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Shaping industrial relations in a digitalising services industry: regional report for Central and Eastern Europe

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1 Introduction

The UNI Europa project „Shaping Industrial Relations in a Digitalising Services Industry - Challenges and Opportunities for Social Partners“, in cooperation with “ZSI – Zentrum für Soziale Innovation GmbH” and promoted by the European Commission, aims to identify and analyse change factors and explore new approaches for social partners on the challenges of maintaining effective industrial relations systems in a digitalising services industry. The project strives to provide policy advice for trade unions, social partners and policymakers on necessary adaptations of institutional frameworks for industrial relations, collective bargaining, social dialogue and capacity building for social partners. Challenges and opportunities are identified and analysed in particular with regard to workers’ representation at company level and collective bargaining as well as the work and organisation of trade unions in general.

Across the project, we are dividing the investigation into three aspects of services that are clearly interrelated.

- Under the heading of “**Service markets**” we look at changes in service production and delivery through digitalisation (for example, online services and self-service) and also on the impact of these changes on customers and society at large. It is one of the dimensions where rapid changes, disruptive innovations (for example platforms) need to be addressed. Here, we also address the status of services in “industrial” or economic policy in the context of your respective sector and country.
- “**Service labour markets**” addresses the development of service jobs, their quality and quantity. We focus on jobs with intermediate skill levels, and will also address atypical and precarious employment (including self-employment) in your sector/country, the development of skills and re-skilling and policies of addressing them.
- “**Company strategies and work organisation**” looks at the company level and your union’s information and experience with companies in your sector/country: We will address transnationalisation of service companies at large, outsourcing and offshoring, working conditions and ways of influencing them, interest representation and participation.

This report has been commissioned by ZSI in the framework of the project. It also investigates service markets, service labour markets and company strategies and work organisation in Central and Eastern Europe. The report was prepared on the basis of desk research of scientific and policy publications and discussions with relevant academic experts from the CEE region. It aims to present insights into this complex problematics, without pretending to be exhaustive.¹ Research on service work and digitalization has been conducted done in the framework of different academic disciplines (such as sociology, employment relations, management, geography).

2 Service Markets in CEE

2.1 *Expansion of the services sector in CEE*

The Central and Eastern European countries (CEEC), most of them new member states of the European Union (EU), share a common socialist past. They also diverge on a number of political, social and

¹ Since the present study’s finalisation, some new papers have been published: Grass and Weber’s review of European digitalisation and labour market policies (2016) has a chapter on Poland, and Komarčević, Dimić, & Čelik, 2017 and Miletić, Vojvodić, & Vojvodić, 2017 address digitalisation in the Western Balkans.

economic issues with roots in previous historical developments (e.g. belonging to different empires, see Delteil and Kirov, 2016). In this perspective, according to many scholars it is difficult to identify common employment and IR regimes for the CEECs. Bohle and Greskovits (2012) distinguish different types of East-European capitalism:

- the Central European states (Poland, Hungary, Czech Republic and Slovakia),
- the Balkan states (such as Romania and Bulgaria or yet Croatia),
- and the Baltic States (Estonia, Latvia and Lithuania).

While the debates about the varieties of East European capitalism are beyond the scope of this report, it is important to point out that several differences exist among those countries – e.g. in relation to their respective dependence on multinational companies (MNC), international organisations, degrees of institutional weakness, more or less liberal policies, the place and role of the informal economy and so on. In addition to those countries already in the EU, several Western Balkan states that are candidates of potential candidates for EU membership could be added to the Eastern regime (Macedonia, Serbia, Albania, Bosnia and Herzegovina and Montenegro).

The service sector of CEECs has experienced spectacular development after the fall of communism: while industrial employment was predominant before 1989, already at the end of the 1990s and the first decade of the 2000s services have become the main employer. The development of the main service sectors has followed different paths. Some of them integrated global value chains (GVC) and often have been developed with intensive foreign direct investment (FDI) – such as financial services, ICT, business services and so on. Other services such as commerce attracted FDI, but also were developed by local investors. In locally-bound low-wage services such as cleaning, care, catering and so on the role of internationalisation is limited. Large MNC are present (still) in few countries and sectors, mostly through acquisitions of national or regional companies (e.g. catering in Hungary, see Kirov, 2011 and Holtgrewe & Sardarvar 2011).

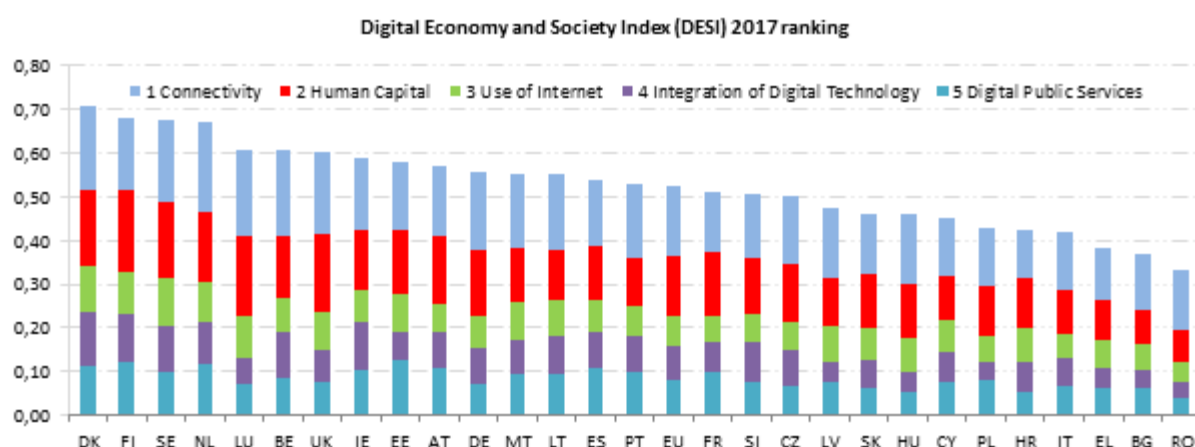
Not surprisingly, the digitalization of service markets in CEECs is relatively limited, compared to the West European countries. The European Commission's Digital Economy and Society Index (DESI) is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU member states in digital competitiveness². The 2017 ranking shows that CEE countries rank lowest results in the overall index among all employment and IR regimes in Europe (with the exception of Estonia and Lithuania which rank above the EU average) . In terms of the indicator "Integration of digital technology", the situation is similar. While businesses are the most advanced in Denmark, Ireland and Finland, they are the least digitally developed in Romania, Poland and Bulgaria. It appears that the integration of the CEE countries into the value chains of business services and ICT has not necessarily spilled over into country-wide ICT advancement.

Nevertheless, beyond the average data about the region, it is important to point out that some countries from the region have positioned themselves as leading e-nations (such as Estonia³ in particular). The main driver for the digitization and automation in service markets is foreign direct investment and the development of the local ICT sectors.

² <https://ec.europa.eu/digital-single-market/en/desi>

³ See more at <https://e-estonia.com/>

Figure 1 Digital Economy and Society Index (DESI) 2017 ranking



Source: European Commission 2017⁴

The digitalization of financial services is seen as one of the major challenges for the CEE banking sector⁵ according to McKinsey analysts from the region. They see large technological opportunities for Eastern European banks, also including present-day technologies such as the introduction of richer features for automated teller machines and point-of-sale devices, biometric identification, and mobile payments.

In other service sectors such as commerce and media, digitalization and automation is lagging behind what could be observed in Western Europe.

2.2 Specific service sectors

The financial services in CEE (and particularly banks and insurance companies) have been acquired by major players from Western Europe and other developed regions; and nowadays most of the banks and insurance companies belong to different banking groups from Germany, France, Italy, Austria etc. There is a research stream focusing on the HRM and employment relations in those banks (Hunek and Geary, 2016, Kirov and Thill, 2015).

The **ICT sector** has had strong traditions already during state socialism in most of the CEE countries. The postsocialist developments positioned the region as an important player within global value chains (e.g. software). During the decade of the 2000 and afterwards CEECs have become major destinations for offshoring of business process outsourcing (BPO)⁶ and call centres (Kirov and Mircheva, 2009; Hardy and Hollinshead 2016; Holtgrewe and Schörpf 2017). In 2011 Sass and Fifeкова (2011) concluded that the share of CEE countries in the global flows of this type of investments is still low, but the region shows a growing potential. Growth in those segments in the following years is spectacular, according to many observers. Employment in the business services sector in CEE systematically increases. During 2012 and 2013, the number of employees in service centres with foreign capital in CEE has increased nearly by

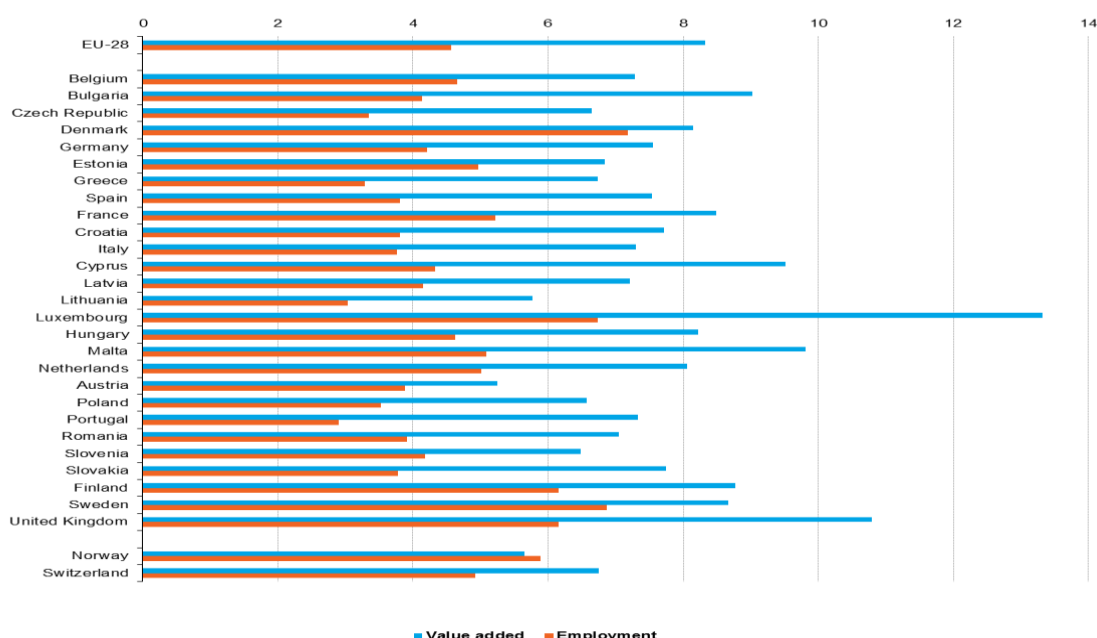
⁴ <https://ec.europa.eu/digital-single-market/en/desi>

⁵ What's ahead for banking in Eastern Europe, By Miklós Dietz, Ádám Homonnay, and Irene Shvakman, <http://www.mckinsey.com/industries/financial-services/our-insights/whats-ahead-for-banking-in-eastern-europe>

⁶ <https://www.raconteur.net/business/the-most-attractive-european-countries-for-outsourcing>

1/3, from 255,000 to 335,000 employees. Since the Q1, 2014 more than 40,000 new jobs have been added. In CEE, there are currently 1,000 service centres with foreign capital belonging to several hundred investors, including the best known global brands.⁷ The CEE countries' attractiveness for such services is based on a number of factors, such as the availability of skilled labour with strong language skills, low cost, favourable business and stable political environment, a well-developed infrastructure and geographical and cultural proximity to Western Europe (Sass and Fifekova, 2011). In these sectors large international companies such as HP or IBM co-exist together with numerous local IT companies – but it would require further research to explore the varied profiles of CEE countries and regions with regard to offshored foreign subsidiaries and national service providers for global markets. The recent Eurostat data suggest that CEE countries have employment and value added shares of ICT that are not very different from most of the Western European countries (see Figure 1). Some studies suggest that this growth is concentrated in a small number of large cities, as it is in the case of the Czech Republic (Ženka et al., 2017).

Figure 2 Relative importance of Information and communication service statistics (NACE Section J)



Note: Ireland not available
Source: Eurostat (online data code: sbs_na_1a_se_r2)

Source: Eurostat⁸

The **commerce sector** is also well expanding, involving both large multinationals and small or medium-sized local companies. According to a Eurofound study (Adam, 2011), the commerce sector is experiencing rapid internationalization in the CEE countries and most of the major West European retail

⁷ see www.absl.cz/docs/CEE_report_final.pdf

⁸ http://ec.europa.eu/eurostat/statistics-explained/images/9/9b/Relative_importance_of_Information_and_communication_service_statistics_%28NACE_Section_J%29%2C_2013.png

chains are well established in the region (such as Tesco, Carrefour, Metro and so on). The **media sector** has also attracted foreign investment, but some international companies have withdrawn and mostly local companies are leading the market (e.g. in Bulgaria, in Hungary, etc.).

2.3 Platform work

Platform work is not unknown in CEECs, but for the moment there are no estimations of its size. The Eurofound study (Eurofound, 2015 and Mandl and Curtarelli, 2017) of new forms of employment concludes that platform work is not much of a presence in Eastern Europe, compared to other employment and IR regimes. However, the same report says that “among the eastern European Member States, crowd employment platforms have been established in the Czech Republic, Latvia and Lithuania” (Eurofound, 2015: 108). Most of these platforms are very new (less than 5-6 years of existence). The Lithuanian platform Lingjob, for example, was established in 2013, Czech Topdesigner.cz - in 2012 and the Latvian Academy of Ideas in 2011 (Eurofound, 2015). However, analyses of cross-border contracts and workflows to CEE countries are currently missing.

However, in addition to those national platforms (with international outreach), in CEE countries numerous employees are registered at the global platforms such as Upwork and others. Indeed, according to different sources, individuals from CEE countries (e.g. Romania, Poland, Bulgaria, and Serbia) are among the most active users of crowd employment platforms⁹. Recent evidence suggests that for example in Bulgaria till June 2015 there were 19,610 registered profiles on platforms for remote work (Yordanova, 2015). Current research on the region has also focused on other platforms¹⁰ for home services, shared travel and so on. Country research on platform work suggests that platform work for high qualified individuals is associated with better working conditions in terms of wages, work-life balance, etc. (Yordanova & Kirov, 2017). A new doctoral research project (Dobrev) is investigating the strategies and outcomes for women designers from Central and Eastern Europe who sell their products through the craft and design retail platform Etsy (www.etsy.com). One of the hypotheses of this project is that compared to Western Europe, these self-employed designers could reach relatively sustainable incomes and work-life balance through platform sales.

3 Service labour markets

Service labour markets in CEECs are highly differentiated in terms of working conditions, wages and skills development. Highly knowledge intensive sectors offer stable and secured employment, while low qualified and labour intensive ground services are known for their high turnover, low wages, precarious contracts and hazardous conditions (Kirov, 2015).

3.1 Typical versus atypical employment

In Central and Eastern Europe open-ended contracts still dominate the economies. According to a recent report on precarious work in Europe (European Parliament, 2016), part-time work still plays a minor role in most of the Eastern and also Southern European countries. The share of marginal part-time is very low (1 % to 4 %) in the Eastern European countries. However, involuntary part-time is high in Bulgaria, as it is the case in many South-European states. Fixed-term work is well developed in some

⁹ See for example <http://techlist.com/mturk/global-mturk-worker-map.php>; <https://www.elance.com/trends/talent-available/geo#GeoRanking>; <https://www.elance.com/trends/talent-available/geo#GeoRanking>.

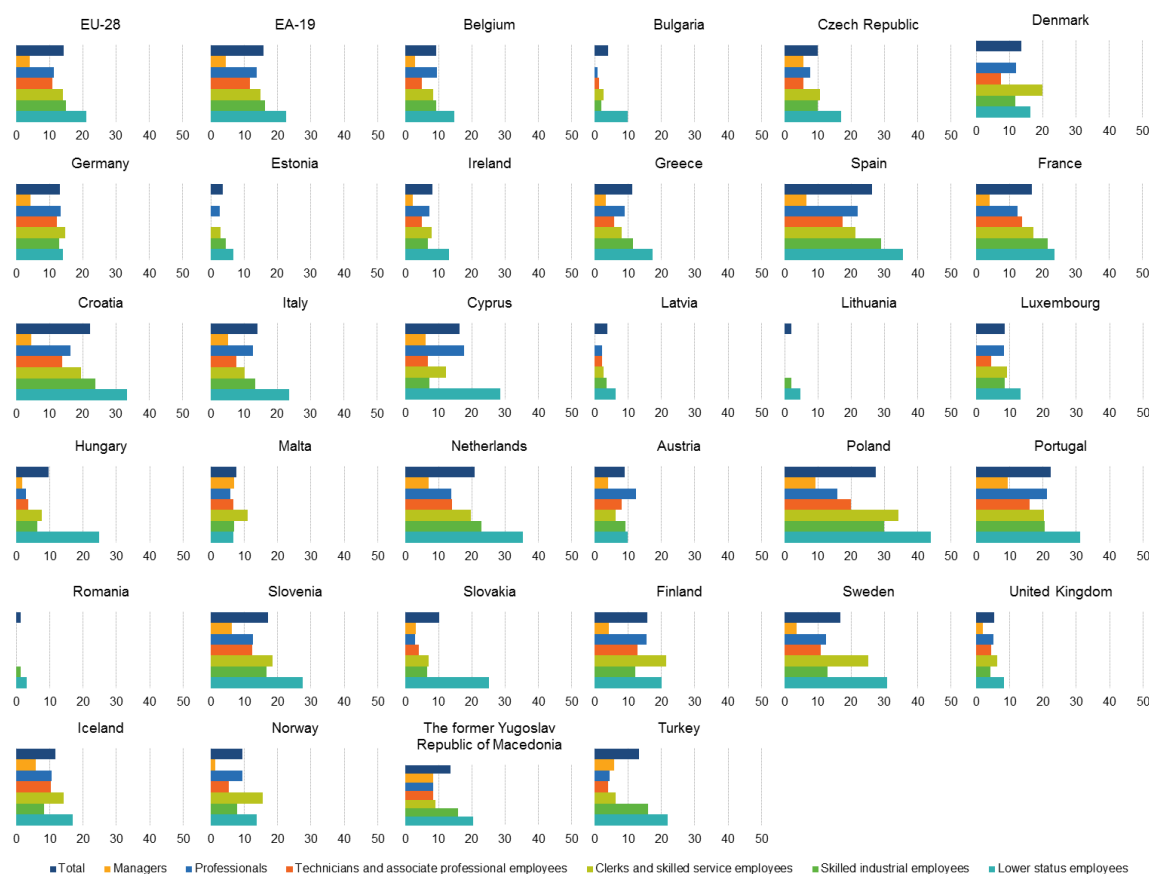
¹⁰ See [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/587316/IPOL_IDA\(2016\)587316_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/587316/IPOL_IDA(2016)587316_EN.pdf)

CEE countries, but marginal in others¹¹. In 2016, the proportion of employees aged 15-74 in the EU-28 with a contract of limited duration (fixed-term employment) was 14.2 %. This share is much larger in Poland (27.5 %) and Croatia (at 22.3 %), but only 1.4 % in Romania.

In addition to differences between countries, a pattern for differences between occupations exists (see Figure 3). For most of the countries managers are the least likely to have fixed-term contracts, and lower-status employees (as is the case in many services) are the most likely to have it. However, the levels differ markedly: 44.1 % of the lower status employees in Poland are in this situation whereas the corresponding number for Romania is only 3.2 %.

Even if these trends reflect the general state of the art in the economies, they can advise us about the developments in services.

Figure 3 Proportion of employees who have limited duration contracts, by occupational group, age group 15-74, 2016 (% of occupational group)



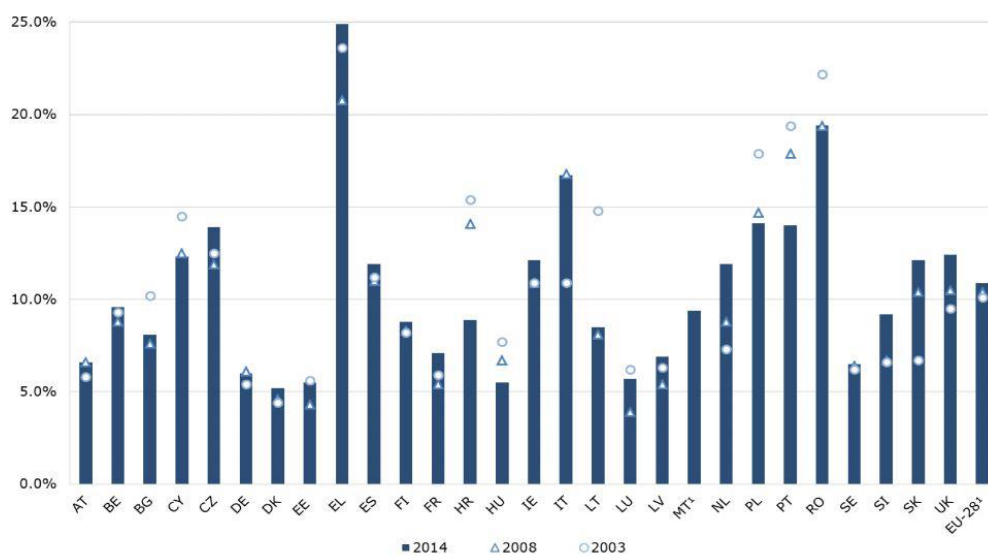
Source: Eurostat¹²

¹¹ http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics

While in some CEECs the use of precarious employment arrangements has increased significantly (e.g. see Mrozowicki et al. 2016 - about the so called ‘junk contracts’ in Poland), the use of the classic forms of atypical employment such as part-time or fixed-term contracts are limited in Bulgaria or Romania. A possible explanation for this development is the wide-spread use of informal arrangements in these economies (see Williams, 2013).

Self-employment also varies among the CEE countries. As shown in Figure 4, it is very high in Romania or Poland, but low in Hungary and Estonia.

Figure 4 Share of freelancers in Europe 2003, 2008 and 2014



Source: Precarious work in Europe¹³

3.2 Skills

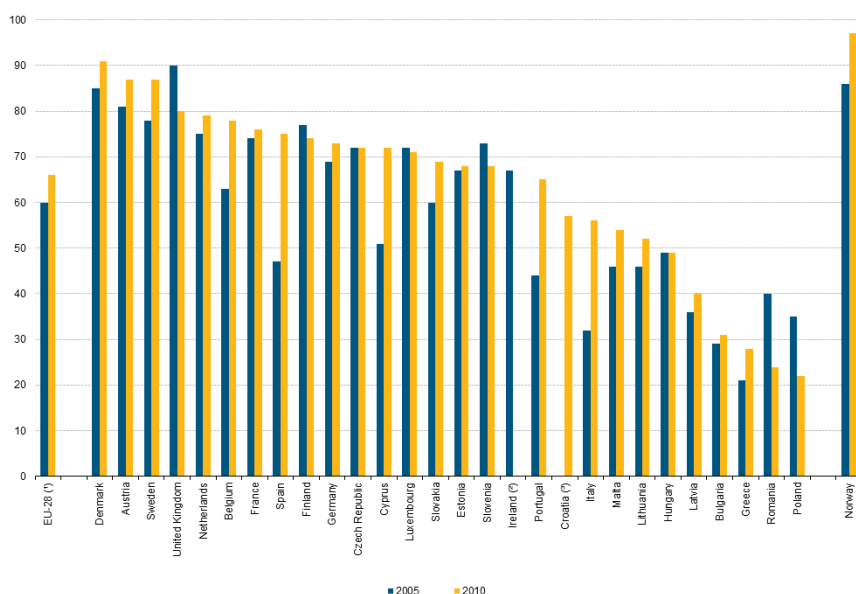
The CEE countries are among the least involved in the provision of skills within the EU. According to Eurostat¹⁴, less than 10% of the companies in the new member states provide initial vocational training. Countries from this region are also among the less active in the provision of continuous vocational training (see Figure 5).

¹² http://ec.europa.eu/eurostat/statistics-explained/images/8/8c/Proportion_of_employees_who_have_limited_duration_contracts%2C_by_occupational_group%2C_age_group_15-74%2C_2016_%28%25_of_occupational_group%29.png

¹³ Precarious Employment in Europe: Patterns, Trends and Policy Strategies, 2016

¹⁴ http://ec.europa.eu/eurostat/statistics-explained/index.php/Vocational_education_and_training_statistics

Figure 5 Share of enterprises providing continuing vocational training, 2005 and 2010 (%)



(*) 2010: estimate.

(†) 2010: not available.

(‡) 2005: not available.

Source: Eurostat (online data code: trng_cvs02)

Source: Eurostat¹⁵

Within services, skills providers and institutions are not always able to develop the necessary skills, as it was demonstrated in the analysis carried out on post-socialist economies in the European project WORKS (see Mako et al., 2009).

For this reason a number of sectors and companies have started to provide training to the work force by themselves. Some recent example of how sectors are trying to respond to the lack of qualified workforce can be instructive.

The continuous lack of well-prepared IT specialists in Bulgaria was addressed by the recently established Software University in Bulgaria (<https://softuni.bg/>). Since its establishment in 2014, this structure has trained more than 5500 students of which 92% started work in IT companies in the country. The Softuni has developed partnerships with more than 70 companies in the ICT.

Again in Bulgaria foreign investors have been active (with the respective help of the German, Austrian and Swiss governments) in the establishment of pilot programmes for dual apprenticeships¹⁶. One of the sectors covered is retail. In Sofia, students have the opportunity to become qualified retail salespeople. Theory modules are taught at the Sofia School of Economics and Finance (a high school). Practical training takes place at the local subsidiaries of well-known retail companies such as Billa, dm Bulgaria, Kaufland, Lidl and Metro.

¹⁵ http://ec.europa.eu/eurostat/statistics-explained/images/1/14/Share_of_enterprises_providing_continuing_vocational_training%2C_2005_and_2010_%28%25%29_ET15.png

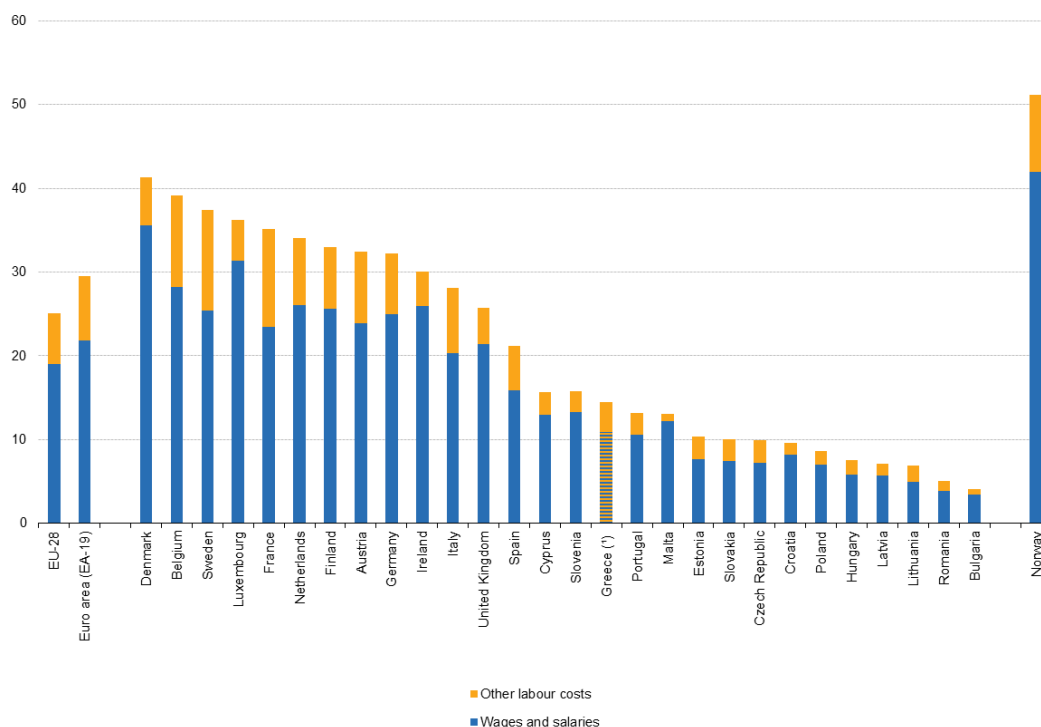
¹⁶ See more in Kirov (2017) - <https://www.eurofound.europa.eu/observatories/eurwork/articles/bulgaria-more-backing-needed-for-pilot-dual-track-vocational-education-and-training>

Also recently, policy responses to the skills shortages have been provided by public actors. For example in 2015, the Bulgarian government adopted a Concept for Encouraging the Training of Software Specialists, which provides for the creation of prerequisites for the training of over 30,000 people over the next 15 years.

3.3 Wages

Workers and employees in knowledge-intensive business services or ICT often receive comparatively very high wages in CEECs. Data for Bulgaria suggests that in 2016 ICT employees earn more than 1200 Euro per month in average, while the median wage of the country is 500 Euros¹⁷.

Figure 6 Estimated hourly labour costs, 2015 (EUR)



Note: Enterprises with 10 or more employees. NACE Rev. 2 Sections B to S excluding O. Provisional data.
 (*) 2014. Only the total labour cost is available.
 Source: Eurostat (online data code: lc_lci_lev)

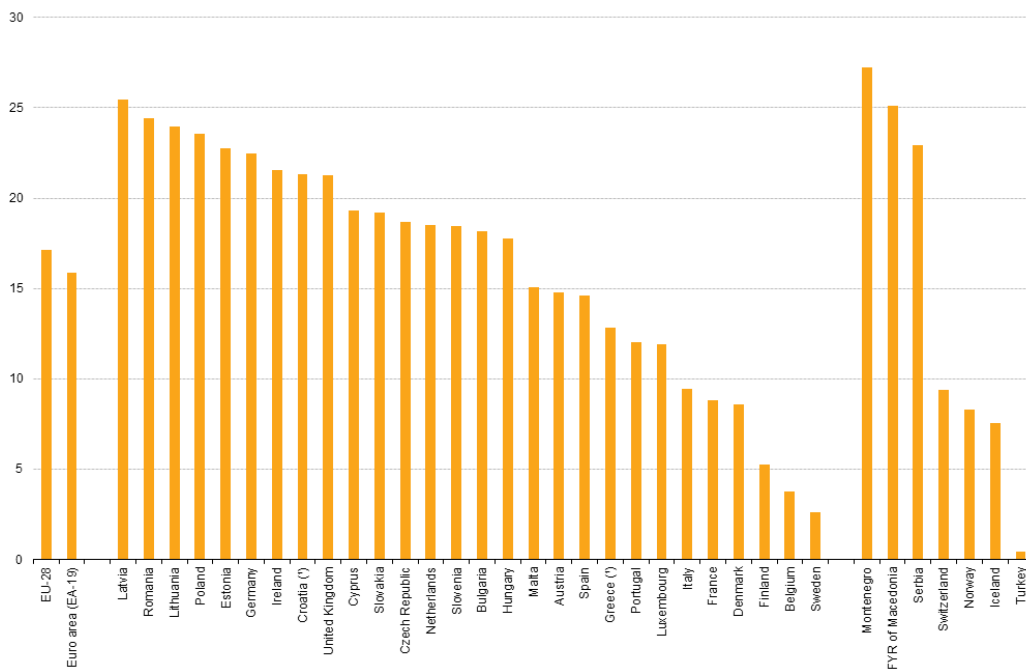
At the same time, for the CEE region in general the share of low wage earners is higher than for the EU countries in general. As it can be seen in Figure 7, the largest share of low wage earners for 2014 is

¹⁷

<http://www.nsi.bg/bg/content/3958/%D0%BD%D0%B0%D1%86%D0%B8%D0%BE%D0%BD%D0%B0%D0%BB%D0%BD%D0%BE-%D0%BD%D0%B8%D0%B2%D0%BE-%D0%B8%D0%BA%D0%BE%D0%BD%D0%BE%D0%BC%D0%B8%D1%87%D0%B5%D1%81%D0%BA%D0%B8-%D0%B4%D0%B5%D0%B9%D0%BD%D0%BE%D1%81%D1%82%D0%B8-%D1%84%D0%BE%D1%80%D0%BC%D0%B0-%D0%BD%D0%B0-%D1%81%D0%BE%D0%B1%D1%81%D1%82%D0%B2%D0%B5%D0%BD%D0%BE%D1%81%D1%82-%D0%BF%D0%BE%D0%BB>

located in Latvia, Romania, Lithuania and Poland. The sectors concentrating low wage work include hospitality, commerce, agriculture and different grounded services.

Figure 7 Low-wage earners — employees (excluding apprentices) earning less than two thirds of the median gross hourly earnings, 2014 (% of employees)



Note: enterprises with 10 or more employees. Whole economy excluding agriculture, fishing, public administration, private households and extra-territorial organisations.

(*) 2010.

Source: Eurostat (online data code: earn_ses_pub1s)

Source: Eurostat¹⁸

4 Work organisation and company strategies

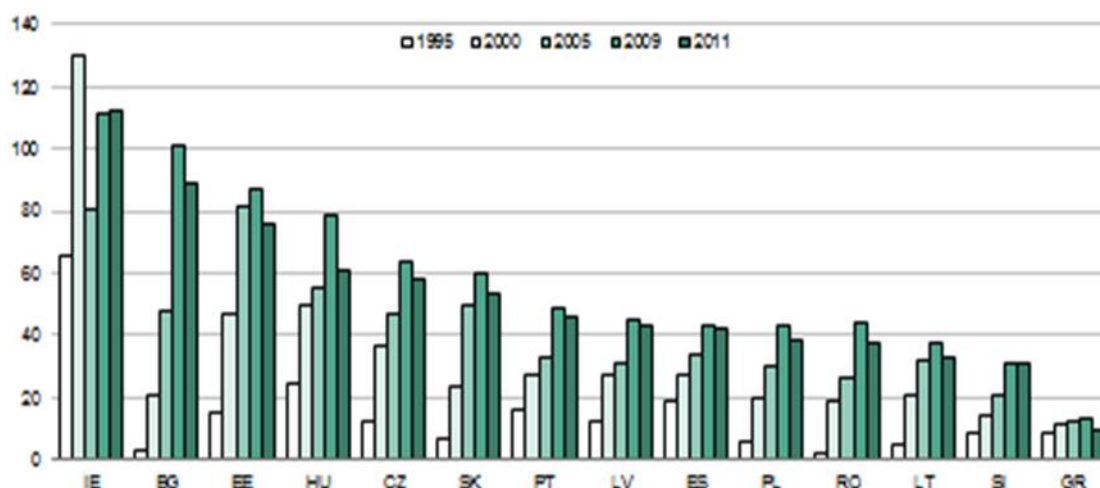
CEECs integrated into global value chains rather quickly after the political changes of 1989 – 1990. The main driving force is FDI. Some countries, such as Hungary, opened their economies at the end of the 1980s already, for others such as Bulgaria and Romania the process started almost 10 years later (see Mako et al., 2009).

However, the distribution of the FDIs followed different patterns in different CEE countries. In Central Europe it was concentrated mainly in industry which became a powerful tool for modernization (e.g. automotive, electronics) and high-road development. In South-Eastern Europe, FDI was much more present in services, often through acquisitions (telecommunications, financial services, commerce). In addition, as visible in Figure 8, the inward investment in the CEE countries varies in terms of its ratio to GDP through the years. In the initial transition periods, FDI concentrated in Central Europe, but later it

¹⁸ http://ec.europa.eu/eurostat/statistics-explained/images/4/4a/Low-wage_earners_%E2%80%94_employees_%28excluding_apprentices%29_earning_less_than_two_thirds_of_the_median_gross_hourly_earnings%2C_2014_%28%25_of_employees%29_YB17.png

expanded in South-Eastern Europe or the Baltics. Within the sub-regions there are also differences. As pointed out by Pupinis (2012), Lithuania attracted FDI in manufacturing, Latvia and Estonia attracted FDI in financial and business services.

Figure 8 Inward foreign direct investment stock in selected countries 1995-2011, in % of GDP



Source: UNCTAD, 2012¹⁹

While in earlier literature FDI has been considered as the main driver for economic dependency through the hierarchical network of MNCs and their CEE subsidiaries (proposed in particular by Nölke and Vlieghard (2009), see also King, 2007), new publications have attempted to extend the notion of dependency. According to Delteil and Kirov (2016), economic dependency is not only driven by the hierarchical and pervasive power exerted by foreign capital, individual companies and/or collective actors (such as foreign Chambers of commerce or consulting agencies). Instead, it is first and foremost spread through international trade channels as stressed by Drahokoupil and Myant (2012, 2016). Both foreign ownership of subsidiaries and the customer-service provider relations of outsourcing, that is, hierarchies and markets, create asymmetrical relationships. Finally, economic dependency is also, and not marginally, structured by the transfer of migrant remittances that in South-Eastern Europe have sometimes exceeded FDI flows of capital, most notably in the Western Balkans (see Markova, 2016).

4.1 Work organisation

While in terms of work organisation there used to be significant differences between old and new Europe, there are indications that those differences are diminishing. Valeyre et al. (2007) carried out a cross-country comparison and cluster analysis for the EU-27 countries in order to better understand the national specificities in the distribution of different forms of work organisation. During the analysis, the authors distinguished four main types of work organisation models across European countries:

1. Discretionary learning forms of work organisation;
2. Lean production;

¹⁹ Drahokoupil and Galgoczi, 2014

3. Taylorist work organisation;

4. Traditional or simple forms of work organisation.

According to their analysis (see table in the annex), discretionary learning organisations have been significantly present only in two countries from the CEEC region, Estonia and Hungary. In South-Eastern Europe, Taylorist and traditional forms of work organisation dominate the organisational landscape. Lean production is well present in Central Europe (because of the significant present of Western manufacturing MNCs).

These findings have been corroborated by an analysis on the prevalence of work types that uses the European Working Conditions Survey and confirms that in these countries ‘poorly balanced jobs’ and ‘low quality jobs’ are most dominant (Eurofound, 2012). Hence, jobs in these countries are mainly lower quality jobs while the percentage of good jobs is very limited²⁰. Examples from different quality of work elements illustrate this trend. Still, the job discretion level is the lowest for the transitional countries. In terms of cognitive demands (defined as category of job demand that affect mental workload and information processing - e.g. the difficulty of the work) they manage better only compared to the South-European (SE) model (including Greece, Italy, Spain and Portugal). The environmental risks are higher in the CEEC, the physical demands (category of job demand primarily associated with the musculoskeletal system) are also very high, with CEE countries ranking after the countries from Southern Europe. Only in a few areas the situation is better, compared to other regions in Europe, namely in terms of work intensity – work intensity is the lowest within the transition countries among all models. The newly published first results from the 2015 EWCS confirm the large share of low quality jobs but also illustrate some improvements, e.g. concerning the physical environment.

Knowledge-intensive work that is integrated in global value chains presents its own challenges in work organisation. Remote collaboration with its coordination and knowledge-sharing issues, competition between locations, project teams and individual workers, increased pace of work and performance benchmarking of locations against one another render work pressurised (Holtgrewe & Schörpf 2017).

In addition to the country differences, some scholars focus on regional differences within countries. According to Mako and Illesy (2016), the segmented capitalism approach is of particular relevance in the case of the CEE region since one of the main drivers of the post-socialist economic development is foreign direct investments (FDI) and multinational companies (MNCs). They claim that this is especially true for the Hungarian case because economic modernization in the first decade of the transformation process (i.e. until the year 2000) was primarily based on massive privatization and FDI-inflows. Using the results of the first nation-wide Employment Relations in the Workplace Survey – 2010, they identified company clusters on the base of the following factors: ownership structure, number of employees, age of the firm, type of activity (sector), market structure and geographical location. After the cluster analysis, they distinguished the following four clusters (or so-called market segments): (1) Hungarian Manufacturing segment; (2) Hungarian Personal Service providers’ segment; (3) Hungarian Business Service providers (B2B); (4) Foreign-owned Business Segment. Some of those clusters integrated quickly into global or transnational value chains (4 and partly 1), while others (clusters 2 and 3) failed. According

²⁰ See also: Convergence and Divergence of Job Quality in Europe from 1995 to 2010. A report based on the European Working Conditions Survey, EUROFOUND, http://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1521en.pdf Convergence/Divergence Report

to the authors, this development “lead to an asymmetric modernization process and a dual economic structure in which leading edge multinational companies co-exist with local SMEs with only weak cooperation”. The main finding of the analysis of Mako and Illessy (2016) is that the segmentation theory is relevant in the Hungarian economy, as witnessed by the different operating patterns (e.g. a vastly different knowledge acquisition practice between the sectors, but also HRM practices) and the obviously distinct integration mechanisms found between the segments of the economy.

5 Conclusions

CEE countries underwent massive political, economic and social transformation after 1989. While there are a number of divergences among CEE countries, these economies integrated into global value chains, including in services.

The service markets are strongly influenced by FDI or speaking largely, by the coordinating centres of the global value chains involved (that are located very often outside CEE). FDI introduces not only new technologies, but also new work organisation, management and skills acquisition methods. Digitalization and automation follow the developments in other regimes but CEE countries lag behind.

The service labour markets follow differentiated paths, some of them offering sustainable working conditions, while others have more precarious conditions. In general in the region atypical forms of employment are less common than in Western Europe. Skills acquisition is strongly influenced by companies, as state institutions in many countries have difficulties in addressing skill gaps successfully.

Work organisation and working conditions are strongly influenced by the integration or non-integration of service companies within global value chains (segmentation). Still with few exceptions learning organisations are less present within CEECs.

Finally, this configuration presents some challenges for unions in services.

- Trade unions are generally weak in the service sectors in CEE²¹ (according to Eurofound²²) – in general trade unions are stronger and better developed in manufacturing, public administration and public services (or former public services such as telecommunications companies with roots in state-owned incumbents). Service sectors are often underrepresented both in the low wage services (about 1% union density in Bulgaria or Romania in the commerce sector) and in knowledge-intensive services (banking, ICT). In the latter the question is how to organise collective action in sectors that offer comparatively good conditions and/or are very individualized (ICT).
- The new developments related to digitalization, automation, etc. are rarely on the agenda of national service unions – some debates on the future of work are emerging (for example the

²¹ The investigation of collective action in services in CEECs is not very developed and the evidence is somewhat scattered. However some recent publications address particular sectors. The WALQING project focused on three service sectors (cleaning, catering and elderly care) that were covered also in CEE countries (Holtgrewe et al., 2015; Kirov, 2015). The recent results from the European comparative project PRECARIR investigate the responses of social partners to precarious employment in a number of NMS (see final report - http://www.dcu.ie/sites/default/files/dcubs/comparative_report_precarir_2016_final.pdf). It covered Croatia, the Czech Republic, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia since 2008 in number of sectors, including retail.

²² See <https://www.eurofound.europa.eu/fr/observatories/eurwork/representativeness-studies>

Bulgarian sectoral industrial federations discussed digitalization at their meeting in May 2017²³), but often they are somewhat disconnected from national realities characterised by uneven and very segmented developments between regions, sectors and types of companies. In addition, knowledge about digitalization process is insufficient as well as the digitalization impacts on quality of work;

- Coordination of employees' representation within MNC (e.g. EWC) or global value chains – as FDIs are the main driver of technological change, the coordination of employees' representation at the EU level could be very helpful for CEE unions in terms of information and analysis of the scope of present and future challenges. This will allow reflecting on trends developed in more developed regions in Europe but also to address the specific asymmetries and dependencies of CEE service sectors.

²³ http://www.metalicy-bg.com/index.php?option=com_content&view=article&id=205:industrial-european-trade-union&catid=9&Itemid=52

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7 Annex

Distribution of work organisation classes in countries (per cent)

	Work organisation classes				Total
	Discretionary learning	Lean production	Taylorist	Traditional or simple	
Belgium	43.3	24.6	16.3	15.8	100.0
Czech Republic	28.0	26.7	22.5	22.9	100.0
Denmark	55.2	27.1	8.5	9.2	100.0
Germany	44.3	19.9	18.4	17.4	100.0
Estonia	40.7	33.4	11.2	14.7	100.0
Greece	24.0	29.1	22.6	24.3	100.0
Spain	20.6	24.6	27.5	27.3	100.0
France	47.7	23.8	17.5	11.0	100.0
Ireland	39.0	29.2	11.3	20.5	100.0
Italy	36.8	24.1	24.6	14.6	100.0
Cyprus	26.4	27.0	21.2	25.4	100.0
Latvia	33.4	34.5	17.1	15.0	100.0
Lithuania	23.5	31.1	22.0	23.4	100.0
Luxembourg	42.7	29.6	13.9	13.8	100.0
Hungary	38.3	18.2	23.4	20.1	100.0
Malta	45.6	34.2	12.1	8.2	100.0
Netherlands	51.6	24.3	11.4	12.7	100.0
Austria	47.3	22.4	18.3	12.0	100.0
Poland	33.3	32.6	18.9	15.2	100.0
Portugal	24.9	30.3	32.5	12.3	100.0
Slovenia	34.9	32.1	16.7	16.3	100.0
Slovakia	27.2	21.0	33.8	18.1	100.0
Finland	44.9	29.9	12.6	12.7	100.0
Sweden	67.5	16.0	6.9	9.6	100.0
UK	31.7	32.4	17.7	18.2	100.0
Bulgaria	20.6	27.2	32.7	19.5	100.0
Romania	24.0	33.4	27.6	14.9	100.0
EU-27	38.4	25.7	19.5	16.4	100.0

Source: Valeyre - Lorenz *et al.* p. 22

(in Mako et al, 2009)