There is nothing new about occupational welfare – various social benefits provided by employers for employees (Goodin and Rein, 2001). In fact, employers dominated early ‘social’ provision until the beginning of the twentieth century – providing education, housing, and medical and community services (Hay, 1977: 435–455; Russell, 1991). Some, such as Joseph Rowntree, Lever Brothers and Cadbury in the UK, set up whole villages for workers, and workplace provision continued to play a role – a key role for some – in overall receipts of welfare benefits even after the establishment of the modern ‘welfare state’. Richard Titmuss (1976) recognised its importance and argued that occupational welfare was one of the key pillars of the welfare state. There is also evidence to suggest that occupational welfare is becoming more, not less, important over time as the ‘private’ becomes more important and the public is squeezed (Pavolini and Seeleib-Kaiser, 2016). The role that occupational welfare plays in today’s welfare systems varies, however, between welfare states, between different occupational sectors and between workers. Defining, categorising and measuring occupational welfare are complex tasks, made more difficult by the general neglect of this area within the literature, with a few exceptions (see Farnsworth, 2004b: 437–455; Greve, 2007; May and Brunsdon, 1994: 146–169; Rein, 1983: 3–22, 1996: 27–43). This chapter deals with three key questions: (1) What constitutes occupational welfare?; (2) What is the purpose of occupational welfare?; (3) How much does occupational welfare cost?. The chapter then raises some key questions relating to occupational welfare that remain unanswered before concluding with a plea for more research into the area.

What constitutes occupational welfare?

There are various reasons for the lack of attention paid to occupational welfare. To begin with, if we consider the development of welfare over the twentieth century, the state came to dominate and occupational welfare declined in importance. Second, occupational welfare is often perceived to be less important and less significant than other forms of welfare provision. Third, conceptual challenges and definitional problems surround occupational welfare. I will deal with the first two challenges later in the chapter. This section deals with the definitional challenges.

The definitional and conceptual challenges relating to occupational welfare are substantial. The definition of occupational welfare put forward in the introduction to this chapter highlights
the centrality of employers in occupational provision, but some scholars focus more broadly on ‘workplace’ benefits, and include trade union provision (Natali and Pavolini, 2014). Here the focus remains on employers, which is in line with the majority of analyses in this area, but the focus on which services constitute occupational welfare is an area where there is also much disagreement.

Since Titmuss’ (1976) influential examination of occupational social provision as one of the key forms of welfare, definitions of occupational welfare have tended to oscillate between broad and narrow conceptualisations and there has been some debate regarding which approach is most useful to students of the welfare state.

The broadest conceptualisations focus on the full gamut of employee fringe benefits, including goods and services as diverse as sports club membership, subsidised canteens, travel expenses, company cars, uniforms and clothing allowances. Bryson (1992) includes intangible benefits such as ‘contributions to general enjoyment and personal development’. Such broad definitions of occupational welfare could include a whole range of undoubtedly important things related to the work environment, including the ergonomics of office furniture and the relative safety of industrial equipment. In their definition, May and Brunsdon (1994: 147, 2007: 151) follow Murlis (1978) in defining occupational welfare as non-wage provision that increases the well-being of employees at some cost to the employer. In 2007 May and Brunsdon offered one of the most comprehensive conceptualisations of occupational welfare yet, including all non-wage benefits provided to employees as well as some of the various community engagements referred to more commonly as corporate social responsibility.

Narrower definitions of occupational welfare seek to distinguish occupational ‘welfare’ from occupational fringe benefits, perks and other general non-wage benefits. In particular, they seek to investigate the parallels between state social welfare and occupational welfare, where one might substitute for the other.

Although Titmuss’ definition of occupational welfare was broad, he did make some attempt to distinguish between general non-wage benefits and other forms of provision which, he argued, functioned to meet ‘certain dependencies’, including old age, sickness, childhood and widowhood. Most non-wage benefits do not function in this way. The only ‘function’ common to the majority of non-wage benefits is that they increase the value of the total compensation paid to employees in receipt of such benefits (and some do not even achieve this). For this reason, it may be important to try to distinguish between occupational ‘perks’ and work-based social provision. The latter includes statutory social provision (occupational pensions and employer income maintenance schemes that are required to be provided by law) and non-statutory (voluntary) social provision that eliminates or reduces the risks and harms associated with work. The act of distinguishing social and non-social occupational provision (for instance, by arguing that occupational pensions and above-statutory sickness benefits constitute occupational welfare but gym membership and company cars do not) is tenuous for May and Brunsdon (2007):

Why, for example, can sports-club membership or company cars not be preventive health measures maintaining fitness in the one instance and alleviating the stress of travelling in the other?

May and Brunsdon do have a point. The focus of social policy more generally is, at times, unjustifiably too narrow. In fact, there may be a strong argument for extending the focus of occupational welfare beyond non-wage benefits towards general wage levels, wage distribution within the firm, labour regulations, health and safety at work, and employee autonomy. On the other hand, the inclusion of all of these items under the occupational welfare banner does risk shifting
the focus away from the idea of ‘socialised welfare’ – where there is some element of collective intervention to ‘pool’ risks, social protection or social insurance elements.

Although Titmuss did list a whole range of benefits that he argued come under the ‘occupational welfare’ umbrella, the spirit of his argument concerning the definition of social policy and the welfare state in fact suggests a more limited approach. In focusing on occupational welfare, Titmuss sought to draw attention to ‘collective interventions to meet certain needs’ (1976: 42). He made clear that occupational welfare, as a category of the welfare state, was important because it shared with social welfare similar ‘functions’ and ‘aims’. As he put it, ‘The definition […] of what is a “social service” should take its stand on aims; not on the administrative methods and institutional devices employed to achieve them’ (ibid.). Thus, the definition of occupational welfare should not be based on its broadest categorisation (for example, all non-wage benefits) but on the aims or functions that such provision shares with social welfare. A large number of non-wage benefits simply do not share the aims (or functions) of social welfare. Ultimately, the question of what constitutes occupational welfare and what constitutes an employee ‘perk’ should be a second-order concern; the primary question is: What is social policy? The broader the definition of social policy, the broader should be the definition of occupational and other forms of welfare because ultimately the task should be to compare like-with-like. Thus, state pensions should be contrasted with occupational pensions; and, if public transport is included under the social policy umbrella (for some it should be, for others not), there may be a case for including company cars.

The purpose of occupational welfare

However it is conceptualised, broadly or narrowly, does not detract from the fact that occupational welfare has been extremely important throughout the history of industrial societies. For much of this time, occupational welfare has been at least as important to most workers as state provision. As industrial societies developed, increasingly large employers required workers to be locally available, reasonably housed and sufficiently skilled. Some employers may also have felt that they had some duty of care towards their employees and their families, which went beyond the wage relationship. Thus, some employers built whole villages and small towns around their factories for their workers, and in some advanced industrial societies, employment has been a very central and important source through which welfare, including statutory welfare, is delivered (Greve, 2007).

Occupational welfare operates to deliver benefits but also costs to governments, employers and employees. For governments, shifting (or re-shifting) some of the responsibilities and costs onto employers for certain benefits has the advantage, not just of potential savings in the cost of provision, but often more importantly, the advantage of shifting the administrative burden and risks to employers. Take sickness benefits. In the UK in the past, the cost of sickness benefits was paid by the state, meaning that a large proportion of the risks were borne by the state. The incentive to tackle absenteeism for employers was, in some cases, reduced. From 1992, the administration and some of the costs of sick pay were shifted onto employers, reducing the burdens on the state.

In other instances, the costs of occupational provision are borne by governments and taxpayers. Part of the reason for Titmuss’ interest in occupational welfare was that spending on occupational welfare was subsidised by the state through the tax system. In many cases, occupational provision is provided before tax; thus part of the cost of the benefit represents forgone taxes. For employers in many states, occupational welfare allows them to manage and reward staff in more effective and more tax-efficient ways. Many of the benefits that have traditionally
been provided to employees – including company cars, health plans or subsidised housing – have been exempt from or subject to lower rates of income tax. In this respect, some forms of occupational welfare represent a publicly subsidised form of occupational reward (Rein, 1983: 5). This means that employers are able to provide certain services which form part of the overall compensation package that have a higher value than their actual cost to the employer. If employees accept part of their wage in such services, the result would be that taxpayers are effectively subsidising the wages bill; and, as noted below, the rewards for higher rate taxpayers can be disproportionately high. The benefits to employers of occupational welfare can be substantial.

Occupational welfare has other benefits to employers. Training and healthcare packages have been made available to employees to increase productivity (Fitzgerald, 1988), and pensions and other benefits have been provided to increase employee loyalty as well as ease the shedding of older workers (de Swaan, 1988; Gordon, 1991: 15–207; Jones, 1983: 61–75). The quality of provision often increases with the length of employment and access is often conditional (Papadakis and Taylor-Gooby, 1987). Some benefits, for instance, have had no-strike clauses written into them (Graebner, 1980; Quadagno, 1984: 632–647). In that it allows employers to provide distinct and cost-effective methods of rewarding staff, occupational welfare also helps to informally tie employees to their current employer. Giving up a job may be easier for employees to contemplate than forgoing a company house or a pension plan. In this respect, employers have relied on occupational welfare to help retain existing workers, control demands for higher pay, or to try to attract new workers (Papadakis and Taylor-Gooby, 1987: 106). Thus, occupational welfare may be used to retain employees in whom the employer has invested heavily, or to attract skilled workers to the company (in whom other employers would have invested). According to a recent survey of employer opinions, the most important reason for providing occupational welfare was to increase employee satisfaction and loyalty to the company (Natali and Pavolini, 2014). Occupational welfare may also help stave off trade union encroachments and demands (Hacker, 2002). If it does operate in this way, occupational welfare may help prevent free-loader problems, where other companies might otherwise entice skilled employees, trained at the expense of their competitors. Good-quality occupational welfare may be used in ways that discourage movement elsewhere. By the same token, of course, well-funded employee benefits may be used to entice new employees to move.

The benefits for workers can also be significant of course. Occupational welfare programmes can considerably boost the value of money wages and can, through collectivised provision, bring benefits that individuals may struggle to obtain alone. In certain areas, especially those of social protection, the pooling of risk and administration costs is essential to making coverage affordable, which only the state or employers (alone or in partnership with other employers) can achieve (Swenson, 2002). Where benefits are tax-exempt, the financial rewards can be especially high for higher rate tax-payers. If employees can take part of their pay that would have been taxed at the higher rate (which can be as much as 60 per cent in some countries), and purchase a tax-exempt perk, say, their residential property, part of the cost of that purchase is effectively met by the state (see Chapter 3, this volume).

Other benefits can bring wider unintended or unanticipated benefits. Training provision, if it is good quality, will likely increase productivity to the benefit of employers, but for employees it may also increase the employment prospects of individuals and the wages they are able to command. Employers may then have to provide other rewards in order to retain trained staff and avoid free-loader problems (as discussed above).

There is a difference between such general benefits, which may be distributed widely within a company, however, and very selective benefits targeted at one or two workers. Where benefits
are very selective, the net result may be that they build resentment among those workers who are unable to enjoy them. Thus, the unintended consequences of occupational welfare can be negative as well as positive for employers and employees.

There can also be widely variable effects from the very same forms of occupational provision, depending on the purpose of the provision for the employer. Employer-provided housing, to take one example, may bring real benefits if it is good quality and located in a good area, and better still if employees are free to use housing subsidies for accommodation of their choosing. However, if the housing is of lower quality and provided only in order to ensure that employees are effectively permanently on call, the ‘diswelfare’ effects may far outweigh any benefits. To return to the earlier discussion, the risks of such diswelfare effects increase as we shift the focus away from occupational welfare to general ‘perks’. A net effect of a range of perks, from company cars to mobile phones, may only impose greater stress upon employees by enabling employers to make more demands upon workers. In this respect, the ‘welfare’ effects of certain forms of provision may be no greater than the welfare effects that stem from the installation of new machinery in the company.

At its most beneficial, occupational welfare operates to pool various social risks associated with the workplace and provides benefits that exceed the effective ‘cost’ of such provision to the employee. The cost here refers to any reduction in pay that results from occupational provision. Occupational welfare of different forms does not tackle all occupational risks, but it may go some way towards ameliorating some of the most important: the risks of older age are reduced by occupational pensions; the risks of sickness are reduced by sickness benefits and/or employer health insurance; the risks associated with family life are reduced through childcare facilities; the risks associated with a lack of skills can be combated through workplace training programmes, etc. Some key examples may not even bring any real costs (and can bring real benefits) to employers such as flexible working for families and/or the elderly. Further, it is also important to note that occupational welfare also operates to fulfil the needs of employers. A whole range of occupational welfare benefits operate to increase employee productivity, availability, flexibility and loyalty.

The particular benefits of occupational welfare are likely to be different from employer to employer. This is especially true when it comes to who bears the costs of provision. If the firm operates as a monopoly, it is more likely to be able to push the costs of provision onto consumers. If it operates within a non-unionised sector, it is more likely to be able to push the costs onto employees. If it operates in an area with labour shortages, especially in high-skilled sectors, the company is likely to seek out ways of ensuring that it develops a range of tax-efficient occupational rewards in order to attract and retain workers.

In addition to socialising key risks associated with the workplace, occupational welfare can bring net benefits to employees in various other ways. Employers can often use economies of scale to deliver better occupational pensions than could be purchased from individuals from the private sector. In some cases, employers offer more comprehensive forms of cover in certain areas – notably in dental and eye care – that many governments are unwilling or unable to provide.

On the other hand, as already touched upon, occupational welfare is often distributed extremely unevenly, not just between firms but also often within the same company, and provision tends to favour already privileged workers. In this respect, occupational welfare can have greater divisive effects than other forms of social provision (Mann, 2011: 1–18). Larger, highly productive and international companies are more likely to provide generous occupational welfare benefits than smaller, low-productivity companies operating within national markets (Natali and Pavolini, 2014). Higher skilled employees on longer term contracts are more likely to enjoy access to occupational welfare (ibid.), and occupational welfare provision tends to be more generous, and is more evenly distributed within the public than the private sector.
This is especially the case for women, where public sector provision tends to be more evenly distributed between men and women than is the case in the private sector (ibid.), although pay disparities are rife in both sectors. Thus, occupational welfare inequalities tend to mirror and reinforce wage inequalities. Just as higher wages for higher paid staff are often afforded out of lower wages for other staff, so higher occupational benefits for privileged workers are often provided through cutting the benefits of lower paid workers.

While employers and employees play a role in pushing the development (or indeed the demise) of occupational welfare, the state also plays its part. In the UK, for instance, successive governments since the 1980s have sought to place greater emphasis on employers in funding and delivering welfare services that previously the state took responsibility for. During the 1980s and 1990s, Conservative governments transferred to employers the responsibility for first administering and then funding sickness and maternity provision (Dean and Taylor-Gooby, 1990: 47–67; Moss, 1992: 20–31; Taylor-Gooby and Lakeman, 1988: 23–39). In 1997, the Labour government increased the statutory requirement on employers to make available occupational pensions for employees (Farnsworth and Holden, 2006: 473–494).

This discussion of the variable benefits of occupational welfare offers some clues as to why employers should provide benefits to workers in this way. What is missing thus far is any discussion of the role of employees. As might be expected, workers and trade unions have actively pushed for occupational benefits and, in some cases, have themselves established workplace benefit schemes which they operate in partnership with employers (Greve, 2007: 64). Moreover, employees and trade unions have lobbied employers hard for provision that provides the widest benefits to workers, especially where state provision is inadequate or non-existent. This is especially true of occupational pension schemes, but it is also true of health schemes in states that rely heavily on private healthcare. Trade unions are equally likely to oppose non-wage benefits that accrue only to the most privileged within the company. Thus, there tends to be strongest support from employees for occupational welfare where the benefits are more widely distributed and where state provision is low.

There is another problem with occupational welfare as a long-term solution to social risks. The affordability of non-wage benefits is a challenge for companies at certain points in the economic cycle or during certain periods of the corporate 'life-course'. Companies cope with economic challenges, which occur with some regularity, by cutting costs, and this often translates into cuts to occupational welfare (see Berkowitz and McQuaid (1978: 121–122) for a discussion of the impact of the Great Depression on US occupational welfare in the 1930s). Such cuts also have to be made during the most economically difficult times, when claims on provision are likely to be higher.

**Measuring occupational welfare**

This final section moves on to examine indicators of how comprehensive occupational welfare is within welfare states. Available data are relatively sketchy and are not, for the most part, collected in order to gauge the extent of occupational social provision; instead the focus tends to be on trying to establish measures of total employee compensation costs as means of gauging national competitiveness levels. One of the key sources of comparative data is the quadrennial European Labour Costs Survey and the Bureau of Labor Statistics in the USA, both of which collect data on non-wage labour costs. This sheds some useful light on the key forms of occupational welfare within different sectors in different countries.

Figure 4.1 illustrates the average costs of different components of non-wage labour costs for the EU27 economies. It illustrates that the largest cost consists of statutory social security contributions,
Figure 4.1 Breakdown in non-wage labour costs, EU 27.
accounting for 16.5 per cent of overall wage costs. The next-largest component of non-wage costs is holiday pay. Other examples of occupational welfare include sickness benefits, training costs, pensions and redundancy benefits, all offset by subsidies.

Of course, the cost of occupational welfare varies by country. The causes of this variability are complex, but factors such as minimum and average wage levels, labour regulations, the comprehensiveness of statutory provision, trade union membership and the relative strength of the economy are all likely to matter. Most of these issues go beyond the scope of this chapter. One relatively strong determinant of the extent of occupational welfare, however, appears to be the level of statutory provision (Farnsworth, 2004b). The latest evidence from the European Commission (2007) and the USA’s Bureau for Labor Statistics Social Expenditure appears to confirm this finding.

Figures 4.2 and 4.3 plot the relationship between statutory and non-statutory provision, and public and mandated private expenditure, respectively. Taken together, these figures illustrate a relatively strong relationship between state and occupational welfare. In Figure 4.2, high levels of statutory provision tend to be associated with relatively low levels of voluntary provision. Here the costs are calculated as a percentage of hourly wage costs. The strength of this relationship is highest in the most-developed welfare states. This suggests that there is a trade-off between statutory and non-statutory workplace provision and that lower levels of state provision do not reduce overall costs faced by employers.

Figure 4.2 Scatter plot of statutory versus statutory occupational provision, 2012.
In Figure 4.3, public social expenditure is plotted alongside private mandated expenditure which is made up primarily of occupational provision (consisting of legally stipulated employment-related incapacity-related cash transfers, such as sickness, disability and occupational injury benefits, and some mandated retirement and pension schemes), this time in percentage of GDP terms. This illustrates the contribution of public (funded from general taxation) and occupational (funded through employers’ statutory contributions) to overall social expenditure. It suggests that more comprehensive and better funded welfare systems tend to rely less on occupational welfare.

Of course, this raises other questions about cost/value for money and the quality of services, but these questions go beyond the scope of this chapter.

Figure 4.4 reveals more about the categories of occupational welfare and variability of provision between countries across Western Europe but excludes statutory social security payments. It reveals the variance in occupational provision between these countries. In Norway, for instance, almost one-fifth of the cost of labour is accounted for by voluntary provision. In Poland and Estonia, it is not even half that figure. One of the major determinants of occupational welfare cost is in holiday pay. In France and the UK, payments into employee savings schemes are also significant. Figure 4.4 also points to a higher level of investment in training provision,
perhaps to recoup some of the costs invested in occupational welfare through productivity gains.

The most valuable and significant of all forms of occupational welfare is occupational pensions. The contribution to occupational pensions is not clearly illustrated in labour costs data because it falls between statutory or imputed social contributions in different countries. However, work carried out by Pavolini and Seeleib-Kaiser (2016) estimates that occupational provision makes up over 20 per cent of pensioner income in Germany and Sweden, over 40 per cent in the Netherlands and 50 per cent in the UK.

**Outstanding questions relating to occupational welfare**

The above discussion highlights the importance of occupational welfare as a field of study and as an important aspect of the welfare state. However, it also raises a number of important questions.

First of all, although previous work has raised the issue of occupational welfare and equality, what is less clear is what the benefits to the state and to citizens would be of increasing the emphasis on mandated provision. Some governments have attempted to place greater statutory responsibility on employers for occupational pensions (as already noted above), and there is no reason why this could not be extended further. As yet it is unclear whether this would undermine voluntary provision and whether the net benefits would be higher or lower if it did.
A second important question is the relationship between occupational welfare and money wages. There is surprisingly little research on the relationship between occupational welfare and pay beyond untested assumptions.

Third, although it is important to distinguish between occupational welfare and other in-work benefits, it is also important to investigate the relationship between them. Do certain forms of non-wage benefits divert resources from others?

Fourth, more work is required on the effects of occupational welfare on the productivity and competitiveness of firms.

Fifth, related to this, how does occupational welfare develop in different modes or varieties of capitalism?

Finally, it is not clear whether there is a relationship between occupational provision and other, state-provided, in-work benefits. Governments increasingly subsidise wages at the bottom end as they do training provision. As already noted above, previous work has suggested that state subsidies paid out for occupational provision tend to increase supply. But what effect does subsidised wages or training have? Does this increase the ability of employers to provide in-kind provision? This question needs further investigation.

Conclusions

Occupational welfare remains an important element of the welfare state. Although it has been a neglected area in social policy, there are signs that it is beginning to come of age as a legitimate and important area of analysis. The discussion above illustrates the complexities that surround it. As austerity moves are put in place by a number of governments in the aftermath of the financial crisis, occupational welfare may yet prove to be increasingly important. But this raises additional questions regarding the total distribution of welfare and whether governments might encourage or shape certain forms of occupational welfare through regulations and/or fiscal incentives. However it continues to evolve in the future, students of social policy need to keep a closer eye on occupational welfare.

References


