

January 2017

European Social Observatory  
**deliverable**

**Unemployment and  
Pensions Protection in  
Europe: The Changing  
Role of Social Partners**

Final Report of the PROWELFARE project



David Natali  
Emmanuele Pavolini  
and Bart Vanhercke

[www.ose.be](http://www.ose.be)

rue Paul Emile Janson 13 / 1050 Bruxelles / tel.: 32 (0)2 537 19 71 / fax: 32 (0)2 539 28 08 / e-mail: info@ose.be

## **Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners**

**Final Report of the PROWELFARE project**

**David Natali**

European Social Observatory

**Emmanuele Pavolini**

University of Macerata

**Bart Vanhercke**

European Social Observatory

With financial support of the



ISSN 1994-2893

## Table of contents

Introduction.....	4
1. OVERVIEW OF OCCUPATIONAL WELFARE IN EUROPE.....	5
2. MAIN CHARACTERISTICS AND DISTRIBUTIONAL EFFECTS .....	8
2.1 The blurred division between occupational, social and fiscal welfare .....	8
2.2 The risk of rising inequality.....	11
3. THE MAIN TRIGGERS OF OCCUPATIONAL WELFARE IN EUROPE.....	12
3.1 Institutions inherited from the past.....	12
3.2 The importance of timing and the impact of the economic crisis.....	13
3.3 Social partner strategies and motivations .....	14
4. POLICY IMPLICATIONS .....	15
4.1 Main risks.....	15
4.2 Real opportunities.....	16
4.3 Towards a 'realist' approach to occupational welfare .....	17
Bibliography.....	19
Annex .....	20

## Introduction

'Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners', PROWELFARE <sup>(1)</sup> is a two-year European Commission-funded project <sup>(2)</sup>. Coordinated by the European Social Observatory (BE), PROWELFARE involved ten other partners: *Università Politecnica delle Marche* and *Fondazione Di Vittorio* (IT); the University of Oxford (UK); the University of Amsterdam, AIAS (NL); *Fundacion 1º de Mayo* (ES); the Institute of Economic and Social Research (WSI) in the *Hans-Böckler-Stiftung* (DE); AK Europa, the Brussels office of the Austrian Federal Chamber of Labour (AT); Uppsala University (SE); the Institute of Public Affairs (ISP) in Warsaw (PL); and finally, the European Trade Union Confederation (ETUC).

PROWELFARE examined the role of the social partners in welfare protection through occupational schemes. It covered two policy areas (unemployment and pensions), three economic sectors (manufacturing, the public sector and private services), and nine countries: Austria, Belgium, Germany, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom. The project aimed at shedding light on occupational welfare (OW), i.e. *benefits and services provided by employers (including the state) and/or trade unions to employees on the basis of an employment contract*.

The project had three key aims:

- first, to provide conceptual clarification, to systematically collect information – including through case studies <sup>(3)</sup> – on the nine countries under scrutiny (taking stock of the most recent years of reforms and policy evolution), and to define a new classification/typology for the comparative analysis of occupational welfare in Europe;
- second, to develop a more in-depth analytical framework to show the interplay between social and occupational welfare on the one hand, and between social dialogue and OW on the other hand, while also looking at the complex governance of OW schemes;
- third, to disseminate knowledge and facilitate social dialogue through national workshops and European events <sup>(4)</sup>, media <sup>(5)</sup> and publications <sup>(6)</sup>.

- 
1. The acronym refers to 'PROviding WELFARE through social dialogue.
  2. Project funded under budget heading 04 03 01 08 - Industrial Relations and Social Dialogue - Call for Proposals VP/2014/004.
  3. The project partners used a range of data sources: data collected through the limited secondary literature available; texts of collective agreements and regulations providing the legal framework for occupational welfare; interviews with stakeholders; and finally surveys and research carried out by the social partners themselves, public institutions and private consulting firms.
  4. The interim and final results of the project were discussed – under close scrutiny of the international Steering Committee – in six project meetings held between 12/2014 and 11/2016. Kick-off meeting in Brussels (13 February 2015), national workshop in Madrid (11-12 June 2015), mid-term meeting in Brussels (3-4 December 2015), second national workshop & public roundtable in Warsaw (5-6 May

This executive summary flags the main research findings of the project. The first section sketches how OW has evolved over time and addresses its capacity to cope with and protect workers from 'new' and 'old' social risks. While the analysis focuses mainly on the two policies under scrutiny in the project (pensions and unemployment protection), we also use information on policy fields studied elsewhere – such as health insurance and reconciliation of work and family life. Section two focuses on the main traits of occupational welfare schemes: we consider the set of players – trade unions and employers 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 risk to increase social inequality. The third section glances at the main triggers for the recent development of OW. Section 4 addresses the policy implications, enabling social partners and policymakers to manage the obvious risks while seizing its apparent opportunities.

## 1. OVERVIEW OF OCCUPATIONAL WELFARE IN EUROPE

One of the starting points of the research project was the hypothesis that there has been a *general increase in the salience and importance of OW programmes in Europe*. While, in general, this hypothesis is confirmed through the nine PROWELFARE country studies (Blank, 2016; Czarzasty, 2016; Ghailani and Peña-Casas, 2016; Jansson et al., 2016; Keune and Payton, 2016; Martinez, 2016; Naczyk, 2016; Pavolini et al., 2016; Wöss, 2016), our analysis offers a more nuanced picture. As suggested by OECD data, OW plays an important role in some countries, and has grown almost everywhere. As reported in Annex 1 – depicting trends in the importance of voluntary private social expenditure in Europe – 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 (Pavolini and Seeleib-Kaiser,

---

2016), third national workshop & public roundtable in Vienna (30-31 August 2016) and final conference in Brussels (22 November 2016).

5. Key research outputs have been distributed through the project's dedicated [website](#), the partners' websites and LinkedIn pages, the [video](#) of the Final Conference, live-streaming of both the mid-term and final conference, regular tweeting ([#PROWELFARE](#)) during all events (see footnote 6).
6. The project resulted in the following publications: (a) 9 '[Research](#)' Papers covering each of the countries involved and published in the European Social Observatory (OSE) Working Paper Series; (b) 3 '[Analytical](#)' Papers, similarly published in the OSE Working Paper Series, respectively on the interplay between statutory schemes and OW and their distributional consequences; the role of OW in industrial relation systems; and the governance of OW; and (c) an edited volume, to be published by the European Trade Union Institute (ETUI) at the beginning of 2017.

2016). 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 in the PROWELFARE project, as well as the results obtained in a previous study for the European Commission (<sup>7</sup>), show first of all that the scope of occupational schemes *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 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 early classification of OW proposed still seems to hold true: 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 OW coverage of employees (in at least one policy area). There are fewer occupational schemes in the UK, Belgium and Germany, where such schemes cover between half and two-thirds of employees. Differences are also evident between Southern European countries on the one hand and Poland on the other.

Overall, we distilled four different country clusters from the analysis: this can be seen in Annex 2, which focuses on pensions and unemployment protection but also comprises 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 for a large majority of workers. 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 (<sup>8</sup>). These countries represent a *'wide and segmented'* system of OW, based on voluntarism.

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

---

7. See Natali D. and Pavolini E. (2014) 'Comparing (Voluntary) Occupational Welfare in the EU: Evidence from an international research study', *OSE Paper Series, Research Paper No. 16*, Brussels, European Social Observatory. The paper summarises the results of the earlier European Commission-funded Project *Providing Welfare through Social Dialogue: A renewed role for social partners?* ('PROWELFARE I', 2012-2013).

8. 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 a more limited coverage for unemployment risks through occupational schemes.

differences in terms of coverage and generosity of OW programmes across industries, sectors, companies and types of employment 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-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 (2008-2014), the two policies under scrutiny in the project – pensions and unemployment – witnessed different trends (Annex 3). In the field of occupational pensions, we see an increase in most Continental, Nordic and Anglo-Saxon countries, yet relative stability in Southern (Italy and Spain) and Central-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 different ways, higher growth rates in the third pillar are important, as they underline a shift towards individualization and privatization.

In the field of unemployment protection, as well as in the other policy fields (healthcare and work/life reconciliation), the crisis has had no major effect in most countries on the medium-term trends in OW provision. In particular, in some countries, unemployment-related schemes are clearly anti-cyclical in nature: they were used to cushion the negative effects of the economic recession on the labour market (often in conjunction with redundancy programmes). As for other policies, work-life reconciliation, and in particular flexible working time arrangements for care reasons, became more common in practically all countries <sup>(9)</sup>. 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 occupational welfare schemes by looking at the functioning of the welfare system as a whole, no common trend is detectable. Indeed, a shift from public to occupational welfare provision can be seen in only some countries, and for specific policies, with no generalised change emerging. Germany and to a certain extent Belgium are the countries which strengthened occupational schemes – especially pension funds – the most in the last fifteen years. In Sweden, a new increased role for occupational pensions and unemployment schemes has been matched by a decline in the protection provided by statutory schemes. After years of decline, the UK government is again trying to boost private pensions, but no particular expansion is taking place in other policy fields. In yet other countries there has been no shift from statutory to

---

9. 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.

occupational welfare and only limited changes in terms of OW growth can be seen (e.g. Austria, Poland).

Overall, it is safe to say that there is no evident and automatic trade-off between public welfare and occupational welfare: no generalized 'crowding-in' dynamic can be observed. In other words: a weaker statutory welfare protection does not lead to increased occupational welfare. Neither is there a 'crowding-out' effect: 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 occupational welfare schemes, different tendencies can be detected. 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 cuts to public healthcare expenditure crowd in supplementary healthcare protection provided through collective agreements (and/or unilateral employer decisions). By contrast, 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 statutory sickness protection, trade unions took action and used occupational welfare schemes to limit the negative effects of reduced public protection, thus counteracting cost-containment and compensating workers, at least to some extent. Occupational welfare can therefore be a 'hook' that trade unions may use to mobilise and force employers and decision-makers to retreat from public spending cuts in a particular policy area. As we will discuss below, there are however certain risks involved.

## **2. MAIN CHARACTERISTICS AND DISTRIBUTIONAL EFFECTS**

This section provides insights into the main characteristics of OW, its governance structure and distributional outcomes.

### ***2.1 The blurred division between occupational, social and fiscal welfare***

OW is based on the complex interaction of different players and the provision of many benefits and services. Both regulatory and administrative functions in OW are shared by different players/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 by collective agreements at sectoral level, and these are then further specified and possibly amended at company level through detailed social partner agreements or by unilateral employer decisions. In Germany, as well as in other countries, fiscal regulation plays 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 play a crucial role in incentivising the spread of occupational welfare provision. As flagged by some country cases, the budgetary cost of these incentives is not negligible and represents a key part of the broad welfare effort. In the Netherlands for instance, tax incentives to pension funds amounted in 2012 to some 14.5 billion Euros.

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 the statutory extension of OW, some new forms of incentives have been introduced. This is the case in the UK and to some extent 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. Here again, the state provides some framework regulation, but basically leaves it up to social partners to act and further regulate pension funds. In Austria and Italy, schemes for addressing the risk of unemployment provide evidence of hybridity. 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 an economic crisis and/or industrial restructuring. Labour Foundations are either set up by the state or local authorities or initiated by the social partners themselves. 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.

The same complexity can be observed in the benefits and services provided through OW. As proved by the German case, 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 working conditions, including working time. As a consequence, these schemes provide benefits and services going beyond the field of welfare policies *strictu sensu*.

The blurred line between different forms of welfare provision is mirrored in the complex governance of OW. OW takes different forms between countries and, sometimes, within them (Annex 4): company-level schemes, industry-level schemes, bilateral funds at local or regional level and national-level funds. Usually schemes apply to a specific policy area (e.g. pension funds; sickness insurance funds, etc.), but there are also examples of multi-risk schemes, implemented especially in Belgium and Poland.

These different forms of OW often reflect the existence of what could be defined as a 'welfare chain'. In both the regulation and administration of OW, social partners play a key role, but act in a clearly-defined relation to other players and institutions. Rather than being an example of the autonomy of the social partners, occupational schemes display the close integration of several players, such as the State and financial investors. The former has supported the re-launch of occupational welfare 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.

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 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. The hypothesis of a *substitution effect*, with state intervention declining in parallel to the growing role of occupational schemes, *is not confirmed* by the study. Financial players – especially in the UK and the Netherlands in the field of pensions – have tried to influence the management of assets and to use the resources collected through contributions on the financial markets. 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.

The PROWELFARE project equally 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 occupational pension plan institutions provides a framework which some countries have used to develop a market for pan-European pension funds (this is for example the case in Belgium). In the case of unemployment protection, the European Social Fund has helped to finance some active labour market policy initiatives through occupational (or hybrid) schemes involving the social partners (e.g. in Austria).

In many respects, it seems that the social partners (and trade unions in particular) are squeezed between the state and the financial markets – even in OW, an area that was expected to be their field of activity (Natali et al., 2017). Social partners often react to strategic moves by other players, rather than taking the initiative in the field of OW. 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 authorities.

## ***2.2 The risk of rising inequality***

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

Annex 5 summarises the main lines of fragmentation created by OW: by industrial sector, size of company and occupational group. High-productivity industries, as well as those which are more export-oriented, offer more frequent and more generous occupational welfare schemes to their workers. For example, companies working in the pharmaceutical, energy production or automotive industries, as well as companies in the banking and finance sector, provide higher and better coverage than industries such as horeca, tourism, personal services and retail.

A sector's characteristics influence the prevalence of certain types of skills within that sector. 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. The size of the enterprise also matters: SMEs offer less frequent and less generous occupational welfare programmes than medium and large companies.

The relationship between the scale of OW 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, and quite obviously since occupational benefits are (co-)funded by an employer, the self-employed find it more difficult to access benefits than employees. The same applies to workers with an open-ended as opposed to a fixed-term contract. The likelihood of 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 occupational welfare schemes, because they are often employed in industries and enterprises more unlikely to provide occupational benefits, or because their labour contract and skills' profile have the same effect.

Looking at the different countries under scrutiny, the Scandinavian countries and, even more, the Netherlands seem to have developed an OW model in which the risks of welfare dualism are highly reduced (although not totally absent), especially when compared to Anglo-Saxon and other Continental countries (the UK, Germany and Belgium).

Annex 6 and Annex 7 – which show occupational 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). These Annexes do not report the data for countries where occupational pensions are not common (Italy, Spain, Austria and Poland). Evidence from the nine countries shows that inequality in these countries is even higher than in countries with substantial occupational coverage.

It seems clear that the only way to limit, if not avoid, inequalities is to provide the conditions enabling coverage of the vast majority of the (working) population. Half-way situations create *de facto* welfare dualism.

### **3. THE MAIN TRIGGERS OF OCCUPATIONAL WELFARE IN EUROPE**

The project's nine case studies allow us to identify three key factors explaining the spread of OW in Europe: 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 social partner strategies and motivations.

#### ***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. This is related to 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 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 occupational welfare. 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 experienced more intense cost-containment reforms since the 1980s. The recent spread of occupational pensions in these two countries reflects the greater room accorded to supplementary schemes. In parallel, in Southern European countries (e.g. Italy and Spain) the role of OW has proved more limited: in these countries attempts to incentivise the spread of multi-pillar systems have not been accompanied by short-term cutbacks in public provision. Yet, in other cases, e.g. in Poland, the low level of public social spending has not automatically led to the growth of OW.

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. 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 the latter has been retrenched. By contrast, when cost containment is implemented in countries with strong social dialogue, such as Sweden, OW does partially replace statutory programmes.

### ***3.2 The importance of timing and the impact of the economic crisis***

The time dimension has proved important in understanding social policy changes. This is also the case for OW. The role of the different explanatory variables (e.g. institutions of the past, social partner interests) largely depends on timing, i.e. when were the OW schemes established and when did important changes occur. In the long-term perspective, the OW front-runners (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 20<sup>th</sup> century (or even earlier) to launch occupational welfare programmes. Statutory schemes were not 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.

When the latecomers started to embrace the same pro-OW strategy at the end of the 20<sup>th</sup> century, political, socio-economic and institutional conditions were different and much less favourable for generous OW programmes. The Southern European countries are typical examples of such a situation, where, in a context of permanent austerity and huge pressure on wages, there was less room for OW to develop. Italy 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 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 employees can see the setting-up of occupational pensions as a gain more than a loss.

The recent *Great Recession* provides further evidence of the importance of the time dimension. Tensions in the financial markets in 2008-2009 indeed largely contributed to reducing rates of return on investments made by occupational pension funds. Social partners and policymakers, who had hoped for potential gains from the spread of pension funds, in fact experienced huge volatility on the markets and the risk of negative returns on the money contributed by employers and employees to their pension funds. This is what Austria experienced. In a similar context, Spain provides evidence of the bleak prospects for OW in a country where the poor performance of the labour market 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 public budgets, 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 conversely discouraged occupational schemes.

### ***3.3 Social partner strategies and motivations***

Social partner motivations and the reasons behind the introduction of OW schemes are fairly similar across the countries, as are the doubts and perceived risks. First, there seems to be a difference between what social partners *think* about occupational welfare and what they *actually do* to foster such occupational schemes, especially outside the realm of occupational pensions. Their declared views tend to be positive, with a more critical approach taken on the part of the trade unions movement, in terms of occupational welfare 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.

Employers' motivations tend to be grouped around a few concepts. In nearly all nine countries considered, occupational welfare programmes are seen as a potential tool for human resource management: to recruit and retain workers, especially high-skilled ones (by offering them complementary welfare benefits); and to encourage loyalty and, especially, to motivate staff by increasing worker satisfaction via the benefits they receive. Employers expect returns in terms of productivity. Moreover, in many countries there seems to be a link between the introduction and extension of occupational welfare 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.

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 living conditions of their families, thanks to a broadening of social provision. 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.

## 4. POLICY IMPLICATIONS

The key findings of the PROWELFARE project allow us to spell out a number of policy implications for policymakers and stakeholders at national, supra- and sub-national levels, and for the European Commission. The comparative analysis shows OW programmes as a double-edged sword. They indeed have the potential to improve (some) workers' working and living conditions, to enhance company performance as well as to boost collaboration between social partners. At the same time, however, they may become a source of risk 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 employees' conditions on the labour market while providing only limited forms of protection.

We discuss the risks and opportunities for all stakeholders and put forward suggestions for a fruitful debate on OW among social partners, trying to avoid a simple dichotomisation between those 'against' and those 'in favour' of OW.

### 4.1 Main risks

- *OW may foster inequalities in access to social benefits among workers.* As shown by a number of countries, OW provides social protection tailored to the occupational group of the employee, the type of labour contract, the size of the company, etc. Gender and the nationality of workers typically act as discriminatory factors.
- *The costs for the state of occupational welfare schemes 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 tax advantages on public budgets 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.* 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 mix of social, occupational, and fiscal welfare, poorly coordinated may lead, for instance, to over-protection of some social and occupational groups and under-protection of others.
- *The increasing financialisation of OW presents an important a further major hazard.* In those countries where pension funds represent a key source of capital 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 managers, insurance companies and business representatives, leaving limited room for more traditional social partners’ concerns.
- *Social partners risk losing their own autonomy in the administration of OW schemes.* Here we refer to the increased pressure from the government on OW. In many countries, policymakers delegate the provision of social protection to social partners, but exert growing influence through regulation and supervision of the schemes. This process risks creating increased administrative burdens and responsibilities for the social partners, while OW policy guidelines and priorities are fixed by the State.

#### **4.2 Real opportunities**

- *OW can represent an opportunity to provide better social protection to workers.* While statutory programmes, especially in countries suffering from 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. 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 another, 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 EU playing an active role) 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, thus giving them greater competitive potential while providing benefits for the labour force and helping to protect social rights.

### **4.3 Towards a 'realist' approach to occupational welfare**

The following suggestions are addressed to policymakers, stakeholders and analysts alike with a view to dealing with the risks and opportunities discussed above:

- Efforts are needed to develop *more systematic statistical data collection on OW*, its scale and its impact on workers' social rights. Data collected by national experts in the PROWELFARE project, as well as data provided by international organisations such as the OECD, need to be further improved. 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 to support the social partners in the provision of social policy. This is important for an accurate cost-benefit analysis assessing the impact of fiscal strategies on mobilizing more resources for social protection from workers and firms. *There needs to be careful management of the interplay between statutory and non-statutory OW schemes.* Access to benefits, through mandatory coverage, or forms of auto-enrolment, as well as contribution rates and other aspects of any scheme, have to be carefully designed. The situation in Southern European and some Continental European countries demonstrates that developing OW is not an 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.
- *OW plays an important role, especially when acting as a top-up for 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.* OW can be an important source of policy innovation. This was indeed the case in the 19<sup>th</sup> and early 20<sup>th</sup> 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 in strengthening 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 where industrial relations are weak and 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 the administrative bodies – is extremely important. 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.

## Bibliography

Blank F. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – GERMANY, OSE Paper Series, Research Paper No.29, April 2016, 68p.

Czorzasty J. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – POLAND, OSE Paper Series, Research Paper No.23, April 2016, 47p.

Ghailani D. and Peña-Casas R. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – BELGIUM, OSE Paper Series, Research Paper No.27, April 2016, 75p.

Jansson O., Ottosson J., Murhem S. and Magnusson L. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – SWEDEN, OSE Paper Series, Research Paper No.26, April 2016, 60p.

Keune, M. (2017), Trade unions and the occupational pension alternative: opportunity or threat? OSE Paper Series, Research Paper No.34, January 2017.

Keune M. and Payton N. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – THE NETHERLANDS, OSE Paper Series, Research Paper No.28, April 2016, 58p. Research Paper No.33, January 2017.

Martinez Poza A. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – SPAIN, OSE Paper Series, Research Paper No.25, April 2016, 72p.

Naczyk, M. (2016), Unemployment and Pensions Protection in Europe: the Changing Role of Social Partners – UNITED KINGDOM, OSE Paper Series, Research Paper No.22, April 2016, 72p.

Natali, D., Sabato, S., Mapelli, L. with Vanhercke, B. (2017), Governing occupational pensions and unemployment benefits: the state, the market and the social partners in-between?, OSE Paper Series, Research Paper No.33, January 2017, 31p.

Pavolini E., Leonardi S., Raitano, M. and Arlotti M. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – ITALY, OSE Paper Series, Research Paper No.21, April 2016, 67p.

Pavolini E. and Seeleib-Kaiser M. (2016), Comparing Occupational Welfare in Europe: The Case of Occupational Pensions, OSE Paper Series, Research Paper No.30, November 2016.

Wöss J. (2016), Unemployment and Pensions Protection in Europe: The Changing Role of Social Partners – AUSTRIA, OSE Paper Series, Research Paper No.24, April 2016, 75p.

## Annex 1. The importance of voluntary private social expenditure in Europe (different years) (1990-2013)

	<i>Voluntary private expenditure per head, at constant prices (2010) and constant PPPs (2010), in US dollars</i>				<i>Voluntary private expenditure as a percentage of GDP</i>				<i>Incidence of voluntary private on public and mandatory private expenditure (%)</i>				<i>% variation over time in voluntary private social expenditure</i>
	1990	2000	2007	2013	1990	2000	2007	2013	1990	2000	2007	2013	1990-2013
<b>Austria</b>	318	390	443	495	1.0	1.0	1.0	1.2	4.3	3.9	4.0	4.1	+55.9
<b>Belgium</b>	448	596	845	720	1.5	1.7	2.1	1.8	6.2	7.1	8.5	6.2	+60.7
<b>Germany</b>	502	592	719	803	1.5	1.6	1.8	1.9	6.3	6.1	7.1	7.3	+60.0
<b>Italy</b>	159	178	216	231	0.5	0.5	0.6	0.7	2.4	2.1	2.3	2.4	+45.4
<b>Netherlands</b>	1,667	2,521	2,721	3,164	5.3	6.1	5.9	7.1	21.6	32.1	29.0	30.3	+89.8
<b>Poland</b>	..	..	7	10	..	..	0.0	0.0			0.2	0.2	..
<b>Spain</b>	55	81	149	119	0.2	0.3	0.4	0.4	1.2	1.4	2.1	1.5	+116.3
<b>Sweden</b>	348	697	962	1,331	1.2	1.9	2.2	3.1	4.2	7.1	8.7	11.3	+282.8
<b>UK</b>	1,151	2,160	1,674	1,855	4.4	6.6	4.4	5.0	28.3	35.9	21.9	21.9	+61.1

**Source:** OECD Data base SOCX (2016).

## Annex 2. Coverage of occupational welfare programmes by type of risk (% of total employees covered): 4 clusters

	<i>Pensions</i>	<i>Unemployment</i>	<i>Healthcare</i>	<i>Reconciliation**</i>
<b>Sweden</b>	HIGH	HIGH	HIGH*	HIGH
<b>Netherlands</b>	HIGH	MEDIUM	HIGH	HIGH
<b>UK</b>	MEDIUM	LOW	LOW	HIGH
<b>Germany</b>	MEDIUM	LOW	MEDIUM	HIGH
<b>Belgium</b>	MEDIUM	LOW	HIGH	HIGH
<b>Austria</b>	MEDIUM	LOW	LOW	MEDIUM
<b>Italy</b>	LOW	LOW	MEDIUM	MEDIUM
<b>Spain</b>	LOW	LOW	MEDIUM	MEDIUM
<b>Poland</b>	LOW	LOW	LOW	LOW

Low: < 30%; Medium: 30-70%; High >70%

\* Sickness insurance;

\*\* Flexible working time arrangements.

**Source:** author's own elaboration.

### Annex 3. Coverage of occupational welfare programmes by type of risk: changes since the turn of the century, 2000-2015 (2008-15)

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

Decrease: -; Stability: =; Increase: +

\* In parenthesis changes that took place during the years of economic crisis and austerity policies (2008-2015), when they differed from the general trend for 2000-2015.

\*\* Several policy tools including flexible working time arrangements.

**Source:** author's own elaboration.

### Annex 4. Governance of occupational pension schemes

	<i>Main Level</i>	<i>Role of the Social Partners</i>	<i>Role of the State</i>
<b><i>Countries with broad occupational pension coverage</i></b>			
<b>Sweden</b>	Sectoral	Bipartite	Framework and tax regulation
<b>Netherlands</b>	Sectoral	Bipartite	Framework and tax regulation Legal extension
<b><i>Countries with substantial occupational pension coverage</i></b>			
<b>UK</b>	Company	Unilateral (Employers)	Framework and tax regulation Auto-enrolment
<b>Germany</b>	Sectoral and Company	Bipartite	Framework and tax regulation
<b>Belgium</b>	Sectoral	Bipartite	Framework and tax regulation
<b><i>Countries with limited occupational pension coverage</i></b>			
<b>Austria</b>	Company	Bipartite	Framework and tax regulation
<b>Italy</b>	Sectoral	Bipartite	Framework and tax regulation Auto-enrolment (TFR)
<b>Spain</b>	Company	Bipartite	Framework and tax regulation
<b>Poland</b>	Company	Unilateral (Employers)	Framework and tax regulation

**Source:** Country chapters (PROWELFARE edited volume) and PROWELFARE Country Reports (2016).

## Annex 5. Workers who are more and less likely to have access to occupational welfare

	<i>More likely to have access</i>	<i>Less likely to have access</i>
<b>Economic sector</b>	High-productivity industries Export-oriented industries	Lower productivity industries Industries producing for the national market
<b>Size of the enterprise</b>	Large Medium	Small-medium
<b>Worker's skills profile</b>	High general skills Specific skills	Low general skills
<b>Type of Employment</b>	Employee	Self-Employed
<b>Type of labour Contract</b>	Open-ended	Fixed-term

*Source: Country chapters (PROWELFARE edited volume) and PROWELFARE country Reports (2016).*

## Annex 6. Occupational pension coverage by industry and type of contract (2011-2013)

	<b>Total</b>	<i>Industry</i>				<i>Type of contract</i>		
		Manufacturing	Commerce and Hospitality	Financial Inter-mediation	Public Adm and Welfare	Open-ended contract	Fixed-term contract	Ratio Open-ended Fixed-term
<b><i>Countries with medium occupational pension coverage</i></b>								
<b>Belgium</b>	27.4	42.2	25.4	63.5	18.0	29.7	17.0	1.7
<b>Germany</b>	36.5	39.0	19.7	60.7	46.2	38.9	22.6	1.7
<b>UK</b>	58.1	50.1	22.7	79.5	74.4	62.8	55.6	1.1
<b><i>Countries with high occupational pension coverage</i></b>								
<b>Netherlands</b>	86.0	91.8	83.3	93.8	88.2	87.1	86.4	1.0
<b>Sweden</b>	92.3	94.6	88.6	95.0	95.2	93.6	84.7	1.1

*Source: Pavolini and Seeleib-Kaiser (2016).*

## Annex 7. Occupational Pension Coverage by Gender and Migration Background (2011-2013)

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

**Source:** Pavolini and Seeleib-Kaiser (2016).