

Stefano Gasparri\*

## Employee Benefits and Paternalistic Work Regimes. Historical and Contemporary Perspectives on Company Welfare in Italy\*\*

### Abstract

*This article examines the changing role of employee benefits in work regimes in light of the controversies associated with paternalism. We review historical (industrial, scientific, bureaucratic and sophisticated) and recent (libertarian) variants of paternalism, and then define its contemporary developments by matching two terms long considered antithetical, 'market paternalism'. We argue that this neologism best captures the emerging features of work regimes, in particular the recent popularity of company welfare, by appreciating the marketization of employee benefits and the measures of fiscal, possibly corporate, welfare that support it. Evidence to substantiate this argument comes from an overview of historical forms of paternalism and current company welfare schemes in Italy.*

Keywords: paternalism; marketization; fiscal welfare; social policy; employment relations; human resource management; nudge theory  
(JEL: H53, I38, J32, J51, N34)

### Introduction

Paternalistic work regimes are complex and controversial social systems at whose roots we find the provision of non-wage compensation or, simply put, employee benefits (Abercrombie & Hill, 1976). Historically, these benefits entailed housing, health and education programmes and were related to benevolent employers and company towns in the preliminary or early stages of industrialization (Thompson, 1978). Over time, the types and rationales for employee benefits changed, sometimes maintaining their links to paternalistic work regimes (Jacobi, 1998; Kaufman, 2001) but often, especially where the welfare state was well-developed, without reproducing them (Esping Andersen, 1990; Swenson, 2002). As a result, employee benefits became closely related to either HRM strategies to attract talented employees, typically professionals and executives at the top-end of the labour market, or HRM discourses that, by exalting company's caring nature, aimed to foster cooperative attitudes in staff (Purcell, 1987; Ackers, 1998; Warren, 1999). Recently, how-

\* Dr. Stefano Gasparri: University of the West of England, Bristol Business School, Coldharbour Ln, Frenchay Campus, Stoke Gifford, Bristol BS16 1QY, UK, E-Mail: stefano.gasparri@uwe.ac.uk.

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ever, employee benefits have turned into an extremely variegated and widespread phenomenon (SHRM, 2018) whose understanding requires to look beyond the organisational level. It is therefore time to engage again with the paternalism literature and appreciate the social systems and work regimes which employee benefits are part of, both as a product as well as, to some extent, a determinant.

These connections, in fact, reveal a research gap. On one hand, business and management studies widely report that employee benefits have the potential to enhance employee satisfaction, engagement and performance at the company level (Dulebohn et al., 2009; Klonoski, 2016; de la Torre-Ruiz et al., 2019; Laundon et al., 2019), but tend to overlook the policy implications of such association, beginning with the call for granting such schemes a favourable tax treatment. On the other hand, cutting-edge research on social policy investigates this issue alongside other fiscal and corporate welfare measures, but analyses mostly regard public spending at the macro, national level (Farnsworth, 2013; Morel et al., 2018). Studies that look at employee benefits from different angles are present though. Some note that employee benefits, in certain circumstances and considering the uncertainty of current public budgets, can satisfy social needs without requiring a direct public intervention, somehow constituting a 'social investment' (Morel et al., 2012; Ferrera and Maino, 2014). Others observe that employee benefits can be delivered through more inclusive forms of 'occupational welfare' if trade unions and employers' organisations supervise their design and provision (Johnston et al., 2011; Natali & Pavolini, 2018). Two critical issues, however, remain relatively unexplored: a) How do employee benefits affect the management of the employment relationship and, broadly speaking, the balance of power in class relations? b) How do employee benefits relate to welfare system developments and, in particular, which is the role of fiscal policy in the diffusion of such benefits?

A renewed engagement with the traditional and contemporary literature on paternalism helps address these issues. We offer a brief history of paternalistic work regimes and their connections with the provision of employee benefits and welfare services at the company level. 'Industrial' (Thompson, 1978), 'scientific' (Kaufman, 2001), 'bureaucratic' (Jacobi, 1998) and 'sophisticated' (Purcell, 1987; Ackers, 1998) paternalism are examined, along with key contextual features. Patterns of resilience and the degree of transformation from one phase to the next are highlighted, stressing the validity and potential of the concept of paternalistic work regimes over time (Titmuss, 1976; Greene et al., 2001; Holmqvist & Maravelias, 2018). Drawing inspiration from a recent, popular and controversial approach – 'libertarian paternalism' and related 'nudge theory' (Thaler & Sunstein, 2005; Nielson, 2019) – we define an emerging paternalistic work regime in terms of 'market paternalism'. This novel concept sounds counterintuitive – paternalism is based on non-monetary compensation, marketization on the benefits of market regulation – but succeeds in accommodating both the paternalistic features of current employee benefits as well as the marketization process that is boosting their provision.

Evidence to substantiate this claim comes from an analysis of employee benefits in Italy, where they are increasingly known as ‘company welfare’ (*Welfare Aziendale*) (Manzella, 2019). First, we provide a historical overview of recourse to employee benefits and their connection with paternalistic work regimes. Here we cover cases which have been selected for their factual as well as symbolic relevance: the company towns of Crespi d’Adda and Larderello in the early 1900s; the company Marzotto during Fascism; other companies like Bassetti, Olivetti, and ENI for the WW2 aftermath up to the 1970s; finally, from the 1980s to the 2000s, when paternalist practices seemed to wane and reshape into HRM, the focus is on key fiscal policy interventions about employee benefits, either in the Tax Code or by the Tax Agency. We then focus on the last ten years, examining pioneering welfare initiatives by the company Luxottica (2009, 2011, 2013) and fiscal incentives by Renzi’s government (2015 and 2016). The impressive growth of employee benefits that followed (Welfare Index PMI, 2019) was accompanied by the mushrooming of ‘welfare provider’ companies, a mix of global leaders in pay and benefit solutions, key players in finance (large banks and insurance companies), HR services companies, and start-ups pioneering digital platforms dedicated to employee benefits, engagement or experiences (Razetti and Santoni, 2019). Overall, on the basis of an extensive documentary analysis, we draw a possible trajectory for employee benefits in Italy and clarify why and to what extent ‘company welfare’ can be considered a historical as well as contemporary expression of paternalistic work regimes.

## Changing Work Regimes, Changing Forms of Paternalism

In this section, we outline a simplified history of paternalism, instrumental to an understanding of the dynamics behind employee benefits and informed by contributions in the areas of labour history, political economy, business ethics, employment relations, and welfare studies. In so doing, we review key issues in paternalistic work regimes — essentially, the rationale for employers, the implications for employees, and the impact on welfare state policies. We conclude this section by focusing on ‘libertarian paternalism’, a recent theory subjected to both much praise and criticism, and applying it to contemporary work regimes on the basis of two emerging and only partially explored aspects that underlie the diffusion of employee benefits: the marketization of benefits, as expressed by the rise in private welfare providers; and the fiscal welfare measures promoting such diffusion.

Work regimes are considered paternalistic when employer and employees are bound in a relationship that goes beyond the exchange of wages for labour to include social welfare benefits related to health, housing, education or leisure, a relationship by which employers ‘attempt to bind employees by the provision of material rewards [...] and thus to create communities dependent on the employing organization’ (Abercrombie & Hill, 1976, p. 418). However, the combination of wage with non-wage benefits can express radically different work regimes. Aycan et al. (2013, p.

962), for instance, report a spectrum ranging from 'benevolent dictatorship', producing 'non-coercive exploitation', to a 'role-transcending concern of an employer leading to empowerment, protection, grooming, and development of employees'.

Social and economic historians debate extensively how to make sense of the ambiguity and elusiveness that underly the concept of paternalism, particularly its relation to the dynamics of deference and exploitation (Thompson, 1978; Price, 1984; Rose et al., 1989). How to account, for instance, for the fact that paternalistic work regimes, in specific circumstances, correspond with better conditions than non-paternalistic ones? Is it appropriate to frame the paternalistic employment relationship in terms of interdependence, reciprocity and mutual obligation between employers and employees? On one side, Price (1984, p. 218) urges scholars to address these questions avoiding one-sided analyses that imply the 'rootedness of deference' of workers under paternalism and disregarding workers' resources to exert some influence on paternalistic employers. On the other side, Rose et al. (1989, p. 98) point out that the available evidence stresses the distance between the few, ideal cases of paternalism, best expressed in atypical rural mills around the mid-nineteenth century, and the majority of cases in which paternalism was combined with repressive management and bitter employment relations.

In other words, while recognizing workers as agents within paternalistic work regimes, Thompson (1978, p. 134–135) acknowledges that, overall, paternalism allows 'a concentration of economic and cultural authority' in the hands of employers and that such a concentration was strong enough to significantly 'inhibit class confrontation', at least until industrialization triggered other social dynamics that questioned it. Such complexities and controversies surrounding paternalistic work regimes reproduced over time in analyses that often developed ethnocentric traits, with context, circumstances and academic disciplines all shaping their meaning.

When industrialization entered a new phase with Taylorism and 'scientific management', paternalistic work regimes adapted accordingly. Kaufman (2001, p. 518) demonstrates this by examining what happened in the US where, at the apex of Fordism in the 1920s, several companies decided to 'gain competitive advantage, not through pre-war policies that treated labor as a commodity and a short-term cost to be minimized, but rather through a long-run policy that sought increased productivity and quality and reduced turnover and strike costs'. Concretely, this managerial turnabout implied the promotion of work regimes built upon four pillars: the introduction of science into workforce management; a concern for human relations in the workplace; the provision of extensive employee benefits; and some form of industrial democracy, as a shop committee rather than a trade union. Kaufman defines this model as 'welfare capitalism' and puts it at the root of the modern HR philosophies of 'participative management' and 'strategic HRM'; we can also interpret it as a form of 'scientific paternalism'.

In the 1930s, these ‘roots’ were largely cut off and left to decay, with the New Deal legislation setting a different industrial relations approach based on institutionalized trade unions and collective bargaining. Meanwhile, firms that adopted forms of welfare capitalism either became unionized or took a defensive, union avoidance position. The former also included cases of ‘vanguard companies like Sears and Kodak [that] developed a cluster of new practices—employment security, the effective personnel department, a denuded and altered foreman’s role, and the company union—all tempered with a more bureaucratic approach buttressed by social-science-inspired surveys that sought to help management know the workers’ minds as it subtly tried to shape their thinking and behavior’ (Hillard, 2004, p. 38).

After WW2, broad social forces were at play in the developed industrial world which expressed the advanced welfare state. For at least three decades, growing prosperity corresponded to a ‘golden age’ of economic, moral and political reconstruction, that is, through ‘income and employment security as a right of citizenship’, ‘the ideas of social justice, solidarity and universalism’, and ‘a project of nation building, affirming liberal democracy’ (Esping Andersen, 1990). As a result, paternalistic work regimes seemed relegated to the past, replaced by other work regimes that better manifested two broad historical forces: the rise of normative individualism and freedom of choice, traced back to the enlightenment period (Kirchgässner, 2015); and the process of institutional rationalisation and bureaucracy (Holmqvist & Maravelias, 2018). In this sense, the role of employee benefits in work regimes scaled down, consisting of just a component of the public-private sector mix at the base of each welfare system (Titmuss, 1976). Notably, employee benefits maintained some relevance in ‘residual’ liberal welfare regimes and decreased in both conservative and, especially, social democratic regimes (Esping Andersen, 1990; Natali & Pavolini, 2018).

Nevertheless, whenever possible, employers use the provision of employee benefits to control and adapt the market to their interests, in ways (cartelism, segmentalism, solidarism) that depend on contextual factors and actors’ strategy (Swenson, 2002). As Jacobi points out (1998), these strategic elements help to explain the coexistence of apparently opposing work regimes in the US for part of the twentieth century: one regime set by the New Deal legislation and marked by union recognition and collective bargaining and the other, with paternalistic traits, based on employers’ initiatives and well-designed for union avoidance. Interestingly, both systems had negative repercussions for welfare developments in the US. In the unionised sector, as Swenson notes (2002, p. 18–19), when employee benefits became a matter for decentralised negotiations in the late 1950s, trade unions became less interested in the promotion of a universalistic welfare system. In contrast, as Olson (2019) recently discovered, in the 1980s in the non-unionised sector, when employers realised that union decline made the union threat resistible, they increasingly decided not to offer some types of employee benefits, beginning with health insurance, regardless of their paternalistic legacy.

In the 1980s, with many of the drivers of advanced welfare states under strain, the concept of paternalism gained new currency. This occurred alongside discussions on alternative work regimes to Fordism, especially in Anglo-Saxon countries where companies were increasingly turning to HR policies with their emphasis on a 'shared interest at work', albeit firmly without trade union involvement; an approach defined as 'soft unitarism' (Heery, 2015, p. 21). Ackers (1998, p. 190–1) explained this HR-shift in terms of 'sophisticated paternalism' and warned of its ambiguity. On the one hand, 'contemporary HRM recalls this paternalistic past with ethical phrases and words such as 'investing in people', trust, loyalty, commitment, participation and cooperation'. On the other, 'workers may welcome the new-found social concern, where this has any substance, but should beware the authoritarian ambitions that go with it'. Purcell (1987, p. 543) framed these changes in managerial styles in terms of individualism and collectivism, keeping the concept of paternalism mid-way between low and high individualism, which is between employment control and employment development. Specifically, his analysis refers to paternalism as the category where managerial statements place an emphasis on terms such as enlightened, benevolent, charitable, welfare, caring, humane, paternal, family, happy, and assets. There are also more critical perspectives on this re-emerging paternalism, according to which the oppressive component is prevalent (Wray, 1996). From this perspective, modern paternalism that has appeared since the 1980s, is 'sophisticated' but monolithic (Warren, 1999), inasmuch as HRM techniques are meant to promote commitment and motivated by employer self-interest for profits, giving rise to a manipulative approach to employment relations (Anthony, 1986). These debates show that the concept of paternalism is far from being outdated, but instead supplies a useful framework for understanding the diffusion of HRM practices (Holmqvist & Maravelias 2018).

Further confirmation that paternalism is still a powerful and meaningful concept comes from its acceptance across the social sciences (Dworkin, 2020) – each with its different assumptions and applications, such as taxation (Kotakorpi, 2009), poverty governance (Soss et al., 2011), parenting guidance (van der Berg, 2016) or technology (Spiekermann & Pallas, 2005). Amongst recent contributions, we single out 'libertarian paternalism', 'an approach that preserves freedom of choice but that authorizes both private and public institutions to steer people in directions that will promote their welfare' (Thaler & Sunstein, 2005, p. 179). This approach, popularised as 'nudge theory', has received criticism, especially from an ethical standpoint (Warren, 1999). As Neilson reported (2019), Thaler himself, 'in order to protect against nefarious uses of the theory, [he] set up three key guidelines to accompany the technique's use: 1) be transparent; 2) make decisions easy to opt-out of; 3) nudge with people's best interests in mind'. Fundamentally, the libertarian version of paternalism captures a relevant, yet little investigated underlying aspect of the recent diffusion of employee benefits: the process of marketization.

Marketization refers both to a market ideology – ‘the belief that markets are of superior efficiency for the allocation of goods and resources [...] associated with the commodification of nearly all spheres of human life’ – and market-oriented reforms – ‘those policies fostering the emergence and development of markets and weakening, in parallel, alternative institutional arrangements’ (Djelic, 2006, p. 53). Measures of ‘fiscal welfare’ (Morel et al., 2018) such as ‘tax breaks for social purposes’ (Adema, 1997), once applied to private forms of welfare such as employee benefits, offer a good example of how to trigger the process of marketization, whereas the emergence of private welfare providers, paid by employers to procure employee benefits for their employees, sustain it. HR consultants widely discuss the provision of welfare services in terms of business opportunity for the creation of a profitable industry (Barton, 2016; Personnel Today, 2020), but the academia has not yet investigated it, despite such phenomenon is potentially disruptive of the surrounding environment in economic, social, legal and political terms (Greer & Doellgast, 2017).

To summarize, the above analysis confirms that paternalism is a complex and problematic concept but also, following Ackers (1998, p. 189), ‘it seems plausible that the general concept of paternalism may retain some explanatory force, while specific anachronistic features, such as company towns and religious mission, drop off the agenda’. The research presented here tests the explanatory power underlying paternalistic work regimes, based on evidence provided by the Italian case, and the findings are used to inform a critical discussion of the diffusion of employee benefits.

## Researching Work and Welfare Regimes in Italy

The Italian context provides an interesting and original research avenue for investigating employee benefits and their connection with paternalistic work regimes. On one side, the traditional features of the Italian work and welfare regimes have been widely studied and are well-known: the Italian case belongs to the conservative, Bismarckian model of European ‘welfare capitalism’ (Esping Andersen, 1990) but has also some peculiar features, expressed in dualistic and familist traits, and some state weaknesses and inconsistencies (Pavolini et al., 2013). On the other, these studies, mostly in employment relations and welfare studies, have hardly considered the role of employee benefits in work and welfare regimes, at least until the recent diffusion of these benefits (Ferrera & Maino, 2014; Pizzuti, 2019), and often privilege a practitioners’ perspective (Treu, 2013; Massagli et al., 2018).

In contrast, other disciplinary areas, such as business and labour history, have considered past experiences of employee benefits and their role in paternalistic work regimes (Agnoletto, 2019), shedding light on organizational practices while discussing the complexities underlying the concept of paternalism. Battilani et al. (2017), for instance, identify three key themes – paternalism as benevolence, paternalism as mean for better productivity, and paternalism as part of communitarian



and participative practices – claiming that paternalistic work regimes can be explained in terms of different coexisting themes, with their mix changing historically. What is missing, therefore, is an exhaustive overview of the role of employee benefits in work regimes, built upon insights spanning across time and along disciplinary areas – as illustrated in the literature review section – that aims to advance our understanding of past and present diffusions of paternalistic work regimes, their main features, transformations and underlying controversies.

This article attempts to fill this gap in two ways. First, it establishes a historical thread amongst past forms of paternalism, highlighting the relevance and type of employee benefits provided by employers. It does so by examining academic contributions from different streams of literature. Because of its breadth, the scope of this analysis cannot be exhaustive. We prioritize cases that reveal the changing constraints and opportunities underlying employee benefits at particular points in time. Second, it engages with a more detailed analysis of the diffusion of employee benefits that started about ten years ago. It encompasses a comprehensive analysis of the most relevant Italian sources about the topic and the more limited material in English. Beyond academic contributions, this part of the analysis relies on the abundant material on employee benefits directly produced by the main actors with a stake in their diffusion, that is policy-makers and state agencies, think-tanks, employers and their associations, trade unions, employee benefit providers, consultancy firms, other interest organizations, advocacy coalitions, and experts. The material was derived from a variety of sources: statutory acts, collective agreements, Tax Agency clarifications, administrative guidelines, policy briefs, reports by think-tanks and research centres, well-informed newspapers and magazines, corporate press releases, public statements and published interviews by managers, trade union officials, policymakers, academics, and practitioners.

Overall, these secondary sources are an appropriate basis for a review and reconstruction of past paternalistic work regimes, as well as for reporting key facts and dynamics about the diffusion of employee benefits. In so doing, this research offers an original overview of a complex and controversial issue over a long timeframe and using a multidisciplinary approach, as illustrated in the literature review section. Both are instrumental in shedding new light on the meaning and implications of paternalistic work regimes over time. The findings permit reflection on the connections between work and welfare regimes and allow discussion about the extent to which we can refer to the current trend in terms of paternalism. In other words, we will be asking when and to what extent the presence of employee benefits expresses a form of paternalistic work regime, and if so, why, of what type, and with what implications.



## Employee Benefits, Paternalism and ‘Company Welfare’ in Italy

### Paternalistic Work Regimes in Historical Perspective

The first cases of systematic provision of employee benefits inspired by a paternalistic philosophy emerged in Italy in the nineteenth century and followed the model of industrial paternalism (illustrated above), thanks to a few enlightened entrepreneurs, typically in textile industries located in rural areas (Ciuffetti, 2004). Factors such as a weak state infrastructure and the popularity of the Catholic social doctrine – ultimately supporting a vision of society based upon harmony between classes – favoured their diffusion, whereas others such as the emergence of a militant working class – aiming to radically transform capitalist institutions – hindered it. In the two ‘red years’, 1919–20, for instance, even advanced forms of industrial paternalism – the two company towns of Crespi d’Adda, built around a textile factory near the city of Bergamo in the Lombardy region, and Larderello, near Pisa in Tuscany, devoted to energy production – were heavily contested (Grandi, 2017).

When Fascism seized power, paternalism gained new currency with a peculiar twist (an example is the woollen mill Marzotto in Valdagno, Veneto region). On the one hand, the fascist dictatorship prevented any conflicts between capital and labour by blending with the former (the main employers’ organization, Confindustria, remained the only officially sanctioned employers’ organization) and by suppressing the latter (workers’ organizations independent of the fascist party were repressed). On the other, Mussolini allowed employers to increase control over employees outside work, through the organization of social activities supervised by a new fascist institution (*Opera Nazionale Dopolavoro*) (Guiotto, 1979). As Benenati observes (1998, p. 9), ‘providing company welfare was thus proof of manufacturers’ patriotism’, and accordingly, the Fascist Association of Industrial Managers ‘began publishing a bimonthly magazine, *Assistenza Sociale nell’Industria* (Social Welfare in Industry), whose masthead carried a maxim of Mussolini, “Intelligent capitalists concern themselves not only with wages but also with housing, schools, hospitals, and sports fields for their workers”’.

In the WW2 aftermath, Italy had to rebuild the country and restructure its industries to compete in international markets. This resulted in an ‘economic miracle’, which lasted until the late 1960s, bringing some prosperity, advanced technology and organizational modernization (Ginsborg, 2003). However, especially in the 1950s, working conditions remained rather poor and alternative solutions to employers’ unilateralism were hardly feasible given the weakness of organized labour: trade unions split in 1950 for ideological reasons, and the left – with the strongest communist party in the west – had little institutional leverage due to cold war geopolitics. At the same time, features of the rural and under-developed past, beginning with paternalistic legacies, persisted, and in some cases, were even behind some of the most innovative – in terms of economic as well as social standards – business initiatives. Pizzorno (1960) considers this dynamic as a combination of ‘community

and rationalization' and illustrates it in relation to a company town between Milan and Varese, Rescaldina. Here we find a family-owned textile company, Bassetti, which became an international player in the market of linen sets (bedding, bath, kitchen) thanks to pioneering marketing and product design strategies, as well as a highly productive work organization. Bassetti achieved this by promoting workers' participation (Leonardi, 2016, p. 86), in particular through a joint body that accommodated unions' efforts to organise workers, something that earned them the reputation of '*padroni rossi*', that is 'red masters' (Bigatti, 2011). Such a form of paternalism, imbued with a consensual orientation, crossed company boundaries in two ways. First, collective agreements reached at the Bassetti company, in some instances, paved the way for national ones valid for the textile sector. Second, a member of the Bassetti family was elected mayor of the town between 1951 and 1961, contributing to its social and urban development. Beyond this relatively overlooked case, two other paternalistic work arrangements driven by 'enlightened' entrepreneurs deserve our attention given the profound impact they had on the transformation of Italian work regimes and industrial relations.

The first one was implemented by Adriano Olivetti, head of the Olivetti typewriter manufacturing company between 1932 and 1960. He promoted higher than average salaries, extensive employee benefits and a company union (detached from national ones), which resulted in high productivity. Moreover, he engaged with artists, sociologists, architects, and urbanists to create the most human-friendly work environment possible in both the workplace and the surrounding community (the town of Ivrea, in Piedmont). The second is Enrico Mattei, head of the renewed national oil company ENI between 1952 and 1963. He was not much involved in personnel management – and indeed his connections with 'company welfare' are seldom noted (Grandi, 2014, p. 9–10) – nonetheless, he had a strong interest in the social infrastructure of a newly-created company town (Metanopoli, near Milan) and in the promotion of cooperative industrial relations, through distancing ENI from the mainstream employers' association, the notoriously adversarial Confindustria (Bianchi, 2003). If Olivetti set the bar of 'company welfare' strikingly high, to the point that he is typically referred to as the most advanced and enlightened case of paternalism in Italy, Mattei also displayed social concern and effort in promoting more participative employment relations, a legacy that ENI still acknowledges today as the foundation of its 'company welfare' (Calabrò, 2014, p. 4–5). Both also inspired and engaged with intellectuals, including Giugni and Pizzorno who launched industrial relations theory in the Italian academia (Gasparri, 2017, p. 314–5).

In the 1960s and 1970s, in Italy and elsewhere, employers' recourse to employee benefits and work arrangements with some paternalistic traits were challenged (Greene et al., 2001; Battilani et al., 2017; Holmqvist & Maravelias 2018). The growth of the welfare state was the most important threat. Thanks to new public initiatives in education, housing, retirement, and health, for instance, most pressing

social needs were somehow covered without the involvement of employers (or industry-related organizations and funds). Instead, employers contributed to these public services through higher payroll taxes, something that made them less keen to provide add-on benefits (Pavolini et al., 2013). At the same time, workers' mobilization mounted, resulting in militancy on the shop floor and stronger trade unions campaigning for egalitarian wage demands (Accornero, 1992).

It was only in the 1980s, when the growth in trade unions halted, public services and budgets showed signs of inefficiency and strain, and key industrial sectors slumped, that the provision of employee benefits again turned into a practical management strategy. This time, however, employee benefits were reserved only to senior levels – top managers and executives – and became better known as fringe benefits, perks, or perquisites (Manzella, 2019). This type of company welfare aimed to recruit and retain high-skilled professionals, adopting practices developed in large US companies (Grandi, 2014) in line with the move towards HRM and akin to 'sophisticated paternalism' (Purcell, 1987). Under these circumstances, Italian policymakers intervened to determine the legal status of employee benefits, clarifying the fiscal incentives that could either promote or delimit the use of such benefits. The 1986 'Consolidated Law on Income Tax' clarified which employers' expenses were to be considered as being on a par with the payroll for tax purposes and which ones were instead exempted, including some clearly circumscribed employee benefits.

Either due to slow economic growth, de-industrialization, or demographic trends such as population ageing, in the early 1990s, the welfare state had a reduced capacity to satisfy emerging social needs (Johnston et al., 2011; Morel et al., 2012). If this was not evident by looking at the level of social spending, the signs of dismantling and erosion, if not retreat, in the welfare public infrastructure were clear. Path-breaking reforms, especially in the areas of pension, income policy and labour markets occurred in the mid- to late 1990s, were aimed at remedying distortions in the Italian welfare system – functional, with overprotection for old age at the expenses of other risks; and distributional, between insiders and outsiders – and followed some European good practices in addressing new social risks such as 'lone parenthood, longer life expectancy, need for care activities, interrupted careers and precarious jobs' (Jessoula & Alti, 2010, p. 169–172). These reforms also set in motion transformation of work regimes. One clear development related to the articulation of collective bargaining, a two-tiered system with a pivotal central level (the national industry) and an integrative decentralized level (company or local). Since the 1990s, decentralized agreements were reached in a structured manner, through centrally controlled opening clauses (Regini, 2000) and the company level became a more strategic level for promoting collaborative employment relations focused on mutual gains, where improved performance brought higher pay or forms of occupational welfare and employee benefits.

Two more subtle factors, related to fiscal policies, contributed to the decentralization of work regulation. Since 1997 company agreements on productivity-related bonus pay enjoyed a so-called ‘de-contribution’, meaning that a 10 % fee replaced social contributions normally attached to wages. At the same time, the tax exemptions to the 1986 Tax Code, mentioned above, were stretched and expanded thanks to legal amendments and relaxed interpretations of Tax Agency guidelines. In 2004, for instance, the Tax Agency clarified that ‘deductible’ employee benefits covered not only those supplied in-house but also those provided by external agencies. These fiscal reforms unfolded in a piecemeal manner throughout the early 2000s and left much uncertainty in the legal framework underpinning employee benefits. On the one hand, legislation, including fiscal regulation, promoted the involvement of the social partners in the design and provision of additional social insurance packages (integrative pension and healthcare programmes) during the 1990s and 2000s; on the other, the Tax Code still granted fiscal advantages to employee benefits but only if unilaterally provided by employers. Such legal uncertainty discouraged employers from exploring new opportunities to engage with employees at company level and recourse to employee benefits and productivity-related agreements remained limited until the late 2000s (Pavolini et al., 2013).

### The Recent Rise of ‘Company Welfare’ in Italy

Luxottica: pioneering employee benefits and a disputed paternalistic qualification

The 2008 financial crisis, followed by a public budget crisis in 2011, increased pressure on the welfare state, providing opportunities for private sources to fill the gap. In 2009, Luxottica, the world’s largest eyewear company, introduced an extensive employee benefits scheme for all its Italian plants once a trade unions-management joint governance committee ‘agreed an “Internal Quality Cost” index to make it possible to calculate savings made by improving the production process, and reallocate them to welfare projects’ (Maino & Mallone, 2012). This ‘company welfare’ scheme consisted of three kinds of benefits: ‘a Shopping Card with market value of about euro 110 to purchase food products manufactured by leading Italian brands’; ‘refund[s] for school and university textbooks’; ‘award merit-based scholarships’ for employees’ children; and health care insurance for employees and their families, including a maternity package (Luxottica, 2013).

In 2011, the company and local trade unions negotiated how to improve employees’ work-life balance and strengthened the welfare scheme with more ‘banked hours’, part-time working, the so-called ‘job-sharing in the family’ (for an employee and his/her spouse) and, in 2013, measures focused on young people (e.g. scholarship, career counselling, paid internships, international summer camps). There were also measures which Luxottica provided unilaterally to its employees (Mallone, 2013): the ‘Family Care’ scheme for employees in Milan (executives and white-collar staff), comprising flexible working time arrangements and on-demand babysit-

ting services; a free shuttle service and the building of a public nursery for workers in a rural area.

Considering Luxottica's ambitious programme of employee benefits as an expression of paternalistic work arrangements is, however, far from straightforward. Experts and practitioners alike draw similarities with the Olivetti case in the 1950s-1960s but do not frame such similarities in terms of paternalism: Luxottica's experience carries the risks of a 'company acting as a mother' (Ferrera, 2009) but is not – strictly speaking – paternalistic inasmuch as it does not offer employee benefits in terms of a 'gift' nor on a moral basis (Mallone, 2013). This aspect was indeed present in some traditional, industrial forms of paternalism, but as noted above, was already much diluted, if not entirely absent in later versions, either 'scientific', 'bureaucratic', 'sophisticated' or 'libertarian'. If the attribution of paternalism to actual practice, such as at Luxottica, proves to be controversial and disputed – confirming the complexity of the concept – instead, what this case manifests is the relevance of promotional fiscal policies for the diffusion of employee benefits. In fact, Luxottica demonstrated how to apply, confidently and strategically, fiscal advantages to the planning of employee benefits: part were given unilaterally, relying on the legal framework on social expenses deductible from taxable payroll ('detaxation') and part took advantage of reduced social contributions granted to productivity-related bonus pay negotiated with trade unions at the company level ('decontribution').

#### From employee benefits to welfare measures: the emerging debate on company welfare

The Luxottica case is a common starting point for conversations about the potential of employee benefits. To give a rough idea of how relevant this conversation has become in the last ten years, we report the number of hits that the Italian word '*welfare aziendale*' – literally 'company welfare' (Manzella, 2019) – recorded (in October 2019) on the most widely-used web search engine, Google: very few, but growing in the 2000s (75 in 2000; 194 in 2004; and 813 in 2008), skyrocketing in the 2010s (1,150 in 2010; 5,680 in 2014; and 33,100 in 2018). A key contributor to this emerging debate was an academic think-tank, '*Percorsi di Secondo Welfare*', created in 2011 in partnership with a mainstream newspaper, big players in finance, and companies like Luxottica. The think-tank focused on original welfare initiatives that regard employee benefits as well as other areas, such as education and training, employment, housing, health, social economy, and inclusion. What these initiatives share is that they are 'secondary' in three senses: temporal, they followed the welfare state architecture laid out in the golden age of welfare capitalism; functional, they were complementary to public provisions and meant to bridge any gaps and limitations; and financial, they depended upon additional, non-public, resources drawn from actors like 'private and occupational insurance funds, the social partners (often at the local/company level), territorial associations of various sorts, banks, founda-

tions, philanthropic subjects, and—last but not least—the asset-rich households’ (Ferrera & Maino, 2014: 6).

As many outputs inspired by the ‘second welfare’ perspective overlap with employee benefits, and potentially, features of paternalistic work regimes, there are two risks associated with the diffusion of ‘second welfare’ that resonate with some of the controversial features of paternalism illustrated earlier. One risk relates to the distributive implications since, ‘by its very nature, this kind of welfare tends to accentuate the segmentation of the labour market’ (Ferrera, 2013, p. 14). The other reflects the possible political consequences: ‘if the middle classes get used to having dedicated (and presumably high quality) social benefits before the welfare state has consolidated a decent and uniform network of services for all, building this network will become more and more difficult. America’s experience stands as proof of this, especially in the area of healthcare’ (Ferrera, 2013, p. 14). Knowing this, what makes ‘second welfare’ controversial is that the think-tank deliberately highlights only the positive, innovative cases, while seeming to overlook possible negative cases, abuses, and signs of distortion, leaving the impression of a partisan debate in the making.

Another relevant contribution in the debate about company welfare is a piece of research by the consultancy firm McKinsey (2013), which attempts a first estimation of the added value of employee benefits. Specifically, McKinsey argue there are four reasons why employee benefits are convenient to employers. First, companies, especially large ones, have market leverage, and sometimes, facilities (e.g. space for a nursery): they spend €100 and get employee benefits worth €125. Second, employee benefits bring an ‘intangible extra-value’ when tailored to employee needs (e.g. a nursery’s opening hours compatible with work hours and near the workplace). Employees tend to overestimate this ‘intangible extra-value’, perceiving benefits worth €125 as worth €170. Third, employee benefits improve work satisfaction and organizational well-being, measurable in a better engagement index (up to 30 %), and consequently, better performances. Fourth, company welfare can have a positive impact on productivity, demonstrated – according to McKinsey’s estimates – by a 15 % reduction of days off (up to €1,350 p.a.), a 5 % increase of extra-work (up to €1,600 p.a. or 30 minutes on top of a regular 8-hour shift) and 1.6 months shorter maternity leave (up to €1,200). Finally, it is worth mentioning that McKinsey’s research does not make any reference to the fiscal advantages reserved to employee benefits, reflecting the above-mentioned uncertainty of the relevant legal framework in 2013. This uncertainty was to end with the election of a government formed by a broad party coalition and led by the then secretary of the centre-left Democratic Party, Matteo Renzi, as illustrated in the next section.

From good practice for the fringe to expected practice for all: fiscal policies and the boost to company welfare

Renzi's government was moved by the idea that employee benefits were more than a tool to attract and retain highly sought after or senior employees and had instead the potential to create the conditions, especially if underpinned by local negotiations with trade unions, for cooperative employment relations and business productivity (Leonardi, 2018). Such a diffusion of company welfare would have a positive externality even for the broader social and economic context, an eventuality that, from the policymakers' perspective, deserved some form of fiscal promotion. To this end, the 2016 budget introduced three main innovative features. First, there was a broader definition of the benefits considered to be company welfare, and therefore, eligible for fiscal advantages. Second, the range of benefits that are deductible from the taxable payroll were extended to cover not just those offered voluntarily by employers, but also those negotiated with trade unions at the company level. Third, pay in company agreements resulting from productivity improvements could now be converted into non-monetary welfare benefits, completely exempt from tax, unlike bonus payments in cash which attracted a 10 % tax. However, thresholds applied: bonus pay could not exceed €2,000 (€2,500 if set up by a joint committee) and the recipient could not earn more than €50,000 per year.

In 2017, the government widened these two thresholds (bonus pay up to €3,000 – €4,000 if set up by a joint committee – for recipient's earning less than €80,000 per year) and extended the framework on employee benefits to the public sector, so far excluded. It also broadened the types of employee benefits subject to these fiscal advantages (integrative pension and health insurance schemes) and clarified that welfare provisions defined by national sector agreements would enjoy the same fiscal advantages. Figure 1 reports a summary of the advantages, in terms of taxes (by individuals earning €15,000–€28,000) and social contributions (from the national social welfare institution) of company welfare as compared to the two main alternatives, a bonus pay in cash and a pay rise. The resulting differences are in line with figures provided by the main company welfare providers on their websites<sup>1</sup> – presuming €10 is paid out to the employee, a 'cash' solution in the form of pay rise would cost the company €14 and result in €6 of net income (about €13 and €8, respectively, for a bonus pay), whereas the 'welfare benefit' solution would cost the company €10 and also result in €10 of expendable welfare benefits, therefore, without any tax wedge.

1 See, for instance: <https://www.edenred.it/welfare-aziendale/blog/leggi-normative-welfare-contributi-del-welfare-aziendale/> and <https://www.cdinsurance.it/benefici-fiscali-welfare/> (both retrieved 16.11.2020)



**Figure 1. Fiscal treatment of three forms of extra payment (€100 worth)**

	Company Welfare	Bonus Pay	Pay Rise
Total Cost	<b>100</b>	<b>133.6</b>	<b>140</b>
<b>Employer</b>			
- <i>Deferred Salary</i>	0	(6.4) (optional)	6.4
- <i>Contributions</i>	0	33.6	33.6
- <i>Contributions</i>	0	9.2	9.2
<b>Employee</b>			
- <i>Tax</i>	0	10	27
Net	<b>100</b>	<b>80.8</b>	<b>63.8</b>
<b>Fiscal burden</b>	0	52.8	76.2

Thanks to these fiscal advantages, the diffusion of company welfare provisions has been tremendous: the number of companies without any welfare initiative reduced from 18.4 % in 2016 to 7.6 % in 2019, while the number of companies with at least five welfare initiatives grew from 26.2 % to 44.6 %. In addition, the number of company agreements containing welfare provisions grew from 10 % in 2013 to 20 % in 2016 (Welfare Index PMI, 2019, p. 13). This growth saw a multiplication of welfare providers, typically based on digital platforms and ranging from start-ups and social cooperatives to major national financial organisations and multinational companies (Razetti & Santoni, 2019). In 2017, some of the most relevant amongst them, created an interest organization, the *'Associazione Italiana Welfare Aziendale'* (AIWA), whose stated mission is to inform business organizations about the potential of employee benefits and to transform the current employment relations culture in Italy accordingly, that is, along collaborative and cooperative lines. The rationale, which fits well into HRM discourse (Dulebohn et al., 2009; Laundon et al., 2019), is based on the synergies between employee satisfaction, engagement and performance, as echoed in a motto used by AIWA: 'being happy at work really makes people more productive!'

Overall, the dynamics here at play – tax breaks creating business opportunities leading to a new industry – constitute a straightforward expression of the marketization of employee benefits and paternalistic work regimes in the making. Company welfare, in fact, reproduces the well-known traditional traits, controversies and ambiguities underlying paternalism, albeit in its contemporary, 'libertarian' version (Thaler & Sunstein, 2005). Company welfare preserves, if not widens, freedom of choice (that is, the set of welfare benefits available to employees), and at the same time steers, or more accurately, nudges employees, through the use of fiscal incentives, in directions that are supposed to promote their welfare. Once we define company welfare in terms of libertarian paternalism, we must also apply those criticisms made of it, mostly based on ethical considerations, that were discussed above. Company welfare must: 1) be transparent; 2) make decisions that are easy to opt-out of; and 3) nudge with people's best interests in mind (Neilson, 2019). We argue that

company welfare fails on these ethical criteria and that ‘market paternalism’ offers a sharper explanation for this. To support this argument, in the next section we examine the totality of costs and benefits underlying company welfare, uncovering some contradictions and flaws behind its justification.

### ‘Company welfare’ as a nudge towards ‘market paternalism’?

Discussions about the costs and benefits of company welfare often remain superficial, stressing benefits only from a business perspective. These benefits are of two kinds: first, company welfare triggers a virtuous circle between employee wellbeing and business productivity (as seen above in McKinsey’s analysis); and second, company welfare is fiscally convenient (as seen in Figure 1). The two, however, imply a contradiction: why is there a need for fiscal incentives to company welfare if there is already a business case for it? The only logical answer confirms the presence of paternalism, but casts doubts on its ethics: fiscal incentives make sense if they nudge employers and employees towards what is best for them, which assumes that the advocates of company welfare know best. A focus on the costs behind company welfare, however, proves how wrong this assumption is, in at least two ways: the first regards employers and employees, the second tax-paying citizens.

First, a relevant gap in existing analyses relates to how profitable the marketization of welfare benefits really is for business when the fees that welfare providers charge to companies for their consultancy work surrounding the preparation, implementation and monitoring of welfare services are taken into consideration. On the basis of documents setting out details of a commercial partnership between an employers’ organization and one of the most prevalent welfare providers, it was discovered that it costs between €2,000 and €3,500 to set up a company welfare programme on a digital platform, the maintenance cost of which ranges from €1,000 to €2,000 a year, plus a yearly fee equivalent to 4.8 % of the budget allocated to the welfare programme, reduced to 3.6 % for larger budgets. If instead, welfare benefits are defined by a collective agreement at the national industry level, fees are 7 % for a one-year partnership and 5 % for a three-year partnership. These prices are reserved to members of employers’ organizations and are some 20 %-30 % lower than the market price. Very little attention is then paid to the costs from the perspectives of employees. In fact, the fiscal advantages for employees are partly countered by hidden losses, such as those related to a smaller sum for deferred salary and social contributions, that is their future pensions, as well removing the ability to deduct out-of-pocket social expenses from their taxable income. On both fronts, the debate on company welfare displays little transparency and nudges employees towards short-termism, far from their best interests. This type of fiscal welfare – in theory beneficial to private actors in general, citizens included – *de facto* aims at private companies accounts and, as such, approximates corporate welfare (Farnsworth, 2013).

Second, the real cost of company welfare for the collectivity is still uncertain and authoritative sources provide very different estimates (€810 million a year, according to the newspaper *Repubblica*; €100–150 million a year according to the academic think-tank '*Secondo Welfare*'). Nevertheless, two facts are certain and, on their basis, we offer a provisional assessment of the recent diffusion of company welfare in Italy. First, the 2016 Budget Law had to specify the financial coverage for the new fiscal advantages granted to employee benefits and established that about €320 million a year were drawn from a general social fund on employment, '*Fondo per l'occupazione*' (Mallone, 2016), therefore depriving the welfare state of already scarce resources. Second, the evidence so far available on the diffusion of company welfare reports wide imbalances in terms of geographical area, sector, and company size, resulting in the concentration of these provisions in the Northern part of the country (especially in the Lombardy Region), manufacturing (especially the metal sector) and larger enterprises (Razetti & Santoni, 2019), eventually reproducing chronic inequalities in economic and social developments in Italy (Pizzuti, 2019). When these facts are considered, alongside the evidence on the drivers for and functioning of company welfare schemes, the type of changes become clear; they expand what outlined by leading researchers in employment relations and welfare studies in terms of 'transformative potential' (Sacchi, 2018: 41) and 'paradigm shift' (Colombo & Regalia, 2016).

Specifically, our assessment is more critical than that of the mainstream which tends to focus on carefully selected best practices, often alongside other types of welfare initiatives (such as social enterprises, philanthropical, community-based organizations, or multi-stakeholder networks) (Leonardi, 2018; Maino & Razetti, 2019). Instead, we develop those insights that highlight the 'neoliberal' nature of the policy-making behind the approval of fiscal incentives to company welfare (Mallone et al., 2019, 62–63), and more generally, point to the 'disintermediation' approach to employment relations behind most of Renzi's reforms (Tassinari, 2019, p. 179–185). In so doing, we note that trade unions have been increasingly involved in the negotiation of company welfare plans, especially following the 2017 contract renewal for the metal sector, which required employers to provide employees with 'flexible welfare benefits' to the value of €100 for 2017, €150 for 2018, and €200 for 2019. How and to what extent trade union involvement will affect the diffusion of company welfare in Italy constitutes a research avenue to be explored in the near future and discussed comparatively, taking account of what has occurred in the US since the 1980s, namely, the union avoidance dynamics that private welfare sets in motion (Olson, 2019).

## Conclusion

This article advances our understanding of paternalistic work regimes in two ways, one based on theoretical reflection, the other on empirical examination. Theoreti-

cally, we evaluate the concept of paternalism, currently overlooked by academic debates on employee benefits, especially in employment relations, as if reminiscent of a past era (Greene et al., 2001; Holmqvist & Maravelias 2018). We compiled a far from exhaustive review of the literature on paternalistic work regimes, appreciating historical and contemporary features. This encouraged us to enlarge the analysis of work regimes beyond the organizational level and offer a compass to navigate the ambiguities surrounding paternalism across its transformations over time (Thompson 1978; Swenson 2002). Different types of paternalism have been examined -industrial, scientific, bureaucratic, sophisticated, and recently, the libertarian (Purcell, 1987; Ackers, 1998; Jacobi, 1998; Kaufman, 2001; Thaler & Sunstein 2005). We have then used paternalism in conjunction with another trend affecting work and welfare regimes, the marketization of employee benefits and the fiscal welfare measures, somewhat approximating corporate welfare, supporting it (Djelic, 2006; Farnsworth, 2013; Greer & Doellgast, 2017; Morel et al., 2018). Uniquely, we have argued that paternalism and marketization combine and drive profound changes in contemporary work regimes. These changes are interpreted as expressions of 'market paternalism', a neologism that acknowledges the tension between market regulation and paternalism – a tension in the background of key theories on past forms of paternalism – and then resolves it by appreciating their functions and the circumstances in which present paternalistic work regimes are reproduced.

Empirically, this article tracks a trajectory of employee benefits in Italy, reviewing their historical role in paternalistic work regimes and then elucidating the recent diffusion of company welfare. We discussed key features, ambiguities, and controversies of paternalism over time, from their early manifestations in company towns like Crespi d'Adda and Larderello (Ciuffetti, 2004) to the adaptations incurred during the Fascist dictatorship (Guiotto, 1979; Benenati, 2017). We acknowledged the challenges faced by paternalistic work regimes due to the emergence of universalistic welfare state measures, accounting for some remarkable exceptions in companies such as Bassetti, Olivetti and ENI (Grandi, 2014; Leonerdi, 2016; Battilani, 2017; Agnoletto, 2019). We then observed that, with the move towards HR in the 1980s, the provision of employee benefits became, also thanks to fiscal incentives, a tool to attract and retain top professionals or senior executives and promote – for critical observers, instil in a rather manipulative manner – a cooperative attitude amongst staff (Wray, 1996; Ackers, 1998; Warren, 1999; Greene et al., 2001). In our reconstruction, private welfare gained new currency only after the 2008 crisis, with Luxottica standing out (Ferrera, 2009; Mallone, 2013). We presented the debate on the potential of renewed company welfare, with key roles played by '*Percorsi di Secondo Welfare*' (which mostly disseminated good practices) and McKinsey (which linked the financial benefits of company welfare provisions to better employee engagement, and eventually, productivity) and finally, we examined the recent diffusion of company welfare, underlining the central role played by fiscal advantages introduced by the Renzi government in 2015 and 2016. Although this move began with

the intention of promoting cooperative and participative industrial relations (Ferrera, 2014; Ferrera & Maino, 2014; Leonardi, 2018; Maino & Razetti, 2019), the more the process unfolded, the more other players came onto the scene, some of them acting as private welfare providers, arguably more interested in seizing a market opportunity than promoting general interests such as better working conditions and business productivity (Massagli et al., 2018; Mallone et al., 2019; Massagli, 2019; Razetti & Santoni, 2019). Essentially, by drawing a trajectory for employee benefits in Italy, we have demonstrated that company welfare is a lasting expression of paternalistic work regimes whose contemporary developments, relying on the marketization of employee benefits and the policies of fiscal welfare supporting it, can be defined as ‘market paternalism’.

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