

## At the heart of the Nordic occupational welfare model

Occupational welfare trajectories in Sweden and Denmark

Greve, Bent

*Published in:*  
Social Policy and Administration

*DOI:*  
[10.1111/spol.12380](https://doi.org/10.1111/spol.12380)

*Publication date:*  
2018

*Document Version*  
Peer reviewed version

*Citation for published version (APA):*

Greve, B. (2018). At the heart of the Nordic occupational welfare model: Occupational welfare trajectories in Sweden and Denmark. *Social Policy and Administration*, 52(2), 508-518. <https://doi.org/10.1111/spol.12380>

### General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain.
- You may freely distribute the URL identifying the publication in the public portal.

### Take down policy

If you believe that this document breaches copyright please contact [rucforsk@ruc.dk](mailto:rucforsk@ruc.dk) providing details, and we will remove access to the work immediately and investigate your claim.

*At the heart of the Nordic occupational welfare model: occupational welfare trajectories in Sweden and Denmark*

*Bent Greve*

Abstract

Sweden and Denmark are countries with a strong tradition of labour market partner's involvement in welfare policies and this begs the question if this influences the development of occupational welfare. This article will depict reasons for and the development of occupational welfare, especially in relation to pension, sickness benefit and parental leave. The interaction between a in principle universal tax-financed welfare state and use of occupational welfare, often supported using fiscal welfare, implies a deviation from the Nordic model as universality is no longer guaranteed. The article further raises the issue of whether this will increase inequality because of the dualization on the labour market and whether Sweden and Denmark are similar or dissimilar in relation to the development in the use of and impact of occupational welfare. Finally, that occupational welfare might mitigate the consequence of retrenchment, by in this way passing on expenditures to the employers. Thus, arguing that increase in occupational welfare is due to the gradual reduction in welfare state benefits and that trade unions strength has influenced the level. The article concludes that what social partners thought of as a supplement now has moved the Nordic welfare states away from its universal approach.

Key-words: Nordic welfare model, dualization, occupational welfare, universalism

## Introduction

Nordic welfare states are often considered as universal welfare states with a high degree of equality (economical and gender), but also active labour market policy and involvement of the social partners in the development (Kvist and Kangas, 2018), and has been under change in recent years raising question about whether it is still, as often depicted in comparative welfare state analysis, universal and generous (Kvist and Greve, 2011, Greve, 2016), and also different from in countries in other welfare regimes (see several chapters in Greve, 2018 ed.)..

Part of the reason for the debate on change in the understanding of the welfare system in the Nordic countries has been that universality, despite this naturally is with a possibility for even relative strict criteria for receiving benefits, might be reduced. Thus, the implication of using occupational welfare can be understood as a challenge for an encompassing welfare state approach. Historically, it is the work of Titmuss (Titmuss, 1958, Titmuss 1987) who has been the main inspiration to the analysis of what in a seminal paper was described as the division of welfare (Sinfield, 1978).

This article will probe into how and to what extent development within the area of occupational welfare has transformed the prime examples of the Nordic welfare states (Sweden and Denmark). This as it has been argued that when including occupational welfare, the Nordic welfare states looks less distinct (Haynes, 2011).

The starting point is, one could argue naturally, Titmuss' conceptualization of occupational welfare. In this he included "pensions for employees, wives and dependants; child allowances; death benefits; health and welfare services; personal expenses for travel, entertainment, residential accommodation; children's school fees; cheap meals, unemployment benefits; medical bills and an incalculable variety of benefits in kind" (Titmuss, 1987, p. 51). Although this description of occupational welfare is not very precise it gives an indication of the content, however without being very precise about whether this is a supplement or a substitute for public welfare (Greve, 2007). The boundaries and varieties is large ranging from pensions to minor fringe benefits such as company clothes and cheaper company goods. Here the issue of fringe benefits and other border issues will not be pursued further, see instead the introductory article in this special issue.

That there is a possibility of including a wide variety of elements in the definition of occupational welfare and, that even some might be taxable income or be deducted within the tax system further complicates the issue. Still, it seems that “occupational welfare tends to be treated as ‘non-wage labour costs’ by employers and this is not disaggregated in a manner that enables researchers to find out precisely who gets what’ (Mann, 2008 p. 13). These problems with the complexity and difficulty in getting data inevitably get in the way of comparative analysis, and, therefore one way forward is to use national studies and based upon this do some comparison (see for example, Natali and Pavolini, 2014), although national studies and data are rare.

Thus, the focus here is on three different social security benefits in two Nordic countries. Focus is on pension, sickness benefit and parental leave. These areas are chosen as they are all income benefits, and they represent areas where there has, as part of the collective bargaining over a longer time spell, been interaction with the public welfare benefits. One hypothesis to be analyzed is that the central reason for the development has been an ambition by the social partners to keep high level of benefits. At the same time the partners has presumably not been aware of how this could increase inequality because of dualization and a weakening of the universality, however this being in line with classical insider outsider theory (for classical presentation see Doeringer and Piore (1971), Lindbeck and Snower (1986), and recently related to welfare states Greve, 2017a). Occupational welfare have mainly been complementary to public welfare (Greve, 2007), and, whether occupational welfare will substitute or compliment will therefore thus not be central part of the analysis. Substitution/complementarity can also be understood as either crowding in (Oorschot and Arts, 2005), e.g. generous welfare policies also give rise to generous occupational based welfare, or crowding out (Etzioni, 1995) that welfare state provision reduces the civil society and markets role in social policy. This will, further not be included. Interaction with the fiscal welfare is also outside the scope of the analysis. Instead, part of the analysis will be related to the possible consequence of the growing dualisation on the labour market on the growth of occupational welfare. This also as corporate welfare seems to exist along a continuum (Farnsworth, 2013). Redundancy pay could have been included, however this would imply a more detailed analysis also of the interplay between redundancy pay and unemployment protection, see instead Ozkan, 2014. The impact of dualization is presumably stronger in liberal and continental welfare states, see Seeleib-Kaiser, Saunders and Naczy, 2012. Despite this, as will be looked into later, this has not reduced the development or scope of occupational welfare in the two countries.

One could also have analyzed welfare service in the analysis (health care and family policy for example). This has not been chosen as the possible impact in these fields on being or not being on the labour market in the Nordic welfare states is less strong, albeit working time, length of leave and flexibility at the workplace influence these options. Health care is at the same time universal and thus the possible impact on equality in access to service is less clear cut than in other areas. This, also due to that the need of health care (perhaps beside physiotherapy and psychological support) is often more prevalent after having left the labour market. Although as a way to come faster and having a quicker pathway back to the labour market occupational health programs might have an impact (Pedersen and Arendt, 2014). The issue of training and life-long learning is also outside the scope, despite this in both countries has been increasing issue on the labour market (see Eurofound working life country profiles for Sweden and Denmark).

Drivers for changes in both level of and direction of occupational welfare seem highly related to strength of labour market partners, but also the economic pressure on the welfare states. The link between reduction in benefits and occupational welfare will be analysed later. It seems, see analysis below, that one could argue that recent years have not seen any strong increase in areas for occupational welfare, with pension as a possible exception, which however also was started a long time ago. However, it might be that occupational welfare is traded instead of wage increase (Natali and Pavolini, 2014). How, strong this last argument is can be questioned given that employers cost to occupational welfare might have the same impact on competitiveness as increase in direct wage costs. Both skills and political power is important elements in explaining development, and, therefore it is possible to have variety between sectors (Wiss, 2015). The more theoretical issues on how to understand occupational welfare and reasons for change will not be pursued further here as they are covered in the introductory article to this special issue.

In the following will, after first a short depiction of the overall level of occupational welfare, be a presentation and discussion of the three separate welfare areas, followed by a discussion of the possible impact of dualisation on the labour market. There will due to the centrality of pension as an instrument in occupational welfare be a stronger focus hereupon than the two other issues. Methodologically, the article uses existing analysis in the field and combines this with data (national and from international organisations) in order to depict trends and impact of the use of occupational welfare. A relatively long-time perspective is included also to show that direct

decisions in recent years seems to be less pronounced than earlier changes, especially in the central field of pension, whereas the indirect impact is growing. It is at the same time a most likely comparison, as Denmark and Sweden compare well to each other (Haynes, 2011), albeit as an option that development in occupational welfare implies that the two countries tends to be more dissimilar.

### Overall level occupational welfare

As already mentioned it might be difficult to get information on the size of occupational welfare, however in Table 1 is, based upon OECD data, shown the possible development. There is no overall data available neither for Sweden nor from Denmark from national sources.

Table 1 is by using private social spending, which can be seen as equivalent to at least partially occupational welfare (Farnsworth, 2018), showing an indication of the importance hereof and development until 2013.

**Table 1 Private voluntary social spending total and for old age pension as a percentage of GDP since 1980**

	1980	1985	1990	1995	2000	2005	2009	2011	2013
<u>Denmark total</u>									..
<u>(old)</u>	1.4	1.3	1.6	1.9	2.1	2.4	4.6	4.9	
<u>Sweden total</u>	1.1	1.2	1.2	2.1	1.9	2.3	2.7	2.9	3.1
<u>DK total New</u>	5.0	4.5	4.7	5.1	3.9	3.9	3.9	2.4	2.2
Denmark – old age	1.3	1.3	1.5	1.8	2.0	2.3	4.4	4.7	
DK old age new	1.2	1.5	1.6	2.1	2.4	2.5	1.3	1.1	1.0
Sweden – old age	1.1	1.1	1.2	2.0	1.6	1.8	2.3	2.6	2.9
<u>OECD - Total</u>	1.1	1.2.	1.6.	1.7.	1.8	1.9	1.9	1.9	1.8
<u>OECD old age</u>	0.7	0.8	0.9	1.1	1.3	1.2	1.3	1.3	0.9

Source: OECD, Social Expenditure Database, accessed the 13<sup>th</sup> of October, 2016 and 19<sup>th</sup> January, 2017.

Note: This is a reply kindly from Willem Adema at OECD on the 2<sup>nd</sup> of December, 2016: “First, there has been a large reorganisation of schemes of the Danish Eurostat Social Protection statistics computed by Statistics Denmark (where our SOCX data come from) from 2007 onwards which has resulted in a break in series. In contrast to the previous statistics, expenditure items are now recorded more precisely in their reporting system. The new statistics only contain expenditure items which the National Accounts regards as transfer of income to households or as elements of the individual government expenditure. Also, in certain cases, an audit of the government's and local governments' accounts has sometimes led to a revision of the social function (health, family, survivors, etc.) in which the expenditure item is classified. However, this has resulted in a break in series, data before and after 2007 are not fully comparable.

In addition to this, there has been a re-categorisation of public and private sector spending items in the Danish national accounts and we have changed the categorisation in SOCX in line with this. In particular, it concerned the reclassification of unemployment benefits from public to voluntary private social expenditure and civil servant pensions from private to public expenditure. We discussed the classification of the occupational pensions with Statistics Denmark, and since they now put these payments in in the public sector of the national accounts we do the same (in line with practice for other countries).”

I disagree with these changes, as occupational pension clearly is occupational welfare - thus also the reason for in the analysis using the “old” data in the analysis of the development in Denmark.

As noted in the note to Table 1 there has been dramatic changes in the way occupational welfare is measured in Denmark. This once again reminds us, that measuring occupational welfare is often very difficult and might not always be very precise as it also depends on national categorization of data.

There has been a gradual expansion of the voluntary social spending in both countries, with the largest increase in Denmark. Denmark is clearly above the OECD level, whereas Sweden is only slightly above that level. For both countries, an important information is that the main part of the private voluntary occupational welfare seems to be within old age as is also the case for the OECD area, albeit with a setback in 2013. This, see also next section, reflects that being on the labour market and in connection with collective or individual agreement saving for pension purpose has become a central part of the occupational welfare in both countries and thus that trade unions has seen it as important. This can be depicted by that collective agreements are strongly influencing wage and working conditions in both countries.

However, at the same time this shows a methodological weakness by the material, as will be shown later in the article, that changes require that there is strong support from social partners with regard

to the level of the replacement rate in case of sickness and leave for those on the labour market financed and part of total labour cost, but not reflected in the OECD statistics. Neither do the statistic include the possible loss in tax due to the impact of fiscal welfare and thereby who by the end of day pays for this way of delivering welfare.

The increase in Denmark in 2009 is due to increase in pension contribution after collective agreements (and they have not been increased later<sup>1</sup>).

In Table 2 is illustrated how the voluntary private spending has developed compared to the overall spending in the area of old age and total social security spending.

Table 2 Voluntary private as proportion of total spending

Year	1980	1985	1990	1995	2000	2005	2010	2013
<b>Total</b>								
<u>Denmark</u>	24,6%	23,5%	21,2%	20,0%	16,2%	15,6%	7,9%	7,1%
<u>Sweden</u>	4,3%	4,0%	4,2%	6,9%	7,1%	8,2%	9,8%	11,3%
<u>OECD - Total</u>	7,5%	7,3%	9,0%	9,0%	9,8%	9,6%	8,6%	8,0%

  

Year	1980	1985	1990	1995	2000	2005	2010	2013
<b>Old age</b>								
<u>Denmark</u>	15,4%	19,7%	19,1%	22,9%	30,3%	30,5%	11,9%	8,9%
<u>Sweden</u>	14,8%	13,9%	14,3%	21,1%	19,0%	20,8%	25,3%	30,1%
<u>OECD - Total</u>	13,3%	14,3%	15,5%	16,3%	19,2%	18,6%	17,3%	10,8%
<u>Denmark old version</u>	1980	1985	1990	1995	2000	2005	2010	2011
<u>Old age</u>	18,4%	18,6%	21,0%	21,9%	27,7%	53,9%	53,1%	55,1%
<u>Total</u>	5,6%	5,8%	6,6%	6,7%	8,0%	16,4%	15,4%	16,3%

Source: OECD (see Table 1), and own calculation, downloaded 13<sup>th</sup> of October, 2016 and 19<sup>th</sup> January, 2017.

The data do reveal a substantial change in both countries, and especially in the field of old age pension occupational welfare are by now in Denmark even higher than the state pension, and considerable higher than in Sweden. Since then the occupational based pension has increased even

<sup>1</sup> Based upon note from Faos ([www.faos.dk](http://www.faos.dk)) from the 28th of January, 2014 the development in labour market pensions in the private sector from 1993 to 2009.



further, so implying an even stronger role than in the 2011 if OECD has continued to use the approach where occupational based pension were seen as voluntary private. This development is a further good reason to look into the development in the field of pension, cf. the next section. Both Denmark (using old definition) and Sweden has even higher levels than in OECD indicating a movement away from egalitarian universalistic approach in welfare delivery, as this strengthen welfare benefits for the core of the labour force.

## Pensions

Pension policy is often seen as an area with strong path-dependency, although also due to the demographic changes and economic pressure an area for reforms in many welfare states (Baek, Ryu and Lee, 2016).

In Denmark, it has been following path-dependency, but at the same time with a long development towards a multi-pillar pension system so a gradual transformation has taken place (Thelen and Mahoney, 2010).. In part of the public sector there has been occupational pension for a long time starting in the collective agreements in the 1960's and 1970's, and is now covering 100 % in the public sector and around 90 % in the private sector (Trampusch, 2013). For the main part of the private sector, it was as part of tri-partite negotiations and collective bargaining agreement in 1989 that the main part of the occupational based funded pension system at the private labour market was established (Scheuer, 2016). The bargain in the late eighties was that wage-earners could get saving for pension purpose, not increase in wage to spend now due to pressure related to the balance of payment deficit. The reform was thereby part of the ability to ensure fiscal sustainability and reducing poverty among the elderly (Hansen and Jensen, 2012). Although the actors mainly at the time of decision thought of the system as a supplement to the state system (Goul-Andersen, 2012), and thereby also a typically layering of a system which albeit ends in a complete restructuring of the pension system.

Since the late eighties there has been a gradual increase in the level of payment to saving for pension purposes, for example, from 1997 the level was increased in a collective agreement for state employees to 12 %, and in the industrial sector the increase was in 1998 to 5.7 % for workers and 4.8 % for blue-collar workers (Statistisk-10 års oversigt, 2005). In 1993, a change in the public pension system implied that those with high level of supplementary pension or other income would

have reduced the pension supplement (not the basic pension). This decision, which, at that time did not really have an impact on or reduction for many in their level of pension, was passed through parliament without a big debate. Today this is one of the reasons why that the overall Danish pension system with the combination of PAYG and a funded system are in a good economic balance, and with only a more limited pressure on public sector expenditures in the years to come as the development has reduced and will continue to reduce the size of public sector spending on pension to several people as mentioned above. Furthermore, there has been a gradual increase from that 29 % in 1995 having pensions from supplementary pension's savings to 51 % in 2014<sup>2</sup>. Thereby this is in line with incremental change within the path, but also an example of change where there were no veto-players as the impact could first be witnessed after a long time (Thelen and Mahoney, 2010, Farnsworth and Irving, 2011). These changes have although in the long run implied dramatic changes in the overall pension system, here by that only the basic pension will be universal, whereas the state supplementary pensions mainly be for those with very low income during working life or having had no or a more limited attachment to the labour market. Still, the public pension is central, which can be witnessed by the fact that 21 % of all pensioners aged 68 in 2015 got the ældrecheck (pension supplement for people without any supplementary income besides the state pension) (ATP, 2017).

The social partners play a central role with regard to the administration of the system. The ATP has a board with equal participation from the labour market partners and with a neutral chairman. The pension funds are managed with a board elected by the members and therefore often with a strong connection to the trade unions – although there has been a concentration. Thus in 2003 there was 70 pension funds, which has diminished to 30 in 2015 ([www.forsikringogpension.dk](http://www.forsikringogpension.dk), accessed the 15<sup>th</sup> of April 2017.) Pensions funds are further important for the overall stability of the public finance, and, are expected to grow considerably from having a size of 139.3 % of GDP in 2010, through 172.1 % in 2020 to 200.8 % in 2040 (Regeringen, 2017). Therefore, they can via investment and demand to companies influence societal development.

---

<sup>2</sup> <http://www.forsikringogpension.dk/presse/nyheder/2017/Sider/Over-halvdelen-af-de-nye-pensionister-f%C3%A5r-nu-penge-fra-en-pensionsordning.aspx>, accessed the 7th of February, 2017.

The Swedish system builds upon that part of the pension is paid by employers, but with a high coverage rate, and, is one of the central areas of occupational welfare in Sweden, cf. also Table 1 and 2.

There is in the field of occupational based pension a relatively high degree of centralization, and around 90 % on the Swedish labour market are covered by collective agreement this has impact on the coverage with occupational welfare within the pension system. It is especially so, that the increase has been within the old age system, e.g. pension. The reduction in membership coverage also in Sweden might in the longer run have an impact. People in Sweden lacking occupational pension are either self-employed, employed without a collective agreement or have not entered the labour market, and finally, occupational pension more important for individuals with higher income (Jansson et. Al., 2016). Sweden can be seen as a case of supplementary occupational welfare with near universal coverage.

There has thus overall over the last 25 years been a slow and gradual transformation where occupational welfare now to a large extent for many play a very central role regarding the overall level of pensions, and thereby availability of buying power for elderly in Denmark and Sweden, while at the same time this has reduced the overall pressure on the financing of the welfare state, especially when also taking demographic changes and voters possible expectation for higher level of pension into consideration.

However, there has also been tendencies to include saving for pension purposes within the public social benefit system in Denmark as mentioned above with the supplementary pension, and also the “ældrecheck” is an example hereof. In Sweden, the picture is to a large degree the same, and, so that by now around 30 % of all pension benefit is from occupational based pension system, and with an up-side down effect (Jansson, et.al. 2016), as also the case in Denmark.

### **Sickness Benefit**

Sickness Benefits have developed over a long-time span in both countries. Thus, for example, it was first in 1972 in Denmark an increase in coverage, abolishment of waiting times in cases of sickness, and, that employers should pay the first 5 weeks of sickness were decided (Statistisk 10 årsoversigt, 1982, p. 168). Thus, also being an example of an occupational benefit where the state have had an

impact on the size and construction of when the employers should pay, although they have also through collective agreement further expanded the time with full wage replacement during sickness.

Sickness Benefit is thereby a good example of the combination of public and occupational welfare, and, this is in fact the case in all Nordic welfare states (Järvi and Kuivalainen, 2013). They show that for Norway, Finland and Denmark for one-month sickness the combined replacement rate is 100 %, and around 85 % in Sweden. They also by the data indicate that there is differences among various groups of the size of the public sickness benefit (around 30 % for IT-Engineers in Denmark and around 70 % for a cleaner), whereas for both groups it is 100 % when including the occupational benefit. This, as most collective agreements in Denmark ensures full wage compensation up until the first 26 weeks of sickness. This is still the case. Given the gradual reduction in the real and relative value of state benefits (due to the way indexation of benefits is done) this implies that there has been a slight increase in the value of the occupational benefits, although not as mentioned before, registered in any statistics as it is part of wage cost for the companies.

In Sweden, economic support due to sickness also imply a high replacement rate, with the terms decided as part of the collective agreements (Johansson, 2016). In Sweden, it is slightly lower than in Denmark, and, here the replacement rate is calculated together with the public benefit (see <http://www.ersattningkollen.se/>, accessed the 22<sup>nd</sup> of September, 2016).

It still seems to be so, that “their significance is particularly important in Denmark” whereas in Sweden “occupational benefits are not that important when it comes to occupation with lower incomes” (Järvi and Kuivalainen, 2013, p. 351). Given, the in Denmark gradual and slowly retrenchment of replacement rates, it is still very important. This, inasmuch as when it is paid out by the employer, it will in the tax-system be seen as an income and thereby qualify for in work tax-benefit and also qualify as work counting towards eligibility for unemployment benefits.

Some employers support health insurance in order to get people faster back to the labour market – and this can also be understood as a kind of occupational welfare, although this will not further be pursued here.

## Parental leave

Parental leave is an interesting case of a combination of state and occupational involvement, and, also an issue related to new social risks, as, it also has implication for the work-family relation. This is further an area where path-dependency seems to prevail (Moss and Deven, 2015) and also an area where there is divergence among the Nordic welfare states. This as Denmark has abolished the father quota, and with no formal changes in Denmark since 2002 (abolishing father quota) whereas an extension of four weeks has taken place in Sweden (Eydal et.al., 2015).

Despite the abolishing of the father quota, there is still for all public employees and in part of the private sector the right to six months' ear-marked leave with full pay (Eydal et. Al., 2015). In Sweden, there are also extra parental leave benefits in most collective agreement to top-up the state benefit (Johansson, 2016).

Since the financial crisis, the area of leave is also an example of, like in family policy in general (Adema and Ali, 2015), that support is less generous than before the crisis, often as argued within the field of sickness benefit that this is a kind of gradual decay. This whereas the countries (DK and S) resembles each other regarding pensions and sickness benefit, this is less so in relation to parental leave.

## **Dualisation**

A possible consequence of increasing occupational welfare could also be increased dualisation in access to social and welfare benefits (Seeleib-Kaiser, 2013). This since it has been argued that occupational welfare in principle could be a way of compensating for welfare retrenchment (Trampusch, 2009). Or that the labour divisions of occupational welfare also imply that "social provision against labour market risks came to stratify rather than reduce social inequalities (Nijhuis, 2016, p. 66).

One could argue that the strength of the labour market partners would influence the size of occupational welfare. Sweden is a country with strong organised corporatism (Natali and Pavolini, 2014) and the same is the case in Denmark. For recent overview of membership and coverage of collective agreements, see Eurofound working profile for both Sweden and Denmark. The increasing focus on training and life-long learning in both countries, also by the social partners, implies an increase in the risk of strong dualization, and, by this making occupational welfare an even stronger measure of stratification. Overall, Sweden and Denmark might thus be prime

examples of a possible development away from universality towards mainly of support for those with a permanent position on the labour market, in accordance with the classical insider/outsider theory.

However, recent year's development does not really indicate that this, at least within the areas analysed in this article, has been of central concern, albeit the development in the field of pension points towards dualisation. Further, Johansson argues for an increased role in Sweden, and if looking at the relative size of voluntary occupational welfare this is the case in both countries. In relative terms the increase in Sweden was from 3.9 to 8.5 of total spending from 1990 to 2009 (Natali and Pavolini, 2014).

In Denmark, the possible increase is more due to the gradual retrenchment of the level of benefits, e.g. a form of retrenchment by decay (Saxonborg and Sirovátka, 2009), or a kind of drift in social policy (Beland, Rocco and Waddan, 2016, Beland and Powell, 2016), although also that for the partners the development of at least part of the occupational welfare was seen as complimentary to the state system. The losers of the development have been those with a more rudimentary access to the labour market and self-employed<sup>3</sup> with low level of income not being able to save for pension purposes, something which can be increased in the years to come given the possible changes on the labour market (Greve, 2017)..

At the same time, it looks like that the strong areas of occupational welfare sometimes complement, while at the same time reduces retrenchment by increased emphasis on employer's role in financing welfare benefits, see Figure 1. Furthermore, that it is possible (as with ATP in Denmark) that a solution which firstly was only for those on the labour market are extended to groups outside the labour market, e.g. in the Danish case to unemployed and people on early retirement pension.

Figure 1 Reasons for increase in occupational welfare and consequences hereof in Nordic welfare states

---

<sup>3</sup> A recent information on pension savings in Denmark showed that there is many on social benefits and self-employed among those 750.000 persons saving least for pension-purposes ([www.atp.dk](http://www.atp.dk) – Nyhedsbrevet Faktum, Faktum 162).

	Retrenchment	Voluntary by labour market partners
Sickness	Yes, as this has increased employers spending	Some support to trying get people quickly back to the labour market, while also being a coercive measure from the state on employers
Pension	Yes, by reducing state supplementary pension – still keeping the basic pension a universal system	Yes, combined with lack of state resource to increase spending
Leave	Yes, as this has increased employers spending	Intention to help in solving work-family balance

Source: Own depiction

The Figure 1 is an indication of the possible presumably intended as well as unintended consequences of the development in occupational welfare. It also highlights that the interaction between state and occupational welfare is not simple and linear, but interwoven, and, that the original intention can have been different than what has later been the outcome of decisions in the areas.

In all three areas the occupational welfare has directly or indirectly reduced the pressure both directly and indirectly on the welfare states expenditures. Direct by lowering expenditures, indirectly by reducing pressure for increases in state welfare.

In the field of pensions, the original deal was to ensure an increase in saving, while it was the possible option at the collective agreement, including also an indirect accepts of, that it might be difficult to increase spending on pensions in the future. However, it was not part of the agreement that the second tier of the pension system should reduce spending (and this was first decided a few years later) with a reduction in the supplementary pensions for people with high income. Despite

this it has an upside-down effect as those in the highest decile, at least in Denmark, also in the occupational based pension fund, has the highest proportion paid into<sup>4</sup>.

In the field of sickness and leave benefit the impact is even more indirectly by that the gradual reduction in the real level of state benefits, has implied an increase in the payment for the employers as they pay full wage income (for most of the time) for those who are sick or on leave.

The development and increase of occupational welfare due to retrenchment is strong in the Swedish case despite it has mainly been thought of as supplementary. This as the partners “have offset some of this decline” (Jansson, et. Al., 2016, p. 47) with occupational based and especially since the pension reform at the beginning of this millennium.

The increase in the importance of occupational welfare also implies a stronger economic impact and division between those on and those outside the labour market, which might increase in the years to come also outside the Nordic countries (Greve, 2017a).

## Conclusion

Occupational welfare is an important component even in the universal Nordic welfare states. It seems highly to be complimentary to the state welfare system – e.g. topping up income during sickness and leave, and, ensuring by saving for pension purposes that there is a higher income replacement when retiring from the labour market than without the occupational welfare, especially for those with a stable labour market attachment. The development to a large degree in the countries has moved in the same direction, and with the implication that the universality of the systems are becoming less strong than it used to be.

There has, by now, for a relatively long-time not in the areas covered in the article been any real decided direct increase in the spending related to occupational welfare, albeit they as a consequence of the systems relatively has been increasing.. Speculatively, one could argue that this has been due to the financial crisis gradual more weak position of especially the trade unions. However, it could

---

<sup>4</sup> Data from Forsikring og Pension webpage, accessed the 13th of October, 2016.



reflect that saving for pension purposes has reached a level people would prefer, and, that employers has been reluctant to increase payment during sickness for an even longer time spell than it is today. At the same time, the development points towards an impact through increase due to indirect consequence of other decisions.

The analysis further shows that the dualisation on the labour market strengthen the divide in society as a consequence of the use of occupational welfare. Thus, use of occupational welfare even if intended to be supplementary will as a side effect have a negative impact on the distribution. Therefore, dualisation on the labour market implies gradually more unequal societies and less universality in prime examples of universal welfare states.

## Literature

- Adema, W. and Ali, N. (2015), Recent changes in family outcomes and policies in OECD-countries: the impact of the economic crisis. *Community, Work and Family*, vol. 18, no. 2, pp. 145-166.
- ATP (2017), Nye pensionister får to ud af tre kroner fra det offentlige og ATP. Faktum no. 161. Hillerød, ATP.
- Baek, S, Ryu, Y, Lee, S. (2016); The Political Economy of changes in family and old-age welfare policy spending: Analysis of OECD countries,1998-2011, *International Journal of Social Welfare*, 2016, doi 10.1111/ijsw.12220
- Beland, D., Rocco, P. and Waddan, A. (2016), Reassessing Policy Drift: Social Policy Change in the United States. *Social Policy & Administration*, vol. 50, no. 2, pp. 201-218.
- Béland, D., and Powell, M. (2016) Continuity and Change in Social Policy. *Social Policy & Administration*, 50, vol. 2, 129–147.
- Doeringer, P. and Piore, M. (1971), *Internal Labor Markets and Manpower Analysis*. Lexington: Health Lexington.
- Etzioni, A. (1995), *The Spirit of Community: The reinvention of American Society*. London, Fontana Books.
- Eydal, G. et. Al. (2015), Trends in parental leave in the Nordic countries: has the forward march of gender equality halted? *Community, work and family*, vol. 18, no. 2, pp. 167-181.
- Farnsworth, K. and Irving, Z (2011), *Social Policy in Challenging Times: Economic Crisis and Welfare Systems*. Bristol, Policy Press.
- Farnsworth, K. (2018). *Occupational Welfare*. In Greve, B. (ed.), 2<sup>nd</sup> Edition: *The Routledge Handbook of the Welfare State*. Oxon: Routledge.
- Farnsworth, K. (2013a). Bringing Corporate Welfare In. *Journal of Social Policy*. Vol. 42(1), pp. 1-22.
- Goul-Andersen, J. (2011), Welfare State Transformations in an Affluent Scandinavian State: The Case of Denmark, pp. 33-55. In Seeleib-Kaiser, M. (ed.), *Welfare State Transformations Comparative Perspectives*, Basingstoke, Palgrave.
- Hansen, J. and Jensen, S. (2012), Arbejdsmarkedspensionerne efter 25 år: En succes med udfordringer. *Nationaløkonomisk Tidsskrift*, vol. 150, pp. 2017-217.
- Haynes, P. (2011), Are Scandinavian Countries Different? A Comparison of Relative Incomes for Older People in OECD Nations. *Social Policy & Administration*, vol. 45, no. 2, pp. 114-130.

- Greve, B. (2007), *Occupational Welfare – Winners and Losers*. Cheltenham: Edward Elgar.
- Greve, B. (2016), *Denmark: Still a Nordic Welfare State After the Changes of Recent Years?* In *Challenges to European Welfare Systems*. ed.: Schubert, K., de Vilota, P., Kuhlmann, J., Berlin Springer.
- Greve, B. (2017), *Welfare States and Labour Market Changes: What are the Relations*. *Social Policy & Administration*, vol. 51, no. 2, pp. 389-403
- Greve, B. (2017a), *Technology and the Future of Work The Impact on Labour Markets and Welfare States*, Cheltenham, Edward Elgar.
- Jansson, O. et. Al. (2016), *Unemployment and Social Protection in Europe: the Changing Role of Social Partners*, OSE, research paper, 26, 2016.
- Järvi, L. and Kuivalainen, S. (2013), *Equally to all? The Significance of collectively negotiated sickness benefits in cross-Nordic social policy analysis*. *European Journal of Social Security*, Vol. 15, no. 4, pp. 341-357.
- Kvist, J. and Kangas, O. (2018), *Nordic Welfare States*, in In Greve, B. (ed.), 2<sup>nd</sup> edition.: *The Routledge Handbook of the Welfare State*. Oxon: Routledge.
- Kvist, J. and Greve, B. (2011), *Has the Nordic Welfare Model been Transformed*. *Social Policy & Administration*, vol 45, 2 pp. 146–160.
- Lindbeck, A. and Snower, D. (1986), *Wage Setting, Unemployment, and Insider-Outsider Relations*. *American Economic Review*, vol. 76, no. 2, pp. 235–239.
- Mann, K. (2008), *Remembering and Rethinking the Social Division of Welfare*. *Journal of Social Policy*, vol. 39(1): 1-18.
- Moss, P. and Deven, F. (2015), *Introduction. Leave Policies in challenging times: reviewing the decade 2004-2014*, *Community, Work and Family*, vol. 18, no. 2, pp. 137-144.
- Natali, D. and Pavolini, E. (2014), *Comparing (voluntary) occupational welfare in the EU: Evidence from an international research study*. Research Paper, no. 16, OSE.
- Nijhuis, D. (2016), *Labour Divisions and the emergence of dual welfare systems*. *Journal of European Social Policy*, vol. 26, no. 1, pp. 66-79.
- Oorschot, W and Arts, W. (2005), *The Social Capital of European Welfare States: the crowding out hypotheses revisited*. *Journal of European Social Policy*, vol. 15, no. 1, pp. 5-26.

Ozkan, U. R. (2014), Comparing Formal Unemployment Compensation Systems in 15 OECD Countries, *Social Policy & Administration*, vol. 48, no. 1, pp. 44-66.

Regeringen (2017), Danmarks Konvergensprogram 2017. København, Økonomi og indenrigsministeriet.

Pedersen, M. S. and Arendt, (2014), Bargaining for Health: Effects of a collective agreement-based occupational program. *Journal of Health Economics*, vol. 37, pp 123-136.

Saxonberg, S. and Sirovátka, T. (2009), Neo-liberalism by Decay? The Evolution of the Czech Welfare State. *Social Policy & Administration*, 43: 186–203. doi:10.1111/j.1467-9515.2009.00655.x

Seeleib-Kaiser, M., Saunders, A. and Naczyk, M. (2012), Shifting the public mix: A New Dualization of Welfare? In Emmenegger, S. et.al. (2012), *The Age of Dualization*. Oxford, Oxford University Press.

Seeleib-Kaiser, M. (2013), Welfare Systems in Europe and the United States. Conservative Germany Converging toward the Liberal US Model?, *International Journal of Social Quality*, vol. 3, no. 2, pp. 60-77.

Sinfield, A. (1978), Analysis in the social division of welfare. *Journal of Social Policy*, vol. 7, no. 2, pp. 129-56.

Titmuss, R.M. (1958), *Essays on the welfare state*, London, Allen and Unwin.

Titmuss, R.M. (1987), *The Philosophy of Welfare. Selected writings of R.M. Titmuss*. London: Allen & Unwin.

Scheuer, S. (2016), Arbejdsmarkedets institutioner og dynamik in Greve and Jespersen (ed), *Den offentlige sektors økonomi*. 2. udgave. København, Hans Reitzel.

Thelen, K. and Mahoney J. (2010), A Theory of Gradual Institutional Change in Thelen and Mahoney (eds.), *Explaining Institutional Change. Ambiguity, Agency and Power*. Cambridge, Cambridge University Press.

Trampusch, C. (2009), Collective Agreement on Pensions as a Source of Solidarity, *Journal of Comparative Social Welfare*, vol. 25, no. 2, pp. 99-107.

Trampusch, C. (2013), Employers and collectively negotiated occupational pensions in Sweden, Denmark and Norway: Promoter, vacillators and adversaries. *European Journal of Industrial Relations*, vol. 19(1), pp 37-53.

Wiss, T. (2015), From welfare states to welfare sectors: Explaining sectoral differences in occupational pensions with economic and political power of employees. *Journal of European Social Policy*, vol. 25, no. 5, pp. 489-504.