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Bikes versus lease cars: the adoption, design and use of cafeteria systems in the Netherlands

Jos Benders, Lei Delsen and Jeroen Smits

Abstract In the 1990s, Dutch employers started adopting individualized pay systems, commonly called ‘cafeteria systems’. Reports on their use by employers and employees suggest a bewildering variety in their adoption, design and use (by employees). This paper presents an analytical framework to analyse this variety. We distinguish as the main explanatory factor whether there has been voluntary or coerced adoption. The latter refers to introduction as part of sectoral collective labour agreements. Different adoption drivers are argued to have consequences for the design and employee use of cafeteria systems.

Keywords Cafeteria systems; individualized pay systems; collective labour agreements; isomorphism.

Introduction

Individualized pay systems allow employees some degree of choice in their employment conditions. They may choose to sell a certain quantity of specific employment conditions (‘sources’) to buy others (‘goals’). In the Netherlands, such systems are known as ‘cafeteria systems’. As of roughly 1997, cafeteria systems (CSs) seem to have gained considerable popularity in the Netherlands. Van Sloten *et al.* reported on the basis of a nation-wide survey among employees, that 21.6 per cent of the respondents could make some choices in 2002. In 2004, this had grown to 38.6 per cent (Van Sloten *et al.*, 2005: 32).

A CS may be seen as a signal that an employer is up-to-date by offering employees individualized and customized reward packages. Choice-based employment conditions can boost an employer’s image. Being seen as a modern employer may help employers to gain a strong position in the labour market and thereby facilitate recruitment and help in retaining valued staff. Allowing certain choices tailors the reward package to meet diverse employee needs, and is thus an instrument for individualizing employment relationships.

Empirical research into the use of CSs is emerging. At a first glance, these indicate considerable differences in results. For instance, degrees of participation

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have been reported to be in between 'below 10 and over 98 per cent' of employees (Hillebrink *et al.*, 2004a: 15). At the national level the average participation rate increased from 13 per cent in 2002 to 19 per cent in 2004 of all employees covered (Van Sloten *et al.*, 2005: 32). In addition, there is a striking variety in CS design: as signalled in the title, some employers offer lease cars as an option, others bikes.

The question arises how reported differences in adoption, design and use can be explained? To answer this one needs a model to gain insights into the reasons for adopting a CS, what influences the design, and what outcomes may result in different situations. This paper aims to answer this question by developing a heuristic framework for main factors influencing three closely related aspects: the adoption, design, and use of CSs. As a starting point for our model, we discuss DiMaggio and Powell's (1983) work on organizational isomorphism. Organizational reasons to adopt a CS are thereby considered as giving in to external pressures. After briefly discussing individualized pay systems in general, we present our heuristic framework to explain the variety in adoption, design and use of CSs in the Netherlands. We go on to discuss how these three interrelated aspects have taken shape and work out how various factors in the Dutch national setting influenced this. In doing so, we draw on sources varying from a gamut of professional magazines to academic research. The paper ends in the conventional way: drawing conclusions and discussing implications.

Isomorphism in organizations: four pressures

DiMaggio and Powell (1983) pointed out that there are more reasons than purely economic ones why organizations are in many ways similar to each other. They argue that economic or 'competitive' reasons had already received considerable coverage in the literature. The argument is that organizations are pressured to adopt economically superior techniques and processes to avoid losing the competitive struggle with their competitors.

In addition to such economic pressures, DiMaggio and Powell introduce so-called 'institutional pressures' as reason for interorganizational similarities. They distinguish three forms of institutional pressures: 'mimetic', normative, and coercive pressures. Before outlining these, it should be noted that DiMaggio and Powell (1983) pointed out that their categorization is an analytical one, and that, empirically, drivers from several categories may be relevant at the same time. In other words, several pressures may simultaneously be behind the adoption of an administrative innovation.

Normative pressures may result from 'professionalization'. Some occupations, for instance chartered accountants, have succeeded in establishing organizations that control their profession by demarcating the field and setting enforceable norms to which professionals in the field have to comply.

Coercive forces result from: (a) other organizations upon which an organization is dependent; and (b) legal requirements and/or cultural expectations in the society in which an organization functions. Examples include the obligation for daughter companies to follow headquarters' policies and (most) collective labour agreements and legislation. In case of coercion, organizations have the option of non-observance or 'passive compliance' (Oliver, 1991): formally implementing the required phenomenon yet in such a fashion that employees are likely to find using it an unattractive option. In functionalist terms, this form of 'organizational hypocrisy' (Brunsson and Olsen, 1997) or organizational equivalence to Švejkism (Fleming and Sewell, 2002) may be beneficial to remain legitimate to the outside world while operations are hardly affected and can thus go on undisturbed.

Mimetic pressures concern standard responses to uncertainty. When facing uncertainties, decision makers often imitate the choices made in other organizations.

Implicitly or explicitly, managers then assume that appropriate responses have been made elsewhere, generally by leading competitors. If hallmark firms make a choice, this may simply be copied. Mimetic pressures can only occur later in the diffusion process: for imitation to take place there must be something to imitate. Especially when high-status organizations are known to be successful users (Westphal *et al.*, 1997) and a management idea turns into a ‘management fashion’ (Benders and van Veen, 2001; Huczynski, 1993; Watson, 1994) mimetic pressures are strong.

Cafeteria systems

Individualized pay systems offer employees options to exchange some employment conditions for others. They are known under various labels. In the USA, ‘flexible benefit plans’ appears most commonly used (Barringer and Milkovich, 1998; McCaffery, 2005; Shea, 1981) presumably because pension schemes and other ‘benefits’ are common choice options. In Western Europe, where these conditions tend to be arranged nationally in collective systems, ‘cafeteria approach’ has been used in the UK (IMS, 1992) and ‘cafeteria systems’ is the common term in Germany (Langemeyer, 1999) and the Netherlands.

The principle of cafeteria systems is simple. Employees are offered the right to periodically, for instance once per year, exchange certain items within the agreed package of employment conditions. Both sources and goals have a temporal and a financial (the latter including material manifestations such as PCs, bikes and lease cars) dimension. In principle, four possible options of employment conditions exchange can be distinguished as illustrated in Figure 1.

Reasoning from the basic trade-off between time and money, one can exchange time for wages, and wages for time. In addition, there may be reasons to postpone the payment of wages (for instance, for a pension) or days off (for instance, for a sabbatical and extended leaves).

National settings form the environment within which the adoption and the design, and therewith also the use, of cafeteria systems take place (cf. Cole, 1985): some choice options may not be needed or may not be feasible depending on national circumstances. For example, as only a minority of the population in the USA is covered by public medical insurance, flexible benefit plans play an important role in providing medical insurance to employees and their families. Under states with a regime of ‘welfare capitalism’, health and disability insurance, unemployment provisions and pension schemes tend to be (up to a certain level) compulsory. When the choice option ‘wage for wage’ (quadrant 1 of Figure 1) is included, it refers to such supplementary arrangements.

		Goal	
		Wage	Time
Source	Wage	1	2
	Time	4	3

Figure 1 Exchange options

Heuristic framework

For the purpose of understanding the differences in adoption, design and use of CS in the Netherlands, it is crucial to make an analytical distinction between two main categories of CS adopters: those subject to coercion in the form of sectoral collective labour agreements (CLAs) on the one hand, and on the other hand voluntary adopters. CLAs are negotiated between an organization (or its representatives) and its employees (or their representatives). In the case of sectoral CLAs these will be employers' association and unions, in case of organizational CLAs a works council may be the negotiating partner instead of one or more unions. However, in most cases the unions will be directly or indirectly represented in works councils as well. The organizations that we label 'voluntary adopters' are, as argued above, subject to competitive, normative and mimetic pressures.

The distinction between coerced and voluntary adoption is also relevant for CS-design: management can establish or negotiate an organization-level agreement for its own organization largely on its own terms, or in contrast, has to observe a higher-level CLA agreed on its behalf by its representatives. Another important difference is that CSs may be more easily abandoned in case of organizational-level arrangements.

Table 1 shows how these categories are assumed to be related to the (functionalist) goals organizations intend to achieve with CSs.

Various HRM-related goals have been advanced as competitive reasons to use a CS. Barringer and Milkovich (1998) point to the possibility of using a CS to increase one's image and attractiveness on the labour market so that organizations are in a better position than their competitors to recruit and retain scarce personnel. Other competitive reasons include improving employee motivation, enlarging employee satisfaction with their compensation package, stimulating employees' knowledge about their own employment conditions and adapting labour capacity to the demand for labour. Finally, in the US, cost containment in the form of saving on medical insurance costs maybe important (Barringer and Milkovich, 1998; Shea, 1981).

As shown in Table 1, organizations that are subject to a sectoral CLA (see below) may be subdivided into those who do and do not find a CS useful. In the first case, organizations may formulate other goals besides complying with CLA-requirements. In the latter case, the goal of having a CS is merely CLA-compliance. Avoidance strategies such as non-observance of the CLA-obligation or 'passive compliance' may occur.

Table 1 *Adoption pressures and organization goals*

	<i>Voluntary adoption</i>	<i>Coerced adoption</i>
Adoption pressures	Competitive, normative, mimetic	Coercion (through sectoral CLAs)
Felt useful?	Yes	No
Goals	1. Cope with labour market scarcities 2. Image of modern employer 3. Keep up with competition 4. Improve employee motivation and productivity	1. Non-observance 2. Passive compliance

Adopting cafeteria systems

In this section, we discuss how in the course of time various reasons have played a role in CS-adoption in the Netherlands. We first discuss the reasons for voluntary adoption, and then continue with coerced adoption.

Voluntary adoption: competitive reasons

An early Dutch advocate was Hk. Thierry, at the time professor of Work and Organization Psychology in Amsterdam (Huys and Brunel, 1980; Van der Molen, 1993). Another prominent propagator, R. Vinke, graduated on a feasibility study to implement a cafeteria plan at the Veghel plant of the US multinational Mars (1982). Apparently Mars decided not to implement the system, yet the first Dutch organization to use it was another American subsidiary, namely Dow Chemical at Terneuzen (1983). Yet despite promotion efforts during the 1980s (e.g. Vinke, 1986) cafeteria systems remained a marginal phenomenon until sometime in the 1990s. On 1 January 1992, the insurance company Centraal Beheer introduced its system 'CBSelect' in its (organizational) collective agreement (Van der Molen, 1993: 17) which was to become the best known Dutch case. The agreement at Centraal Beheer received considerable attention from other employers and the unions, and Centraal Beheer became a hallmark organization. In the first half of the 1990s individual choice options were also incorporated in collective agreements of other Dutch enterprises like Akzo, Wavin, Heineken, Vroom & Dreesman, and KBB. Many of these systems were initially aimed at senior staff (Huiskamp, 2004: 211). A key issue was the net effect on days-off: would more days be sold or bought? Employers feared the large-scale buying of extra days-off leading to capacity problems, while selling days undermines the unions' strategy of working time reduction (cf. below). In addition, unions doubted whether employees would really be free to choose (Van Uffelen, 2001: 23). An early result, reported in a business weekly in November 1992 (Vlaming, 1992), was that participants on average chose to sell extra days for the net equivalent of five full-time days. This moderate result may have cleared the way for further diffusion.

As of roughly 1995, in particular niches labour market scarcities started to occur in the Netherlands. Where these occurred, employers became concerned about securing sufficient labour capacity. Retaining existing staff and recruiting new personnel became crucial issues to cope with increasing demand, a tendency that came particularly to the fore in the IT-industry. Concerns about being an attractive employer and thus a competitive labour market partner became very strong in the late 1990s. IT-companies started pursuing a range of tactics to recruit and retain new staff, and the use of cafeteria systems was among these measures (Van den Brekel and Tijdens, 2000; Smit, 1999: 36; cf. Schippers, 2001: 17).

A rare quantitative indication of voluntary adoption is a survey showing that in October 1998, a CS was in place in over one-quarter of the medium-sized organizations, many of which are not subject to a CLA (reported in Smit, 1999: 38). This may, however, be partly due to 'CLA followers' (see below).

Over time, when more organizations within a field are CS-users, the fear of staying behind may play a role (Huiskamp *et al.*, 2002: 30; cf. Kiers, 2002: 14). The presence of a CS is not something to positively distinguish oneself, yet its absence may be seen as negative.

Voluntary adoption: normative and mimetic reasons

If Dutch personnel managers have actually come to regard CSs as being a characteristic of modern employership, normative (or 'professional') standards stimulating the

adoption of CSs have played a role in the diffusion of CSs. In the absence of systematic research into the driving forces behind the diffusion of CSs, the empirical evidence for the presence of normative, and mimetic, pressures is necessarily limited and anecdotal at best. The statement that individualization and accompanying decentralization is widely regarded as being more prominent than ten years ago, appears to be hardly contested. There seems to be a consensus in the public discourse about the desirability of these trends. However, an argument such as ‘the time is ripe’ for CSs is potentially tautological: the empirical evidence for this statement may be found in the presence of CSs, the occurrence of which may be explained ‘because the time is ripe’. Nevertheless, the social partners, personnel managers and other stakeholders seem to agree that CSs are beneficial for organizations (although possibly combined with a silent scepticism among opponents who may not find the topic important enough to raise their voices; cf. Boiral, 2003: 728–9; Walgenbach and Beck, 2003). This consensus entails the danger that CSs become ‘a hobby of the HRM-department’ (consultant Snuif in PW, 2003: 9).

The weekly *Intermediair* may have acted as a communication channel through which employers watch each other. Subscriptions to this magazine are free for graduates of universities and institutes for higher education until the age of 45. It is widely distributed and as such a highly visible outlet for employers to recruit staff (it has even been suggested that the magazine is a reliable indicator for the state of the Dutch economy). *Intermediair* publishes annual lists of the best Dutch employers to work for. At least as early as 2001 (Korteweg *et al.*, 2003: 24), the presence of choice options was included as a criterion to judge employers’ attractiveness. This may have been a factor stimulating employers to offer such choice options or even a complete CS, as it would affect their ranking and thus their visibility as an attractive employer. The following quote by a HR-manager (Bakker, 2002: 29) suggests that this may indeed play a role: ‘Almost one-third of our members is very much interested, an additional 60 per cent has a moderate interest. Research of *Intermediair* under the fifty best employers to work for showed that only three organizations did not have such a system.’

The members mentioned are members of the union VKHP, a company union for higher employees of KLM Royal Dutch Airlines. Its chairman wanted a CS to be included in the CLA negotiations starting in September 2002, whereas the company’s chief personnel officer was reluctant. The quote shows that organizations do not necessarily give in to mimetic pressures, but also that mimetic pressures to adopt a CS may arise from parties other than professional organizations and competitors.

To conclude, while some authors hint at the existence of mimetic (Langedijk, 1999: 27) and normative pressures, hard data about their importance do not exist to our knowledge. This does not mean, of course, that such pressures are irrelevant.

Coerced adoption through sectoral CLAs

Parallel to this, the CS came to be advanced as the ‘CLA à la carte’. CLAs hold for most Dutch employees. In 2001, 84 per cent of all Dutch employees were covered by a CLA (Korteweg *et al.*, 2003: 17–20). An important distinction for our purpose is between sectoral CLAs on the one hand, and organizational CLAs on the other. Sectoral CLAs generally hold for all organizations within a sector (unless an organizational CLA is in effect). The word ‘generally’ refers to the fact that sectoral CLAs are normally declared to be ‘collectively binding’: the Minister of Social Affairs and Employment has the authority to let the CLA hold for all organizations within the sector covered by the CLA, even if they are not members of the organization(s) negotiating the CLA. Sectoral CLAs cover the large majority of Dutch employees.

In 2003, there were 231 sectoral CLAs representing 81 per cent of all covered employees and 836 organizational CLAs covering 19 per cent of employees. This comes down to 24,052 employees per sectoral CLA and 1,545 employees per organizational CLA (Delsen and Poutsma, 2005: 182).

There is no complete overview about how many organizations and employees are subject to a CLA à la carte. Some studies contain good indications, however. In September 2002, 182 out of the 1,078 CLAs registered in the union FNV's database contained an agreement about CSs. For 26 of these it was not known for how many persons they held, but the remaining 156 covered 1.52 million employees or almost 30 per cent of all employees covered by a CLA (Korteweg *et al.*, 2003: 26). Using the same database, Tijdens and Van Klaveren (2004: 76) report that 26 per cent of the most recently negotiated CLAs contained 'one or more elements' of the CLA à la carte, meaning that at least one choice option is included. Hillebrink *et al.* provide a full list of CLAs 'with à la carte deals' (2004a: 25–8) based on the same FNV database, which was consulted on 19 January 2004. They list 216 CLAs, of which 32 are sectoral and 184 organizational CLAs. In 2004 57 per cent of the CLAs contained choice options, representing 50 per cent of the employees covered by CLAs (Van Sloten *et al.*, 2005: 31). Because (1) the vast majority of Dutch employees are covered by a CLA and (2) of these employees, about four out of five are covered by a sectoral rather than an organizational CLA, it seems reasonable to assume that coercion through sectoral CLAs is the most important adoption reason for Dutch CSs.

Unsurprisingly, there are only a few indications for non-observance. This was reported among municipalities: one-third out of a sample of 99 cases did not have a CS about half a year after it should have been introduced according to the CLA (Aaneen, 2000: 19). This suggests a relative large minority of organizations have not (yet?) complied with this CLA-obligation.

As a final remark and in contrast to non-observance, there may be a collective benefit in including a CS in sectoral CLAs. If unions plea in favour of a CS, it may be used as an alternative for wage increases, and hence imply wage-cost containment. This might also induce organizations not subject to a CLA to comply with it as well: so-called 'CLA-followers' may decide to observe CLAs voluntarily. Such mimetic behaviour may be rational to 'keep the peace' within an organization and/or to economize on negotiations.

CS design

Adoption reasons are closely related to CS design. In case of coerced adoption, union policies are reflected in CS design. These union policies must be seen in the context of industrial relations at the national level. National policies (which are often but not necessarily agreed upon between the social partners: the government, employers' associations and unions) affect CS design. This is particularly relevant for the incorporation of specific choice options, i.e. particular sources and goals, and the quantities (upper limits) of sources and goals to be exchanged. Obviously, the influence of union policies comes to the fore most strongly in the case of coerced adoption.

The Dutch setting and CS design

As regards the first quadrant of Figure 1, 'wage for wage', two forms of payment in kind are of particular importance in the Netherlands: the purchase of PCs and bikes. These have long been stimulated fiscally. So-called 'PC privé'-plans were set up to increase computer skills among the population. The fiscal policy to stimulate the purchase of bikes fits into environmental policies to reduce traffic by car. In both cases, the purchase

is up to a certain maximum deductible from the income tax. Employees using this option may be seen as enjoying a higher net income with the same gross income. Especially the purchase of PCs seems a popular option in many organizations. The existence of fiscally stimulated options is of course subject to changes in government policy. In August 2004, PCs suddenly became no longer tax deductible.

As an aside, it has been proposed that a dating service might be offered (PW, 2004). The proposal is unlikely to be accepted, yet nicely illustrates the malleability of cafeteria systems.

'Wage for time' (quadrant 2) means buying additional days-off. These may either be taken immediately or saved for a future extended leave period such as a sabbatical, parental leave and/or educational leave. The option 'time for time' (quadrant 3) refers to saving days for such future leaves.

Quadrant four, exchanging 'time for money', needs some further explanation. An important source are days-offs. After the Accord of Wassenaar ended in 1982, collective working time reduction (WTR) became an important tool to fight unemployment (Delsen, 2002). In two successive rounds, the standard working week stipulated in most CLAs was reduced from 40 to 38 (period 1982–5) and 38 to 36 hours (1994–7) per week. To avoid shorter operating hours, WTR is most often realized via additional days-off, so-called 'WTR-days'. Employees may have the possibility to save WTR-days, generally up to a certain limit. In cases where the stipulated standard working week is 36 hours, some employees actually work 40 hours and they are free to take WTR-days at their discretion, full-time staff have between 40 and 45 days-off per annum (20 or more compulsory holidays supplemented with WTR-days). Employees in salaried positions, especially, build up reservoirs of days-off, which in practice are often partially or wholly unused. These have become known as 'leave lakes'. The views on how to deal with these leave lakes differ between parties and even between unions.

An important factor influencing employees' wishes to sell or buy days is the length of their contractual working weeks. A standard working week of 40 hours, as is not unusual in sectors not covered by CLAs, may lead employees to opt for additional days-off. In contrast, a CLA-arranged working week of 36 hours with many WTR-days leads generally to almost two months free time per annum, which many people find too much (hence the emergence of leave lakes).

As far as time as a goal is concerned, an impediment to buying additional leisure time lies in potential scheduling problems. HRM consultant Van den Brink (2002) stated that these prevent many organizations from adopting a CS. An alternative is that not all requests are honoured. However, this may create inequality between hourly and salaried staff leading to internal frictions. Another alternative is to oblige employees to reconsider their choices if the collective result of their choices is that capacity problems are to be expected (Smit, 1999: 39).

Coerced adoption via sectoral CLAs

Relevant in CLAs is whether or not a CS is prescribed and if so, the level of detail of this agreement. The issue is to what extent covered organizations still have organization-specific design space left in the sense of goals and sources included. In case of more general agreements, organizations have much more latitude than when the CS-agreements are specified in detail. For instance, there are constraints to the number of days employees are allowed to sell or buy, with five being a popular number (Tijdens and van Klaveren, 2004: 77–8). This constraint has to do with an important goal: selling days-off. The origin of CSs as part of CLAs actually lies in this option. Salaried staff

often do not fully use their WTR-days, which led the union for higher personnel VHP to advocate the 'flexible CLA' as of 1992 (Vlaming, 1992: 46). The union saw this as an opportunity to empty leave lakes for this term: salaried employees who do not use their WTR-days could now cash in these days, in effect realizing a wage rise instead of working shorter. Yet most other unions are against this: selling WTR-days is clearly at odds with their policies to fight unemployment by redistributing work. The dominating union federation FNV particularly saw this option as affecting societal solidarity. In the terms of journalist Smit, given the freedom to choose, the 'more traditional' unions FNV and CNV questioned whether 'employees make wise choices' (1999: 41). After debates in the second half of the 1990s, many FNV unions changed their position. CSs came to be allowed or even favoured as part of unions' policies to decentralize collective bargaining to allow for 'tailor-made' CLAs. In addition, increasing employee participation, in this case by allowing stronger employee influence on individual employment conditions, has been a traditional union desideratum. Yet the unions are vividly aware of the potential conflict between both policies. Among the conditions that the influential union FNV Bondgenoten posed is that individual choices may not lead to a loss of employment. Periodic evaluations are to be used to follow what choices have been made. When employees turn out to have sold more days than bought, the possibilities for selling days are 'to be (temporarily) eliminated or minimized' (Hillebrink *et al.*, 2004a: 6).

Research among 12 organizations covered by a sectoral CLA (van Bruggen and Wildekamp, 2004; Verhoog and Levert, 2004) shows that functional goals are hardly ever specified: the à la carte-systems are primarily implemented to comply with CLA-obligations and there are hardly any attempts to combine this compliance with functional-rational goals. Furthermore, the organizations tended to have little insight into the uses and benefits, and the costs of their systems.

As mentioned when discussing Table 1, in case of coercion, there is always the possibility of passive compliance (van Putten and Thierry, 2000: 20). Organizations may decide to spend little resources on communicating the CS, and/or include options which employees will find hardly attractive. In this case, the goal is to comply with a CLA-obligation at minimal costs. A possibility for doing so lies in incorporating existing choice options into the 'new' CS: for a long time, many organizations have offered their employees the possibility to buy PCs and/or participation in savings schemes (Delsen *et al.*, 2006; Huiskamp, 2004). According to journalist Kiers, his 'tour' of a few large employers in the elderly care sector, where the CLA à la carte was introduced in 2000, showed that they tended to have a minimal system, realizing only those possibilities which are easy to organize such as a PC-plan, purchasing bikes and savings options (2002: 12). A personnel officer pointed out that such options already existed before introducing the system. For another organization, this was the very reason why it had not yet formally implemented a scheme.

Voluntary adoption

When organizations are free to adopt and design a CS of their own choice or when they find the CLA-obligation useful, the stipulated goals to be reached by their CSs all assume active employee participation (or in case of non-participation at the least a positive appreciation of being offered choice options). This requires communication schemes so that employees are informed about the scheme, and options that are attractive in the eyes of the beholding employees. A clear example of such a goal may be found in the IT-sector: employees are often provided with lease cars, which is a highly valued employment condition, especially among newly recruited graduates. Several companies

offer the option of upgrading the class of lease cars as part of a CS (Van den Brink, 2002; Fraterman, 1999: 42; Vahl, 2001: 23). Mimicry is likely to have occurred here, as not offering this option may have led the scarce and highly demanded young graduates to scrap an organization from its potential employers. Unions and works councils have little influence in the IT-sector (Van Liempt, 2002), but are unlikely to be proponents of including the upgrading option. Lease cars may be an option that is specific to the IT-sector, yet hardly ever occurs elsewhere. Bikes, to the contrary, appear to be an often included goal. This is probably particularly the case in organizations of which a considerable number of employees lives close-by. Examples include hospitals (Verhoog and Levert, 2004) and universities (Delsen *et al.*, 2006).

Participation degrees

There are substantial differences in degree of participation, here understood as the percentage of employees who choose to alter (part of their) standard employment conditions. As referred to in the introduction, Hillebrink *et al.* (2004a: 15) mention 'in between less than 10 to 98 per cent where participation is compulsory'. Practically however, most participation rates seem to be in the range of 20 to 45 per cent of potential participants. The highest reported degree in the case of voluntary participation appears to be 80 per cent in the case of consulting firm CapGemini Ernst & Young. As early as 1987, this firm offered a choice option (a more expensive or larger lease car in exchange for wage). The options were elaborated, resulting into a full-fledged and extensive model in 1995 (Vahl, 2001: 23). This high use may have to do with the consultancy trying to be attractive for employees. At the insurance company Achmea, the high participation rate of 82 per cent in Achmea Select can be explained by the fact that about 50 per cent of the employees make passive choices: they only participate in popular fiscally facilitated savings schemes. They would also have participated in these schemes if the cafeteria system was not introduced (Huiskamp, 2004: 208). Hence, passive compliance may result in high participation rates. In case of a sectoral CLA, the highest degree of participation may be 46 per cent, found in a survey conducted among employees of an anonymous Dutch university (Hillebrink *et al.*, 2004b: 55). The authors point out, however, that CS participants are more likely to have taken part in the survey as well, so that the 46 per cent is probably higher than the actual participation rate. Based on actual participation data at Radboud University Nijmegen, Delsen *et al.* (2006) found between 17 and 24 per cent for three different years. Dutch civil servants all use a central system, but in 2002 participation rates varied between ministries from 13.3 per cent (Justice) to 53.6 per cent (Internal Affairs) with an average of 31.9 per cent (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties, 2003: 26). In an early study, Langedijk (1999: 26) mentions that it lies 'generally in between 20 and 40 per cent'. At the low end, 10 per cent among employees of municipalities in 2000 (Aaneen, 2000) and 'a handful' in higher education in 2004 (Magnée, 2004) have been reported. In a survey among 2,500 Dutch employees conducted in 2002, Rojer and Van Rij (2004: 21) found that about 20 per cent of employees have the option to choose à la carte, but that less than 5 per cent actually use this option. This suggests a participation of less than 25 per cent for those who can choose. In a representative study with 8,093 respondents, Korteweg *et al.* (2003: 29) found that some 3 per cent of Dutch employees made choices as part of a CS in 2002. The authors found this 'unexpectedly low' given their earlier estimate that in the same year about 30 per cent of Dutch employees had the possibility to choose. In other words, it suggests an average participation degree of about 10 per cent for those who can choose, which is substantially lower than what Rojer and Van Rij (2004) found.

Van Sloten *et al.* finally reported that 13 per cent of those eligible to choose actually made in choice in 2002. By 2004, this had risen to 19 per cent (2005: 32).

While low participation degrees appear not uncommon when a CS has recently been introduced, Snuif (2003: 47) wrote that employers should not be disappointed if participation is only 15 per cent (cf. Van der Drift, 1996: 25). The above discussion suggests that participation degrees will remain limited. While the studies cited have widely varying designs, the results are fairly consistent: it is exceptional if more than a large minority takes part. Apparently, the majority of employees who can take part do not exercise the option. Further research is needed into the reasons for this moderate participation. A low awareness of the existence of a CS within an organization would be one such reason. A more prominent one is the probability that most employees find the benefits to be gained insufficiently attractive to spend time and effort in making a choice.

Given the low participation and the rising unemployment as of about 2001, the argument that CSs are needed or even helpful to retain existing staff or recruit new personnel is in any case untenable. Intriguingly, in a study among ten organizations it was found that more employees resigned in organizations using a CS (Banens and Westervelt, 2002). In addition, none of them had experienced a clear improvement of its labour market position through using a CS. The main effects were increased employee knowledge about their employment conditions and higher employee satisfaction with their employment conditions than in organizations without a CS.

Conclusions and discussion

This paper set out to understand the inter-organizational differences in adoption, design and use of cafeteria systems in the Netherlands through a heuristic framework, which distinguishes in the first place between (1) coerced adoption in the form of a sectoral CLA on the one hand and on the other hand voluntary adoption, and (2) organizations with organization-specific arrangements. The design, i.e. the choice options included and specifications regarding possible exchanges, may or may not be influenced by union policies. Participation rates depend on the extent to which employees find the options included attractive.

The main driving force for the diffusion of CSs in the Netherlands is coercion through sectoral CLAs. As these are closed with employee representatives, union policies have a quintessential role in the design of CSs and therewith participation rates. After Centraal Beheer pioneered using a CS as of 1992 and got positive publicity for it, other large companies started following suit. Labour market scarcities played a role in the further diffusion, with IT-companies offering attractive choice options as prominent and highly visible adopters. This led to mimetic and normative pressures, although it seems impossible to substantiate their relative importance. Nevertheless, it seems safe to state that coercive reasons have become a relatively important driver behind CS adoption. Consequently, CS-users ought to reflect well on what they aim to achieve with their systems. Goals range from functional reasons such as increasing employee commitment and satisfaction and improving one's labour market status on the one hand, to mere CLA compliance on the other. There is sufficient reason for scepticism about the economic rationality of the exposed policies. Participation rates tend to range between 20 and 40 per cent. This casts doubts on how desirable employees find having a CS and what that means for an organization's position on the labour market.

Despite the apparent limited success of CSs, they may not be easily discarded. Once a system is in place, investments have been made and parties committed themselves, it may stay in place or become 'entrenched' (Zeitz *et al.*, 1999). However, the picture is not

one of complete rigidity: the choice options may be reviewed and are occasionally adapted. A drastic change occurred when the Dutch government suddenly abandoned the fiscal deductibility of PCs in the summer of 2004. The impact of the elimination of this rather popular option on participation rates is yet to be established but it will surely not be positive. Some organizations also eliminate options that are either hardly used or, in contrast and rather ironically, popular and therefore too costly (see, e.g., Delsen *et al.*, 2006). While there is thus some dynamic in the application of CSs, for the moment they primarily concern system design.

A lesson for managers to be drawn from these developments is that periodic assessments of the benefits and costs of CSs would be appropriate. However, current praxis indicates that this rather mundane prescription is hardly followed. Unions may draw lessons too. The main Dutch union FNV, and in its wake the CNV, are in a difficult position, balancing between stimulating employee choice and sustaining working time reduction. Ironically, the current position that if the option of selling WTR-days gets too popular it should be curtailed, is equivalent to the 'double bind of discretion' (Sewell, 1998) for which unions sometimes criticize managers: employee discretion is OK, but it should be used as managers desire. At the moment, these unions let the unemployment issue prevail over fostering employee participation (cynics could point to a parallel with unions criticizing managers for not really granting decision-making power to their employees). It may be better to opt for either one position or abandon CLA à la carte all together.

Future cross-national research may start from our heuristic framework to analyse the forces at work in the diffusion, design and use of CSs. The Dutch developments differ substantially from those that led Barringer and Milkovich (1998) to develop their model on 'flexible benefit plans'. Their discussion was informed by the situation in the US, where social security is less developed than is typically the case in many European countries. Consequently, in the US many 'benefits' have been included in individualized pay systems and this option may be a US idiosyncrasy. The benefits offered may be either superfluous or at best additions to existing systems under 'welfare capitalism'. The adoption, design and also evolution of individualized pay systems is subject to system and societal effects (Cole, 1985; Smith and Meiksins, 1995) which warrant further empirical work.

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