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

United Kingdom

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United Kingdom

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Executive Summary

Introduction

Occupational welfare (OW) has a long tradition in the United Kingdom. It has been relatively well developed because the British welfare state offers comparatively meagre cash benefits for the risk of income loss due to sickness, maternity, unemployment and, most of all, old age. This paper investigates OW in two areas, namely old-age pensions and unemployment protection. In the case of unemployment protection, it focuses more specifically on contractual redundancy pay and short-time working arrangements. The paper sheds light on these arrangements' historical evolution, their current institutional traits (in terms of regulation, governance and funding) and on their coverage. Data have been collected from existing research on the topic, official documents produced by trade unions and employers' associations, statistical and administrative data, and an ad hoc survey of occupational arrangements in four service and four manufacturing companies.

Context information

The United Kingdom is an archetypical example of the liberal world of welfare and industrial relations. Individuals are expected to provide for themselves largely through work and through their own individual savings. The state typically offers relatively basic flat-rate benefits at or below the poverty line. In 2016-2017, the British state pension was set at £155.65 per week after 35 years of contributions. An earnings-related state pension has gradually been phased out over the past two decades. The main statutory unemployment benefit also has no earnings-related component and the level of benefits depends on workers' age group. If they are aged 25 years or more, workers can receive a flat-rate benefit of up to £73.10 per week, but also have access to statutory redundancy pay if they have worked for their current employer for 2 years or more. Given the meagreness of statutory benefits in the United Kingdom, OW could be expected to play some role in social provision. However, the scope for social provision through OW is also influenced – and to a large extent limited – by the liberal design of the British system of industrial relations. Collective bargaining is indeed voluntary and is very decentralized with a minimal level of interference from the state. In the private sector, the dominant level for the setting of pay, working time and fringe benefits is the company or plant level while sector-level agreements are concluded in some areas of the public sector. Collective agreements cover about one third of the workforce.

Key findings

Whereas OW has traditionally played a very significant role in British pension provision, occupational arrangements for unemployment compensation have been much less widespread.

Historically, most occupational pension schemes were set up by employers on a unilateral basis as a fringe benefit for their employees, and offered final-salary benefits. Because of more stringent state regulations and of the rise of defined-contribution personal pensions, coverage of final-salary schemes started steadily decreasing from the 1980s and was not fully compensated by an increase in work-based provision of less generous defined-contribution pensions. This decline in coverage of occupational pensions has been recently reversed, as membership of occupational – now mainly defined-contribution – schemes has increased from 46% in 2012 to 59% in 2014.

This increase is largely the result of 'automatic enrolment', a policy gradually introduced from 2012 and consisting in making membership of occupational schemes automatic – but with a possibility to opt out – for all workers with a minimum contribution rate of 8%. Trade unions played an important role in the adoption of this policy because, as they were unable to stop the closure of final-salary schemes through collective bargaining, they pressed from the early 2000s – together with associations representing the pensions industry – for legislation on compulsory membership of occupational pension schemes. As the level of fees charged by private pension providers has become a major political issue, the Pensions Act 2008 – which introduced the principle of 'auto-enrolment' – also set in motion the creation of the National Employment Savings Trust (NEST), a low cost public pension provider, with the aim to set new standards and incentivize other providers to lower their fees through competition with NEST.

Data collected by the Office for National Statistics show that coverage and the generosity of benefits vary according to many different factors such as a worker's economic sector (public vs. private; manufacturing vs. services), firm size, working contract (full-time vs. part-time), occupational group and age. The gradual introduction of auto-enrolment of workers in workplace pension schemes means that inequalities in coverage can be expected to be significantly reduced, but inequalities in the generosity of benefits are likely to remain important.

Contrary to the situation with workplace pensions, the data available on occupational provision for the risk of unemployment are very rare and of very poor quality. The main type of occupational scheme for the risk of unemployment in the UK is contractual redundancy pay. These are lump sum payments offered by an employer in addition to statutory redundancy pay when a worker is made redundant. Employers have also sometimes used short-time working arrangements – with or without provision of compensation for lost earnings – and retraining in order to maintain employment and potentially allow workers to move into higher skilled positions. As is the case with workplace pension schemes, occupational unemployment compensation is mainly provided at company level with the exception of some public sector entities.

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Conclusion and Outlook

Until the early 2000s, occupational provision of old-age pensions and unemployment compensation followed a similar path of decline in parallel with the retrenchment of statutory benefits. Since the late 2000s, OW has evolved differently in the two areas and this bifurcated path now poses different challenges for trade unions.

In the field of pensions, trade unions have tried to compensate their declining influence in the system of collective bargaining by pressing for legislative changes that would both increase the level of statutory benefits and make coverage of occupational pensions mandatory. Even if this lobbying strategy has proved relatively successful, unions should not abandon their role in the system of industrial relations as this is crucial for their capacity to influence the governance of occupational pension provision. With the rise of defined-contribution schemes, pension schemes are increasingly managed by for-profit financial firms that can charge high management fees and may seek to extract short-term shareholder value from investee companies. Through collective bargaining, unions should seek to promote the creation of trust-based defined-contribution schemes that will act on a not-for-profit basis and invest their assets in a more socially responsible way.

In the field of unemployment compensation, the picture is much less positive. Despite some lobbying efforts, unions have proved unable to stop the decline both of statutory and of occupational unemployment benefits. Here, the effort should focus more on improving the overall legitimacy of unemployment benefits for example by emphasizing the economic benefits that not only workers, but also employers can derive from better unemployment compensation.

Further reading and contact details

Blake D. (2003) *Pension Schemes and Pension Funds in the United Kingdom*, Oxford, Oxford University Press.

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1. Introduction

The present report aims at describing and interpreting the role of occupational welfare schemes in the UK. It looks at the long-term evolution of occupational schemes and their more recent changes in the context of the economic crisis. The report then focuses on the role of various actors, focusing primarily on the social partners and the state.

The report consists of six sections. The next two sections focus respectively on the main characteristics of the UK welfare state and its industrial relations system. The fourth one offers a broad overview of occupational welfare in the UK, whereas the fifth focuses on supplementary pensions and occupational welfare schemes protecting employees from the risk of unemployment. The sixth section takes a more analytical perspective on occupational welfare in the UK, in line with the analytical grid of the project. It analyses the relationship between occupational, social and fiscal welfare; the role of the social partners in occupational welfare; and the governance of occupational welfare schemes.

The methodology and the data collection strategy followed in drafting the report was broad-based:

- the report is based on a review of the most relevant research, reports and essays published on occupational welfare in the UK;
- when available, statistical and administrative data were taken into consideration;
- the report has also analysed the documents produced by different governmental bodies and Parliamentary committees on pension and labour market reforms; the working of these committees is particularly important because they produce reports of hearings with different relevant actors, including the social partners; it is possible to understand the official position of the different social partners through the analysis of these reports;
- the study has also taken into consideration all other major documents produced by trade unions (the Trade Union Congress) and employers' organisations (the Confederation of British Industry, CBI) and surveys carried out by the employers' confederation (CBI) and the Chartered Institute of Personnel and Development (CIPD);
- the report used an ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project - in the retail and automotive (mechanic) sectors.

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2. The British welfare state and system of industrial relations

2.1 A dominantly liberal welfare system

Ever since the publication of Gøsta Esping-Andersen's *Three Worlds of Welfare Capitalism* (Esping-Andersen 1990), students of comparative social policy have typically considered the British welfare state as an example of the 'liberal' world of welfare (Ferragina and Seeleib-Kaiser 2011). In an ideal-typical sense, liberal welfare regimes are built on the assumption that individuals' well being should primarily be ensured by their participation in the labour market and by their receiving an income through work or through their own savings (Esping-Andersen 1990: 41-44). The state's role in providing welfare is therefore kept to a minimum: most workers are encouraged through the tax system to provide for themselves through private insurance; otherwise, the state alleviates poverty by providing social assistance – i.e. relatively basic means-tested benefits – for those who are unable to earn a decent income through work.

Although not all social policy arrangements in the United Kingdom have fitted Esping-Andersen's definition of the liberal welfare regime, reforms enacted since the 1980s have made many programmes increasingly resemble the ideal type. The foundations of the modern British welfare state were laid immediately after World War II (Timmins 2001; Glennerster 2007). The Family Allowances Act 1945 created a non-contributory, tax-financed, flat-rate family allowance (called Child Benefit from the 1970s) for each child in a family, except for the eldest. The National Insurance Act 1946 created a unified National Insurance scheme which provided very basic flat-rate benefits for the risks of old age, unemployment, sickness and disability with eligibility based on workers' contribution record. The National Health Service Act 1946 created a universal, tax-financed National Health Service, which provides all UK residents – regardless of their employment record – with preventive medicine, primary care and hospital services for free at the point of use. Finally, in order to mitigate poverty, the National Assistance Act 1948 provided a means-tested safety net for those most in need. These different programmes have undergone important changes ever since. During the three decades that followed WWII, many benefits – e.g. pensions and unemployment protection – were made more generous. But, after Conservative politician Margaret Thatcher came to power in 1979, the agenda shifted to retrenchment and privatisation of social benefits and services as well as greater activation of the unemployed (e.g. Pierson 1994; King 1995; Clasen 2011).

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Table 1: Total public, mandatory private and voluntary private social expenditure over time

	1990	***2000***	***2007***	***2011***
United Kingdom				
Per head ([1])	4793	7709	8953	9526
% of GDP	21.4	26.0	25.6	29.0
Average countries (9)				
Per head ([1])	5731	7343	8410	9105
% of GDP	24.2	25.2	26.1	28.6
Average countries (8)				
Per head ([1])	6292	7956	9075	9783
% of GDP	25.4	25.8	26.9	29.7
OECD average				
Per head ([1])	4,623.6	5,776.5	6,892.6	7,577.1
% of GDP	17.9 ([2])	21.2	21.6	24.3

([1]) at constant prices (2005), at constant PPPs (2005), in US dollars.
([2]) OECD average as % of GDP in 1990 is based only on public and mandatory private expenditure because data on voluntary private social expenditure is not available.
Source: OECD socx database.

Between 2010 and 2015, David Cameron's Conservative / Liberal Democrat coalition government introduced important changes in different areas of social policy (e.g. Taylor-Gooby 2012). These changes make the UK welfare system increasingly fit with Esping-Andersen's definition of the 'liberal' welfare regime. The National Health Service remains the main exception to this pattern because it continues being universal in character and the first Cameron government 'ringfenced' - i.e. protected from austerity measures – spending on healthcare even though the latter had been substantially increased by the left-wing Blair and Brown governments. However, there has been an increased tendency to outsource the running of hospitals to private sector for-profit firms (Ham *et al.* 2015).

Social assistance schemes – whose role in welfare provision became increasingly important from the 1980s as National Insurance benefits for unemployment, sickness or disability were significantly cut – have been recently overhauled: Between 2013 and 2017, the six main existing means-tested benefits and tax credits – i.e. Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Employment and Support Allowance and Income Support – are gradually being merged into a single scheme called Universal Credit. One of the main goals of Universal Credit is to tackle 'welfare dependency' by changing the benefit system so that those individuals who accept low paid work do not see their income drop (DWP 2010: 1). Eligibility to Child Benefit, which was universal since its creation and was available for every child (including the eldest) from

the mid-1970s, was made means-tested in 2013: high-income earners (i.e. families with one parent with a taxable income of more than £50,000) can now claim the benefit only partially, or not at all.

In recent decades, total social expenditure (coming both from public and private sources) has been on the increase (cf. Table 1). This increase is not due to the evolution of private social expenditure (see Table 2), which largely fell due to a decline in private spending on old-age pensions (itself most likely related to the decline of final-salary occupational pension schemes – cf. see this report's section 3.1 on workplace pensions). Instead, the increase in total social expenditure is the result of increases in public spending, which were decided by the Labour Party under Prime Ministers Tony Blair (1997-2008) and Gordon Brown (2008-2010): While the UK's total public spending on social policies was 16.3% of domestic GDP in 1990, it increased to 18.4% in 2000 and 20.1% in 2007 with the largest increases in the areas of healthcare, old-age pensions and family policy. Public social expenditure continued increasing since 2007 although largely as a result of the contraction in UK GDP that followed the global financial crisis (with a peak at 23.9 % in 2009). In recent years, it has started decreasing due to the resurgence in economic activity, but perhaps also due to the Conservative / Liberal-democrat coalition government's austerity agenda (22.5% of GDP in 2013; 21.7% in 2014).

Table 2: Social expenditure as a % of GDP, by source and branch

Source	Branch	1990	2000	2007	2011	dif. 2011-1990	%dif. 2011-1990
Public	Old age	4.8	5.4	5.6	6.1	+1.3	+27.3%
	Survivors	0.3	0.3	0.2	0.1	-0.2	-66.7%
	Incapacity related	2.1	2.4	2.5	2.5	+0.4	+19.0%
	Health	4.5	5.4	6.7	7.7	+3.2	+71.1%
	Family	1.9	2.7	3.3	4.0	+2.1	+110.5%
	Active labour market programmes	0.5	0.2	0.3	0.4	-0.1	-20.0%
	Unemployment	0.7	0.3	0.2	0.4	-0.3	-42.9%
	Housing	1.2	1.4	1.1	1.5	+0.3	+25.0%
	Other social policy areas	0.2	0.2	0.2	0.2	0.0	+0.0%
	Total	16.3	18.4	20.1	22.7	+6.4	+39.3%
	OECD average	17.5	18.6	18.9	21.4	+3.9	+22.3%

Mandatory private	Old age	0.1	0.4	0.6	0.7	+0.6	+600.0%
	Survivors	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Incapacity related	0.1	0.0	0.1	0.1	0	+0.0%
	Unemployment	0.1	0.2	0.2	0.1	0	+0.0%
	Other social policy areas	n.a.	n.a.	n.a	n.a.	n.a.	n.a.
	Total	0.3	0.7	0.8	1.0	+0.7	+233.3%
	OECD average	n.a.	1.0	0.9	1.0	n.a.	n.a.
Voluntary private	Old age	3.7	5.2	3.9	4.5	+0.8	-17.8%
	Incapacity related	0.3	0.6	0.4	0.4	+0.1	+33.3%
	Health	0.2	0.3	0.3	0.3	+0.1	+50.0!
	Other social policy areas	0.5	0.8	0.0	0.0	-0.5	-100.0%
	Total	n.a.	6.9	4.6	5.3	n.a.	n.a.
	OECD average	n.a.	2.0	2.1	2.2	n.a	n.a.

Source: OECD socx database.

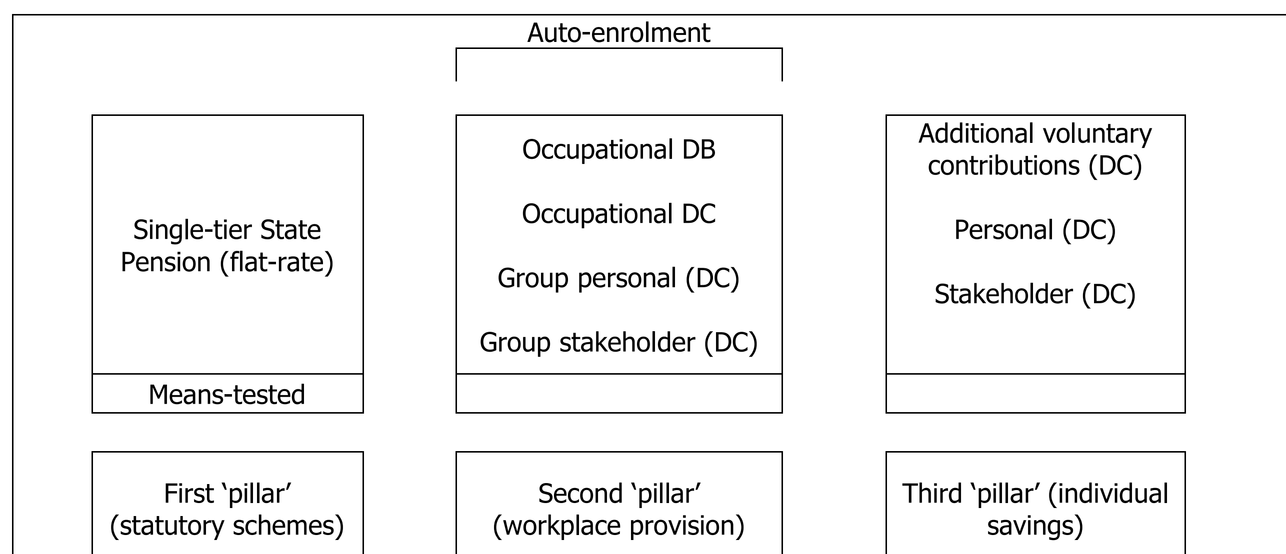
Rapidly changing systems of state retirement provision and unemployment compensation

Similarly to other social policies, old-age pensions and unemployment protection have significantly evolved in recent years. The British system of retirement provision has relied for a long time on a complex mix between public and private provision. Reforms introduced in recent years are to make the whole architecture of the system more transparent and are to increase participation in private pension schemes. The main public benefit is the 'Basic State Pension'. This is a contributory, flat-rate benefit with a maximum nominal value of £115.95 per week (about 160 euros) in 2015/16. While the number of 'qualifying years' (of National Insurance contributions or credits) required to obtain a full Basic State Pension was 44 years for men and 39 years for women in 2009, this criterion was decreased to 30 years for both in 2010 in order to take into account the growing number of interruptions in individuals' working careers.

In addition to the Basic State Pension, workers have traditionally received supplementary pensions either through private – including occupational – schemes or through an additional state pension scheme. As will be explained in section 3.1 of this report, occupational – typically final-salary – schemes expanded during the three decades that followed the end of WWII to cover about half of the workforce by the mid-1970s before being challenged by the rise of personal – defined-contribution – pension schemes. For those who were not covered by occupational schemes, policy-makers created an additional state pension. Between 1978 and 2002, the State Earnings-Related Pension Scheme (SERPS) offered a basic earnings-related pension (originally of 25%, and from 1988 of 20%, of average earnings) before being replaced from 2002 by a more redistributive State

Second Pension (S2P – for details on the calculation of S2P benefits, see PPI 2014: 43-46). This additional state provision has been directly intertwined with private provision as workers could 'contract out' of SERPS or S2P if they had access to a more generous occupational or personal pension scheme, and, in return, paid reduced National Insurance Contributions.

Figure 1: The UK pension system



Source: Own research.

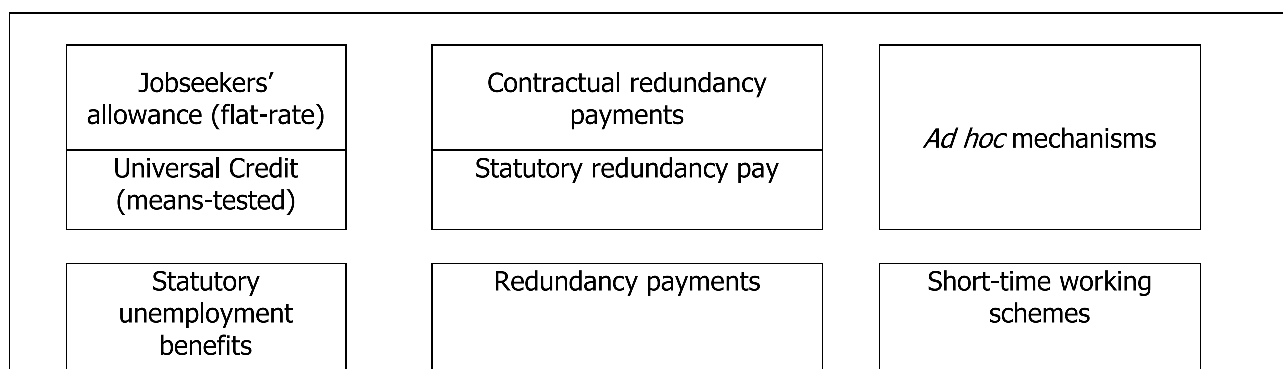
This complex link is set to evolve in the next few years as the Pensions Act 2014 passed by David Cameron's Conservative / Liberal-democratic parliamentary coalition will create a new single tier State Pension for future pensioners from 6 April 2016. The new State Pension will merge the existing Basic State Pension and the S2P and will provide a flat-rate benefit that will be set slightly above the basic level of means-tested support (i.e. £151.25 per week in 2015/16), with the actual amount set in autumn 2015. It will be indexed in line with growth in earnings. Eligibility for the full amount will be based on 35 qualifying years (instead of 30 years as is currently the case for the Basic State Pension). The creation of this single-tier State Pension means that the mechanism of 'contracting out' of private pension schemes will be abolished. All private provision will thus come on top of state provision, and not replace it, as could be previously the case (see figure 1 for a 'map' of the reformed UK pension system).

Unemployment compensation is also due to evolve in the coming years although there is no doubt that the United Kingdom will continue providing fairly paltry benefits for the unemployed as the main statutory unemployment benefit has no earnings-related component as is usually the case in other European countries. Since 1996, unemployment protection has been primarily provided by the 'Jobseeker's Allowance' (JSA) (Clasen 2011). JSA provides a flat-rate benefit of up to £73.10 per week for individuals aged 25 years or more and up to £57.90 for those aged 18-24. Eligibility

for this benefit depends either on a worker's National Insurance contribution record or on a means test. The 'contribution-based JSA' is available to workers who have paid enough National Insurance contributions in the two years preceding the benefit claim. Benefit duration of the contribution-based JSA is set at maximum 26 weeks. The 'income-based JSA' is available after a means test, which takes into account individuals' other income or savings. The duration of income-based JSA can be in principle indefinite. Receipt of both the contribution-based and income-based JSA requires an active search for work, which is strictly monitored by the institutions that pay out the benefits (cf. Jobcentres). From 2013, income-based JSA – but not contribution-based JSA – was to be gradually replaced by the 'Universal Credit', which merged the main existing social assistance schemes. Contribution-based JSA remains untouched.

In addition to the JSA, workers can have access to statutory redundancy pay and contractual (or 'enhanced') redundancy payments. Workers are entitled to statutory redundancy pay if they have worked for their current employer for 2 years or more. Benefit levels depend on the workers' age group. Workers who are made redundant get half a week's pay for each full year they were under 22. They receive one week's pay for each full year they were 22 or older, but less than 41. And they get one and half week's pay for each full year they were 41 or older. Length of service is capped at 20 years and weekly pay is capped at £464. The maximum amount of statutory redundancy pay is £13,920. Eligibility criteria based on job tenure preclude many unemployed from benefit entitlements. While a mere 24% of the UK's unemployed received redundancy pay in 1973, this figure would rise only to 36% in 1981, a year with exceptionally high unemployment (Seeleib-Kaiser *et al.* 2012: 166). Since the mid-1990s, the rate has fluctuated between 23 and 35% (Ibid.).

Figure 2: Unemployment compensation in the UK



Source: Own research.

2.2 A highly decentralised system of industrial relations

Collective bargaining in the UK has been characterised by its voluntary character, its highly decentralised character and the state's minimum level of interference in it (Crouch 1993: 8; Eurofound 2013). With its characteristic system of industrial relations, the United Kingdom is thus typically classified in the social science literature as a 'Liberal Market Economy' (Hall and Soskice, 2001). Although there were attempts to introduce corporatist arrangements in the 1960s and early 1970s, the Thatcher government put an end to such attempts from 1979 and introduced a series of legislative reforms that significantly reduced the influence of UK trade unions (Howell 2009). There is no notion, in the United Kingdom, of employers' associations and trade unions being 'social partners'.

UK trade unions have had a single confederal umbrella body – the Trades Union Congress (TUC) – since 1868. But, while the TUC is actively involved in lobbying politicians, its role in collective bargaining is marginal. Due to the decentralised nature of employment relations in the UK, it is individual trade unions – the largest of which are private-sector union Unite (1.42 million members in 2015 – cf. Unite website) and public-sector union UNISON (more than 1.3 million members – cf. UNISON website) – that play a prominent role in collective bargaining. Trade unions are organised in a number of ways, with some offering membership to particular occupations (e.g. teachers), whilst others are based on an industry. Fewer operate in particular companies. The number of unions has declined as a result of several mergers in response to decreasing membership numbers. In 2008, there were 167 trade unions in the UK, down from 238 in 1998 and 326 in 1988 (Eurofound 2013).

A similar picture emerges on the employer side. Employers' umbrella organisation, the Confederation of British Industry (CBI), is regarded by governments as their main interlocutor with business (Eurofound 2013), but is not involved in collective bargaining. As most sector-level agreements have ceased to function, the role of the CBI's 150 trade associations in collective bargaining has also declined. Current employer organisations that engage more heavily in social and employment affairs are the Engineering Employers' Federation (EEF) and the Local Government Association (LGA). Employer organisation density in the UK is approximately 40% (Eurofound 2013).

Table 3: Industrial relations system in the country

	2000	***2007***	***2013***
Union density	30.1	27.3	26.2
Employers' density	40*	35**	-
Collective bargaining coverage	22.5 (private sector) 74.2 (private sector)	20.0 72.0	16.6 63.8
Dominant bargaining level	Company level		
Type of representation at the enterprise level (works councils, or other forms)	Works council or structure for (union and non-union-based) employee representation within firms are mandated by law or established through basic general agreement between unions and employers Split-channel works councils, employee elected works councils are mandatory where there is no or insufficient union representation, as a structure supplementary to the union, based on law or national agreement		
Main trade union organisations	TUC (Trade Union Congress)		
Main Employers' organisation	CBI (Confederation of British Industry)		

* data refers to 2002; **data refers to 2008.
Source: AIAS ICTWSS database (2015 update).

While trade union membership had grown consistently in the post-war years to reach a peak of 56.3% of workers in 1980 (Eurofound 2013), it has declined significantly over the past few decades. Trade union density has declined from 32% in 1995 to 25.6% (26.2% for ICTWSS see Table 3 above) in 2013 (BIS 2014: 5) with about 55% of union member employees being female in 2013, up from 45% in 1995 (*Ibid.:* 11). The coverage rate of collective agreements in the UK was 29.5% in 2013, down from 34.5% in 2007 (*Ibid.:* 31, Table 2.4b). As is visible in Table 4, there are significant differences in trade union density and collective bargaining coverage by sector, workplace size and industry.

Table 4: Trade union presence and collective agreement coverage, 2013

	Union density	***Employees' pay affected by collective agreement***
All employees	25.6	29.5
Sector		
Private	14.4	16.6
Public	55.4	63.8
Workplace size		
Less than 50	16.4	16.3
50 or more	33.8	41.4
Industry		
Agriculture, forestry and fishing	-	-
Mining and quarrying	20.7	25.5
Manufacturing	18.3	22.9
Electricity, gas, steam and air conditioning supply	48.8	57.3
Water supply, sewerage, waste management and remediation activities	33.0	37.9
Construction	14.2	15.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	12.3	16.3
Transportation and storage	40.0	47.3
Accommodation and food service activities	4.2	4.1
Information and communication	11.2	13.6
Financial and insurance activities	16.9	24.0
Real estate activities	9.4	14.3
Professional, scientific and technical activities	8.0	9.9
Administrative and support service activities	11.6	13.2
Public administration and defence; compulsory social security	50.2	64.5
Education	51.7	54.8
Human health and social work activities	39.8	40.4
Arts, entertainment and recreation	17.7	22.6
Other service activities	13.6	15.1

Source: BIS (2014), Table 3.8 : 43

The tradition of the state's non-intervention in industrial relations manifests itself in the legally non-binding nature of collective agreements. Collective bargaining agreements are not deemed to be legally binding under the Trade Union and Labour Relations (Consolidation) Act 1992, and therefore do not have to be extended to non-union members of the workforce. They are therefore voluntary instruments that are 'binding in honour only' (Eurofound 2013), although the terms of agreements are usually incorporated into individual contracts of employment. Neither the TUC, nor the CBI have a mandate to collectively bargain at any level. The dominant level for the setting of pay and working time is the company or plant level in the private sector. Sector-level agreements are concluded in areas of the public sector. Aside from a brief period in the 1970s, there have been no national intersectoral agreements in the UK.

Owing to the UK voluntarist tradition, policy concertation is uncommon in the UK and trade unions and employer organisations have little statutory involvement in public policy. There have been very few formal mechanisms or forums for tripartite concertation since the tripartite National Economic Development Council was abolished in 1992. However, the UK social partners are regularly consulted by public authorities on the direction of public policy on an ad hoc basis. Furthermore, they are represented on a number of committees that are of a tripartite nature, such as the Low Pay Commission (LPC) or the UK Commission for Employment and Skills (UKCES).

3. Occupational Welfare in the United Kingdom

Although occupational welfare has for a long time been part of the UK's social policy framework, there has been no comprehensive research on this issue, in particular on coverage and generosity of occupational welfare (for a partial exception, see Farnsworth 2004). An examination of OECD data on private social expenditure can give a first indication of the importance of occupational welfare in the United Kingdom (cf. Table 2). About 1% of GDP was spent on mandatory private social expenditure (related to statutory provision) in 2011. Most of this expenditure was on incapacity-related benefits, such as sickness and disability benefits, or benefits related to occupational injury. From 2012, British workers are to be gradually 'auto-enrolled' in 'workplace' – occupational or personal – pension schemes with a possibility to opt out. Nevertheless, it is unclear whether the OECD will consider this as mandatory private social expenditure.

Alongside this, voluntary private expenditure amounted to about 5% of GDP in the early 2010s although such expenditure had represented up to 7% in 2000 (OECD 2013). The relatively high level of voluntary private social expenditure in the UK is explained by the limited role of public provision. Private pension benefits – traditionally considered as voluntary since they could be 'contracted out' of SERPS and S2P – constitute a major component of voluntary private social benefits in the UK where the generosity of public pension benefits is comparatively limited

(Pearson and Martin 2005: 8). The vast majority of the voluntary private social expenditure is undoubtedly taken up by pensions. But some of it also relates to above-statutory maternity pay, private medical insurance, the voluntary top-up of incapacity-related public and/or mandatory benefits (with above-statutory payments for sickness representing 0.3% of GDP in 2000 – cf. Farnsworth 2004:446; see also Clasen 2016), as well as extra-statutory redundancy payments (0.3% of GDP in 2000 – Ibid.). In the mid-1990s, around 30% of public sector employers offered extra-statutory maternity pay compared with equivalent figures of 7% for the private sector (Farnsworth 2004: 451), but it would be reasonable to assume that these proportions have increased ever since (see also Fleckenstein and Seeleib-Kaiser 2009) ([1]). Throughout the 2000s, around 10% of the UK population was covered by private medical insurance (PMI) with around 40-45% of covered individuals receiving PMI from their employer (Feyertag and Seeleib-Kaiser 2013: 11). Coverage of employer-provided PMI is highly skewed in favour of professionals and managers, and is negligible among low-skilled workers (see also Farnsworth 2004: 452).

Occupational welfare (OW) has a long history in the United Kingdom. The first forms of OW arose in the nineteenth century with the development of friendly societies, which were voluntary non-profit mutual aid organisations for working and lower-middle-class savers (see e.g. Harris 2004: 79-87). Friendly societies were run by the insured (and sometimes nascent trade unions) and provided entitlements mainly to sickness, accident and death benefits, but also increasingly basic medical attendance, old age and unemployment. Nonetheless, they tended to exclude the weakest elements of the labour force as they developed mainly among workers who were better, regularly paid and were thus able to make a weekly contribution to a fund (Thane 2006). From the late 19th century, friendly societies were increasingly challenged by the rise of state-controlled national insurance schemes, industrial-assurance companies and of employer-provided occupational welfare. Industrial-assurance companies – such as the Prudential Assurance Company – were successful in selling their products – originally mainly burial insurance – because of a well-organised network of salesmen who sold on a door-to-door basis (Harris 2004: 89). After World War I, industrial-assurance companies became one of the main managers of employer-provided occupational pension schemes (Hannah 1986: 31-45). Employers in large firms started creating occupational schemes mainly in order to retain skilled staff and to pacify labour relations.

Since the beginning of the 20th century, British occupational schemes have thus been mainly created as a result of managers' unilateral decisions. Unions have traditionally played a more reactive role, i.e. negotiated over OW once proposed to them or, more recently, when the schemes' existence has been threatened. Unions have a weaker capacity to set the agenda because of a traditionally, and increasingly, decentralised system of collective bargaining. In the

1. Corporate childcare facilities are also on the rise. About 4% of UK employees had access to workplace-supported childcare provision by the end of the 1990s (Farnsworth 2004: 451). By 2004, this number was about 5.5% (Fleckenstein and Seeleib-Kaiser 2009: 748).

area of pensions, which is where occupational provision is most developed, unions have tried to compensate this weakness in industrial relations by seeking legislative changes that would help make coverage of workplace pension schemes mandatory. Unions' campaigns were a crucial factor that pushed the Blair and Brown governments to propose the introduction of auto-enrolment of workers in workplace pension schemes through the Pensions Act 2008 (see section 3.1 of this report; Naczyk and Seeleib-Kaiser 2015). The state can play a key role in promoting or hindering the development of occupational welfare provision by setting the level of tax incentives for occupational schemes and by regulating them (Brunsdon and May 2012; see also section 4.1 of this report). Contributions to workplace pension schemes, income protection for sickness, childcare voucher schemes, free in-house lunches and redundancy payments have benefited from tax exemptions (on income tax and/or national insurance contributions), but many other fringe benefits – including private health insurance or company cars - are taxed on their 'cash equivalent' – i.e. the cost to the employer of providing the benefit – for employees earning at least £8,500 a year.

In recent years, coverage of above-statutory sick pay, enhanced leave arrangements and childcare voucher schemes is believed to have expanded (Brundson and May 2012: 222-224), but, since the financial crisis, the number of employers offering fringe benefits such as company cars, car fuel, or subscriptions has dropped significantly (Office of Tax Simplification 2013: 28). There is also a gradual shift from fixed to more flexible occupational provision: employees are indeed increasingly encouraged to choose when and how to take up benefits (Brundson and May 2012: 223). As will be outlined in section 4, a major change is the introduction of auto-enrolment of workplace pension schemes: this is expected to significantly increase coverage of supplementary pensions in the UK. There are also debates about the potential for simplifying the framework for the tax treatment of different fringe benefits (Office of Tax Simplification 2013).

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4. Occupational welfare in the field of pensions and unemployment

4.1 Workplace provision of pensions

Before discussing the role of occupational pension provision in the United Kingdom, it is important to settle some definitional issues. In official data on UK private pension provision (typically those collected by the *Office for National Statistics*), the term 'occupational pensions' refers to pension schemes that are set up under trust, i.e. a legal arrangement under which pension assets are held in a trust fund for the sole benefit of the members of the scheme and their dependents. But, in addition to such trust-based schemes, employers can also sponsor supplementary pension provision for their employees through 'group personal pensions' or through 'group stakeholder pensions'. Traditionally, 'Personal pensions' are schemes where there is a contract between an individual and a financial institution. 'Stakeholder pensions' are quite similar to personal pensions, but are subject to more stringent regulations for example regarding the charges that the insured have to pay. In *group* personal or stakeholder schemes, the contract is still signed between an individual and a financial institution, but it is facilitated by the employer. Occupational, group personal and group stakeholder pensions all fall under the broader category of 'workplace' or 'work-based' pension schemes. 'Individual personal pensions' do not fall under this category because participation in such schemes is fully dependent on an individual's decision and it is the individual who formally pays contributions. This section will thus focus on the role of broader 'workplace' pension provision.

In terms of the functions that they play, workplace pension schemes can only be established for the provision of pensions and tax-free lump sum benefits for a company's employees at retirement (or early retirement). In addition, the schemes can be used to provide a worker's survivors (widows/widowers and dependents) with benefits in the event of death before retirement or death in retirement. Access to early retirement or survivor benefits can be the result of minimum statutory bases, but differs from scheme to scheme. Workplace pension schemes do not have to include provisions for early retirement, and cannot provide early retirement benefits before age 55 except if a person retires early because of ill health. Defined-benefit schemes that were 'contracted out' of SERPS used to have to provide members with a survivor's guaranteed minimum pension, which was half of the member's guaranteed minimum pension for the relevant period of accrual. This rule was abolished in 1997: provision of survivor benefits thus varies from scheme to scheme although discrimination based on gender ([2]) is not allowed. By contrast, in defined-contribution

2. In 2014, the UK government also launched a review of survivor benefits in occupational schemes in order to eliminate differences based on sexual orientation (HM Government 2014).

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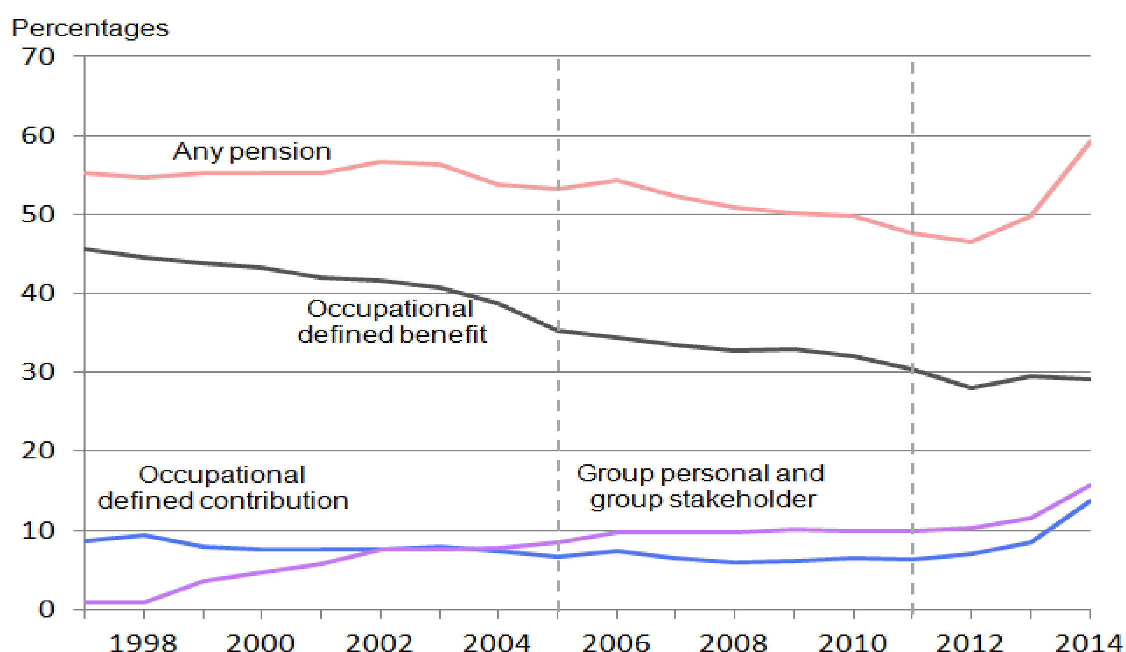
schemes, it is up to individuals to choose if they want to convert their assets into an annuity and whether this annuity should provide for a pension for their survivor.

At the peak of occupational pension provision in the late 1960s and 1970s, more than half ([3]) of the national workforce was entitled to occupational pension benefits, which were typically final salary schemes (GAD 1994: Table 2.1) and provided a gross replacement rate of 70% for the standard wage earner with 40 years of employment (Blake 2003: 170). Because of more stringent state regulations and the rise of defined-contribution 'personal pensions', coverage of these final-salary occupational schemes started steadily decreasing from the 1980s and was not fully compensated for by an increase in work-based provision of less generous defined-contribution pensions (see Figure 3). This trend toward decline in coverage has been recently reversed as membership of workplace pension schemes has increased from its historically lowest level – 46% in 2012 - to 59% in 2014 (ONS 2013; ONS 2015). This recent increase is most likely the result of 'automatic enrolment', a policy gradually introduced from 2012 and consisting in making membership of workplace pension schemes automatic – but with a possibility to opt out – for all workers.

Figure 3. Proportion of employees with workplace pensions: by type of pension, 1997 to 2014



Notes: 1. Results for 2005 onwards are based on a new questionnaire and may not be comparable with earlier results; 2. ASHE estimates for 2011 onwards are produced on a Standard Occupational Classification (SOC) 2010 basis.
Source: Annual Survey of Hours and Earnings, Office for National Statistics

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3. 59% of full-time employees were members of occupational pension schemes in 1975, rising to 65% in 1979 (Farnsworth 2004: 447-448).

The rest of this section looks, firstly, at the origins of occupational/workplace pensions in the UK. It then examines workplace pension schemes' key institutional traits in terms of their regulation, administration and funding. Third, the section presents information on coverage and the types of benefit that are offered in different sectors. Finally, it discusses the schemes' evolution since the early 2000s.

Origins

Occupational retirement provision started in the United Kingdom already in the 18th century with the creation of a pension plan for customs officials, but it was the Civil Service pension plan of 1859 that is believed to have provided a template for employer-provided plans as they started expanding from the end of the 19th century in the railways, gas and financial industries (Hannah 1986: 10-18; see also Sass 2006: 79-80; Thane 2006). The Civil Service scheme paid 1.67 % of salary for each year of service, up to two-thirds of final salary for a 40-year career. State employees who left early only had a vested right to their own contributions without interest. The scheme thus functioned as an incentive for employees to remain with the Civil Service and to rise in the ranks. In private-sector firms, final salary schemes covered almost exclusively management and clerical staff, but some employers also subsidised blue-collar workers' membership of friendly societies.

An important development took place in 1900 when mustard maker Colmans created the first trust-based occupational scheme in the UK (Hannah 1986: 18). While many schemes had until then operated on a pay-as-you-go basis, the choice of trusts as a legal vehicle meant that occupational pensions became increasingly fully funded. In addition, with the passing of the Finance Act 1921, trust-based pension schemes were exempt not only from income tax on employers' and employees' contributions to the fund, but also from tax on the investment income of the funds (Hannah 1986: 19-20). Income tax was to be paid only on pensions when these would be paid out and, unlike for the friendly societies, there was no statutory limit on the size of benefits.

Occupational schemes pre-dated statutory pension provision. When the 1925 Pensions Act introduced a flat-rate contributory pension for manual workers and those earning less than £250 a year (i.e. in total about two thirds of the population), employers mainly adjusted their existing schemes to supplement the ten shillings a week provided by the state pension (Hannah 1986: 24). As the tax incentives introduced in the interwar period were maintained after the creation of the basic state pension in 1945, occupational pension provision expanded considerably during the post-WWII period. But, by the end of the 1950s the famous scholar of social policy, Richard Titmuss, denounced the existence of 'two nations in old age' and the institutionalisation of a

dualism between those who had access to occupational provision and those who did not (Titmuss 1958: 74). This dualism was addressed through the creation of the State Earnings-Related Pension Scheme (SERPS) in 1974: Those who did not have an occupational pension would be covered by this supplementary scheme; those who did have an occupational pension could continue being covered provided that their occupational scheme offered higher benefits than SERPS. Nevertheless, occupational provision started being challenged with the introduction of 'personal pensions' by the Thatcher government in the mid-1980s and the imposition of more stringent regulations (e.g. on vesting, portability, etc.).

Institutional traits: regulation, administration, funding

The regulatory framework of occupational/workplace pension schemes has evolved very significantly over the past three decades. Traditionally, occupational schemes were introduced mainly through unilateral management initiative and not as a consequence of pressure from trade unions. Employers were able to shape regulations in their own interests: rules were designed in such a way that, even though membership of occupational schemes was compulsory for all workers in a company, the main expected recipients were skilled workers whom employers wanted to retain and who were more likely to have stable employment. Since employer contributions could not be vested and were not portable, 'early leavers' (typically workers who were made redundant) effectively subsidised final-salary pensions of white-collar workers. Despite the fact that occupational schemes benefited from tax relief from the inter-war period, the state was initially barely involved in regulating the schemes. Pressure for more regulation grew after World War II. The Social Security Act 1973 introduced the first statutory vesting rights for early leavers as the Act allowed for vesting after 5 years of service and would include both employee and employer contributions. For less than 5 years service, scheme members were entitled to a refund of employee contributions. The 1973 Act also set up an *Occupational Pensions Board* to supervise occupational schemes and drive up their standards, especially for 'early leavers'. Workers accrued rights in occupational schemes were made portable ([4]) across company schemes through the Social Security Act 1985.

The logic and governance of private pension provision in the United Kingdom started changing dramatically with the creation of personal pensions by the Thatcher government in 1988 (following the enactment of the Social Security Act 1986). The Social Security Act 1986 gave workers the

4. The portability of pension rights in workplace schemes was guaranteed with the Pensions Act 1985, but vesting in trust-based (typically defined-benefit) occupational schemes is still not universal, in that depending on a scheme's rules, employees who leave a trust-based scheme between three months and two years of pensionable service may not receive full benefits. They can be offered the choice of a short service refund or a transfer of their accumulated assets to a new scheme. A transfer includes all employee and employer contributions, but a refund includes only the employee contributions (For more information, see Wood *et al.* 2011).

possibility to opt out of SERPS or of their employer-provided pension plan and to sign contracts with other private providers such as insurance companies, unit trusts, banks or building societies (Pierson 1994; Bonoli 2000).

Both occupational plans and personal pensions would nonetheless be affected by major scandals in the early 1990s and this would lead to greater regulation from the state. From late 1991, occupational schemes were in the spotlight after it emerged that a failing media business - the Mirror Group – controlled by UK media magnate Robert Maxwell had plundered its own pension funds to keep the business going. As a result of these manoeuvres, the pension schemes were no longer able to meet their liabilities. A second scandal that was slowly brewing was the 'mis-selling' of personal pensions by the insurance industry. When Margaret Thatcher's government put in place personal pensions, it predicted that 500,000 people would join the schemes. Nevertheless, four years after their implementation, it turned out that more than four million people had opted for them (Jacobs and Teles 2007: 170). With the help of generous national insurance contribution rebates introduced by the government and of massive promotional campaigns spearheaded by private insurance companies, commission-driven salesmen managed to convince a huge number of people to transfer into relatively risky personal pensions even though they would have done better to stay in their defined-benefit occupational scheme or in SERPS. From 1992, regulatory authorities such as the Life Assurance and Unit Trust Regulatory Organisation or the Securities and Investments Board launched a series of investigations into the marketing practices of various insurance companies.

Both the Maxwell affair and the mis-selling scandal dealt a severe blow to the system of self-regulation with statutory backing to which the UK financial industry was subject since the mid-1980s (Moran 2003). The cases had revealed that the regulatory bodies which watched over pension fund managers and life insurers had very limited administrative capacities and that, while they were generally effective at enforcing clearly written rules, they were much weaker at sanctioning perhaps less well defined unethical behaviour. In addition, the Maxwell scandal highlighted the deficiencies of the institution of the trust, which governed company pension schemes since the 1920s. Pension fund trustees had in principle a legal obligation to act in the best interests of scheme beneficiaries and to invest assets in a 'prudent' way. However, the dominance of pension fund boards by trustees appointed by company managements created important conflicts of interest and gave corporate executives excessive discretion over the administration of the funds.

To address the issues raised by the two affairs, the state updated the regulatory framework of funded pensions. The pensions mis-selling scandal was addressed by the imposition of fines on the pension providers that were to blame and by the reinforcement of state supervision over the insurance industry through the creation of the Financial Services Authority in 1997 (Jacobs and

Teles 2007). In addition, Tony Blair's Labour government created 'stakeholder' pension schemes through the Welfare Reform and Pensions Act 1999. Like personal pensions, these schemes were also based on a contract signed between an individual and a financial institution, but the scheme would have to meet a number of minimum requirements (e.g. a cap on annual management charges, representation of the scheme either through trustees or stakeholder managers) in order to qualify as a 'stakeholder' plan.

The Maxwell affair was addressed by the Pensions Act 1995 (Schulze and Moran 2006: 74-76). This piece of legislation introduced important changes in the regulation and the governance of occupational pension schemes. First, it improved the accountability of pension fund boards, by requiring that at least one third of trustees be elected by scheme members. Second, it defined more clearly the civil and criminal penalties incurred by trustees for the mismanagement of a scheme's fund. Third, it established a new *Occupational Pensions Regulatory Authority* and a *Pensions Ombudsman* with greater powers to police pension funds. To ensure that defined-benefit occupational schemes had enough assets to meet their liabilities, the government also introduced a minimum funding requirement for all such plans ([5]). Finally, the act set up a compensation fund, which would indemnify scheme members in case their pension scheme became insolvent as a result of fraud or theft. Further major regulatory changes were introduced through the Pensions Act 2004, which replaced the *Occupational Pensions Regulatory Authority* with *The Pensions Regulator* with enhanced powers and created the Pension Protection Fund, which protects occupational defined-benefit schemes against insolvency.

Today, the large majority of workplace pension schemes are offered by employers at company level. This is largely due to the decentralised nature of the UK system of collective bargaining (e.g. Hyman and Schuller 1984). The main exceptions to the domination of company-based schemes have been sector-wide public sector schemes – i.e. Civil Service Pension arrangements, the NHS (National Health Service) Pension Scheme, the Teachers' Pension Scheme - England and Wales, the Local Government Pension Scheme, the Police Pension Scheme, the Armed Forces Pension Scheme, the Firefighters' Pension Scheme -, as well as the Universities Superannuation Scheme and the Minerworkers' Pension Scheme (which has been closed to new entrants since 1994). While workplace schemes are thus mainly created at company level, they are often managed by the same external asset managers – e.g. insurance companies such as the Legal & General or the Prudential. One important development has been the creation of the National Employment Savings Trust (NEST) with the Pensions Act 2008. NEST is a defined-contribution workplace pension scheme, which is run on a not-for-profit basis, and whose aim is to make sure that employers have access to low-charge pension provision to meet their new duty to enroll all eligible workers in a

5. Whenever the pension scheme's coverage ratio (i.e. the proportion between assets and liabilities) fell below 90%, the employer would have to increase the assets of the fund.

workplace pension automatically. NEST's trustee is the NEST Corporation, an executive non-departmental public body, sponsored by the UK's Department for Work and Pensions.

In terms of funding, workplace pension schemes are typically financed through a combination of employer and employee contributions. Employer contributions generally represent a larger contribution of the gross wage than employee contributions. For example, in 2013, average employee contributions into private sector occupational defined contribution pension schemes were 2.9% of salary and average employer contributions were 6.1% of salary (HM Treasury 2015a, p. 10; See also data on proportion of employees with workplace pensions by banded rate of employer vs. employee contribution figures 4 and 5 below). Official data on the cost of registered pension scheme tax relief confirm this assessment: In 2012-2013, income tax relief on occupational pension scheme contributions amounted to 4.2 billion pounds sterling for employee contributions while it reached 18.4 billion pounds for employer contributions (HM Revenue & Customs, 2015a). According to the same data, income tax relief on personal pension scheme contributions (comprising here both individual and group personal pensions) was 1.7 billon pounds sterling for employee contributions in 2012-2013 and 3 billion pounds for employer contributions. The policy of 'auto-enrolment' legislated through the Pensions Act 2008 stipulates that, from 2018 at the latest (depending on firm size), all employers will have a duty to auto-enrol their workers in workplace pension schemes financed through contributions of at least 8% of employees' gross wages with at least 4% paid by the employee, 3% by the employer and 1% by the state (through a rebate in national insurance contributions).

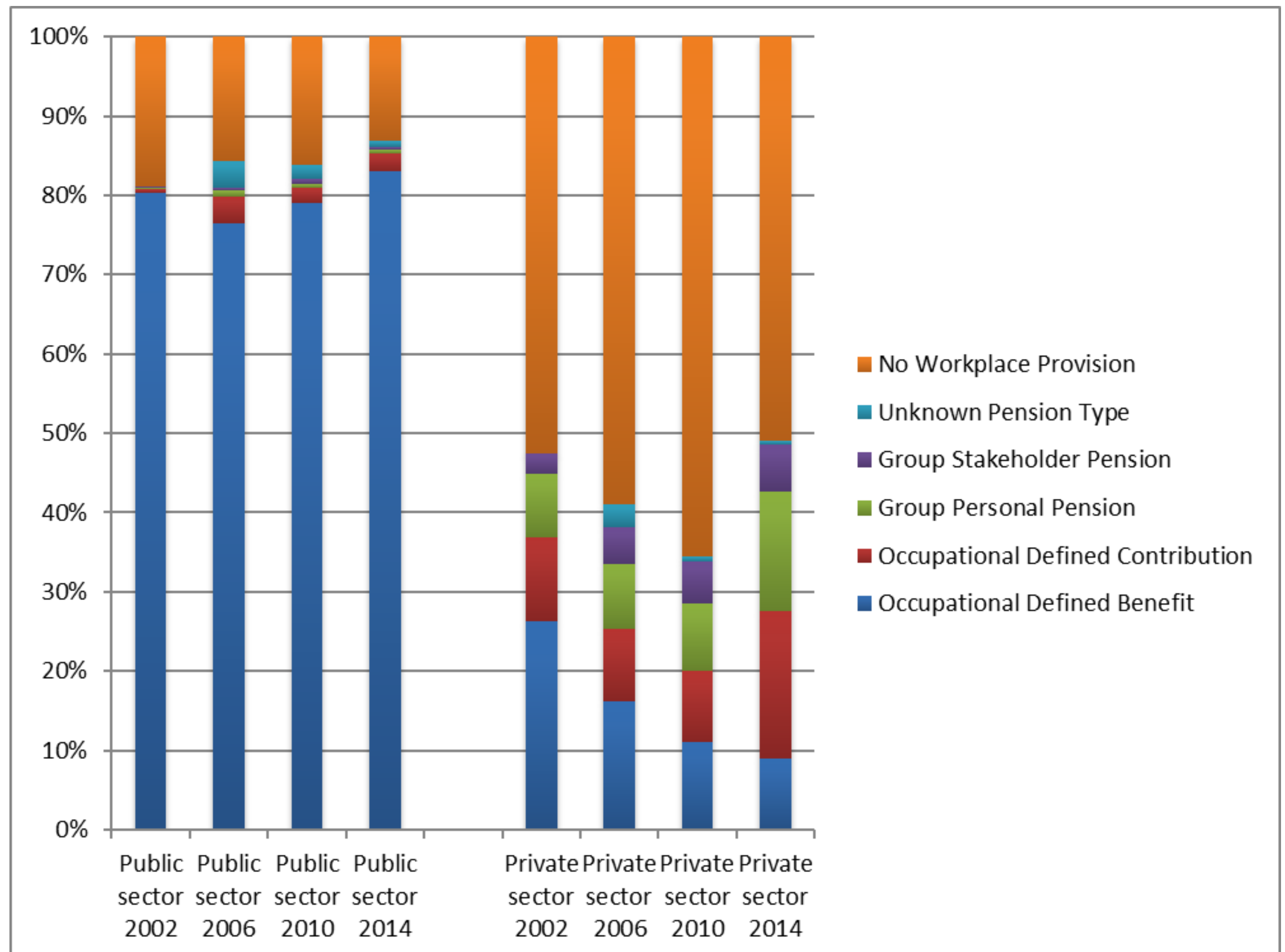
All workplace schemes for private sector-workers are, by law, fully funded. Until the early 2000s, many schemes covering private-sector workers were still defined-benefit, but were closed to new entrants and often – though not systematically – replaced with defined-contribution schemes. In the public sector, about 80% of workers are still covered by defined-benefit schemes, but, after a major reform introduced through the Public Service Pensions Act 2013, all occupational pension rights earned after April 2015 (2014 for the Local Government Pension Scheme) are earned in career average schemes instead of hitherto prevalent final salary schemes. With the exception of the Local Government Pension Scheme which is fully-funded, all other main public sector (i.e. Civil Service, NHS, Teachers', Firefighters', Armed Forces and Police) pension schemes operate on a pay-as-you-go basis.

Access and Benefits

Coverage and the generosity of benefits vary according to many different factors: as can be seen from data presented below, these include a worker's economic sector, firm size, working contract, occupational group and age. The gradual introduction of auto-enrolment of workers in workplace

pension schemes means that inequalities in coverage can be expected to be significantly reduced, but inequalities in the generosity of benefits are likely to remain important.

Figure 4: Employees with workplace pensions: percentages by sector and by type of pension, 2002, 2006, 2010 and 2014

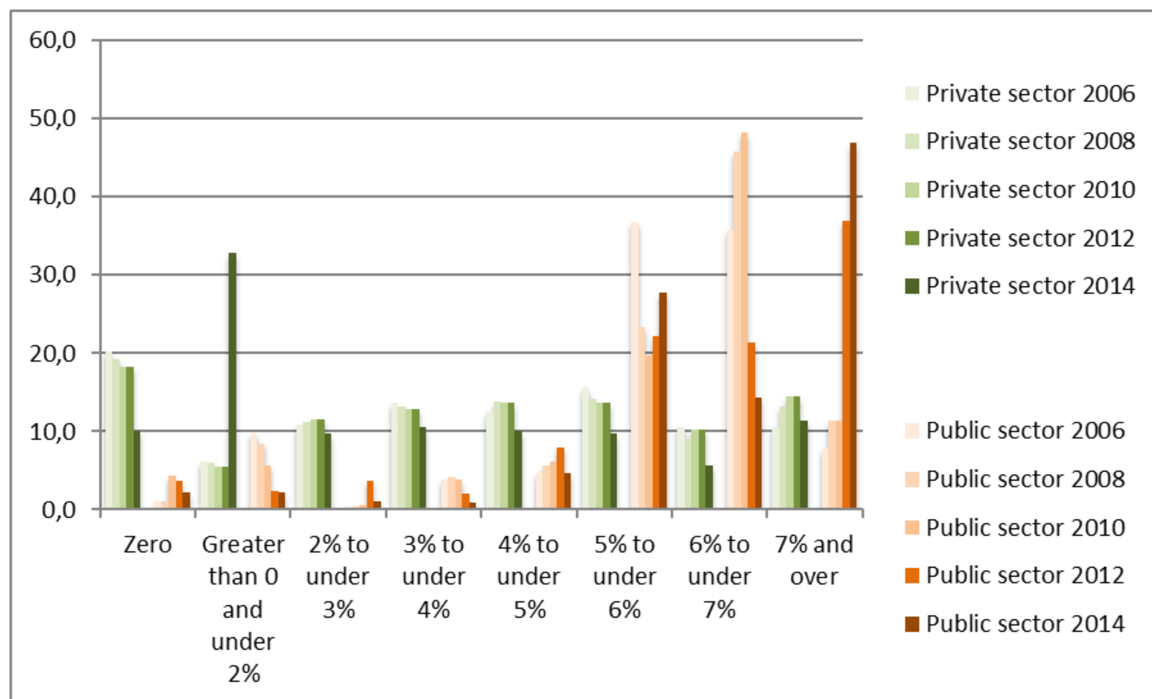


Source: Annual Survey of Hours and Earnings, Office for National Statistics.

A first major factor that affects access to workplace pension schemes is the type of economic sector in which workers are employed (Figures 4 to 7). Overall membership of workplace pension schemes in the UK was 59% in 2014, but there were for example very significant differences of coverage between public and private sector employees (Figures 3 to 5). 87% of public sector employees were members of a workplace pension scheme, up from 83% in 2012; and 49% of private sector employees were members of a workplace pension scheme, up from 32% in 2012 (ONS 2013; 2015). Not only are public sector workers more likely to be covered, but they also have significantly more generous pension schemes. Most public sector workers (more than 80%) are still covered by defined-benefit schemes (although no longer final salary, but career average) while only 10% of private-sector workers still have access to such plans. Private-sector workers

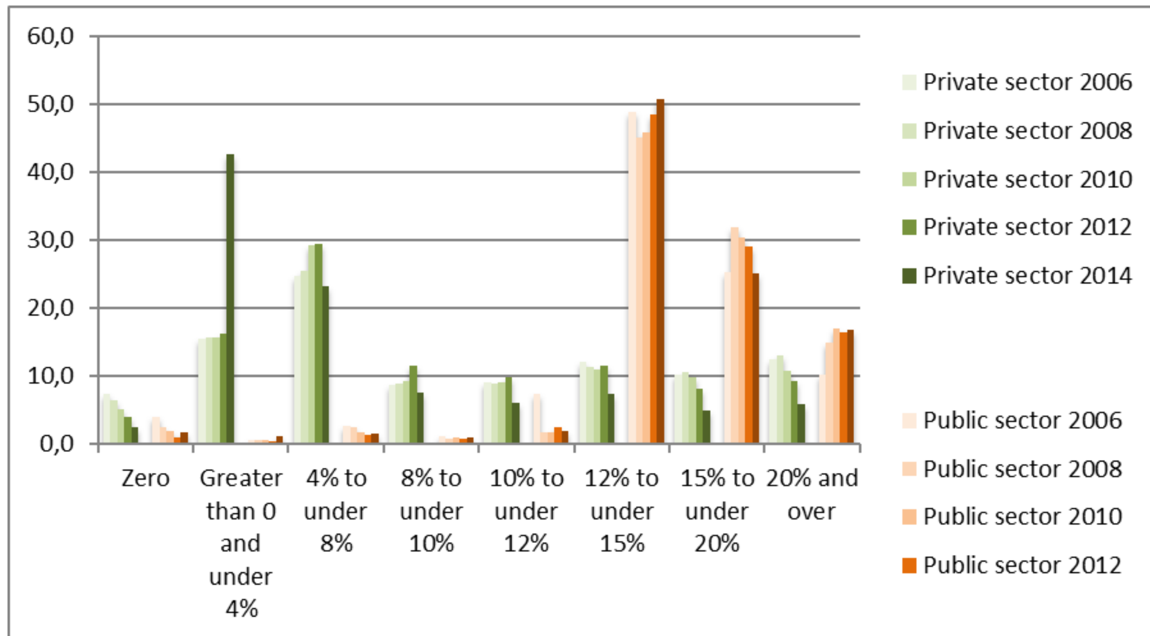
are now mostly covered by defined-contribution plans where the level of benefits is not guaranteed and where the level of contributions – and therefore benefits – is generally lower (see Figures 4 and 5 which show that an overwhelming majority of public sector workers are in schemes with employee contributions above 5% and employer contributions above 12%; private sector workers are more likely to have employer contributions below 8%, while their employee contribution rates vary). Note that public sector workers are now much more likely to pay employee contributions above 7% than they were before 2010. This is because, as a result of the Public Service Pensions Act 2013, employer contributions in public sector schemes are now to be capped and deficits are to be covered with increases in employee contributions.

Figure 5: Proportion of employees with workplace pensions by banded rate of employee contribution, 2006 to 2014



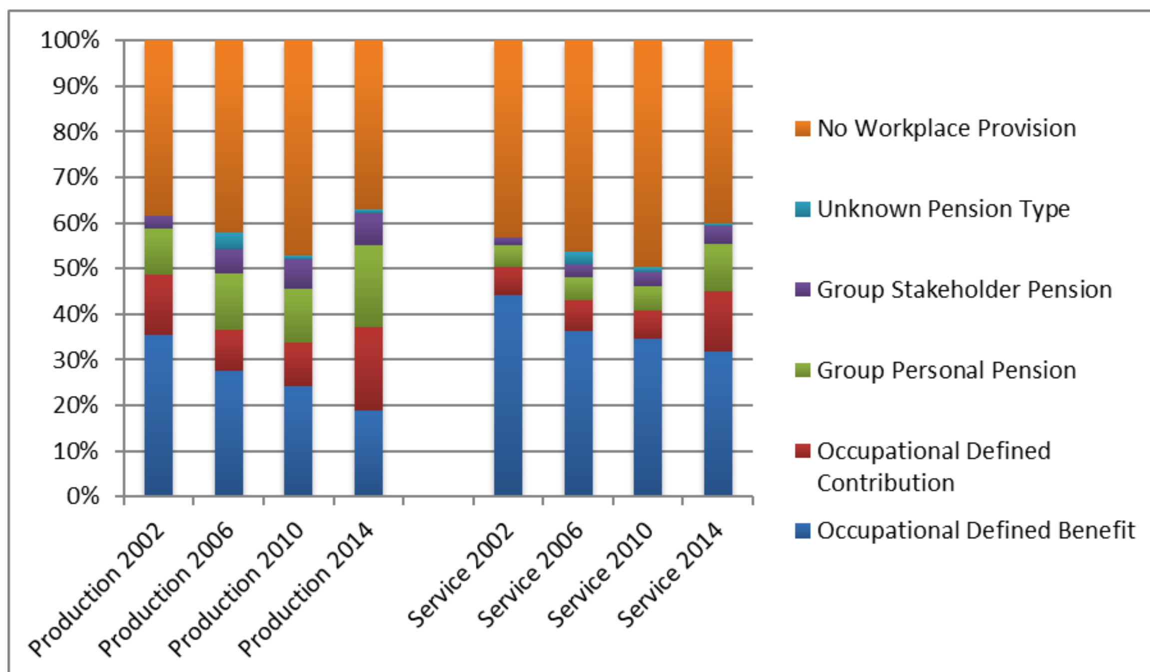
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 6: Proportion of employees with workplace pensions by banded rate of employer contribution, 2006 to 2014



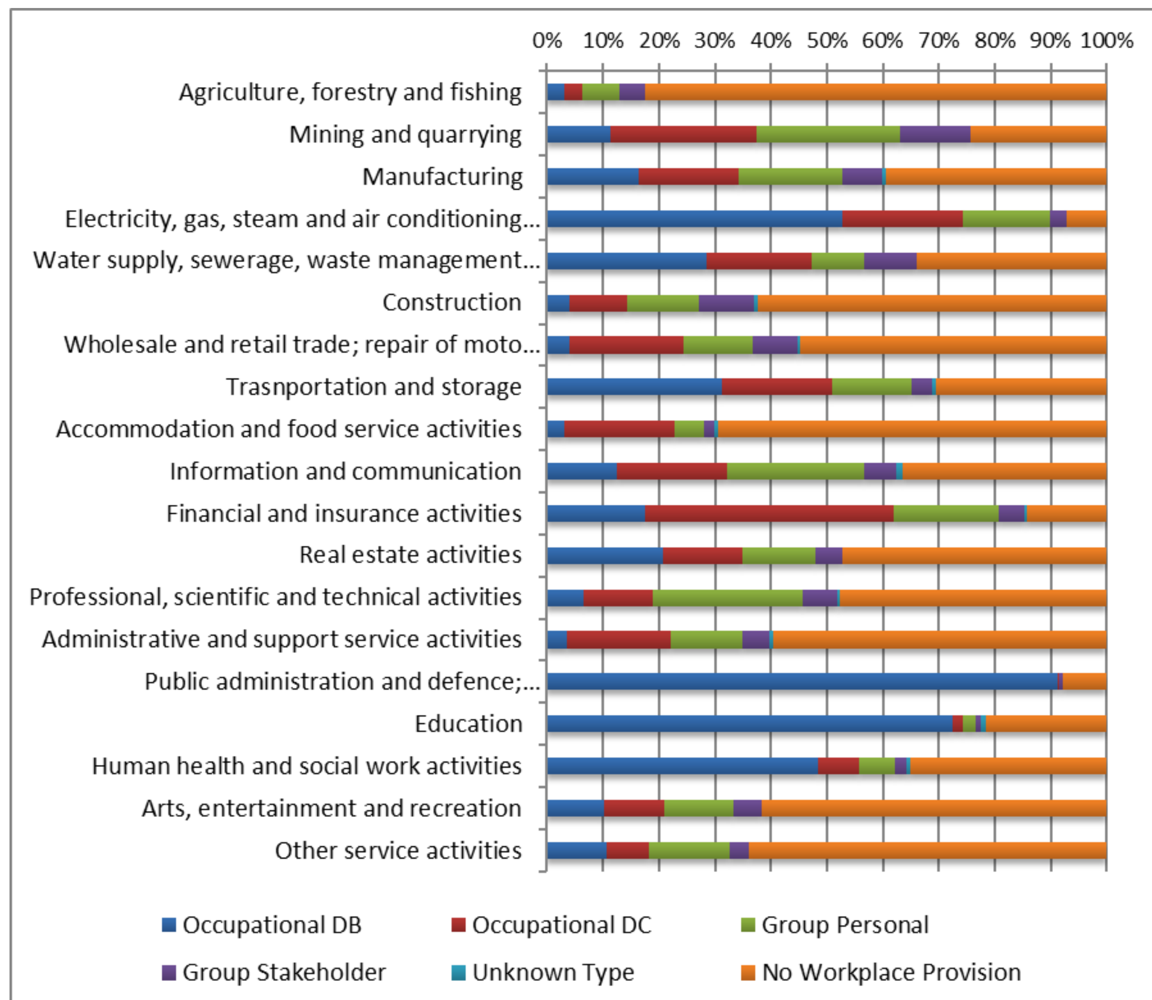
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 7: Employees with workplace pensions: percentages by industry (cf. all index of production industries and service industries) and by type of pension, 2002, 2006, 2010 and 2014



Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 8: ***Employees with workplace pensions: percentages by specific industry and by type of pension, 2014***



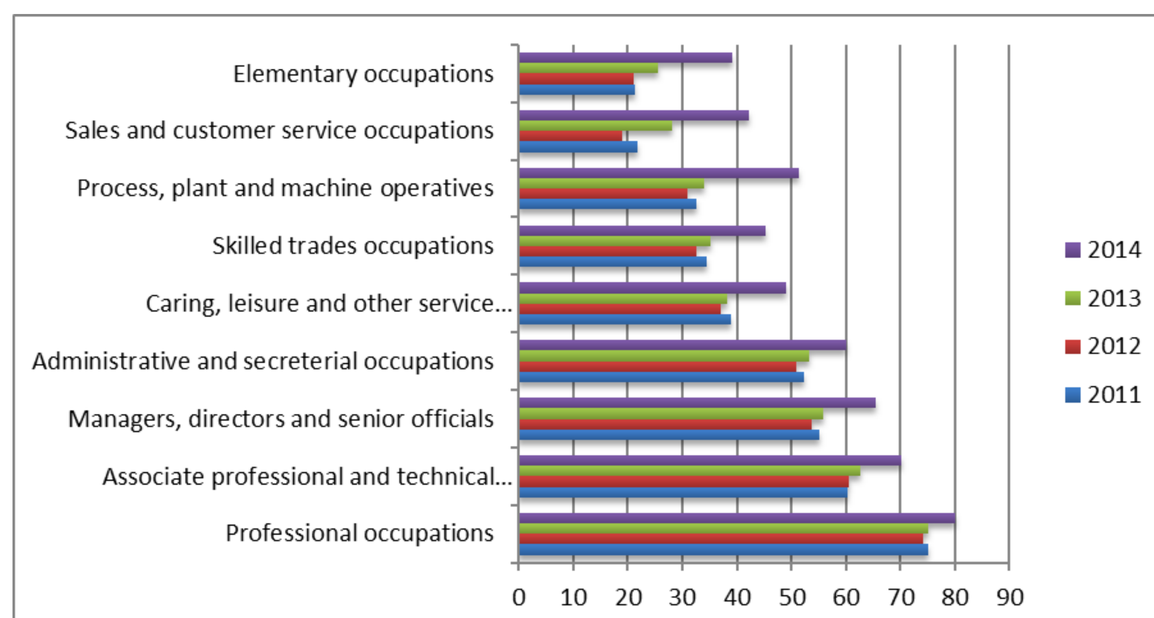
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Differences between sectors are less apparent when one considers the general distinction between production and service industries (Figure 7). This is most likely due to the fact that both categories include private and public sector entities. However, when industries are further disaggregated as they are in Figure 8, differences of access to different types of pension schemes become much more evident, with coverage of occupational (i.e. trust-based) defined-benefit schemes being highest in public administration and defence, education, human health and social work activities, as well as some types of utilities (electricity, gas, steam and air conditioning). Coverage of workplace pension schemes is also quite significant (above 50%) in financial and insurance activities, mining and quarrying, other types of utilities (water supply, sewerage, waste management), transportation and storage, information and communication, manufacturing, real estate activities as well as professional, scientific and technical industries. These are all industries that typically employ workers with high general or with specific skills. However, these sectors now primarily offer defined-contribution schemes. All other industries have coverage below 50% with

the lowest levels in agriculture, forestry and fishing as well as accommodation and food service activities. Companies in these industries are also much less likely to offer defined-benefit schemes. Apart from these differences by sector or industry, differences of coverage are also observed in relation to other variables. If one looks at different occupations (see Figure 8), there seems to be a correlation between the level of coverage and the level of formal (primary, secondary, tertiary) education. Occupations typically requiring higher education (professional occupational, associate professional and technical or managers, directors and senior officials) have the highest coverage. By contrast, those in elementary occupations – i.e. involving the performance of mostly routine tasks, often requiring some physical effort – are least likely to have a pension, 39.4% in 2014. But with the introduction of auto-enrolment, employees in process, plant and machine operative occupations have had the largest increase in workplace pension membership: from 34% in 2013, to 52% in 2014.

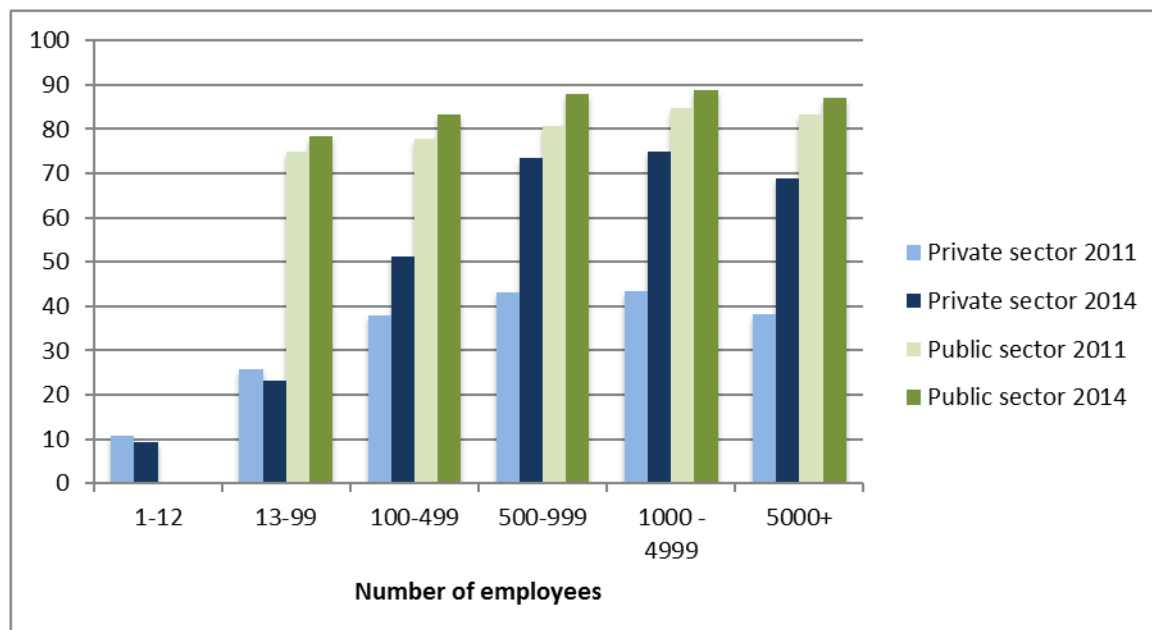
Coverage also varies by firm size although this variable only plays out in the private sector (Figure 10). Coverage is indeed lower in small firms than in large firms. The gradual introduction of automatic enrolment between 2012 and 2018 (starting with large firms and ending with smaller firms) seems nonetheless to contribute to a reduction in inequalities with that regard: for example, Figure 10 suggests that, most likely as a result of automatic enrolment, there has been significant increase in coverage in private-sector firms employing more than 100 workers between 2011 and 2014.

Figure 9: Proportion of employees with workplace pensions: by occupation, 2011-2014, in percentages



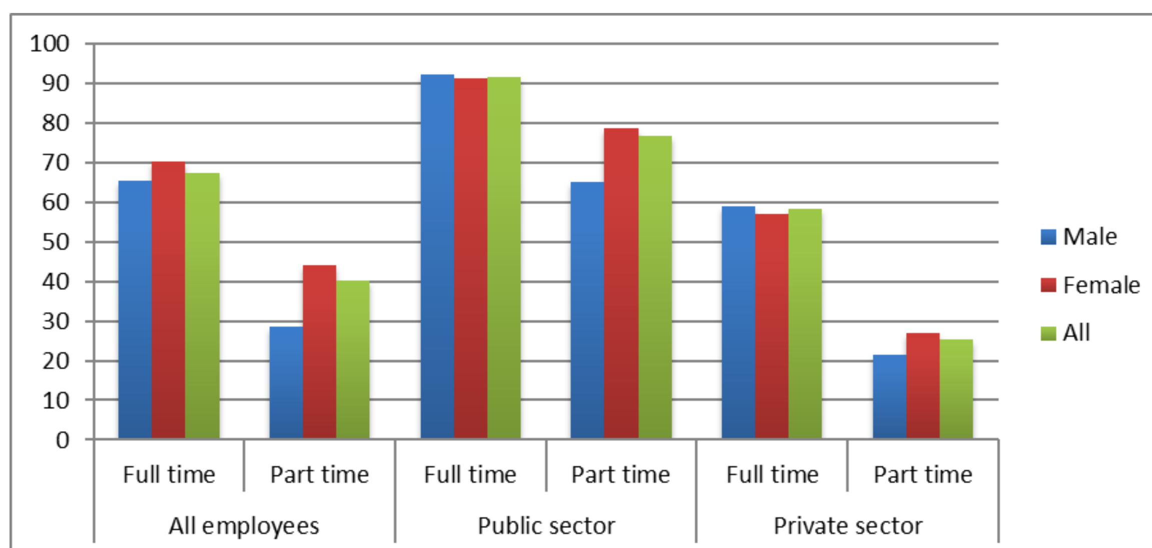
Note: Occupations as defined by the Standard Occupational Classification (SOC) 2010.
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 10: Proportion of employees with workplace pensions: by sector and size of employer, 2011 and 2014



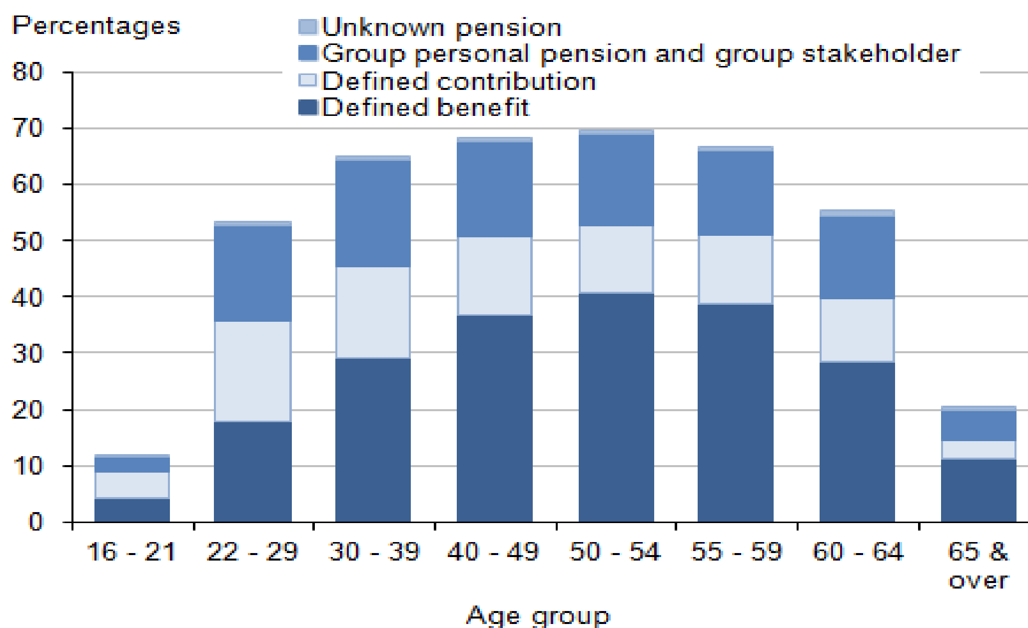
Note: The proportion of public sector employees where employer size is between 1 and 12 employees has been suppressed due to small sample size.
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 11: Proportion of employees with workplace pensions: by sector, working pattern and gender, 2014



Note: Full-time employees are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Figure 12: Proportion of employees with workplace pensions by age band and type of pension, 2014



Note: The Defined Contribution category includes employees who have pensions with the National Employer Savings Trust (NEST).
Source: Annual Survey of Hours and Earnings, Office for National Statistics.

Whereas it is difficult to assess to what extent gender influences coverage of workplace pensions (cf. no relationship in Figure 11), the type of working contracts that workers have and their age can also significant affect coverage of workplace pension schemes. Part-time workers are much less likely to be covered than full-time workers (Figure 11). The relationship between age and coverage is inversely U-shaped (cf. Figure 12). Workers under 30 have the lowest coverage. Coverage increases with age, but starts decreasing again for workers aged 54 or more.

Inequalities in coverage and in the type of benefits that workers receive can also be observed if one selects more qualitative cases of schemes in different industries, for example in the automotive and retail sectors (Tables 5 to 8). The cases presented in this report are all relatively large firms with most of them being among the largest firms in their respective industries. Large firms are typically more likely to offer workplace pensions – even in the retail sector where overall coverage is below 50% (cf. Figure 7). But all the examples reflect the trend towards the closure of defined-benefit schemes and their replacement with less generous defined-contribution ones. In large manufacturing (incl. automotive) firms, most defined-benefit schemes were closed already in the 1990s and early 2000s (Bridgen and Meyer 2005). However, a minority of firms still offer final-salary schemes: Leyland Trucks is one example. In large retail firms, the trend is more recent. Firms such as Sainsbury's, Morrisons and Tesco have been closing their defined-benefit schemes since the early 2010s as they have faced growing cost competition from discounters such as Aldi

and Lidl (The Guardian 2015). Morrisons has tried to strike a balance between a purely defined-contribution scheme and a defined-benefit scheme by replacing its 'career average revalued earnings' scheme with a 'cash balance' scheme where workers are promised by their employer to receive a set percentage (16%) of their yearly compensation plus interest charges. The scheme covers all of the firm's employees. By contrast, Sainsbury's has two different schemes depending on the workers' pay grade. Workers with a higher pay grade have a more generous scheme, as they can save at least 17.5% of their pay whereas workers with a lower pay grade can save up to 15% of their pay. Retail firm Asda also has a defined-contribution scheme, but detailed information could not be obtained neither from the firm itself, nor from trade union representatives.

Table 5: Examples of workplace pension schemes in the automotive sector

Company	***Cummins Generator Technologies, plant in Stamford, Lincolnshire***		***DHL Automotive Liverpool, Solihull and Castle Bromwich***	***Leyland Trucks, a PACCAR company***
Pension scheme	*Newage final salary scheme*	*Cummins money purchase scheme*	*DHL Voyager Pension Scheme*	*PACCAR UK Pension Plan*
Coverage	closed to new entrants, although still open to executives covered all employees before 1989	Open since 1989 In principle, covers all (approx. 3400) employees	All employees eligible within first twelve months of employment	All employees (including new entrants)
Type of benefit and contributions	Final salary scheme Accrual rate of 1.8% of salary per year of service Currently 7% employee contribution; 24% employer contribution	Defined-contribution scheme Level of contributions is age-related with average over lifetime of 11.5% of salary Highest contributions from age 50 (5% employee; 8% employer)	Defined-contribution scheme 3% or 4% employee contribution; 6% (to match 3% employee) or 8% (to match 4% employee) employer contribution	Final-salary scheme Accrual rate of 1/60 of salary per year of service Currently 6% employee contribution; 12% employer contributions
Governance	Scheme set up by employer Trust-based scheme Union members are elected as member-nominated trustees	Scheme set up by employer Trust-based scheme Trustees of the scheme are the same as in the Newage final salary scheme	Trust-based scheme Union members are elected as member-nominated trustees	Trust-based scheme (6 employer-nominated; 3 member-nominated trustees)

Source: ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project; Respondents are from Unite union.

Table 6: Examples of workplace pension schemes in the automotive sector

-Company	***Jaguar Land Rover (JLR)***			
Pension scheme	*Jaguar Pension Plan (main section)* ([1])	*Land Rover Pension Scheme*	*Jaguar Land Rover Defined Contribution Fund*	*Jaguar Executive Pension Plan*
Coverage	closed to new entrants in April 2010 covered all employees?	closed to new entrants in April 2010 covered all employees?	All new entrants since April 2010	Covers senior management Detailed Information not available
Type of benefit and contributions	Final salary scheme Accrual rate of 1/58 of salary per year of service 7% employee contribution; 16.1% employer contribution (between December 2010 and until June 2013); 22.8% employer contribution (from July 2013)	Final salary scheme: employees can choose between 'lower tier' (LT) and 'upper tier' (UT) LT: Accrual rate of 1/70 of salary per year of service; UT: Accrual rate of 1/70 of salary per year of service LT: 5.75% employee contribution; UT: 7% employee contribution 16.6% employer contribution (between December 2010 and until June 2013); 21.6% employer contribution (from July 2013)	Defined-contribution scheme Min. 4% employee contribution (optionally, more); 8% employer contribution (only rate available)	Detailed information not available
Governance	Trust-based scheme (*Jaguar Land Rover Pension Trustees Limited*) Board of trustees - 22 trustees, 11 member-nominated	Trust-based scheme (*Jaguar Land Rover Pension Trustees Limited*) Board of trustees - 22 trustees, 11 member-nominated	Group personal pension Provided and managed by Zurich Assurance Ltd	Detailed information not available

(1) The Jaguar Pension Plan has additional sections for former Ford employees who were integrated into Jaguar in 2000.

Source: ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project; Respondents are from Unite.

Table 7: Examples of workplace pension schemes in retail

Company	***Sainsbury's***			***Asda***
Pension scheme	*Sainsbury's Pension Scheme*	*Sainsbury's Retirement Savings Plan*	*Sainsbury's Self-Invested Pension Plan (SIPP)*	*Asda Pension Plan*
Coverage	closed to new entrants and no benefits built up since 29th September 2013	Open to new members up to age 75 for grades up to and including C5/5S	Open to new members up to age 75 for grades C6/6S and up	Detailed information not made available
Type of benefit and contributions	Defined-benefit plan with final salary, career average and cash balance sections; Info. on benefit formulas and contribution rates not available	Defined-contribution scheme Employee can choose between 'start-up' and 'step-up' options 'start-up': 1% employee and 1% employer contribution of salary between £444 and £3,221 in 2014/15 (4% each from October 2018 as this option used for auto-enrolment) 'step-up': employee can choose to pay 4%, 5%, 6%, 7%, 7.5% with similar rate matched by employer	Defined-contribution scheme Employee can choose between 'start-up' and 'step-up' options 'start-up': 1% employee and 1% employer contribution of salary between £444 and £3,221 in 2014/15 'step-up': employee contribution of at least 5% of pensionable pay; employer contribution of 12.5% of pensionable pay	Defined-contribution plan, but detailed information not made available
Governance	In principle, run by 'Corporate Trustee' (composed of 5 employer- and 5 member-nominated trustees) Administered by Towers Watson pension administration company	Provided and managed by Legal & General insurance company	Provided and managed by Legal & General insurance company	Provided and managed by Legal & General insurance company

Source: ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project; Respondents are from USDAW (Union of Shop, Distributive and Allied Workers).

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Table 8: Examples of workplace pension schemes in retail

Company	***Morrisons***		***Co-Operative Group***	
Pension scheme	*Wm Morrison 1967 Pension Scheme + Safeway Pension Scheme*	*Retirement Saver*	*Pace Complete*	*Pace DC*
Coverage	Closed to new entrants since October 2012 Closed to build up of future benefits since July 2015	Open to new entrants (with permanent contracts) since October 2012 Since July 2015, covers all permanent employees	closed to new entrants and no benefits built up since 28th October 2015; was available to all employees after two years of continuous service; employees could opt out and join Pace DC	Until October 2015, available to employees with less than 2 years of service or those who opted out of Pace Complete Since October 2015, covers all employees
Type of benefit and contributions	Both schemes were CARE ('career average revalued earnings') schemes Info. on benefit formulas and contribution rates not available	Defined-benefit 'cash balance' scheme Employees contribute 5% of their pensionable pay to the Retirement Saver. In return, they accrue a guaranteed 16% of pensionable pay into a pension pot at the end of each year; employer contributions vary depending on scheme's funding ratio	CARE ('career average revalued earnings') schemes Accrual rate of 1/60 of salary per year of service 8% employee contribution 16% employer contribution	Defined-contribution scheme 1% to 5% employee contribution matched by 2% to 10% employer contribution Employee contributions can be increased to 8% with salary sacrifice NI exemption, but employer still only paying 10%
Governance	Wm Morrison Pension Trustee Limited	Wm Morrison Pension Trustee Limited	Trust-based scheme managed by the (Co-Op) Group Pensions Department	Administered by Legal & General insurance company

Source: ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project; Respondents are from USDAW (Union of Shop, Distributive and Allied Workers) and NACO (National Association of Co-operative Officials).

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Recent reforms

The recent decade has seen major changes in and important debates on UK workplace pension provision. One of the most important changes in that regard has been the introduction of auto-enrolment as a result of the enactment of the Pensions Act 2008 and amendments in the Pensions Acts 2011 and 2014. By 2018, all employees aged between 22 years and the state pension age and earning more than 10,000 pounds a year are to be automatically enrolled in a qualifying workplace pension scheme. In order to be considered a qualifying pension scheme, schemes will eventually have to make minimum contributions of 8% of gross wages. Workers can opt out of their employer's scheme but, if they are still eligible, they are re-enrolled after a three year period. Automatic enrolment is being introduced in stages, based on the size of a firm's workforce. Automatic enrolment started in October 2012 for employers with over 120,000 employees, with staged roll-out to all employers by 2018.

In parallel with the introduction of auto-enrolment, a major debate has continued about the fees charged by private pension providers. Management fees already became a major issue at the time of the 'mis-selling scandal' in the early 1990s as providers of personal pensions were also accused of charging too high fees. This debate was partly addressed by the creation of 'stakeholder pensions' in 1999-2001, but this policy change was not seen as having had enough effect. To address the issue more effectively, the Pensions Act 2008 – which also introduced the principle of 'auto-enrolment' – set in motion the creation of the National Employment Savings Trust (NEST), a low cost public pension provider, with the aim to set new standards and incentivise other providers to lower their fees through competition with NEST. Another new player in a pensions market traditionally dominated by trust-based schemes and insurance companies such as the Prudential and Legal & General is NOW: Pensions, a 'low-cost' pension provider created by quasi-public Danish pension provider ATP. Recent years have seen many actors argue that private pension schemes should be amalgamated so as to create economies of scale. Such proposals – combined with the idea of creating 'collective defined-contribution schemes' that could lead to greater risk sharing between the insured – has emerged from individuals close to the Labour Party (Pitt-Watson, 2010; Pitt-Watson and Mann, 2012; Tarrant and McClymont 2013). But the National Association of Pension Funds – the trade association of UK occupational pension schemes – also called for the creation of 'Super Trusts' which could serve as aggregators for smaller pension schemes (NAPF 2012). Similarly, the Center for Policy Studies – a think tank close to the Conservative Party – has called for a policy of 'aggregation' of smaller pension schemes (Johnson 2013). However, these proposals have not led to major legislative changes that would aim to consolidate the UK occupational pension schemes' landscape.

Very unexpectedly, David Cameron's conservative-liberal coalition government announced in its Budget 2014 that, from April 2015, it would grant individuals aged 55 years or more 'freedom and choice' and no longer force them to annuitise at least 75% of their defined-contribution pension benefits (with up to 25% being allowed to be drawn as a tax-free lump sum) as was the case until then. Individuals are now able to access their defined contribution pension savings as they wish, subject to their marginal rate of income tax (rather than a 55% charge for full withdrawal as was the case in the past). This has been described as one of 'the most radical changes to pensions in almost a hundred years' by Chancellor of the Exchequer, George Osborne (HM Treasury 2014: 3) and poses real questions about the future of the legislative framework for the taxation of pensions. The new flexibilities create for example the danger that individuals could use them to 'avoid tax on their current earnings by diverting their salary into their pension with tax relief, and then immediately withdrawing 25% tax-free' (HM Treasury 2014: 6). The government has thus announced its intention to create a new tax framework for retirement and is even contemplating the idea of moving from an EET (tax exemption on contributions, tax exemption on investment income and capital gains of the pension institution, taxation of benefits) towards a TTE (taxation of contributions, taxation of investment income and capital gains of pension institution, tax exemption on benefits) system (HM Treasury 2015a). These debates concerning the future of pensions tax relief happened after relatively important changes were introduced in the fiscal framework governing private pensions, with the introduction of a lifetime allowance of 1.5 million pounds and an annual allowance of 215,000 pounds in 2006, and their reduction by the Cameron government to 1.25 pounds and 40,000 pounds respectively by 2014-2015. Tax relief will thus be a very important issue to follow in the coming years.

4.2 Occupational Welfare in the unemployment protection field

With very meagre statutory unemployment benefits (cf. flat-rate JSA and Universal Credit), one could expect that there would be some supplementary provision ([6]) through occupational schemes. Such occupational provision does indeed exist in the United Kingdom. The main type of scheme is contractual (or 'enhanced') redundancy pay ([7]). These are lump sum payments offered by an

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6. Flat-rate unemployment insurance benefits used to be supplemented by an Earnings-Related Supplement (ERS) in the 1960s and 1970s, but ERS was discontinued by the Thatcher government in 1982.
7. Traditionally, the UK insurance industry has offered two types of products that can protect the unemployed against financial commitments (i.e. typically mortgage, debt or loan repayments) they have incurred before they have become unemployed. These two products are mortgage payment protection insurance (MPPI) and accident, sickness and unemployment insurance (ASU) (see Burchardt and Hills 1998). However, neither type of scheme seems to be offered as part of voluntary occupational provision. MPPI is offered only through contracts signed between individuals and insurance companies. In addition, MPPI premiums do not benefit from any tax rebates, which fails to make the payment of such premiums tax-advantageous for employers. ASU insurance can be offered on a group basis, i.e. through contracts signed between an employer and an insurance company. But, as is the case with

employer in addition to statutory redundancy pay when a worker is made redundant. Redundancies are dismissals that are made when a worker's work is no longer needed due to economic circumstances such as the employer's business becoming insolvent, failing, moving into a new line of business which no longer needs an employee's skills, moving to another area or being taken over. While statutory redundancy pay is available for employees with a service of 2 years or more and offers a proportion of weeks' pay for each full year they were employed (cf. subsection 1.1 of this report), contractual redundancy payments can: a) include workers with less than 2 years of service; b) increase the number of weeks' pay an employee gets for each year of employment; c) increase the maximum amount for a week's pay. Apart from extra-statutory redundancy pay, employers have also sometimes used short-time working arrangements – with or without provision of compensation for lost earnings – and retraining when they have temporarily not had enough business for their workforce. Such arrangements help employers to maintain employment and potentially allow workers to move into higher skilled positions.

Despite the undeniable existence of occupational schemes for the risk of unemployment, such as contractual redundancy payments, it is important to note at the beginning of this section that, contrary to the situation with workplace pensions, the data available about occupational provision for the risk of unemployment are very rare and of very poor quality. Despite very thorough research, it has not been possible to identify a single official source of information about the overall number of claimants of occupational unemployment-related benefits. Nor has it been possible to identify recent ([8]) surveys with representative samples or, alternatively, administrative data, which would allow us to draw inferences on the level of coverage and generosity of these schemes in the UK. In a recent report on the taxation of various employee benefits, the Office of Tax Simplification – which is a unit of HM Treasury, i.e. the UK equivalent of a Ministry of Finance – has explicitly written that: 'knowledge gaps still remain (…) We [do not] know how many people receive statutory redundancy payments compared to non statutory payments' (OTS 2014: 5). The same applies to short-time working arrangements and retraining. The evidence that is currently

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MPPI, ASU premiums do not benefit from tax advantages, which limits the scope for occupational/employer provision.

8. As part of the monitoring process following the creation of statutory redundancy payments in 1965, the former Department of Employment – i.e. the equivalent of a Ministry of Labour – used to collect data on the number of people receiving statutory redundancy pay – which showed that between 1965 and 1980 a mean of 264,000 people received such benefits every year before reaching a peak of 0.79 million workers in 1981-1982 (i.e. about 3% of the workforce) – and still did so in the 1980s (Booth 1987: 403). In 1981, the same Department commissioned from the Institute of Manpower Studies what has been described as 'the only systematic nation-wide survey of the incidence and level of actual extra-statutory redundancy payments' (Booth 1987: 403). The results of that study indicated that 'the average redundancy payment received by eligibles entitled to both statutory and non-statutory payments was 3,300 pounds sterling (of which 1,946 pounds was statutory and 1,354 pounds statutory). Eligibles receiving only statutory payments received an average redundancy payment of 835 pounds' (Booth 1987: 408).

available is not based on representative samples, but rather on selected qualitative examples, which will be presented in the section on 'institutional traits' (see below).

The rest of this section looks, firstly, at the origins of occupational provision for the risk of unemployment in the UK. It then examines the schemes' key institutional traits in terms of their regulation, administration and funding. Third, the section presents information on the types of benefit that are offered in selected entities in the public, automotive and retail sectors. Finally, it discusses the schemes' evolution since the early 2000s.

Origins

Occupational provision for the risk of unemployment has a fairly long tradition in the United Kingdom. The provision of contractual redundancy pay gradually developed during the first half of the 20th century (Bridgen 2000). Not long before statutory redundancy payments were introduced by the Redundancy Payments Act 1965, about 17% of the UK workforce was covered by redundancy arrangements derived from managers' unilateral practices or collective agreements, primarily in manufacturing and the public sector (Deakin and Wilkinson 1999: 70). The implementation of the Redundancy Payments Act 1965 led to the transformation of many of these pre-existing private arrangements into schemes that offered redundancy compensation above the statutory maximum. The development of contractual redundancy pay continued to be encouraged because a tax regime for redundancy payments introduced through the Finance Act 1960 – which exempted redundancy payments from income tax and national insurance contributions up to a ceiling of 5,000 pounds sterling – was maintained following the enactment of the Redundancy Payments Act 1965: the ceiling of 5,000 pounds sterling (periodically revised to reach 30,000 pounds by 1988) now encompassed both statutory and contractual redundancy payments (OTS 2014: 37).

Short-time working arrangements also have a long tradition and were quite widespread before World War II (particularly during the Great Depression). The introduction of statutory unemployment benefits through the National Insurance Act 1909, expanded with the Unemployment Insurance Act 1921, made it possible for firms to compel their workers to work part-time during periods of recession and to potentially – but not systematically – ensure that workers would receive statutory unemployment benefits while unemployed due to that part-time work (Whiteside and Gillespie 1991). Managers often unilaterally imposed short-time work on their employees, but unions were also often involved in negotiating better conditions for workers. Thus, research has shown that 'in evidence given before the [1931] Royal Commission [on Unemployment], it was stated that, 'Trade Unions are alert to enter into negotiations with employers in this connection', and 'In another case an agreement was made to work short time ... and the Trade Union concerned circulated to the members a statement justifying the arrangement

on the ground that unemployment benefit could be drawn' (Royal Commission on Unemployment 1931: 105, para. 5)' (Bowden *et al.* 2006: 101).

Short-time working was encouraged more explicitly by the state from the late 1970s when the Temporary Short-Time Working Compensation Scheme (TSTW) functioned between 1979 and 1984 (cf. Deakin and Wilkinson 1999: 59). The scheme was introduced on a discretionary basis – i.e. not by statute – by the Department of Employment. The scheme allowed employers who withdrew a notice of redundancy to receive short-time working compensation in respect of the employees whose jobs were thereby maintained. Workers on short-time would receive 75% of their normal pay from their employer who was reimbursed from the TSTW fund. During the five years the scheme ran, 'the pay of around three million employees was subsidised and around one million jobs threatened with redundancy were maintained, nearly all in manufacturing industry' (Deakin and Wilkinson 1999: 59). Such explicit state subsidisation of compensation for lost earnings of workers put on short-time work has not been reintroduced ever since, with the exception of the ProAct programme run by the Welsh Assembly Government (WAG) in 2009-2010 in response to the Great Recession of the late 2000s.

Institutional traits: regulation, administration, funding

Occupational schemes for the risk of unemployment have been very often created through unilateral management decisions, but their shape has also often been influenced through collective bargaining. However, the schemes' functioning is embedded in a broader set of regulations regarding redundancies and workforce reductions. These regulations – the first of which was the Redundancy Payments Act 1965 and has now been replaced by the Employment Rights Act 1996 – not only determine eligibility for statutory rights, but also eligibility for contractual schemes, since they provide the legal definition of who is affected by a redundancy ([9]) or short-time ([10]) work (Deakin and Wilkinson 1999).

Employers have a legal duty to consult individual employees on redundancies, and, under the Trade Union and Labour Relations (Consolidation) Act 1992, they also have a legal duty to consult

9. According to section 139 of the Employment Rights Act 1996, 'an employee who is dismissed shall be taken to be dismissed by reason of redundancy if the dismissal is wholly or mainly attributable to—(A) the fact that his employer has ceased or intends to cease— (i) to carry on the business for the purposes of which the employee was employed by him, or (ii) to carry on that business in the place where the employee was so employed, or (B) the fact that the requirements of that business—(i) for employees to carry out work of a particular kind, or (ii) for employees to carry out work of a particular kind in the place where the employee was employed by the employer, have ceased or diminished or are expected to cease or diminish.'
10. According to section 139 of the Employment Rights Act 1996, 'an employee shall be taken to be kept on short-time for a week if by reason of a diminution in the work provided for the employee by his employer (being work of a kind which under his contract the employee is employed to do) the employee's remuneration for the week is less than half a week's pay.'

employee representatives if they propose to make 20 or more redundancies over a period of 90 days or less; the consultation needs to be about ways of avoiding dismissals, reducing the number of employees to be dismissed and mitigating the consequences of the dismissals (LRD 2013: 16-17). These provisions have often served as a means for trade unions to negotiate over contractual redundancy pay or short-time work ([11]). But trade unions such as public-sector union UNISON advise their representatives to 'develop a strong negotiating position and agree on an enhanced redundancy pay policy with your employer as early as possible, before redundancies are announced' (UNISON 2014: 23).

As is the case with workplace pension schemes, occupational schemes for the risk of unemployment, in particular contractual redundancy payments and short-time working arrangements, are overwhelmingly created at company level. The main exception to this decentralised nature of occupational provision and of the British system of industrial relations can be found in the public sector (HM Treasury 2015b). Thus, civil servants have access to a Civil Service Compensation Scheme (CSCS), which sets out UK-wide rules on the level of enhanced redundancy payments that different Government departments can pay their staff (Cabinet Office 2010). Similar UK-wide arrangements exist for the Armed Forces and the Police. But it should be noted that many civil servants as well as all members of the Armed Forces and the Police are considered as 'crown servants' who serve 'at the pleasure of the Crown', and do not therefore benefit from many of the statutory protections normally available to employees, including statutory redundancy pay.

Most other public-sector employees have a different status and can combine statutory and contractual redundancy pay. This is for example the case of the National Health Service, which also operates sector-wide enhanced redundancy payment schemes with terms collectively agreed with the NHS trade unions at the NHS Staff Council. But different terms can be negotiated for the different nations – cf. England, Northern Ireland, Scotland and Wales – of the United Kingdom. Moreover, these arrangements do not cover private GP practices or other private-sector providers of NHS services, which are able to set their own contractual redundancy terms for their employees. The situation is again different for local authority employees (including teachers in schools maintained by local authorities): councils determine their own redundancy arrangements within a framework set by regulation, which was last modified in 2006. Firefighters can also have access to enhanced redundancy pay through local arrangements although they are not part of the abovementioned regulatory framework for local authorities.

11. In reply to the question 'Did the consultation lead to any changes in managers' original proposals for the redundancies? asked in the Workplace Employee Relations Survey 2011 (see http://www.wers2011.info/online-analysis/4587720076, 53.5% of worker representatives (526 out of a sample of 1002 people) replied that the 'item is not applicable', 1.5% (15/1002): 'Don't know', 24.9% (249/1002): 'Yes'; 21.2% (212/1002): 'No'.

The financing of occupational compensation for the risk of unemployment, in particular of redundancy, is generally directly borne by employers. The benefits are financed as redundancies occur. Effectively, this is a form of pay-as-you-go financing. But employers are allowed to make tax-deductible 'provisions' – i.e. liabilities that are of uncertain timing or amount – in their balance sheets for redundancy payments if, at the reporting date, an obligating event has taken place (HM Revenue and Customs 2015b). Employer financing would also apply to any benefits created by employers to compensate them for lost earnings due to short-time work. However, during the Great Recession of the late 2000s, many Welsh firms were able to receive wage subsidies for workers they put on short-time work as part of the ProAct programme run by the Welsh Assembly Government (WAG) in 2009-2010.

The state also plays an indirect role in the financing of contractual redundancy payments because, since the introduction of the Finance Act 1960 and of the Redundancy Payments Act 1965, contractual redundancy payments and statutory redundancy payments are exempt from income tax and national insurance contributions up to a ceiling (set at 30,000 pounds sterling since 1988 and left unchanged ever since). While no systematic estimations of these exemptions are published, HM Revenue & Customs estimated that, in 2012-13, the total cost of this £30,000 tax exemption was 800 million pounds sterling, but had no estimate of the cost of the exemption from national insurance contributions (OTS 2013).

Access and Benefits

No surveys with representative samples have been carried out in recent decades on occupational provision for the risk of unemployment. It is thus not possible to provide a systematic account of variation of coverage and benefits by different sectors, firm size, gender, age, etc. However, surveys carried out by trade bodies such as the Chartered Institute of Personnel and Development and by the Confederation of British Industry can provide us with a rough idea of the types of contractual redundancy payment arrangements that are offered in the economy. This information is complemented in this report with more qualitative examples taken from the public, automotive and retail sectors.

In 2008, a survey carried out by the Chartered Institute of Personnel and Development (CIPD) among its members, i.e. an unrepresentative sample ([12]), found that 50% of the organisations surveyed offered redundancy payments above the statutory minimum (KPMG/CIPD, 2008, pp. 17-

12. In total, 12,000 questionnaires were sent out to a range of CIPD members, and 721 usable total returns were obtained – a response rate of 16%. Questionnaires administered returned 406 paper and 315 online. Respondents answered a series of questions on employment issues relating in the main to the autumn of 2008, between 4 and 26 September.

18), but 49% of the organisations surveyed preferred not to give a response when asked to report the exact amount of their average contractual redundancy payments. 25% of organisations stated that their average contractual redundancy payment was under 5,000 pounds sterling, although this was less common among public sector organisations than those in the private or voluntary/not-for-profit sectors. The survey showed a general trend towards higher payments in the public sector (with an average of £17,926) compared with the private sector (average of £8,981) and the voluntary sector (average of £7,629).

In 2009, a survey carried out by the Confederation of British Industry (CBI) among its members, i.e. probably a somewhat more representative sample than the CIPD's ([13]), found that the average cost of (statutory and contractual) redundancy payments per employee was about £12,100. But averages amounts varied by sector, region and size of employer. 'The highest average redundancy payments were found in banking, finance & insurance (£21,300), in professional services, energy & water and retail (all £12,500). Higher redundancy payment averages were also found in organisations with more than 5,000 staff (£23,700) and in multinational companies (£21,200). The lowest average redundancy payments were found in the construction (£5,700) and other services (£3,900) sectors, and in the smallest organisations (£5,200)' (CBI/Harvey Nash 2009: 9). The survey also found that nine in ten employers had maintained the value of their redundancy packages, despite the economic downturn. 'Of those who had made changes, 6% had reduced the average value and 2% respectively had either increased the value of the package or restructured it' (CBI/Harvey Nash 2009: 9).

13. The survey, which was conducted in April and May 2009, covered a cross-section of employers 'in all industry sectors, all regions, and all sizes of organization' with an overrepresentation of large businesses and underrepresentation of public sector employers (CBI/Harvey Nash 2009: 7).

Table 9: Examples of contractual/extra-statutory redundancy schemes in the public sector

	Civil Service Compensation Scheme 2010		***NHS England 2015***	***Milton Keynes council***
	Voluntary Redundancy	*Compulsory Redundancy*	*Voluntary and compulsory*	*Voluntary and compulsory*
Eligibility	Min. 2 years' qualifying service	Min. 2 years' qualifying service	Min. 2 years' qualifying service	Min. 2 years' qualifying service
Tariff per year of service	1 month's pay	1 month's pay	1 month's pay	- up to age 21: 0.75 week's pay - 22 to 40: 1.5 week's pay - 41+: 2.25 weeks' pay
Benefit cap	below pension age: 21 months' pay above pension age: 6 months' pay	below pension age: 12 months' pay above pension age: 6 months' pay	24 months' pay	Max. 20 years of employment taken into account
Minimum annual earnings taken into account	£23,000	£23,000	£23,000	n.a.
Minimum annual earnings taken into account	£149,820	£149,820	£80,000	n.a.

Source: http://www.civilservicepensionscheme.org.uk; http://www.nhsemployers.org/; https://www.milton-keynes.gov.uk/

Due to the very decentralised system of collective bargaining in the United Kingdom, coverage of contractual redundancy payments and the type of benefits provided can vary considerably. Schemes offer benefits which depend on a number of criteria: whether staff are made redundant on a voluntary (i.e. when faced with a redundancy plan, they opt to be made redundant) or a compulsory basis; the duration of their service; their earnings; whether they are below or above pension age, etc. Benefits are also generally not portable due to the lack of industry-wide collective agreements on these issues, except in the public sector (cf. Civil Service, Armed Forces, Police, NHS, etc.). Tables 9, 10 and 11 provide examples of arrangements that can be found in the public, automotive and retail sectors.

Table 10: Examples of contractual redundancy schemes in the automotive sector

	Cummins Generator Technologies, plant in Stamford, Lincolnshire		***DHL Automotive*** ***Liverpool, Solihull and Castle Bromwich***
Eligibility	Pre-2002 contracts Covers 60% of workforce Min. years qualifying service unknown	Post-2002 contracts Covers 40% of workforce Min. years qualifying service unknown	None, currently being negotiated
Tariff per year of service	- service<1 year: 1 week pay - 1 to 5 years: 2 weeks pay - 6 to 9 years: 4 weeks - 10 to 14: 20 weeks over 15: 22 weeks	- service<1 year: 1 week pay - 1 to 5 years: 2 weeks pay - 6 to 9 years: 4 weeks - 10 to 14: 6 weeks over 15: 8 weeks	None, currently being negotiated
Benefit cap	Contractual and statutory redundancy pay cannot exceed 12 months' pay		None, currently being negotiated

Source: ad hoc survey carried out among union representatives by the Labour Research Department for the ProWelfare project; Respondents are from Unite union.

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Table 11: Examples of contractual redundancy schemes in retail

	Morrisons	***Sainsbury's***	***Co-Operative Group***	***Asda***
	2014/2015 consultation over management restructure	*As applicable in 2013*	*As applicable in 2015*	*As applicable in 2015*
Eligibility	Terms apply to managers who are made redundant, but similar enhancements negotiated for all hourly paid staff in the past Min. 1 year qualifying service	Min. 1 year qualifying service	All employees	To be defined through collective agreement if instance of collective redundancy
Tariff per year of service	ex-gratia payment is made, equivalent to £150 for each complete year of continuous service up to a maximum of 12 years (part-time workers pro-rata) Min. 1 week's pay for 1 year of service	- aged 40 or less:1½ week's pay for each year - aged 41-50: 2 weeks' pay for each year - 50+: 2½ weeks' pay for each year	(Statutory weeks)*1.75	To be defined through collective agreement if instance of collective redundancy
Benefit cap	Statutory caps on 20 years service and the weekly wage of £464 do **not** apply	Max. 40 years of service and 79 weeks' pay	no upper limits on total weeks, or weeks pay	To be defined through collective agreement if instance of collective redundancy

Source: ad hoc survey carried out among union representatives with the help of the Labour Research Department for the ProWelfare project; Respondents are from USDAW (Union of Shop, Distributive and Allied Workers) and NACO (National Association of Co-operative Officials).

In regard to short time working, none of the retail firms - Morrisons, Sainsbury's or Co-Operative Group - have introduced such an arrangement. In the automotive sector, such schemes have been much more prevalent. DHL Automotive has a scheme offering all those within the bargaining unit full flat contractual pay for the first 80 hours should a short term closure be required. At the Stamford plant of Cummins Generator Technologies, a short-time working arrangement was introduced so as to avoid compulsory redundancies as part of a redundancy plan carried out in

2012. The arrangement – which was the result of negotiations between management and the Unite union – consisted in the introduction over a 6-month period of one day off a week with a maximum of 12 stand-down days in that period. Workers who volunteered for the arrangement received a gross payment of £58 – financed by the employer without any public subsidies – for each stand down day (cf. Unite 2013: 8). Similarly, following the crisis, Leyland Trucks provided a short-time working arrangement for its *permanent* employees. The arrangement offered a guarantee of 85% of base rate pay or actual earnings - whichever is the greatest - on a weekly basis for a period of 8 weeks in any 4 month period.

Recent debates

In the years following the global financial crisis of 2008, social protection for the risk of unemployment through schemes such as redundancy pay and short-time working arrangements was high on the political agenda. This resulted from pressures exerted both by trade unions and employers' associations. When the crisis broke out, trade unions campaigned not only for an increase in the level of the statutory unemployment benefit ([14]), but also for major changes in the regulations governing redundancy payments. Thus, in 2008 and 2009, the Trades Union Congress (TUC) called on Gordon Brown's Labour government to introduce three major changes (e.g. Barber 2008; Personnel Today 2008; Financial Times 2009a):

a) to allow workers to qualify for statutory redundancy payments after only one year – instead of two years – of service with an employer;
b) to increase the weekly limit on statutory redundancy pay from £330 to £500 because more than half of the working population earned more than the existing limit, which had lagged well behind the growth in average earnings since its introduction in 1965 (with the maximum payment cap being 203% of average weekly earnings in 1965 compared with 56% by 2008).
c) to increase the ceiling on tax exemption on (statutory and contractual) redundancy payments from £30,000 to £50,000 because its nominal value had not been changed since 1988.

The measures were opposed by employers' associations such as the Confederation of British Industry (CBI) and the Engineering Employers' Federation (EEF) on the grounds that they would impose significant additional costs on employers and put more jobs at risk at a critical times (Financial Times 2009a and 2009d). Neither the Brown government (2007-2010), nor David Cameron's Conservative-Liberal coalition government decided to change the minimum qualifying

14. Unions demanded to increase the level of the Jobseeker's Allowance (JSA) from 60.50 to 75 pounds in order to compensate for the JSA not keeping up with changes in average earnings over the previous decade (Daily Telegraph 2008).

period for statutory redundancy pay or to increase the £30,000 ceiling on tax exemptions on redundancy payments. However, since 2008, the weekly limit on statutory redundancy pay has been gradually increased to reach £475 by 2015. The maximum amount of statutory redundancy pay is now £14,250.

While unions campaigned for improved redundancy pay, another major issue on the agenda was the introduction of short-time working schemes. When the economic crisis started being felt in 2008, many UK manufacturers, particularly automotive companies, started putting their workers on short-time working (with reduced wages) in order to be able to retain their skilled staff. From early 2009, the TUC, but also business groups such the EEF and the Federation of Small Businesses, starting pressing the government to introduce wage subsidies in order to encourage more employers and employees to accept short-time working as an alternative to cutting permanent jobs (Financial Times 2009b and 2009c; TUC 2009a). In April 2009, the TUC, the British Chambers of Commerce (BCC), EEF the manufacturers' organisation, the Federation of Small Businesses (FSB) and The Work Foundation all joined forces to call on the Government to introduce a temporary short-time working scheme across the UK in the 2010 Budget (TUC 2009b). But the UK's largest employer federation, the CBI, opposed the idea on the grounds that evidence showed the effect of such schemes was 'to delay – rather than avert – redundancies' (CBI 2009: 18).

Instead, the CBI proposed to introduce an 'Alternative to Redundancy' scheme whereby, instead of being made redundant or of receiving wage subsidies, workers could remain at home for up to six months and receive about £130 a week, paid equally by the state and the employer (The Times 2009). Once economic conditions picked up, workers would be called back to work by their employer. The proposals were strongly opposed by trade unions. The TUC's general secretary, Brendan Barber, argued that "it is also better to keep people in work and training with their employer, even if on short-term working, rather than sitting at home, which is why unions and other employer groups are campaigning for the kind of wage subsidies that are now common in the rest of Europe" (The Times 2009). As the standoff between the TUC, different business groups and the CBI continued, no major changes were made by the Brown and Cameron governments in that area, leaving the UK to be one of the few European countries not to introduce public compensation at the national level for short-time working during the Great Recession (Cahuc and Carcillo 2011).

However, one exception to this lack of public support for short-time working came from one of the countries of the UK. Between January 2009 and June 2010, the Welsh Government ran a scheme – called ProAct – that enabled companies that had taken the decision to make workers redundant to apply for a grant of £4,000 per employee in order to put the workers on short-time working and let them receive training during the days of stand-down. For each employee supported by the

programme, companies received a wage subsidy of £2,000 and £2,000 to pay for staff training. In order to qualify for ProAct support, companies had to: show that they were financially viable before the economic downturn; introduce short-time working (with a reduction of at least one day a week) for approximately 40 days over a 12-month period; have made or be considering redundancies and introduce short-time working as a way of avoiding further redundancies (Eurofound 2010: 8). The implementation of the ProAct initiative started in January 2009 with a £1 million pilot in the automotive sector. But, the same month, the Welsh Assembly Government pledged a further £47 million of funding to other – mainly manufacturing - sectors with implementation starting from April 2009. £30 million of the £48 million were to be funded from the European Social Fund (South Wales Argus 2009). By the time the scheme was ended in June 2010, 250 companies and 10,635 workers had received support with a total funding of £27,168,394 (O'Toole 2011: 11).

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5. Analytical Insight

5.1 Social, Fiscal and Occupational Welfare

Changing sources of regulation of occupational welfare in the two fields

When occupational pension schemes and different forms of occupational compensation for the risk of unemployment started developing in the late nineteenth and early twentieth century, occupational provision was divided into two worlds: that controlled by workers and trade unions in the form of friendly societies; and that controlled by employers in the form of employer-provided schemes. With time, friendly societies gradually disappeared. By contrast, employer-provided schemes – i.e. schemes created through unilateral decisions of management – became the dominant form of occupational welfare for much of the twentieth century. The role of these employer-provided schemes and their regulation evolved considerably as the state started creating statutory social insurance schemes for the risks of income loss due to old age and unemployment. Before the gradual development of statutory pensions (starting with the Widows', Orphans' and Old Age Contributory Pensions Act 1925) and statutory unemployment benefits (starting with the National Insurance Act 1911 and the Unemployment Insurance Act 1920), occupational provision had been the main form of social provision for these risks. After the institutionalisation of statutory schemes (which culminated both for pensions and unemployment benefits with the introduction of the National Insurance Act 1946 and for redundancy payments with the Redundancy Payments Act 1965), employer-provided schemes now mainly existed to supplement state benefits.

After the Second World War, this changing role of occupational welfare was accompanied by much greater involvement of trade unions and the state in its regulation. Following the introduction of the National Insurance Act 1946 and of the Redundancy Payments Act 1965, trade unions became increasingly involved in trying to expand occupational schemes to a larger part of the workforce through collective bargaining. In the UK's very decentralised system of industrial relations, this meant that coverage would be highest in the most unionised sectors (public sector, manufacturing, etc.). Since the less unionised parts of the workforce were less covered, parts of the labour movement campaigned for the creation of additional earnings-related statutory benefits, which would top up the relatively meagre flat-rate basic state pension and Unemployment Benefit (Oude Nijhuis 2013). These pressures resulted in the creation of a Graduated Retirement Benefit in 1961, the State Earnings-Related Pension Scheme (SERPS) in 1975 and the Earnings Related Supplement for unemployment in 1966.

While it is difficult to assess what impact this Earnings Related Supplement (ERS) had on state regulation of occupational provision of unemployment, the Redundancy Payments Act 1965

certainly contributed to a more precise definition of who could be eligible for contractual redundancy payment schemes and of the type of benefits that such schemes would offer. Overall, the state has nonetheless kept a relatively hands off attitude to the regulation of such contractual schemes with the exception of the tax framework in which they are embedded.

By contrast, the creation of the Graduated Retirement Benefit and of SERPS had very significant consequences for the regulation of occupational retirement provision. The Graduated Retirement Benefit and SERPS institutionalised a system of state earnings-related pension provision alongside occupational pension schemes: employer-provided – typically defined-benefit – schemes could now 'contract out' of the Graduated Retirement Benefit, and later SERPS, provided that they offered benefits at least equal to those offered by these additional statutory schemes. The contracting out mechanism resulted in much greater public scrutiny and state regulation of occupational plans. The involvement of the state in regulating occupational schemes became increasingly visible in the 1970s and 1980s when the state started limiting the discretionary powers of managers in designing company pension schemes and imposed tougher rules on the vesting and portability of accrued rights in order to address the loss of pension rights by workers affected by professional mobility (cf. the 'early leavers' problem). In 1973, the state created an Occupational Pensions Board – whose successor is called The Pensions Regulator – in order to supervise occupational schemes. The state's stronger involvement in regulating different aspects of occupational schemes – minimum rights and guarantees, funding levels, investment practices, governance structures – was also reflected in the passing of pieces of legislation such as the Pensions Act 1995 and the Pensions Act 2004.

The crucial role of tax incentives

The state plays thus plays a very significant role in regulating the functioning of occupational pension schemes and arguably a less significant one in regulating that of occupational unemployment protection schemes such as contractual redundancy payments. However, for both types of schemes, the state also plays a central regulatory role in that it defines the fiscal framework in which the schemes – i.e. contributions made into them and the benefits they pay – are embedded. In workplace pension schemes, income tax has to be paid on benefits, but employer and employee contributions as well as the returns generated by the plans have been exempt from income tax ever since the passing of the Finance Act 1921 and have also been made largely exempt from national insurance contributions. Redundancy payments made by employers – be they statutory or contractual – have been exempt from income tax and national insurance contributions since the passing of the Finance Act 1960.

This tax exemption on redundancy payments was capped from the beginning: the cap was set at 5,000 pounds sterling and was periodically revised to reach 30,000 pounds by 1988. The level of

the cap has not changed ever since despite calls by trade unions to increase it to 50,000 pounds in the wake of the global financial crisis. Contrary to redundancy payments, tax relief on occupational pensions was not capped. This has changed in recent years and the tax regime of private pensions may evolve even more dramatically in the coming years. Through its 2004 Budget, the Blair government decided to limit the amount of tax-privileged saving individuals could make in private pension schemes by creating a lifetime allowance of £1.5 million and an annual allowance of £215,000. The government also allowed all private schemes to offer members a tax-free lump sum of up to 25% of their pension assets. The lifetime and annual allowances were implemented in tax year 2006-2007 and were gradually uprated to rise to £1.8 million and £255,000 respectively by 2010-2011.

Once David Cameron formed a Conservative-Liberal coalition government in 2010, the emphasis in economic policy was put on austerity. In order to increase revenues for the budget, the nominal value of the allowances was decreased to £1.25 million for the lifetime allowance and 40,000 for the annual allowance by 2015-2016. In 2015, the Cameron government even announced that the lifetime allowance would be reduced to £1 million in 2016-2017 and would remain frozen until 2018-2019. The same year, the government organised a consultation on the future of tax relief on pension contributions and announced its interest in reversing the logic of tax relief from an EET (exempt contributions, exempt interests, tax benefits) system to a TTE (tax contributions, tax interests, exempt benefits) one. Such a dramatic change could bring important additional revenues for the budget: The cost of tax relief for private pensions is currently estimated at about £35 billion a year, i.e. about half the UK budget deficit in 2015 (The Times 2015). The introduction of the lifetime and annual allowances and decreases in their value also mean that high-earners – who disproportionately benefit from tax relief on pensions – are now less privileged in that area.

The relationship between statutory and occupational welfare

Tax reliefs such as those available for pension savings reduce the state's tax revenues and can therefore limit the development of state benefits. Except for its National Health Service, the United Kingdom has for a long time embodied the liberal world of welfare where relatively basic state benefits coexist with private provision. Liberal ideas were the ideational foundation upon which the UK welfare state was built following the Second World War: The 1942 Beveridge report called for the creation of flat-rate social insurance benefits set at subsistence level, which would be complemented through individual savings or occupational provision. Left-wing academics such as Richard Titmuss, parts of the trade union movement and the Labour Party challenged this logic between the 1950s and the 1970s and eventually pressed for the creation of additional, earnings-related state benefits such as SERPS, the Earnings-Related Supplement to the Unemployment Benefit as well as Statutory Redundancy Payments. But these additional state schemes never managed to displace pre-existing occupational schemes. In fact, the political compromises that

were necessary for the statutory schemes to be made palatable to Conservative political elites helped *further institutionalise* the existence of occupational schemes through mechanisms such as 'contracting out'.

The greatest challenge to occupational provision arose when Margaret Thatcher came to power in 1979. Indeed, her policies resulted in an attack not only on the welfare state (with important decreases in the value of statutory pensions and unemployment compensation), but also on occupational welfare. When it created 'personal pensions' in 1986, the Thatcher administration gave individuals the possibility to join such plans by opting out either of SERPS or of their defined-benefit occupational pension scheme. This reform constituted an important challenge to occupational provision because it introduced possibilities of choice for individuals and led to competition between defined-benefit and defined-contribution schemes. Over time, the introduction of personal pensions and regulatory changes such as those on the vesting and portability of accrued rights weakened occupational pensions and led to their gradual decline in parallel with that of statutory pensions. Such a parallel decline of statutory and occupational provision has also happened for the risk of unemployment. The Thatcher government launched a policy of cuts in statutory unemployment benefits. It also helped limit the role of contractual redundancy payments by stopping to uprate the £30,000 tax exemption on overall redundancy payments from 1989.

In recent years, there have been no government attempts to reverse this trend towards parallel decline in the field of unemployment. The situation is different in the field of pensions. Following recommendations issued by the Pensions Commission - chaired by Adair Turner, a former director-general of the Confederation of British Industry, and having Jeannie Drake, a former president of the Trades Union Congress, as one of its three members (Pensions Commission 2005), successive governments have decided both to improve the generosity of statutory pensions and to increase coverage of workplace pension schemes. Whereas since 1980 the basic state pension (BSP) had been indexed to prices and its level had decreased from 20% of the average UK wage to less than 15% by the late 1990s, the BSP is now increased every year by the 'triple lock', i.e. the highest of price inflation, earnings growth or 2.5%. Eligibility for a full BSP has also been made less strict since the number of 'qualifying years' has been decreased from 44 years for men and 39 years for women to 30 years for both genders in 2010. And, by 2018, all UK workers are to be automatically enrolled in workplace pension schemes with a minimum contribution rate of 8% of the gross wage. A more generous basic state pension and (quasi)-compulsory coverage of workplace pensions were key demands of the Trades Union Congress (TUC 2005a).

The implementation of a single-tier State Pension – which will merge the existing BSP and State Second Pension (S2P) from April 2016 – is aimed at promoting coverage of workplace pensions even more since this new contributory State Pension will have to provide a higher benefit than

means-tested pensions, thereby providing a better incentive for workers to save for retirement and stay in their workplace pension scheme. The UK's largest employers' association, the Confederation of British Industry, supported the creation of a single-tier State Pension because it would 'give real clarity and certainty about how much retirement income people will get from the state and how much they need to save privately through auto-enrolment schemes' (CBI 2013; see also CBI 2011). By contrast, the Trades Union Congress has warned that scrapping the S2P may mean that many low-income and middle-income workers may be worse off in retirement, and has called on the Cameron government to 'raise the single tier pension rate, and look to raise minimum contribution rates into workplace pensions once auto-enrolment has had time to establish itself' (TUC 2013a; see also Berry and Stanley 2013).

5.2 Occupational Welfare and Industrial Relations

Employers' and trade unions' role in occupational welfare have considerably evolved over the past few decades. For much of the 20th century, it was employers who truly had the initiative over the creation and design of occupational plans. Trade unions initially had a mostly reactive attitude and mainly tried to secure better rights through collective bargaining and legislative changes. However, as occupational schemes were increasingly challenged from the 1970s by the state's regulatory interventions, both employers and trade unions have gradually redefined their strategies in this field. Employers have become more and more reluctant to support occupational welfare – especially pension schemes – and have closed the most generous schemes to new entrants. Trade unions initially tried to block scheme closures through collective bargaining, but this instrument proved insufficient and unions have increasingly resorted to lobbying and legislative intervention in order to maintain, or improve, coverage of occupational schemes.

From employer gratuities to worker rights

Ever since their origins in the nineteenth century, occupational schemes were typically created by employers in order to retain their skilled staff – white-collar employees at the beginning, and, with time, skilled manual workers too (Hannah 1986). The very first schemes were often offered as gratuities: employers simply used their discretionary powers and voluntarily provided a benefit when a worker was affected by a risk such as old age. Gradually, the schemes became more and more rule-based and were transformed into conditional promises: employees would get a benefit provided that they met some requirements (e.g. a minimum number of years of service; employment with the same employer at retirement, etc.). Trade unions' mobilisation was instrumental in this shift towards more rules-based schemes, but this mobilisation had unequal effects because, in the very decentralised system of UK industrial relations, it was primarily unions representing skilled workers that were able to exert an influence on employers. In addition, until at least the 1970s, it was employers who retained the upper hand in shaping the rules governing

occupational schemes. One symbol of employer dominance was the fact that workers – or scheme members – did not have a statutory right to have their own representatives on the boards of the trusts governing occupational pension schemes until the Pensions Act 1995 (see also next section on the governance of occupational welfare).

The unequal capacity of trade unions to influence occupational welfare through collective bargaining created significant splits within the labour movement, which lasted throughout the interwar and postwar periods (for more details, see Oude Nijhuis 2013). Although the UK unions' confederation – the Trades Union Congress – pressed for the development of statutory social insurance schemes for different social risks, those unions representing the less privileged segments of labour wanted to obtain more generous benefits than unions representing skilled workers did. As skilled workers covered by employer-provided schemes had become attached to such schemes, the unions representing them did not want statutory schemes to challenge occupational provision. This split became most visible between the 1950s and the 1970s when the creation of statutory schemes – such as the Graduated Retirement Benefit, SERPS, the Earnings Related Supplement for unemployment or Statutory Redundancy Payments – was being discussed. Unions representing skilled workers effectively allied with representatives of business to limit the generosity of these schemes and to make 'contracting out' possible for occupational pension schemes (cf. Oude Nijhuis 2013).

As mentioned in the previous section, the introduction of earnings-related statutory schemes helped put occupational schemes under greater public scrutiny and eventually led to greater regulation of employer-provided schemes. But state intervention in this field eventually changed the balance of the costs and benefits of occupational provision for employers. This was very clear in the case of pensions. The 'contracting out mechanism' meant that occupational pension schemes had to provide benefits that were at least as good as the statutory earnings-related pension schemes. When it turned out that occupational schemes failed to provide adequate pensions for workers who were affected by redundancies or professional mobility (cf. the 'early leavers'), policy-makers put occupational schemes under pressure to improve benefits for these categories of the workforce. However, regulations that introduced better protection for mobile workers went against some of the core assumptions underpinning the institutional design of employer-provided schemes: Relatively strict eligibility requirements for occupational pensions (especially a long number of years of service) were a powerful way of motivating skilled employees to stay with their employer as long as possible. But they were also a useful tool for financing the schemes: the assets that were accumulated for workers who would fail to meet eligibility criteria would eventually help finance the benefits of those workers who met these criteria. The introduction of regulations on the vesting and portability of accrued rights in occupational schemes reduced the schemes' effectiveness as a skill retention tool and at the same time became more expensive to finance for employers.

Thus, paradoxically, the extension of workers' rights of occupational defined-benefit pension schemes in the 1970s and 1980s was a contributing factor in the subsequent closure of the schemes in the 1990s and 2000s. There is no doubt that another major contributing factor was the creation of personal pensions – and the introduction of a right for workers to opt out of their employer-provided scheme – by the Thatcher government in the mid-1980s. Both the Confederation of British Industry and the National Association of Pension Funds had vehemently opposed personal pensions when the Thatcher government first mooted them (Financial Times 1984a and 1984b). Additional regulations (for example on levels of funding) imposed on occupational schemes following the Maxwell scandal through the Pensions Act 1995 or changing accounting standards also played a major role in increasing costs for employers (Bridgen and Meyer 2005 and 2009).

The crisis of occupational provision and industrial relations, and trade unions' changing strategy

In the late 1990s, it became clear that employers were more and more reluctant to finance some forms of occupational provision – especially defined-benefit pension schemes. Simultaneously, trade unions were less and less able to influence outcomes through collective bargaining as they had lost much of their membership due to processes of deindustrialisation and were weakened by the Thatcher government's attempts to limit their influence. A spate of high-profile closures of generous defined-benefit plans in the early 2000s contributed to highlight the steady decline in coverage of traditional occupational schemes and in the loss of influence of private-sector unions in collective bargaining (Pemberton *et al.* 2006). This prompted organised labour to change its stance on pension reform in the early 2000s. While the Trades Union Congress had until then supported a system where low-income earners were covered by a supplementary state pension, it now proposed to expand private supplementary schemes to the whole of the workforce and to do so not through collective bargaining, but through *legislative* changes (Naczyk and Seeleib-Kaiser 2015).

Significantly, this change of strategy was supported by many different members of the TUC, i.e. both by crafts unions representing high-skilled workers and by general unions that also represented the less privileged segments of the workforce. For example, high-skilled workers' union Amicus – which resulted from a merger between crafts unions AEEU (Amalgamated Engineering and Electrical Union) and MSF (Manufacturing, Science and Finance) – played a key role in promoting the new strategy. This union's members were among the most strongly affected by the closures of occupational defined-benefit schemes and thus had major concerns about the future of their supplementary pension provision. In early 2002, Amicus ([15]) started denouncing a

15. Amicus no longer exists. It is now part of Unite, the UK's largest private-sector union.

'great pension robbery' and encouraged the TUC to embark on a great crusade to introduce compulsory employer contributions for private schemes (Money Marketing 2002; Monks 2002; Pensions Week 2002; TUC 2002a and 2002b). At the time, Amicus allied with general unions GMB and TGWU – which also represented less skilled segments of the workforce – as well as with public-sector union Unison – whose members have been covered by relatively generous defined-benefit occupational schemes – to try to force compulsion onto the Labour Party's official policy agenda (Financial Times 2003). In this context, the TUC warned that, if the Labour Party did not commit to address this issue in its 2005 manifesto, it would have to 'pay a heavy electoral price' (Financial Times 2004).

In its new strategy, the TUC de facto allied with the National Association of Pension Funds – which gathers managers of UK occupational pension schemes – and the Association of British Insurers. Both of these financial industry trade associations also called for compulsory or quasi-compulsory membership of private pension schemes (Bridgen and Meyer 2012). Employers mounted the stiffest opposition to the strategy because they did not want any increases in non-wage labour costs. The Confederation of British Industry considered that compulsion was 'all about punishment' (Financial Times 2002). Faced with employers' opposition, the Blair government fretted that the Conservative party would attack Labour for trying to introduce a 'stealth tax'.

Major pressure was put on the government to change its stance when the Pensions Commission presided by former CBI director-general, Adair Turner, recommended to introduce compulsory employer contributions into private pension schemes (Pensions Commission 2005). The political deadlock caused by employers' opposition to compulsion was broken when the Engineering Employers' Federation (EEF) – whose members were Amicus's main partner in collective bargaining and had still relatively high coverage of occupational plans – broke ranks by announcing that it 'no longer thought that voluntarism will work' and that a 'level-playing field' between those employers who did offer workplace pensions and those who did not was necessary (The Economist 2005). The TUC welcomed the announcement and said that 'no longer can other employer organisations pretend that business is united' (Ibid.). The EEF's move considerably weakened the CBI. This allowed the Labour Party and the Conservatives to work out a cross-party agreement over a form of 'soft compulsion' through the automatic enrolment of employees into workplace pensions (Financial Times 2006). The TUC saw automatic enrolment as 'a step in the right direction towards a more compulsory system' (TUC 2004a), but has continued trying to influence occupational pension provision through the political arena for example by calling for higher minimum contributions into workplace pension schemes (TUC 2013a and 2014).

The TUC's use of lobbying to achieve better occupational provision is perhaps less apparent in the field of unemployment. It is not been part of the TUC's official policy to achieve compulsory membership of contractual redundancy payments, but the TUC has called for increases in the cap

on tax exemptions on (contractual and statutory) redundancy payments, especially in the wake of the global financial crisis. The emphasis is generally on improving statutory redundancy pay. In recent years, the TUC has regularly campaigned to increase the value of statutory redundancy payments by uprating them in line with wage inflation instead of price inflation (TUC 2005b and 2008). Similarly, the TUC – in alliance with some employers' associations such as the EEF, the British Chambers of Commerce (BCC) and the Federation of Small Businesses (FSB) – unsuccessfully campaigned for the introduction of nationwide state subsidies for short-time working in the wake of the global financial crisis. The Welsh TUC and a number of Welsh employers' associations were, however, more successful in obtaining the creation of the ProAct scheme, which provided subsidies for employers who put their workers on short-time working and who, simultaneously, made these workers receive training during the days of stand-down (Eurofound 2010).

5.3 The Governance of Occupational Welfare

While lobbying and collective bargaining have been key ways in which UK employers and trade unions have shaped occupational provision in the UK, one additional means through which they exert influence is the management of the schemes themselves. In the field of unemployment compensation (i.e. mainly contractual redundancy payments), it is difficult to talk about any form of 'governance' because, apart from collective agreements or contract clauses, there are no formal institutions governing these schemes. Benefits are paid by employers as redundancies arise. By contrast, pension scheme governance is much more developed. Since UK workplace pensions are fully funded, both employers and trade unions have for a long time sought to influence the way in which pension fund assets have been invested. However, their influence has been more and more limited because of the decline of 'trust-based' pension schemes and the growing influence of external asset managers.

Employers and trade unions' role in the governance of trust-based pension schemes

Many UK occupational pension schemes were traditionally set up through trusts, which are a legal vehicle through which a trustee holds some assets for the benefit of another (Blake 2003; Bridgen and Meyer 2011). Trustees have a 'fiduciary duty' to act in the best interests of beneficiaries. Since most employers traditionally set up occupational schemes on a unilateral basis, they also nominated the schemes' trustees. Until the Pensions Act 1995, there was no legal obligation for pension scheme beneficiaries to have their own representatives on trustee boards. Unions started being interested in having a greater say in pension schemes' management in the 1970s (Naczyk 2012 and 2015). As the United Kingdom was going through a crisis of industrial decline, organised labour became very critical of the role played by domestic pension funds and insurance companies in this process, particularly after the Thatcher government gave them full freedom to invest

overseas by lifting capital controls on portfolio investment (TUC 1979). Union trustees had influence only in a small number of schemes set up by large – often nationalised – companies such as the Post Office, British Telecommunications, the British Coal Board or ICI. In this context, the Trades Union Congress (TUC) started lobbying for workers to have a statutory right to appoint at least half of pension funds' trustees (Gold 2008). It also called for the creation of a National Investment Bank in which pension funds and insurance companies would have to invest part of their assets so as to stimulate the growth of manufacturing (FT Conference 1982).

The Thatcher government turned a deaf ear to unions' requests. Organised labour's agenda of the time was also discouraged when an attempt by the National Union of Mineworkers to prevent the miners' pension fund from investing overseas or in competing energy sources was ruled in breach of trustees' fiduciary duties (Financial Times 1984c). It was only in the aftermath of the 1991 Maxwell scandal that, through the Pensions Act 1995, a Conservative government made it compulsory for at least one-third of trustees in private-sector occupational schemes to be member-nominated (Schulze and Moran 2006: 74-76). The scandal had revealed how full employer control of its pension fund's trustee board had helped the Mirror Group to 'self-invest' the assets of the pension schemes it controlled into its own failing business. As this policy led to a depletion of the schemes' assets, employer-nominated trustees had failed to act in the best interests of beneficiaries. Following the Maxwell scandal, all UK pension schemes were also prohibited from investing more than 5% of their assets in the company that sponsored the scheme.

In the 1990s and 2000s, British unions became increasingly interested in strategies of shareholder activism similar to those pursued by US trade unions. The TUC has been critical of the 'shareholder value' doctrine in corporate governance and has sought to promote a more stakeholder-oriented view of the company (TUC 1996; Williamson 1997 and 2003). It has argued that 'workers' capital' held in pension schemes should be 'invested sensibly, efficiently and in a way that does not cause harm to the very workers who have generated it' (The Guardian 2003). Although they have never succeeded in gaining a statutory right for parity representation on trustee boards, British unions have gradually sought to build organisational resources to be able to exert greater control over the management of occupational schemes. A TUC Member Trustee Network has been providing its affiliates with technical support in monitoring pension funds by organising training sessions, conferences and by issuing regular newsletters (e.g. Barber 2004). In 1998, the TUC joined forces with Pensions Investment Research Consultants (PIRC), a shareholder ethics research body created in the mid-1980s by a former trade union and local government officer, to publish corporate governance guidelines for member-nominated trustees. PIRC and the TUC continue working together and drafted a new set of Trade Union Voting and Engagement Guidelines in 2013, when the TUC and its two largest affiliated unions, UNISON and Unite, created a new platform, *Trade Union Share Owners*, in order to coordinate their staff pension funds' votes at companies' annual general meetings (TUC 2013b and 2013c). A major limit of UK unions' strategy

is that it is coming to fruition at a time when trust-based pension schemes have been in decline due to the closure of defined-benefit schemes in the private sector. The dominant actors in pension fund governance are now financial firms such as insurance companies and asset management companies.

The rise of external asset managers

The financial services industry's involvement in the management of pension schemes dates back to the early 20th century (see Hannah 1986). Very often, employers who established a trust-based pension scheme externalised the management of plan assets to insurance companies such as the Legal & General, the Prudential or Standard Life. However, the nature of financiers' involvement has considerably evolved in recent decades and has also been characterised by the presence of a greater variety of actors. A crucial role was played by the creation of personal pensions in the late 1980s. With this reform, the Thatcher government introduced the notion of a direct, contractual relationship between the insured and service providers, and thus made the concept of the 'trust' less legitimate. When private-sector firms started closing occupational final-salary schemes to new entrants in the 1990s, those employers who decided to offer a new defined-contribution plan to their workforce were much less likely to use trusts as a legal vehicle for establishing these new schemes. Instead, they often signed group contracts with financial firms. The introduction of personal pensions also helped open the pensions market to new actors such as unit trusts or asset management companies controlled by banks. With the closure of defined-benefit schemes, these companies were now able to directly compete with insurers for a share of the workplace defined-contribution market.

Ever since the mis-selling scandal of 1992, a recurrent criticism levelled at external asset managers has been the level of their fees. Tony Blair' Labour government proposed to address this issue by creating 'stakeholder pensions' in 1999-2001. Stakeholder pension schemes have been a form of 'certification mark' for personal pension schemes that are able to offer fees below a legally defined cap. They have also been supposed to ensure monitoring rights to participants by being set up as trusts. For example, the TUC used the instrument to create a TUC Stakeholder Pension Scheme, which was open to union and non-union members and was managed by the Prudential insurance company (TUC 2002c). But both the TUC's initiative and the general concept of stakeholder pensions were quickly considered as a disappointing tool because they neither helped drive costs down ([16]), nor did they help increase coverage of supplementary pensions (TUC 2004b).

16. The legally defined cap on annual charges, which was originally set at 1% of assets, was eventually increased to 1.5%.

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In order to address the issue of charges more effectively, the Pensions Commission chaired by Adair Turner helped define a new model. Indeed, it was this Commission that suggested creating a National Pensions Savings Scheme, which is now called National Employment Savings Trust (NEST). NEST's role is to help small firms – which may lack bargaining power when negotiating contracts and charges with external asset managers – to offer low-cost pensions (i.e. with an annual management charge of 0.3% or less) to their workers. By directly competing with other asset managers, NEST is also supposed to drive the rest of the pension fund industry to adopt higher standards. The issue of charges is now considered increasingly important because of the automatic enrolment of all UK workers in workplace pension schemes from 2018. As noted in section 3.1, many discussions have taken place over the past few years over how mergers between different pension schemes – through 'super trusts' or 'collective' schemes – could lead to decreases in charges. The Investment Management Association (IMA - now known as the Investment Association), which is the trade association of asset management companies, also talked about the introduction of a 'Code of Conduct' on the issue on the grounds that improvements in 'fiduciary standards' – seen as a 'moral code' – could result in lower pension charges (Investment & Pensions Europe 2013; see also IMA 2015). However, the IMA's chief executive who pressed for such a codification was forced to step down after several companies raised concerns about the constraints imposed by such a Code and threatened to leave the Association (Investment & Pensions Europe 2015). Introducing changes on management charges is far from being a consensual issue in the industry.

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6. Conclusion

In the UK liberal welfare system, state benefits for the risks of income loss due to old age and unemployment have traditionally been quite meagre. Policy-makers' long-time assumption was that employees would complement state benefits with their own savings or through occupational provision. With a relatively generous fiscal framework, occupational pension schemes expanded quite significantly during the post-war period and covered more than half of the UK workforce in the 1960s and 1970s. Occupational provision for the risk of unemployment – mainly through contractual redundancy payments – also benefited from tax incentives, but never became as widespread as occupational pension provision did. Paradoxically, when the state started cutting public pensions and unemployment benefits in the 1980s, occupational provision did not expand, but instead contracted. This was due to the Thatcher government's direct attack on employer-provided final salary schemes with the creation of defined-contribution 'personal pensions'. The Thatcher government, and its successors, also indirectly limited the role of contractual redundancy payments by making their tax framework less generous. Throughout the 1990s and early 2000s, state and occupational provision in the two fields were marked by a parallel decline.

Since the late 2000s, policy-makers have agreed to set a new course for pensions policy by making the basic state pension more generous and by making coverage of workplace pension schemes automatic and quasi-compulsory for all workers. No such change has been agreed in the field of unemployment protection. The value of state unemployment benefits remains very low. The £30,000 tax exemption on statutory and contractual redundancy payments has remained untouched since the late 1980s. Following the global financial crisis, no nation-wide subsidies were introduced for short-time working arrangements despite widespread use of such schemes in other European countries. Only the value of statutory redundancy payments has been increased since 2008.

In this changing landscape of social provision, the role of employers and organised labour has also evolved. Employers were traditionally the dominant actor in occupational provision because they typically created occupational pension schemes or redundancy payment arrangements through unilateral management decisions. Over time, trade unions established their legitimacy as negotiation partners in collective bargaining over the schemes. But, as regulatory changes limiting employers' capacity to shape occupational schemes have led firms to be less and less interested in occupational provision, unions' capacity to influence outcomes through the system of industrial relations has declined. A declining trade union density has compounded this loss of influence. In this context, trade unions have put more and more emphasis on trying to influence both overall coverage and more detailed governance of occupational schemes through legislative action – often in alliance with significant segments of business – rather than through collective bargaining. The

most important success of this strategy has been the introduction of auto-enrolment of workplace pensions since the early 2010s. In the field of unemployment protection, the record has been much less positive since governments have largely failed to listen to unions' requests.

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