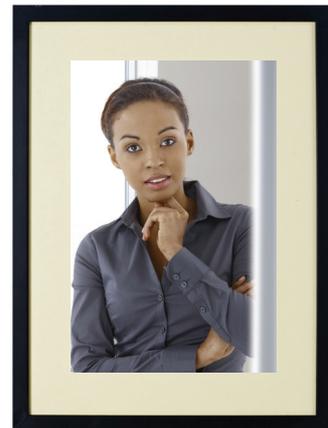
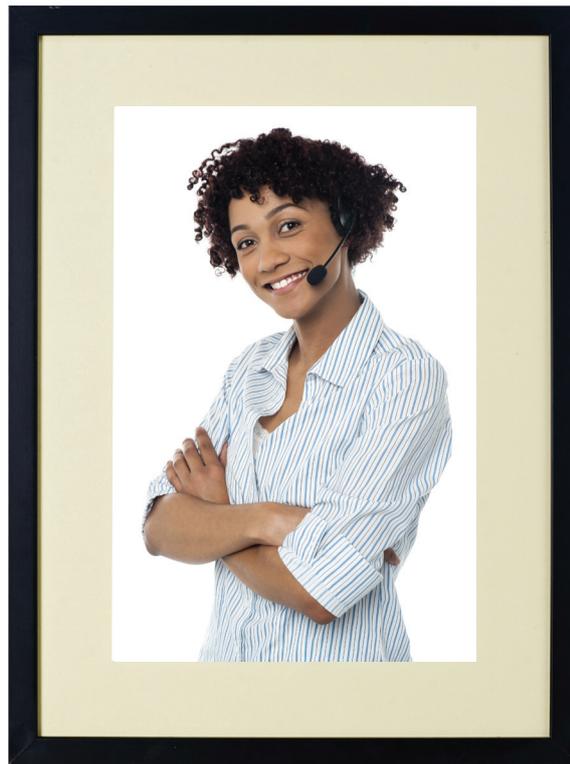


Towards a Fair Future for European Services



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Executive Summary

EU policy for the European services industry has largely failed to ensure fair employment and urgently needs a rethink. European services make up more than 70% of both EU output and jobs. This report will show how the sector, supported by the right policies, has the power to boost growth and competitiveness, improve citizens' quality of life, and create much needed quality jobs.

EU policy to date fails to realise that potential and even counteracts it. Being exclusively preoccupied with the creation of the single market for services, EU policy has remained limited to comprehensive liberalisation and deregulation. Intense cost pressure and volatile markets represent the primary outcomes of such reform measures. This leads to:

- a decline of the quality of services that citizens and businesses rely on
- unmet investment needs that hamper innovation
- low-wage and insecure employment that fuel dynamics of rising income inequalities

UNI Europa believes a rethink is especially pressing before the European Commission publishes its new strategy for the services sector in mid-2015 as part of the Internal Market Strategy. UNI Europa seeks to rectify the policy failure thus far. In this report, we propose a comprehensive EU policy to realise the full potential of European services for competitiveness, quality of life, and quality jobs. It needs to go beyond the reform of services markets and coordinate policy-making at the EU and Member State levels. UNI Europa proposes measures including:

- **Empowerment:** Active employment policies to develop an empowered, skilled, healthy, and fairly remunerated services workforce. That includes protecting all workers' right to collective bargaining and to take industrial action.
- **Participation:** Involving workers, including the self-employed, in company decisions to use their expertise and to identify win-win-situations.
- **Innovation:** Leveraging Horizon 2020 and other programs for more and better research on services to support innovation, improve the monitoring of services markets, and enable more targeted and successful policy-making for the European services industry.
- **Investment:** At least 2% of GDP for public investment, and a fairer distribution of wealth are required to create the right conditions for a services industry that is fit for the job.

With this report UNI Europa aims to open a constructive exchange between social partners, policy-makers, and stakeholders on the future of European services. Our aim is to encourage a debate that service to define common goals for an EU services policy that boosts competitiveness, improves citizens' well-being, and creates quality jobs.

Towards a Fair Future for European Services

1

In view of the 2014 European elections, UNI Europa presented its Services Manifesto for Quality Jobs for Quality Services. Our ambition is to provide EU decision-makers with policy guidelines that aim to realise the European services industry's full potential to combine economic competitiveness with an inclusive European social model. The outcome of the European elections in 2014 highlight how urgently such a return to social and economic progress in the EU is needed: in light of rising social inequalities and continued economic stagnation, Europe risks losing citizens' allegiance.

This report embeds UNI Europa's proposals in a discussion of EU policy that targets the European services industry. We find that the EU-led reform of services to date has a significant responsibility for the developments that have put the European project under considerable strain. Focussing exclusively on the creation of the single market for services, EU policy has deteriorated the quality of services that businesses and citizens rely on in their daily lives. Moreover, today's services markets display dynamics that raise doubt over their ability to provide for future competitiveness and quality of life in Europe. Our analysis further finds that the EU-led services reforms have led to the expansion of low-wage, atypical, and insecure employment while potentials for the creation of quality jobs remain untapped. Such developments contribute to rising social inequalities and weaken the EU's ability to deal with the challenges of the future. A change of course is thus called for – a necessity that UNI Europa acts upon by presenting policy proposals that serve to achieve this.

The discussion presented in this report proceeds in three steps. After setting the scene by describing what can be achieved by means of a purposeful EU policy for the European services industry, our focus turns to the rationale of current EU policy and the disappointing outcomes it has produced thus far. The final section of this report presents UNI Europa's proposals regarding a comprehensive EU services policy that should be adopted in order to solve today's problems and to prepare for the future. With this proposal, UNI Europa aims to stimulate debate between social partners, policy-makers, and stakeholders on the future of the European services industry.



Quality Jobs for Quality Services

2

Turning Europe into a great place to live, work, and do business is more than just a goal of European integration. By describing the purpose of European integration as the development of “a highly competitive social market economy, aiming at full employment and social progress”, the European Treaties leave no doubt that delivering on this promise is the European Union’s very *raison d’être*.¹ At present, though, the European Union seems far from accomplishing this mission and is, exactly for this reason, at risk of becoming rejected by its own citizens.

The following will illustrate how an EU that is fit for the job cannot do without a strong and dynamic services industry – a sector contributing in excess of 70% to both employment and output in Europe. Comprising a very diverse set of sub-sectors providing consumer, social, and business services, the European services industry constitutes the backbone of economic and social life in Europe. Our discussion will highlight how much a cohesive and competitive Europe relies on, and benefits from, the diverse functions that services fulfil, whether in the form of labour-intense consumer services like retail, social services like care, or knowledge-intense business services. This investigation into the role of services in society and the economy will prepare our following discussion of whether EU policy qualifies as a success.

For Competitiveness

As globalisation progresses, Europe’s position in the international division of labour requires our economy to specialise in innovative, high-quality goods and services. The structural change wrought by globalisation has substantially increased the services industry’s importance for EU growth and competitiveness. Since the EU’s competitive advantage is increasingly built on innovation and product complexity, knowledge-intense services such as research consulting, ICT, and financial intermediation that drive innovation in these product categories are in high demand. Not only do these services generate growth and export revenue they too are increasingly central to the success of EU manufacturing industries, causing what is widely understood as the ‘servitisation’ of industry. This trend stems from manufacturing industries’ move towards the production of ‘hybrid products’ that comprise both goods and services, e.g. high-tech machinery combined with tailored leasing and maintenance services.² Servitisation is further accelerated by digitalisation that boosts demand for products with embedded services systems, such as ‘apps’ running on smartphones or the ‘internet of things’.³

In this context, increasing innovative capacity is key to ensuring EU competitiveness. Supporting services sectors in producing innovation is widely regarded as crucial to accomplish this and promises high returns in terms of job creation and growth.⁴ Next to ensuring adequate infrastructures and supporting innovation through applied science and research, developing adequate human capital is of crucial importance. Not surprisingly then, a recent European Commission report highlights the need for effective policies to foster a highly skilled, adaptable, and motivated workforce: Only if companies have access to the right skills and knowledge will Europe be able to lead global competition from the top.⁵

For Quality of Life

A competitive economy needs to be embedded in a modern society that provides for social cohesion and a high quality of human capital. Moreover, as a union of democratic progress, Europe is built on the idea of benefitting its peoples by catering for a high quality of life. To meet these objectives, Europe relies on a well-functioning services industry. Modern societies would be literally dysfunctional if citizens lacked access to services that meet their basic needs, e.g. in the form of retail or banking services. Beyond such necessities, leisure, arts, and entertainment services, to name but a few, allow citizens to maximise their quality of life and shape our communities. Moreover, market services such as private security, residential care, and pension funds take over more and more responsibilities that used to occupy states and their agencies. In short, services constitute the backbone of European society by providing citizens with the means to live secure and fulfilled lives. Ensuring a high quality of such services is hence a political instrument to bolster citizens’ quality of life.

Considering society’s dependence on services, it does not come as a surprise that successful societal change and renewal, i.e. social innovation, is highly dependent on services that meet and absorb societies’ changing needs.⁶ Fulfilling declared EU objectives like increasing female employment or building a digitalised society require policies that ensure that adequate services are available, in this example in childcare and telecommunications. Next to mobilising investment and devising targeted regulation when needed, this warrants the development of a skilled, productive, and empowered workforce that is able to produce the desired innovations and provides services

(2013), p.25

4 acatech (2013), cedefop (2012), European Commission (2014a), New Economics Foundation (2014)

5 ESDE, CH.r

6 Bosch and Wagner (2002), Leimeister and Peter (2012)

1 Art. 3.3 Treaty on European Union

2 European Commission (2014a)

3 See, for instance, acatech (2013, 2014), Ganz and Tombeil

of a continuously high quality. Besides, sincerity about such goals and effective action would create jobs and growth in services and thus generate both social and economic returns.

For Social Justice

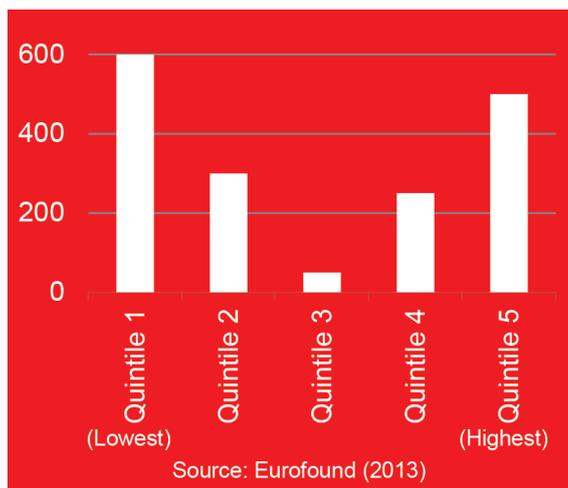
Already today, European services employ more than 70% of the European workforce. As discussed above, further employment potentials wait to be tapped through policies that support services sectors in fostering competitiveness, quality of life, and social innovation. This is good news for a European Union that, in large parts, is haunted by persistently high levels of unemployment and a deep economic and social crisis.

Yet, in order to put such job creation at the service of a true recovery in Europe, the persistent problem of 'employment polarisation' in EU labour markets needs to be tackled. As Figure 1 illustrates, the recent history of European labour markets is characterised by dynamics in which job creation is increasingly clustered around the extreme ends of the wage distribution, especially in services sectors. ⁷As the European Commission realises in a recent report, such developments fuel the persistent rise of social inequalities in the EU that "lead to political instability [and] weaken trust in institutions"⁸ – as was illustrated by the high share of protest votes in the 2014 European elections. EU policy aimed at tapping employment potentials in European services must therefore reverse this trend to restore the prerequisite of a European Union that merits citizens' allegiance: social justice.

quality jobs in European services benefit social justice and cohesion, it also pays off in terms of improved economic performance and citizens' well-being.

As is clear then, an EU services policy that serves to tap into the full potential of services for competitiveness, quality of life, and quality jobs is crucial to resolve the European Union's existential crisis. After more than twenty years of EU-led services reform, the following pages will assess whether the approach to services reform enacted thus far provides a feasible model for future action.

Figure 1: Job Creation in EU Services 1998-2007 by Wage Quintile (annual net averages in thousands)



⁷ We depict data for the period leading up to 2007 in this graph to factor out the effects of the financial crisis and the subsequent 'great recession' on job creation in the EU.

⁸ European Commission (2015), p.13

Does EU Policy Measure Up?

The European services industry holds the key to delivering on the European Union's promise of combining economic and social progress in Europe. By analysing the rationale and effects of EU policy targeting the services sector, the question is now whether the EU's current approach is fit for the job. Our findings clearly indicate that a change of course is needed: by creating intense cost pressure, EU-led reform measures have caused a systematic erosion of standards in terms of services quality, unmet investment needs, and poor employment conditions.

Rationale of EU Services Reform

Interest in the EU-led reform of services first emerged in the early 1990s. Since its beginnings, this project has been aligned with the objective of integrating services markets in the EU to increase competition in the services industry. As Frits Bolkestein, former Internal Market Commissioner and architect of EU services reform, once put it, this approach would create jobs and growth by providing consumers with a "wider choice of better and cheaper services".¹ EU services reform is thus based on the assumption that intensifying competition in an integrated market unleashes a virtuous circle: In response to stronger competition, companies strive to lower services prices. Lower prices in turn foster demand for greater quantities of services, allowing companies to grow and create jobs. Completing the single market for services thus constitutes a top priority for EU policy-makers, although, as the scientific community notices, "no credible estimate of its potential seems to have been published so far".²

Despite such reservations, an impressive number of related European Commission initiatives have seen the light of day. First reform projects of this kind targeted individual sectors such as postal and financial services since the early 1990s. Later initiatives, especially the EU Services Directive of 2006 and its 2012 follow-up, the 'New Partnership for Growth in Services', extended the scope of this project to almost all remaining services sectors.

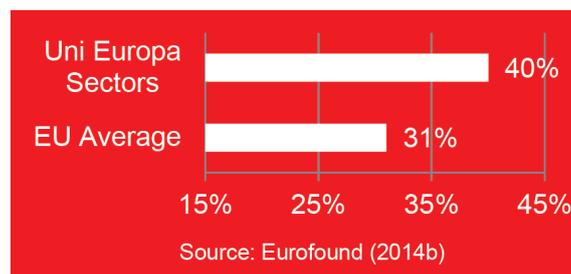
Regardless of the heterogeneous nature of services and their various functions in European societies and economies, such initiatives have sought to apply the same measures to practically all sectors of the services industry: deregulation and liberalisation. To ensure that the most cost-competitive services companies could migrate across European borders, such deregulation and liberalisation implicated major legislative change in EU Member States. To implement

the Services Directive, no less than 35,000 national regulations were either abolished or substantially revised.³ With new EU services reform initiatives having been announced for the summer of 2015 as part of the 'Internal Market Package', this figure looks likely to rise yet further in the near future.

Effects of EU Services Reform

As envisaged by the architects of EU-led services reform, the construction of the single market for services has implicated change of considerable magnitude in the European services industry. In order to adapt to the cost pressure created by the single market, services companies are forced to consolidate and redefine their business models. Accordingly, evidence compiled by Eurofound confirms that a major restructuring wave is sweeping across the European services industry (cf. Figure 2).⁴ What is important to note is that the data summarised in this graph relates to the 2007-10 period, hence the period directly following the adoption of the EU services directive and before the financial crash of 2008 had translated into a full-blown European economic crisis. We therefore need to assume that structural changes in services markets and not the effects of the great recession provide the rationale for such consolidation.

Figure 2: Restructuring during past three years: UNI Europa Sectors vs EU Average



A full 40% of employees in services sectors organised by UNI Europa reported restructuring activities in their immediate working environment during the past three years, a percentage substantially above the EU average. Although such restructuring thus constitutes an outcome of the 'Europeanisation' of the services industry, company change is taking place under quite diverse circumstances in EU Member States. While national legislation in some countries obliges companies to negotiate the employment aspects of restructuring with worker representatives, employees in other countries possess no such rights. This creates

1 European Commission (2002)
2 Mustilli and Pelkmans (2012), p.3

3 Wobbe (2014), p. 174
4 Eurofound (2014b)

a situation in which businesses react to the dynamics of an integrated market whereas employees' ability to act remains fragmented along national boundaries. As illustrated by the following discussion, though, there are good reasons why this should cause concern on the part of regulators since, frequently, such restructuring can be found to diminish the quality of services along with the quality of services employment.

Eroding the Quality of Services and Services Employment

As the single market exerts considerable pressure on services prices, cutting cost is a key concern for services companies in the above-described restructuring projects. Especially in labour-intensive services such as cleaning or private security, where staff expenditure can amount to up to 80% of companies' fixed cost, measures aimed at increasing labour productivity and reducing the cost of human capital are central elements of company strategies.

Practices aimed at reducing the cost of labour are varied and affect workers in a large number of services sectors. Frequently they are quite simply designed to cut the unit price of labour by increasing performance pressure. This may range from sales targets for bank employees to specifications regarding the surface of office space that cleaners are required to cover during a shift.⁵ Frequently, performance-related pay schemes or pressure by supervisors is used to coerce employees to accept such goals. As data shows, it is not atypical for such targets to be set at levels that cause stress for employees and thus pose serious threats to employee health and well-being.⁶ What is more, such work intensification may have negative effects on services quality: According to UK consumer rights organisation 'which', 40% of salespersons in UK banks admitted to having inappropriately sold risky products to customers looking for safe investments to secure the release of bonuses.⁷

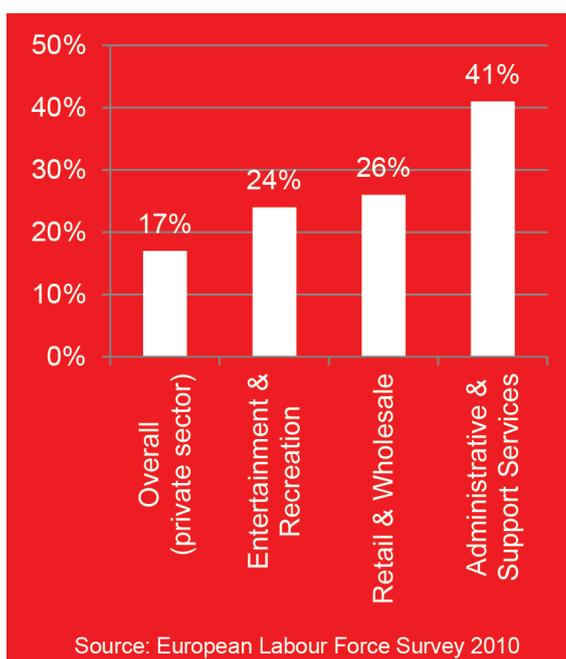
Digital innovation is opening up yet more possibilities to rationalise work in services. Software that breaks up complex processes into simple and monotonous routines, thereby allowing users to fulfil sophisticated accountancy tasks with only little training, constitutes one such example.⁸ Such technology allows companies to replace medium-skilled employees earning medium-wages with low-skilled and low-wage labour, thereby reducing payroll cost.⁹ More recently, many services or parts thereof become entirely automated e.g. through vending machines, self-service terminals or online portals. Such technology permeates almost all sectors of the services industry, including social services like care, and saves cost by replacing labour altogether. These innovations may indeed improve the customer experience. Yet, some services users lack the necessary skills to use such digital solutions or perceive their quality as inferior to that of 'brick and mortar' services. Where digital innovation is pursued in the interest of cost-cutting alone, regardless of customer needs and preferences, services users are therefore at risk of losing out.¹⁰

Low levels of investment in human capital constitute another outcome of companies' desire to cut cost – with

sometimes-serious consequences for services quality. In late 2014, newspapers revealed how insufficiently trained security guards at major European airports were unable to operate machinery like x-ray scanners and thus failed to identify weapons and explosives.¹¹ As airport authorities usually outsource security checks to sub-contractors, with the lowest bidder securing the job, companies have strong incentives to cut their prices by keeping training costs as low as possible. Until its revision in 2013, the EU public procurement revision actually obliged public buyers to award such contracts to the lowest bidder, and thus served to enforce cost pressure in EU services markets. Both employers and employee representatives agree that such episodes are more than just isolated cases in the private security sector in which constant cost pressure puts quality standards at risk.¹² As the above example shows, this may have serious consequences for the security of entire communities.

As a result of the cost pressure created by the single market and as is illustrated by Figure 3, low-wage employment is a lived reality for a substantial proportion of the European services workforce. Given that this graph summarises data for 2010, hence before the economic crisis hit EU labour markets, such developments reflect structural trends in European services employment and not the short-term effects of a recession. According to a recent study prepared on behalf of the European Parliament, such developments are likely to continue if no action is being taken. As the study finds, it is especially the above-described, ICT-enabled rationalisation projects that continue to fuel the rise of income inequalities in the EU.¹³ Therefore, developments in services employment lie at the heart of the rising income inequalities that imperil social cohesion and political stability in Europe. Moreover and as our further discussion will illustrate, such dynamics seem part of developments that undermine the ability of European services to innovate and create quality employment.

Figure 3: Low-Wage Earners as Percentage of Sectoral Workforce



5 Holtgrewe et al. (2012), p.5

6 Beckmann (2014)

7 Which (2012)

8 See Breisig et al. (2010)

9 Goos et al. (2009)

10e.g. Beckmann (2014)

11 The Telegraph (2014)

12UNI Europa and CoESS (2014)

13European Parliament (2015), p. 15-6

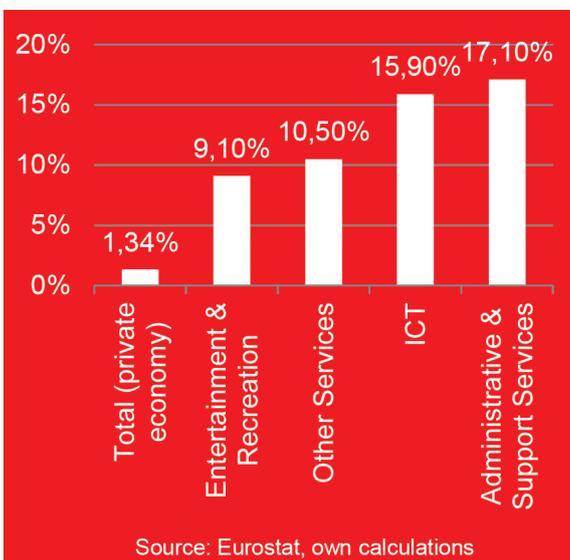
Stalling the Creation of Quality Jobs and Innovative Services

Next to creating intense cost pressure, the extent of deregulation and liberalisation that occurred in the creation of the single market exposes the European services industry to high degrees of market volatility. As we find, such volatility may undermine the ability of entire sectors to provide the services that businesses and citizens rely on and fails to provide the market stability that services companies require to invest in innovation.

The financial industry, in which deregulation was followed by the rapid innovation of business models in the sector, illustrates this forcefully. As the financial crash of 2008 made clear, such processes can be unsustainable and undesirable for consumers, companies, and workers alike. Besides cutting businesses off from finance and jeopardising citizens' savings, the financial crisis has destroyed no less than 134,000 jobs in the European financial industry during the period of 2011-13 alone.¹⁴ Beyond this, our evidence shows how volatile markets inhibit the creation of quality employment and innovative services capacity across the entire services industry.

In order to prepare for the volatility encountered in the single market, companies across all sectors of the services industry seek to gain maximum flexibility in their human resources management. A key objective in this regard is to avoid excess staff capacity and to facilitate the shedding of labour when needed. This leads to the expansion of insecure and atypical forms of employment. The growth in freelancing at the expense of permanent staff illustrates this clearly. In so doing, employers avoid having to make commitments to provide permanent income and employment. Although work arrangements of this kind may be beneficial to workers who seek to maximise flexibility and autonomy, the rises in freelancing witnessed in services sectors are of a magnitude that is unlikely to reflect workers' choice alone (cf. Figure 4). This must be assumed the case in, for example, the Dutch parcel delivery sector where the self-employment rate stood at 85% in 2010.¹⁵

Figure 4: Growth of freelancing (self-employment without employees) in selected services sectors 2008-2013



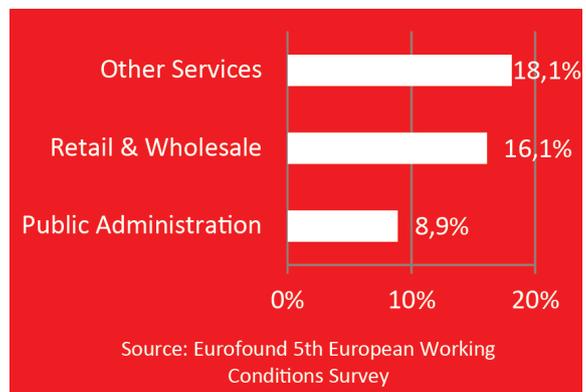
¹⁴UNI Global Union Finance (2013)
¹⁵Herrmann (2013), p. 25

As self-employment excludes workers from dismissal legislation and usually bars them from social security systems such as public health insurance and pension funds, such employment arrangements come with great risks attached. Yet more workers are expected to end up in such insecure forms of employment as a result of digitalisation. Practices such as crowdsourcing, i.e. systems allowing companies to publish online tenders for work assignments for which freelancers bid competitively, further increase the ability of companies to rely on labour that is contracted with maximum flexibility. Some crowdsourcing portals already register close to 10 million subscribers, with further growth to be expected.¹⁶ By excluding more and more workers from traditional social security systems, such developments might seriously erode revenue and thus the effectiveness of such security nets.

Where national labour laws permit, new forms of insecure employment are emerging. Recently, the case of zero-hour contracts in the United Kingdom is drawing increased attention. Such contracts allow companies to hire employees without having to guarantee a minimum of working hours and income. A recent study produced for the House of Commons finds that services workers are particularly affected: eight of the ten sectors exhibiting the highest occurrence of such employment represent services sectors.¹⁷

Hiring workers on part-time contracts is another strategy that employers use to gain flexibility in human resources management. Here, the aim is to divide the workforce up into smaller 'lots' of individual working time that can be shifted and combined to match customer demand as precisely as possible. Such practices are particularly widespread in sectors in which customer demand patterns are frequently shifting or peak hours of activity can be observed. For instance, office cleaners mostly work when office workers have left their desks and retail workers work when others are off duty and have time to shop. While part-time employment may correspond to workers' preferences, Eurofound data illustrates (cf. Figure 5) that a sizeable proportion of such service workers would indeed prefer to work more hours to increase earnings.

Figure 5: Share of Employees in Involuntary Part-Time (selected services sectors vs. best-performing sector)



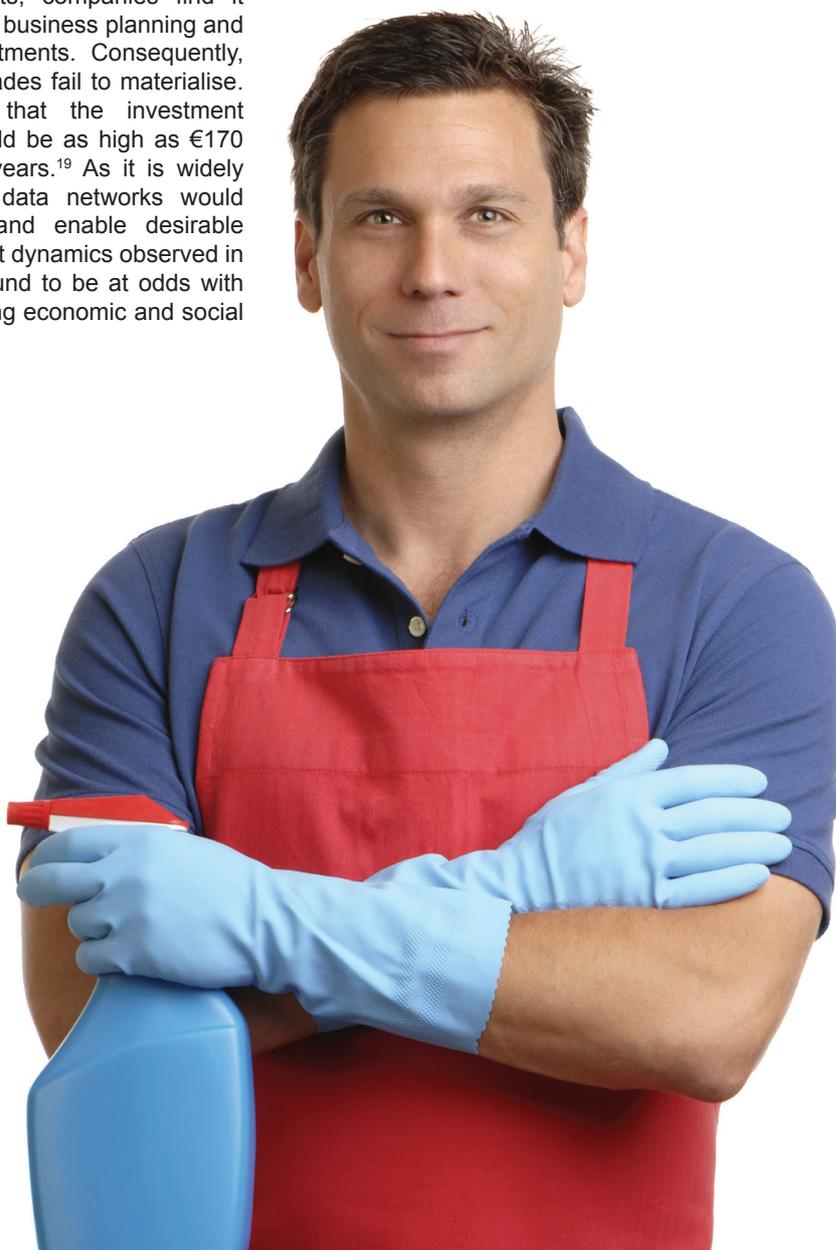
¹⁶The Economist (2015), p. 7
¹⁷Pyper and McGuinness (2014), p. 5

Worryingly, it is becoming increasingly clear that the volatility created by the single market leaves major potentials for the creation of quality employment in services untapped. This is the case, for instance, in the digital economy where opportunities for skilled labour to enter medium- to high-wage employment would be available. However, insufficient investment in education and training that would allow workers' to acquire the skills needed to take up such employment renders these potentials unexploited. While companies refrain from investing in the formation of human capital for fear of insufficient returns in volatile markets, public education is equally failing to meet the challenge. Already in 2012, the European Commission noticed that this situation would result in approximately 700,000 unfilled job opportunities by the end of 2015.¹⁸

Beyond the domain of services employment, evidence is mounting that such volatility is altogether at odds with a dynamic development of the European services industry. The example of the European telecommunications sector illustrates this clearly. While the European Commission frequently changes the regulatory environment to reinforce the cost pressure in telecoms markets, companies find it difficult to engage in long-term business planning and refrain from mobilising investments. Consequently, necessary infrastructure upgrades fail to materialise. Recent estimates suggest that the investment gap in EU data networks could be as high as €170 billion over the coming five years.¹⁹ As it is widely recognised that high-speed data networks would boost EU competitiveness and enable desirable social innovations, the deficient dynamics observed in the single market must be found to be at odds with the EU's objective of generating economic and social progress.

EU Services Reform Has Failed

According to the evidence presented here, EU policy targeting the European services industry to date fails to qualify as a success. European services hold the potential to tackle the European Union's most pressing issues by boosting competitiveness, increasing citizens' quality of life, and creating quality jobs. Yet, the approach chosen by the architects of EU-led services reform has worked into the opposite direction – and thus seems part of the problem rather than the solution. Deregulation and liberalisation have been pursued at the expense of quality services and employment, lacking investment in innovation, and job creation. Instead of tackling it, such developments fuel the EU's economic and social malaise. A new approach to the governance of European services is therefore urgently needed. Our proposal for a comprehensive EU services policy, which we present in the following section, is therefore rendered all the more important.



¹⁸European Commission (2012)

¹⁹UNI Europa ICTS (2014); ETNO (2014), p. 13

Way Forward: Developing a Comprehensive EU Services Policy

4

As is clear from the evidence compiled in this report, EU-led services reform that limits itself to creating cost pressure in the single market for services is failing to realise the potential of services to boost competitiveness, increase citizens' quality of life, and create quality jobs. Continuing this approach without modification risks creating yet more inequality and social and economic stagnation. A change of course in EU policy targeting the services industry is therefore urgently called for.

To meet this challenge, UNI Europa proposes the development of a comprehensive EU services policy that pursues broader aims than just completing the single market for services. To avoid misunderstanding, this is not to demand that the single market project be abolished. Our proposals rather concern a strategy that embeds the creation of the single market in a broader policy-mix. As the evidence compiled in this report has clearly shown, such a broader mix is needed in order to ensure that future single market policies, such as the 2015 'Internal Market Strategy', form part of a process that reaps the full potential of European services for competitiveness, quality of life, and quality jobs.

What we propose is an integrated strategy for European services that serves to coordinate policy-making at EU and Member State level. In terms of governance and objectives, this strategy shares numerous of the aims of Europe 2020 and should therefore be integrated in its framework. However, this is not to say that UNI Europa regards the effectiveness of current Europe 2020 action as sufficient. By proposing an EU services policy, our aim is to revive such strategic discourse on social and economic renewal in Europe and to give the services industry the weight and attention it deserves in such projects.

Under the headings of 'Quality Jobs', 'Research for Innovation and Better Governance', and 'Investment', the following provides an account of ideas concerning the necessary form and orientation of a future EU services policy. In so doing, UNI Europa intends to provide food for thought and the basis for fruitful discussions between social partners, policy-makers, and stakeholders on the future of European services.

Quality Jobs

The European Union's self-conception as a social market economy, expressed in Art. 3.3 of the treaty on European Union, obliges European services policy to pay ample attention to the quality of services employment. Acting on this obligation is becoming all the more important in light of a rapid social and

economic change. The challenges constituted by such change can only meet by ensuring high quality standards in terms of work and employment.¹ In the face of globalisation, technological innovation, and demographic change, Europe relies on a highly productive, adaptable, and resilient workforce to maintain competitiveness and social cohesion. It is therefore of utmost importance to overcome the current negative interaction between EU-led services reform and working conditions in services. EU services policy must thus create and ensure services employment that provides services workers with access to:

- Fair Remuneration and Social Security
- Promoting Meaningful Work that Harnesses and Improves Workers' Skills
- Making Services Work Healthy and Safe
- Ensuring Workers' Right to Participate in Company Decisions

Based on the UNI Europa Services Manifesto, the following will briefly discuss these four areas and provide first proposals concerning relevant measures that policy-makers should take.

Fair Remuneration and Social Security

To avoid that cost pressure in services markets translates into further declines in services sector wages and job quality, the EU needs to depart from its current opposition to collective bargaining and employment protection legislation.² As high levels of collective bargaining coverage are the most effective tool to maintain income equality and thus foster social justice, political support for collective bargaining is warranted in an EU whose social cohesion is at stake. Especially since even the European Commission itself is failing to identify positive correlations between labour market deregulation, growth, and job creation, such a change of course is long due.³ As proposed by the UNI Europa Services Manifesto, a number of measures can be taken at the level of the EU to protect and rebuild strong sectoral collective bargaining structures and to ensure high levels of employment protection. Since the publication of our Services Manifesto, UNI Europa sectors have developed additional tools to assist authorities in implementing related measures. With their guidelines for socially responsible public

¹ European Commission (2015), Ch. 2

² Decentralising collective bargaining was made a condition for the release of emergency funds administered by the Troika to five countries, while Belgium, Italy, Luxembourg, and Slovenia have received Country-specific Recommendations demanding similar measures as part of the European Semester. During the same period, the Czech Republic, France, Hungary, Italy, Lithuania, Poland, Portugal, Sweden, and Slovenia have received recommendations to deregulate labour markets.

³ European Commission (2015), p.29

procurement, UNI Europa Property Services and CoESS, the European social partners for the private security sector, provide practical advice to procurement authorities that seek to foster fair remuneration and job quality in the private security sector.⁴ Future work between social partners should further consider the possibility of using public procurement to strengthen and expand sectoral collective bargaining structures.

Additionally, Europe needs a debate on minimum standards for national labour law and social security systems as economic integration proceeds and companies move across EU borders. An EU that is serious about social progress cannot allow that social standards come under pressure from capital that relocates intentionally to where social protection are lowest. This creates competition between national social standards and is thus at risk of triggering a regulatory race to the bottom. Debates on introducing wage floors in EU Member States, in full respect of national systems of industrial relations, e.g. through minimum wages or collective agreements, necessarily form part of such debates.

Uni Europa Services Manifesto Proposals

- Promoting, ensuring, and monitoring fundamental worker rights, especially the rights to collective bargaining and to take industrial action.
- Using public procurement to increase collective bargaining coverage and, to this end, ensure the full transposition of Directive 2014/24/EU that allows for conditionality in public tenders ensuring adherence to collective labour agreements.
- Guaranteeing the application of collective agreements to workers temporarily posted across borders.
- Ensuring that freelancers have the right to organise and bargain wages collectively.
- Introducing legislation against fraudulent forms of employment, such as bogus self-employment.
- Improving the monitoring of host country labour code application in the case of cross-border services provision.
- Defining minimum standards for the financing of labour inspectorates in EU Member States.

Yet, discussions that limit themselves to a partial harmonisation of the social status quo in Europe alone will not do. Further work, in close cooperation with Member States and social partners, is needed to develop strategies that ensure decent incomes and high levels of social security for workers in a changing services industry. Especially as digital technology is transforming services employment, e.g. through practices like crowdsourcing, labour codes and social security systems require adaptation. While it is Member States' responsibility to decide

and implement the necessary changes, action at the level of the EU can facilitate such processes, for instance, by raising awareness and encouraging exchanges of best practice. The discussion between the Finnish government and social partners on improving freelancers' access to social security systems illustrates that some Member States are already conducting work that could be drawn upon in such EU-facilitated, strategic debates.⁵

Promoting Meaningful Work that Harnesses and Improves Workers' Skills

The need to invest in the skills of a highly productive European workforce is well recognised in EU policy discourse. Firstly, this is required as the biggest potential for the creation of future services employment is expected to lie in medium- and high-skilled occupations such as ICT and social services.⁶ As these sectors are of crucial importance to improve competitiveness and quality of life in ageing societies, investing in appropriate human capital promises high social and economic returns. Secondly, a commitment to excellent vocational education and training, at the beginning as well as throughout the entire duration of workers' careers, constitutes a precondition of inclusive labour markets and just societies. In the face of rapid innovation in technology, business models, and work processes, workers need access to world-class education to maintain their employability and to possess the means to make a decent living. Despite this, EU measures seeking to coordinate educational reform in Europe usually remain ineffective.

Next to the reform of public education, developing a productive European workforce with the right skills for the economy of the future requires high levels of private investment in skills. Services companies need to do more in this respect and have to increase the provision of employer-paid lifelong learning significantly. Recognising this challenge, social partners UNI Europa Commerce and EuroCommerce engage in joint Sector Skills Council work to improve workers' access to training that meets the needs of a changing sector.⁷ Since social partners' initiatives contribute to the dynamic development of services sectors and improve job quality, they merit policy-makers' support and recognition. Further EU action in the field of education and training should therefore closely involve both Member States and social partners. For instance, this could take the form of EU framework directives that stipulate employees' right to paid educational leave.

Uni Europa Services Manifesto Proposals

- Ensuring employees' right to lifelong learning and paid educational leave
- Exchanging best practices in education and training between countries and companies
- Involving social partners in the definition of vocational education and training curricula
- Improving the forecasting of skills needs

⁵ See, for instance, Bsirske and Busch (2013)

⁶ New Economics Foundation (2014), p. 43-4; see also Beckmann (2014)

⁷ European Sector Skills Council Commerce (2014)

⁴ UNI Europa and CoESS (2014)

Making Services Work Healthy and Safe

Quality jobs in services are necessarily jobs that avoid negative impacts on workers' health and well-being. Moreover, as demographic change obliges Europeans to remain in the workforce for much longer than before, reducing both the physical and psychological strain of work in services is of crucial importance. By possessing a robust mandate to legislate in the field of occupational health and safety, which has indeed allowed EU to become the key actor in this legislative field, the European Union possesses the necessary means to achieve this. This competence must be exercised vigorously as new forms of work organisation and technology produce new risks. As described above, a growing number of freelancers in services sectors are working under conditions that are basically unregulated in terms of occupational health and safety. Additionally, an increasing number of services workers suffer from stress caused by employer-set performance targets.

Uni Europa Services Manifesto Proposals

- Defending the EU's role as the primary source of occupational health and safety legislation
- Committing to social partners' status as co-legislators in occupational health and safety
- Involving social partners in assessing health and safety risks

EU regulation is able to meet such challenges, for instance by obliging companies to implement strategies against stress and by devising strategies that improve the protection of self-employed workers. Additionally, as more and more employees are equipped with mobile communication devices that make them constantly available, regulation is required to protect work-life-balance. Involving social partners' expertise in defining such rules, for instance by relying on European sectoral social dialogue committees to devise them, is instrumental in ensuring that rules reflect sector-specific needs and comply with the principle of proportionality.

Ensuring Workers' Right to Participate in Company Decisions

Giving workers a voice in their companies' matters is an instrumental tool to guarantee a high quality of services and to identify win-win-situations for management and labour. The 2013 European Company Survey compiled by Eurofound again confirmed the positive impact that constructive social dialogue has both on job quality and company performance.⁸ However, systems of worker involvement in company decisions, for instance in the case of restructuring and change, remain divergent and thus fragmented across the EU. Especially in multinational corporations, which in services account for a higher share of employment than in other sectors such as manufacturing, this creates paradoxical situations.⁹ Depending on their geographical location, some workers' right to collectively bargained change and restructuring may be protected while their colleagues in other countries do not possess such rights vis-à-vis the same management. In view of such

inconsistencies between economic and social Europe, UNI Europa, together with the entire European trade union movement, demands that workers across the entire EU be given the right to collectively bargained company restructuring. The European Commission is therefore called upon to give up its resistance to the European Parliament's proposal for an EU legal framework ensuring employee involvement in change and restructuring.

Uni Europa Services Manifesto Proposals

- Promoting social dialogue at company, sector, national, and EU level
- Ensuring worker rights in multinational companies through a robust mandate for European Works Councils
- Implementing a mandatory European framework for worker involvement in change and restructuring

Research for Innovation and Better Governance

The success of an EU services policy that aims to improve citizens' quality of life, boost competitiveness, and create quality jobs depends on access to scientific evidence. Currently, too little research is conducted that could inform political intervention in the European services industry. Regrettably, the European research framework programme Horizon 2020 is failing to address this shortfall.¹⁰ Future funding periods will have to rectify this by encouraging practice-oriented and adequately funded services research.

Uni Europa Services Manifesto Proposals

- Increasing funding for research on services in the current Horizon 2020 programme
- Aligning services research with stakeholder needs
- Encouraging interdisciplinarity in services research
- Using such insight to draw up detailed social and economic impact assessments in policy-making processes

Firstly, more and better services research is required to gain deeper insight into the functioning of services sectors and to end the negative interaction between the single market and the quality of services and employment. Achieving this requires tools that allow for better and more relevant forms of market surveillance. Since the European Commission's monitoring is almost exclusively focussed on price and productivity data, important information concerning services quality and employment is lost and thus barred from feeding into policy-making processes.¹¹ In the framework of research on social services, first proposals for performance indicators have been formulated that cover qualitative and employment aspects.¹² Such pioneering work should be used as

8 Eurofound (2014a)

9 Kemekliene et al. (2007), p. 16

10 Beckmann (2014), HLG Business Services (2014)

11 See European Commission (2012) for a description of the European Commission's monitoring methodology

12 Becke et al. (2013)

starting point to build multi-dimensional statistical indicators that can inform policy-making.

Such deepened knowledge must be acted upon through proactive policy-making at the level of the EU and Member States. Where the monitoring of services markets identifies threats to the economic, social, and employment performance of the services industry, political intervention must be staged. As seen above, especially developments that challenge the quality of work in services through new forms of work organisation and employment arrangements warrant activity on the part of regulators. Contrary to that, the European Commission's focus on REFIT¹³ and 'Better Regulation' seems to speak of a general reluctance to regulate in the interest of social progress. Such hesitance must be overcome to allow an EU services policy to be successful. The insights produced by services research must be used in policy in the interest of all through regulation that is based on sound and impartial economic and social impact assessments as envisaged by Art. 114 TFEU.

Secondly, research is needed that supports the services industry in meeting its economic and social responsibilities under the conditions of rapid social, economic, and technological change. Such change must be studied in detail in order to enable reliable forecasts of its likely economic, social, and employment effects. Given the heterogeneity of the sub-sectors of the services industry, the research projects carried out in this context may need to focus on individual sectors or clusters thereof. The knowledge produced in this context can then prepare the ground for the development of, for instance, new services, business models, and skills that serve to accommodate economic, social, and technological transformations.¹³ For instance, this may serve to define concepts for eCommerce solutions that benefit rural populations or inform companies' strategies for updating the skills sets of their workforce. By using instruments such as innovation support programmes, infrastructure development, educational reform, and active labour market policies, the EU and Member States possess tools to transfer such concepts from the laboratory to the real world.

Yet, the right conceptual basis must be chosen for such future-oriented research and development, especially when matters of social innovation are concerned. In such contexts, realising efficiency gains cannot be the only preoccupation of research and policy – as seems to be the case with the sporadic EU-funded research projects that study, for instance, the potential of technology to rationalise the provision of social and health services.¹⁴ Since services innovation of this kind implicates new forms of interacting, living, and working together, their concrete aim must be to improve the functioning of society in the interest of all parties concerned.¹⁵ To ensure this, the stakeholders of such social innovation processes, i.e. services users, workers, and companies, must engage in meaningful and consensus-orientated exchanges concerning the 'whats' and 'hows' of such social innovation.¹⁶

Investment and Redistribution

Naturally, an EU service policy of this kind that supports the European services industry in making quality services widely accessible and improving services employment does not come for free. Improving the quality of services employment, for instance through collectively bargained wage increases, entails distributional implications. Gathering better information on the functioning of services markets and facilitating processes of successful social innovation through services research creates expenditure that must be covered. Finally, a service industry that adjusts to changing social and economic needs requires permanently high level of investment in public infrastructures, especially in networks and education. Yet, if successful, such an EU services policy not only creates gains that are superior to the cost incurred, but also reinforces the European project by improving social justice, quality of life, and competitiveness in Europe.

Uni Europa Services Manifesto Proposals

- Implementing a large-scale investment programme of at least 2% of GDP over the coming ten years to revive the EU economy and invest in future growth
- Prioritising infrastructure and education in such investment

Fortunately, such an EU services policy and the pro investment and equality stance it implies can take advantage of a number of positive feedback loops. As econometric research conducted by the International Labour Office has found, growing labour income in the EU would immediately serve to boost growth, as growth in Europe is driven by wages rather than profits.¹⁷ Recently, the European Commission itself has found that societies that are characterised by high levels of income equality are more productive and resilient in times of crisis.¹⁸ Moreover, the same report argues that stronger social cohesion in Europe, and the degree of citizens' allegiance that it fosters, is a precondition for the effectiveness of policies that are required to prepare European society for a new age of technology and global competition.

As these insights are becoming more and more widely accepted, a change of course in economic and social policy in Europe can be expected to be met with broad political support. The investment programme of €315 billion over three years proposed by the Juncker Commission represents a welcomed first step in this regard. However, analysis conducted by Bruegel leads us to believe that the Juncker plan alone even falls short of the amount needed to return to the levels of investment observed in the EU prior to the crisis (see Figure 6, next page). Therefore, more needs to be done to restore sufficient levels of investment in the EU.

¹³See, for instance, UNIONEN (2012), p.10

¹⁴See, for instance, European Commission's Ambient Assistant Living Programme

¹⁵Lemeister and Peters (2012)

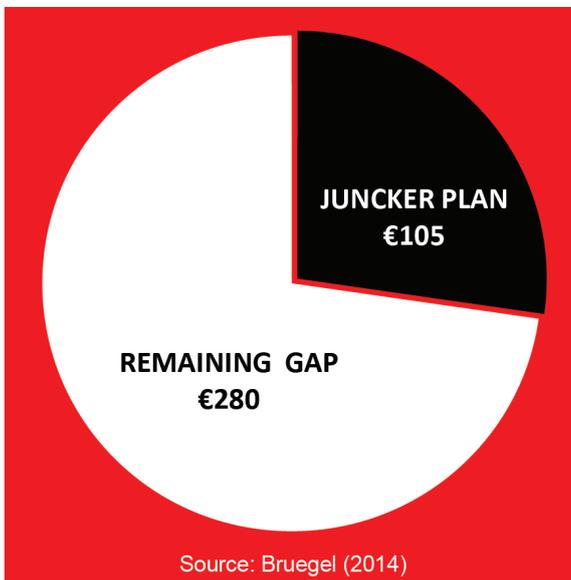
¹⁶Beckmann (2014)

¹⁷ILO (2012)

¹⁸European Commission (2015), Ch. 1

In order to mobilise sufficient resources, Europe needs to end all forms of intra-EU tax competition, especially in corporate taxation where a binding minimum rate must be agreed between Member States. Stepping up the fight against aggressive 'tax planning' and evasion in EU Member States is equally needed in this context. Moreover, to ensure that the EU and its Member States possess the means to engage in active investment policies, raising tax rates, for instance on high incomes, capital gains, and inheritances, can no longer remain a taboo in Europe. While competence in this field is exclusively in national hands, the European Commission has repeatedly advised Member States to refrain from raising tax rates in the framework of the European Semester.¹⁹ Such practices must be discontinued to enable the pursuit of an EU services policy as it is outlined here and that serves to create economic and social progress in a European Union that merits citizens' support.

Figure 6: European Investment Gap (in billion per annum)



¹⁹European Commission (2013), p. 6

Summary and Outlook

5

Our discussion of EU policy targeting the European services industry has sought to illustrate the need for a change of course. As we have seen, deregulating and liberalising services markets is not enough if the EU is to be sincere about its promise to deliver both economic and social progress. Fostering a high quality of services and services employment while ensuring that a changing Europe has access to the services it requires necessitates an EU services policy that takes this challenge seriously. This implies the formulation of targeted policies for quality jobs in services, research for innovation and better governance, as active high levels of investment and redistribution policies.

It is clear that a change of course as it is suggested by this report constitutes a challenge of its own. The aim of our proposals is therefore to open up for a debate between all stakeholders concerned. UNI Europa is committed to fair and open discussions with fellow social partners, policy-makers, and stakeholders on the future of the European services industry. As the previous pages have shown, this debate could hardly be more relevant for an EU that struggles to secure citizens' allegiance.



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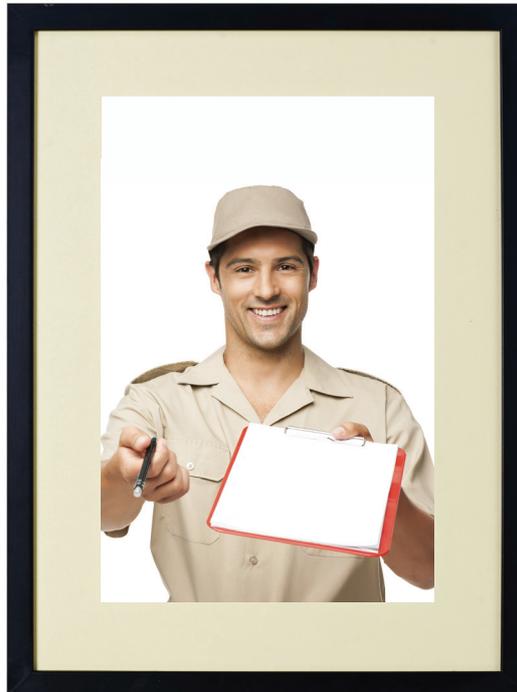
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UNI Europa, the European Services Workers' Union

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