



International
Labour
Office
Geneva

The revenues of European employers' organizations

Short survey on current policies and practices

ACT/EMP N° 52





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■ Foreword

While employers' organizations (EOs) are non-profit organizations, they nevertheless need regular and sufficient revenue to promote their members' interests and to finance services and activities. Financial self-sustainability is also the condition and the guarantee of independence.

Generating revenue is an ongoing challenge requiring consideration of sometimes complex questions.

The present short survey thus addresses a very topical issue.

Let me emphasize one particular aspect: the sources of revenue. The results of the survey are very reassuring in this respect, as European EOs recognize the need for the major part of their revenue to come from members. This is important, as it is the only way in which:

- EOs remain independent from external influence, which is a precondition for them to function as true voices of their members;
- EOs remain responsive to the needs of their members and withstand the temptation to get involved in matters which are not or only vaguely related to their mandate.

EOs may find this survey useful in reflecting on their policies and practice. Any further information and feedback from EOs would be welcome and may lead to more in-depth examination of particular aspects of the subject matter. As the short survey focuses on European EOs only, there may also be interest for similar research in other regions.

The Bureau for Employers' Activities (ACT/EMP) wishes to put on record its sincere appreciation for the contribution made by EOs and their representatives. Without the pertinent information provided by them this short survey would not have been possible.

Thanks also go to the author of this short survey, Mr Christian Hess, as well as to Ms Fran Lavigne, who was very helpful in collecting and analysing the information.

Jean-François Retournard
Director, ACT/EMP

■ Introduction

The present short survey on revenues responds to needs for guidance on this subject expressed by employers' organizations (EOs) in Central and Eastern European countries. Given the sensitivity of the question there is very little published material available.

To help fill this gap, ACT/EMP has recently published a hands-on guide for EOs on *Revenue building*.¹ It is designed to provide practical help to EO executives, directors and managers in dealing with the revenue issue.

The present short survey complements this hand-on guide by shedding some light on current revenue policies and practices in EOs in **Europe**. While it focuses on membership dues and fees for extra services as the two major sources of revenue, it also deals with less common sources of income, as well as with the question of whether membership fees are liable to tax. The survey shows to what extent European EO revenue policies and practices are influenced by the EOs' particular functions, the economic situation, the needs and attitudes of their members, the regulatory environment in individual countries and ongoing changes.

While mainly addressed to EOs in Europe, the survey may also be relevant to EOs in other parts of the world. They may be interested in comparing their own revenue policies and practices with those described in this report and, as a result, may review them in the light of new tendencies, considering approaches and motives described by the EOs which took part in the survey.

The short survey is based on two sources of information: **a)** replies to a questionnaire on EO revenues; **b)** additional information gained from interviews with representatives from the same EOs.

■ The **questionnaire** was sent to EOs in 24 European countries in Europe, mainly in Western Europe. A total of **27 replies** from EOs in **18 countries** (Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, France, Germany, Ireland, Luxemburg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK) were received. Replies from more than one EO were sent from Netherlands, Norway, Portugal and Turkey. Most respondents were sectoral organizations (chemicals; electronics; food and drink; furniture and wood-working; glass; hotels and tourism; information and telecommunications; media and information; metal-processing; services; pharmaceuticals, public employers), a few were cross-sectoral. The questionnaire was addressed to EOs with **direct** enterprise membership, hence not to confederations/federations of employers' associations. The main reason for focusing on this particular group of EOs was to have a common basis for comparison – EOs with direct company membership exist in all European countries whereas federations/confederations may not exist in smaller countries. Moreover, the revenue situation of EOs at the interface with the world of enterprise is of particular interest, as such EOs have to convince *enterprises* of their value added and their usefulness. They have to do this virtually on a daily basis, so as to justify their demand for financial contributions.

■ In addition to replies to the questionnaire, interviews were held with representatives from most responding EOs in order to obtain clarifications and additional information.

The short survey follows the structure of the questionnaire. It contains, for each question

■ a **summary of replies**

■ **conclusions**.

In view of the sensitivity of the issue, the results do not mention the names of participating EOs.

Christian Hess
ACT/EMP

¹ This guide is one of a set of four published as: The effective employers' organization – A series of "hands-on" guides to building and managing effective employers' organizations, ACT/EMP publication No. 44, Geneva, 2005.

1)

Revenue structure and policy

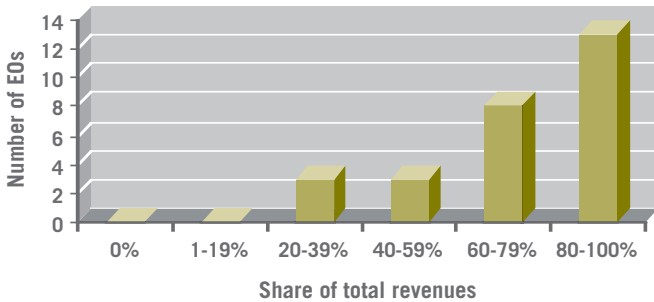
a)

**What is the structure of your EO's revenues?
Please indicate the (average) shares amongst sources of revenues:**

- Membership fees: %
 - Fees for extra services (not covered by membership fees): %
 - Regular revenues (including in-kind) from other sources:
 - Technical cooperation project funds %
 - Donations %
 - Subsidies/privileges provided by the state %
 - Interests %
 - Others %
-
- 100 %**

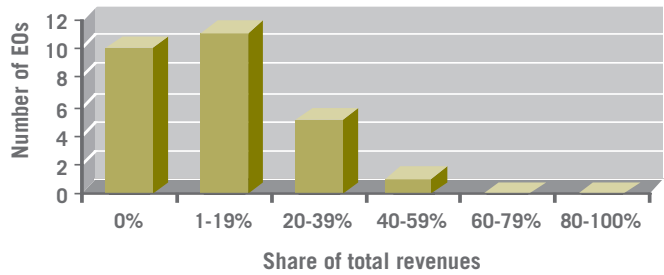
Summary of replies:

Membership fees



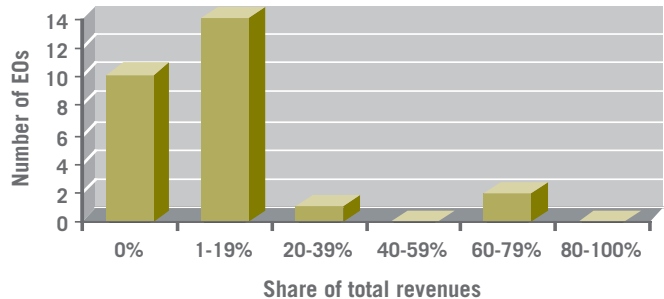
All replying EOs had income from membership fees. For most organizations the share of membership fees amongst total revenues varies between 60 per cent and 100 per cent, but in a number of cases it is below 60 per cent (in two cases it is just 25 per cent).

Fees for extra services



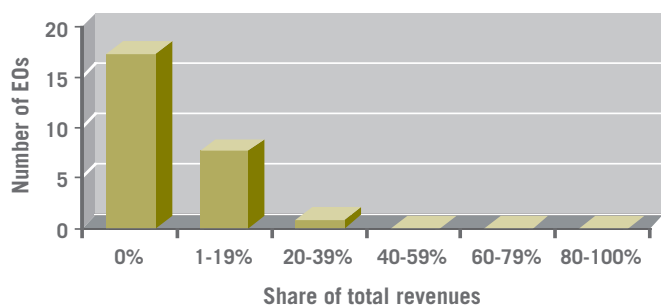
Fees for extra services are the second most frequently mentioned source of income – almost two thirds of all responding EOs generate this kind of income. However, the share of total revenue varies significantly from one EO to another. For most organizations it is between 10 and 30 per cent; in one case it is 38 per cent and in another case even 50 per cent and thus much more significant. About a quarter of EOs have only marginal income from extra services (between 1 and 9 per cent).

Interest



Another frequent source of income is **interest** from assets; more than three-fifths of all EOs referred to this in their reply. The share of interest in the revenue structure is generally low, that is between 1 and 6 per cent of total income. Normally the interest is earned on a bank account in which membership fees are placed or on an EO staff pension fund. In two cases, income from interest is significantly higher, that is around 67 and 70 per cent respectively. In one of these cases the EOs maintains and benefits from a strike fund.

Technical cooperation project funds

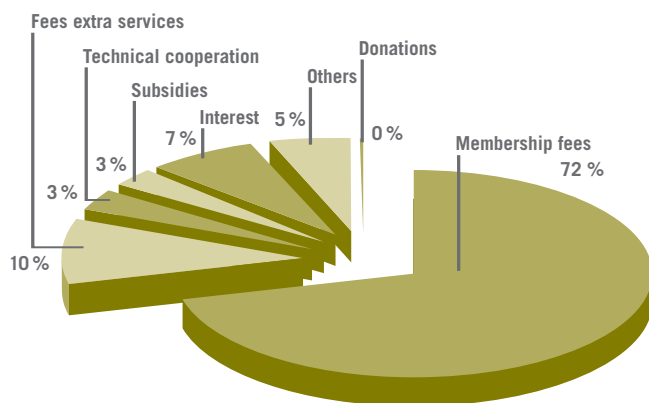


About one-third of the EOs have income from technical cooperation project funds; its share in the income structure is usually 1 – 20 per cent.

Other sources of revenue

Other sources of revenue were also mentioned, although less frequently (subsidies: four EOs; donations: two EOs; others, e.g. rent from a building, income from commercial activities: nine EOs). Where income from other sources exists, it is sometimes significant (up to 33 per cent of total revenue in one case).

Average structure of revenues



Conclusions:

For most EOs, income from membership fees is the dominant, but not the only source of revenue. Among the range of complementary kinds of income, fees for extra services and interest payments are the most common. In individual cases, income from other sources, such as technical cooperation, commercial activities, subsidies and rent can also be important.

b) Is the above structure of revenues (sources of revenues; shares amongst them) intended and thus reflects your EO's revenue policy? If so, please provide details about this policy.

Summary of replies:

Most EOs, that is more than nine out of ten, replied in the affirmative to this question.

The following considerations on revenue policies were provided:

- In general terms, many EOs emphasized the importance of membership dues as the **major source of regular income**. The significance of membership fees was also seen as an important factor in preserving **the accountability of the EO vis-à-vis its members**.
- On the other hand, EOs stressed the necessity of generating additional income from other sources, particularly from fees for extra services in order to **ease the financial burden on members** stemming from membership fees.
- For one EO, the **ideal mix** of these two sources of income was: 50 per cent membership dues - 50 per cent fees for extra services; for another EO: not less than 85 per cent membership dues and a maximum of 15 per cent fees for extra services.
- One EO pointed to the **linkage between kinds of revenues and particular EO activities**: the share of membership dues (60 per cent) in its revenue structure was essentially earmarked to finance lobbying; all other services were partly or fully financed from extra fees.
- Some EOs stressed the absence of financial support from the state or other external sources in order to **safeguard the independence** of their organization.

Conclusions:

Most EOs have established revenue policies which provide for a **mix of income sources**, with membership dues usually the most important source. In looking for the **right balance between sources of revenue**, there seem to be two major – sometimes competing – considerations:

- On the one hand, a high share for membership fees is important in order for EOs to have a regular income base, as well as to maintain their accountability towards members and their independence from external institutions.
- On the other hand, a significant share of other sources of income is considered necessary so as to keep membership fees at a reasonable level, or to cushion increases in membership fees which would otherwise be much more significant.

C) Has the structure of your EO's revenues (sources of revenues; shares amongst them) changed in the recent past? Is it likely to change in future? If so, please explain in what way and why? What are the broad tendencies?

Summary of replies:

More than three-quarters of EOs replied that there have been no changes in their revenue structure and that changes are unlikely in the future.

Those organizations which did report recent or future changes mentioned the following:

- A number of EOs replied that the **share of membership fees had gone down in recent years or was likely to go down**. As a reason for this, the reduction of staff in member companies was mentioned (in these cases, the calculation of membership dues was linked to the number of employees or wage bill). Some of these EOs reported at the same time an **increase in the share of fees for extra services**. A notable case concerned an EO which reported a 20 per cent decrease in the share of membership dues in the past five years with, in the same period, a 50 per cent increase in the share of fees for extra services. According to this EO, the change in the revenue structure would be gradually pursued until a 50/50 relation between these two sources of income had been reached.
- On the other hand, one EO with important income from interest (strike funds) felt that, owing to the current low interest rates, the share of membership fees had to be increased in the future, in order to maintain the same level of revenue.

Conclusions:

While the overall revenue structure appears to be stable for most EOs, there seems to be a trend towards a certain decline in the share of membership dues with, at the same time, a rise in the share of fees for extra services in some countries.

d) Do you consider your EO's revenues sufficient to cover your EO's present or future functions? If not, what do you intend to do to increase the revenues? In what areas?

Summary of replies:

About four-fifths of EOs considered their revenues more or less sufficient to cover present and future functions. One EO even considered reducing its membership fees in view of the number of new members joining.

Amongst the remaining fifth of organizations which needed to increase their income, the following reasons were given:

- need to finance a new EO structure which required additional revenues;
- need to make up for declining membership fees (see above (c));
- members wish to be offered additional services;
- the present income is insufficient to finance existing services.

The same EOs mentioned the following options for increasing revenues:

- acquire new members (six EOs);
- offer new paid services (four EOs; this was the only option for one organization, as it would be very difficult to increase membership fees);
- increase membership fees (two EOs; this was the only option for one organization, as there was hardly any potential for attracting new members);
- increase income from interest (one EO);
- increase income from EU technical cooperation funds (one EO).

Conclusions:

While a majority of EOs seem to be satisfied with the current level of revenue, others see a need for more income. Amongst the existing options for increasing revenues, the preferences seem to be the acquisition of new members (in order to increase income from membership fees) and the development of new paid services. The possibilities for raising membership fees are considered to be limited.

2] Membership fees

a) What are the criteria your EO uses for the determination of membership fees? Please mark with a cross:

- Percentage/permillage of wage bill
- Percentage/permillage of turnover
- Fixed amount
- Other – please specify:

What are your EO's reasons for choosing one of the above criteria? Please explain.

Summary of replies:

The most frequently mentioned criterion was **permillage of wage bill** (about two-fifths of EOs). About a fifth of the replies referred to the **number of workers** and **permillage of turnover**. Further criteria reported by individual EOs were **percentage of value added/profit**, **a fixed amount**, or **size of the company according to a classification** (made by a public institute; it contains nine classes).

The following **advantages** or **other reasons** were mentioned for the respective choice:

- Permillage of wage bill/number of workers:
 - best reflects the average costs for the EO to service individual member enterprises of any particular size;
 - best reflects the average benefits for individual member enterprises of any particular size;
 - easy access to/reliability of this kind of data;
 - regulations provide for use of the criterion;
 - fairness;
 - tradition/historical reasons.
- Percentage of turnover:
 - best reflects the economic capacity of individual members;
 - objectivity/transparency of the criterion;
 - fairness.

- Percentage of the value added/profit:
 - best reflects the financial capacity of individual members;
 - fairness.

As for **disadvantages**, the following were mentioned:

- permillage of wage bill/ number of workers
 - may be considered as a kind of tax on labour;
 - does not take adequate account of productivity increases resulting from declining numbers of employees an outsourcing.
- permillage of turnover
 - does not take adequate account of inflation.
- percentage of profit
 - may create instability for EO revenues: for loss-making companies, the membership fee could come down to zero.

As there seems to be no single one perfect criterion, the above criteria are often **used in a differentiated way, in combination or in parallel**. This approach serves to maximize the advantages and minimize the disadvantages of each.

- Many EOs report that, rather than in a linear way, they apply the permillage of wage bill/ turnover criteria in a degressive way: the higher the wage bill/turnover, the lower the permillage applied (sliding scale).
- One EO reported that it applied, as an exception, a special incentive scheme for a group of enterprises which consisted of the following:
 - exemption from membership dues for the first two years after joining followed by
 - a progressive increase of initially lower membership dues over five years to the normal level.

- Five EOs reported that they combined two criteria in the following ways respectively:
 - a fixed base amount (which is the minimum fee – see also next question) to which is added a variable part using the permillage of wage bill criterion;
 - a permillage of wage bill and a permillage of turnover;
 - a permillage of wage bill and a permillage of profits, but only for big companies;
 - a permillage of wage bill combined with a variable percentage for inflation;
 - a permillage of wage bill combined with the added value of the sector.
- One EO said that it required its members to pay an “entry fee” in addition to the membership fee based on the permillage of wage bill criterion;
- Two EOs applied several criteria in parallel:
 - For one EO (applying in parallel: permillage of wage bill, permillage of turnover; and number of employees) the system was “inherited” from a merger of predecessor organizations using each different criteria; however, there was the intention to harmonize the system over time.
 - The other EO needed several criteria to be able to deal adequately with different groups amongst its members.

Some EOs mentioned that they were still looking for the optimal solution.

Conclusions:

While there does not seem to be one single perfect criterion to determine membership fees, permillage of wage bill, permillage of turnover and number of workers appear to be considered by EOs as the most suitable ones. In order to optimize the result, these criteria are either used in a differentiated way, combined with each other or applied in parallel. The underlying motivation is to reconcile the needs of members (of different size, profitability, ...) and the needs of the EO (sufficient and stable income). As both needs change, EOs have to keep the criteria constantly under observation and, if need be, re-establish the balance.

b) Are there minimum and/or maximum membership fees? If so, what are the underlying considerations for having them and for their calculation?

Summary of replies:

About two-thirds of EOs reported that they combined the criteria from the preceding question with minimum membership fees. Less than a third of respondents applied **both a minimum fee and a maximum fee** and one-tenth indicated that they had a **maximum fee only**.

The reason for having a minimum membership fee is to secure an adequate income from smaller members, which would not be achieved by using the normal criteria. In order to determine the minimum membership fee, respondents usually take account of the minimum average costs for servicing a member, the economic capacity of small members or the average salaries in the branch. Some EOs indicated concrete amounts which ranged from €320 to €1,450 (per year). In two cases, the minimum fee was only applied to new members (as an “entry fee”).

The reason for fixing a maximum membership fee also seems to be to ensure an adequate relationship between benefits and membership fees for bigger EO members, which would not be achieved by using the normal criteria. Another reason mentioned by one EO, was the need to limit the influence of individual members. Criteria such as a maximum percentage of recurrent expenses are used to calculate the maximum fee. The maximum fee for one EO was €12,500 (per year). Another EO reported that the law provided for a maximum fee: the monthly membership fee must not exceed the daily wages for all company workers.

Conclusions:

It seems that a large majority of EOs consider minimum membership fees necessary to ensure a fair cost-benefit relationship for smaller members. To a lesser extent, a maximum fee is considered necessary. A major motive in the latter case is, apart from ensuring an adequate cost-benefit relationship for bigger members, the need to limit the influence of bigger members versus smaller members.

c) Are your EO's membership fee rules laid down in a particular document (e. g. EO Constitution, EO financial rules, ...)? Which organs/individuals are competent to determine/change the rules?

Summary of replies:

Most EOs replied that the membership fee rules were laid down in their constitution/statutes or other internal regulation. As an exception, two EOs reported that the membership fee rules were only laid down in the record of decisions of their annual general assemblies. For one EO this was important in order to have more flexibility for changing the rules in subsequent years, if required.

Most EOs also replied that the member assembly (or general assembly) was the competent body to adopt changes to the membership fee rules, as well as to determine, in application of the constitutional rules, the concrete amount of the membership fee on an annual basis. (In one case, the EO board was competent to do so).

Conclusions:

There seems to be a broad consensus amongst respondents that the basic rules for membership fees should be fixed in a permanent and transparent way, preferably in the EO constitution/statutes, and that the member assembly should be the body competent to change or apply these criteria.

d) When are your EO's membership fees due? Please mark with a cross:

- Monthly
- Quarterly
- Yearly
- Other – please specify:

What are the reasons for your EO's practice?

Summary of replies:

About three-fifths of EOs replied that membership fees were due **yearly**. As a reason for this interval, the need for limiting administration costs and keeping administration simple (sending of invoices; control of payments) was reported, in some cases also the need for membership fee stability.

The following shorter intervals mentioned were:

- half-yearly (three EOs)
- quarterly (three EOs)
- monthly (two EOs)
- three times a year (one EO).

For the latter, the following reasons were given:

- need to facilitate payment by allowing members to pay regular smaller amounts (like paying instalments);
- need to enhance the financial liquidity of the EO;
- need to adjust the membership fee at shorter intervals: an EO in the construction sector, which used as a criterion the number of workers, reported that the number of workers in member companies changed from one month to another; hence the need to adjust the membership fee on a monthly basis.

Some EOs reported that they applied several settlement intervals at the same time (one EO: yearly, monthly and quarterly; one EO: yearly and monthly; one EO: yearly for smaller companies and monthly and half-yearly for bigger companies) to take account of the special needs of different groups of members.

One EO mentioned that, irrespective of settlement dates in use, in actual practice considerable latitude was given to members to choose the timing of their payment.

One EO replied that its annual membership fees

were charged at the beginning of a year only on a preliminary basis, as they were based on data from the previous year. In the course of the year, the final fee was determined and members either received a reimbursement or were requested to pay the balance.

Conclusions:

Although shorter periods are also in use, there is a tendency amongst EOs to determine and collect membership fees on a yearly basis. This seems to be the preferred compromise between the need for keeping administration simple and efficient on the one hand, and the need for adjusting membership fees more regularly on the other.

e) Are there any incentives for your members (e. g. discount) to pay membership fees earlier/on time? Please provide details.

Summary of replies:

All EOs except one replied “no” to this question. One organization explained that incentives were not needed as the large majority of its members paid on time anyway.

One EO granted members a discount of 5 per cent of the variable part of its membership fee in case of payment within 30 days after the due settlement date.

Another organization said that, while it did not have incentives for early/on time payment, there would be “penalties” for late payers.

According to one EO reply, the question of incentives for early/on time payment would be looked into.

Conclusions:

It seems that EOs, in general, do not consider incentives necessary to ensure punctual payment of membership fees.

f) What is your general experience with non-payment of membership fees and remedial action taken? What are the statutory consequences for continued non-payment of membership fees?

Summary of replies:

About half of the EOs replied that non-payment of membership fees was not a critical issue for them. Most non-payment was of a temporary nature only. However, other EOs indicated that non-payment of fees was indeed a problem. One EO replied that about 5 per cent of members did not pay their fees.

As regards **remedial action** in case of non-payment, the following procedures were mentioned:

- direct contact via telephone or meeting;
- written reminders sent at regular intervals, including a final notice;
- agreement on payment by instalments (payment plan);
- involvement of a debt-recovery agency;
- suspension of services/voting rights.

There seems to be some variation amongst EOs in the way they deal with cases of non-payment. While legal recourse is generally avoided, some EOs seem to follow a strict course, whereas others take a rather lenient/patient attitude towards non-paying members.

The statutory consequence for **continued non-payment** of membership fees is usually termination of membership. However, this is not automatic, but requires a special decision by the competent body (normally the board or general assembly). Most EOs mentioned that termination of membership for continued non-payment of fees occurred extremely rarely. This contrasted with the statement of another EO which indicated that, in the past 10 years, it had expelled about 10 members per year for this reason.

Conclusions:

It seems that non-payment of membership fees is not a serious problem for the majority of respondents. If it occurs, EOs usually have a set of proven measures at their disposal to persuade members to make their payments and to recover overdue membership fees. Termination of membership by the EO for continued non-payment seems to be a last (statutory) measure, to which resort is very rarely made.

g) What member services of your EO are covered by membership fees? Please specify the most important ones (type of service/area, e. g. lobbying on labour law).

Summary of replies:

Virtually all EOs reported that **lobbying and general information/advice on economic, labour and social matters** (e.g. labour law; industrial relations; HRD, OSH, social security, EU matters) were covered by membership fees.

The following services were also mentioned (in order of frequency):

- collective bargaining
- training activities (seminars, workshops, conferences)
- membership benefits programme (e.g. insurance)
- representation of members in the labour court or vis-à-vis public authorities
- research
- accounting services
- opportunities for networking
- EO newspaper/magazine/special website for members
- regular payments into strike fund

Conclusions:

It appears that EOs use membership fees to finance an already fairly broad spectrum of services: while the focus of these services is clearly on lobbying and information/advice, a range of other services, normally of a collective nature, is offered.

3] Fees for extra services

a) What services of your EO are not covered by membership fees and have to be paid by users separately? Please specify the most important/successful ones (type of service/area, e.g. publications in the field of industrial relations).

Summary of replies:

The following paid services were mentioned here:

- participation of members in conferences/seminars/workshops/projects/working lunches and the organization of special training programmes or in-house seminars for members;
- special consultancies for individual members;
- advertising campaigns or advertisements in EO periodicals;
- publications;
- participation in fairs or international missions;
- services for particular sectors or groups within sectors, requiring a separate secretariat ;
- audits on competitiveness, OSH, etc.;
- representation in lawsuits;
- technical translations.

In one case, the revenues from extra services do not come from the users of the extra services, but from third parties: the EO negotiates favourable prices for its members with wholesale companies from which it receives a bonus for marketing. A part of this bonus is retained by the EO, the rest is paid to the members as an extra bonus.

About a quarter of EOs replied that they had no services that had to be paid separately: all the services they offered were covered by membership fees.

Conclusions:

EOs usually charge extra fees for services for individual members involving special efforts/resources; services that are only of interest/benefit to individual members or particular groups of members; and services involving third parties. A significant number of EOs do not provide any services that have to be paid separately.

b) What were underlying reasons for your EO's decision to offer particular extra services? Please mark with a cross (multiple options are possible):

- Expertise available
- Profitability – possibility to cross-subsidize regular services (e.g. lobbying)
- Members' wish to be offered complete services in a particular area ("One-stop shop")
- Non-existence of competing services offered by the EO's members
- Other reasons – please specify:

Summary of replies:

The following underlying considerations were most frequently mentioned in the replies:

- expertise available (two-thirds of EOs providing extra services);
- "one-stop shop" (half of EOs providing extra services);
- profitability (one-third of EOs providing extra services);
- non-existence of competing services (one-fifth of EOs providing extra services).

Conclusions:

The replies reflect the efforts made by many EOs to exploit their in-house expertise in providing extra services. Members' wish for complete services ("one-stop shop") and profitability also seem to be common motives for offering extra services. On the other hand, potential competition with EO members who are already providing similar services does not seem to be a major reason for EOs not to offer a particular service.

**c) Are these extra services also open to non-members?
Do members get a discount vis-à-vis non-members? Please explain.**

Summary of replies:

About a third of EOs providing extra services replied that all their extra services were available to non-members and for another third, this applies to at least some of their extra services. All of these EOs, except one, also reported that the fees for extra services were higher for non-members than for members. Two EOs mentioned that extra services were offered to non-members in order to attract new members.

On the other hand, another third of EOs providing extra services reported that members only had access to these services. For them, the main reason to limit services to members is to maintain incentives to become or remain a member.

Conclusions:

EOs seem to be divided on the question of whether and to what extent extra paid services should also be accessible to non-members. There are two competing considerations that need to be balanced: servicing non-members may help EOs reach out to non-members and attract their interest in membership; on the other hand, doing so may also encourage a “pick and choose” approach by non-members and eventually call into question the added value of membership.

d) Does your EO provide the extra services

- directly
- through sub-contractors
- in partnership with other institutions?

Please mark with a cross. What are the reasons for your EO's respective choice?

Summary of replies:

EOs that provide extra services do so in the following ways:

- all EOs provide at least some extra services directly;
- two-fifths also cooperate with other institutions;
- a third of EOs also use sub-contractors.

The following reasons for having recourse to external partners were mentioned:

- need for external expertise – the EO does not itself have the necessary know-how;
- need for flexibility – the EO's own staff may not always be available for providing extra services;
- cooperation with external agencies makes it possible to offer certain extra services more cost-efficiently.

Some EOs, on the other hand, reported that they do not need/wish to cooperate with outside agencies to provide extra services, for the following reasons:

- the objective is to market the EO's own know-how and its reputation as a competent institution;
- the focus is on core business – other institutions do not have this kind of expertise.

Conclusions:

All EOs that provide extra services reported that they use their own human resources first of all. As for cooperation with external agencies, existing practice reflects two diverging philosophies: while some EOs seem to limit extra services to areas where they have their own expertise, most others want to cover a wide range of services for which they need assistance from partners.

4) Regular revenues from other sources

a) In case your EO has revenues from technical cooperation (TC) project funds, please provide details on the kind of projects your EO is involved in and the kind of expertise/services your EO provides in this context.

Summary of replies:

About a third of respondents indicated that they had regular revenues from technical cooperation (TC) project funds.

The following examples of EO involvement were mentioned:

- management of or participation in national TC/research projects, both state- and privately funded, e.g. on promoting competitiveness, OSH, vocational training, education and technology;
- Participation in EU-funded TC projects, for instance on equal opportunity, disabled workers, job mobility or labour law (e.g. EURES - information and advice on cross-border labour law).

Conclusions:

EOs engage in TC projects and thus have income from this source where the subject of TC is of interest to their members and fits their mandate. While some EOs seem to be quite active in tapping this source of income, most others seem less interested.

b) In case your EO receives donations from members or third parties, are there any rules/procedures regarding acceptance of such donations? Please explain.

Summary of replies:

The two EOs which benefited from donations as part of their regular income referred to legal restrictions (*"An EO shall not accept donations from employees unions, confederation of employees, trade chambers, non-official associations and public institutions."*), as well as similar restrictions in their statutes, intended to safeguard the independence of the EO vis-à-vis donors.

In this context, one EO indicated that it increasingly used funds provided by sponsors, mainly big member companies, to (co-)finance major conferences (e.g. annual member assembly) and similar activities. While such donations did not constitute regular income, they significantly relieved the EO's regular budget regarding the financing of such events. There was also vivid interest on the part of sponsors who profited from increased visibility (for instance, sponsor's logo printed on the conference programme).

Conclusions:

At present, donations do not seem to play a significant role as a source of EO revenue. Rules and procedures regarding their acceptance also seem rare. However, sponsorship as a particular form of donation seems to be on the increase.

C) In case your EO has revenues from subsidies/privileges provided by the state, please provide details about the kind of/motivation for the subsidies/privileges, e.g.

- monopoly to provide particular services (with costs)
- financial contributions for fulfilling functions in the public interest
- provision of free office space or use of special facilities
- others – please specify:

Summary of replies:

Four EOs indicated regular revenues from this source:

- financial contributions for providing the public with a network to develop company information systems;
- financial contributions for executing projects on foreign trade;
- financial contributions to the EO's studies and internal management systems;
- use of free office space.

Conclusions:

Subsidies/privileges provided by the state only play a marginal role as a source of regular EO revenues.

5) Tax-deductibility of membership fees

a) To what extent are membership fees paid to EOs tax-deductible for employers in your country? Please mark with a cross:

- Fully tax-deductible
- Partially tax-deductible
- Not tax-deductible at all

Summary of replies:

In almost three-quarters of the EOs' home countries, membership fees are **fully** tax-deductible for enterprises. In one country, even 150 per cent of the membership fee can be deducted.

In a quarter of EOs' home countries, membership fees are at least **partially** tax-deductible. Only in two countries are fees not tax-deductible.

Conclusions:

It seems that full or at least partial tax-deductibility of membership fees paid to EOs is established in most countries covered by the short survey.

b) In case of (full or partial) tax-deductibility, please give details about the respective regulation:

- Type of regulation
- Contents/scope of the regulation
- Motivation behind the regulation

Summary of replies:

All EOs replied that tax-deductibility was regulated by national tax laws or other tax regulations. The respective regulations provided that membership fees could be deducted as operating expenses from the enterprises'/employers' turnover, thus reducing the amount of taxable profits.

In two countries where membership fees are only partially tax-deductible, the regulation seems to differentiate between **services** and **lobbying**. While the part of the membership fee considered to be used for providing services is recognized as an operating expense and thus is tax-deductible, the same is not the case for the part used for lobbying. In this way, one EO indicated that only some 65 per cent of its membership fees were tax-deductible for members; for another organization this was 90 per cent.

As for the **motivation** behind the tax-deductibility regulation, EOs mentioned the following:

- membership in EOs should not be an undue financial burden for enterprises;
- promotion of employers' freedom of association through the organization of employers in their own associations.

However, the replies reflected some uncertainty as regards this point.

Conclusions:

In most EOs' home countries, tax laws recognize membership fees paid to EOs – fully or at least partially - as operating expenses which reduce the enterprises'/employers taxable profits. To a certain extent, tax-deductibility regulation seems to reflect the individual state' s perception about the usefulness of EOs and their activities/ services for the operation of enterprises.

c) Is tax-deductibility of membership fees paid to EOs questioned in your country? If so, what arguments do you use to defend it?

Summary of replies:

All EOs in countries where membership fees are tax-deductible, except one, replied that tax-deductibility was not or no longer questioned.

Conclusions:

In most countries under review, the principle of tax-deductibility for membership fees paid to EOs is now generally recognized.

d) In your view, is the existence of tax-deductibility of membership fees paid to EOs an important incentive for employers to join an EO? Would non-existence of tax-deductibility be an important disincentive in this respect?

Summary of replies:

About an equal number of EOs replied in the affirmative and in the negative to this question. Some EOs also indicated that they had no clear point of view on these questions as tax-deductibility had been established for a long time in their countries.

Replies by EOs that felt that tax-deductibility did have an important impact on the membership decision varied between “*Yes, of course, otherwise employers will not join*” and “*It could be a disincentive to membership*”. One EO reported an improvement in membership since tax-deductibility had been introduced a few years ago.

Among those EOs which considered that it was not an important factor, the following reasons were given:

- The membership fee is not significant enough;
- employers join for other reasons, e.g. collective bargaining.

Conclusions:

While tax-deductibility, in principle, reduces the membership fee and thus the financial burden for members of an EO, the importance of this as an incentive or disincentive to membership, remains unclear. The financial impact of tax-deductibility seems to depend on the level of the tax burden as well as on the level of the membership fees, which vary from one country to another and one EO to another. Even where non-tax-deductibility is so important in financial terms that it can act as a disincentive to join an EO, this effect can be neutralized by stronger incentives to join (and vice versa).

■ Annex

The revenues of European Employers' organizations

Questionnaire

This questionnaire is addressed to employers' organizations (EOs) with *direct* employer membership only (whether national, regional, local, sectoral or cross-sectoral), hence not confederations/federations of employers' associations.

The replies to the questionnaire will be used by ACT/EMP for the preparation of a survey on EO revenues and will be kept strictly **anonymous**.

Please fill in the questionnaire (if possible, electronically) and return it via e-mail by 23 September 2005 to:

Mr Christian Hess
ACT/EMP
International Labour Office (ILO)
Fax: +41 22 799 8948
Tel.: +41 22 799 7621
e-mail: hess@ilo.org

Thank you very much for your co-operation!

Contact details of the responding employers' organization (EO):

Name of the EO:

Address:

Internet website:

Contact person inside the EO:

Tel.:

e-mail:

1) Revenue structure and policy

a) What is the structure of your EO's revenues? Please indicate the (average) shares amongst sources of revenues:

• Membership fees:	%
• Fees for extra services (not covered by membership fees):	%
• Regular revenues (including in-kind) from other sources:	
• Technical cooperation project funds	%
• Donations	%
• Subsidies/privileges provided by the state	%
• Interests	%
• Others	%
	<hr/>
	100 %

b) Is the above structure of revenues (sources of revenues; shares amongst them) intended and thus reflects your EO's revenue policy? If so, please provide details about this policy.

c) Has the structure of your EO's revenues (sources of revenues; shares amongst them) changed in the recent past? Is it likely to change in future? If so, please explain in what way and why? What are the broad tendencies?

d) Do you consider your EO's revenues sufficient to cover your EO's present or future functions? If not, what do you intend to do to increase the revenues? In what areas?

2) Membership fees

- a) What are the criteria your EO uses for the determination of membership fees?
Please mark with a cross:
- Percentage/permillage of wage bill
 - Percentage/permillage of turnover
 - Fixed amount
 - Other – please specify:

What are your EO's reasons for choosing one of the above criteria? Please explain.

- b) Are there minimum and/or maximum membership fees? If so, what are the underlying considerations for having them and for their calculation?
- c) Are your EO's membership fee rules laid down in a particular document (e.g. EO Constitution, EO financial rules, ...)?
Which organs/individuals are competent to determine/change the rules?
- d) When are your EO's membership fees due?
Please mark with a cross:
- Monthly
 - Quarterly
 - Yearly
 - Other – please specify:

What are the reasons for your EO's practice?

- e) Are there any incentives for your members (e.g. discount) to pay membership fees earlier/on time? Please provide details.
- f) What is your general experience with non-payment of membership fees and remedial action taken? What are the statutory consequences for continued non-payment of membership fees?
- g) What member services of your EO are covered by membership fees? Please specify the most important ones (type of service/area, e.g. lobbying on labour law).

3) Fees for extra services

- a) What services of your EO are not covered by membership fees and have to be paid by users separately? Please specify the most important/successful ones (type of service/area, e.g. publications in the field of industrial relations).
- b) What were underlying reasons for your EO's decision to offer particular extra services? Please mark with a cross (multiple options are possible):
- Expertise available
 - Profitability – possibility to cross-subsidize regular services (e.g. lobbying)
 - Members' wish to be offered complete services in a particular area ("one-stop shop")
 - Non-existence of competing services offered by the EO's members
 - Other reasons – please specify:
- c) Are these extra services also open to non-members? Do members get a discount vis-à-vis non-members? Please explain.
- d) Does your EO provide the extra services
- directly
 - through sub-contractors
 - in partnership with other institutions?

Please mark with a cross. What are the reasons for your EO's respective choice?

4) Regular revenues from other sources

- a) In case your EO has revenues from technical cooperation (TC) project funds, please provide details on the kind of projects your EO is involved in and the kind of expertise/services your EO provides in this context.
- b) In case your EO receives donations from members or third parties, are there any rules/procedures regarding acceptance of such donations? Please explain.
- c) In case your EO has revenues from subsidies/privileges provided by the state, please provide details about the kind of/motivation for the subsidies/privileges, e.g.
- monopoly to provide particular services (with costs)
 - financial contributions for fulfilling functions in the public interest
 - provision of free office space or use of special facilities
 - others – please specify:

5) Tax-deductibility of EO membership fees

- a) To what extent are membership fees paid to EOs tax-deductible for employers in your country? Please mark with a cross:
- Fully tax-deductible
 - Partially tax-deductible
 - Not tax-deductible at all
- b) In case of (full or partial) tax-deductibility, please give details about the respective regulation:
- Type of regulation
 - Contents/scope of the regulation
 - Motivation behind the regulation
- c) Is tax-deductibility of membership fees paid to EOs questioned in your country? If so, what arguments do you use to defend it?
- d) In your view, is the existence of tax-deductibility of membership fees paid to EOs an important incentive for employers to join an EO? Would non-existence of tax-deductibility be an important disincentive in this respect?

6) Others

- a) In your view, are there any other important points related to EO revenues which are not covered by the preceding questions? If so, please specify.
- b) Please attach any further relevant information or references to relevant information.