SUBSTANTIAL                                  | SUBSTANTIAL      |
| <b>Sweden</b>  | WIDE            | WIDE (Sickness insurance) | -  | WIDE             |
| <b>UK</b>      | SUBSTANTIAL     | MARGINAL                  | WIDE   | MARGINAL         |

Note: Coverage level < 20% = MARGINAL; 20-50% = SUBSTANTIAL; >50% = WIDE

**Source:** Prowelfare country reports (2013).

Evidence from the country reports proves that VOW is of substantial importance (meaning that it covers more than 20% of the total employees) - in at least one of the policy areas covered – in all the countries under scrutiny. Even in the case of Poland, we have evidence of some importance of VOW (in the field of the reconciliation of work/family life and in particular through the setting up of company social funds and of working time arrangements helping reconciliation). The broad picture seems consistent with the international dataset mentioned above. Yet there are some interesting variations related to the fact that the UK (a country with a high level of spending on voluntary private welfare) does not show an impressive degree of coverage. Even in the case of pensions, fewer than 50% of employees are covered by occupational schemes. While in other countries, where total voluntary private spending is lower (e.g. Sweden and Belgium), the coverage is broad in various policy fields: training, healthcare, sickness insurance, etc.

The other key information provided by Table 1 is that coverage varies from one policy field to the other. Different risks are covered to a differing extent by VOW programmes in the same country. In many respects a focus on risks seems to be the best way of shedding light on VOW.

Table 2 provides evidence of the type of VOW benefits/services in the eight countries. In the case of Healthcare (HC), two different types of provision can be offered. One type is related to the more traditional industrial risks. This is the case of sickness and injuries at work. Supplementary protection against these risks is particularly important in Sweden, Germany, Austria and Spain. The other type is more related to benefits connected to public healthcare: this is the case of

supplementary hospital insurance and coverage, flu vaccination, medical check-ups, the reimbursement of ambulatory and medication costs (provided in Belgium, Italy, Spain and in other countries).

**Table 2: Type of benefits/services in the policy areas**

| Pensions  | HC                                   | REC  | TRA (CVT)   |
|---|--------------------------------------|--|---|
| Pension funds<br><br>At sectoral,<br>company-level<br><br>Provided by the<br>employers or through<br>financial institutions | Sickness insurance                   | Working time<br>arrangement (flexible<br>working time) | Training services<br>(provided by the<br>enterprise or<br>outsourced) |
|   | Health protection at<br>work         |  |   |
|   | Services (Hospital<br>insurance)     | Leaves   | (Paid and/or unpaid)<br>Training leave                                |
|   | Flu vaccination                      | Financial support (child<br>bonus)                     |   |
|   | Medical check-up                     | Childcare provision                                    | Vouchers  |
|   | Ambulatory fees                      |  |   |
|   | Reimbursement of<br>Medication costs |  |   |

**Source:** Prowelfare country reports (2013) and on line survey (2013).

In the case of work-family reconciliation (REC), a major role is played by working time arrangements that are used to allow flexibility and to shape working time, allowing workers to deal with their family duties. These types of working arrangement are in fact a complex issue, in that they can be geared towards favouring REC, but can also be, in fact, a primarily tool for arranging business interests and increasing the firms' competitiveness. Other benefits consist of parental and family leave, financial support for families (e.g. child bonuses) and, in a few cases (for a limited share of employees), services (e.g. childcare).

For training we have focused in particular on CVT (continuing vocational training): in all countries this consists of training services and leave. Despite some differences from one country to the other, the benefits and services provided through VOW are largely the same in the eight countries. Table 3 gives a first broad picture of the forms of VOW and its governance. VOW takes different forms: company-level schemes, sector-level schemes, bilateral funds at territorial level and national level funds. Schemes covering one single risk (e.g. pension funds; sickness insurance funds, etc.) are paralleled by multi-risk schemes. The latter are implemented – among others - in Belgium and Poland.

**Table 3: Forms and governance of VOW**

|                | <b>Form</b>  | <b>Governance</b>   | <b>VOW Role in relation to the Welfare State</b> |
|----------------|--|---|--|
| <b>Austria</b> | Company-level funds (pensions; HC)<br>Outsourcing (CVT)                            | Bipartite in health at work<br>Works Councils in REC and CVT ('chain regulation') | Supplementary                                    |
| <b>Belgium</b> | Multi-task funds (Security of existence funds)<br>Sectoral and Company level funds | Bipartite (sectoral) funds (based on 'chain regulation')                          | Supplementary                                    |
| <b>Germany</b> | Sectoral/company level (with or without Works Councils)                            | Bipartite (chain regulation)  | Supplementary                                    |
| <b>Italy</b>   | Bilateral funds  | Bipartite (sectoral level)  | Supplementary                                    |
| <b>Poland</b>  | Social funds/health packages   | Unilateral (company level)  | Supplementary                                    |
| <b>Spain</b>   | Company-level funds (equality funds/tripartite funds)                              | Bilateral (company level)   | Supplementary                                    |
| <b>Sweden</b>  | National level funds (AFA)<br>Transition Agreements for dismissed workers          | Chain regulation<br>Bilateral (national level; company level)                     | Supplementary                                    |
| <b>UK</b>      | Employers' plans   | Unilateral (company level)  | Supplementary/<br>Substitute                     |

**Source:** Prowelfare country reports (2013).

Outsourcing also takes place: firms pay for services provided by their associations and/or external agencies (e.g. health protection and training). In terms of governance, many countries have experienced what we have called a 'chain regulation', where both public and private actors cooperate to regulate and manage VOW protection. This is the case of Spain, Austria, Sweden and Germany, where public authorities (at national and/or sub-national level) provide framework regulations, which are then followed by more specific rules contained in collective agreements at national/sector/company level. In the case of CVT, the EU has played a role, through financial resources and programmes that have been used by national authorities and/or social partners (evidence is provided for Austria, Sweden and Italy). In a few cases, public regulation is very limited (if any) and much is delegated to social partners (training activities in the UK, Poland and Austria).

Table 4 presents some evidence as to the scope of VOW across different potential lines of fragmentation. The country reports have provided evidence of much fragmentation in terms of the coverage of industrial sectors, occupational groups, firms, and gender.

**Table 4: Scope of VOW (homogeneous/fragmented)**

| Lines                      |  | Key determinants   |
|----------------------------|--|--|
| <b>Industrial sectors</b>  | <ul style="list-style-type: none"> <li>- Private services (banking sector) have been the leading sector</li> <li>- Lower protection in some specific sectors (some manufacturing sectors , e.g. textiles, some services e.g. tourism)</li> </ul> | <ul style="list-style-type: none"> <li>- Long-term trends (front-runners)</li> <li>- Different business strategies</li> <li>- Different economic strengths (competitiveness and productivity levels)</li> </ul>  |
| <b>Occupational groups</b> | <ul style="list-style-type: none"> <li>- Standard employment relations more protected</li> <li>- High-revenue groups more protected</li> <li>- White-collar more than blue-collar</li> </ul>   | <ul style="list-style-type: none"> <li>- Hiring and rewarding strategies</li> </ul>  |
| <b>Company size</b>        | VOW more widespread in large enterprises   | <ul style="list-style-type: none"> <li>- More union density (Italy);</li> <li>- More generous and institutionalised collective agreements (Austria);</li> <li>- Multinationals (Poland);</li> <li>- Different business strategies (Poland; UK; Germany)</li> </ul> |
| <b>Gender</b>              | <ul style="list-style-type: none"> <li>- More men than women (health-care VOW in Belgium, UK; training in Germany and UK)</li> <li>- Some reversed trends in Reconciliation and Training (Sweden; Poland)</li> </ul>                             | <ul style="list-style-type: none"> <li>- Often mirror effect of labour market trends</li> <li>- Specific social needs</li> </ul>   |

**Source:** Prowelfare country reports (2013).

Some industrial sectors are characterised by broader coverage and more generous provision. This is the case of the banking sector (in the private services cluster) that has been a front-runner in many countries (e.g. Belgium, Italy, Germany). Other sectors are, by contrast, characterised by lower coverage and generosity: this is the case of retail, tourism (Italy), construction at least in some countries. The public sector is often covered by separate regulations (the case of training in Austria and Sweden). Industrial sectors' economic characteristics (in terms of average competitiveness and productivity levels) explain a good part of the variation in VOW programmes adoption.

The provision of VOW benefits and services also tend to be diversified across occupational groups. This is the case of differing treatment for standard employment relations (usually more protected) and atypical contracts (usually less protected, at least in Italy, Belgium, Germany). Protection can also depend on hierarchy and on revenue-groups: managers and executives are better protected (in Belgium, Italy), while high-revenue occupations are better-served in the UK. Gender is also a key determinant: more men than women receive VOW in the field of healthcare (in the UK, Italy and Belgium), while the opposite is true in Sweden.

Above all, the key source of fragmentation in the extent of the protection provided through VOW programmes against social risks is company size: in all the countries under scrutiny, large enterprises provide more opportunities for workers than small and medium enterprises.

The research at the country level has also led to some interesting results as to the type of risks covered by VOW. If we distinguish between old and new social risks (the former represented by old age and health problems; the latter by work/family reconciliation and to some extent skills formation) we see different trends in the different countries (Table 5). In some of them, old risks are more widely-covered (e.g. the case of Sweden), in others new risks are more covered (Austria and Poland). In most countries, the evidence is mixed.

**Table 5: VOW coverage of old and new social risks**

| Lower OSR/Higher NSR   | Higher OSR/Lower NSR                          | Mixed evidence  |
|--|---|---|
| <p><b>Austria</b><br/>(Low in HC; High Reconciliation and Training)</p> <p><b>Poland</b><br/>(Low in HC and Pensions; higher in working time arrangements and leave)</p> | <p><b>Sweden</b><br/>(pensions; sick pay)</p> | <p><b>Belgium</b><br/>(high in HC and pensions)</p> <p><b>Germany</b><br/>(homogenous)</p> <p><b>Italy</b><br/>(homogenous in all sectors)</p> <p><b>Spain</b><br/>(high in HC, lower in Pensions)</p> <p><b>UK</b><br/>(high pensions; low in HC; high in REC; low in CVT)</p> |

**Source:** Prowelfare country reports (2013).

*Old risks = old age and health problems*

*New risks = work/family reconciliation; skills formation*

### **3.2 Interaction between VOW and the welfare state**

In the previous section we have analysed the relevance of VOW in various countries and as a coverage of different types of social risks. This section focuses on the interplay between welfare regimes and VOW. We start from the comparative data on the weight of private social expenditure and an overall assessment of VOW in relation to welfare state programmes (Table 6).

**Table 6: The role of VOW across welfare regimes**

| Voluntary private social exp. | Welfare regimes |                   |                          |                        |                |
|-------------------------------|-----------------|-------------------|--------------------------|------------------------|----------------|
|                               | Liberal         | Social-democratic | Conservative-corporatist | Southern               | Post-socialist |
| > 15%                         | UK (Sup/Sub)    |                   |                          |                        |                |
| >5%<10%                       |                 | SWE (Sup)         | GER (Sup)<br>BEL (Sup)   |                        |                |
| <5%                           |                 |                   | AUT (Sup)                | ITA (Sup)<br>SPA (Sup) |                |
| >0%<1%                        |                 |                   |                          |                        | PL (Sup)       |

Role of VOW programmes in relation to the Welfare State functioning: Sup = Supplementary; Sub = Substitute

**Source:** Prowelfare country reports (2013) and OECD data.

This confirms the interplay between social and voluntary occupational welfare already described by Bent Greve. We refer here to two country clusters: the Nordic/Central cluster (with a higher level of spending on occupational welfare schemes), and the Eastern/Southern cluster (with lower spending). Using these categories, Austria, Belgium, Germany, Sweden and the UK are part of the first cluster, while Poland, Italy and Spain belong to the second cluster.

It is particularly interesting to see the different within the two social/occupational welfare clusters. In a broad sense, no common trend is detectable. An analysis of the eight countries under scrutiny shows no shift from public to occupational protection. On the contrary, we see huge variations. For instance, the two countries at the top of the ranking (UK and Sweden) have, over the last two decades, shown two opposing trends: an increased role (VOW and private welfare in general) in the case of Sweden, and a declining role for VOW in the UK. And the same variation is seen between Southern-European countries. Especially since the crisis, Italy and Spain seem to be diverging: the former is experiencing austerity measures applied to social welfare, while in the latter, VOW is further developing (especially in the context of healthcare and work/family reconciliation). In the case of Conservative-corporatist countries we also see large variations: Austria and Germany show different trends (the former is characterised by the growing marginality of VOW, while in the latter it is increasing, especially in the field of pensions).

It is safe to say that there is no evident and automatic trade-off between public welfare provision and occupational welfare. This is the case of Poland where the low level of public welfare expenditure has not led to a 'crowding-in' effect for VOW. If we look to more recent trends, Spain is a case where austerity in public welfare programmes has not led to an increase of VOW. Instead, we have seen a 'double retreat' of the state and employers from providing welfare

benefits and services. This is particularly the case for training. In many countries, Spain but also Poland and the UK, training seems to decline in a context of austerity, at a time when both governments and firms need to contain costs.

A second insight concerns the supplementary or substitutive role of VOW. In all the countries under scrutiny, but partially the UK, VOW is mainly supplementary rather than substitutive of statutory welfare programmes. However different tendencies can be detected between the eight countries. On the one hand, and in line with the main fears of the trade union movements, some countries are experiencing the potential increased role of VOW as a future challenge to social welfare. This is the case of Italy, where supplementary healthcare protection provided through collective agreements (and/or unilateral decisions of the employer) may crowd out public protection. This is much related to the more effective occupational protection. By contrast, the case of German sickness protection provides evidence of how occupational and statutory schemes can combine to provide help to employees. When governments have tried to cut public sickness protection, trade unions have mobilised and used VOW to reduce the negative effects of the reduced public protection and to counteract cost-containment and compensate the workers. VOW has acted as a hook that trade unions may use to mobilise and force employers and decision-makers to retreat from public spending cuts in the particular policy area.

### ***3.3 Interaction between VOW and Industrial relations***

A central issue in our project was to provide evidence of the interaction of VOW with industrial relations' institutions. We refer here to the clusters identified by Visser and then used in the Commission's publication on the state of industrial relations in the European countries (CEC, 2013). Visser has identified five different industrial relations clusters (see Table 7). While the case of Poland proves that it is difficult for VOW to develop where industrial relations institutions are weak, the examples of the UK, on the one hand and Sweden, on the other, prove that VOW can play a key role in very different institutional contexts.

**Table 7: Scope of VOW in different industrial relations clusters**

|                                   | Industrial relations clusters |                          |                       |                                 |                    |
|-----------------------------------|-------------------------------|--------------------------|-----------------------|---------------------------------|--------------------|
| VOW<br>(private social<br>exp.)   | Liberal<br>Countries          | Organised<br>corporatism | Social<br>partnership | State-<br>centered<br>countries | Mixed<br>Countries |
| > 15%                             | UK                            |                          |                       |                                 |                    |
| >5% <10%                          |                               | SWE                      | GER<br>BEL            |                                 |                    |
| <5%                               |                               |                          | AUT                   | ITA<br>SPA                      |                    |
| >0% <1%                           |                               |                          |                       |                                 | PL                 |
| Siaroff's index of<br>corporatism | Low                           | High                     | Medium                | Low                             | Low                |

**Source:** Prowelfare country reports (2013).

If we look within each single cluster, different countries can have different configurations of VOW. In the social partnership cluster, for instance, Austria has much weaker VOW than Belgium and Germany. And Italy and Spain, both part of the State-centered cluster, differ greatly in terms of VOW institutions and trends.

As for the 'most widely-differing' cases of UK and Sweden, both with VOW coverage above the average, such counter-intuitive evidence has very much to do with the different types of VOW in these countries. In the case of the UK, VOW has developed as a consequence of the limited role of public welfare provision, the active role of the state in incentivising voluntary schemes, and because VOW is largely based on the key role of employers (more than that of trade unions, or collective agreements between social partners). By contrast VOW in Sweden is largely based on more all-encompassing schemes (managed by social partners at national level), and regulations are contained in laws and collective agreements at national, sectoral and/or company level.

These different institutional configurations seem to have direct effects on the distributional consequences of VOW and its spread across the labour force: the UK has high levels of spending, but this is very much concentrated in some industrial sectors, occupational groups, etc. By contrast Sweden shows a much lower level of spending, but with broader coverage and a more even spread across industrial sectors and occupations than in the UK (see the two country reports).

After this preliminary analysis, it is crucial to address the interplay between industrial relations institutions and VOW, in two ways. On the one hand, industrial relations systems may have an effect on VOW (and its further development, if any). On the other, VOW may represent a source of

strength and/or weakness for the industrial relations system and for trade unions and employers in particular. As far as the first dimension is concerned (the way in which industrial relations institutions may influence VOW), what seems important is the original model of social partner involvement in social policy administration. We are referring here to the governance of both mandatory and voluntary occupational welfare. Where trade unions have a traditional role in managing social benefits (e.g. unemployment insurance), they seem to have a good basis for a more active role of social partners in the governance of occupational schemes. Among the countries under scrutiny, those with a Ghent system of unemployment insurance (Sweden and Belgium) show strong trade union involvement in occupational welfare.

As far as the second potential interaction is concerned, (the way in which VOW may have an influence on industrial relations), here we address the potential effect (in terms of risks and opportunities) of VOW on the role of social partners and of social dialogue institutions in the different countries. In terms of risks, some country reports have shown that trade unions fear that VOW may impair their capacity to represent the whole labour force, in their work to defend universal rights and to play a pro-active (rather than a defensive) role in collective bargaining and in the mobilisation of their labour force on more key issues (such as wages and work organisation). For example the German report shows that employees are very focused on wages, and put wage increases at the top of their interests (more than social benefits). By contrast, evidence provided by other country reports (e.g. the UK) emphasises the potential of VOW to attract new members and to strengthen their organisational resources (receiving tax advantages from the state).

## **4. Social Partners and VOW programmes**

To improve our knowledge of the role of social partners, their motivation and understanding of VOW, we illustrate the main results of the online survey launched by PROWELFARE in 2013 (we have collected 58 responses across the eight countries under scrutiny among social partners' key informants) and connect them with the data from country reports and interviews collected by the project's partners.

### ***4.1 Social partners' motivations for introducing VOW***

As Table 8 shows, employers' motivations tend to be grouped around a few concepts. In practically all the countries considered, VOW programmes are seen as a potential tool for human resources management, in order:

1. to recruit and to retain workers, especially qualified workers; offering them (complementary) welfare benefits can be seen as an asset which can be used on the labour market by certain companies and economic sectors, to attract highly skilled workers;
2. to enforce loyalty and, especially, staff motivation by increasing worker satisfaction, as a result of the benefits they receive.

If these two interlinked motivations are common practically to all countries, two other reasons are less widespread but still important:

3. cost containment and direct positive impacts on productivity, is a point often indicated in many countries; in different contexts, enterprises tend to consider VOW programmes as a possible equivalent to wage increases for the workers, but less costly for the company. By offering VOW benefits firms can, in particular, supply valuable services and provisions to workers (e.g. health care prevention programmes, child care services, more flexible working hours), which can avoid all the extra-costs linked to salary increases (e.g. social contributions, etc.);
4. cost containment and direct positive impacts on productivity are even more important in those countries where fiscal incentives exist, affecting the economic advantages for enterprises.

**Table 8: Companies' motivations for introducing VOW**

|                | <b>In general</b>  | <b>Specificities</b>   |
|----------------|--|--|
| <b>Austria</b> | recruit / retain workers (especially qualified ones)<br>company image  |  |
| <b>Belgium</b> | enforce loyalty and staff motivation<br>contain costs<br>Fiscal incentives   | Differences in relation to company size:<br>big companies all three motivations vs<br>small companies (mainly worker<br>satisfaction)                            |
| <b>Germany</b> | enforce loyalty and staff motivation<br>recruit / retain workers (especially qualified ones)<br>Productivity (especially in CVET)    |  |
| <b>Italy</b>   | enforce loyalty and staff motivation<br>recruit / retain workers (especially qualified ones)<br>Wage moderation<br>Fiscal incentives |  |
| <b>Poland</b>  | enforce loyalty and staff motivation<br>recruit / retain workers (especially qualified ones)   | Multinational companies tend to introduce<br>more VOW as result of the negotiations<br>between management and international<br>representation of the employees   |
| <b>Spain</b>   | enforce loyalty and staff motivation<br>recruit / retain workers (especially qualified ones)   | VOW as a tool for HR management to<br>retain and motivate workers in a situation<br>of uncertainty and cost reduction (e.g.<br>wage freeze processes, collective |

|               |  |  |
|---------------|--|--|
|               |  | redundancies, business restructurings or the incorporation of new staff at lower salaries) |
| <b>Sweden</b> | recruit / retain workers (especially qualified ones)<br>enforce loyalty and staff motivation<br>Productivity |  |
| <b>UK</b>     | recruit / retain workers (especially qualified ones)<br>enforce loyalty and staff motivation<br>Productivity | Productivity issues particularly relevant in health care                                   |

**Source:** Prowelfare country reports (2013).

As shown in Figure 4 below, the survey substantially confirms this picture. An increase in employees’ satisfaction and in the commitment to the company, also as a tool to retain and to attract workers, seems to be the main reason for companies’ support of such programmes. The second main reason, less widespread but still quite relevant, is related to cost containment, in particular through possible trade-offs between pay freezes and VOW benefits. The use of VOW programmes in order to improve human capital within the company seems a considerably less common motivation for the adoption of such benefits. Tax incentives seem to play a role only in certain contexts.

**Figure 4: Employers’ motivation for supporting VOW**



**Source:** Prowelfare on line Survey (2013).

If we turn to trade unions’ motivations in fostering VOW programmes, the picture becomes even more straightforward. In general, VOW benefits are considered by TUs, when they express a positive assessment of such tools, as a tool to improve not only employees’ working conditions,

but, often, also the conditions of their families, thanks to a broadening of social provision (Table 9).

**Table 9: Trade Unions' motivations for introducing VOW**

|                | <b>In general</b>  | <b>Specificities</b>  |
|----------------|--|---|
| <b>Austria</b> | improve working and social conditions of workers (and their families)                                      |   |
| <b>Belgium</b> | improve working and social conditions of workers (and their families)<br>long standing tradition (banking) |   |
| <b>Germany</b> | improve working and social conditions of workers (and their families)                                      |   |
| <b>Italy</b>   | improve working and social conditions of workers (and their families)<br>More co-responsibility in firms   | Social rights and social protection of the population very relevant especially since austerity measures mean cuts to the WS |
| <b>Poland</b>  | Limited role of TUs  |   |
| <b>Spain</b>   | improve working and social conditions of workers (and their families)<br>More co-responsibility in firms   | Social rights and social protection of the population very relevant especially since austerity measures mean cuts to the WS |
| <b>Sweden</b>  | TU membership and recruitment<br>TU legitimization   | AFA Insurance as an example   |
| <b>UK</b>      | Limited role of TUs  |   |

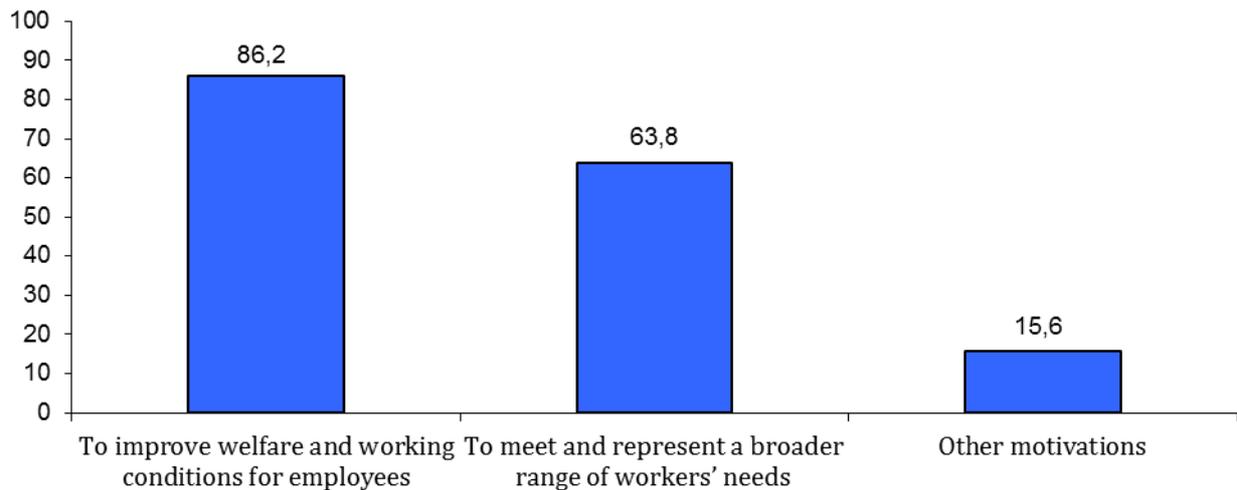
**Source:** Prowelfare country reports.

Specifically in relation to education and training programmes, TUs perceive the potential capacity of such provision as an opportunity to improve workers' skills, whereas reconciliation and health care benefits are seen as potential opportunities to improve an employee's general household situation (either directly, by offering benefits also to family-members, or indirectly, by facilitating the worker's daily life).

Three additional remarks have to be made in order to complete this picture. In Italy and Spain, the two countries most hard-hit by the economic crisis and the following austerity plans, TUs clearly appreciate the potential importance of VOW schemes at a time when the Welfare State is less generous and able than in the past to cover social rights and to offer a decent level of provision. In the UK and Poland, it is more complicated to assess TU motivations for encouraging VOW programmes, given their limited role in the design and the implementation of such benefits. The Swedish case is quite interesting in terms of TU motivations. In a country where traditionally the welfare state has been quite generous and well developed, TUs also see certain VOW programmes as an opportunity to strengthen the ties to and the commitment of their membership, by directly offering a series of benefits (see for example the functioning of AFA Insurance, already discussed in the previous sections).

As shown in Figure 5 below, in this case also the results of the on line survey of a sample of key informants mainly confirms what we have described so far. TUs are mainly motivated by the wish to improve welfare and working conditions for employees, and to enlarge the range of services which they can supply to help meet workers' needs.

**Figure 5: Trade unions motivations for supporting VOW**

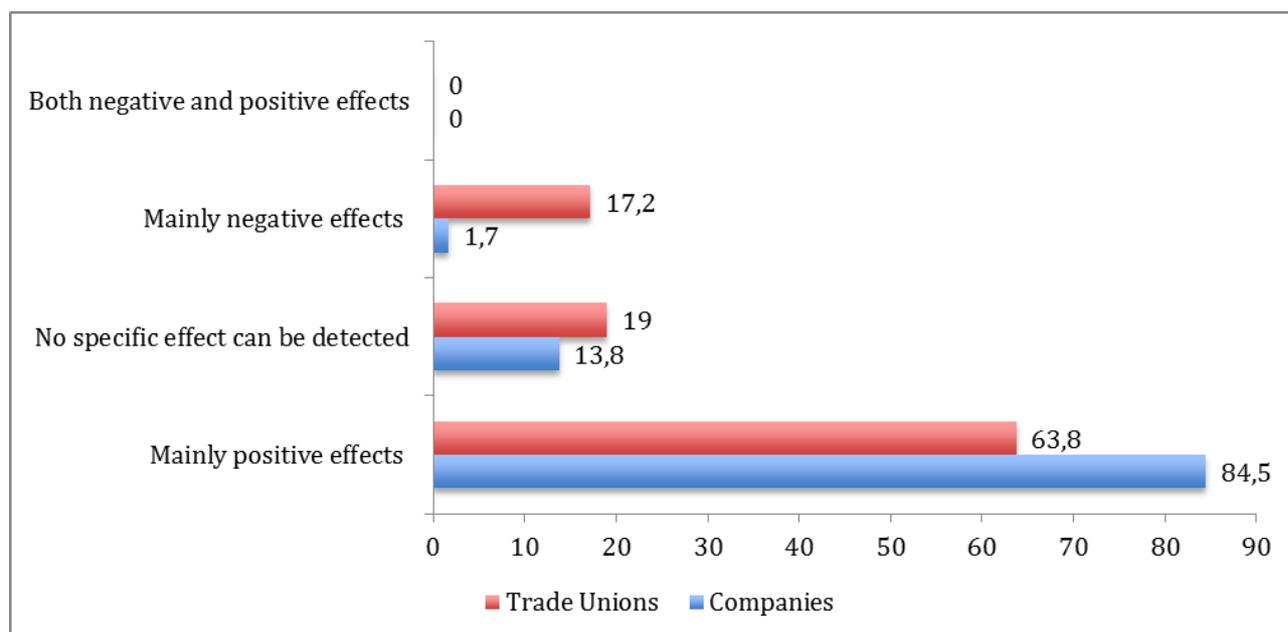


**Source:** Prowelfare on line Survey (2013).

#### **4.2 Social partners' perception of VOW**

Overall, key informants define as 'mainly positive' the effects of VOW programmes on companies. This positive evaluation is mainly related to factors and reasons outlined in the previous section: on the one hand, greater worker loyalty and commitment and more possibilities for attracting skilled staff; on the other, increases in productivity and issues potentially related to this (wage moderation in exchange for welfare benefits, lower levels of absence from work) (Figure 6 and Table 10).

**Figure 6: Social partners' perception of VOW and its effects on the role of companies and trade unions**



**Source:** Prowelfare on line Survey (2013).

**Table 10: Main effects for companies (possible two answers)**

|  |      |
|--|------|
| Greater loyalty of workers                                   | 29.3 |
| Increased productivity                                       | 27.6 |
| Wage moderation (as a partial alternative to wage increases) | 20.7 |
| To attract workers to the company                            | 17.2 |
| To reduce workers' absence from work                         | 17.4 |
| Lower levels of industrial conflict                          | 14.5 |

**Source:** Prowelfare on line Survey (2013).

If we look at the answers given by key informants on the impact on trade unions of such programmes, the picture is still mainly positive (the most frequent answer was 'mainly positive effects'), but there were also some respondents who argued that negative effects, alongside the positive ones, can also be detected (Table 11).

Among the positive effects, key informants indicate the fact that VOW seems able to improve the status of trade unions among workers, in terms of legitimacy as much as with respect to improving the coverage of workers' social needs. A by-product of the introduction of VOW programmes is increased membership, indicated by one respondent out of five, as well as an increased role in collective bargaining activities.

**Table 11: Main effects for trade unions (two possible answers)**

|  |      |
|--|------|
| Improved status of trade unions among workers      | 43.1 |
| Better consideration of social needs of workers    | 36.2 |
| Increased role in collective bargaining activities | 30.9 |
| Increased worker membership                        | 19.0 |

**Source:** Prowelfare on line Survey (2013).

Country reports show us that especially in countries suffering from austerity plans (e.g. Italy and Spain), VOW can represent, at least in the short run, an opportunity for TUs to better protect social needs. Moreover VOW can be an opportunity to increase TU involvement in the different aspects of company organisation: discussing reconciliation issues in terms of flexible working time arrangements can, for example, become an opportunity for workers' representatives to get more involved in the more general planning of human resource management within the enterprise, especially in those countries where TUs are traditionally involved by companies in such issues.

Overall the key informants interviewed provided us with a positive evaluation of VOW programmes and, when asked if their own organisation should support such benefits, the answer was by and large positive (58%), even though some were more critical (14% answered 'not much' or 'not at all') or partially cautious (28% answered 'some support') (Figure 7) <sup>(8)</sup>.

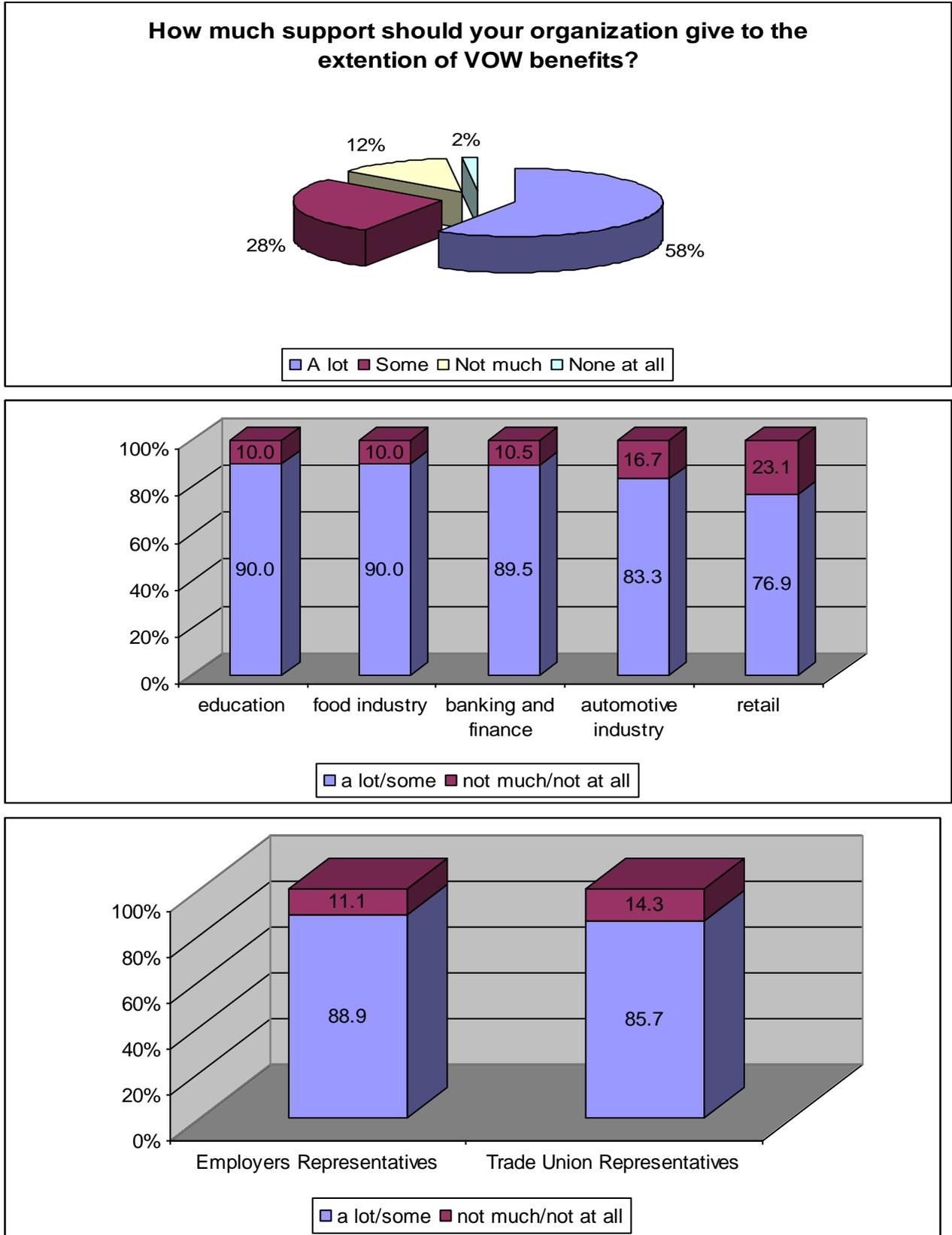
An exploratory analysis of the answers by economic sector shows a quite high and even level of support: it is only possible to partially differentiate between the food, banking and finance and education sectors, where around 90% of key informants express (at least some) support for VOW programmes, and the automotive industry (83.3%) and the retail and commerce sector (76.9%), where these percentages are slightly lower, but still overall positive.

It is also interesting to notice that there seems to be no significant difference in the potential support for VOW programmes between key informants coming from the Trade Unions and those representing the employers.

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8. Belgium was the only country among the eight of the project where practically all key informants expressed limited or no support for VOW.

**Figure 7: Social partners support for VOW**



**Source:** Prowelfare on line Survey (2013).

The fact that many key informants express support for a possible extension of VOW programmes does not mean that many are also not concerned with how this phenomenon should be regulated, in order to avoid a series of shortcomings.

As the previous sections of this document have shown, VOW provision has at least two types of potential shortcoming:

- how it relates to the functioning of the welfare state;
- how it fosters forms of division among workers (in terms of occupational groups, types of labour contracts, company size, etc.).

In order to take into consideration these potential aspects, key informants were asked to give suggestions on how VOW programmes should be designed in relation to a series of issues. For each of these issues there were two possible, opposite, suggestions, placed on a continuum of values from 1 to 10, and informants had to provide a score inside this continuum. The table below reports the informants' answers (mean values), also differentiating, when there were relevant differences, between the answers from entrepreneurs' representatives and those from trade unionists (Table 12).

**Table 12: Desirable characteristics for VOW benefits**

| Score 1   | VOW programmes should be: (mean values) |              | Score 10  |
|---|---|--------------|---|
|   | Employers                               | Trade Unions |   |
| a substitute for public statutory welfare programs  | 8.7                                     |              | a complement to public statutory welfare programs                             |
| negotiated and/or planned at enterprise level   | 3.6                                     | 6.9          | negotiated and/or planned at national/sector level                            |
| offering the same benefits to all categories (e.g. blue-collar, managers, etc.)               | 4.7                                     | 2.9          | differentiated benefits to different categories                               |
| offering the same benefits to fixed-term and permanent contract workers                       | 3.2                                     |              | offering different benefits to fixed-term and permanent contract workers      |
| offering the same benefits to part-time and full-time workers                                 | 2.8                                     |              | offering different benefits to part-time and full-timers                      |
| offering the same benefits to workers employed in different sectors (e.g. manufacturing, ...) | 4.6                                     | 6.2          | Offering the same benefits to all workers regardless of their economic sector |

**Source:** Prowelfare on line Survey (2013).

For half of the characteristics, representatives of employers and workers tend fundamentally to agree. Of course, caution should be used in handling the answers, especially those of employers' representatives, given the size of the sample. However some of the results from the survey seem to be confirmed by the reports.

There seems to be relatively general agreement that occupational welfare should remain, as it is in most policies and countries analysed in this project, a supplement to the welfare state and not a substitute. This opinion seems largely acknowledged not only among trade unions but also by a large share of the enterprises' representatives. Shifting toward a VOW system acting more as a substitute than as a complement to the welfare state would also potentially place more direct responsibilities and pressures on the shoulders of enterprises. The potential consequences of such a shift are clearer now than in the past, especially in those countries subject to austerity plans (and welfare cuts), where firms are now starting to realize what it could mean to have to provide welfare benefits in a situation of strong State retrenchment.

A differentiation in terms of the nature of the labour contract (fixed-term vs. permanent, full-time vs. part-time) does not seem to be a preference of our key informants. VOW should offer the same benefits to workers with different types of contracts, irrespective of whether they work part-time or full-time. Where employers' and workers' representatives differ is on two other issues. The first of these relates to the level at which negotiations on VOW benefits should take place: employers' representatives prefer the regional/ enterprise level, whereas trade unions push for a more centralised and national/sector setting. The second difference of opinion relates to whether VOW should provide equally generous benefits to workers in different employment occupations (blue collar, white collar, etc.) and industrial sectors (the food industry, retail and commerce, etc.). Trade unionists tend to prefer more similar treatment, especially among workers in different occupations.

## Conclusion

The in-depth analysis of VOW through the PROWELFARE project has allowed to shed light on the phenomenon and its recent trend. Although significant differences remain between European countries, VOW programmes are becoming relatively more widespread. They tend to take on different features, depending also on the type of social risks to be covered. While enterprises are key actors in promoting these types of benefits, quite often trade unions play an important role in shaping them, as well as governments, which provide indirect (fiscal) incentives. So far, in most European countries and for the majority of policy fields, VOW programmes have been designed as an addition to the welfare state more than a substitution: the result has been a broader coverage against social risks for many workers. However, the way in which VOW programmes work in Europe poses also some questions. In some cases it is possible that a shift may occur from a supplementary role for VOW benefits to a substitute role. Moreover, there are signs that there is a strong differentiation (and a possible dualisation) in access to these benefits depending on, for example, economic sector, occupational situation, type of labour contract and size of the firm. Evidence shown above proves that the role of social dialogue and the strength of industrial relations institutions are key in providing more comprehensive coverage by VOW programmes.

VOW programmes seem to be a sort of 'double-edged sword'. They offer possibilities for improving workers' conditions and life. At the same time they could create incentives to weaken the welfare system (and the welfare state) and to fragment employees' conditions on the labour market. As far as the more recent trends are concerned, we don't see any trade-off, consistent with a general increase of VOW in parallel with the decline of statutory protection.

One important element to consider for the future research and debate around VOW is the role the State should play in relation to the support for voluntary occupational welfare schemes and programmes. In many countries, VOW has been promoted by national institutions through a series of mechanisms (for example, tax benefits). For a more accurate assessment of benefits and limits of public support for VOW, a cost-benefit analysis should be developed in order to understand if public financing has a positive effect, mobilizing quite more workers and firms' resources, or it would be better to invest public money in other types of social protection measures.

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## **Annex 1: Prowelfare, Providing Welfare Through Social Dialogue. What role for Social partners?**

Prowelfare was an action financed by the EU Commission and carried out by the ETUC (European Trade Union Confederation) together with the European Social Observatory (OSE) and seven partners (Austria, AK Wien; Germany, Hans Bockler Stiftung; Italy, IRES Roma; Poland, Forum SZZ; Spain, Fundacion Primero de Mayo; Sweden, Uppsala University; UK, University of Oxford) to map and assess the increased role of '*occupational welfare*' in eight EU Member States.

The project aimed at illustrating the gradual diversification of welfare rights in specific policy fields and in a number of sectors; and to improve our understanding of its main outputs and outcomes. More specifically, and in line with the Call for proposal VP/2012/001 (sub-theme II), the PROWELFARE project had four key aims:

- monitoring trends in voluntary occupational welfare (VOW) across 8 EU countries;
- analysing the interaction between VOW and welfare states;
- analysing the interaction between VOW and IR and social partners' motivations for the introduction of

VOW;

- providing insights for the trade union movement.

The project had two core objectives. On the one hand, it aimed to further the systematic collection and use of information on national industrial relations systems, while improving our understanding of the current development of '*contract welfare*' in eight EU members (through coordination and information-gathering); on the other hand, its aim was to use this information to encourage interaction in social dialogue and between the social partners, while supporting their attempts to address key issues of relevance to the labour market and welfare policy (this is the dissemination and follow up activity in the project).

The project focused on three policies: social protection (health care funds); active labour market policies (vocational education and training, VET); and family policies (reconciling work and family life and care provision). The policies were chosen not only for their relevance but also to test the effectiveness of '*contract welfare*' vis-à-vis '*old*' (health needs) and '*new*' social risks (the latter include the need for more skills, more efficient care and effective reconciliation between work and family life). All these themes are at the core of the EU action for '*smart, sustainable and inclusive*' growth (Europe 2020) and of the social partners' priorities.

## **Country reports:**

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Visit <http://www.ose.be/prowelfare/>