

# **Business and Welfare. Preferences and collective action in Europe**

BAWEU

## **The research design: focus, questions, approach, hypotheses and methodology**

Sabrina Colombo, David Natali, Emmanuele Pavolini

### *1. Research focus and questions*

The focus of the project leads us to ask five main research questions:

- In the debate and in the welfare reforms at what level of action are companies placed? How much does the business-unions-governments model still exist? How much are they willing to support a 'socialisation of risk' and for what reasons?
- How much do companies support the need for collective action? In relation to social policies, are multinationals becoming rule makers in terms of individual action or in some cases (which ones?) they also prefer to act collectively?
- In relation to social policy preferences, are there differences between manufacturing and the service sector and within these sectors?
- What is the role played by the EU level as a field for companies to foster their social policy preferences and to discuss with institutions and trade unions? In this respect, how does the interaction among different national business associations work at the EU level (e.g. Business Europe)?

In the context of Covid-19, we think of adding a further question on the employers' preferences and strategies in the aftermath of the pandemic:

- Is there any change in both employers' and their organisations' preferences and strategies in the context of the pandemic crisis?

### *2. The research approach and hypotheses*

What the previous sections have provided us are several useful elements in order to study the role of business in relation to social policy.

First, IR research argues increasingly that, although necessary in order for business to be effective in fostering its policy agenda, collective action among companies cannot be taken for granted and,

at the same time, there is not much academic writing on the manner in which this cooperation occurs.

Second, compared to the 1990s, the landscape of European business structure (and interests) is increasingly diversified around Europe and needs, preferences and profiles of companies are quite different. Deindustrialization and technological change reduce firms' need for specific skilled workers, whilst the labour market is increasingly polarized/dualized between workers in highly productive (often export-oriented) and low productivity (often offering services for the internal market) industries. This increasingly complicated and heterogeneous economic environment makes it harder for companies to act collectively. Moreover, as argued by Traxler (2003), employer associations are hit worse by these economic changes than other actors, as companies are much more empowered to respond to these variations independently instead as through associational action.

Third, if we take these two above results as a starting point, it follows that among the theories related to the role of business towards the welfare state, we have to shift our attention from the Power Resources approach to other theories.

Fourth, we have therefore decided to adopt here as a starting point for our study a mix of theories based on the varieties of capitalism, within-business cleavages and the national institutional context. In particular, VoC is useful for its reference to employers' interest on skills' formation and retention, whereas Factions of Capital theories focus on cleavages within the business community (in terms of size, needs of skills, exposure to international trade, sector innovation, etc.) determining firms' and clusters of firms' preferences, as well as theories which focus on labour market coordination mechanism, institutions related to policy making process, forms and rules of interest representation provide useful insights to describe and explain the role of business in welfare state politics (Martin and Swank, 2012).

Based on the above elements, we can draw some major points and some general hypotheses connected to the economic structure and companies' needs and preferences toward social policy.

*First, the increasing heterogeneity of the economy (and the following increasing differences in terms of interests) will make it more difficult for employers to cooperate and to find a common ground in relation to social policies.*

*Second, the industrial macro-sectors companies tend to diversify their requests in relation to social policy.* On one hand, support for specific skills formation remains an important request in CEE and Southern Europe, where manufacturing has remained more traditional. On the other hand, in the rest of Western Europe, where a move toward high general skills' jobs took place also in manufacturing,

support for specific skills formation goes along with other potential requests to social policy intervention (e.g. given the feminilization of the labour force, it is possible that companies will become more interested also in reconciliation policies).

Third, *the consumption macro-sector, especially where mostly based on small companies, will advocate mainly not for public social policy intervention but for tax reduction and labour costs' cuts (social contributions' cuts), due to the fact that the main strategy in this sector is a price-based competition.*

Fourth, *the smart growth macro-sector will be more interested in policies supporting high general skills' formation (e.g. tertiary degree's courses) and new social risks (e.g. reconciliation, given the presence of women).* The welfare and PA macro-sector will follow a different logic, because it is mostly public or, when private companies are present, strongly influenced by state regulation and funding (e.g. contracting-out of services). In this case, the dynamic will be more affected by political dynamics by trade unions and the State, as employer.

Overall, we can expect that:

- a. *in Southern European countries employers could probably agree on a minimum agenda based, on one hand, requests of tax cuts and labour costs' containment (through the reduction of compulsory social contributions), on the other hand, tax incentives for occupational welfare solutions at the sectoral and firm level (which would allow companies and sectors to decide how much to invest on "private" welfare provision); the reasons behind such choice could be the following: a) the reliance on the consumption macro-sector makes pivotal the request of such macro-sector within industrial relations and employer associations' dynamics; b) the presence of many SMEs and small companies, even in the industrial macro-sector, will make strengthen the request of a price-based competition; c) more specifically in the Italian case, the differences between the economic and labour market structure in Northern and Southern Italy will make it hard to find a common ground among firms belonging to these two parts of the country;*
- b. *in CEE countries employers will provide a more homogenous coalition which could be based on a mix between, on one hand, tax reduction and cost containments (social contributions) and, on the other hand, VET policies*
- c. *in Germany and other countries belonging to the "traditional balanced model with a strong smart growth sector", along with the request to contain costs for companies (taxation and social contributions), there should be also the support for social investment policies (reconciliation and – higher - education), especially among companies belonging to the*

*industrial and smart growth macro-sectors; at the same time, there is going to be less interest in sustaining a universal coverage of “old” social risks, with the request of a sectoral and decentralized bargaining (with occupational welfare playing an important role);*

- d. *in “post-industrial” countries it is harder to guess what the requests and agreements from employers will be, given the complex interplay among the actors present in three macro-sectors: smart-growth, consumption and welfare/PA; it is likely that in these countries the IR and welfare state tradition will determine the requests of employers (e.g. in pluralist systems employers will agree on a minimal agenda of costs reduction; in neo-corporative models they might insist on social investment policies.*

### 3. Variables

The project is built around two different “dependent variables” (the “explanandum”) and three sets of independent variables (the “explanans”).

#### *The explanandum*

The dependent variables are at the level of each policy field (e.g. pensions, etc.):

- a) *employers’ preferences for social policy*; we adopt Mares’ (2003) model; she proposes four potential ideal-types of different business’ preferences for social policies: “*no social policy*” (employers are not interested in any form of social coverage in respect to a given need); “*private social policy*” (employers prefer “occupational welfare” as the answer to given social needs, which means leaving to companies and, eventually, social partners, the choice to discretionally develop social programmes by virtue of the employment status); “*contributory social policy*” (employers accept or are willing to develop social policies financed by compulsory social contributions); “*universalistic social policy*” (employers accept or are willing to develop social policies financed by general taxation); the four types of preferences have clearly different costs for companies but also different redistributive and social dialogue effects;
- b) *employers’ associations preferences and behaviours in relation to social policies*: we adopt again Mares’ (2003) model, taking into consideration also the fact that preferences of employers’ associations among the four ideal-types are shaped by processes of negotiation within the business community (where interests and preferences might be divergent), with

trade unions and governments (for example, “political exchanges” between different policy goals might affect preferences and actions).

### *The explanans*

The independent variables are a set of key concepts, which play a role at three different levels: *micro* variables, referring to the company characteristics; *meso* variables, referring to the employers’ associations level; the *macro* variables, referring to the country political economy model.

*Micro-variables:* in the scientific literature employers’ preferences for social policies are mostly potentially influenced by three variables and the interplay among these variables: the *company size*, *the skills needed by the company*, *the exposure to social risks of workers in a given company*. The concept of workers’ skills is particularly important: the Varieties of Capitalism Literature differentiates between three type of workers’ profile: “high general skilled workers” are those who have technical and intellectual capacities and abilities in order to perform complex tasks; “specific skills workers” are those specialised in technical-manual tasks (typical employments in manufacturing and construction); “low general skills workers” are employed in routine-based or not-routined based activities, which do not require particular knowledge or experience.

In general, the larger the company size, the more pressing the need of (high general or specific) skilled workers and the higher the risk of labour (skilled) shortages, the more probable is the likelihood that companies will move from a “no social policy preference” to one of the other three. To determine which one of the other preferences is influenced by the interplay among the three company level variables. For example, Mares firms with: a) a high incidence of risk, a small size and low general skills should prefer “universalistic” social policies; b) a low incidence of risk, a small size and low general skills should opt for no policy at all; c) a high incidence of risk, a big size and general high or specific skills should prefer “contributory” social policies; d) a low incidence of risk, a big size and general high or specific skills should prefer “private” social policies.

*Meso-variables:* If Mares focuses on employers’ policy preferences, depending on the incidence of risks, size and skills, other scholars (e.g. Martin and Swank, 2012) add another important dimension, which will be considered as central in the present project: the forms taken by their collective action through employer associations. In particular, they propose to differentiate among three types of labour market coordination by firms:

- the “macrocorporatist” model, where employers are organized into hierarchically ordered groups, and the peak association negotiates broad political agreements with labor and the state through collective bargaining and tripartite policy-making committees;
- the “sectoral coordination” model, where employers wield power largely at the industry level – employers’ associations within specific industries engage in significant coordination with corresponding labour unions but the encompassing multisector peak associations are much weaker and the state is largely absent from negotiations;
- the “pluralist” model, where employers are represented by a panoply of conflicting groups, with many purporting to aggregate business interests and none having much policy-making authority.

These three models not only represent employers’ interests to different degrees and with different outcomes, but they are also able to partially shape single employers’ preferences. In sum, employers’ associations can play a pivotal role to foster and to shape social policy preferences by their members, reaching its maximum strength in macrocorporatist models and its weakest one in the pluralist model. The strength of each model depends also on the share of companies joining employers’ associations.

*Macro-variables (the country political economy model):* in typical comparative political economy approaches, actors’ preferences and behaviors (in our case, employers and their associations) are also influenced by the environment they belong to and in particular by:

- *the prevalent model of industrial relations in the country;*
- *the state of the economy* (around 10-12 years afterwards the 2007-08 economic crisis), with particular reference to impact of economic crises and their effects on socio-economic institutions and welfare policies. In the context of Covid-19 we propose to focus on the peculiar traits of the pandemic. The latter is a typical systemic crisis (with potential massive effects on the future economic growth potential of European countries). It is important to address the issue of whether and how employers have changed their own priorities on welfare reforms in the post-Covid-19 context (we think of the volume authored by Starke, Kaasch and Van Hooren as a point of reference to frame the issue in a comparative perspective);
- *the structure of the economy* (more based on internal demand vs more export-led, the role of the four different macro-sectors, the average size of companies);
- *the welfare state model* (systems based more on cash transfers than services, using the traditional classifications adopted by Esping-Andersen and Ferrera);

- *the functioning of the labour market* (with risks, on one side of unemployment, on the other of – skilled and/or low skilled - labour shortages).

#### 4. Case selection

We selected five Member States according to the meso- and macro- independent variables detailed above: these countries have been chosen as representatives of the larger industrial relations cluster to which they belong. Case selection is based on a *most-different-cases selection strategy*, aiming to select cases which present a variance in the dimensions listed above (our ‘independent variables’). This research strategy should allow for a certain degree of generalisation of the findings beyond the selected Member States, and the identification of targeted strategies for improving the effectiveness of involvement in each Member State.

Countries studied in the project will be: Italy, the Slovak Republic, Germany, Denmark, Netherlands, The sample of Member States includes (see Table 1):

- Countries belonging to the macro-corporatist model of coordination by firms (with many companies joining EAs) within an organised corporatism IR model (Denmark); the sectoral model (with a minority of companies joining EAs) within a social partnership model of IR (Germany) or a state-centred one (Italy); the pluralist one (with very few companies members of EAs) within a transitional IR model (the Slovak Republic); a mixed one (with many companies joining EAs) within a social partnership model of IR (the Netherlands).
- One country has a social-democratic welfare state (Denmark), another has a corporatist – conservative one (Germany), the Netherlands shows a mix between the previous two, Italy is characterised by a Southern European model and the Slovak Republic belongs to the CEE cluster.
- the characteristics of each state economy and labour market (in terms of economic growth, structure and unemployment) are also quite diversified among the countries chosen (as it can be seen in table 9).

Table 9. *Summary table for case selection*

Countries	Meso-variables		Macro-variables			
	Labour market coordination by firms	Share of companies belonging to EAs*	Industrial relations system	The welfare state model	The state of the economy*	The economic structure
<b>Denmark</b>	Macro-corporatist	59% <sup>a</sup> 81% <sup>b</sup>	Organised corporatism	Social democratic	2000-07: 1.6 2008-16: -0.1	Post-industrial model based on smart growth and public sector
<b>Netherlands</b>	Mix macro-c.	55% <sup>a</sup>	Social	Mix	2000-07: 1.8	Post-industrial model based on

	/ sectoral	76% <sup>b</sup>	Partnership	conservative – social dem.	2008-16: 0.2	smart growth and public sector
<b>Germany</b>	Sectoral	23% <sup>a</sup> 58% <sup>b</sup>	Social Partnership	Corporatist conservative	2000-07: 1.6 2008-16: 1.3	Traditional balanced model with a strong smart growth sector
<b>Italy</b>	Sectoral	37% <sup>a</sup> 80% <sup>b</sup>	State-centred	Southern European	2000-07: 1.2 2008-16: -1.2	Consumption and manufacturing
<b>Slovak Republic</b>	Pluralist	12% <sup>a</sup> 32% <sup>b</sup>	Mixed- Transitional	CEE	2000-07: 6.2 2008-16: 3.0	Manufacturing and consumption

<sup>a</sup> Share of companies with at least 10 employees belonging to employers' associations in the country (on the total number of companies with at least 10 employees) (Eurofound European Companies' social survey)

<sup>b</sup> Share of companies with at least 250 employees belonging to employers' associations in the country (on the total number of companies with at least 250 employees) (Eurofound European Companies' social survey)

**Sources:** \* World-Bank average yearly GDP per-capita growth (%); \*\* Eurostat average yearly unemployment rate; Esping-Andersen (1990); Ferrera (1996; Visser (2011).

## 5. Research Methodology

A mix-method approach will be employed in the project with; a country-level survey on a sample of medium-large enterprises (with at least 250 workers) in the five studied countries will be launched in order to learn about the business' preferences toward social policies; qualitative interviews to business associations and corporations both at national and EU institutional level, as well as to their counterparts (trade unions) and to institutions; an analysis of the main documents produced by the main business associations, at the national level and at the EU institutional level.

The survey will include five sections which will explore companies': a) preferences for the various social policies, b) evaluation of the role of business associations in relation to social policies, c) evaluation of the role of national governments in relation to social policies, d) relationship with trade unions; and e) characteristics (e.g. economic sector, skills' composition, size, etc.). CELSI, with a rich experience in survey preparations (EC-funded projects: HOSPEEM\_EPSU, EESDA social dialogue questionnaires, Ingrid-2 research infrastructures expert questionnaire, ToDaRozum – education reform questionnaire focused on employers) and data analysis will draft the survey. Upon the feedback from project partners, the questionnaire will be revised. Once the questionnaire will be approved by the University of Milan (Principal Investigator), Advisory Committee and other project partners, it will be transformed into an online version, using Survey Monkey, online survey software. This tool enables the usage of a range of question types (multiple choice, check-box, matrix scale, and open ended questions), use of triggers, filters and conditional formatting of the survey and user-friendly overview of results. Moreover, it enables multiple translations of the



survey, letting the respondent choose the language, and it also enables to merge the data into a single master data file. (CELSI has a survey-monkey yearly subscription plan).

In relation to the survey sampling, median-large enterprises with at least 250 workers in manufacturing and services sector will be targeted in the survey. The size of the sector in the countries' economy will be accounted for in the sampling.

There will be 400 cases in the Italy and Germany; 300 cases in the Netherlands; and 200 cases in Slovakia and Denmark. In the Netherlands, Slovakia and Denmark the sample will be smaller given the characteristics of their economies and expected difficulties to reach a larger group of enterprises.

To ensure the highest possible response rate of the survey, several effective and by CELSI already verified measures will be taken:

- (a) To approach the respondents and collect the data, the project partners will rely on business statistics and, where available, official registers of companies;
- (b) A combination of data collection techniques will be applied; the survey questionnaire will be accessible online, and/ or in the paper, reflecting the needs of the respondents;
- (c) The survey questions will be translated into 5 national languages to assure responsiveness of respondents with lower English language skills;
- (d) The survey will be designed in a way that it will be easy and quick to fill in; the estimated time for filling in the questionnaire will be maximum 10 minutes;
- (e) If necessary, assistance to fill out the survey questions by phone or skype calls with representatives of companies will be offered.

With regards to translations, the project partners will prepare an unofficial (uncertified) translation by local experts instead of professional translators. Based on CELSI's experience, the translation prepared by experts from the area of social dialogue is of higher quality in comparison to a translation provided by a translation agency.

If the survey will focus on medium-large companies, the qualitative analysis will focus on the more general world of employer presentation, In particular, in relation to the *qualitative interviews* to business associations, as well as to their counterparts (trade unions) and to institutions, the analysis will be organized as follows in each country with around 20 interviews. In particular, the interviews will be held with:

- top-level representatives of main large companies' peak association in the country in order to discuss their role in the relationship between the type of social policies considered in the present study and business' preferences and actions

- top-level representatives of small and medium size enterprises (SMSs)' peak association(s) in the country in order to discuss their role in the relationship between the type of social policies considered in the present study and business' preferences and actions;
- top-level representatives of corporations either founded in the country or intensively working in the country;
- top-level industry-level representatives of business associations (from capital-intensive manufacturing, to labour-intensive manufacturing, to Knowledge Intensive Business Services (KIBS) and to trade, accommodation and operational Business Services (OBS));
- top-level representatives of the main Trade Unions in the country dealing with employers' associations on social policy topics and issues;
- top-level industry-level representatives of trade unions;
- top-level representatives of National Ministries (labour market, social protection and education Ministries).

For the EU level we plan around 20 interviews. In particular, the interviews will be held with:

- top-level representatives of companies' peak association (Business Europe) in order to discuss their role in the relationship between the type of social policies considered in the present study and business' preferences and actions;
- industry-level representatives of business associations at the European level (from capital-intensive manufacturing, to labour-intensive manufacturing, to Knowledge Intensive Business Services (KIBS) and to trade, accommodation and operational Business Services (OBS));
- top-level representatives of corporations, having offices at the EU level;
- top-level representatives of the main Trade Unions dealing with employers' associations on social policy topics and issues at the EU level;
- top-level industry-level representatives of trade unions at the EU level (from capital-intensive manufacturing, to labour-intensive manufacturing, to Knowledge Intensive Business Services (KIBS) and to trade, accommodation and operational Business Services (OBS));
- top-level representatives of the Commission and DGs (in particular, EMPL and EAC).

The interviews will focus on the following topics (in relation to the four types of social policies):

- a) companies' preferences for the various social policies
- b) business associations' actions in order to strengthen their support and their discussion with their members (their mediatory role and cognitive construction of employers' interest)

- c) the main topics where it has been easier to reach an agreement among companies (belonging to different sectors)
- d) the main policy actions undertaken in order to represent the companies' preferences
- e) the relationship with other employers' associations and sectoral associations
- f) the relationship with corporations not belonging to the employers' associations
- g) the relationship with trade unions
- h) the relationship with national governments and the EU.

## **References**

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