The social expectations placed on employers in welfare states have been increasing. In a range of policy areas companies have been expected to do more (see Martin 2004 on unemployment; Fleckenstein/Seelib Kaiser 2008 on family policy). This has been particularly the case in pensions, where many governments have looked to the occupational arena as a means of filling the gaps left by the retrenchment of state provision. Employers have come to be regarded as a vital component of a more ‘sustainable’ welfare state, one in which the responsibilities and risks of welfare provision are shared to a greater extent than for most of the post-war period between state and non-state actors (companies, individuals and the third sector). Thus, in countries where the role of non-state providers was already large, such as Britain, employers have been asked to increase their role; in countries where non-state provision was informal or less extensive, such as Germany, they have been encouraged to take on a larger, more formal role often through the use of fiscal incentives and subsidies.

In Britain, this policy has run into problems: rather than increasing their responsibilities most companies have significantly reduced them in recent years (Bridgen/Meyer 2005). Thus while from 2012 all companies will be compelled to pay a phased minimum contribution (3 per cent probably by 2015) into a pension scheme for their enrolled employees (DWP 2006), the fear is that employers who already provide will reduce their provision to this minimum level (Pensions Policy Institute 2006). In Germany, recent developments have been more positive, with a significant increase in pension coverage following the 2001 reform (TNS Infratest 2007) but coverage remains far from universal and some of the older defined benefit schemes have been closed to new members.

Perhaps unsurprisingly given these policy developments there has been greater interest in the welfare state literature in recent years in employers and social policy, with a developing acceptance that some firms have a positive interest in social provision (Hall and Soskice 2001; Estevez-Abe et al 2001). The varieties of capitalism literature, for example, has placed employers at the centre of its identification of various production and welfare systems with employers’ skill needs as the main determinant of their social interest: those employers with a requirement for high firm or industry specific skills will have a particularly strong interest in social provision, this literature suggests, manifested either as support for state welfare or the establishment of occupational provision depending on the production regime within which they are located. Capital and labour in the British “liberal market economy” are assumed to pursue short-term, company-related interests and to be against high public benefits, while their German counterparts in a “coordinated market economy” are expected to support higher state benefits for the long-term gain of a highly skilled workforce Occupational provision thus plays a large role in Britain, among companies
with high skill needs, whereas in Germany its role is more marginal because the state system generally operates in accordance with business interests (Manow 2001; Mares 2001).

Yet, this literature remains controversial. Proponents of the class-based power resources model continue to express doubts about the extent and nature of employers support for social policy. It is only where the power of other actors has been increased either through political (Korpi 2006) or industrial strength (Trampusch 2007a, 2007b) they suggest that employers have conceded ground. On this reading, if governments want employers to do more it will have to be in the context of the enhancement of union power or by the use of state compulsion.

Moreover, whatever the reasons for employers’ acceptance of social provision in the past, some commentators argue that it is increasingly challenged by demographic and economic change. Demographic change increases the risks of the group covered by employers. Economic change it is argued has reduced the importance of specific skills (Sass 1997) and, as a result of financial globalisation, ensured that many companies are forced to focus more concertedly on the bottom line to maintain shareholder value and that the role of corporatist institutions is challenged (Bridgen/Meyer 2009 forthcoming).

In summary, the existing literature suggests that while some businesses are likely to be interested in occupational welfare in principle, they face social and economic conditions under which it is more likely that they will chose not to provide or retrench existing provision, even in coordinated market economies.

This paper identifies important problems with this literature. It argues that existing interpretations of employers’ motives and actions are too reliant on the assumption that individual businesses react in standard ways to their economic and political context on the basis of a methodical evaluation of the costs and benefits. It also suggests that the existing literature treats too uncritically the regulatory frameworks within which companies are forced to make decisions. On the basis of a detailed analysis of company reports and other public documents issued by the main policy actors as well as interviews with employers and insurers, it argues that these assumptions provide too limited a conceptualization of business motives and actions. We show that the policy process within companies is much more complex than that assumed by the literature, with important variations between companies, sectors, and countries. This is not to say the constraints and motives listed above do not matter. They do, but to differing degrees for different companies. For example, while some companies emphasise skills others in the same sector emphasise the impact of short-term increases in costs.

Based on our analysis we will present the following findings: First, conflicting interests within firms exist about pension scheme reform. Human resource consideration continue to play an important role, and how seriously they are taken also depends on the nature of the negotiations between the representatives of the different interests in the company (eg finance and human resource divisions). Secondly, despite retrenchment in Britain and a generally low occupational level in Germany benefit levels still vary by sector, according to skill level and company tradition. Many of those businesses with a highly skilled workforce continue to offer
better benefits than others, but some companies have also been reluctant to cut their schemes because they are aware their employees have traditionally seen them as “good employers”. Thirdly, despite external constraints, companies seek safety in crowds. They are very aware of what their competitors are doing, and many do not want to make pioneering moves. Finally, many companies feel hemmed-in by a regulatory environment, created in recent years by national governments and the International Accountancy Standards Board, which it is felt emphasises disproportionately the short-term costs of schemes over all other considerations.

In short, the paper shows that employers and insurers continue to have a strong interest in offering private pension schemes; this is particularly true for large employers dependent on skilled workers. However, in a regulatory environment which emphasises and increases the short-term costs of schemes even many of those companies who retain an interest in occupational provision have felt compelled to regain control of their balance sheets by curbing their pension responsibilities. In the current global economic environment these pressures have been exacerbated in both countries. We conclude that states cannot expect contemporary private actors voluntarily to fill the gap left by low public provision, while complying with tight and costly regulation. Business will not volunteer for greater welfare responsibilities, regardless of the incentives with which they are provided, if at the same time they are being encouraged to think of their role purely in terms of shareholder value.

References


