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Occupational welfare

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Overview

Occupational welfare is an important but neglected facet of the mixed economy of welfare (MEW) and social division of welfare (SDW), and one marked by increasing changes both through employer initiatives and state intervention. Starting with an overview of its constituents the chapter outlines the key developments in this domain over the last decade. The analysis is then extended through two case studies and concludes with a consideration of its role in the UK's welfare nexus.

Key concepts

Occupational/work-based welfare; mandatory and non-mandatory (contractual and discretionary) provision; workplace pensions and occupational health care

Introduction

This chapter addresses an important but largely overlooked aspect of the UK's welfare order, namely, the non-wage benefits or 'supplementary reward systems' provided by employers for their employees. Traditionally called 'occupational' or 'work-based' welfare, it forms a key strand of Titmuss's (1963) social division of welfare (SDW) and is an entity that has gained significance in the mixed economy of welfare (MEW) over the last decade. Despite this, detailed analyses of many of its benefits and services remain sparse. Whether this is because the domain is considered marginal to mainstream policy matters is unclear. What does not help however are deep-rooted features of the terrain, not least, the diversity and complexity of provision and the conceptual and methodological difficulties involved in its analysis.

The conceptual issues mainly emanate from two sources, the location of the subject-matter at the crossroads of several academic disciplines (social policy, employee relations, social history and human resource management), each with its own research problems and lexicons for addressing them and, in the case of social policy, uncertainty about the breadth of the field of inquiry. The methodological concerns arise from the difficulties of accessing good-quality data. There is systematic government information on some benefits, partial data on others but very little on the bulk of provision. Gaps can be filled by research undertaken by consultancies, trade unions, professional and trade associations and, in a few instances, academics. Great care, however, needs to be taken given wide variations in validity and reliability and the reluctance of some organisations to reveal the provision they offer.

Navigating the terrain and unravelling its complexities is therefore challenging, but by no means impossible. Where opportunities are not available for primary research, investigation can proceed using existing systematic and 'grey' quantitative and qualitative materials though it does require searching through multidisciplinary sources and piecing together the slivers of evidence to create as representative a picture as possible. This in turn involves acknowledging the multi-agency nature of work-based welfare. Organisations from the public, commercial and third sectors offer their employees benefits that may be provided in-house or procured from external suppliers. The latter come predominantly from the commercial, but in certain instances, from the third or public sectors. There is, in addition, an industry of consultants, some linked to benefits suppliers, competing to develop new products and advise employers on the effectiveness of different schemes.

Our aim here is to document the continuities and changes in UK work-based welfare since the first edition of this text (in 2007).[1] It begins by considering how the domain is best defined and introduces a classification of benefits that might be supplied. Drawing on pre-existing literature, it then provides a brief overview of the main developments during the period before offering two contrasting case studies – workplace pensions and health care – to illustrate the array of factors that contribute to the patterning of provision. Workplace pensions, the most valuable benefit for employees and the costliest for employers, are an important example of government-instigated change which, in this instance, involved the transfer from optional to mandatory provision. Health care, a field increasing in significance, is the product of a broader mix of employer-led and government initiatives.

What is occupational welfare?

For a domain with such a small research output, studies of occupational welfare have used surprisingly varied definitions. It is widely accepted that it refers to welfare supplied through employment and includes both mandatory and non-mandatory benefits[2] that are wholly or partially funded, delivered or facilitated by employers. There is, however, no consensus as to its constituents. UK researchers have tended to adopt one of two positions, favouring a narrow or broad formulation.

The source of the difference lies in two paragraphs of Titmuss' account of the SDW (Titmuss, 1963, pp 50–1). He initially offers an outline of occupational welfare in the form of an illustrative list of interventions:

> pensions for employees, wives and dependents; child allowances; death benefits; health and welfare services; personal expenses for travel, entertainment, dress and equipment; meal vouchers; motor cars and season tickets; residential accommodation; holiday expenses; children's school fees; sickness benefits; medical expenses; education and training grants; cheap meals; unemployment benefit; medical bills and an incalculable variety of benefits in kind ranging from the obvious forms of realisable goods to the most intangible forms of amenity.

However, he then divides these benefits into two types, those that duplicate or overlap public and fiscal welfare and those that do not:

> A substantial part of all these multifarious benefits can be interpreted as the recognition of dependencies; the dependencies of old age, of sickness and incapacity, of childhood, widowhood and so forth. They are, in effect, 'social services', duplicating and overlapping social and fiscal welfare benefits.

Some researchers (eg Farnsworth, 2004) place great emphasis on this subdivision, maintaining that through it Titmuss was offering a narrower definition than suggested by the initial listing. In their terms, he was restricting occupational welfare to benefits that could be viewed as addressing the same risks/dependencies as the state. Provision excluded by this criterion was deemed 'fringe benefits'. Other analysts (eg Sinfield, 1978) maintain that the full litany of benefits constitutes employer welfare provision. As explained elsewhere (Brunsdon and May, 2015), we align ourselves with the latter grouping. This is not just a matter of a 'correct' reading of Titmuss or the flaws in the arguments of those proposing a narrower definition, but because using the functions of state welfare as the yardstick for inclusion would omit an array of initiatives introduced by employers and benefits suppliers independently of public provision.

Aware that Titmuss's list of provision was becoming dated (as much by what was absent as what was included), we sought a more abstract definition that encompassed features he added in later writings and allows for developments since. It describes occupational welfare as: 'all non-wage benefits (both mandatory and non-mandatory) in cash and kind supplied to employees by virtue of their status, performance, record or recognised needs' (Brunsdon and May, 2016a). Mandatory benefits are those welfare interventions that employers are required to provide through primary or secondary legislation and which are employees' statutory rights. Non-mandatory (or voluntary) benefits are those that employers elect to provide and can be divided into two sub-types: contractual and discretionary. Contractual benefits, whether set unilaterally through collective agreement or negotiated with an individual employee, are specified in (or added to) the terms and conditions of employment. They may be provided as single benefits or as parts of fixed or flexible schemes (where employees are allocated a sum to choose the mix of benefits they wish to access, or can adjust their salary to take more or fewer benefits). The key characteristic, however, is not the nature or number of benefits but their standing as part of employees' contracts and thus as entitlements. By contrast, discretionary offerings are not entitlements; they can range from fully or partly funded benefits to discounted items facilitated by employers but paid for by staff. Certain contractual and discretionary benefits may also be available to family members and sometimes friends.

This definition and taxonomy underwrites the differentiation of contemporary provision into eight main fields of mandatory and/or voluntary benefits: income protection and other financial support; education and training; health care services; care support services; housing services; transport; leisure and employer-supported volunteering (see Table 8.1). Acknowledging this breadth however is but a step on a long road to understanding the domain. What is also required is an appreciation of the factors involved in its historical development and current configurations.

The beginning of employer provision can be traced back to the late 18th century, significant growth did not occur however until the mid-20th century when organisations extended and introduced new forms of pay substitute and supplement. Benefits became a way of containing wage pressures, buying allegiance and easing technological change, and in the 1960s and 1970s circumventing incomes policies. The following decades saw the arrival of American and Japanese businesses bringing an enhanced vision of the role of benefits in corporate and human resources strategy which was taken up by benefits suppliers and many large UK organisations. For these, work-based welfare not only became an important aspect of recruitment and retention but also a key facet of managing performance and controlling the labour process. The majority of small- and medium- sized enterprises (SMEs), however, were either unwilling or unable to make provision beyond mandatory requirements. This is still the case today and even among organisations offering voluntary schemes, there are marked variations in what is supplied and how it is delivered.

Most public sector organisations offer non-mandatory benefits (although programmes can vary). Within the third sector, larger employers supply schemes or buy-in packages, but many smaller charities and community groups are unable to make such provision. Among commercial employers, the arrangements are yet more complex. There are significant disparities between companies of varying size and in different labour markets. Large businesses in capital-intensive manufacturing, finance and professional services invest more heavily in contractual

Table 8.1: Mandatory and non-mandatory benefits and services in the UK (2018)

Types of occupational welfare	Mandatory	Non-mandatory (contractual/discretionary)
Income protection and other financial support	*Workplace pensions*	Enhanced workplace pension schemes
		Life insurance/Death-in-service benefits
		(Group) income protection/ill-health retirement
		(Group) critical illness insurance
		(Group) personal accident insurance
	Statutory sick pay	Occupational sick pay
	Statutory maternity pay	Enhanced maternity pay
	Statutory paternity pay	Enhanced paternity pay
	Statutory adoption pay	Enhanced adoption pay
	Statutory shared parental pay	Enhanced shared parental pay
	Statutory redundancy pay	Enhanced redundancy pay
	Industrial Injury Benefits	Professional indemnity insurance
		Credit, loan and debt management schemes
		Savings schemes (eg employee shares, ISAs)
		Travel insurance
		Mobile phones and tariffs
		Laptop, tablet and computer schemes
		Affinity benefits
		Discount schemes

(continued)

Table 8.1: Mandatory and non-mandatory benefits and services in the UK (2018) (continued)

Types of occupational welfare	Mandatory	Non-mandatory (contractual/discretionary)
Education and training	*Health and Safety training*	Enhanced health and safety training
	Paid time off for young workers training	Enhanced young workers training
	Right to request time off for training	Apprenticeships
		Training/staff development schemes
		Study support (eg fees, equipment, travel, subsistence)
		(Paid) study leave
		Professional body subscriptions
		(Paid) personal development leave (eg sabbaticals, career breaks)
Health care	*Responsibilities under health and safety legislation*	Occupational health services
		Preventive wellness services
		Diagnostic and referral services
		In-work rehabilitation services
		Addiction support services
		Return-to-work rehabilitation services
	Antenatal/adoption/Surrogacy appointments time off	(Paid) enhanced antenatal/adoption/surrogacy appointments time off
		(Paid) fertility treatment leave
		Leave/time off for appointments/treatment (medical/dental/auditory/ophthalmic)
		Private medical insurance
		Health cash plans
		Health trust plans
		Dental insurance
		Ophthalmic insurance
		Chiropody services

Types of occupational welfare	Mandatory	Non-mandatory (contractual/discretionary)
Health care (continued)	*Free eye test vouchers*	Enhanced ophthalmic provision
		Audiology services
Care support services	*Statutory annual leave*	Extended (paid) annual leave
		Annual leave trading schemes
	Civic duties leave	Extended (paid) civic duties leave
		(Paid) leave for religious festivals
		(Paid) leave for personal reasons
		(Paid) marriage and civil partnership leave
	Maternity/leave	Extended (paid) maternity leave
	Paternity leave	Extended (paid) paternity leave
	Adoption/surrogate leave	Extended (paid) adoption/surrogate leave
	Shared parental leave	Extended (paid) shared parental leave
		Grandparental (paid) leave
	Dependant emergency care leave	Extended (paid) dependant care leave
		Respite care
	Right to request flexible working	
		(Paid) foster parent leave
		(Paid) carers leave
		(Paid) bereavement leave
		(Paid) compassionate leave
		Advice/counselling services (eg employee assistance programmes)

(continued)

Table 8.1: Mandatory and non-mandatory benefits and services in the UK (2018) (continued)

Types of occupational welfare	Mandatory	Non-mandatory (contractual/discretionary)
Care support services (continued)	*Paid leave for job search/re-training*	Extended (paid) leave for job search/re-training
		Outplacement services (eg counselling, career planning, job-search, placement services)
		Legal assistance
		Financial education
		Personal finance management schemes
		Pension planning/education
		Pre-retirement services and information
		Post-retirement (non-pension) benefits and services
		Workplace nurseries/employer-contracted nurseries
		Child care vouchers (phased out from 2019)
		Provision for employees with disabled children
		Educational assistance for children (fees, grants, loans, subsidies)
		Elder care support
		Respite care
		Information and referral services
		Subsidised cafeterias/meal allowances/vouchers
Housing services		Employer-provided accommodation
		First-time buyers mortgage deposit/assistance schemes
		Rent deposit assistance schemes
		Relocation assistance
		Bridging loans
		Buildings/contents insurance

Types of occupational welfare	Mandatory	Non-mandatory (contractual/discretionary)
Transport		Company cars
		All-employee car ownership schemes
		Car allowance
		Assistance with/loans for car purchase/leases
		Road tax, fuel, insurance, congestion charge assistance
		Free/subsidised car parking
		Driving lessons
		Cycle2Work Schemes and Cyclists' Safety Equipment
Leisure		Social/recreational facilities
		Subsidised sport/recreational club membership
		Free information/referral services
		Subsidised cafeterias; meal allowances/vouchers
		Subsidised domestic services
Employer-supported volunteering programmes		(Paid) employee secondments
		(Paid) employee mentoring schemes
		(Paid) employee volunteering schemes
		Employee fundraising schemes

(continued)

and discretionary schemes than other industries (Eurofound, 2016). In addition, there can be intra-organisational variations with higher earners often receiving more generous contractual packages. What this produces overall is significant inequities in access and entitlements to non-mandatory provision. Bearing these complexities in mind, the next section reviews the broad changes in provision over the last decade.

Key recent developments

Two significant features characterised this period for occupational welfare: (1) the differing positions taken by Labour (1997–2010) and the subsequent Coalition (2010–15) and Conservative (2015–16, 2016–) administrations, and (2) the increasingly cautious, cost-sensitive, stance adopted by employers in developing their own initiatives. The Blair and Brown governments had a clear objective for this domain. They saw work-based welfare as integral to their efforts of assisting people to remain in/return to work and contributing to the overall strategy of modernising the UK economy and welfare system. By contrast, the Coalition and Cameron governments developed no overarching work-based policy (and nor has the Theresa May government to date). Facing an ailing economy, their attention was fixed on tackling the record debts they had inherited, stimulating economic growth, radically restructuring state welfare and, in the case of the current administration, managing the Brexit negotiations.

The seeds of Labour's approach were sown in the early years of the Blair administrations between 1997 and 2006. Although initially constrained by countervailing financial pressures, its aim was to use a mix of European Union and UK legislation/regulation, fiscal interventions and campaigns to require or encourage employers to widen welfare support for their workers. Initiatives included augmenting existing work–life balance provision, extending schemes (eg paid maternity and holiday leave) and new benefits (eg adoption and paid paternity leave, the right to request flexible working for parents of young children and child care vouchers). Tax incentives included expanding the elements of work-related training that qualified for corporation tax relief (2003), boosting salary sacrifice arrangements (Brunsdon and May, 2016b) and introducing concessions for low-emission company cars, workforce-wide counselling and cycle-to-work schemes.

The Labour government's standpoint crystallised with the publication of the *Health, Work and Wellbeing* strategy (DWP, DoH and HSE, 2005). Although focused on health, this provided the framework for broader-based ambitions and a tranche of new measures. It saw employee benefits in general as a means of enhancing performance, productivity and retention, cutting sickness absence and meeting many of the challenges posed by an ageing workforce. The government felt the policy would best be accomplished through shared responsibility, with employers working in partnership with public agencies, trade unions and other stakeholders. Alongside health care developments, its interventions included further extensions of holiday and family-related leave (with an element of shared parental leave), widening flexible working rights, the introduction of 'Train-to-Gain' and the right to unpaid time off for training, and the renewal of apprenticeships.

Despite the financial turbulence created by the 2007–8 banking crisis and the ensuing recession, Labour sought to retain its work-based policies throughout its period in office. The same could not be said of the non-mandatory arrangements offered by commercial employers. Against the grain, some manufacturing organisations, responding to skills shortages, either added new contractual and discretionary benefits, or extended the value of existing ones, to attract additional staff. Most businesses, however, particularly those in financial and professional services feeling the full impact of bank write-downs and the inter-bank and retail credit squeeze, made sizeable adjustments to their remuneration packages, with pay freezes, wage cuts and reductions in the coverage and/or value of benefits provision. To part compensate for these they created cheaper options, topping-up mandatory provision or introducing discretionary schemes, particularly salary sacrifice and discount arrangements.

Third sector and public sector organisations largely escaped the initial economic buffeting and engaged in some cautious, relatively low-cost, expansion in work–life balance arrangements. Employees in public administration, health services and education, for instance, saw increased access to flexitime, compressed hours, home and part-time working. It was not until early 2010, with the economy showing initial signs of recovery that commercial organisations began revitalising their benefits schemes to attract and retain staff. Many large businesses (outside manufacturing and construction) extended their flexible working options, switched some schemes from fixed to variable contractual packages and, given their popularity, extended discount schemes.

The financial crisis and Labour's response formed the backdrop to the 2010 election and the emergence of the Coalition. The new government saw its primary task as reducing public sector debt instigating the: 'longest, deepest, sustained period of cuts to public services spending … since World War II' (Chote, cited in Timmins, 2015, p 329). The process was, however, one of 'selective austerity' (Hills et al, 2016), a pattern that also marked its approach to work-based benefits, where it endorsed the growth of some while adding to organisations' costs of supplying others.

The Coalition government's legislative and regulatory actions illustrated this dualism. It widened Labour's family-friendly policies, extending the right to request flexible working arrangements to all parents, and then to all employees. It also implemented Labour's proposals for additional paternity leave and paternity pay (2010), subsequently replacing them with an improved shared parental leave scheme for couples expecting or adopting children (2015). Parents' efforts to balance work and domestic care were also recognised with the extension of unpaid leave from 13 to 18 weeks (2015). At the same time, however, it began the process of phasing out Labour's employer-centred child care voucher scheme with a view to substituting a controversial tax-free version that will benefit some but not all working parents. In adult skills training, it scrapped Labour's flagship Train-to-Gain programme on grounds of costs and effectiveness, replacing it with pre-apprenticeship and apprenticeship schemes that switched the financial onus away from government towards employers.

A similar disjuncture occurred in the Coalition's fiscal interventions. To raise revenue, it increased National Insurance Contributions (NICs), VAT and Insurance Premium Tax (IPT) – all in 2011. In the case of NICs, the impact was to reduce organisations' cash flows and employee take-home pay while raising the cost of taxable benefits. VAT (raised from 17.5% to 20%) increased the cost of company cars, and IPT (raised from 5% to 6%) that of private medical insurance (PMI), personal accident insurance and health cash plans. It also abolished the Percentage Threshold Scheme (PTS), the final act in the transfer of financial responsibility for statutory sick pay to employers (2014). Salary sacrifice arrangements were also curbed. This variously involved: withdrawing the tax advantage for workplace canteens (2011); limiting the tax-free sums higher earners who were new members of child care voucher schemes could receive (2011); restricting tax advantages for employer-supported local buses (2013); and increasing the benefits-in-kind tax on cars based on their CO_2 emissions (2015).

Against this it placed ipads and tablets on the same tax-advantaged footing as mobile phones (2012) and encouraged wider share ownership/savings in the workplace by raising the upper limit on Save As You Earn (SAYE)-linked savings, increasing the amount that could be saved as free or partnership shares in Saving Investment Plans (SIPs) and extending tax relief on Enterprise Management Incentive (EMI) schemes (2013). In addition, the sum that could be offered as a beneficial loan was doubled and an NIC employment allowance introduced for small businesses and charities (both in 2014).

Employer-driven changes during the Coalition's period of office were set within tight financial limits. Restraint became as important for public sector and third sector employers as it had previously been for commercial establishments. In consequence, there was greater scrutiny and the tailoring of welfare programmes to ensure that they offered value for money, were in line with organisational strategies and remained competitive. Adjustments, across all sectors, occurred in one of several ways: delaying the upgrade or planned introduction of provision; expunging benefits from schemes or relocating them from fixed to flexible elements of contracts or discretionary portfolios (Aon, 2015). Among those benefits that suffered were group risk insurances and company-ownership car schemes; the use of consultants also fell. Key aspects of cross-sector provision that remained unscathed (or were added) included: flexible working; training and development; above-mandatory paid leave; paid leave for bereavement; grandparental leave; financial wellness support; employee assistance programmes (EAPs) and the extension of salary sacrifice and discount schemes. Sector-specific benefits that were retained or introduced comprised on-site parking in manufacturing, health care screening and assessments, particularly in commercial services, and debt counselling predominantly in the public and third sectors.

When the Cameron-led Conservative government replaced the Coalition in 2015, its Summer Budget continued the austerity agenda and initiated a fundamental change in skills training with the establishment of an Apprenticeship Levy (from 2017). It also further reduced pension tax relief for high earners, signalled another rise in IPT (from 6% to 9.5%) and Vehicle Excise Duty on new cars (based on their emissions) from 2017, and initiated a reconsideration of salary sacrifice usage. Its Autumn Statement increased IPT to 10% and said that the government would simplify the tax rules for employee share schemes and consult on future salary sacrifice arrangements.

More fundamental changes followed the Brexit referendum vote when May became prime minister after Cameron's resignation. Her government's Autumn Statement (November 2016) instituted the salary sacrifice changes signposted by its predecessors, reducing the number of benefits that could attract tax and NIC advantages to pensions and pensions advice, child care, bikes-for-work schemes and ultra-low-emission vehicles. Further acts of fiscal consolidation included increasing NICs (by raising the upper limit of the 12% band) and another rise in IPT to 12%. The Autumn Budget in 2017 introduced changes to company car tax rates designed to encourage the purchase of ultra-low-emission vehicles. Proposals to adjust the taxation of employer-provided accommodation and to legislate for shared leave for working grandparents remain in the pipeline.

Higher taxation and spiralling premium costs again meant the key challenge for employers was finding ways of controlling their expenditure without diminishing their offerings. The solution for increasing numbers was the expansion of discretionary benefits. As well as restricting costs, this had the continued advantage of compensating for suppressed wages and enabling employees to tailor provision to their personal requirements. Among the benefits to grow in this format were financial wellbeing arrangements (Brunsdon and May, 2017), holiday trading (with employees buying additional or selling unused holiday time), access to smart phones, laptops, tablets and discounted merchandise.

Looked at overall what is clear is the diverse, uneven and mutable nature of occupational welfare and the intricate ways in which it intersects with other elements of the MEW. Each cluster of provision has its own drivers, variations in mandatory, contractual and discretionary arrangements, and financial demands. This complexity, the differing pressures for change over the last decade and the increasing significance of work-based welfare are exemplified in the following case studies.

Case study 1: workplace pensions

When Labour came to power, workplace pensions were provided in a multiplicity of forms that built on two basic designs: defined benefit (DB) and defined contribution (DC) plans. DB plans offered members an assured retirement income typically linked to final salary and length of service. In the public sector, most were unfunded, that is, provided on a Pay-As-You-Go (PAYG) basis, with contributions from employers and active scheme members being used to pay retirees' pensions and with shortfalls underwritten by the Treasury. By contrast, all commercial and third sector DB plans and the public sector local government pension schemes (LGPS) were funded. Here contributions were paid into and administered by trust funds that invested in a range of markets with the returns expected to meet both current pension entitlements and forward risks. The financial responsibility for fund deficits or cash flow problems rested with the employers as scheme sponsors.

DC schemes were also funded and mainly trust-based, although they could be offered as contract-based Group Personal Pension Schemes. The latter were operated by external providers (eg insurance companies) chosen by employers but with pension contracts between individual employees and suppliers. In all DC plans, pension 'pots' depended on employer and employees' contributions plus their investment performance (minus management charges). There was no guaranteed pension and poor returns were the employees' not the employers' risk, as was the decision on how to convert 'pots' into retirement income.

Aware of rising longevity and its potential impact on state pensions, Labour initially hoped to bolster the take-up of these voluntary schemes to provide an increasing proportion of retirement income. But it soon became clear that more broad-based reform was necessary. There were known issues regarding scheme governance, pension reporting and the mounting costs of public service plans. They added to long-standing concerns about inequities in coverage, with provision mainly confined to large employers and particular industries, and advantaging high earners. Beyond these, however, unanticipated factors were also emerging. Life expectancy projections had been under-estimated, affecting the future outlay for both state and workplace pensions, and the stock market crash of 2000 had shown that many commercial and third sector DB schemes held inadequate funds to cover current and future risks. Although this design had seen falling numbers over several decades, these developments accelerated the decline. Even with some employers switching to DC provision, a further drop in overall active membership in the commercial and third sectors was triggered.

The government responded to this situation on four interrelated fronts, addressing the governance of commercial and third sector DB plans, pension saving in these sectors, pension taxation and public service schemes. In terms of governance, it issued a stream of regulatory requirements, including revised accountancy standards. The objective was to improve fund management but also had the effect of increasing employers' compliance costs. To stop organisations abandoning their pension obligations and to limit the impact of insolvency, the government created two agencies. The Pensions Regulator was established to protect members' benefits and promote effective scheme management, while the Pension Protection Fund, financed by levies on all non-public service DB plans, oversaw a compensation system for employees whose organisations became insolvent (2004).

The adequacy of workplace pension saving was tackled through the appointment of a Pensions Commission (2002). Extending its initial remit to include state pensions, its key proposals gained widespread parliamentary support and formed the basis of a new retirement income structure. The Pensions Act 2007 heralded changes to state pensions, including staged rises in the state pension age and a reduction in qualifying years, while the Pensions Act 2008 took the fundamental step of shifting workplace pensions from voluntary to mandatory provision. This required all employers to enrol entitled employees (that is, those between 22 and pensionable age, not already in a plan and earning above £5,035) into a qualifying pension scheme. It also paved the way for a state-sponsored DC savings scheme, the National Employment Savings Trust (NEST), giving employers the option of using this as an alternative to existing or other new provision. Schemes were to be funded by a minimum of 8% of an employee's qualifying earnings, made up of 3% employer contributions and 5% employee contributions, of which 1% would come from tax relief. The aim was to stagger the roll-out (starting with large employers) between 2012 and 2017, with contribution levels also staged to limit the financial impact on both employers and savers.

On the fiscal front, Labour retained employers' National Insurance pension relief and allowed the use of salary sacrifice based SMART (Save Money And Reduce Tax) pensions (2004). To reduce the administrative burden on scheme sponsors, it replaced the existing patchwork of pension taxation with a single-tier regime for all pension types (2006). While maintaining income tax relief, this introduced a maximum lifetime allowance for pension savings set at £1.5 million (for 2006/7), an annual allowance of £215,000 for tax relief on contributions, standardised the tax-free lump sum at 25% of savings and increased the minimum age at which pensions could be taken from 50 to 55.

The reform of public service pensions began as soon as Labour took office, starting with increases in pension age and lower accrual rates for new entrants in uniformed services schemes (1997). It followed this with a proposal (2002) to raise new entrants' pension ages in all non-uniformed plans and, subject to consultation, those of existing members. After protracted negotiations between employer bodies and unions, and linked industrial action, the schemes for civil servants, teachers and the National Health Service (NHS) were altered. New entrants' normal pension age and accrual rates were changed and 'cap-and-share' rules introduced to spread the cost of unexpected longevity rises more equitably between employees and taxpayers. As funded schemes, the LGPS were tackled separately, leading to adjustments to their accrual and tiered contribution rates (2008).

The government's actions as an employer were mirrored in the commercial and third sectors where many organisations also reviewed and curtailed their pension provision. Here the economic turmoil of 2007 to 2010 had a substantial impact, exacerbated by further damaging life expectancy projections and the burden imposed by Labour's new regulatory regime. Together these precipitated a further exodus from DB plans with a consequent steep fall in coverage. This gave added impetus to the establishment of auto-enrolment, which was taken forward with revisions by the Coalition and Conservatives.

To smooth its implementation, the Coalition extended the roll-out to 2018 and the period of staged contributions to 2019. It also addressed governance matters adding regulations that capped charges in auto-enrolment DC default plans and instituting the requirement that each workplace scheme should have an Independent Governance Committee to secure effective administration, protect members and help ensure value for money.

On pension tax, both the Coalition and Conservatives went much further than Labour in cutting the relief for high earners. Annual allowances were reduced from £255,000 (2010) to £50,000 (2011) then £40,000 (2016) and lifetime allowances from £1.8 million to £1.25 million (2014) and then to £1 million (2016). Both administrations, however, sanctioned the continued use of salary sacrifice, thus potentially cushioning the tax costs of auto-enrolment for employers and employees (May, 2015). The Coalition's most radical tax intervention was to give DC scheme members over 55 'freedom and choice' to withdraw their pension savings as they saw fit rather than taking an annuity (2015). It attempted to placate the critics of this move by founding a guidance service (Pension Wise) and retaining salary sacrifice arrangements for employers' pension advice services. Alongside this seismic change, it gave commercial and third sector DB scheme members the right to transfer to DC plans and thus access to these new freedoms and instigated an alternative long-term savings vehicle, the Lifetime ISA (2017).

Dissatisfied with Labour's public service pension reforms, the Coalition commissioned a structural review of these schemes (IPSPC, 2010) incorporating its key proposals into legislation (2013). While preserving existing pension rights, this moved public service plans from final-salary to career-average entitlements, and increased employee contributions and normal pension age. Further reducing the costs to the Treasury, it also set limits on the proportion to be contributed by taxpayers.

While DB schemes remained the public service norm, auto-enrolment had both increased the numbers and accelerated the shift to DC provision in the other sectors. By the end of November 2017, more than 9 million workers in commercial and third sector organisations had been automatically enrolled into a workplace pension scheme and more than 938,000 organisations had completed their compliance requirements (DWP, 2017). This success, however, worked only to highlight the limitations of coverage and pension adequacy. It was estimated, for instance, that at least 7.3 million workers whose employers had gone through the auto-enrolment process were excluded because these workers were too young or not earning enough (PPI, 2017). Given the goal of auto-enrolment was to increase the numbers saving for retirement, this led to questions as to the fairness of retaining the enrolment age of 22, excluding part-time workers (predominantly women) earning less than threshold income (£10,000) and those with multiple jobs earning less than that sum per job.

The May administration's auto-enrolment review (DWP, 2017) responded to these concerns with important proposals for reform. To be introduced by the mid-2020s, the reform plans to reduce the threshold age from 22 to 18 and remove the lower earnings limit, thus enabling younger people and low earners to participate in schemes.[3] The government anticipates these measures would increase pension membership by at least 900,000 and add an extra £2.6 billion to retirement savings. While welcoming the proposals, critics nonetheless questioned why there was a delay in implementation and whether the 8% level of contribution required by 2019 would generate sufficient retirement income, arguing that to avoid pension poverty it should be nearer 16%. There is also unease about the significant disparities in employer contribution levels both within DC schemes and between these and DB arrangements, generating wildly varying pension entitlements.

Case study 2: workplace health care

While changes in workplace pensions were largely orchestrated through the legislative/regulatory interventions of successive administrations, those in health care had a more diverse set of drivers. There were mandatory changes, particularly in preventive health care, but fiscal and government promotional measures took much greater prominence along with employers own initiatives and those recommended by benefits suppliers.[4]

Labour's occupational health care goal was to reduce the levels of injury and illness associated with work and, where possible, contribute to a reduction in health inequalities (DWP, DoH and HSE, 2005). During its early years in office, fatalities and reportable injuries had declined significantly but there were still major challenges facing both state and employers. In 2006/7, 36 million working days were lost to sickness absence, costing the economy £30 billion or 3% of GDP. Musculoskeletal disorders were responsible for over 9 million days lost and the rise in mental ill-health conditions accounted for nearly 14 million lost days. Serious concern also continued about lifestyle issues, including poor nutrition, obesity and smoking. Together, these posed a continuing threat to productivity and a substantial public cost in welfare payments, health care and lost income tax.

The government sought to address these problems through the *Health, Work and Wellbeing* framework (DWP, DoH and HSE, 2005). While recognising the value of its initial interventions, it accepted that extensive improvements were needed in areas such as workplace health promotion and ill-health prevention, support for people recovering from illness while at work and the coordination of services for employers. It also conceded that many employers, mainly SMEs, still required convincing that they had 'a duty of care' to improve employees' health and wellbeing. To these ends the government commissioned a review of the beneficial links between health care initiatives and work (Waddell and Burton, 2006) and appointed a National Director for Health and Work (Carol Black) to look at ways of keeping working-age people healthy, resilient and in employment.

Maintaining Labour's adherence to evidence-based policy, Black undertook a consultative review on the health of Britain's working-age population which was complemented by research on specific areas of concern, including vocational rehabilitation, mental ill-health and the business case for health and wellness. Black's report (Black, 2008) concluded that the workplace was pivotal to sustaining the nation's health but employers needed to be part of an integrated approach involving collaboration with GPs, public health and occupational health specialists. This view was reinforced by the other reports. The first (Waddell et al, 2008) found strong evidence to support and extend vocational rehabilitation services; the second (Lelliott et al, 2008), though highlighting gaps in diagnosis and treatment and the need to improve collaboration between primary care providers and employers, saw *well-managed* work environments being particularly beneficial for those with common mental health issues, while PricewaterhouseCoopers' (PwC) research (PwC, 2008) on the business case found that workplace health care reduced sickness absence and turnover, and frequently had a positive impact on productivity and profits.

Labour accepted most of their recommendations. It sanctioned Black's proposals regarding the 'fit for work' conception, a 'fit note' to replace the 'sick note' issued by GPs and supported the trialling of new initiatives such as the 'Fit for Work' service, advice for SMEs and closer joint working between occupational health services, the NHS and employers. It also launched the first national framework for mental health and employment and a Workplace Wellbeing Charter for England, giving employers the opportunity to commit to the health and wellbeing of their workforce (2009).

The steady increase in government initiatives was accompanied by a growth in employer-led schemes. The Chartered Institute of Personnel Development (CIPD) reported that the number of organisations with a health and wellbeing strategy increased from 25% to almost 50% between 2006 and 2010; most were developed by larger entities predominantly in the public sector. Commonly supplied benefits included counselling and EAPs, health promotion events (eg smoking cessation, healthy eating or free eye tests), healthy menus in canteens and subsidised gym membership. Other benefits regularly offered, although varying by sector, included: health screening (tax exempt from 2009 for one appointment per year), access to physiotherapy, free fresh fruit and cycle-to-work schemes (CIPD, 2006, 2010). The recession, together with rising premiums, did, however, hit the supply of PMI. A major benefit in the packages offered in the commercial sector, it increasingly became an option exclusively for senior managers. Other employees, if offered a replacement, were supplied with cheaper and less comprehensive health cash plans. These, moreover, were typically supplied as part of discretionary discount schemes to be part or wholly purchased by employees.

Under the Coalition, fresh policies with different political aims were interwoven with its legacy. These were geared to both reducing the regulatory burden on organisations and shifting more responsibility for health care from the state to employers, communities and individuals. The former concerned safety rules which the government felt were excessive and stifling productivity. In the light of the Löfstedt review (2011), the Health and Safety Executive (HSE) set out a new approach that focused on high-risk industries and serious breaches of rules and reduced the stock of regulations by 50%. The latter was exemplified by the employer element of the controversial Public Health Responsibility Deal (PHRD). Launched in 2011 this sought to promote preventive health care initiatives through voluntary partnerships in which employers across the sectors were invited to join local networks and sign up to one or more pledges to improve the health of their workforces.

Policy continuities with Labour were tapered; funding was withdrawn for many of its pilot workplace experiments (2011) and the role of National Director for Health and Work cut (though Black became an adviser on health and work in 2012). The Coalition did take up its predecessor's concerns about sickness absence, however, commissioning a review (Black and Frost, 2011) to address ways of reducing costs and helping people to stay in/return to work. Although taking over a year to respond, it implemented changes based on the review's recommendations. These entailed: the introduction of new standards for managing sickness absence in the public sector; improved occupational health care in the NHS; the extension of the telephone-based advice pilot scheme; and the revamping of occupational health services for SMEs through NHS Health at Work and Syngentis (2013).

At their heart, however, was a new Fit for Work scheme rolled out during 2015. This provided an advisory service for employers, workers and GPs, as well as health assessments for those employees referred by employers or GPs after four weeks away from work. To encourage support for the service, the Coalition implemented a £500 tax exemption for employer expenditure on recommended medical treatment. In a linked venture, it also promoted the Disability Confident programme, encouraging organisations to widen their recruitment base by employing more people with disabilities. Echoing the Coalition's aims and policies the Cameron administration completed the implementation of Fit for Work, updated HSE and National Institute for Clinical Excellence (NICE) guidance and created a new Health and Work Joint Unit (2016) tasked with improving productivity and economic growth, joining up health and employment agendas and overseeing a £40 million innovation fund.

Employer-initiated health care schemes continued to grow, albeit unevenly, under the Coalition and Conservative administrations. Whether triggered by the governments' schemes and duty of care responsibilities, a response to organisation-specific issues, suppliers' marketing or development of new products is difficult to determine. What is clear is that in this field, advances had been made despite the recession, ongoing austerity policies and the rising costs of tax interventions. Even demand for PMI policies picked up as the economy improved and firms established IPT-exempt corporate health care trusts (LaingBuisson, 2016).

Expansion occurred in both preventive and illness management/rehabilitative provision. The preventive measures were primarily targeted at the main causes of long-term sickness absence – musculoskeletal disorders and work-related stress – as well as the public health concerns highlighted in the PHRD. Once again, large organisations were the main providers, offering services such as awareness and education campaigns, stress/mental health audits, health screening, vaccinations, subsidised gym membership, healthy eating advice, smoking cessation programmes and healthy canteen options. There was major sectoral variation in the provision of physiotherapy, relaxation or exercise classes, walking/pedometer initiatives (predominantly public sector benefits) and insurance/protection plans (chiefly commercial sector provision) (CIPD, 2016). New preventive developments included employer-funded virtual GP access, wearable fitness devices and wellness apps (CIPD/Simplyhealth, 2018).

The growth in illness management/rehabilitative provision generally involved more establishments adopting existing interventions rather than the development of new measures. This consisted of modified duties, workplace adjustments, flexible working options, access to EAPs (particularly in the public sector), greater involvement of occupational health specialists, ergonomic assessments, physiotherapy (for musculoskeletal disorders) and cognitive behavioural therapy (for stress, anxiety and depression). More recent initiatives have included specialist counselling and support for cancer patients and those returning to work after a stroke or heart attack.

Despite this expanding range of services, it seems that much more will be expected of employers in the future. Building on the consultations that followed the *Improving Lives: Work, Health and Disability* Green Paper (DWP and DoH, 2016) and the Stevenson and Farmer (2017) review of mental health and employment, the government launched a new ten-year strategy in late 2017

(DWP and DoH, 2017). This not only expects employers to hire an additional 1 million people who are disabled or suffering from long-term health problems but also to provide them with new or improved support services. This, it is acknowledged, will involve a considerable step-change in employment practices for large numbers of UK organisations, not only in recruitment but also the forms of intervention needed to support people with ill-health through their careers.

Conclusion: occupational provision, the MEW and the SDW

As both case studies and the general overview demonstrate, work-based welfare in the UK has undergone significant change over the last decade. In the process, it has become more enmeshed in both the MEW and SDW. New synergies have developed both between employers and the state, and between employers and benefits suppliers. Successive governments have utilised legislative and regulatory changes, made fiscal incursions (including increasing employers' NICs) and promoted particular workplace benefits. Through statutory payments, tax reliefs and salary sacrifice arrangements they have also subsidised provision. Collectively, this has drawn occupational welfare closer to public policy and, in the case of some benefits, made employers agents of the state.

For their part, while accommodating new statutory/regulatory obligations, employers have actively developed their own welfare agendas, taking up a range of benefits geared to their business needs. This has not only involved in-house provision but also procuring from an expanding market of commercial and, to a lesser extent, third sector and public sector suppliers.

For employees, the mandatory elements of this transformation have increased the significance of occupational welfare and reduced some inequities in access (eg pensions) and entitlements (eg family-related leave). Nonetheless, with levels of contractual and discretionary benefits determined by employers, major inter- and intra- organisational inequities remain. The government is looking to enhance provision, especially that provided by SMEs, but this is unlikely to lead to the parities traditionally associated with state services and benefits.

Summary

- Occupational welfare is a key but often overlooked dimension of the MEW and SDW.
- The last decade has seen new synergies develop between state and employers, and employers and benefits suppliers.
- While this form of welfare can contribute to individual and social wellbeing it can also reinforce social inequalities.

Questions for discussion

- Why is the definition of occupational welfare problematic?
- Choosing examples of work-based provision, how would you account for recent trends?
- What forms of occupational welfare are available to you or your family and how are they financed?

Further reading

With the exception of pensions there are few general studies of occupational welfare in the UK. Broad 'starter' accounts can be found in Farnsworth (2013), and Brunsdon and May (2016a). Developments in pensions can be tracked through the briefings of the PPI (www.pensionspolicyinstitute.org.uk) and the publications of the DWP and those of the Department of Health and Social Care for health care (available at www.gov.uk).

Electronic resources

Employer and governmental initiatives can be followed at: www.employeebenefits.co.uk and www.cipd.co.uk

Notes

[1] Most of the developments in occupational welfare apply across the UK. Consideration of those subject to devolved policy areas is beyond the scope of this chapter and in these instances the coverage is confined to England.

[2] The exception to this argument is the analysis undertaken by Natali and colleagues who want to limit occupational welfare to voluntary contractual provision (see Natali et al, 2018).

[3] Outside auto-enrolment, it also plans to test different approaches to increasing the pension saving of self-employed people.

[4] Some of these independent initiatives were later adopted by government as part of its health strategy.

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