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Eurofound

# European Company Survey 2019

## Workplace practices unlocking employee potential





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Jointly produced by  
**Cedefop** and  
**Eurofound**

**When citing this report, please use the following wording:**

Eurofound and Cedefop (2020), *European Company Survey 2019: Workplace practices unlocking employee potential*, European Company Survey 2019 series, Publications Office of the European Union, Luxembourg.

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**Research project:** European Company Survey 2019 overview report (190601)

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**Luxembourg:** Publications Office of the European Union

**Print:** ISBN 978-92-897-2106-6      doi:10.2806/030551      TJ-03-20-568-EN-C

**PDF:** ISBN 978-92-897-2107-3      doi:10.2806/763770      TJ-03-20-568-EN-N

This report and any associated materials are available online at <http://eurofound.link/ef20001>

It is part of Eurofound's European Company Survey 2019 series. See the full series at <http://eurofound.link/efs004>

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*This report presents the results of research conducted largely prior to the outbreak of COVID-19 in Europe in February 2020. For this reason, the results do not fully take account of the outbreak.*

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## Country codes

AT	Austria	FI	Finland	NL	Netherlands
BE	Belgium	FR	France	PL	Poland
BG	Bulgaria	HR	Croatia	PT	Portugal
CY	Cyprus	HU	Hungary	RO	Romania
CZ	Czech Republic	IE	Ireland	SE	Sweden
DE	Germany	IT	Italy	SI	Slovenia
DK	Denmark	LT	Lithuania	SK	Slovakia
EE	Estonia	LU	Luxembourg		
EL	Greece	LV	Latvia	UK	United Kingdom
ES	Spain	MT	Malta		

## Sectoral aggregates used in the analysis

Label	NACE Rev. 2 classification	
<b>Industry</b>	B	Mining and quarrying
	C	Manufacturing
	D	Electricity, gas, steam and air conditioning supply
	E	Water supply; sewerage, waste management and remediation activities
<b>Construction</b>	F	Construction
<b>Commerce and hospitality</b>	G	Wholesale and retail trade; repair of motor vehicles and motorcycles
	I	Accommodation and food service activities
<b>Transport</b>	H	Transportation and storage
<b>Financial services</b>	K	Financial and insurance activities
	L	Real estate activities
<b>Other services</b>	J	Information and communication
	M	Professional, scientific and technical activities
	N	Administrative and support service activities
	R	Arts, entertainment and recreation
	S	Other service activities

# Executive summary

## Introduction

This report is based on the fourth edition of the European Company Survey (ECS), carried out jointly by Eurofound and Cedefop in 2019. The purpose of the ECS is to map, assess and quantify information on company policies and practices across Europe on a harmonised basis. The survey collected information from 21,869 human resources managers and 3,073 employee representatives in the 27 EU Member States and the United Kingdom. The unit of enquiry for the survey is the establishment: the local unit or site.

The ECS 2019 is the first Europe-wide establishment survey to use a push-to-web methodology, where establishments were contacted by telephone to identify respondents, who were then asked to complete the questionnaire online.

This report covers a wide range of workplace practices and strategies concerning work organisation, human resource management, skills use and skills development, and direct and indirect employee involvement in organisational decision-making. A key objective is to show how workplace practices are combined and how these 'bundles of practices' are associated with the win-win outcome of workplace well-being and establishment performance.

## Policy context

Workplace practices have been on the EU policy agenda for many years in the context of the European Employment Strategy, which highlights the importance of investing in human capital to meet the challenges of technological, environmental and demographic change. This priority has been reinforced by the EU objective of an economy that works for people.

Skills and skills development are at the centre of EU policy. In July 2020, the European Commission launched an updated EU skills strategy, the European Skills Agenda, which stresses the importance of fostering skills, education and inclusion for the benefit of everyone. The strategy aims to tackle skills shortages and support reskilling, a goal that requires significant investment. Employers' commitment to developing employees' skills is essential, and gauging this requires insight into the embeddedness of skills use and development in the wider set of workplace practices.

## Key findings

### Workplace practices

- Many jobs still offer little autonomy and few challenges: in 36% of EU27 establishments, a small proportion of workers (fewer than one in five) can organise their work autonomously, and in 42%, a similarly small proportion are in a job requiring problem-solving.
- Establishments use non-monetary incentives to motivate employees more frequently than monetary incentives.
- 71% of workers in EU27 establishments have skills matching their job requirements; 16% on average are overskilled, while 13% are underskilled.
- Only 4% of establishments did not provide any training in the year prior to the survey.
- More than two-thirds (70%) of managers think that involving employees in changes to the work organisation gives the establishment a competitive advantage.
- An official structure for employee representation was reported in 29% of establishments; 28% of establishments are members of an employer organisation.
- Among establishments with an employee representation, those where management has a trusting and constructive relationship with the employee representation, and where the employee representation can influence management decision-making, score better on workplace well-being and establishment performance.

### Four groups of establishments

Based on how they combine workplace practices, four groups of establishments were identified that differ in the extent to which they invest in employees and involve them in decision-making.

**High investment, high involvement:** Employees have a high degree of autonomy, and management has high expectations of them, matching this with high use of incentives and comprehensive variable pay, widespread training and learning opportunities, and direct involvement of employees in decision-making. Establishments are likely to have an employee representative and are relatively often members of an employer organisation.

**Selective investment, moderate involvement:**

Employees have some autonomy, and management has moderate expectations of them. Deployment of incentives is moderate, with selective access to variable pay and selective training and learning opportunities. Involvement of employees is irregular or focused around meetings. The percentage with an employee representation structure is average, but establishments are relatively likely to be members of an employer organisation.

**Moderate investment, irregular involvement:**

Employees have little autonomy, while expectations of them are moderate and matched by limited use of non-monetary incentives. These establishments are relatively likely to offer variable pay, limited training and learning opportunities, and irregularly involve employees in decision-making. The percentage that have employee representation is average, and they are unlikely to be members of an employer organisation.

**Low investment, low involvement:** Employees have little autonomy, expectations of staff are low and use of non-monetary incentives or variable pay is low. Learning opportunities are limited, as is employee involvement. Establishments are unlikely to have an official structure for employee representation and are unlikely to be members of an employer organisation.

## Workplace well-being and establishment performance

The ‘high investment, high involvement’ group scores best in terms of workplace well-being and establishment performance, and thus is most likely to generate a win-win outcome. These establishments are found most often in Finland and Sweden, are somewhat more common among large establishments and tend to be relatively prevalent in financial services and the ‘other services’ sector.

Employee representation contributes to a positive outcome – an official structure for employee representation was found most often in establishments whose workplace practices are linked to better workplace well-being and establishment performance.

## Policy pointers

The analysis of the ECS 2019 clearly identifies the types of practices that successful companies apply in managing the relationship with their employees.

Changing workplace practices is challenging, however, and company management can lack information on the benefits of change as well as knowledge on how to implement it. This calls for policy intervention, and EU-level policy should push for better use of human resources in organisations. The next policy cycle should emphasise the importance of investments in autonomy, skills and employee involvement, and should involve the social partners and employer organisations as well as practitioners. Together, stakeholders could establish networks to exchange information, provide advice and actively support workplace change.

Managers play a key role in both the decision to initiate workplace change and in its success by continuously supporting the workplace practices implemented. Policy should therefore target the modernisation of the skills base of general and line managers, as they perform much of the day-to-day human resources functions. In particular, a focus should be placed on the next generation of managers so that they can develop the attitudes and competencies needed to understand the importance of human resources for the success of their business, and to create the best conditions for this to happen.

# Introduction

The objective of this overview report of the European Company Survey (ECS) 2019 is to support European businesses to contribute to the delivery of a strong social Europe, with an economy that works for people. The focus is on workplaces, and the report takes the view that to achieve sustainable outcomes, what works for employers also needs to work for employees. In other words, workplace practices need to bring about win-win outcomes.

The report describes a wide range of practices and strategies used to manage work organisation: human resource management, skills use and skills development, and direct and indirect employee involvement in organisational decision-making. It shows how workplaces combine these practices and strategies and how the resulting ‘bundles of practices’ are associated with workplace well-being and establishment performance. This analysis will contribute to our understanding of how work can be organised to the mutual advantage of companies and their employees.

The report shows that, although there might be no hard and fast rules that determine whether or not a business is successful, there are some clear patterns in what businesses do that achieve beneficial outcomes for both the employer and their employees. First and foremost, this report shows that businesses that create an environment in which employees are willing and able to share their ideas outperform other businesses. Second, and largely contingent on the first point, businesses in which the responsibility for skills use and skills development is explicitly shared between the employer and their employees fare better.

This fourth edition of the ECS uses a ground-breaking methodology to provide a unique empirical basis for informing the policy debate on the importance of workplace organisation for EU economies.

## Policy background

Employee involvement in decision-making and investment in skills are at the centre of the European policy framework. Investment in human capital and a healthy social dialogue are key components of the European social model. For example, Guideline 6 of the European Council’s *Guidelines for the employment policies of the Member States* identifies the development of workers’ knowledge, skills and competencies as the means to meet the challenges of technological, environmental and demographic change. Principle 6 of the European Pillar of Social Rights stresses the right to quality education and training, while Principle 8

recognises the importance of social dialogue between employers and employees, encouraging the parties ‘to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action’.

The appeal to engage in social dialogue is important because the industrial relations landscape in which workplace social dialogue is embedded altered significantly in the aftermath of the Great Recession, at least in some countries. These alterations have been caused not only by long-standing trends; they have also been influenced by policy measures that limit the once-influential sector-level collective bargaining system in favour of local and company-level wage-setting, with or without trade union involvement.

Building on the 2016 New Skills Agenda for Europe, the European Skills Agenda launched in July 2020 aims at making the right training, skills and support available to people in the EU. Its aim is broad: providing equal and lifelong access to skills development opportunities for everyone (based on an individual learning account); applying skills intelligence to improve the relevance of training and other ways of acquiring skills; building a broad coalition in support of skill formation, involving the social partners, civil society, and education, training and labour market stakeholders operating under existing national skills strategies; and making skills more visible (through Europass) and comparable (through micro-credentials for short training undertaken by workers). The strategy also supports investment in green skills, promotes upskilling of EU researchers, and encourages young men and women to embrace science, technology, engineering and mathematics (STEM) disciplines, complementing their skill set with transversal skills.

The policy measures on skills and the reliance on social dialogue converge to influence what happens at the workplace, affecting ‘workplace innovation’ – a generic term used to describe innovations in enterprise structure, human resources management, the formulation of decision-making and innovation processes, the way relationships with clients or suppliers are organised, and the design of the work environment and internal support systems. Workplace innovation is seen as means for companies to enhance employee motivation and working conditions, leading to improved innovation capacity and productivity (European Commission, undated). To foster workplace innovation in Europe, the European Commission established the European Workplace Innovation Network (EUWIN), a Europe-wide learning network. The Horizon 2020 INNOSUP programme, the objective of

which is to facilitate the adoption of workplace innovation in small and medium-sized enterprises (SMEs), offers support to regional and national innovation agencies that design or implement innovation-support programmes for SMEs. These initiatives were undertaken in an attempt to identify and stimulate the adoption of policies and work organisations that have been effective in enhancing innovativeness through investment in skills.

As of May 2020, the new policy strategy is being drawn up, and the European Skills Agenda will be an integral part of it. Employee involvement, social dialogue and investment in skills will hopefully remain key components of the European way of life.

## Theoretical background

The objective of the ECS 2019 is to provide insight into how companies motivate and involve employees in their operations, and to show whether these methods unlock employee skills and the tacit knowledge they have to improve the functioning of the workplace. Approaches that are successful in this regard turn an abstract concept like human capital into a concrete source of competitive advantage, potentially leading to a win-win situation: workplace practices that benefit both employers and employees.

The topics the ECS 2019 addresses are embedded in a field with a lot of issues. For example, although the EU workforce has reached an unprecedented level of education and despite the evidence that employee skills are often not fully utilised, companies complain of increasing difficulties in finding the skills they need. Lack of trust might stymie management initiatives – for instance, in work environments characterised by low trust, workers can be reluctant to share their insights on how to improve work outputs or processes, suspecting that the employer may not share the benefits of these improvements, but instead use any efficiency gains to save costs by cutting jobs.

Resolution of these issues necessarily involves an understanding of what companies do with the skills and knowledge employees have, how they approach the recruitment of employees and how they engage employees in organisational decision-making. Of course, the way organisations use and develop employee skills, and how they harness and respond to employee voice, should be understood within the broader context of the organisational culture, the choices made regarding the use of technology, and the way they compete on the product market.

## The employment relationship

The approach of the ECS 2019 falls within the theoretical framework of ‘strategic human resource management’. It builds on the concept of workplace innovation, linking investment in human resources, participative forms of work organisation, and promotion of direct and indirect employee participation to indicators of company performance and well-being.<sup>1</sup>

Under the right circumstances, organisations benefit from investment in human resource processes aimed at improving worker well-being. In fact, investment in worker well-being contributes to the effective management of the employment relationship. The employment relationship involves mutual beliefs, perceptions, expectations, and informal obligations between an organisation and its employees. It integrates the labour contract, in which only the more evident terms of the exchange of labour for pay are described in detail, while mutual obligations are stated in only very general terms (Aghion et al, 2014). Employees and organisations have both shared and divergent interests. The labour contract is detailed enough to provide guidance on the resolution of a narrow set of instances arising when interests diverge. In the remaining cases, diverging interests must be managed through the ongoing connection established by the employment relationship; in other words, by a relational contract (Bull, 1987; Klein, 1996, 2000; Rousseau, 2001; Conway and Briner, 2005; Schalk and Rousseau, 2017).

The management of diverging interests through a relational contract hinges on the possibility of exchanges between the parties (Baker et al, 2002; Helper and Henderson, 2014; Blader et al, 2015). These exchanges can take many different forms and occur at various times, since employees form different relationships with different people – for instance, human resources managers, line managers and supervisors, and colleagues and team members – and with the organisation as a whole (March and Simon, 1958; Blau, 1964; Shore et al, 2012; Alcover et al, 2017a, 2017b; Guest, 2017). The form of exchange of central interest to this report is where organisations invest in employees by implementing workplace practices aimed at increasing worker well-being, and, to reciprocate, employees respond by displaying attitudes, motivation and behaviours that will, directly or indirectly, benefit organisational performance.

<sup>1</sup> Direct employee participation refers to employee involvement in decision-making at work; indirect employee participation refers to employee representation through representative structures – social dialogue in the workplace.

## Balance in the employee–organisational exchange

For the relationship to be sustainable, there must be a balance in the exchange. For example, the theory of the employee–organisation relationship (EOR) (Shore et al, 2004, 2012) envisages two prototypical balanced and two prototypical unbalanced situations. The first balanced EOR is labelled a ‘quasi-spot contract’ and resembles a purely economic exchange; it consists of a narrow set of mainly monetary motivational levers used by an employer and a narrow set of well-defined duties or tasks that employees are expected to perform. The second balanced EOR is labelled a ‘mutual investment’ and resembles a social exchange. Employers use a broader set of motivational levers that include investing in employees. In exchange, employees will consider acting in the interest of the organisation in general as equally important to carrying out their core job duties, leading them to perform discretionary behaviours that go beyond job-specific tasks, carry out tasks, such as assisting junior colleagues, and show flexibility. These two EORs are balanced: in the quasi-spot contract relationship, narrow requests are met with a narrow set of motivational levers, while in the mutual investment relationship, a broader set of duties is met with a broader set of motivational levers.

The two unbalanced situations are labelled ‘underinvestment’ and ‘overinvestment’. Underinvestment occurs when employees are expected to behave as if they were in a mutual investment relationship, but the organisation is using motivational levers as if it were in a quasi-spot contract relationship. In contrast, overinvestment characterises a situation in which the organisation requires employees to behave as if they were in a quasi-spot contract relationship, but applies a broad set of inducements as if it were in a mutual investment relationship (Tsui et al, 1997; Shore et al, 2004).

## Eliciting employees’ discretionary behaviours

Organisations can benefit from employees’ discretionary behaviours through two main channels. First, improved performance on job tasks (task performance), which refers to the effort and number of hours spent on job-related tasks and how well they are executed. Second, contextual performance, which relates to workers’ propensity to

step outside the formal boundaries of their jobs and facilitate the social and psychological context of an organisation (Borman and Motowildo, 1997). Contextual performance includes display of citizenship behaviour such as helping and supporting colleagues, including new hires (Organ and Ryan, 1995; Organ et al, 2006; Podsakoff et al, 2009). It also includes employees’ use of their knowledge and skills to suggest improvements to the efficiency of production (or service delivery), ways to cut costs and enhancements to product design. The entire organisation stands to benefit when workers invest their selves, their skills and their knowledge in their work (Rich et al, 2010). Consistent with this view, the ability-motivation-opportunity (AMO) framework posits that employees contribute to organisational success when they possess knowledge, skills and ability, have the opportunity to use them, and are motivated to do so (Boxall and Purcell, 2011).

## Investments in worker well-being

The literature has identified three types of investment in worker well-being that organisations can use as the basis for an exchange within a relational contract (the employment relationship): supporting autonomy, skills utilisation and development, and employee involvement.

### Autonomy and skills

Investment in supporting autonomy and skills use involves changes in job design.<sup>2</sup> Autonomy is the freedom that a team or an employee has over how they do their work – in particular, deciding when to initiate tasks, the order of tasks, the tools to use and how to use their skills in daily tasks. Problem-solving is linked to the challenges met at work and incorporates workers’ opportunities to draw on their skills to find effective solutions to work-related problems.

Autonomy and problem-solving contribute to creating the right motivational state for workers to engage their skill set. Worker autonomy has been found to be positively associated with motivation at work (Hackman and Oldham, 1976; Oldham and Hackman, 2010; Deci et al, 2017; Gagné, 2018) and with employee engagement (Crawford et al, 2010; Parker et al, 2017). At the same time, (successful) problem-solving is key to satisfying the need for mastery (Morgeson and Humphrey, 2006; Humphrey et al, 2007; Morgeson and Humphrey, 2008; Parker et al, 2017).

2 Job design incorporates the tasks and responsibilities that fall under a given job title, including roles, behaviours and work methods; it includes how work is to be organised, enacted and experienced (Kanfer et al, 2012). Variations in the use of technology, managerial practices, organisational culture (and work climate) and product market strategy across establishments will be reflected at the job level, resulting in differences in job design (Boxall and Purcell, 2011).

Task autonomy has been linked to increased worker well-being both theoretically (Gagné and Deci, 2005; Oldham and Hackman, 2010) and empirically (Gallie et al, 2017).<sup>3</sup> Similarly, the ability to draw on one's own skills in problem-solving has been associated with higher job satisfaction (Morrison et al, 2005). In contrast, jobs comprising very simple tasks, routinely performed, lacking autonomy and with few or no challenges (problem-solving) may cause workers to feel alienated and dehumanised (Rader, 2008; Chiaburu et al, 2014; Shantz et al, 2015; Baldissarri et al, 2017; Väyrynen and Laari-Salmela, 2018), triggering forms of workplace resistance (Roscigno and Hodson, 2004; Vallas, 2016).

### Employee involvement

Jobs allowing for task autonomy and problem-solving thus constitute a form of direct participation, as workers are endowed with a degree of influence over day-to-day task-oriented decision-making. This form of participation is possible where managers acknowledge that workers have the information, the knowledge, the know-how and the motivation to make decisions and act in the interest of the company. Employee involvement has been empirically linked to increased worker well-being (Gallie et al, 2017).

When employees do not have access to knowledge on certain issues, employee involvement (direct or indirect) requires that organisations invest in providing information. Without investment in information-sharing, participation cannot take place. Additional investments could be made by means of training, allocating time to participative activities and allocating budget to support such activities. In addition, workers need the skills and knowledge to process and interpret the information thus provided. Training could include the development of soft skills (training in communication), the development of technical knowledge (when the decision regards a technical choice), or the provision of information on the normative and regulatory framework regulating the employment relationship.

### Management support

The exchanges between employees and the organisation need to be sustained over time since, in a relational contract, they are seen as part of an ongoing relationship. This requires a balance between the inducement offered by the organisation (including investment in worker well-being) and the behaviours expected of workers, as well as a managerial commitment to the practices adopted. For investment to produce the desired outcomes, it must be accompanied by managerial support for the initiative,

with managers enabling the direct participation of employees, their ability to act autonomously at work and their skills development.

### ECS contribution to the evidence base

Most of the evidence for the possibility of win-win outcomes relies on studies based on samples of employees. These studies investigate the extent to which employees experience changes (increases) in well-being in response to the introduction of certain workplace changes and how they react to these changes in well-being (in ways that also benefit the organisation). However, it is not clear to what extent the relationships supporting a win-win situation at the individual level carry over to the organisational level. The ECS 2013 gathered data on establishment investment in employees, in terms of human resource management practices (for example, working time flexibility, training and variable pay), and on involvement of employees (for example, autonomy and practices for direct employee participation). It concluded that establishments that combined significant investment in employees with more extensive employee involvement were more likely to generate win-win outcomes (Eurofound, 2015b). The ECS 2019 aims to expand on these findings.

### Design of the ECS 2019

The ECS 2019 was conducted jointly by Eurofound and Cedefop between January and July of 2019. It gathered data from human resources managers and, where available, employee representatives. The survey investigated workplace practices on work organisation, human resource management, skills use and skills strategies, direct and indirect employee participation, as well as digitalisation, innovation and business marketing strategies.

The unit of enquiry for the survey, as in previous waves, is the establishment: the local unit or site. Most businesses are single-establishment companies but, for those comprising multiple sites or plants, one or more local units were selected for the survey. The target population was all establishments with 10 or more employees in economic sectors engaged in what are termed 'market activities' in all 27 EU Member States and the United Kingdom.

It is the first pan-European, push-to-web establishment survey. This methodology comprised two phases: a telephone screener with the twofold purpose of establishing eligibility and identifying respondents for the manager questionnaire (the most senior manager in

<sup>3</sup> The level of autonomy warranted in the workplace may be higher than the level of autonomy workers are comfortable with (the desired level of autonomy), in which case too much autonomy can result in negative outcomes. This hypothesis has found some support in the literature, which has also shown that in the clear majority of cases, the level of autonomy warranted is below the desired level of autonomy (Stiglbauer and Kovacs, 2018).

charge of personnel matters) and for the employee representative questionnaire (in those establishments with employee representation). During the screener, the email addresses of the respondents were collected. A link to the survey was sent subsequently to the respondents, who completed the questionnaire online. The Annex provides a full description of the methodology of ECS 2019.

The report is based mainly on the 21,869 management interviews completed (ranging from 122 in Cyprus to 1,498 in Italy).

A second, shorter questionnaire was developed for employee representatives in those establishments where one was present and willing to complete the questionnaire. Data was collected from 3,073 employee representatives in total (ranging from 3 in Cyprus to 467 in Finland). Findings from these interviews are presented separately in boxed format in the report. The sample of employee representative interviews is very small in some countries, so the results need to be treated with care. Furthermore, their answers can be compared or related only to the answers of the management respondents in those establishments where both types of respondent completed the questionnaire.

## Conceptual framework

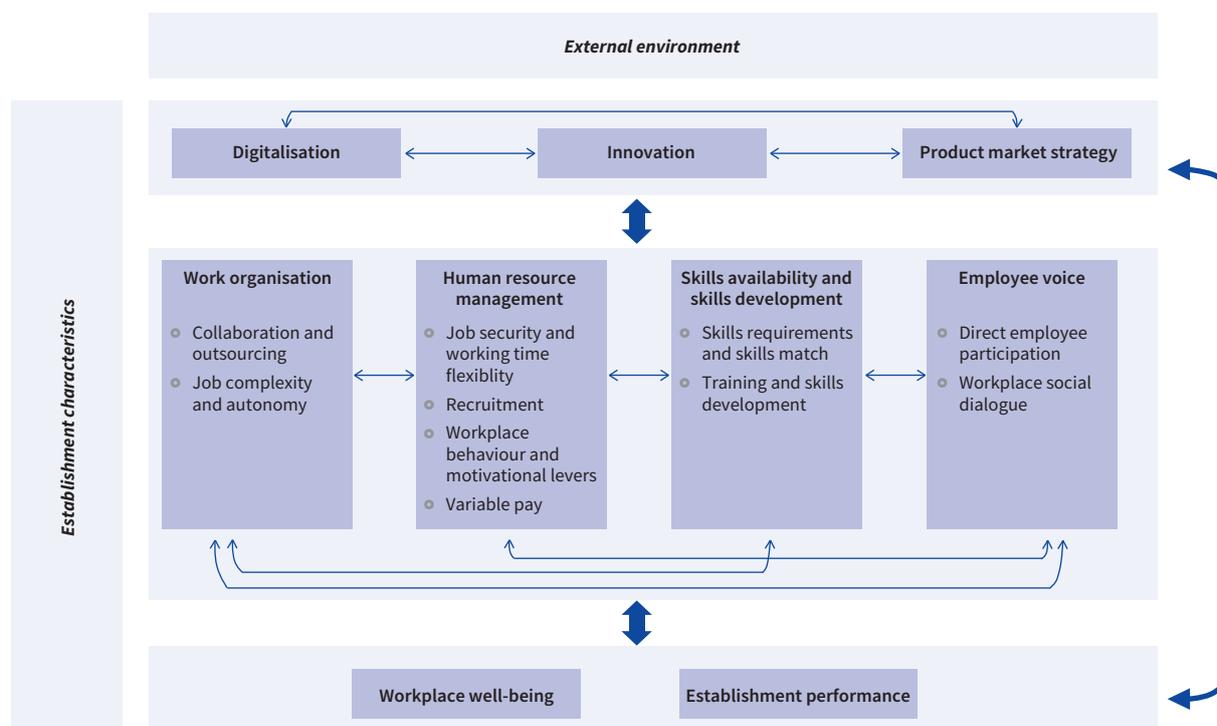
This report focuses explicitly on the organisational level. It maps strategies and practices within the establishment with regard to job autonomy, skills use and development, and employee involvement. It examines how these strategies and practices are associated with workplace well-being and establishment performance. The analysis builds on the approach developed for the previous ECS from 2013 and extends it to better cover elements of skills use and skills strategies, job design and digitalisation, and to account for product market conditions.

Figure 1 provides a schematic overview of the conceptual framework underpinning the analyses in this report. For all the concepts covered in the figure, information is available at the establishment level.

### Bundles of practices

The analyses assume that the approach to the management of the employment relationship translates into bundles of workplace practices and strategies concerning work organisation, human resource management, skills availability and development, and employee voice. These bundles of practices are assumed to be associated with each other and are also expected to be associated with the two main outcomes: workplace well-being and establishment performance.

Figure 1: Conceptual framework for the analysis of ECS 2019



Source: Authors' own representation

## Outcomes for workers and establishments

The analysis assesses the extent to which different approaches to the management of the employment relationship produce win-win outcomes. In establishment surveys in which the respondents are human resources managers, direct measures of worker well-being are hard to obtain. However, various organisational outcomes related to workplace well-being can be used to derive a measure: absenteeism, difficulty in retaining workers, work climate and employee motivation. Whereas the latter two items unambiguously indicate workplace well-being, the first two items depend on the institutional framework and pay levels at the establishment, respectively, as well as being linked to the intrinsic quality of jobs.

Establishment performance is measured by looking at profitability and other measures of success, such as changes in the volume of production or service provision and in employment levels. Workplace practices are regarded as a win-win situation when establishments implementing them score above average on both the workplace well-being and the establishment performance indicators.

## External environment and establishment characteristics

The employment relationship operates against the background of the external environment and establishment characteristics. In terms of the external environment, national institutional and cultural differences are likely to affect how the employment relationship is managed. Equally, establishments in different sectors of activity differ in terms of their culture and infrastructure, which has implications for the management of the employment relationship and particularly for job design. This report does not analyse the nature of these differences but shows how practices differ across countries and sectors and, where relevant, will control for country and sector differences when assessing associations between concepts.

Establishment characteristics include its size, age and type (single-establishment company, headquarters or subsidiary). The establishment characteristic that is considered most frequently in this report is establishment size, as this is an important determinant of the approach taken to manage the employment relationship. The extent to which workplace practices are formalised tends to be closely associated with size, and larger establishments can often benefit from economies of scale that are not available to smaller establishments. In addition to size, the report acknowledges other internal characteristics such as the age and type of the establishment.

## Contextual factors

Figure 1 distinguishes three further concepts: digitalisation, innovation and product market strategy. Their inclusion acknowledges that management of the employment relationship – more specifically, the type and amount of investment in worker well-being – is influenced by technological trends and strategic choices related to how organisations decide to compete in the market for their products or services.

**Digitalisation** is important as a contextual factor because establishments operate in a world in which technology plays an increasingly central role. It is also an important organisational factor because establishments' approach to digitalisation has ramifications not only for job design and skills needs but also, more generally, for all communication with employees, with changes occurring in the ways in which feedback is provided, training is delivered and consultation takes place.

**Product market strategy**, similarly, is a contextual factor that may limit or enhance the ability of establishments to invest in worker well-being. Not all bundles of practices will be equally effective or even feasible for all environments. For example, organisations competing on price might be forced to keep costs down and miss opportunities to invest in worker well-being, thus forgoing potential efficiency gains.

**Innovation** can be both a driver and an outcome of the management of the employment relationship. Here, innovation is limited to process and product innovation. How the employment relationship is managed can facilitate or even stimulate innovation. For instance, employee involvement may affect the ability of organisations to innovate; by tapping into the tacit knowledge of employees, employers can improve the effectiveness or efficiency of work processes and improvements in product design or service delivery. The ECS 2013 found that the adoption of bundles of human resource management practices was associated with increased innovation (Eurofound, 2017). Conversely, innovations may require wider organisational changes that shape or reshape the workplace practices already in place.

For these three contextual variables, associations with the bundles of workplace practices, as well as with the outcomes, are also estimated.

## Methodological notes

Generally, the report provides a ‘thick description’ of workplace practices, based on the extensive survey data, which is to say that it aims to also describe the context in which they occur. The analysis is conducted at three levels.

- Firstly, the extent to which individual practices are deployed across establishments is captured.
- Secondly – within each of the aspects of work organisation, human resource management, skills use and development, and employee voice – the analysis examines the ways in which these practices are combined and whether they produce desirable establishment performance and workplace well-being results.
- Finally, it looks at the distribution of the different bundles of practices deployed by establishments for each aspect across a set of background characteristics (country, sector of activity and establishment size) and their association with contextual factors (digitalisation, innovation and product market strategy).

### Analysing establishment types

To identify how establishments combine practices, a statistical technique called latent class analysis is used. This technique classifies establishments into a number of groups of different sizes, based on similarities in the practices they use or the strategies they pursue. Similar establishments are assigned to the same type and substantially different establishments are classified into different types. The analysis in Chapter 5, for instance, identified three types of establishment based on the complexity of employees’ jobs and the degree of autonomy they can exercise.

This process makes it possible to summarise a rich variety of information from a large number of establishments into a few types of establishment with distinct characteristics. At the same time, the analysis also shows the degree to which each of the individual practices is important for a particular classification.

Having identified types of establishment, it is possible to look at the way membership of these types is associated with other characteristics, such as the outcomes for workers and companies and the changes and strategies that might drive, or might be driven by, the introduction of certain (combinations of) workplace practices.

### Visualisation

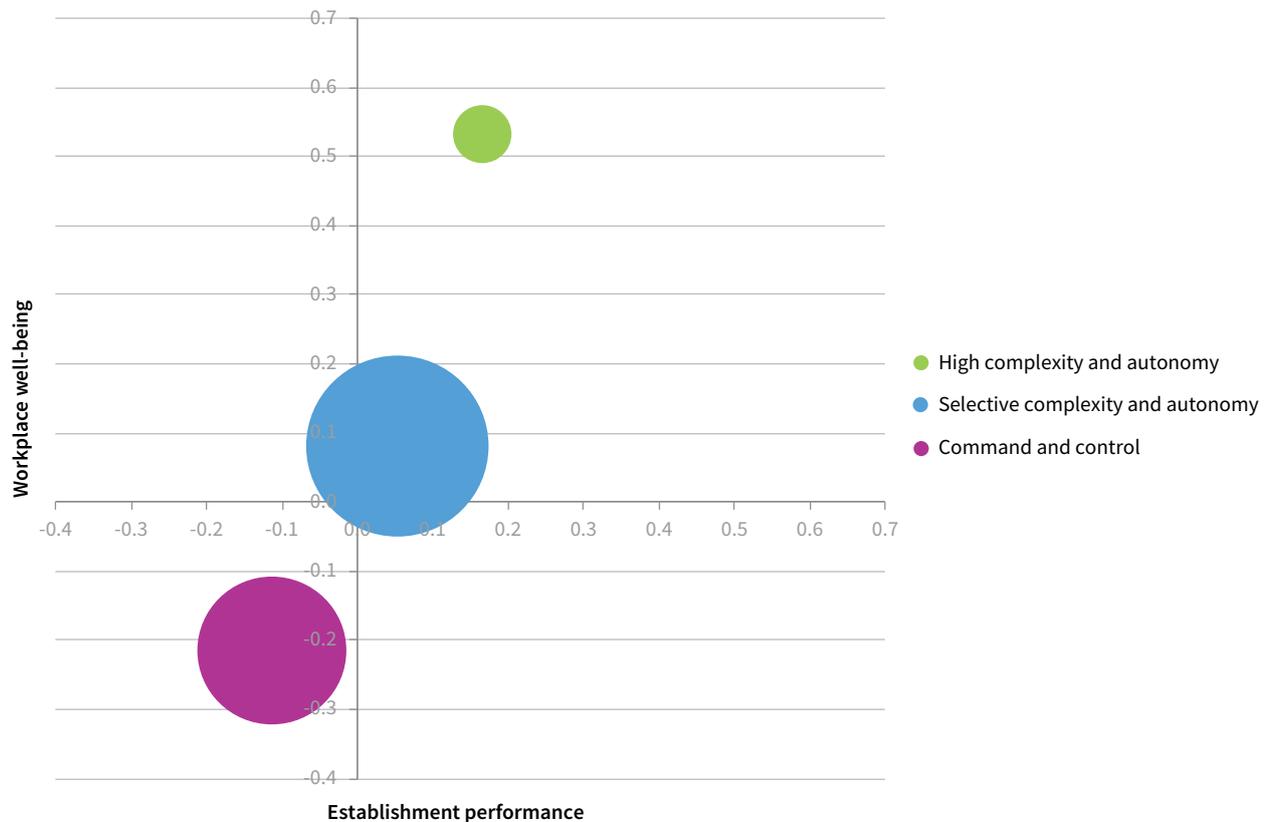
The association of types of establishment with worker well-being and establishment performance is illustrated using bubble graphs – Figure 2 is an example, which shows how the different types of establishment, distinguished by the degree of job complexity and autonomy, score on each outcome.

Scores for both indicators are standardised by dividing the difference from the mean by the standard deviation, which yields z-scores. A negative score means that an establishment scores below average and a positive score means that it scores above average. The standardisation ensures that differences on the two indicators mean the same, so a z-score of 1 on workplace well-being is equivalent to a z-score of 1 on establishment performance. This allows us to assess trade-offs, where gains in one indicator are offset by losses on the other.

The size of the bubble indicates the proportion of establishments categorised in that type.

This visualisation shows group averages and ignores variation within the group, meaning that just because, for instance, establishments of the ‘high complexity and autonomy’ type on average realise beneficial outcomes for both workers and employers, it does not mean all establishments of this type do so.

Figure 2: Workplace well-being and establishment performance, by establishment type – job complexity and autonomy (z-scores)



Source: ECS 2019 management questionnaire

## Research questions

This report aims to answer the following key research questions.

- How prevalent are practices concerning work organisation, human resource management, skills strategies, forms of employee involvement and social dialogue, and how are they distributed across countries, sectors and size classes?
- How are workplace practices bundled together, and how are these bundles of practices distributed across countries, sectors and size classes?
- To what extent are these bundles of practices associated with establishment performance and workplace well-being?
- To what extent are these bundles of practices associated with innovation, digitalisation and product market strategy?

## Structure of the report

The structure of this report closely resembles the conceptual framework presented in Figure 1. The analysis of the data is grouped into six sections.

- **Establishments in Europe** sets the scene for the analysis of workplace practices. It describes the structural characteristics of the establishments; introduces the two outcome measures: establishment performance and workplace well-being; and describes the environments in which establishments operate in terms of technology, innovation and business.
- **Work organisation** covers the extent to which establishments collaborate on and outsource their activities, on the one hand, and the extent to which jobs are designed to challenge and demand autonomous action from employees, on the other.

- **Human resource management** examines workplace policies and practices that affect the performance of employees: job security and working time flexibility; recruitment; discretionary workplace behaviour and motivational levers (monetary and non-monetary) on which management relies; and the use of variable pay schemes.
- **Skills use and skills development** looks at skills requirements and establishment approaches to training and learning.

- **Employee voice** examines direct and indirect employee participation in decision-making.
- **Final model** shows how practices across all the analysed areas relate to each other.

The report concludes with implications for policy and practice, an outline of additional work on which Eurofound and Cedefop are collaborating based on the data collected in the survey, and some other suggestions for future research.

## Reading notes

Data are weighted throughout this report to ensure that the distribution of the sample reflects the distribution of the population (see the Annex, under ‘Weighting’): establishments with 10 or more employees involved in market activities in the EU27 and the United Kingdom.

The United Kingdom is included whenever country-level results are presented. However, the results of aggregate-level analyses and any averages that are presented are based on the EU27 only.

All figures are rounded to whole percentage points. Sometimes the result of this rounding is that percentages do not add up to exactly 100%.

Percentages reported for countries, sectors and class sizes are always a percentage of all the establishments in the relevant country, sector or class size. For instance, ‘Use of data analytics was reported most in Romania (50%)’ indicates that 50% of establishments in Romania report use of data analytics.

The report shows results on the level of establishments; these cannot be compared directly with results at the employee level as larger establishments employ more employees but do not have a higher weight in the analyses.

Unless indicated otherwise, respondents were asked to answer the questions for their establishment, regardless of whether they were a manager in a single-establishment company, in a headquarters or in a subsidiary site of a multi-establishment company.

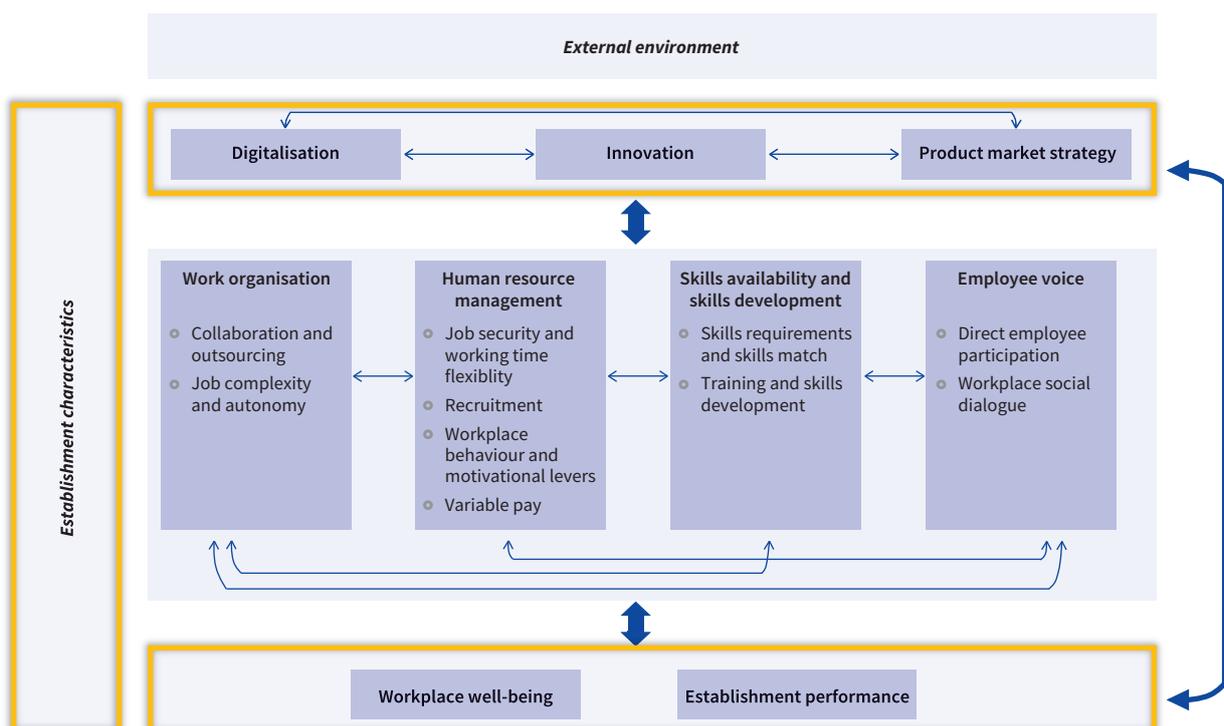
Unless indicated otherwise, the questions referred to practices applying to non-managerial employees.

Whenever a difference is mentioned, this difference is statistically significant at  $p < 0.05$ .



# Establishments in Europe

This section provides an overview of the main concepts on which the study of European companies is based. Chapter 1 provides a profile of the establishments surveyed, such as their size, operational structure and the economic sector in which they operate. Chapter 2 introduces the two key outcome measures for this study and describes how they were constructed: workplace well-being and establishment performance. Chapter 3 examines the three critical contextual factors identified in the conceptual framework that can have an impact on the workplace practices and on the outcomes for workers and establishments: the extent to which establishments have digitalised their activities, their level of innovation and the approach they take to be competitive in their market.





# 1 Establishment characteristics

This chapter describes the structural characteristics of the establishments surveyed: the distribution of establishments by size and type, economic sector, years in operation and changes of ownership.

## Establishment size

Establishments are divided into three size classes: establishments with 10–49 employees are labelled ‘small’, establishments with 50–249 employees are labelled ‘medium-sized’, and establishments with 250 workers or more are labelled ‘large’.<sup>4</sup> Micro-establishments, those with fewer than 10 employees, were not included in the survey.

Small establishments constitute 83% of the sample, medium-sized establishments 15% and large establishments 2%. Consequently, any aggregated results will be dominated by the findings for small establishments.

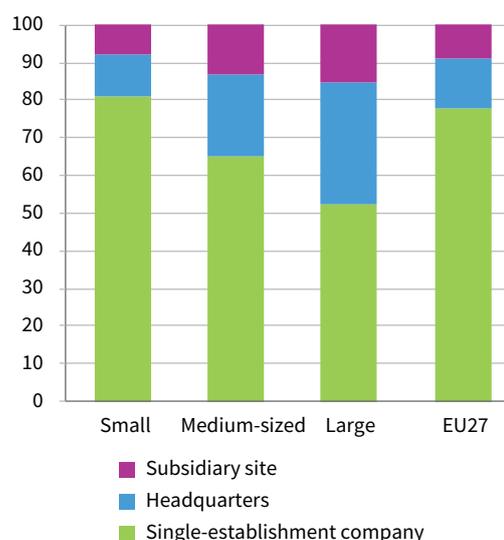
## Establishment type

The survey distinguishes between single-establishment companies (single independent companies with no other branch offices, production units or sales units) and multi-establishment companies (companies comprising multiple establishments at different locations), which are further differentiated into headquarters and subsidiary sites. Consequently, establishments can be one of three types: single-establishment companies, headquarters or subsidiaries.<sup>5</sup>

Overall, 78% of the establishments in the survey are single-establishment companies, 13% are headquarters and the remaining 9% are subsidiary sites; this means 22% belong to multi-establishment organisations. Figure 3 shows that small establishments are more likely to be single-establishment companies, whereas large and medium-sized establishments are more likely to be part of multi-establishment companies.<sup>6</sup>

As an example of the extent to which the aggregate results are dominated by the findings for small establishments, note that the incidence of single-establishment companies in the EU27 is very close to the incidence of single-establishment companies among small establishments.

Figure 3: Types of establishment, by size (%)



Source: ECS 2019 management questionnaire

## Sectoral distribution

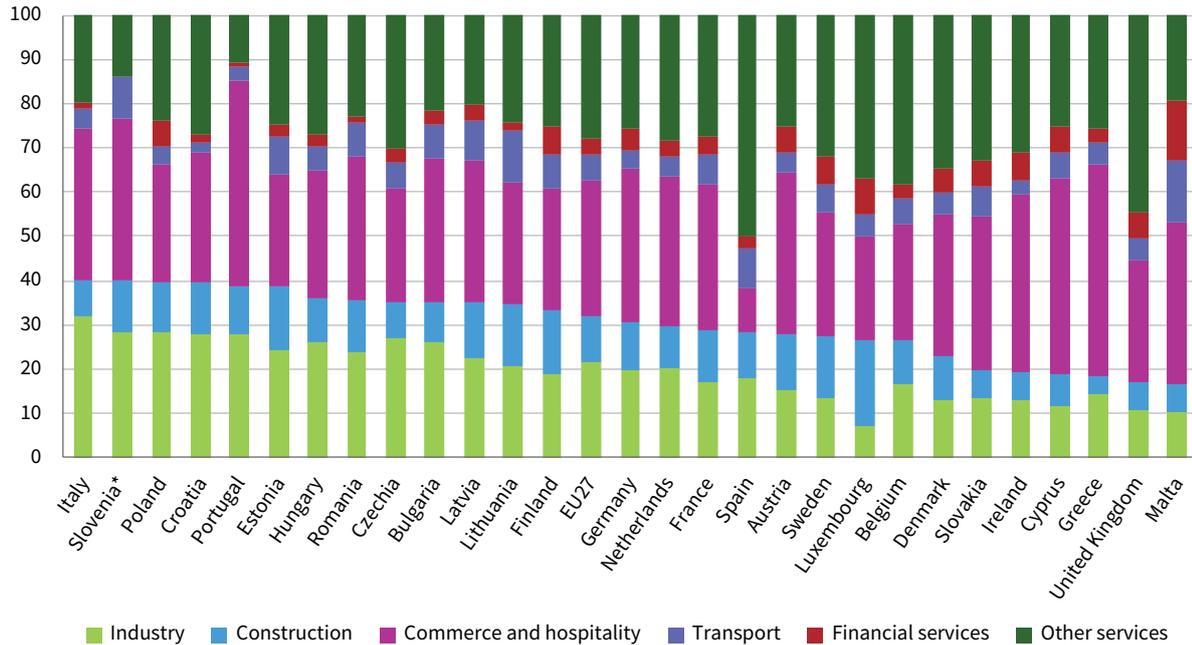
Sectors of economic activity have been split into six broad categories: industry (22% of establishments), construction (10%), commerce and hospitality (31%), transport (6%), financial services (4%) and other services (28%). The latter category, ‘other services’, includes information and communication; professional, scientific and technical activities; administrative and support service activities; and arts, entertainment and recreation (see ‘Sectoral aggregates used in the analysis’ on page vi).

<sup>4</sup> This follows the definition of SMEs used in EU recommendation 2003/361 (European Commission, 2003), but only in terms of size because no information on turnover is available in the ECS 2019.

<sup>5</sup> Respondents are asked to report on their local site. Managers in headquarters therefore reported on the practices at headquarters, which might not apply in any of the subsidiary sites. The exceptions are the questions about product market strategy, which apply to the company as a whole, and the questions about profit, which respondents in headquarters were asked to answer for the company as a whole and respondents in subsidiaries were asked to answer for their establishment only.

<sup>6</sup> The distribution of establishments across the three types is affected by the survey design. In countries in which company-level registers were used, the screening procedure – the procedure to identify eligible establishments – is likely to have resulted in an overrepresentation of headquarters. In countries in which establishment-level registers were used, headquarters are also likely to have been slightly overrepresented in the registers.

Figure 4: Sector of economic activity, by country (%)



\* Due to a sampling error, the results for Slovenia do not reflect the population; they are shown for information but are not included in the discussion.  
 Note: The figure is sorted based on the balance between production and services.  
 Source: ECS 2019 management questionnaire

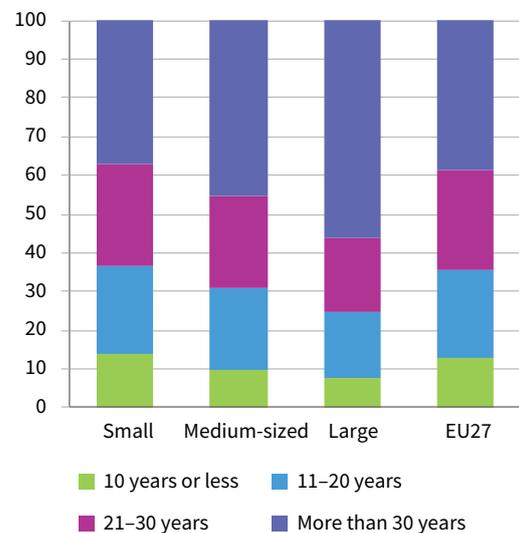
Figure 4 shows that there is substantial variation in the prevalence of the various sectors across countries.

- The industry sector is largest in Italy (32%), Poland and Portugal (both 28%), while it is smallest in Luxembourg (7%) and Malta (10%).
- The construction sector is most prevalent in Luxembourg (19%) and least prevalent in Greece (4%).
- Commerce and hospitality accounts for more than 40% of establishments in Greece (48%), Portugal (46%) and Cyprus (44%) but much less in Spain (10%) and Luxembourg (23%).
- The transport sector dominates in Malta (14%) and Lithuania (12%) and is least dominant in Croatia (2%), Ireland and Portugal (both 3%) and Poland (4%).
- The biggest financial services sector is in Malta (14%) and Luxembourg (9%), while it is smallest in Italy and Portugal (both 1%) and Croatia, Lithuania and Romania (all 2%).
- Other services comprises 50% of establishments in Spain and 45% of establishments in the United Kingdom, and only 11% of establishments in Portugal and 19% in Malta.

## Years in operation

Because the survey includes only establishments with 10 employees or more, it does not include many establishments that started operating recently and comprises many establishments that have been operating for a long time: 13% have been in operation for 10 years or less; 22% for between 11 and 20 years; and 25% have been in operation between 21 and 30 years (Figure 5).

Figure 5: Years in operation, by establishment size (%)



Source: ECS 2019 management questionnaire

The largest group of establishments (39%) comprises businesses that have been operating for 30 years or more. Figure 5 also shows that the incidence of such proven establishments is highest among large establishments, while it is lowest among the small establishments. The opposite holds for newer establishments.

## Change of ownership

In the three years preceding the survey, 81% of establishments did not experience a change of ownership, while 18% did. In half of the establishments that changed ownership, the change brought about a change in management.

Changes in ownership involving a change in management were found to be most prevalent in the Netherlands (20%), Denmark and Finland (both 16%) and least prevalent in Cyprus (2%), Ireland and Spain (both 5%). Changes in ownership that did not involve a change in management were most common in Italy (16%), Finland and Romania (both 14%) and least common in Luxembourg and Malta (both 4%). Differences between sectors and size class were negligible.



## 2 Outcomes for workers and establishments

A key element of this report is not only to show patterns in existing workplace practices and strategies in European establishments but also to show how and to what extent these patterns are associated with outcomes for workers and establishments. For this purpose, two composite indicators of these outcomes have been constructed: workplace well-being and establishment performance. This chapter offers some insight into the components from which these two composite indicators were built.<sup>7</sup> It also describes differences in scores on these indicators across countries, sectors and size classes.

### Workplace well-being

The ECS 2019 is an establishment survey and does not target employees directly, so no direct measures of employee well-being are available. Four questions were used to measure workplace well-being indirectly. One asks about work climate and captures the quality of the relationship between management and employees. The other three questions concern challenges with human resources: low motivation, absenteeism and staff retention.

### Work climate

The question on work climate was included in both the management and the employee representative questionnaires. Box 1 compares the answers provided by both in establishments where both perspectives were available. This provides some indication of the extent to which using the management perspective might affect the results of the analysis.

Managers in 24% of EU27 establishments reported that relations between management and employees were very good, 60% reported relations to be good, 14% reported that they were neither good nor bad, and only 1% said they were bad or very bad. Even in Spain, where managers were the least positive, 69% of managers reported relations to be good or very good.

Managers in financial services and in commerce and hospitality (both 87%) were most likely to report good or very good relations, and managers in industry (79%) and transport (81%) least likely. Relations tend to be better in small establishments (85% of managers reported relations to be good or very good) than in medium-sized (80%) and large establishments (75%).

Managers in headquarters were slightly less likely to report good or very good relationships (83%) than managers in subsidiary sites of multi-establishment companies (85%) and managers in single-establishment companies (84%).

### Box 1: Work climate as reported by employee representatives

Mirroring the findings of the ECS 2013, employee representatives surveyed were considerably less positive than managers. In the EU27 overall, 60% of employee representatives reported relations to be good or very good, 30% reported that relations were neither good nor bad, and 9% said relations were bad or very bad.

It was only possible to check correspondence between management answers and employee representative answers in the small subset of establishments where both respondents completed the questionnaire and provided an answer to this particular question (1,800 cases). For these establishments, a moderate positive correlation (0.32) was found between the answers of the two types of respondent. Table 1 shows what that looks like in terms of the answering patterns. For each of the cells, the table shows the percentage of the total number of cases. For instance, in 6% of cases, the manager reported relations to be good or very good when the employee representative reported them to be bad or very bad. Conversely, in no case did an employee representative report relations to be good or very good when a manager reported them to be bad or very bad.

<sup>7</sup> A detailed description of how the two composite indicators were constructed can be found in the Annex: Survey methodology and data manipulation.

**Table 1: Relations between management and employees as described by the management and employee representative respondents (%)**

		Employee representative			
		Good/very good	Neither good nor bad	Bad/very bad	Total
Manager	Good/very good	53	22	6	82
	Neither good nor bad	7	7	3	17
	Bad/very bad	0	1	0	1
	Total	60	30	9	100

Sources: ECS 2019 employee representative and management questionnaires

Because this table refers to a subset of managers, these percentages are slightly different from the percentages reported for all managers. Managers in establishments where an employee representative interview was secured were slightly less positive about relationships. No difference was found in management responses from those establishments where an employee representative was present compared to establishments where an employee representative was not present or where an employee representative interview was not secured. There were also no differences between the results for all employee representatives and those employee representatives in establishments where a management interview was also secured.

The table shows that in the majority of establishments (60%), the manager and the employee representative were in agreement: in 53% of establishments the manager and the employee representative agreed that relations between employees and management are good or very good and in 7% of cases they agreed they are neither good nor bad. Interestingly, there are hardly any cases where both agreed relations are bad or very bad.

This implies that in 39% of establishments the manager and the employee representative assessed the work climate differently. In most of these cases, the manager was more positive than the employee representative. For instance, in 22% of establishments, the manager considered relations to be good or very good and the employee representative felt they were neither good nor bad; conversely, in 7% of establishments the employee representative reported relations to be good or very good, whereas the manager reported them to be neither good nor bad.

These discrepancies need to be considered when interpreting the results for workplace well-being. They are based on the perspective of managers, which does not always resemble the perspective of employee representatives, with managers tending to be somewhat more positive. However, given that the results for workplace well-being will mainly be used to compare groups of establishments and it can be assumed that the management bias is reasonably similar for all establishments, this is unlikely to affect the interpretation of the results.

Only the answers from the management respondents were used in constructing the composite indicator on workplace well-being, since answers from employee representatives can be compared or related only to the answers of the managers in those establishments where both completed the questionnaire.

## Human resources challenges

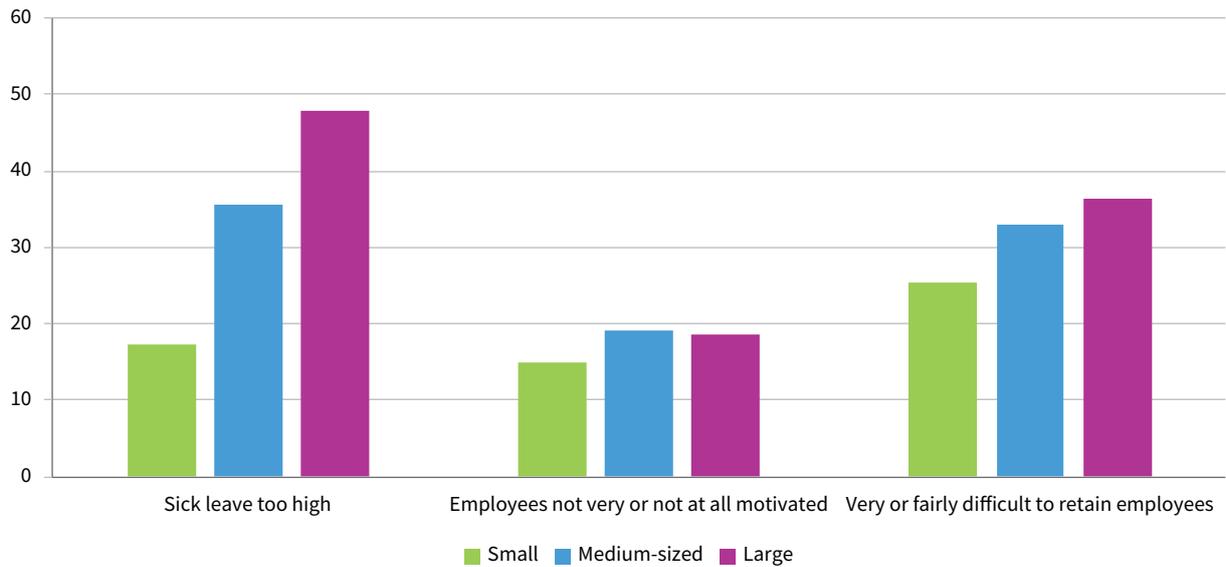
The three questions on human resources challenges asked managers:

- whether they thought absenteeism due to sick leave was too high in their establishment
- how motivated they thought employees in their establishment were
- to what extent they found it difficult to retain employees

Overall, 21% of managers in the EU27 reported that sick leave in their establishment was too high. Across countries, this varies between as little as 3% in Greece and 6% in Cyprus and as much as 41% in Luxembourg and 39% in Germany. It should be noted that managers' perceptions of absenteeism might be affected by sick leave regulations. However, the extent to which employees make use of their entitlements will still be influenced by workplace conditions.

In terms of staff motivation, 16% of managers reported that employees in their establishments were not very or not at all motivated, varying between 3% in Denmark, the Netherlands and Sweden and 32% in Bulgaria, Cyprus, Czechia and Greece.

Figure 6: Prevalence of three human resources challenges, by establishment size (%)



Source: ECS 2019 management questionnaire

Regarding staff retention, 27% of managers reported that it was very or fairly difficult for their establishments to retain employees. This varies considerably, from 10% in Finland to as much as 54% in Slovakia.

**Sector:** Sectoral differences are less pronounced than country differences but still considerable, with only 14% of managers in financial services reporting problems with absenteeism compared to 28% of managers in industry. Similarly, 13% of managers in commerce and hospitality and 14% of managers in financial services reported issues with motivation, compared to 22% in industry. The pattern for staff retention is slightly different, with managers in the transport and construction sectors being the most likely to report challenges (both 30%), while managers in financial services experience problems the least (19%).

**Size:** Figure 6 shows that managers in smaller establishments are less likely to report issues with absenteeism, motivation and staff retention than managers in larger establishments.

**Type:** In terms of establishment type, subsidiary sites stand out, with 27% of managers reporting challenges regarding absenteeism compared to 20% in the headquarters and single-establishment companies. Similarly, but less pronounced, 19% of managers in subsidiary sites reported challenges with motivation compared to 16% in headquarters and 18% in single-establishment companies. Differences between establishment types in terms of staff retention are even smaller, with 28% of managers in subsidiary sites reporting challenges compared to 27% in single-establishment companies and 26% in headquarters.

## Establishment performance

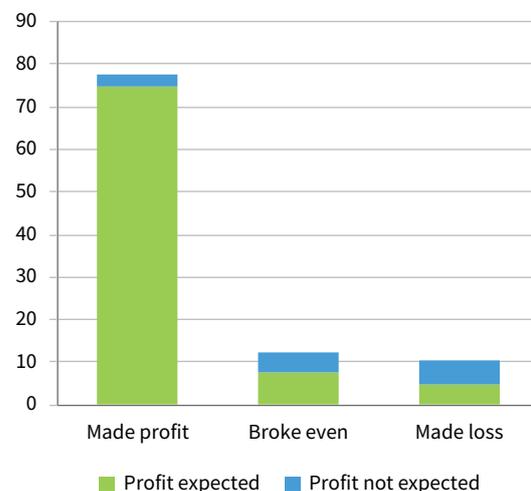
Establishment performance is captured by looking at:

- profitability of the establishments
- profit expectation
- change in production volume
- expected change in employment

### Profitability

The majority of managers in the EU27 (77%) reported that their establishment made a profit in 2018, 13% reported that they broke even, and 10% reported that they were making a loss, as shown in Figure 7.

Figure 7: Profitability and profit expectation in 2018 (%)



Source: ECS 2019 management questionnaire

**Country:** Reported profitability varied from 63% of establishments in France and 65% in Luxembourg to 89% in Hungary and 88% in Croatia. Managers in financial services were most likely to report a profit (87%) and managers in other services least likely (73%).

**Size:** Reported profitability did not vary much between size classes.

**Type:** Interestingly, managers in subsidiary sites were considerably less likely to report a profit (69%) than managers in single-establishment companies (78%) and in headquarters (79%). It should be noted that respondents in headquarters were asked to answer the profit question for the company as a whole, whereas respondents in subsidiary sites were asked to answer for their establishment specifically.

### Profit expectation

Profitability is, of course, a clear indicator of whether an establishment is performing well, but it does not tell the full story. There are many reasons why establishments might not be expected to turn a profit: for instance, they might have just started up, made recent innovations or recently merged. Managers were therefore also asked whether their establishment had been expected to make a profit in 2018. In 87% of establishments, they reported that this was the case. This varied between 82% in Greece and 97% in Lithuania, and between 86% in transport and 94% in financial services.

Figure 7 shows that in only a small proportion of the profitable establishments, profit had not been expected (3% of the population and 4% of the profitable establishments). Of the establishments that broke even, 62% had been expected to make a profit; of the loss-making establishments, the figure was 46%.

### Change in production volume

A third element of performance relates to the observed growth or decline in production volume – the amount of goods produced or services provided – in the previous three years. Figure 8 shows that managers in the EU27 were more likely to report growth than decline: 49% reported an increase in production volume, 43% reported that it had remained stable, and 8% reported a decrease.

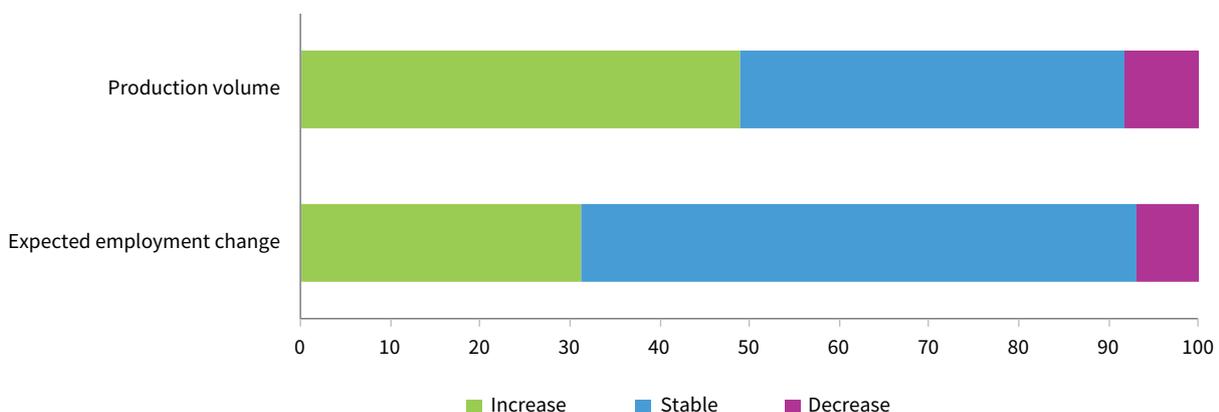
**Country:** Reported growth ranged from 71% in Cyprus and 69% in Malta to 38% in Slovakia and 41% in Poland. Declines in production volume were most frequently reported in Latvia (13%) and France and the United Kingdom (both 12%) and least frequently in Malta (3%) and Croatia, Cyprus, Ireland, Luxembourg and Slovenia (all 4%).

**Sector:** Increased production volume was most frequently reported in industry (50%) and least frequently in financial services (42%). Interestingly, decreases were also most frequently reported in industry (11%) – suggesting a certain degree of volatility in production growth in the sector – and least frequently in financial services (4%), indicating a great degree of stability in the volume of service provision in this sector.

**Size:** Managers in small establishments were less likely to report an increase in production volume (48%) than those in medium-sized (55%) or large establishments (54%). There were no notable differences between size classes in terms of reported decreases in production volume.

**Type:** Production volume was least likely to have increased in single-establishment companies (48%), followed by subsidiary sites (51%) and headquarters (53%), whereas a decrease was most likely to have occurred in subsidiary sites (10%), followed by single-establishment companies (8%) and headquarters (7%).

Figure 8: Change in production volume and expected employment growth (%)



**Note:** Respondents were asked about change in production volume in the three years prior to the survey and expected employment change over the coming three years.

**Source:** ECS 2019 management questionnaire

## Expected change in employment

Most managers in the EU27 (62%), expected employment in their establishment to remain stable in the coming three years; 31% expected the number to increase, while 7% expected it to decrease (Figure 8).

**Country:** Managers in Malta (67%), Greece (46%) and Sweden (45%) were most likely to expect employment growth, and managers in Slovakia (23%), Czechia and Germany (25% for both) were least likely. Interestingly, managers in Sweden (12%) were also most likely to expect a decrease in employment, followed by managers in Poland (10%) and Latvia (9%); managers in Cyprus, Ireland and Malta were least likely to expect a decline (all 2%).

**Sector:** Managers in other services most often reported that they expected employment growth (37%) and managers in financial services expected it least often (25%). This was mirrored by the expectation of employment decline, which was 14% in financial services and 6% in other services and commerce and hospitality.

**Size:** Managers in large establishments were more likely to expect employment growth (40%) as well as decline (13%), than managers in medium-sized (39% versus 8%) and managers in small establishments (30% versus 6%).

**Type:** Managers in headquarters were more likely to expect employment in their establishment to grow (39%) than those in subsidiary sites (33%) and in single-establishment companies (30%). Managers in subsidiary sites were more likely to expect employment decline (11%) than those in single-establishment companies (7%) and in headquarters (6%).

## Structural variation in workplace well-being and establishment performance

Although the items that are used to capture the composite indicator for workplace well-being are positively associated with each other, the preceding descriptions of the items show that the rankings of country, sector and size class are quite different for each of them. The same is the case for the items used to capture establishment performance. This section will show how the two composite indicators are distributed across country, sector and size class.

## Variation by country

Figure 9 shows what happens in terms of the country averages when the component variables are combined into the two indicators.

Figure 9 shows that variation between countries is much greater for workplace well-being than for establishment performance.

Regarding workplace well-being, Denmark, Greece, Cyprus and Sweden score highest, and Luxembourg, Germany and Slovakia score lowest. Regarding establishment performance, Malta, Croatia and Slovenia score best, and Latvia, France and Slovakia score worst.

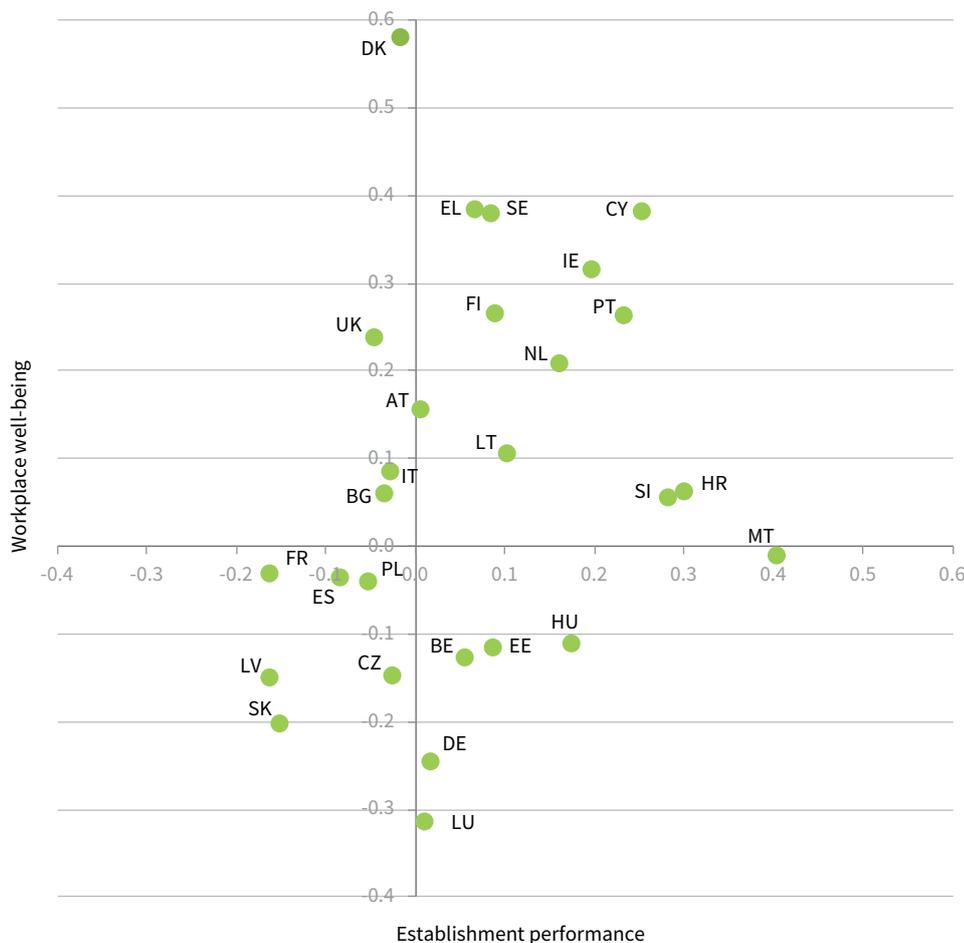
Establishments in the 11 countries in the top-right quadrant are most likely to generate above-average outcomes on both indicators; these are establishments in Austria, Croatia, Cyprus, Finland, Greece, Ireland, Lithuania, the Netherlands, Portugal, Slovenia and Sweden.

A caveat regarding the composite indicator for workplace well-being should be noted: low absenteeism and ease of retention of workers may be the outcomes of two different processes, which cannot be disentangled based on the ECS 2019 data. In the first scenario, employees consider the company to be a good workplace, making them less likely to leave the company or abuse sickness leave regulations. In the second scenario, a weak or insecure labour market acts as a disciplinary device where employees perceive the chances of finding another job as poor, so they stay with the current company and comply with employment rules. Both mechanisms are likely to be at work in the countries in the top-right quadrant: the indicator is therefore somewhat favourable to countries that were hit hardest by the recession and where labour markets are still recovering.

Likewise, in terms of establishment performance, the 11 countries might have scored better because the component variables capturing changes in production volume and employment levels indicate growth rather than the absolute level of performance.

These caveats are important to note but will not affect the analyses throughout this report: whenever differences between establishment types in terms of well-being and performance are reported, analyses will be conducted with country, sector and establishment size as control variables, which should correct for any of these structural factors.

Figure 9: Workplace well-being and establishment performance, by country (z-scores)



Source: ECS 2019 management questionnaire

**Variation by sector and size**

Figure 10 shows differences in well-being and performance across sectors and size classes. Again, differences in workplace well-being are more pronounced than differences in establishment performance.

Workplace well-being is highest in the financial services sector and lowest in industry. Performance is best in commerce and hospitality and worst in industry, closely followed by financial services. Commerce and

hospitality is the only sector that scores above average on both indicators. This might in part still be a result of recovery from the Great Recession.

Small establishments score best in terms of workplace well-being, but worst in terms of establishment performance. There are no marked differences in terms of workplace well-being between establishment types, but headquarters score better in terms of establishment performance, followed by single-establishment companies and, finally, subsidiary sites.

Figure 10: Workplace well-being and establishment performance, by sector and establishment size (z-scores)



Source: ECS 2019 management questionnaire



# 3 Digitalisation, innovation and business environment

This chapter examines three important contextual factors that have an influence on the workplace practices adopted by establishments, as well as on workplace well-being and establishment performance: digitalisation, innovation and the business environment.

## Digitalisation

### Measuring digitalisation

To determine the extent to which establishments in the EU27 have digitalised their operations, the ECS 2019 questionnaire includes several questions on the use of technology.

#### Computer use

Managers in 44% of establishments reported that at least 60% of employees use computers for their daily tasks. This ranged from 13% in Lithuania and 18% in Latvia to 68% in Malta and 62% in Denmark and Sweden. Managers in financial services were most likely to report that at least 60% of employees use computers daily (80%) and managers in construction were the least likely (14%) to report this.

#### Purchase of customised software

Managers in 54% of establishments reported that their establishment had purchased software that was specifically developed or customised to meet its needs in the three years preceding the survey. The percentage varies between 40% in Hungary and Slovenia, 64% in Cyprus, Italy, Portugal and Spain, and 72% in Malta. Sectoral differences were small, with software purchases reported most in commerce and hospitality (56%) and least in construction (51%).

#### Robot use

Use of robots was reported by 8% of managers.<sup>8</sup> It was reported least in Croatia, Poland, Romania, Slovakia and the United Kingdom (all 4%) and most in Finland (14%) and Denmark and Malta (both 12%). Unsurprisingly, managers in industry were by far the most likely to report the use of robots (22%) and managers in construction the least likely (3%).

#### Data analytics

The survey asked respondents whether their establishment uses digital tools for analysing data collected within the establishment or from other sources (data analytics) to improve the production process or service delivery or to monitor employee performance.

**Process improvement:** Managers in 46% of establishments reported use of data analytics to improve production or service delivery processes. This use of data analytics was most prevalent in Spain (61%) and Italy (59%) and least prevalent in Bulgaria, Czechia, Ireland and Portugal (33%). Managers in other services and financial services were most likely (49%) to report the use of data analytics for this purpose and managers in construction the least likely (29%).

**Monitoring employee performance:** 27% of managers reported using data analytics to monitor employee performance. This was reported most in Romania (50%) and Croatia (45%) and least in Germany (13%) and Sweden (17%). Data analytics are used for monitoring employees most in the transport sector (36%) and least in construction (20%).

**Both uses combined:** In total, around half of establishments (51%) use data analytics for process improvement, for monitoring employees or for both. This percentage breaks down as follows: 24%, use data analytics for process improvement only; 5% for monitoring employee performance only; and 22% for both purposes.

When asked about changes in the use of data analytics, 52% of managers in establishments where data analytics are used reported that it had increased in the past three years, 47% reported that it had stayed the same, and only 1% reported decreased use. Those using the technology for both process improvement and employee monitoring were most likely to report increased use (60%); those who reported using it for employee monitoring only were least likely (40%) to do so.

Managers in Finland (72%) and the Netherlands (64%) were most likely to report increased use of data analytics, and managers in Luxembourg (35%) and

<sup>8</sup> Robots are defined as programmable machines capable of carrying out a complex series of actions automatically, which may include interaction with people.

Bulgaria (37%) least likely. The use of data analytics increased most in financial services (55%) and least in construction (42%).

### E-commerce

Finally, the survey asked managers whether their establishment buys or sells goods or services on the internet. Managers in 28% of the establishments reported that their establishment does so. E-commerce was reported most for establishments in Finland (47%) and Hungary (43%) and least for establishments in Bulgaria (17%) and Belgium and Croatia (20%). Unsurprisingly, given the nature of the activities, e-commerce features most in commerce and hospitality (42%) and least in construction (13%).

## Types of establishment: Digitalisation

Four types of establishment were distinguished based on their use of digital technology, using a latent class analysis. These are (listed according to level of digitalisation):<sup>9</sup>

- highly digitalised
- high computer use, limited use of other digital technology

- high use of robots and other digital technology, limited computer use
- limited digitalisation

Table 2 summarises the characteristics of each type.

### Highly digitalised

Just over one-quarter of establishments in the EU27 (28%) were classified as highly digitalised. In all of these establishments, at least 20% of staff use computers daily, and, in 70% of them, this is the case for at least 80% of employees. These establishments were considerably more likely to have purchased customised software recently (70%). The use of robots is slightly above average. Almost all of these establishments (98%) use data analytics for process improvement, and almost half (46%) use data analytics for employee monitoring. Finally, a large minority (42%) buy or sell goods or services on the internet.

### High computer use, limited use of other digital technology

Another quarter of establishments (26%) were classified as 'high computer use, limited use of other digital technology'. Like the establishments in the first category, at least 20% of staff use computers daily, and in 62% of them, this is true for at least 80% of employees. However, purchases of customised software

**Table 2: Profiles of establishment types – digitalisation (%)**

	Highly digitalised	High computer use, limited use of other digital technology	High use of robots and other digital technology, limited computer use	Limited digitalisation	EU27
<b>Group size</b>	28	26	19	27	100
<b>Computer use</b>					
Less than 20%	0	0	46	59	25
20–79%	30	38	54	41	40
80% or more	70	62	0	0	35
<b>Purchase of customised software: Yes</b>	70	44	62	39	54
<b>Use of robots: Yes</b>	9	3	15	7	8
<b>Data analytics</b>					
For process improvement: Yes	98	2	96	0	46
For monitoring employee performance: Yes	46	7	55	7	27
<b>E-commerce: Yes</b>	42	27	27	17	28

Source: ECS 2019 management questionnaire

<sup>9</sup> The question on changes in use of data analytics was omitted because this was only answered by a subset of respondents.

are well below average (44%), as is the use of robots (3%). Hardly any of these establishments use data analytics for process improvement (2%) and very few use digital tools for employee monitoring (7%). The use of e-commerce is just below average (27%).

**High use of robots and other digital technology, limited computer use**

Establishments of this type account for 19% of EU27 establishments and are the opposite of the second type. In almost half (46%), less than 20% of staff use computers daily. Yet, purchases of customised software are above average (62%) and use of robots is almost double the average (15%). Almost all of these establishments (96%) use data analytics for process improvement and more than half of them (55%) use data analytics for employee monitoring. The use of e-commerce is just below average (27%).

**Limited digitalisation**

The final type includes roughly one-quarter of EU27 establishments (27%). In more than half of these (59%), less than 20% of staff use computers daily. Purchases of customised software are well below average (39%), and the use of robots is just below average (7%). None of these establishments use data analytics for process improvement and very few use data analytics for employee monitoring (7%). The use of e-commerce is well below average (17%).

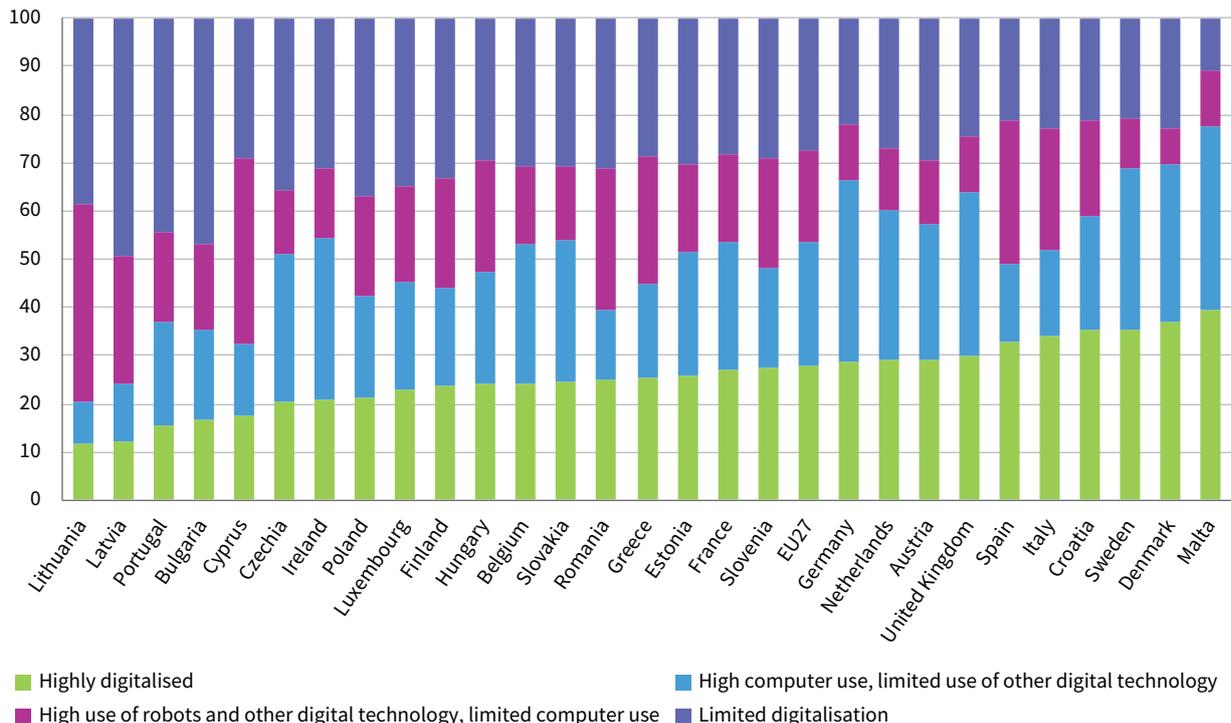
**Distribution of types according to structural characteristics**

**Country:** Figure 11 shows the prevalence of each type of establishment in the EU27 and the United Kingdom.

- Highly digitalised establishments are most prevalent in Malta (39%) and Denmark (37%) and least prevalent in Latvia and Lithuania (both 12%).
- Establishments with high computer use but limited use of other digital technology are most prevalent in Germany and Malta (38%) and least prevalent in Lithuania (9%) and Latvia (12%).
- Establishments with high use of robots and other digital technology but limited computer use are found most in Lithuania (41%) and Cyprus (39%) and least in Denmark (8%) and Sweden (10%).
- Establishments with limited digitalisation are most common in Latvia (49%) and Bulgaria (47%) and least common in Malta (11%) and Croatia, Spain and Sweden (all 21%).

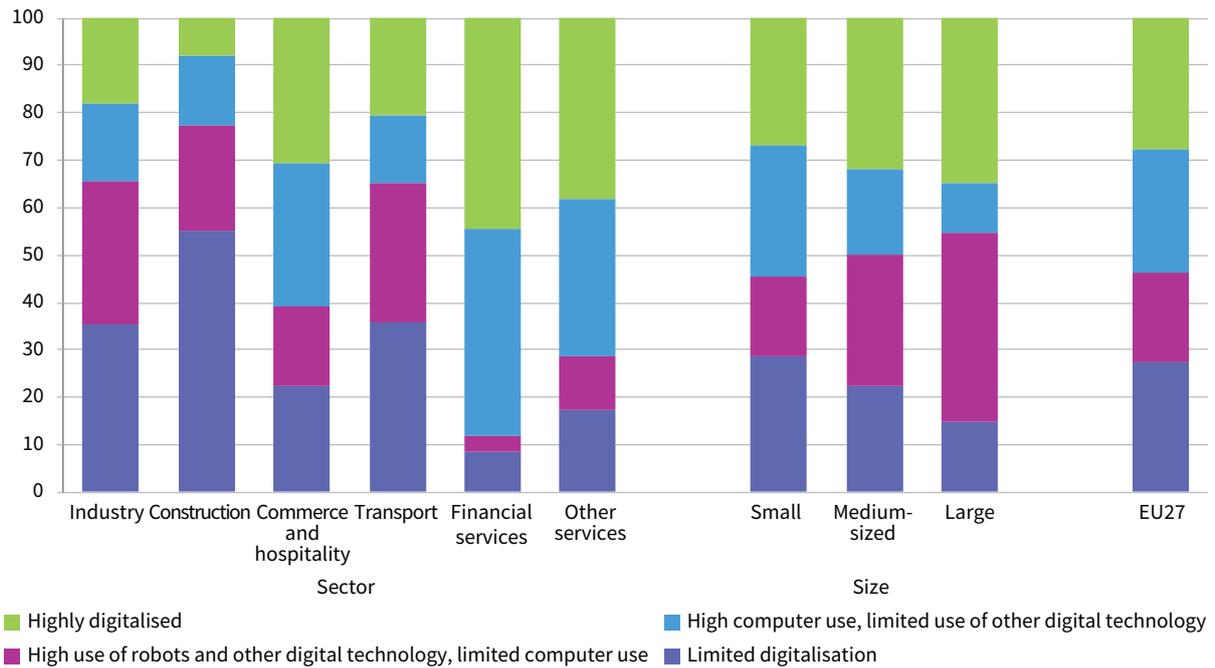
**Sector:** The level of digitalisation is strongly associated with the sector of activity, as Figure 12 shows. Highly digitalised establishments are most common in financial services and least common in construction. Those with high computer use but limited use of other digital technology are also most common in financial services and least common in transport. Establishments with high use of robots and other digital technology but limited computer use are found most in industry and

**Figure 11: Establishment type – digitalisation, by country (%)**



Source: ECS 2019 management questionnaire

Figure 12: Establishment type – digitalisation, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

least in financial services. The least digitalised type is observed most in construction and least in financial services.

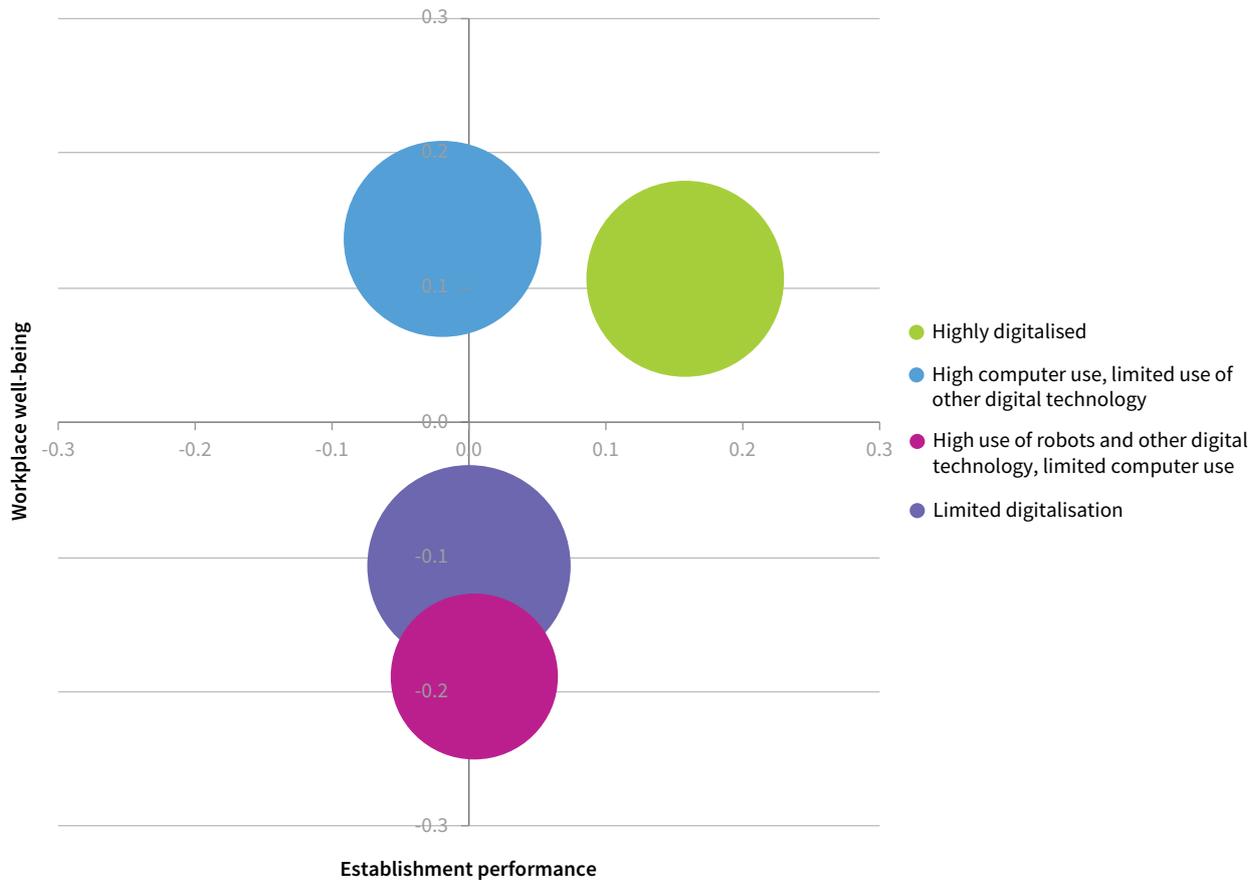
**Size:** An interesting pattern is apparent when looking at size classes (Figure 12). Whereas the prevalence of highly digitalised types increases with size, the prevalence of establishments with high computer use but limited use of other digital technology actually decreases. Similarly, high use of robots and other digital technology but limited computer use increases with size, while the prevalence of establishments with limited digitalisation decreases with size.

### Scores on workplace well-being and establishment performance

Having classified establishments by their degree of digitalisation, the analysis looks next at how the two key outcome indicators – workplace well-being and establishment performance – vary accordingly. Figure 13 shows that highly digitalised establishments score better on performance than establishments with lower levels of digitalisation. These differences remain when controlling for country, sector, size and establishment type.

The story regarding workplace well-being is slightly different. Highly digitalised establishments and those with high computer use but limited use of other digital technology have better workplace well-being than establishments with limited digitalisation, which in turn have better workplace well-being than establishments with a high use of robots and other digital technology but limited computer use. However, when controlling for country, sector, size and establishment type, the difference between the latter two types disappears.

**Figure 13: Workplace well-being and establishment performance, by establishment type – digitalisation (z-scores)**



Source: ECS 2019 management questionnaire

## Innovation

Innovation can be both a driver and an outcome of workplace practices and management strategies (Eurofound, 2015b). Management can adopt or amend strategies or introduce or amend workplace practices not only with the aim of bringing about innovation, but also in response to innovations that have been introduced.

The way innovation is captured in the ECS 2019 is inspired by the conceptualisation of technological innovation as outlined in the 2005 and 2009 versions of the Oslo Manual (OECD and Eurostat, 2005, 2019) and distinguishes between product innovation, process innovation and marketing innovation. It further distinguishes between innovations that are new to the market and innovations that have existed in the market but are new to the establishment.

This section first provides some insight into the extent of innovation in EU businesses in terms of new goods or services, new production processes for goods and delivery of services, and new marketing methods. It goes on to show the level of innovation in a broader sense, combining these three domains and

distinguishing between establishments that have not introduced any innovations, those that have introduced innovations to the establishment and those that have introduced innovations to the market. It is this broad indicator of innovativeness that will be used throughout the report to illustrate associations between innovation and the various (bundles of) workplace practices and management strategies of interest.

### Three types of innovation

#### Product innovation

Managers in around one-third of establishments in the EU27 (33%) reported that new products – either goods or services – were introduced in the three years preceding the survey. In 18% of establishments, these products were introduced to the establishment; in the remaining 14%, they were introduced to the market.

**Country:** The introduction of new products to the market was reported most in Cyprus (46%) and Greece (39%) and least in Latvia (6%) and Ireland (7%). The introduction of new products to the establishment was reported most in Malta (33%) and Croatia (30%) and least in Cyprus (3%) and Greece (6%).

**Sector:** Product innovation directed to the market was reported most for industry (20%) and least for transport (5%). Product innovation directed towards the establishment was reported most for industry (24%) and least for construction (10%).

**Size:** Large establishments were more likely to have introduced new products to the market (22%) as well as new products to the establishment (20%) and small establishments least likely (14% and 18%, respectively).

### Process innovation

Slightly fewer managers (30%) reported that new or significantly changed processes for producing goods or supplying services had been introduced in their establishment; this percentage breaks down into 8% reporting the introduction of new processes to the market and 22% reporting the introduction of new processes to the establishment.

**Country:** The introduction of processes new to the market was most often reported in Cyprus (21%) and Greece (20%) and least often in Poland (2%), and Bulgaria and Ireland (both 4%). The introduction of processes new to the establishment was most often reported in Portugal (31%) and Croatia (29%) and least often in Slovakia (11%) and Germany (14%).

**Sector:** Process innovation in the market was most common in other services (13%) and least common in transport and construction (both 4%). Process innovation within the establishment was found most in industry (31%) and least in construction (14%).

**Size:** As was found for product innovation, process innovation was most often found in large establishments, both at the market level (13%) and the establishment level (32%), and least often in small establishments (8% and 21%, respectively).

### Marketing innovation

The introduction of new or significantly changed marketing methods was reported by 28% of managers; marketing methods new to the market accounted for 6%, while those new to the establishment accounted for 22%.

**Country:** Marketing innovation in the market methods was reported most in Cyprus (24%) and Greece (18%) and reported least in Poland (0.5%) and Bulgaria (2%).

The introduction of new marketing methods to the establishment was reported most in Malta (34%) and Croatia (33%) and least in Czechia (10%) and Cyprus (11%).

**Sector:** Marketing innovation directed at the market was most common in other services (8%) and least common in construction (3%). Marketing innovation directed internally was found most in commerce and hospitality (28%) and least in construction and transport (both 13%).

**Size:** The introduction of new marketing methods to the market was found most often in large establishments (10%) and least in small establishments (6%). The introduction of new marketing methods to the establishment was most prevalent in medium-sized establishments (25%) and least prevalent in small establishments (21%).

## Types of establishment: Innovation

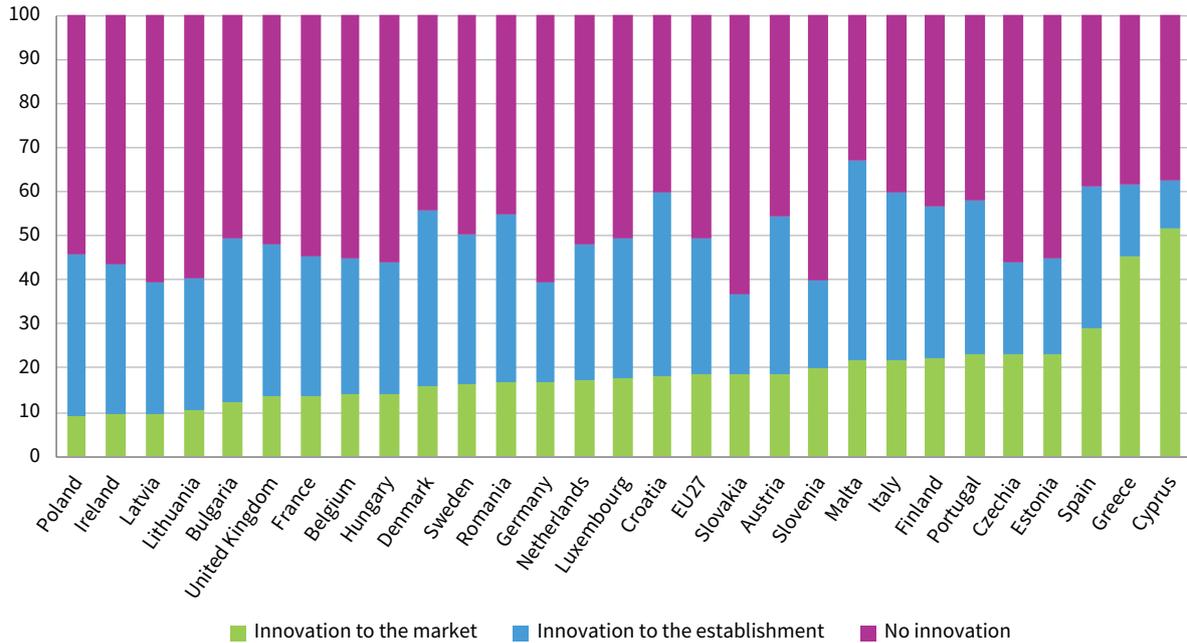
To capture different levels of innovation in businesses, an indicator was constructed that distinguishes three types establishments, based on whether they:

- introduced one or more innovations in any of the three domains (product, process or marketing) to the market
- introduced one or more innovations to the establishment but not to the market
- did not introduce any innovations

Figure 14 shows that around half of establishments in the EU27 (49%) introduced some innovation. In 19% of establishments, this was a market innovation and in 31%, an establishment innovation.

**Country:** As was found for each of the domains, market innovations were reported most frequently in Cyprus (52%) and Greece (45%) and least frequently in Ireland and Poland (both 9%). Innovation within the establishment was reported most in Malta (45%) and Croatia (42%) and least in Cyprus (11%) and Greece (16%).

Figure 14: Levels of innovation, by country (%)

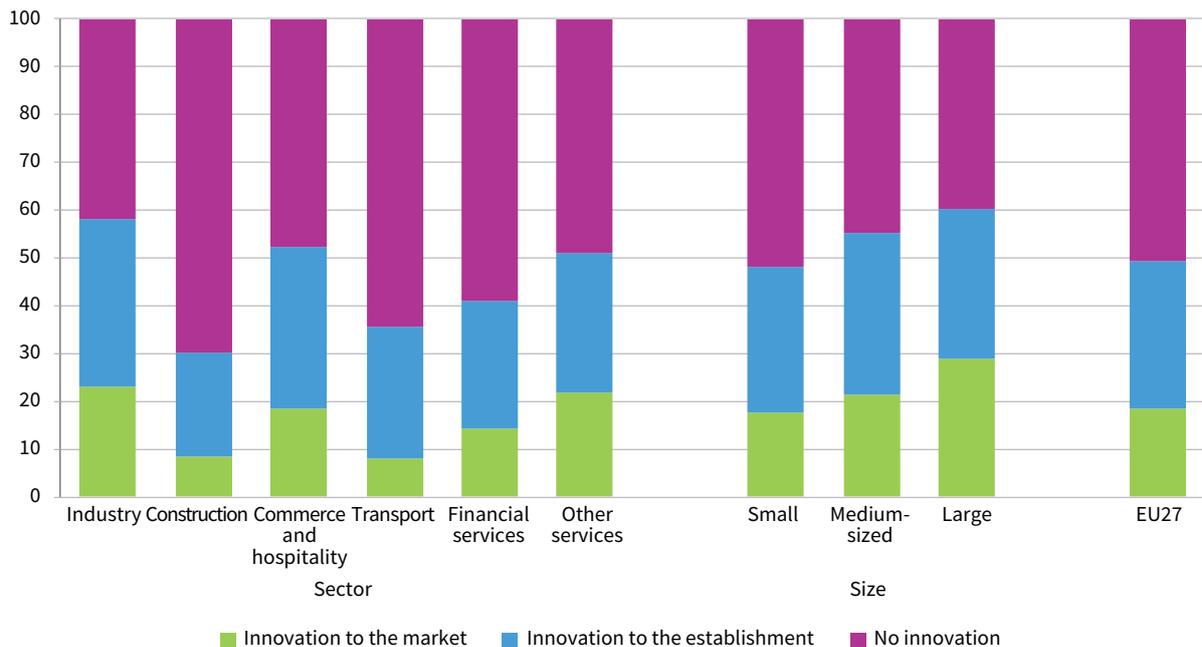


Source: ECS 2019 management questionnaire

**Sector:** Figure 15 shows that market innovations were reported most in industry (23%) and least in transport and construction (8%). Innovation within the establishment was also found to be most prevalent in industry (35%) and least prevalent in construction (22%).

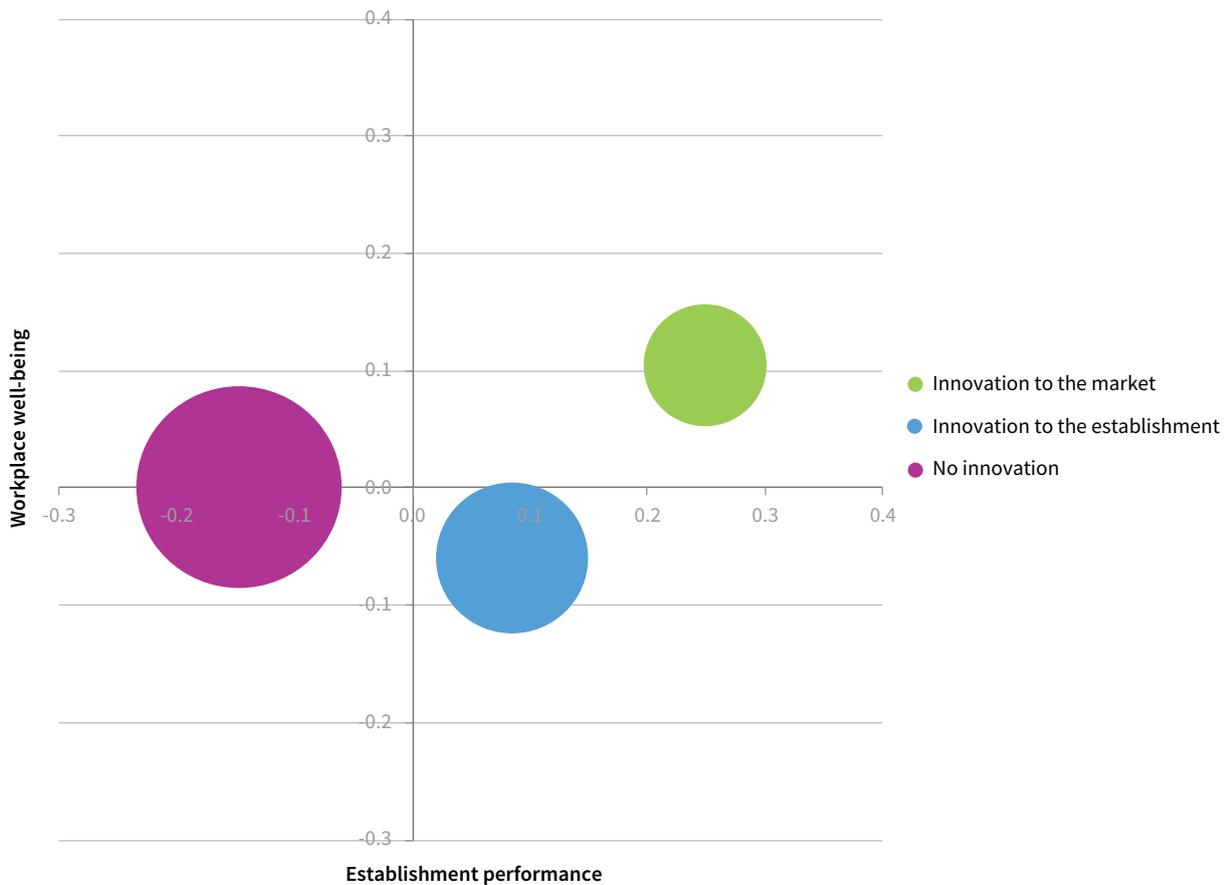
**Size:** The prevalence of both market innovation and innovation within the establishment increases with establishment size.

Figure 15: Introduction of innovation to the establishment and to the market, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

**Figure 16: Workplace well-being and establishment performance, by establishment type – innovation (z-scores)**



Source: ECS 2019 management questionnaire

### Scores on workplace well-being and establishment performance

Turning to the association between levels of innovation and workplace outcomes, Figure 16 shows that establishments that have introduced innovation to the market score better in terms of both workplace well-being and establishment performance than less innovative establishments. Establishments that introduced innovation to the establishment but not to the market perform better than those that have not innovated at all, but have lower workplace well-being. All differences hold when controlling for country, sector, size and establishment type.

### Business environment

This section looks at the business environment in which establishments operate. It starts with a snapshot of how managers perceive the competitiveness of the market and the predictability of demand for their products and services. It goes on to look at the approach that businesses take to competing in the market – the

product market strategy. This is an integral part of the management strategy and as such has implications for all other workplace practices as well as for workplace well-being and establishment performance.

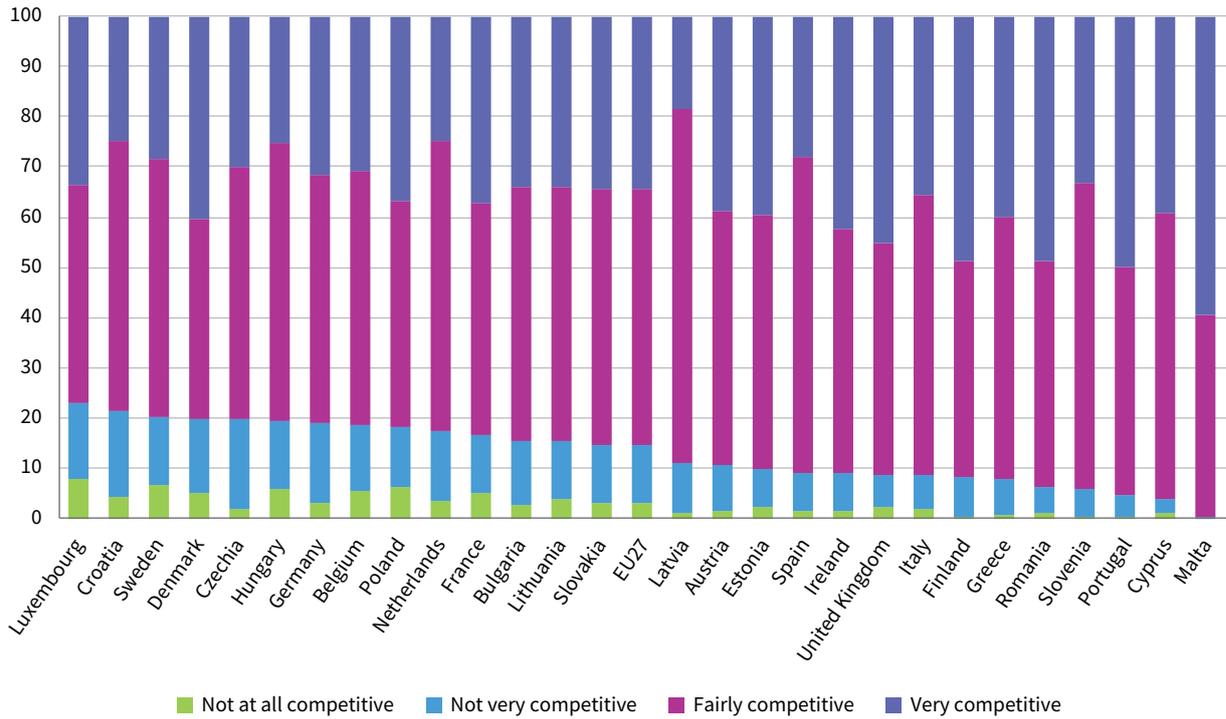
### Market characteristics

#### Competitiveness

On aggregate, 85% of managers reported that the business environment of their establishment is competitive – either very competitive (34%) or fairly competitive (51%). The remaining 15% reported an uncompetitive business environment – either not very competitive (11%) or not at all competitive (4%) (Figure 17). Managers in Malta (100%) and Cyprus (96%) were most likely to report that their business environment was competitive, while those in Croatia (22%) and Luxembourg (23%) were most likely to report an uncompetitive environment.

Looking at sectors, managers in commerce and hospitality were most likely to report a high level of competitive pressure (92%) and managers in financial services least likely (75%).

Figure 17: Degree of product market competition, by country (%)



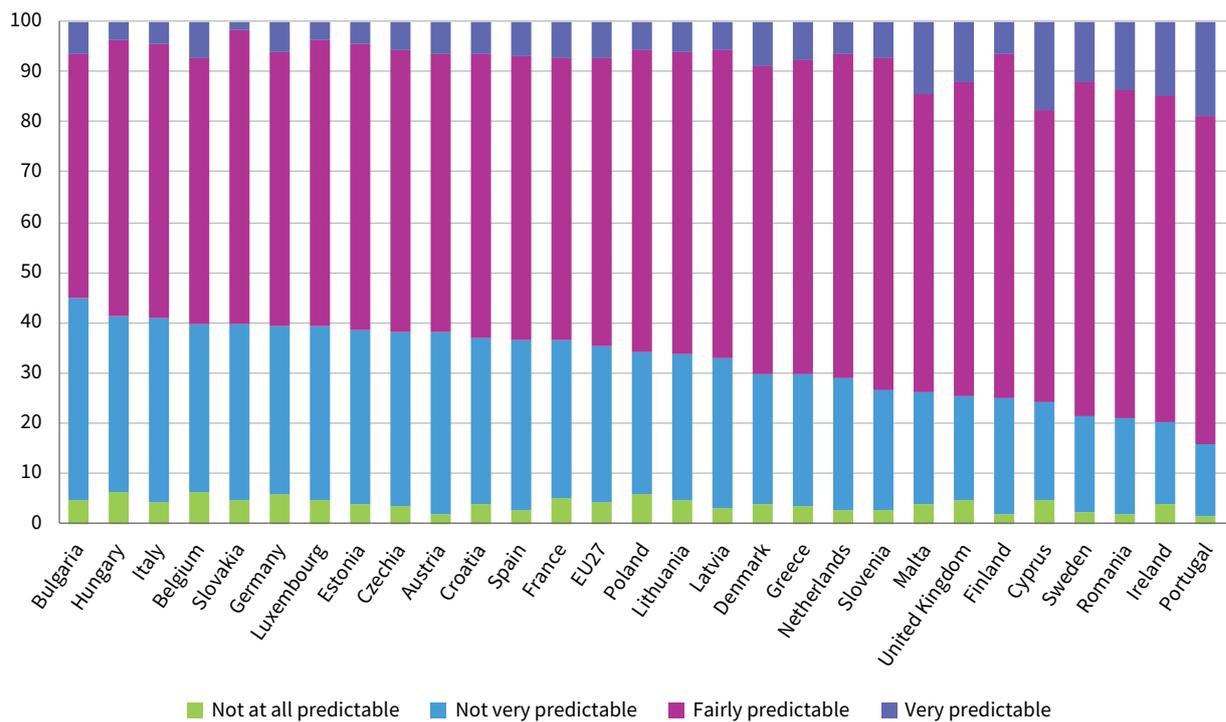
Source: ECS 2019 management questionnaire

**Demand predictability**

Figure 18 shows results for predictability of demand: only 7% of managers reported that the demand for their establishment’s product was very predictable, 58%

reported that demand was fairly predictable, 31% reported that it was not very predictable, while for the remaining 4%, product demand was not predictable at all.

Figure 18: Degree of demand predictability, by country (%)



Source: ECS 2019 management questionnaire

**Country:** The degree of demand predictability varies substantially across countries: the incidence of establishments with predictable product demand (combining very and fairly predictable) is lowest in Bulgaria (55%), and Hungary and Italy (both 59%), while it is highest in Portugal (84%) and Ireland (80%).

**Sector:** The incidence of predictable demand for products or services is highest in the financial services sector (78%) and lowest in industry (56%).

**Size:** Managers in small establishments were least likely to report that demand was predictable, and managers in large establishments most likely (72%).

At EU27 level, there is a moderate correlation ( $\rho = 0.3$ ) between the characteristics of product demand: establishments that experience a high degree of competition also tend to find it more difficult to predict the demand for their products or services.

## Types of establishment: Product market strategy

Establishments can have different strategies for competing in their respective markets. They can aim to:

- provide goods and services at a lower price than the competition
- provide higher quality than competitors
- stand out by offering customised products and services
- be more innovative

Respondents were asked to rank these four strategies in order of importance, and establishments were categorised based on the strategy they identified as most important. When the respondent put two or more strategies at the top of the ranking, they were assigned to the category ‘No dominant strategy’.

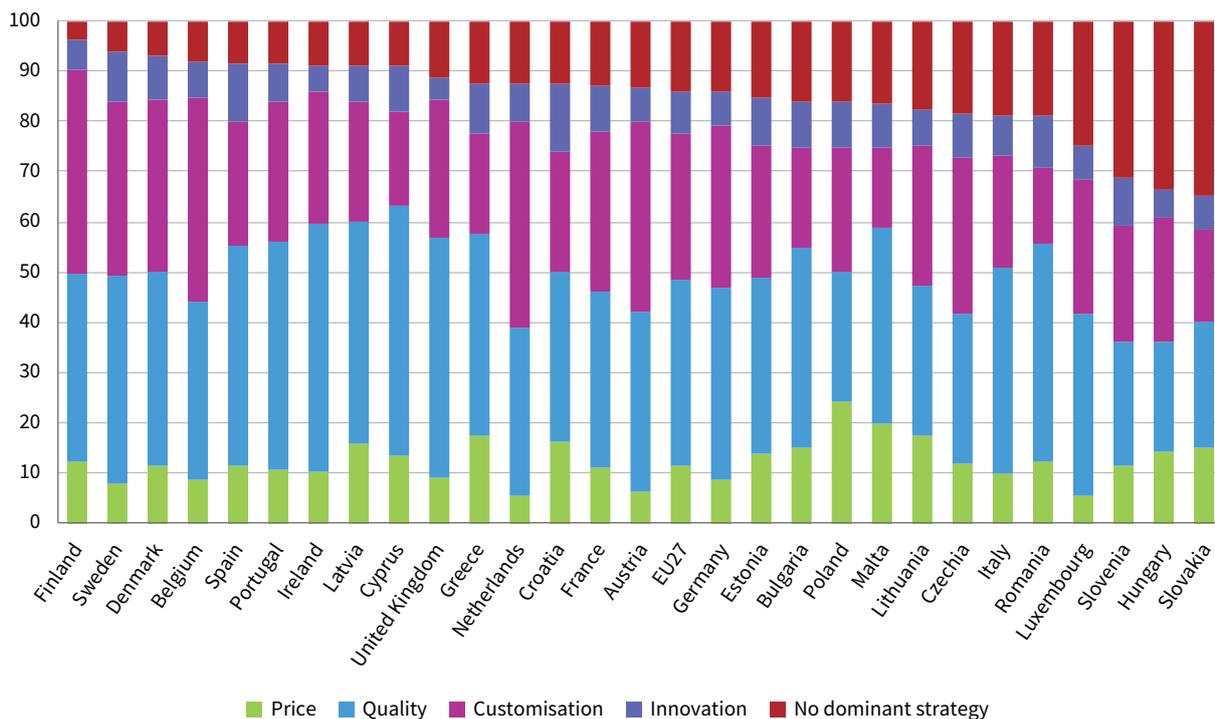
Offering higher quality is the most common product market strategy pursued by EU27 establishments (37%), followed by offering customised products and services (29%). Offering lower prices than the competition is third (11%), while product and service innovation was least often reported as the most important strategy (8%). The remaining 14% of establishments follow a mixed strategy, leveraging more than one of the product market strategies.

### Country

Figure 19 breaks down by country the prevalence of each dominant product market strategy across establishments.

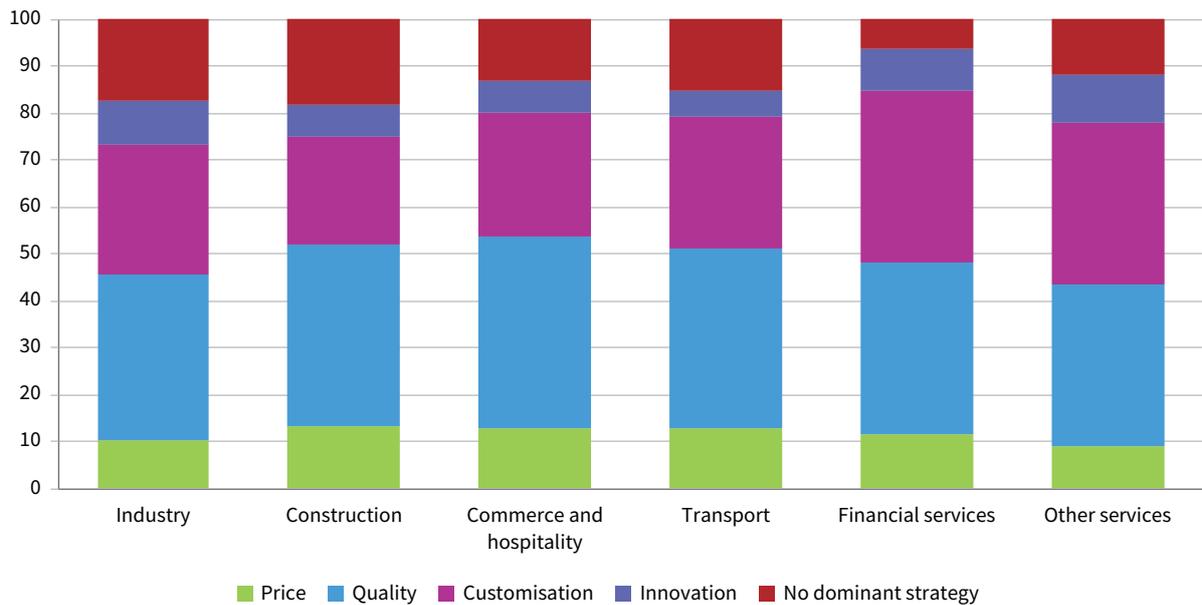
- Competing on price is most common in Poland (24%) and Malta (20%) and least common in Luxembourg (5%) and Austria and the Netherlands (both 6%).
- Competing on quality is most common in Cyprus (49%) and Ireland (49%) and least common in Hungary (22%) and Slovakia and Slovenia (both 25%).

Figure 19: Dominant product market strategy, by country (%)



Source: ECS 2019 management questionnaire

Figure 20: Dominant product market strategy, by sector (%)



Source: ECS 2019 management questionnaire

- Competitive approaches based on customisation are most prevalent in Belgium, Finland and the Netherlands (41%) and least prevalent in Romania (15%) and Malta (16%).
- Innovation is most frequently the dominant strategy in Croatia (13%) and Spain (12%) and least prevalent in the United Kingdom (4%) and Ireland (5%).
- Establishments approaching the product market using a compound strategy are particularly numerous in Slovakia (35%) and Hungary (34%) and are found least in Finland (4%) and Sweden (6%).
- Competing on quality is most common in commerce and hospitality and least common in industry and in other services.
- The incidence of the product or service customisation approach is highest in financial services and lowest in construction.
- Innovation is the most common approach in industry and other services and the least common in transport.
- The use of multiple approaches is highest in the industry and construction sectors.

### Sector

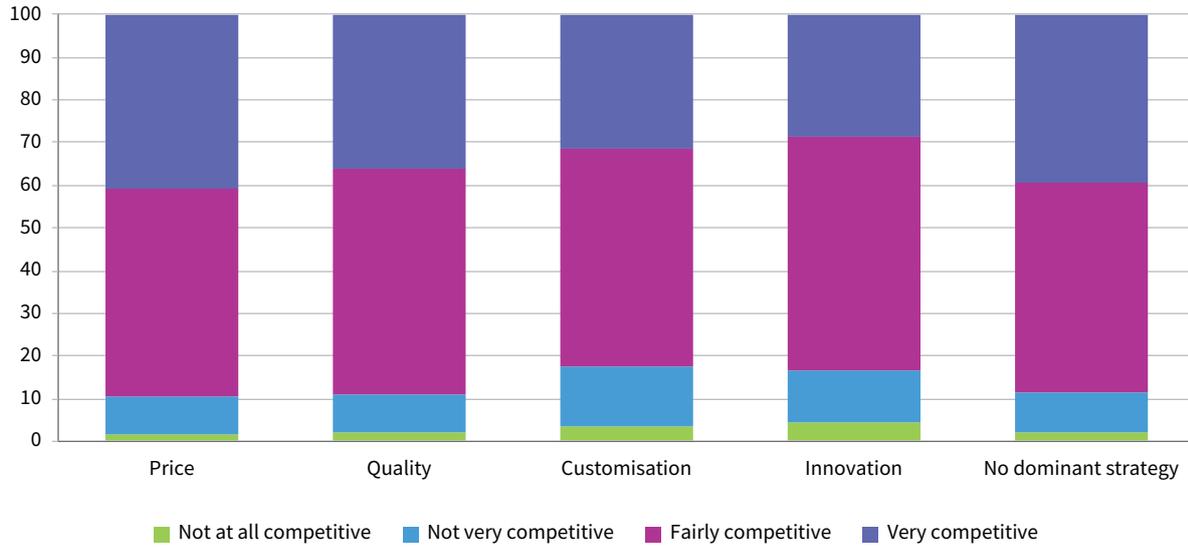
Figure 20 shows that establishments in different sectors rely on different approaches to competing in the product market.

- Competing on price is most common in transport, commerce and hospitality, and construction, and is least common in other services.

**Size:** There are no big differences in preference for the different approaches to the product market across size classes; the only exception is the greater prevalence of the innovation-oriented strategy in large establishments (11%).

An establishment's approach to the product market is linked to the product market conditions. Figure 21 shows that managers in establishments pursuing a

Figure 21: Market competitiveness, by dominant product market strategy (%)



Source: ECS 2019 management questionnaire

strategy based on low prices or pursuing multiple approaches were most likely to report a very competitive market. Managers in establishments pursuing a strategy based on customisation or innovation were most likely to report that their product market is not very or not at all competitive.

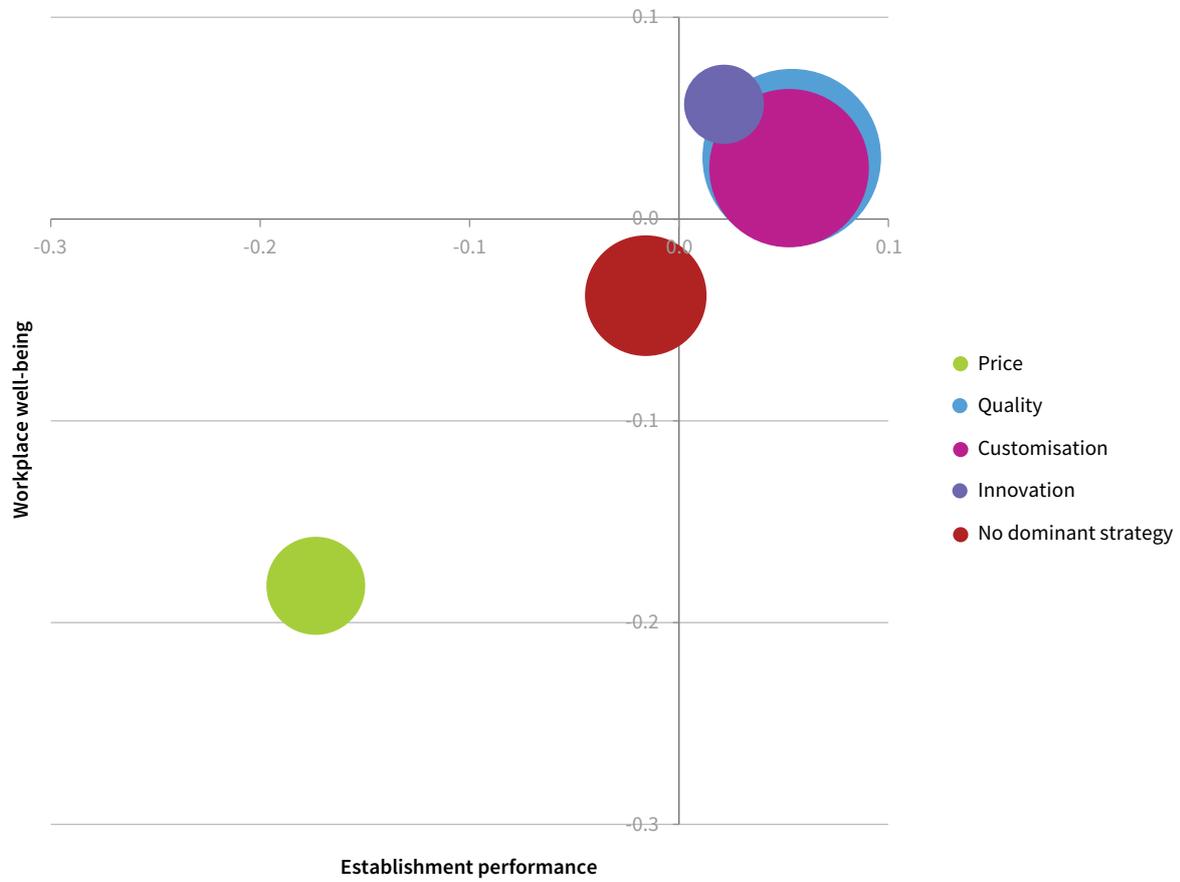
**Scores on workplace well-being and establishment performance**

As Figure 22 shows, there appears to be only one product market strategy that really stands out in terms of the well-being of employees and performance of the establishment: a price-oriented strategy.

Establishments that aim to compete on price score considerably lower on both well-being and performance than establishments that follow any of the other strategies. These differences remain when controlling for country, sector and size.

Those establishments that pursue multiple approaches to compete also score worse on both well-being and performance than those that compete on innovation, customisation or quality, but these differences largely disappear when controlling for country, sector and size.

Figure 22: Workplace well-being and establishment performance, by establishment type – product market strategy (z-scores)



Source: ECS 2019 management questionnaire

# Key findings: Establishments in Europe

## Outcomes for workers and establishments

This study focuses on the workplace practices that create win-win situations for companies and employees, based on two outcomes: workplace well-being and establishment performance.

### Workplace well-being

Most EU27 establishments have a positive work climate: 84% of managers reported a good or very good relationship between management and employees in the workplace. This implies, however, that in almost one-fifth of establishments relations between the two leave something to be desired. A sizeable minority of managers report difficulties in retaining employees (27%) and too high an incidence of sickness leave (21%).

### Establishment performance

Most establishments are also performing well. According to 77% of managers, their establishment made a profit in 2018. The vast majority of these profit-making establishments expected to make a profit; only in 4% was the profit unexpected.

In almost half (49%) of establishments, the amount of goods produced or services provided had increased since 2016, while 43% reported that output had remained stable. Just 8% reported a decrease.

Finally, managers in 31% of establishments expected employment to grow over the coming year.

## Digitalisation, innovation and business environment

The analysis looked at three factors within an establishment that are expected to be associated with workplace practices as well as with workplace well-being and establishment performance: digitalisation, innovation and the business environment, more specifically the product market strategy.

### Digitalisation

Four types of establishment were distinguished based on the extent to which they had adopted digital

technologies. These are, in order of level of digitalisation:

- highly digitalised (28% of establishments)
- high computer use, limited use of other digital technology (26%)
- high use of robots and other digital technology, limited computer use (19%)
- limited digitalisation (27%)

Highly digitalised establishments score better in terms of establishment performance than any of the other types. These establishments and those with high computer use, but limited use of other digital technology have better workplace well-being than the other two, less digitalised types.

### Innovation

Around half of establishments in the EU27 (49%) introduced some kind of innovation in the three years preceding the survey: in 19% of cases this was a new product or service introduced to the market; in 31% of cases, it was an innovation introduced to the establishment.

Establishments that have introduced innovation to the market score better in terms of both workplace well-being and establishment performance than less innovative establishments. Those that introduced innovation to the establishment but not to the market perform better than those that have not innovated at all, but they have lower workplace well-being.

### Product market strategy

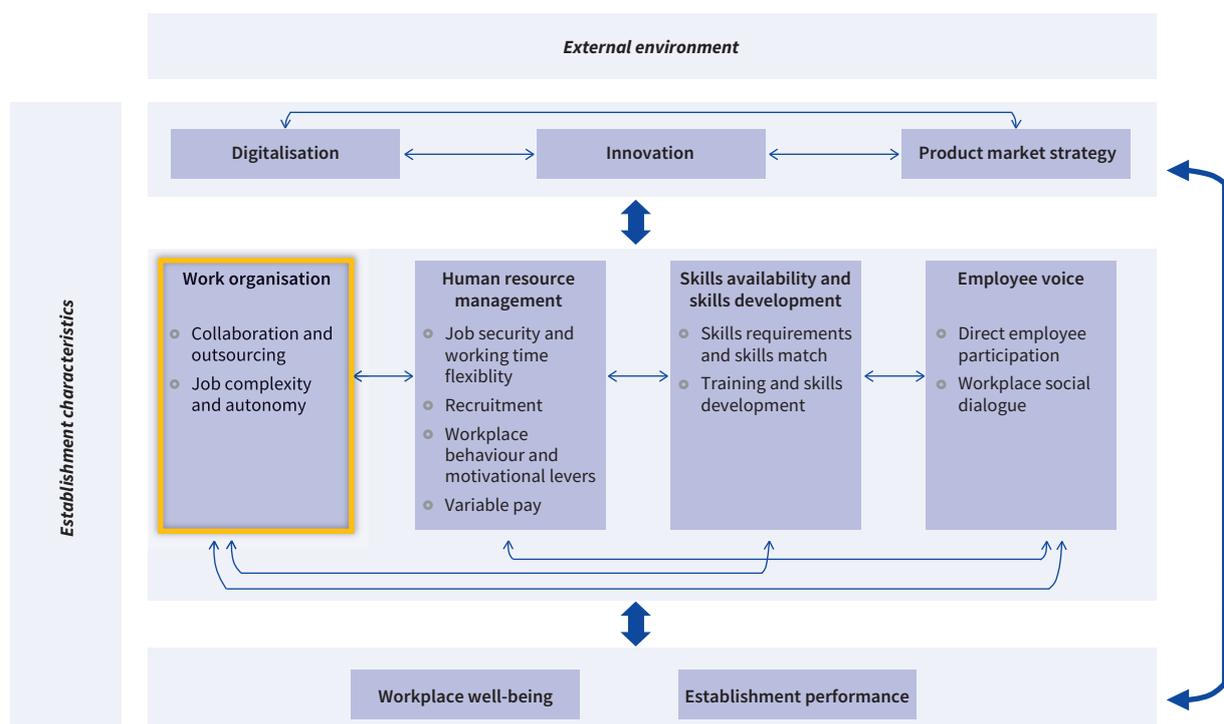
Establishments adopt different strategies for competing in the market. Offering better quality is the most common product market strategy among EU27 establishments (37%), followed by offering customised products and services (29%). Offering lower prices than the competition is third (11%), while the least chosen product market strategy is based on product and service innovation (8%).

Only one product market strategy really appears to make a difference in terms of the performance of the establishment and the well-being of employees: a price-oriented strategy. Establishments competing on price score considerably lower on both performance and well-being than establishments that follow any of the other strategies.

# Work organisation

The theoretical background to this study argues that the work organisation, and how jobs are designed to support it, is part of the management of the employment relationship. This section looks at two aspects of work organisation. The first, addressed in Chapter 4, are the relationships establishments have with other organisations in the form of collaboration and outsourcing. These relationships shape work organisation and job design in at least two ways. Firstly, transferring certain activities outside the establishment affects the requirements placed on the employees within it. Secondly, collaboration and outsourcing require ongoing relationships with other establishments, which creates challenges in coordination as well as opportunities for cross-learning. And these practices can have wider implications for work organisation and job design: for example, Japanese companies support their first- and second-tier suppliers in the adoption of just-in-time production techniques.

Chapter 5 looks at the second key aspect of work organisation: job design, or more specifically, the complexity of tasks employees carry out as part of their job and the degree of autonomy they are given in carrying out their tasks. Job complexity and autonomy are instrumental in the management of the employment relationship, as organisations offer higher levels of complexity and autonomy to employees in exchange for higher levels of responsibility and productivity.





## 4 Collaboration and outsourcing

As part of the design of their work organisation, establishments can engage in relationships with one or more other establishments to carry out some of their activities or some aspects of those activities. Relationships can be purely contractual, in which case activities are outsourced to a third party. Other relationships are more collaborative. Outsourcing implies moving the process to another party entirely, but in the case of collaboration, the particular process is shared with the other party, and the company is still involved. Collaboration is more likely to be found in cases where know-how or scarce resources need to be accessed outside of the organisation. Another reason for collaboration can be the fragmentation of firms, leading to increasing specialisation.

### Collaboration and outsourcing according to activity

To capture the activities in which establishments engage and the extent to which they opt for collaboration and outsourcing, managers were asked whether their establishment engages in either of the following: the production of goods or delivery of services, on the one hand, and the design and development of new products or services, on the other. If either, managers were asked whether the establishment does this on its own, collaborates with a third party or outsources the activity.

#### Production or service provision

Managers in 69% of EU27 establishments reported that their establishment is in some way engaged in the production (or assembly) of goods or the provision of services. For 4% of establishments, this was mainly achieved in collaboration with one or more other establishments within the same company; 12% indicated that it was mainly achieved in collaboration with one or more other companies; and another 4% indicated that it was mainly outsourced. Some 49% of managers reported that production or service provision was mainly achieved internally.

#### Country

- Establishments in Spain (75%) and Germany and Italy (both 73%) are most likely to be engaged in the production of goods or provision of services, and establishments in Finland (51%) and Ireland (41%) least likely.
- Collaboration with other establishments within the same company was reported most in Sweden (9%) and Finland (8%) and least in Latvia, Poland and Romania (less than 1%).

- Collaboration with other companies was found most often in Lithuania (28%) and Greece (20%) and least in Italy (7%) and France and Hungary (both 8%).
- Production or service provision was most reported to be outsourced in Slovenia (15%) and Cyprus, Malta, Romania and Spain (all 8%). Outsourcing was least often reported in Finland and the United Kingdom (1%).

#### Sector

- Establishments in industry were most often found to be engaged in production or service provision (91%) and establishments in financial services least often engaged in this activity (52%; Figure 23).
- Collaboration with other establishments within the company was most prevalent in other services and transport (5%) and least prevalent in construction (1%).
- In contrast, collaboration with other companies was found most in construction (18%) and least in financial services (8%).
- Establishments in construction were also most likely to outsource production or service provision (10%) and establishments in commerce and hospitality and financial services least likely (both 3%).

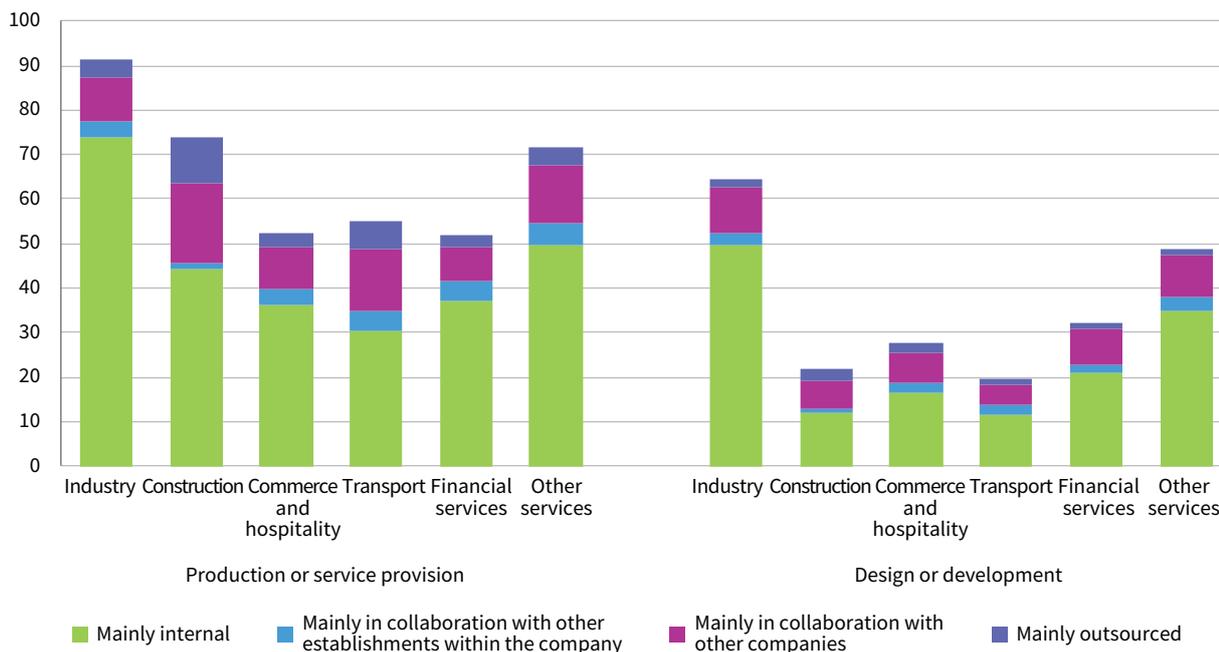
#### Size

- Managers in small establishments were least likely to report engaging in the production of goods or service provision (68%) and managers in large establishments most likely (75%).
- Collaboration with other establishments within the company was found to be much more prevalent in large establishments (11%) than in medium-sized (6%) or small establishments (3%).
- Collaboration with other companies barely differs between size classes (12% of small and 11% of medium-sized and large establishments).
- Similarly, size does not appear to affect decisions on outsourcing (5% in small, and 4% in medium-sized and large establishments).

#### Design and development

Engagement in the design and development of new goods and services was reported by managers in 41% of EU27 establishments. Few establishments carry out this work, mainly in collaboration with third parties or by outsourcing it: 2% of establishments collaborate with one or more other establishments within the same company; 8% collaborate with one or more other

Figure 23: Collaboration and outsourcing according to activity, by sector (%)



Source: ECS 2019 management questionnaire

companies; and another 2%, mainly outsource it. In the remaining 28% of establishments, this activity is mainly carried out internally.

**Country**

- Establishments in Finland and Lithuania (both 53%) are most likely to be engaged in the design and development of new goods and services, and establishments in Ireland (26%) and Sweden (32%) least likely.
- Collaboration with other establishments within the company on design and development was reported most in Finland (10%) and the Netherlands and Sweden (5%), and is virtually absent in Croatia, Estonia, Latvia, Lithuania, Poland, Romania and Slovakia (all less than 1%).
- Collaboration with other companies was reported most in Lithuania (17%) and Czechia (14%) and least in Hungary and Ireland (5%).
- The outsourcing of design and development activities appears to be rare but is found most in Slovenia (8%) and Romania (4%). It is virtually absent in Czechia, Finland, Germany, Sweden and the United Kingdom (all less than 1%).

**Sector**

- Establishments in industry engage most often in the design and development of new products and services (65%) and establishments in transport least often (20%; Figure 23).

- Collaboration on design and development with other establishments within the company does not vary much between sectors but is found most in industry and other services (both 3%) and is found least in construction (1%).
- Collaboration with other companies on design and development is observed most in industry (10%) and least in transport (4%).
- The outsourcing of this activity is found most in construction (3%) and found least in other services (1%).

**Size**

Patterns for design and development are similar to those of production and service provision in respect of size.

- Large establishments are more likely to engage in design and development (59%) than medium-sized (48%) or small establishments (39%).
- Collaboration with other establishments within the company was found to be much more prevalent in large establishments (9%) than in medium-sized (4%) or small establishments (2%).
- Large establishments were slightly more likely to collaborate with other firms on design and development (11%) than medium-sized (9%) or small establishments (8%).
- Again, size does not appear to affect decisions on outsourcing design and development, which is rare (1% in large establishments and 2% in small and medium-sized establishments).

## Types of establishment: Collaboration and outsourcing

It is interesting to identify whether establishments engage in relationships with other establishments, regardless of the type of activity they undertake: be it production or service provision or design and development. A second point of interest is the nature of those relationships. This survey shows whether such relationships are formal and contractual or collaborative; however, it does not contain information on the extent to which relationships are more or less collaborative regardless of their formal status.

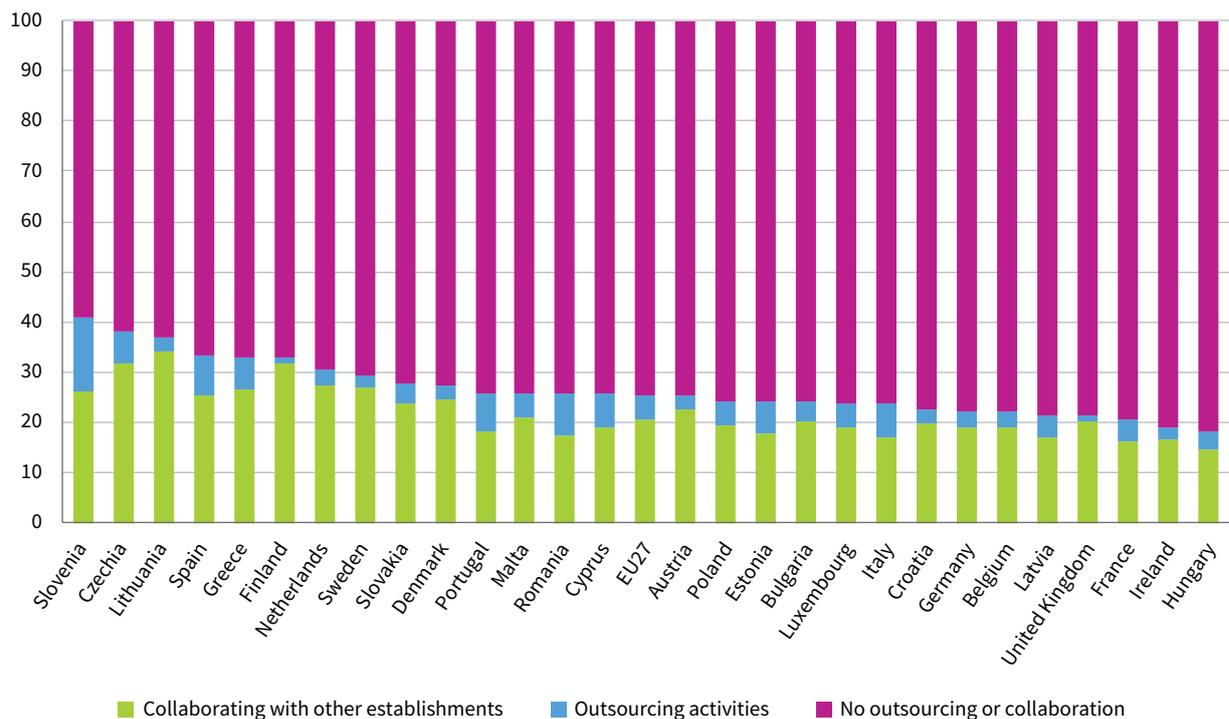
An indicator was constructed to identify whether establishments collaborate with other establishments (within or outside the same company) and whether they outsource any activities to other organisations.<sup>10</sup> Figure 24 shows that 26% of establishments in the EU27

engage in relationships with other establishments: 5% outsource only and 21% collaborate with other establishments.

**Country:** Solely outsourcing activities was found to be most prevalent in Slovenia (15%) and Portugal, Romania and Spain (all 8%), and least prevalent in the United Kingdom (1%) and Finland, Ireland and Sweden (all 2%). Collaborating with other establishments was found most in Lithuania (34%) and Czechia and Finland (both 32%), and least in Hungary (15%) and France (16%).

**Sector:** Figure 25 shows that outsourcing was observed most in construction (10%) and least in commerce and hospitality, financial services and other services (all 4%). Collaboration with other establishments was found most in other services (24%) and least in commerce and hospitality (17%).

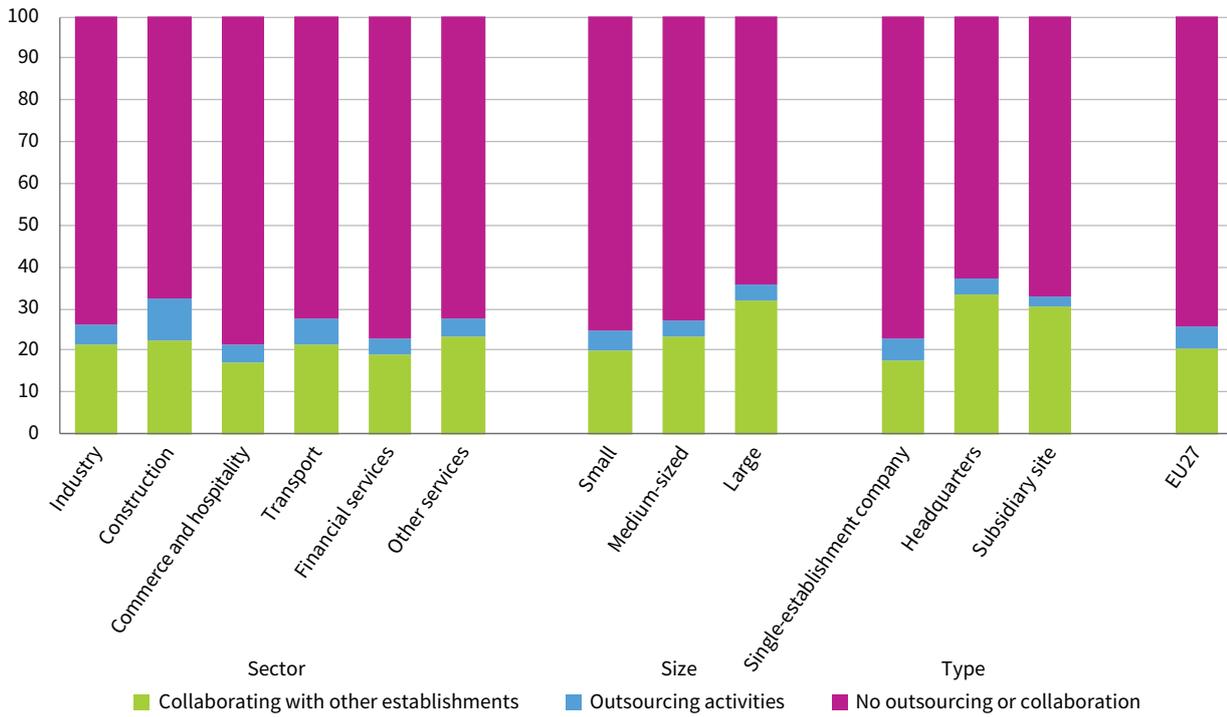
Figure 24: Collaboration and outsourcing, by country (%)



Source: ECS 2019 management questionnaire

<sup>10</sup> Only a few establishments indicated that they organised production or service delivery mainly through outsourcing, and design and development mainly through collaboration, or vice versa; those that did so have been assigned to the 'collaborating with other establishments' category.

Figure 25: Collaboration and outsourcing, by sector and establishment size and type (%)



Source: ECS 2019 management questionnaire

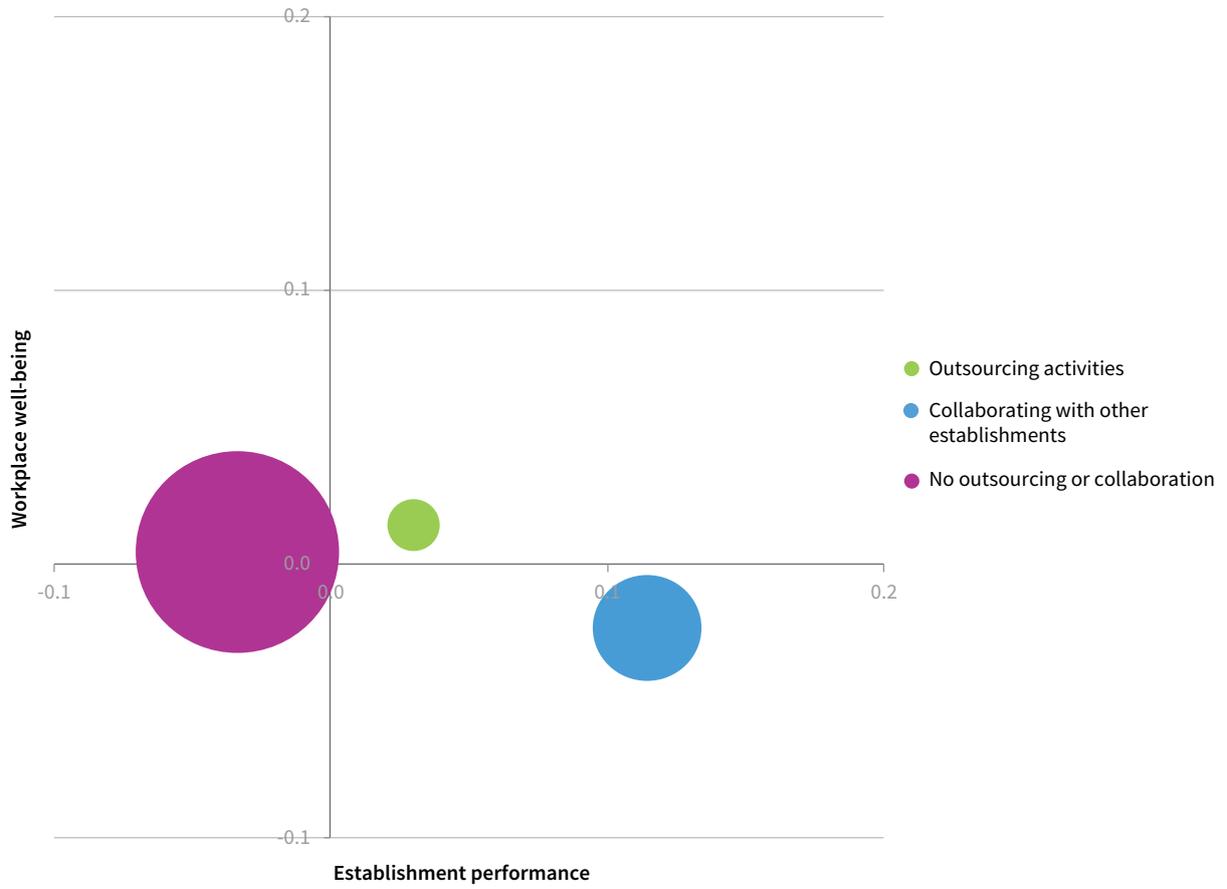
**Size:** Outsourcing does not vary much across size classes, but collaboration with other establishments increases with the size of the establishment.

**Type:** Single-establishment companies outsourced slightly more (5%) than headquarters (4%) and subsidiary sites (3%). Headquarters are most likely to collaborate with other establishments (33%) followed by subsidiary sites (30%) and single-establishment companies (17%). This outcome is partly explained by the construction of the measure, which includes collaboration with establishments within the company and therefore is not an option for single-establishment companies.

### Scores on workplace well-being and establishment performance

Collaboration and outsourcing do not have a significant impact on workplace well-being, as Figure 26 shows. Establishments that collaborate with other establishments perform better than those that outsource activities, which in turn perform better than establishments that do not collaborate or outsource at all. These differences hold when controlling for country, sector, size and establishment type.

Figure 26: Workplace well-being and establishment performance, by establishment type – collaboration and outsourcing (z-scores)



Source: ECS 2019 management questionnaire



# 5 | Job complexity and autonomy

Businesses need to have control over their process of production or service delivery. Organisational hierarchies describe the chain of command in the establishments: who reports to whom. Within these chains, there are various ways of ensuring control over the production process. One way is to exert direct control, in which case the main task of managers is to control what employees do through performance monitoring, for which technology can be a tool. Another way is to exert indirect control through incentives. In this case, the main task of managers is to create an environment that facilitates and motivates employees to carry out their tasks to the desired level.

The way management understands its role in controlling the production process will be reflected in the way jobs are designed: the degree of autonomy (provided to either individual workers or teams) and the challenges to which employees are exposed (problem-solving). It is also reflected in the way tasks and responsibilities are allocated and in the way teamwork is used.

## Organisational characteristics

### Organisational hierarchy

Workers' need for autonomy must be balanced against managerial needs for control of the production process and of the organisation of workforce. This balance is often negotiated through organisational hierarchies, in which the number of levels can vary: 60% of establishments are organised in three hierarchical levels, 24% in one or two levels, and the remaining 16% have four or more levels.<sup>11</sup>

The incidence of establishments with four or more hierarchical levels is highest in Malta (36%) and Cyprus (28%), while the incidence of one or two hierarchical layers is highest in Denmark (44%) and Sweden (36%). In Slovakia (67%), Croatia and Czechia (65%), an organisational structure involving three layers is common.

Coordination problems are greatest in large establishments, and so it is unsurprising to find that 70% of large establishments have four or more hierarchical layers. Among small establishments, the most common hierarchical structure is of three layers (61%) and the second most frequent either one or two layers (28%).

### Managerial style

The role of managers is understood differently across establishments: in most (73%) they are expected to create an environment in which employees can perform their tasks autonomously, but in 27%, their role is to ensure that employees perform prescribed tasks.

Managers are most likely to be expected to foster employee autonomy in Sweden (93%) and Denmark (88%), whereas they are most likely to be expected to control what workers do in Slovakia (52%) and Bulgaria (45%).

The proportion of establishments in which managers are expected to control workers is highest in construction (37%) and lowest in financial services and other services (both 20%). In terms of size, this expectation of managers is highest in large establishments, accounting for 33%.

### Employee monitoring

Technological progress has changed the way the work of employees is monitored. In the past, monitoring was largely based on physical supervision and checking the number, quality, speed and timeliness of the outputs delivered. Nowadays, digital technologies can be used to this end. One example of digital monitoring involves the use of data analytics, as described in Chapter 3. Here, digital technology is used not only to monitor performance, but algorithms are also used to assess employee performance. This partial elimination of the human factor can create situations in which the autonomy of employees is severely limited.

As noted in Chapter 3, managers in around a quarter of establishments (27%) reported the use of data analytics to monitor employee performance – further statistics on the practice can be found in that chapter.

## Job design and teamwork

### Autonomy and problem-solving

The literature suggests that when workers are appropriately challenged by the complexity of the tasks in their job and are given some degree of autonomy in how they carry out these tasks, this benefits their productivity as well as their job satisfaction.

<sup>11</sup> The number of hierarchical levels in an establishment is correlated with its size (in terms of number of employees); this issue, therefore, will not be investigated in this report.

The effort employees put towards their jobs and the extent they use their skills at work is best understood in terms of the ability, motivation and opportunity (AMO) framework, a widely accepted model for explaining the relationship with human resource management practices and employee performance. It posits that employees will use their skills at work if they have them, if they are motivated to do so, and if they are given the opportunity to apply them. Therefore, the expectation is that employees of establishments that adopt complex job design – which challenges their skills through problem-solving and allows them the autonomy to decide how to tackle these problems – will have both the motivation and the opportunity to use their skills. Consequently, it is expected that job complexity and autonomy are positively associated with both workplace well-being and business outcomes.

To assess the level of autonomy that workers have within the workplace, the ECS 2019 asked managers about the percentage of employees in their establishment who organise their tasks and their time independently (signalling autonomy) and whose pace of work is determined by machines or computers (signalling lack of autonomy). To measure the level of problem-solving, it asks about the percentage of employees who find solutions to unfamiliar problems as part of their job.

### Autonomy

The survey data indicated that in 36% of EU27 establishments, a small proportion of workers (less than 20%) of workers can organise their work independently. The incidence of such establishments is highest in Romania (67%) and Spain (59%) and lowest in Sweden (20%) and Malta (21%). Establishments where less than 20% of employees perform their work independently were found most in transport (48%) and least in financial services (19%). The incidence of such establishments is highest among large (47%) and medium-sized establishments (43%).

### Pace of work

In the majority of establishments (70%), only a small proportion of workers (less than 20%) have their pace of work set by computers or machines; conversely, in 30%, the pace of work of 20% or more employees is set by machines. Having machines set the pace of work of at least 20% of employees is most prevalent in Greece (60%) and Croatia (56%) and least prevalent in Germany (16%) and France and Luxembourg (21%).

The incidence of establishments in which the pace of work of least 20% of employees is set by machines is highest in industry (50%) and lowest in construction (19%).

Large establishments are more likely to have machines set the pace of work of at least 20% of employees (39%) than medium-sized (33%) and small establishments (29%).

### Problem-solving

Lack of opportunity to solve problems is somewhat more common: in 42% of establishments, a minority of employees (less than 20%) have jobs requiring problem-solving. The incidence of establishments where problem-solving is limited to a minority of staff is highest in Romania (57%) and Lithuania (56%) and lowest in Sweden (15%) and Finland (24%). These types of establishments were found most in transport (54%) and least in other services (33%). The highest incidence was found among large (53%) and medium-sized (51%) establishments.

More establishments have a high percentage of workers who can organise their work independently than have a high percentage of workers whose jobs require problem-solving.

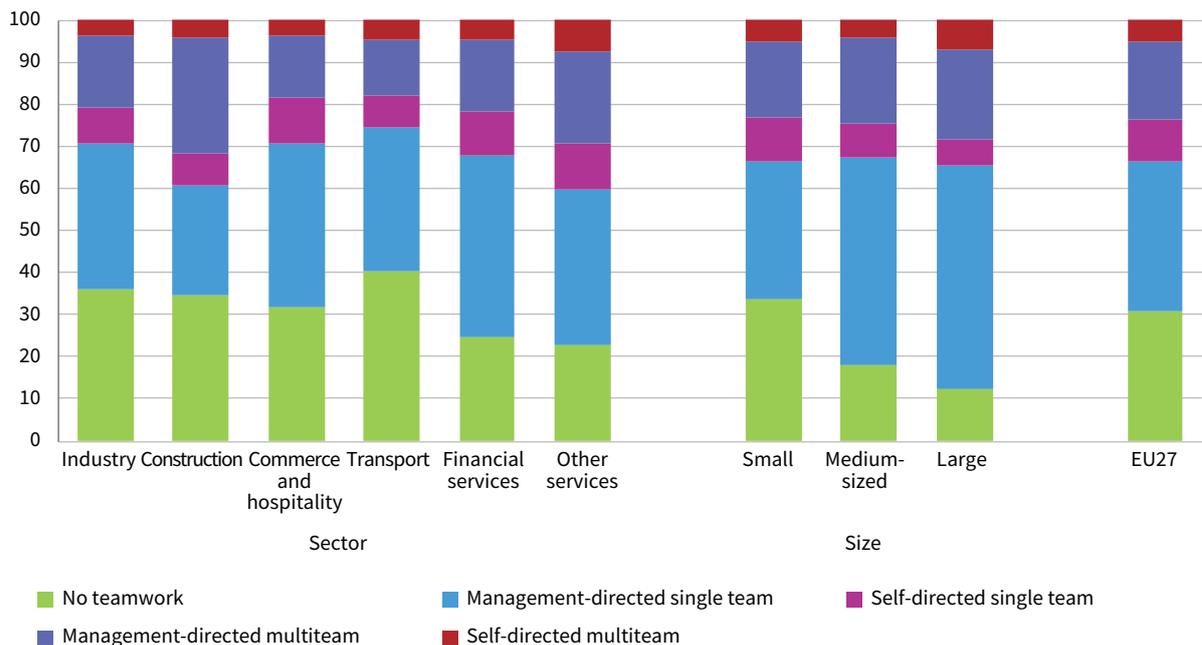
### Teamwork

Job design also covers the degree of cooperation between workers – that is, whether employees work in teams or not. For respondents who confirm that employees work in teams, the survey asks whether they belong to just one or to more than one team and whether the teamwork is led by management or is self-directed. The combination of these dimensions identifies five situations:

- no teamwork
- each employee belongs to one team, management-led
- each employee belongs to one self-directed team
- each employee belongs to multiple management-led teams
- each employee belongs to multiple self-directed teams

Figure 27 shows the relative frequency of establishments adopting various forms of teamwork and the breakdown by sector and size. In the EU27, about 30% of establishments do not use teamwork. Those that do use teamwork tend to adopt a management-led style (54%), and the percentage of establishments that have self-directed teams is 15%.

Figure 27: Forms of teamwork, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

The incidence of establishments that have autonomous teamwork (the combination of self-directed single teams and multiteams) is highest in Sweden (32%) and Finland (28%) and lowest in Poland (7%) and Slovakia (8%).

The incidence of establishments without teamwork is highest in transport (40%) and among small establishments (34%). Autonomous teamwork is found most in other services (19%) and least in industry, construction and transport (all 12%). It is found slightly more in small establishments (15%) than in medium-sized and large establishments (both 13%).

## Types of establishment: Job complexity and autonomy

A latent class analysis was applied to a selection of the variables discussed above (see Table 3) to distinguish between establishments based on the degree of work autonomy and job complexity. Three types were identified:

- high complexity and autonomy
- selective complexity and autonomy
- command and control

### High complexity and autonomy

This type is the least prevalent, accounting for 6% of establishments in the EU27. Managers in these establishments tend to create the conditions for workers to work autonomously (92%). In fact, in 86% of establishments of this type, at least 80% of workers can

organise their work schedule independently. In all establishments of this type, at least 80% of workers need to find solutions to unfamiliar problems as part of their tasks. In most (73%), only a small proportion of employees have their pace of work set by machines or computers, but in 16%, this is true for at least 80% of employees, the largest proportion of any type. These findings imply that, in some of these establishments, limitations on employees' autonomy are determined by the infrastructure rather than by management. Self-directed teams are relatively more common, being present in 35% of establishments.

### Selective complexity and autonomy

This type is the most common, representing 57% of establishments. In the majority of these establishments (87%), too, managers create the conditions for employees to work independently. However, only a selection of employees actually have a large degree of autonomy: in 65%, the proportion of workers who can organise their work independently ranges between 20% and 79%. In 24% of establishments, this proportion is below 20%. Similarly, in 67% of these establishments, the proportion of workers whose work involves problem-solving ranges between 20% and 79%.

### Command and control

This type accounts for 37% of establishments. Establishments that have not adopted any form of teamwork are relatively prevalent here, accounting for 42%. In half of the establishments, managers ensure that employees do what they are expected to do; in the other half, they create the conditions for employees to

**Table 3: Profiles of establishment types – job complexity and autonomy (%)**

	High complexity and autonomy	Selective complexity and autonomy	Command and control	EU27
<b>Group size</b>	6	57	37	100
<b>Managerial style</b>				
Managers control whether employees follow the tasks assigned to them	8	13	50	26
Managers create an environment in which employees can carry out their tasks autonomously	92	87	50	74
<b>Independent organisation of time and scheduling of tasks</b>				
Less than 20%	0	24	74	42
20–79%	14	65	25	47
80% or more	86	11	0	12
<b>Finding solutions to unfamiliar problems</b>				
Less than 20%	0	8	83	36
20–79%	0	67	17	44
80% or more	100	24	0	20
<b>Pace of work determined by machines or computers</b>				
Less than 20%	73	68	74	70
20–79%	11	23	21	22
80% or more	16	9	5	8
<b>Teamwork</b>				
No teamwork	23	24	42	31
Management-directed single teams	22	38	35	36
Self-directed single teams	14	13	4	10
Management-directed multiteams	20	19	18	19
Self-directed multiteams	21	6	1	5

Source: ECS 2019 management questionnaire

operate autonomously. However, establishments of this type have the lowest incidence of autonomous work (in 74%, less than 20% of workers can organise their time and tasks independently) and problem-solving (in 83%, less than 20% of workers need to find solutions to unfamiliar problems as part of their work).

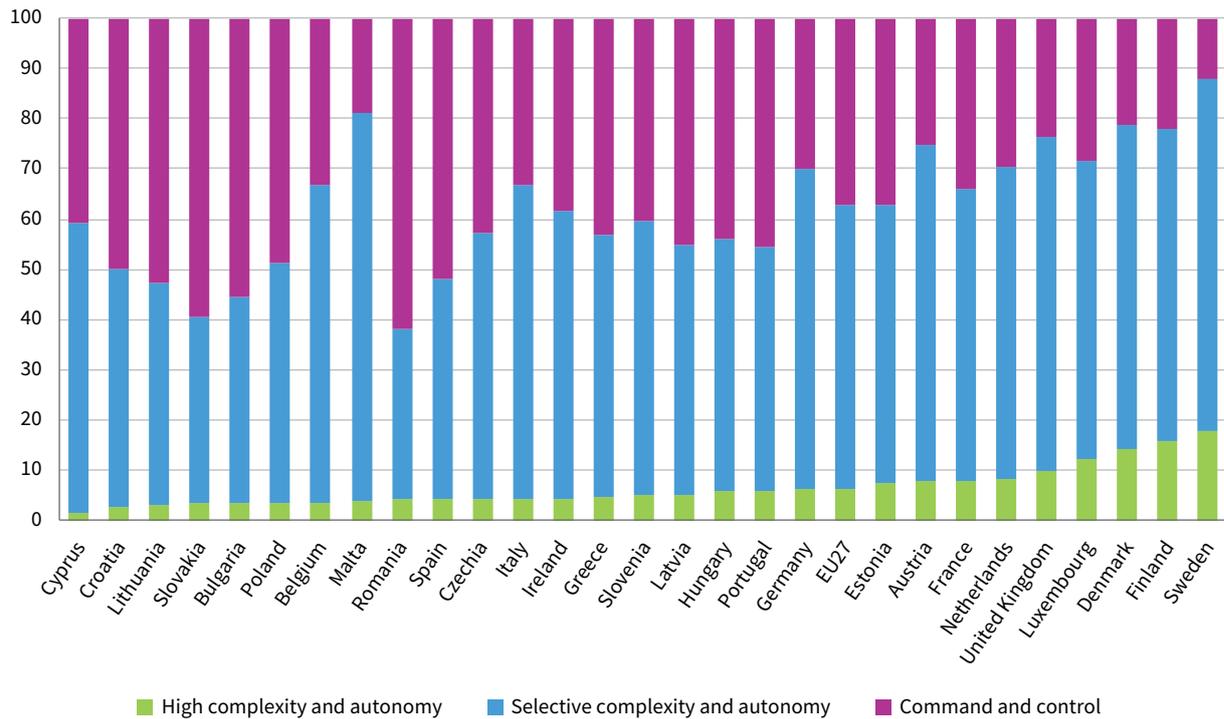
### Distribution of types according to structural characteristics

#### Country

Figure 28 shows the distribution of the three types across countries.

- Establishments belonging to the ‘high complexity and autonomy’ type are most common in Sweden (18%) and Finland (16%) and least common in Cyprus (1%) and Belgium, Bulgaria, Croatia, Lithuania, Poland and Slovakia (all 3%).
- The ‘selective complexity and autonomy’ type is found most in Malta (77%) and Sweden (70%) and least in Romania (34%) and Slovakia (37%).
- The proportion of establishments belonging to the ‘command and control’ type is highest in Romania (62%) and Slovakia (59%) and lowest in Sweden (12%) and Malta (19%).

Figure 28: Establishment type – job complexity and autonomy, by country (%)



Source: ECS 2019 management questionnaire

### Sector

- The 'high complexity and autonomy' type is found most in financial services and other services (both 11%) and least in industry (2%).
- The 'selective complexity and autonomy' type is found most in financial services (69%) and least in transport (48%).
- The 'command and control' type is most prevalent in industry (48%) and least prevalent in financial services (20%).

### Size

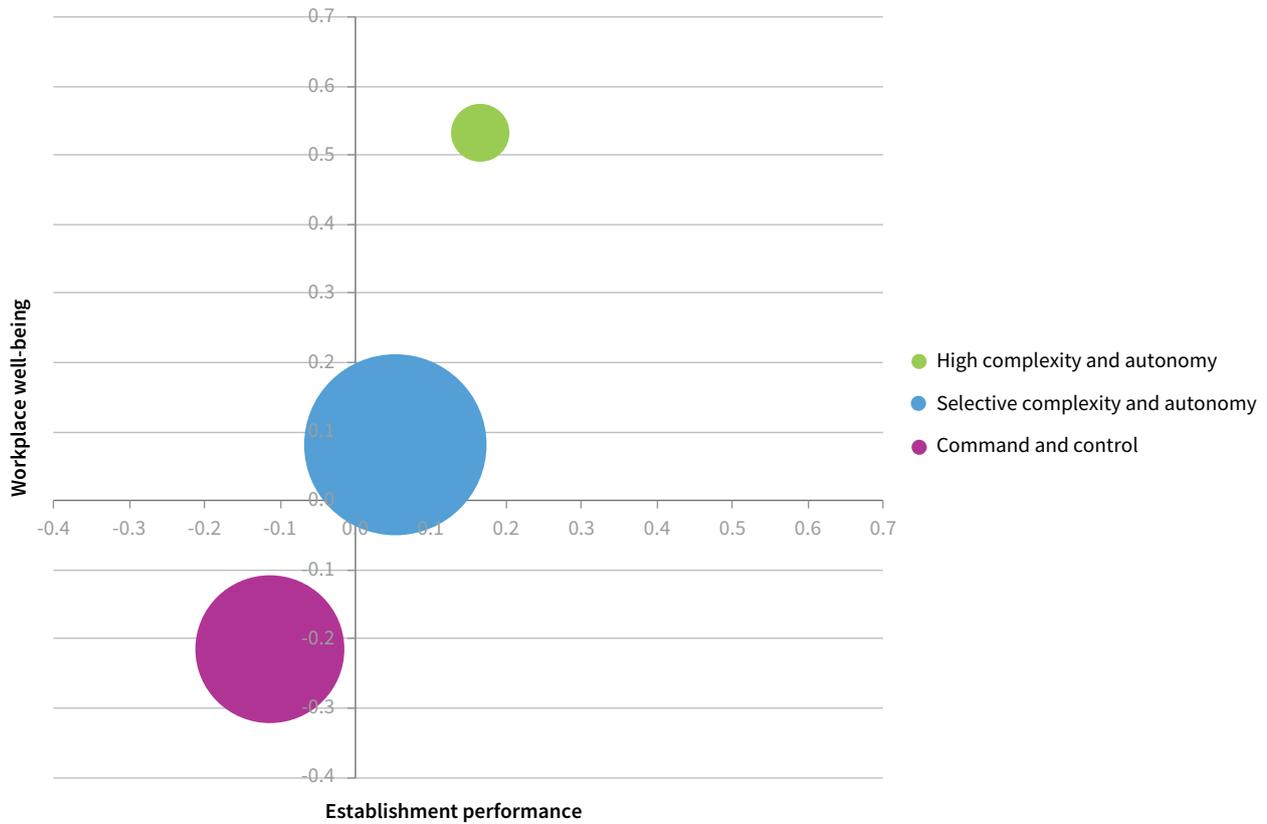
- The 'high complexity and autonomy' type and 'selective complexity and autonomy' type are found most often in small establishments (7% and 57%, respectively) and least often in large establishments (2% and 52%, respectively).
- The reverse is true for the 'command and control' types, which are found in 46% of large establishments and 36% of small establishments.

### Scores on workplace well-being and establishment performance

There is a clear link between the degree of complexity and autonomy of the work organisation and the establishment's performance and well-being (Figure 29). Establishments belonging to the high complexity and autonomy type score best on both workplace well-being and establishment performance. Those belonging to the command and control type score worst on both indicators. These differences hold when controlling for country, sector and size.

Figure 29 also shows that differences in workplace well-being are much greater than differences in establishment performance: the difference in workplace well-being between the high complexity and autonomy type and the other two types is particularly significant.

**Figure 29: Workplace well-being and establishment performance, by establishment type – job complexity and autonomy (z-scores)**



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

The analysis also looked at the relationship between the three types of establishment and the three contextual factors within the workplace: digitalisation, innovation and product market strategy. Figure 30 shows the results.

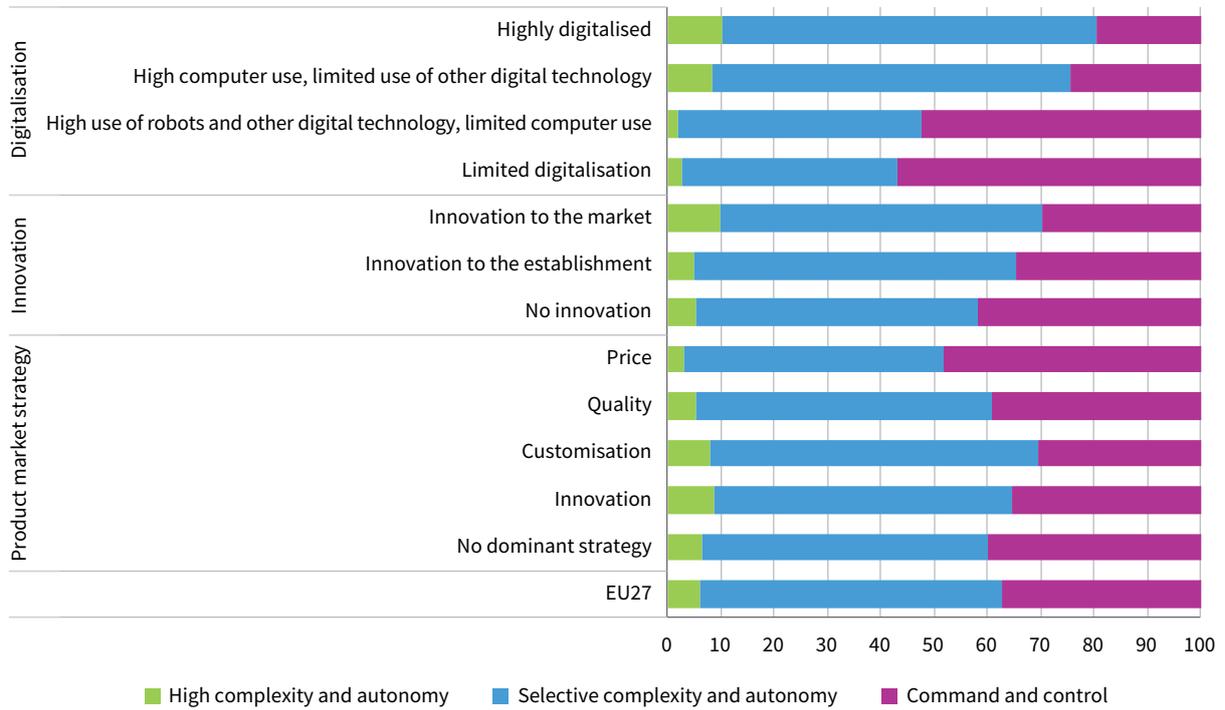
There is an association between work autonomy and level of digitalisation. Establishments that fall in the ‘high level of digitalisation’ and ‘high computer use, limited use of other digital technology’ categories are much more likely to grant autonomy (high or selective) to employees. The ‘command and control’ type is much

more prevalent in the ‘limited digitalisation’ and ‘high use of robots and other digital technology, limited computer use’ types.

More innovative firms also appear to be more likely to give autonomy to their employees.

As for product market strategy, establishments that aim to compete on price are least likely to be of the ‘high complexity and autonomy’ type (3%), while establishments aiming to compete on innovation are most likely to fall in this category (9%). ‘Command and control’ is most prevalent among establishments competing on price (48%) and least prevalent among those competing on customisation (30%).

Figure 30: Establishment type – job complexity and autonomy, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire

# Key findings: Work organisation

## Collaboration and outsourcing

Around a quarter of establishments (26%) in the EU27 have relationships with other establishments to carry out some business activities: 5% engage in outsourcing and 21% collaborate with other establishments.

Collaboration and outsourcing do not have a significant impact on workplace well-being. These practices do, however, have some impact on establishment performance: establishments that collaborate with other establishments perform better than those that outsource activities, and those that outsource perform better than those that do not collaborate or outsource at all.

## Job complexity and autonomy

Workers who are appropriately challenged by the complexity of the tasks in their job and are given some degree of autonomy in how they carry out these tasks are likely to be more productive and have better job satisfaction.

Job complexity was captured by asking managers how many employees solved unforeseen problems as part of their jobs. In 20% of establishments, problem-solving is extensive, with 80% or more employees doing this in their work.

Autonomy can be built into job design, but in just 12% of establishments are most workers able to organise their work independently, and only 15% of establishments use autonomous self-directed teams.

Based on the degree of autonomy and job complexity afforded by job design features and managerial behaviour, three types of establishment were identified:

- high complexity and autonomy (6% of establishments)
- selective complexity and autonomy (57%), where a moderate proportion of employees experience these features in their jobs
- command and control (37%), which provide limited complexity and autonomy

## Relating job complexity and autonomy to workplace outcomes

Establishments belonging to the high complexity and autonomy type score best on both workplace well-being and the establishment performance, while those belonging to the 'command and control' type score worst on both. Establishments belonging to the 'selective complexity and autonomy' type score in between. Differences in workplace well-being are much greater than differences in establishment performance.

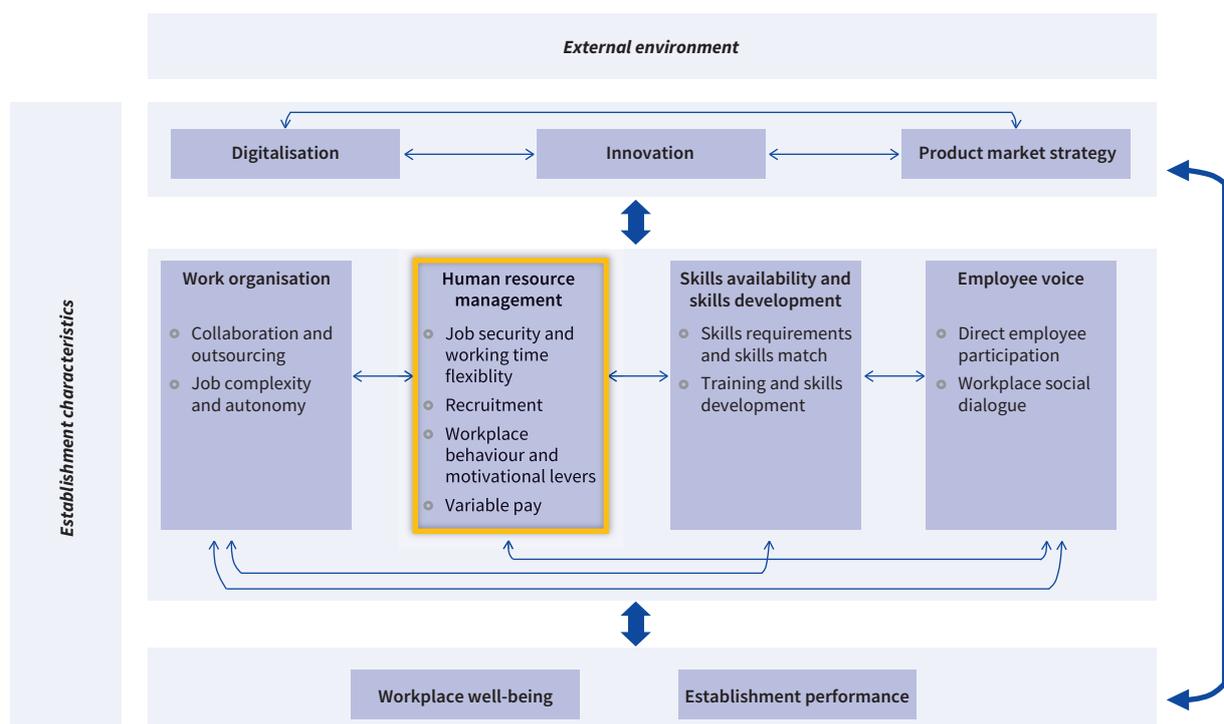
# Human resource management

This section considers human resources practices establishments have adopted in managing the employment relationship. Chapter 6 looks at job security and working time flexibility. Job security is examined in terms of the use of fixed-term contracts, capturing the extent to which there is a long-term horizon for the employment relationship and a mutual interest in it. Working time flexibility is represented by the incidence of part-time contracts.

Chapter 7 is on recruitment, or rather skill sourcing. Opportunities for promotion play an important role in the management of the employment relationship, so managerial expectations of potential new hires are examined as well as the managerial view on filling vacancies internally.

Chapter 8 explores motivation and addresses the employer–employee exchanges governed by the employment relationship in a quite explicit way: the reciprocation of discretionary behaviours on the part of employees in response to incentives.

Chapter 9 develops the theme of incentivisation by an examination of the use of variable pay schemes. This is an issue that affects both the employment contract and the employment relationship: where exact pay conditions are a contractual issue, the way contracts are designed affects the extent to which employees see their work efforts rewarded.





## 6 Job security and working time flexibility

Two important dimensions of job quality that often present trade-offs between the interests of workers and the interests of the employer are job security and working time flexibility. Workers tend to prefer the security offered by a permanent contract, whereas employers might prefer issuing fixed-term contracts so that they can reduce the workforce more easily when needed. Conflicts of interest are more complicated when it comes to working time flexibility. Situations can arise where workers' desire for more flexibility in when and how long they work is at odds with employers' desire to have certainty about when and for how long employees are available. However, the reverse can also be the case, where workers prefer to be employed full-time or at least for a fixed number of hours, but employers prefer to offer only part-time contracts or to have workers on call to report for work only when the workload requires it (as with zero-hours contracts).

This chapter examines the two dimensions: job security is captured by the proportion of employees on fixed-term contracts, while working time flexibility is captured by the proportion of employees who work part-time.

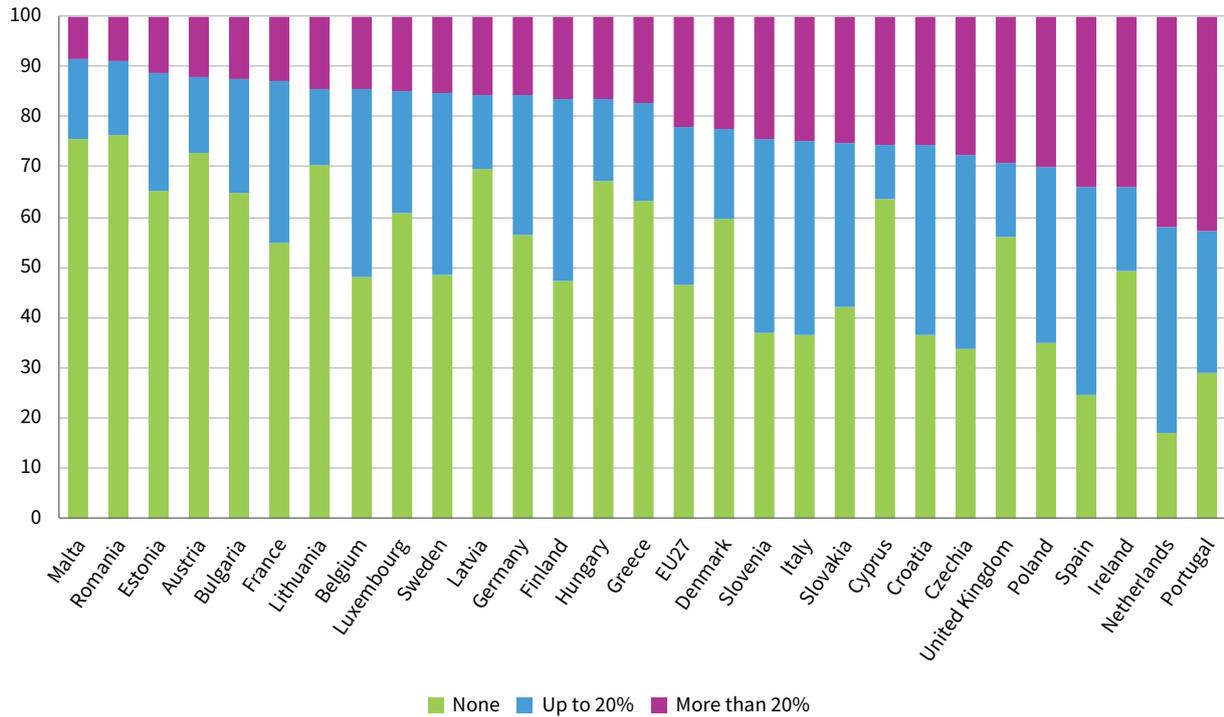
### Job security: Fixed-term contracts

The ECS 2019 found that permanent (or open-ended) contracts are still very prevalent in the EU27. When asked what percentage of employees were employed on an open-ended contract, 78% of managers gave a figure of at least 80%. It follows that in 22% of establishments, more than 20% of employees have a fixed-term contract. In just 3% of establishments, all employees have a fixed-term contract.

**Country:** Figure 31 shows that the prevalence of fixed-term contracts is highest in Portugal and the Netherlands, where 43% and 42% of managers, respectively, reported that more than 20% of employees had a fixed-term contract.<sup>12</sup> Fixed-term contracts feature least in Malta and Romania, where only 8% and 9% of managers, respectively, reported that more than 20% of employees had a fixed-term contract.

<sup>12</sup> The ECS 2019 questionnaire asked for the proportion of non-managerial employees on an open-ended contract. Consequently, the answer categories for the transformed variable showing the opposite – fixed-term contracts (None, Up to 20% and More than 20%) – are not entirely the same as those for the other variables that show distributions of employees.

Figure 31: Proportion of employees with a fixed-term contract, by country (%)



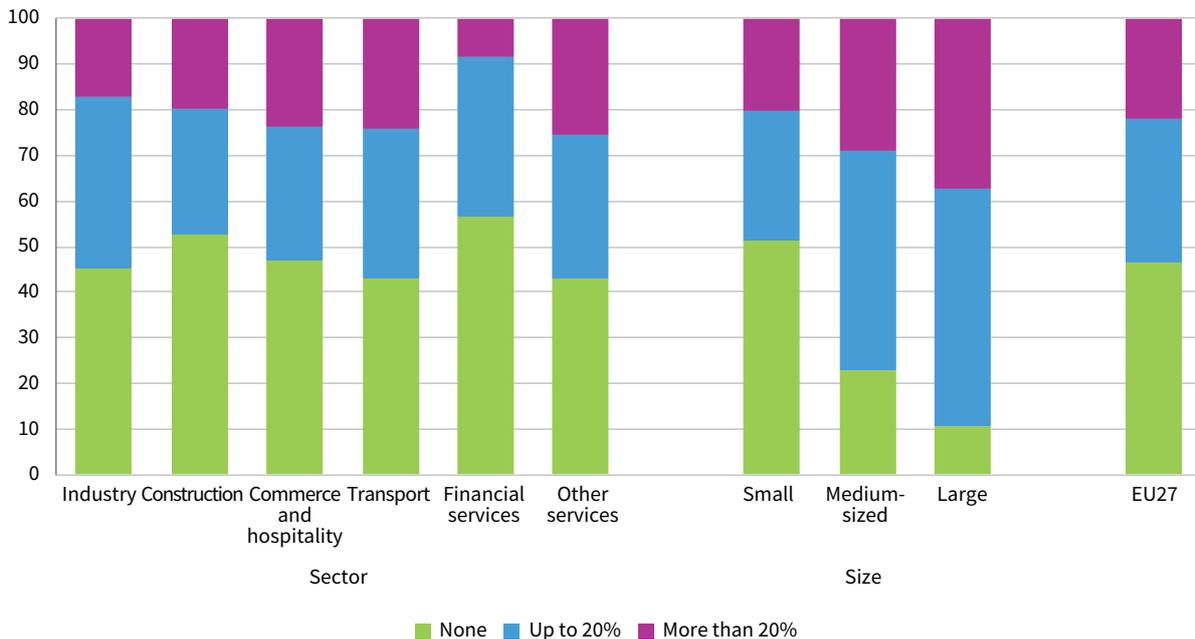
Source: ECS 2019 management questionnaire

**Sector:** Fixed-term contracts are found most in other services (26%) and least in financial services (9%), as Figure 32 illustrates.

**Size:** Large establishments are much more likely to offer fixed-term contracts – 37% have more than 20% of employees on this type of contract – than medium-sized

(29%) and small establishments (20%). The difference is even more pronounced when looking at the proportion of establishments that do not have any staff with fixed-term contracts, which is 52% among small establishments and only 11% among large establishments.

Figure 32: Proportion of employees with a fixed-term contract, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

### Scores on workplace well-being and establishment performance

Differences in workplace well-being and establishment performance between establishments with different proportions of fixed-term contracts are not very large. These differences are meaningful, nonetheless, as they reflect the trade-off between the interests of employees and employers mentioned above.

Figure 33 shows that, in terms of workplace well-being, establishments that do not use fixed-term contracts score better than those that do. In terms of establishment performance, establishments that have a small proportion of employees (up to 20%) on fixed-term contracts score best, followed by those with a larger proportion of employees on fixed-terms contracts and those with no fixed-term employees. Moreover, Figure 33 shows that the differences in well-being, although still small, are almost twice as large as the differences in performance. All differences hold when controlling for country, sector and size.

### Associations with digitalisation, innovation and product market strategy

#### Digitalisation

Having more than 20% of staff on fixed-term contracts is more prevalent in establishments classified as ‘limited digitalisation’ or ‘high use of robots and other digital technology, limited computer use’ (28% in both) than in those of the ‘highly digitalised’ (18%) or ‘high computer use, limited use of other digital technology’ (15%) types.

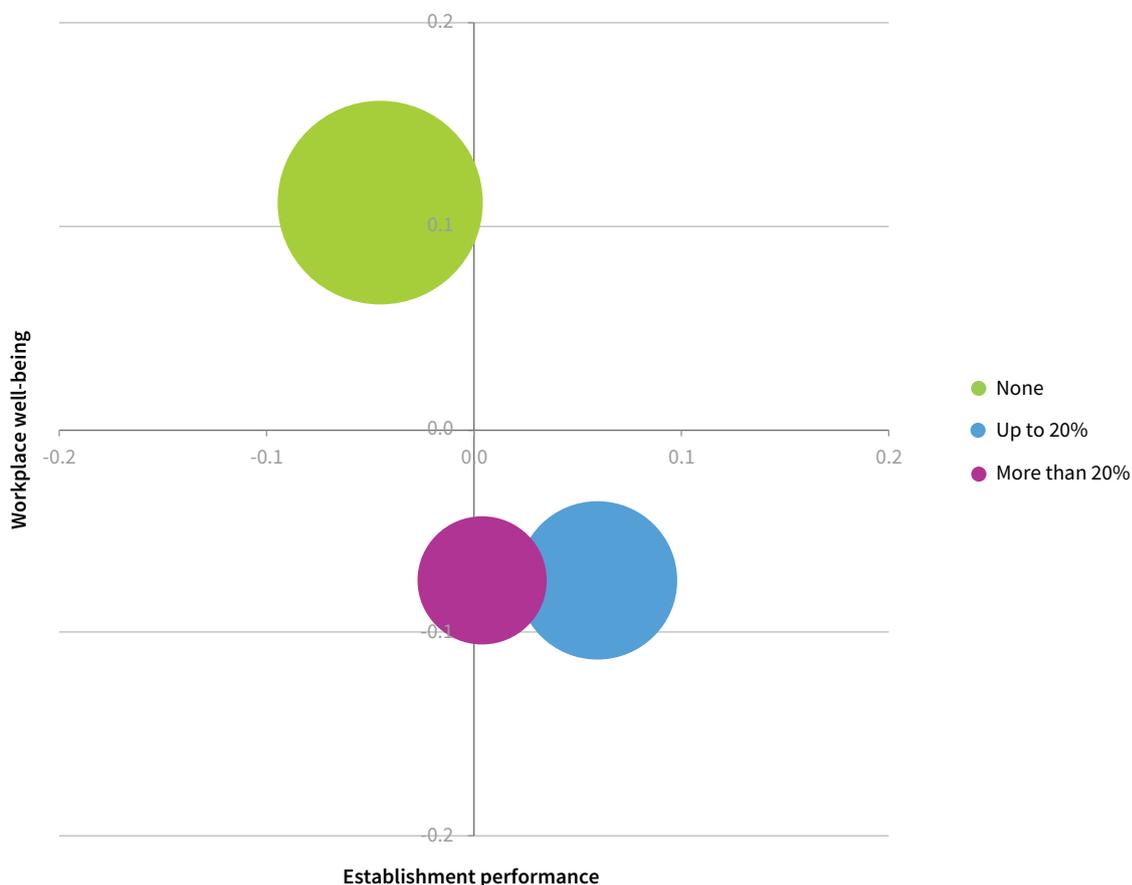
#### Innovation

Interestingly, the use of fixed-term contracts appears to be associated with internal change but does not appear to improve innovation outside the establishment. Having more than 20% of staff on fixed-term contracts is most prevalent in establishments that have introduced innovations to the establishment (24%) and least prevalent in those that have introduced innovations to the market (20%).

#### Product market strategy

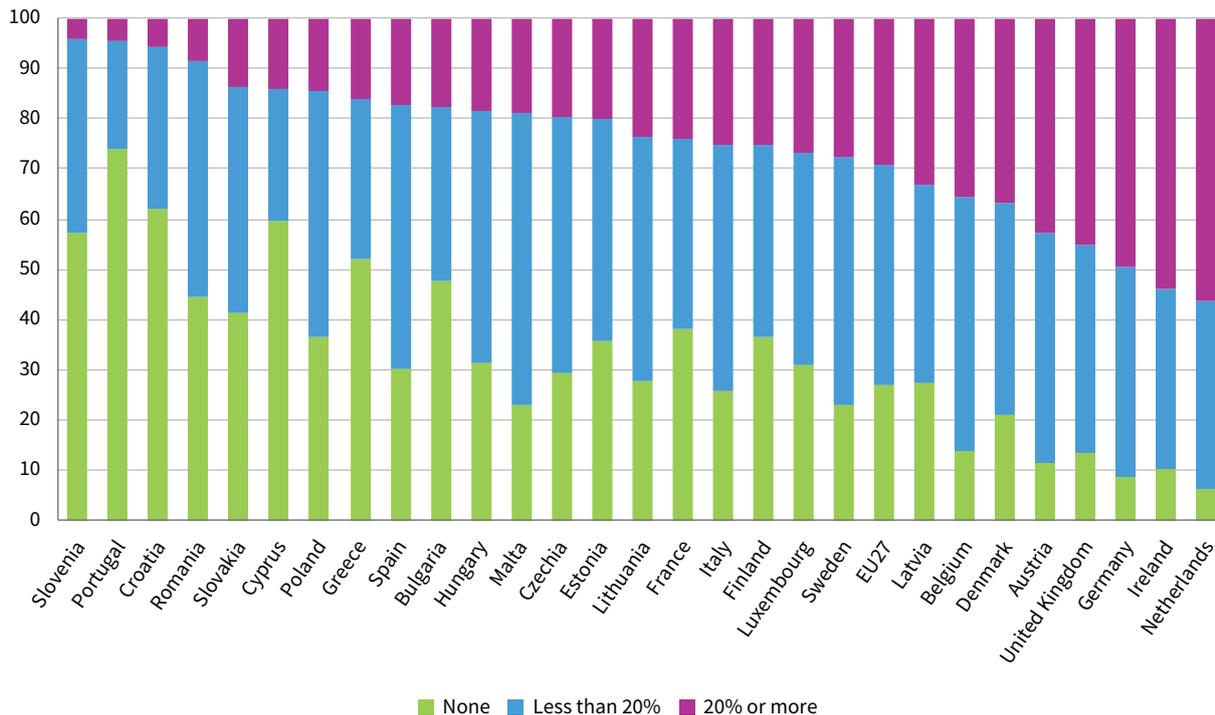
Establishments aiming to compete on price are most likely to have more than 20% of employees on fixed-term contracts (23%), and those aiming to compete through customisation are least likely (20%).

Figure 33: Workplace well-being and establishment performance, by proportion of employees with a fixed-term contract (z-scores)



Source: ECS 2019 management questionnaire

Figure 34: Proportion of employees with a part-time contract, by country (%)



Source: ECS 2019 management questionnaire

## Working time flexibility: Part-time contracts

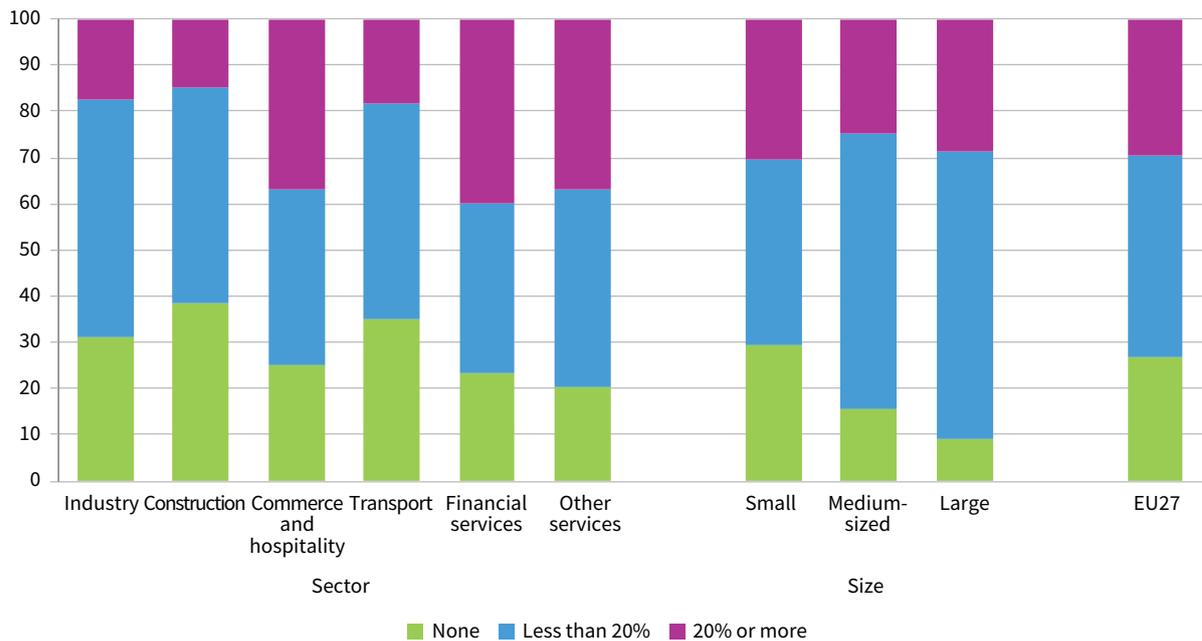
Most establishments have a small proportion of employees on part-time contracts: in 71% of establishments, less than 20% work part-time. Only 5% of establishments have at least 80% of employees working part-time.

**Country:** Figure 34 shows that establishments where 20% or more of employees work part-time are most prevalent in the Netherlands (57%) and Ireland (54%) and least prevalent in Portugal and Slovenia (both 4%).

**Sector:** Part-time work is much more prevalent in the service sectors: in 40% of financial services establishments and 37% of establishments in commerce and hospitality and other services, 20% or more of employees work part-time, compared to 17% of establishments in industry and 15% in construction (Figure 35). The transport sector more closely resembles the latter two sectors than the service sectors in this regard.

**Size:** Establishments with 20% or more employees on a part-time contract are equally common among small and large establishments but are less common among medium-sized establishments.

Figure 35: Proportion of employees with a part-time contract, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

## Scores on workplace well-being and establishment performance

The associations of part-time work with workplace well-being and establishment performance are of a similar strength to those found for fixed-term contracts.

As shown in Figure 36, establishments with no part-time employees score highest in terms of workplace well-being, followed by those where more than 20% are part-time and, finally, those where up to 20% work part-time.

In terms of establishment performance, those establishments with no or only a small proportion of part-time workers score roughly the same, and better than those where 20% or more of employees work part-time.

All differences hold when controlling for country, sector and size.

## Associations with digitalisation, innovation and product market strategy

### Digitalisation

Differences in the prevalence of part-time work between establishments with different levels of digitalisation appear to reflect underlying sectoral differences. Having 20% or more of employees working part-time is most

prevalent in the 'high computer use, limited use of other digital technology' establishment type (36%), which is found most in the service sectors. Having this proportion part-time is least prevalent in the 'high use of robots and other digital technology, limited computer use' type (23%), which is most common in the production and transport sectors. 'Highly digitalised' and 'limited digitalisation' establishment types hardly differ (29% and 28%, respectively) in this regard.

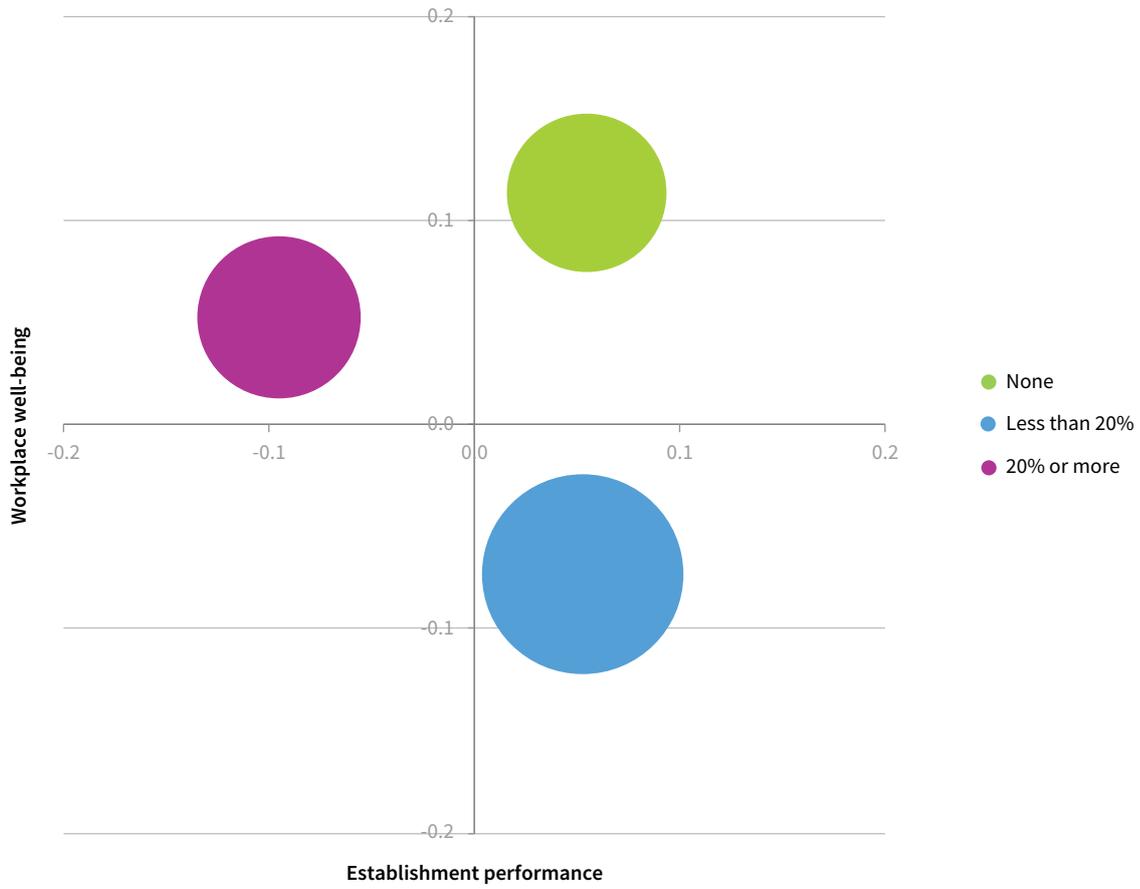
### Innovation

Having a high proportion of part-time employees is negatively associated with innovation: establishments that did not innovate are most likely to employ 20% or more of their employees part-time (31%) and those that have introduced innovations to the market are least likely (24%) to do so. However, establishments that did not innovate are also most likely to have no employees working part-time (28%), followed by those that introduced innovations to the market (27%) and those that introduced innovations to the establishment (26%).

### Product market strategy

Establishments aiming to compete through customisation are most likely to have more than 20% of employees working part-time (32%), and those aiming to compete on price or through innovation are least likely (25%).

Figure 36: Workplace well-being and establishment performance, by proportion of employees with a part-time contract (z-scores)



Source: ECS 2019 management questionnaire

# 7 Recruitment

## Challenges of recruitment

Recruitment is the process companies use to expand their workforce or to replace staff who have left. It is not easy. The skills needs for the vacancy must be translated into a list of requirements that can be used to attract and select applicants, such as: specific skills; topical knowledge; attitudinal, behavioural and personality traits; and educational and experience requirements. Recruiting organisations need to reach the pool of potential applicants having the desired characteristics and convince (at least) some of them to apply. To attract applicants, organisations need to offer the right package, encompassing pay, career prospects, training opportunities, interesting work, desirable work environment, accessibility (where the organisation is located and how easy it is to reach) and other benefits (childcare provision, health insurance, and so on). Furthermore, organisations need to apply the right mechanisms, such as how and where to advertise vacancies.

Much can go wrong in the selection process. For instance, it may turn out that not many applicants have the desired characteristics, in which case recruiters must evaluate candidates' existing characteristics against the desired set. In some cases, this leads to the recruitment of candidates who lack much of the ideal profile.

Four questions from the ECS 2019 were used to examine the recruitment process in companies:

- how often establishments look internally first to fill vacancies
- the proportion of new hires in the previous three years
- how difficult it is to find employees with the required skills
- the proportion of new hires that lacked the full set of required skills

### Internal redeployment first

One alternative to recruiting new hires is for establishments to check whether they already have the talent they are looking for before approaching the labour market. In the EU27, 36% of establishments always look for internal candidates first, 28% do this most of the time, 15% sometimes, 11% rarely and 10% never do this.

**Country:** The countries with the highest incidence of establishments in which managers always or most of the time look for internal candidates first are France (81%), Austria (79%) and Slovenia (78%). In contrast, the

countries with the highest incidence of establishments in which managers rarely or never look for internal candidates first are Poland (41%), Slovakia and Spain (both 34%).

**Sector:** Establishments in construction are least likely to look for internal candidates (28% rarely or never do so).

**Size:** Large establishments are most likely to look for internal candidates (78% do so always or most of the time).

### New hires

In the three years prior to the survey (from the beginning of 2016), only 6% of establishments in the EU27 did not recruit at all; in 38% of establishments, new recruits amounted to less than 20% of the workforce; in 37%, new recruits amounted to between 20% and 40% of the workforce; while in the remaining 19%, new recruits amounted to more than 40% of the workforce.

**Country:** Differences across countries are not too marked, except for two findings: in Germany, the percentage of establishments in which new recruits amounted to less than 20% of the workforce was notably high (49%); in Romania, the percentage of establishments in which the proportion of new recruits amounted to more than 40% was also notably high (50%).

**Sector:** The proportion of establishments in which new recruits amounted to less than 20% of the workforce is particularly high in financial services (49%) and in industry (45%).

**Size:** The proportion of establishments in which new recruits amounted to less than 20% of the workforce is higher in large establishments (56%) than in medium-sized (44%) and small establishments (36%).

### Difficulty finding the required skills

Given the complexity of the recruitment process, it is unsurprising that a large number of establishments said they have difficulties in finding candidates with the required skills: 26% find it very difficult and 51% fairly difficult. In 21% of establishments, managers reported that it is not very difficult to find candidates with the desired skills, and in only 2% did managers report that it is not difficult at all.

**Country:** The percentage of establishments finding it difficult (both very and fairly difficult) to find candidates with the desired skills is highest in Slovakia (92%), Romania (90%) and Malta (88%). The incidence of establishments reporting that it is not very or not at all difficult to find candidates is highest in Denmark (44%), Greece (43%) and Slovenia (36%).

**Sector:** The only sector to stand out is construction, in which 86% of establishments reported that it is very or fairly difficult to find candidates with the desired skills.

**Size:** Establishments of different sizes do not differ much in this regard.

### Job-ready recruits

In only 25% of establishments do all new recruits have the skills needed to do their job to the required level, according to respondents.

**Country:** The figure varies from as low as 16% of establishments in Germany and 18% in Bulgaria, Slovenia and the United Kingdom to 39% of establishments in Hungary and 42% in Romania.

**Sector:** Managers in transport were most likely to report that all new hires were job-ready (38%) and managers in industry least likely (20%).

**Size:** Managers in small establishments were much more likely to report that all new recruits have the skills required to do the job satisfactorily (26%) than managers in medium-sized (18%) and large establishments (11%).

## Most important recruitment criterion

The ECS 2019 asked managers what they thought were the most important characteristics in a candidate:

- personality fitting the organisation
- possessing all the educational and vocational qualifications required for the position
- professional experience in a similar position
- having all the skills required (and not needing additional training)

Some 86% of respondents put the criteria in a clear order of priority: 27% ranked personality fit first; 14% selected having all the required qualifications as most important; 24% ranked experience in a similar job as most important; and 19% ranked having all the skills required as their top priority. Managers in 14% of establishments ranked two or more criteria as most important.

### Country

- The incidence of establishments where personality fit is the main hiring criterion is highest in Sweden (48%) and Denmark (47%) and lowest in Poland (12%) and Latvia and Slovakia (both 13%).
- The highest proportion of establishments putting qualifications first is found in Finland (26%) and Austria (25%) and the lowest in Italy and the United Kingdom (both 9%).

- The incidence of establishments for which previous experience in a similar job is most important is highest in Greece (35%) and Portugal (34%) and lowest in Austria (13%) and Germany and Malta (both 15%).
- Having the skills and not needing additional training was reported most as the primary hiring criterion in Latvia (31%) and Bulgaria, Ireland and Poland (all 28%) and least in Denmark (9%) and the Netherlands (10%).
- Slovakia and Hungary have the highest proportion of establishments ranking two or more criteria as equally important (36% and 33%, respectively) and Finland and Sweden the lowest (4% and 6%, respectively).

### Sector

- Prioritising the personality fit is most common in commerce and hospitality (33%) and least common in construction (19%).
- Qualifications as a criterion is prioritised most in financial services (22%) and least in commerce and hospitality (11%).
- Experience is prioritised most in industry (26%) and least in financial services (20%).
- Skills are most often the dominant hiring criterion in industry (23%) and least often in commerce and hospitality (16%).
- Construction has the highest proportion of establishments where multiple criteria are considered equally important (21%) and financial services the lowest (8%).

**Size:** The ranking of hiring criteria varies little between large, medium-sized and small establishments.

## Types of establishment: Recruitment

A latent class analysis was conducted using the information on recruitment strategies described above. This analysis returned three establishment types:

- great difficulty recruiting job-ready candidates
- focus on personality and internal transfers, recruitment somewhat challenging
- recruiting job-ready candidates with little difficulty

Table 4 provides a profile of each type.

### Great difficulty recruiting job-ready candidates

Over one-third of EU27 establishments (36%) belong to this type. These establishments tend to rank previous job experience (31%) or job readiness in terms of skills (27%) as their most important hiring criterion, or they rely on multiple, equally important criteria (29%). The incidence of establishments that rarely or never recruit

internally is relatively high (24%); however, 59% of them look to recruit internally always or most of the time. More than half (55%) of establishments reported that finding applicants with the skills they need is very difficult, and 44% reported this to be fairly difficult. For 70% of establishments belonging to this type, at least 20% of newly recruited workers did not have all the skills they needed.

### Focus on personality and internal transfers, recruitment somewhat challenging

One-quarter of EU27 establishments (26%) belong to this type. For these establishments, a personality that fits tends to be the most important hiring criterion (79%). Most (84%) reported that finding the applicants with the desired skill set is very or fairly difficult; however, this proportion is not much higher than the proportion in the general population. What

characterises this type is the high incidence of establishments where at least 20% of new candidates are not job-ready (87%). These establishments tend to make frequent use of internal recruitment, with 51% of managers saying this is always the case, and 29% indicating this happens most of the time.

### Recruiting job-ready candidates with little difficulty

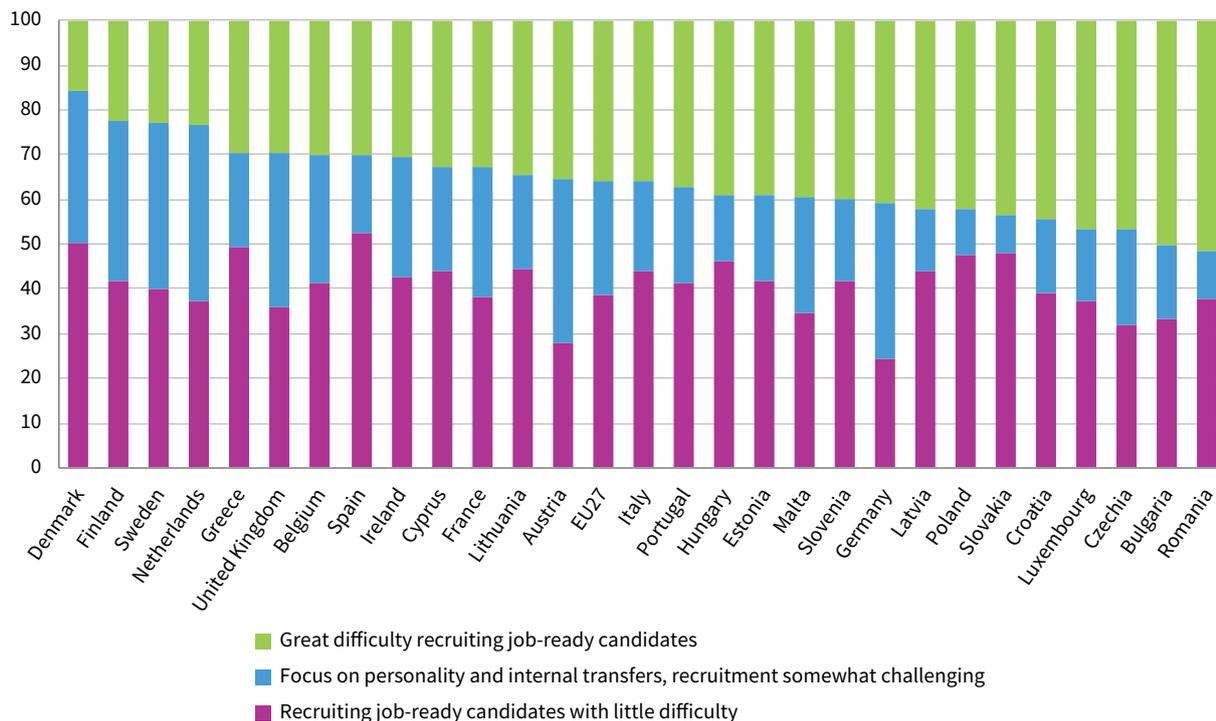
This is the largest type, comprising 39% of establishments. This type is characterised by a relatively high incidence of establishments for which the most important recruitment criterion is to have previous work experience in similar jobs (30%) or to have all the qualifications necessary to do the job (21%). The type is also characterised by a high incidence of establishments having little or no difficulty in finding applicants with the desired skills (48%); the remaining

**Table 4: Profiles of establishment types – recruitment (%)**

	Great difficulty recruiting job-ready candidates	Focus on personality and internal transfers, recruitment somewhat challenging	Recruiting job-ready candidates with little difficulty	EU27
<b>Group size</b>	36	26	39	100
<b>Internal redeployment first</b>				
Always	31	51	31	36
Most of the time	28	29	27	28
Sometimes	17	12	17	15
Rarely	12	5	13	11
Never	12	3	12	10
<b>Difficulty finding employees with the required skills</b>				
Very difficult	55	24	0	26
Fairly difficult	44	60	52	51
Not very difficult	1	15	42	21
Not at all difficult	0	1	6	2
<b>Proportion of new recruits who are not job-ready</b>				
Less than 20%	26	13	70	40
20–79%	51	54	12	37
80% or more	19	33	5	17
<b>Did not recruit</b>	4	0	13	6
<b>Most important recruitment criterion</b>				
Personality	4	79	15	27
Qualifications	10	10	21	14
Experience	31	7	30	24
Skills	27	2	22	19
Multiple	29	2	13	16

Source: ECS 2019 management questionnaire

Figure 37: Establishment type – recruitment, by country (%)



Source: ECS 2019 management questionnaire

52% of establishments find this fairly difficult. For 72% of establishments of this type, most new recruits have the skills they need at the required level (less than 20% do not have the necessary skills).

### Distribution of types according to structural characteristics

#### Country

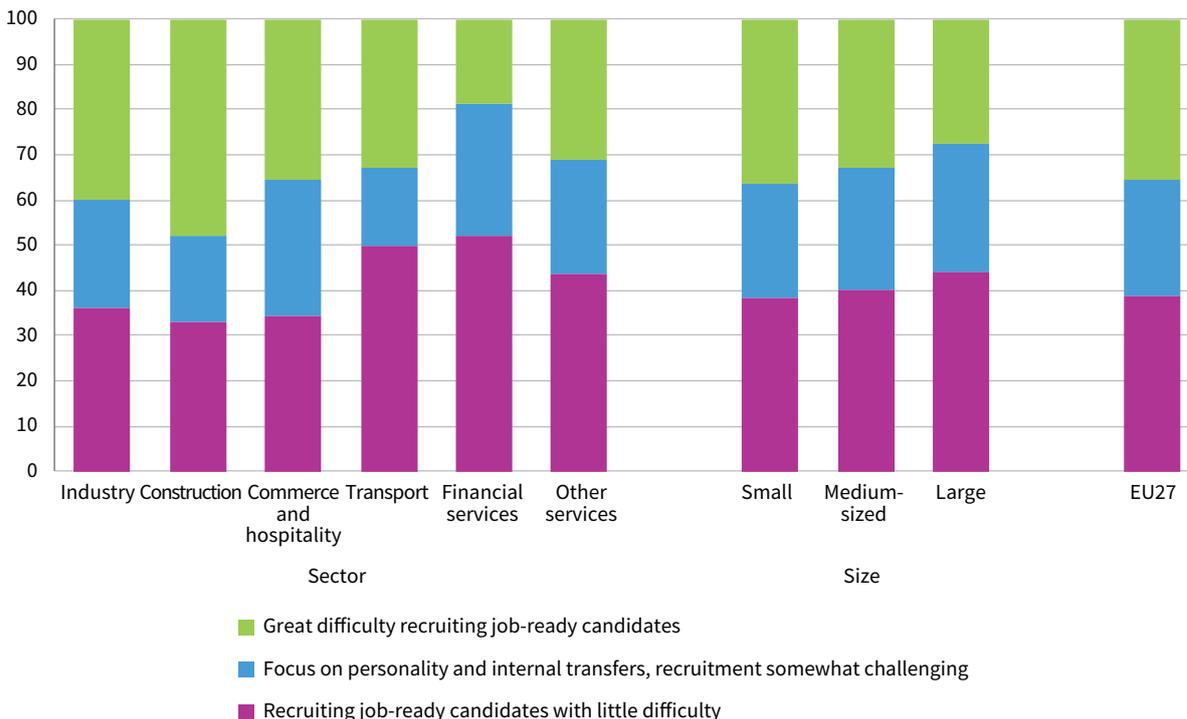
- The proportion of establishments of the ‘great difficulty recruiting job-ready candidates’ type is highest in Romania (52%) and Bulgaria (50%) and lowest in Denmark (16%) and Finland (23%) – see Figure 37.
- The incidence of the ‘focus on personality and internal transfers, recruitment somewhat challenging’ type is highest in the Netherlands (39%) and Austria and Sweden (both 37%) and lowest in Slovakia (9%) and Poland (10%).

- The incidence of the ‘recruiting job-ready candidates with little difficulty’ type is highest in Spain (52%) and Denmark (50%) and lowest in Germany (24%) and Austria (28%).

**Sector:** The highest proportion of the ‘great difficulty recruiting job-ready candidates’ type is found in the construction sector (48%) and the ‘recruiting job-ready candidates with little difficulty’ type is found most in financial services (52%) (Figure 38). The distribution of the ‘focus on personality and internal transfers, recruitment somewhat challenging’ type does not vary much across sectors.

**Size:** The distribution of the recruitment types across large, medium-sized and small establishments does not vary significantly. Small establishments are somewhat more likely to be of the ‘great difficulty recruiting job-ready candidates’ type (36%) than medium-sized (33%) and large establishments (28%).

Figure 38: Establishment type – recruitment, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

### Scores on workplace well-being and establishment performance

Figure 39 shows the scores for the three types of establishment in terms of recruitment on workplace well-being and establishment performance. The patterns are quite different for each indicator.

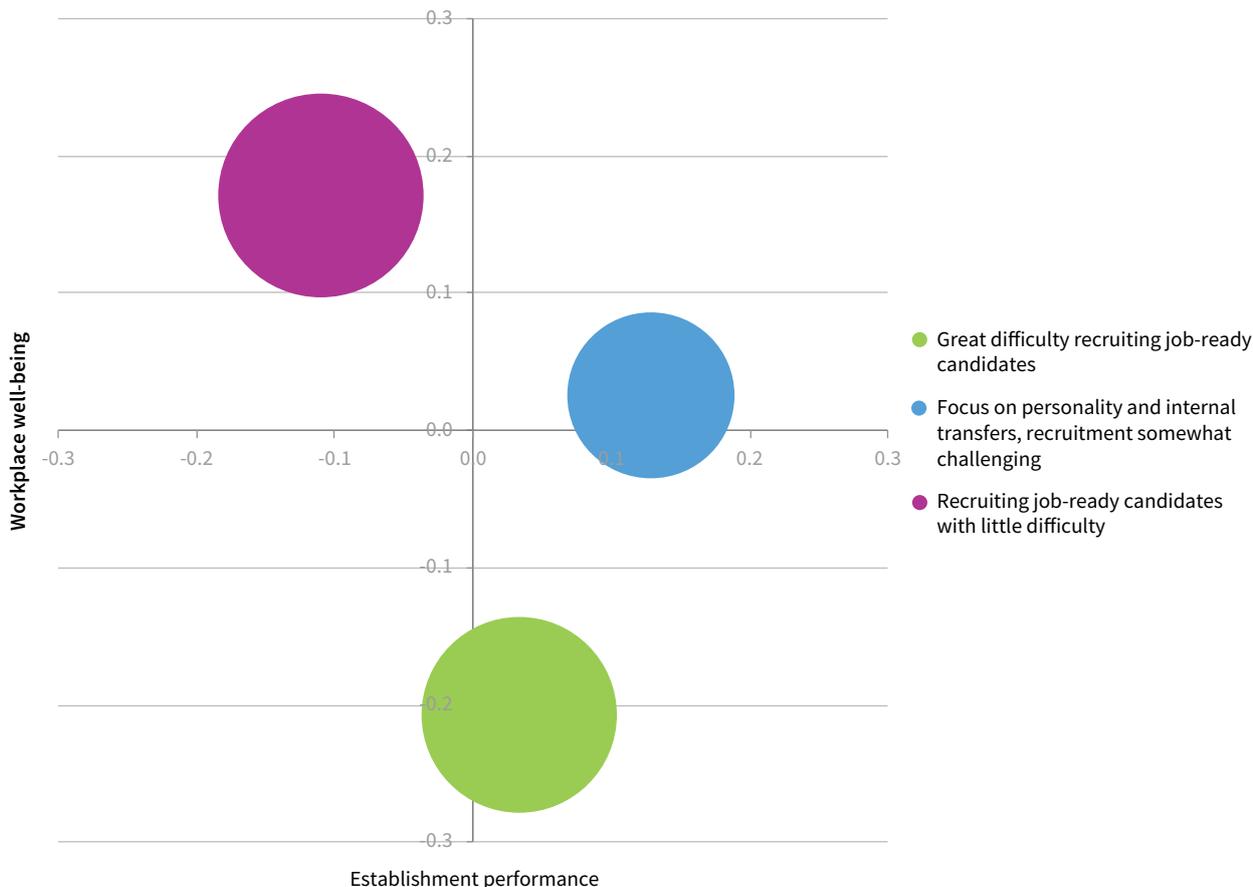
In terms of well-being, establishments of the ‘recruiting job-ready candidates with little difficulty’ type score best, followed by those of the ‘focus on personality and internal transfers, recruitment somewhat challenging’ type and those of the ‘great difficulty recruiting job-ready candidates’ type. This pattern suggests that there is an association between the factors that make it

harder to attract staff and the factors that make it harder to retain and motivate staff (which are captured by the variables that comprise the workplace well-being indicator).

In terms of performance, establishments of the ‘focus on personality and internal transfers, recruitment somewhat challenging’ type score best, followed by those of the ‘great difficulty recruiting job-ready candidates’ type and those of the ‘recruiting job-ready candidates with little difficulty’ type.

All differences remain when controlling for country, sector and size.

**Figure 39: Workplace well-being and establishment performance, by establishment type – recruitment (z-scores)**



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

#### Digitalisation

Figure 40 shows that establishments classified as having limited digitalisation are more likely to report more severe recruitment difficulties. Whereas the ‘recruiting job-ready candidates with little difficulty’ type barely differs between digitalisation types, the proportion of establishments belonging to ‘great difficulty recruiting job-ready candidates’ is highest in the ‘limited digitalisation’ type.

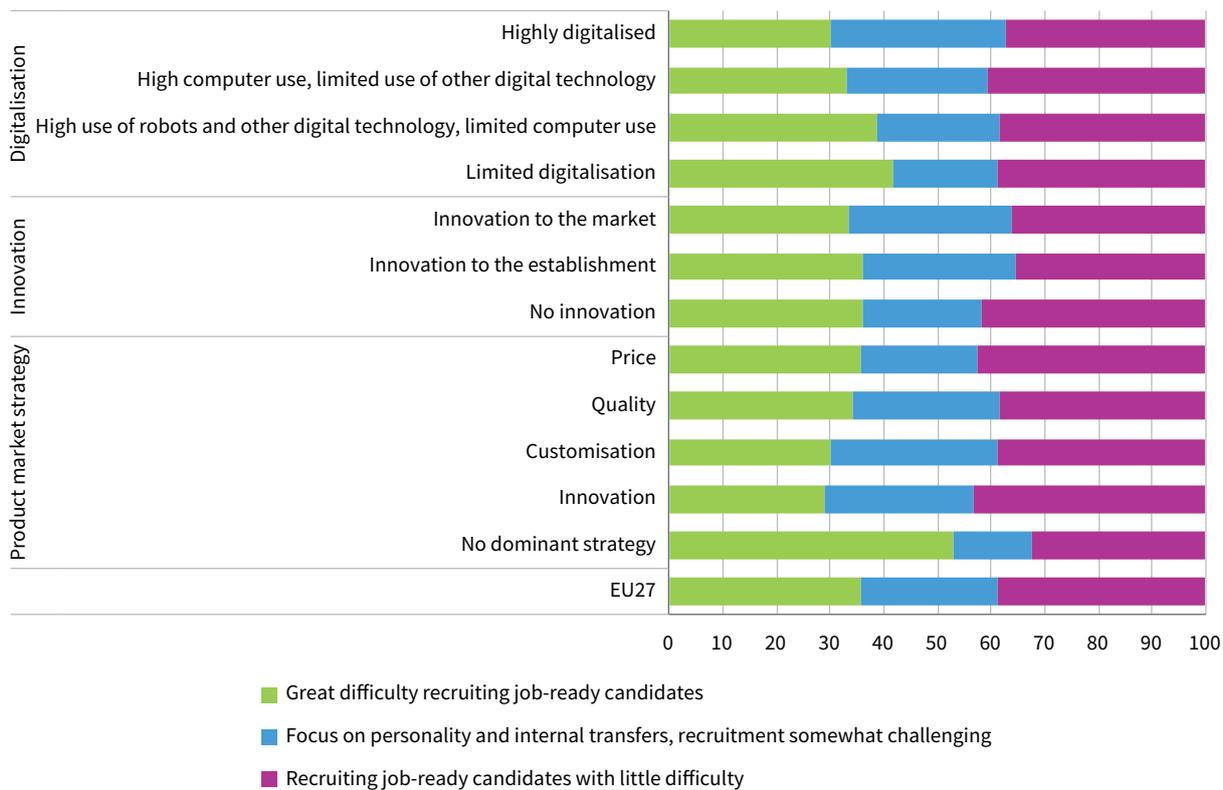
#### Innovation

The proportion of establishments belonging to each of the recruitment types does not vary much with the level of innovation.

#### Product market strategy

In terms of product market strategies, the establishments using multiple ways to approach the market for their products or services stand out with a very high prevalence of the ‘great difficulty recruiting job-ready candidates’ type (53%). The ‘recruiting job-ready candidates with little difficulty’ type is most prevalent among establishments that aim to compete through innovation.

Figure 40: Establishment type – recruitment, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire



# 8 Workplace behaviour and motivational levers

The Introduction to this report discussed the concept of exchanges in the employment relationship, where the organisations invest in their employees in exchange for reciprocal behaviour on the part of those employees. This chapter describes some forms these exchanges take. It explores management’s expectations of staff in terms of behaviour above and beyond their job description, or discretionary workplace behaviour: helping others, working longer when needed, and coming up with ideas for improvement. It also looks at the motivational levers upon which management relies to induce these behaviours.

## Discretionary workplace behaviour

The ECS 2019 included three questions to capture the importance of selected discretionary behaviours in how management evaluates employees:

- spontaneously helping colleagues (without being asked to do so)

- staying longer when the work requires it
- providing suggestions for improvement

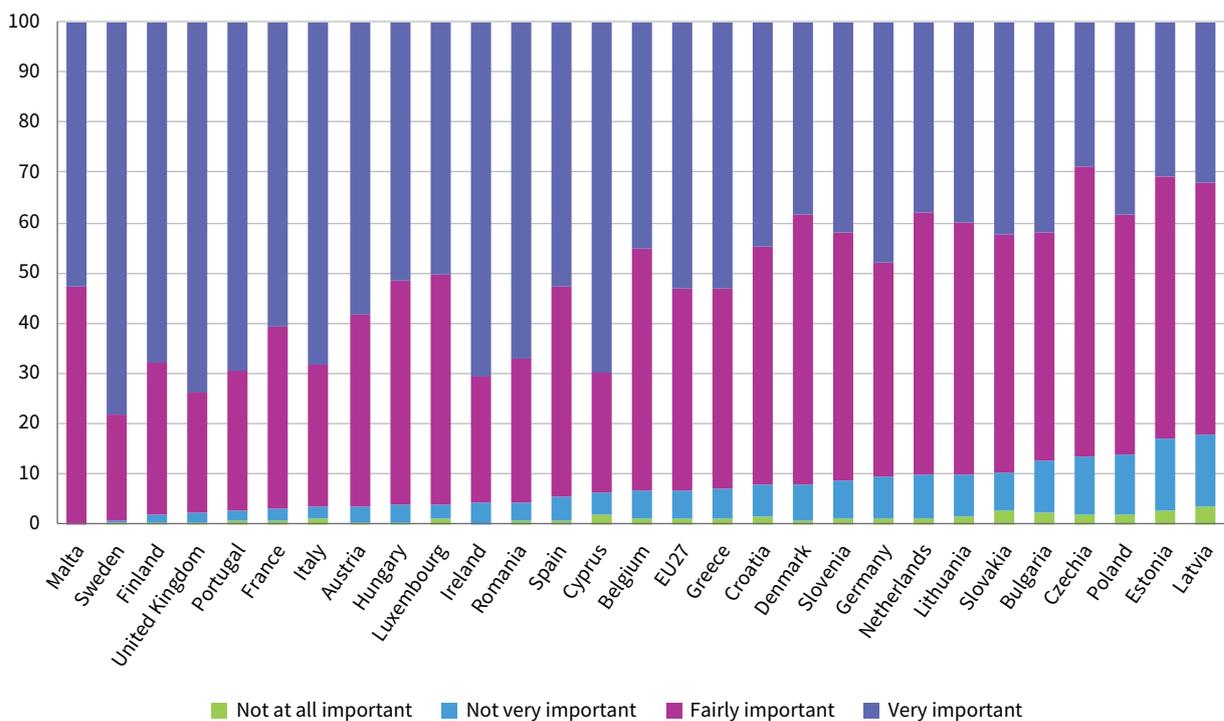
### Helping colleagues

Discretionary helping behaviour is generally regarded as important in EU establishments (Figure 41): 53% of managers reported that it is very important that employees show this type of behaviour if they are to be positively evaluated. A further 40% of managers indicated that it is fairly important.

**Country:** The proportion of establishments for which the display of discretionary helping behaviour is reported to be very or fairly important is highest in Malta (100%) and Sweden (99%) and lowest in Latvia (82%) and Estonia (83%).

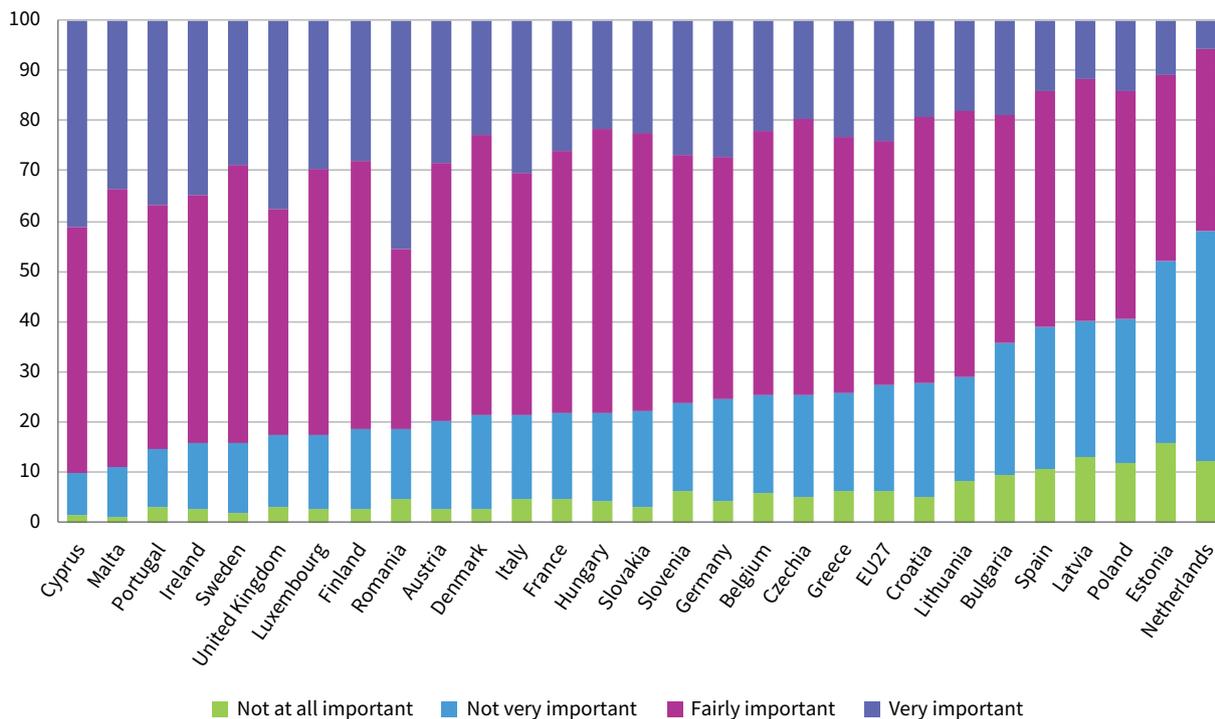
**Sector:** Sectoral differences are small. The proportion of establishments for which the display of discretionary helping behaviour is very or fairly important is highest in commerce and hospitality (95%) and lowest in financial services (90%).

Figure 41: Importance of discretionary helping behaviour, by country (%)



Source: ECS 2019 management questionnaire

Figure 42: Importance of willingness to stay longer when the work requires it, by country (%)



Source: ECS 2019 management questionnaire

**Size:** Establishments of different sizes do not differ in terms of the reported importance of discretionary helping behaviour.

### Staying longer when the work requires it

The willingness to remain at work when work requires it is an important characteristic in the positive evaluation of employees for 24% of establishments, while for 49% it is a fairly important feature, for 21% it is not very important, and for 6% of establishments, it is not important at all (Figure 42).

**Country:** The proportion of establishments in which the willingness to stay longer when work demands it is fairly or very important is highest in Cyprus (90%) and Malta (89%) and lowest in the Netherlands (42%) and Estonia (48%).

**Sector:** Working longer to meet work demands is most likely to be considered fairly or very important in construction (76%) and least likely in financial services (68%).

**Size:** Managers in small establishments are slightly more likely to consider staying longer fairly or very important for a positive evaluation (73%) than

managers in medium-sized or large establishments (both 70%).

### Making suggestions for improvements

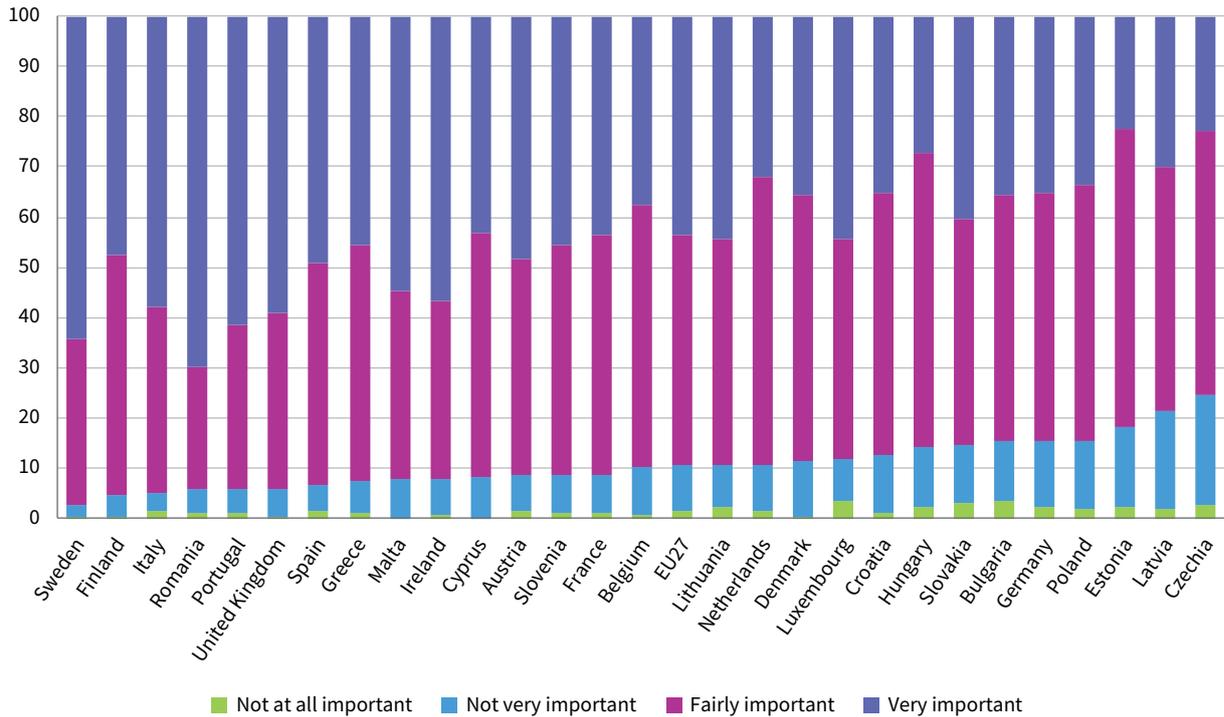
Making suggestions on how to improve operations is an important feature for a positive evaluation in 43% of establishments. For 46% it is a fairly important feature, for 9% it is not very important and for 2% of establishments, it is not important at all.

**Country:** The proportion of establishments in which the willingness to make suggestions on how to improve operations is very or fairly important is highest in Sweden (97%) and Finland (96%) and lowest in Czechia (76%) and Latvia (79%), as illustrated in Figure 43.

**Sectors:** Managers in other services are most likely to report that making suggestions on improvements is very or fairly important for a positive employee evaluation (92%) and managers in financial services least likely (82%).

**Size:** The importance of making suggestions on improvement does not vary significantly across establishments belonging to difference size classes.

Figure 43: Importance of making suggestions for improvements, by country (%)



Source: ECS 2019 management questionnaire

## Motivational levers

Establishments use various motivational levers to unlock these discretionary behaviours in their employees, and to elicit task performance and other contextual performance. They can be broadly divided into monetary and non-monetary levers. This section describes the frequency with which both are used (Chapter 9 covers the proportion of workers receiving types of variable pay, which constitute some of the forms that monetary incentives can take).

The ECS 2019 asked managers about the use of four motivational levers:

- monetary incentives
- communication of a strong mission and vision statement (giving meaning to work)
- stimulating and challenging work (intrinsic motivation)
- opportunities for training and development

EU27 establishments tend to use non-monetary incentives more often than monetary incentives (Figure 44). The various non-monetary motivational levers (mission and vision, challenging work, and training and development) tend to be used equally frequently.

## Monetary incentives

**Country:** The proportion of establishments using monetary incentives very or fairly often is highest in Romania (69%) and Czechia (64%) and lowest in Sweden (19%) and Denmark (24%).

**Sector:** Monetary incentives are most likely to be used very or fairly often in commerce and hospitality (46%) and least likely in other services (39%).

**Size:** Large establishments are more likely to use monetary incentives very or fairly often (49%) than medium-sized (46%) and small establishments (42%).

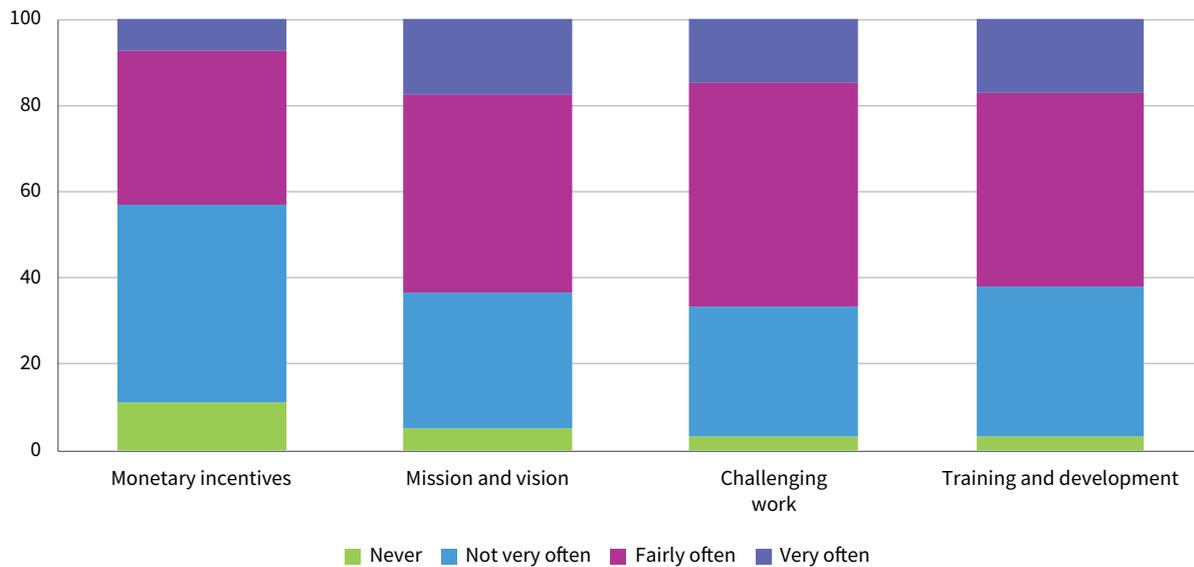
## Mission and vision

**Country:** The proportion of establishments that very or fairly often use the communication of a strong mission and vision statement to motivate workers is highest in Sweden (87%) and the United Kingdom (79%) and lowest in Latvia (37%) and Lithuania (44%).

**Sector:** Managers in other services were most likely to report using a mission statement for motivation very or fairly often (67%) and managers in industry least likely (58%).

**Size:** Differences between size class are negligible in this regard.

Figure 44: Proportion of establishments using different motivational levers, by frequency of use (%)



Source: ECS 2019 management questionnaire

### Challenging work

**Country:** The proportion of establishments very or fairly often relying on stimulating and challenging work to motivate workers is highest in Sweden (90%) and Denmark (85%) and lowest in Bulgaria (42%) and Latvia (43%).

**Sector:** The proportion of establishments very or fairly often relying on stimulating and challenging work to motivate workers is highest in other services (74%) and lowest in industry (58%).

**Size:** Managers in large establishments were more likely to very or fairly often rely on stimulating and challenging work as a motivator (70%) than managers in medium-sized (67%) and small establishments (66%).

### Training and professional development

**Country:** The proportion of establishments very or fairly often relying on offering training and professional development activities to motivate workers is highest in Malta (80%) and the United Kingdom (79%) and lowest in Bulgaria (41%) and Hungary and Latvia (both 46%).

**Sector:** Financial services are most likely to rely very or fairly often on offering training and professional development activities to motivate workers (79%) and establishments in industry are least likely (55%).

**Size:** The proportion of establishments very or fairly often relying on training and professional development activities is considerably higher among large establishments (79%) than among medium-sized (69%) and small establishments (60%).

### Types of establishment: Workplace behaviour and motivational levers

Based on the variables capturing discretionary workplace behaviour and motivational levers, the latent class analysis returned four types of establishment:

- high expectations and investment
- moderate expectations and investment
- low expectations and investment
- high expectations, low investment

Referring back to the concept of balance in employee–organisation relationships (EOR) described in the Introduction, the first three types show a balance in terms of expectations and inducement; the fourth type is unbalanced in that high expectations are met by low inducements. The ‘low expectations and investment’ type is very similar to the quasi-spot contract described in the Introduction, which is characterised by very few extra demands and very little in terms of motivational levers.

Table 5 provides a profile of each type.

#### High expectations and investment

This type comprises 29% of EU27 establishments. It is characterised by a high incidence of establishments in which discretionary helping behaviour is very important (91%), a high proportion of establishments in which making suggestions is very important (86%), and a relatively high incidence of establishments in which the willingness to stay longer when work requires it is very

important (37%). In exchange for meeting these expectations, a high proportion of establishments in this type very or fairly often provide challenging work

(98%), communicate a strong mission and vision message (97%), offer training and professional development (92%) and offer monetary rewards (57%).

**Table 5: Profiles of establishment types – workplace behaviour and motivational levers (%)**

	High expectations and investment	Moderate expectations and investment	Low expectations and investment	High expectations, low investment	Total
<b>Group size</b>	29	40	14	17	100
<b>Helping colleagues</b>					
Very important	91	25	9	94	53
Fairly important	9	69	58	7	40
Not very important	0	5	27	0	6
Not at all important	0	0	7	0	1
<b>Staying longer when the work requires it</b>					
Very important	37	12	13	39	24
Fairly important	44	53	46	48	48
Not very important	15	28	28	12	21
Not at all important	5	7	12	1	6
<b>Making suggestions for improvements</b>					
Very important	86	16	2	71	44
Fairly important	14	75	48	29	46
Not very important	0	8	41	0	9
Not at all important	0	1	9	0	2
<b>Offering monetary rewards</b>					
Very often	14	6	2	3	7
Fairly often	43	40	17	29	36
Not very often	36	47	55	53	46
Never	7	7	26	15	11
<b>Communicating a strong mission and vision</b>					
Very often	50	7	0	2	18
Fairly often	46	63	5	36	46
Not very often	3	30	67	56	32
Never	0	1	28	6	5
<b>Providing challenging work</b>					
Very often	42	6	0	1	15
Fairly often	56	69	8	38	52
Not very often	2	24	73	58	30
Never	0	0	19	3	3
<b>Providing opportunities for training and development</b>					
Very often	42	12	2	1	17
Fairly often	51	57	16	29	45
Not very often	7	30	67	65	35
Never	0	1	15	5	3

Source: ECS 2019 management questionnaire

### Moderate expectations and investment

About 40% of EU27 establishments belong to this type. It is characterised by a high incidence of establishments for which making suggestions (75%), helping colleagues (69%) and working longer when work requires it (53%) are fairly important. High proportions of establishments also fairly often motivate workers by providing challenging work (69%), by communicating a strong mission and vision message (63%) and by offering training and professional development opportunities (57%). The proportion of establishments relying on monetary rewards does not differ much from that in the overall population.

### Low expectations and investment

This type comprises 14% of establishments. It is characterised by a relatively high proportion of establishments for which making suggestions to improve operations (50%), helping colleagues (42%), and working longer when the work requires it (40%) are either not very important or not important at all. This type also stands out because motivational drivers are rarely or never used.

### High expectations, low investment

Comprising 17% of establishments, this type is characterised by a relatively high incidence of establishments where discretionary behaviours are considered very important: helping colleagues (94%), making suggestions to improve operations (71%) and

working longer when work requires it (39%). At the same time, many establishments of this type rarely or never use training and professional development opportunities (70%), offer monetary rewards (68%), communicate a strong mission and vision message (62%) or provide challenging work (61%) to motivate employees.

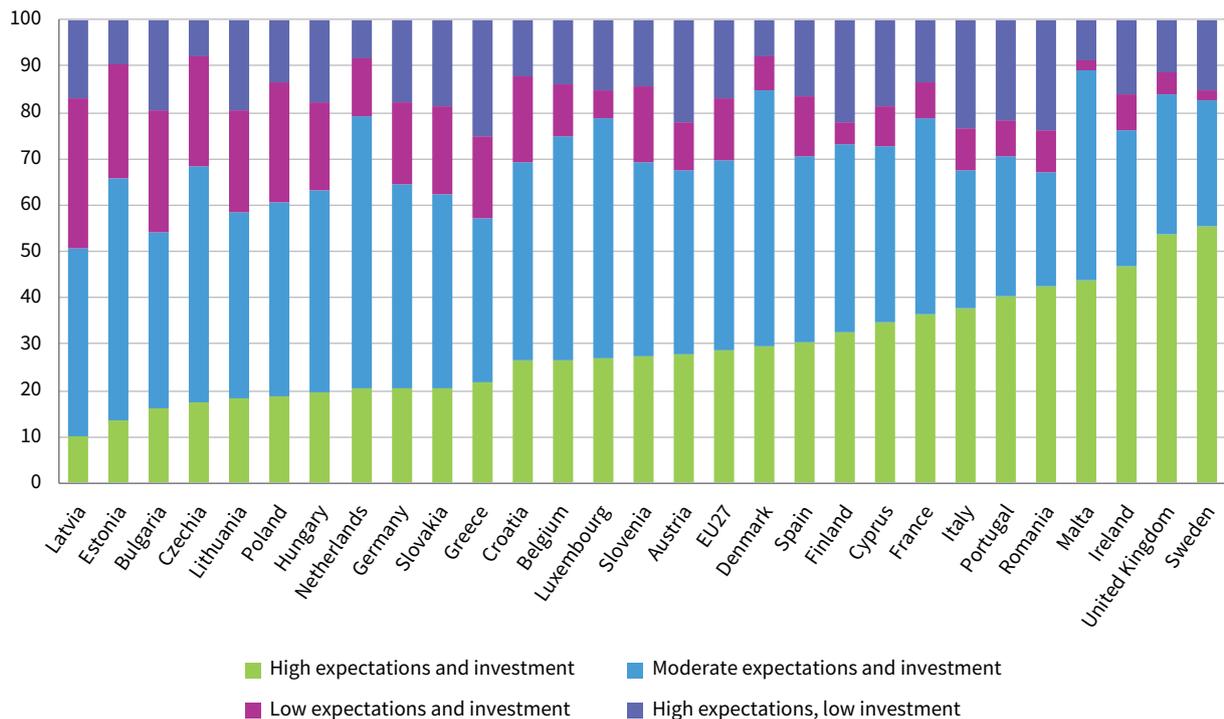
### Distribution of types according to structural characteristics

#### Country

Figure 45 illustrates the distribution of establishment types, based on management expectations of and investment in employees, across countries.

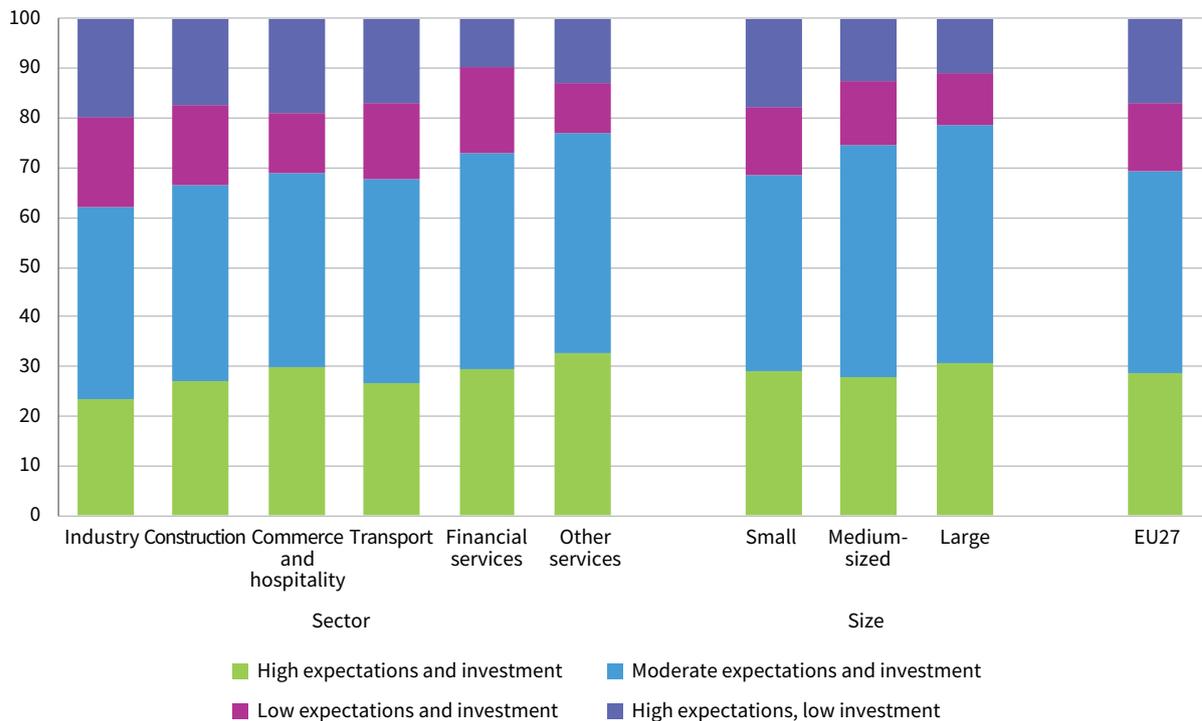
- The incidence of the ‘high expectations and investment’ type is highest in Sweden (55%) and the United Kingdom (54%) and lowest in Latvia (10%) and Estonia (14%).
- The ‘moderate expectations and investment’ type is most common in the Netherlands (59%) and Denmark (56%) and least common in Romania (25%) and Sweden (27%).
- The ‘low expectations and investment’ type is found most in Latvia (32%) and Bulgaria and Poland (both 26%) and least in Malta and Sweden (both 2%).
- The ‘high expectations, low investment’ type is found most in Greece (25%) and Italy and Romania (24%) and least in Czechia and Denmark (both 8%).

Figure 45: Establishment type – workplace behaviour and motivational levers, by country (%)



Source: ECS 2019 management questionnaire

**Figure 46: Establishment type – workplace behaviour and motivational levers, by sector and establishment size (%)**



Source: ECS 2019 management questionnaire

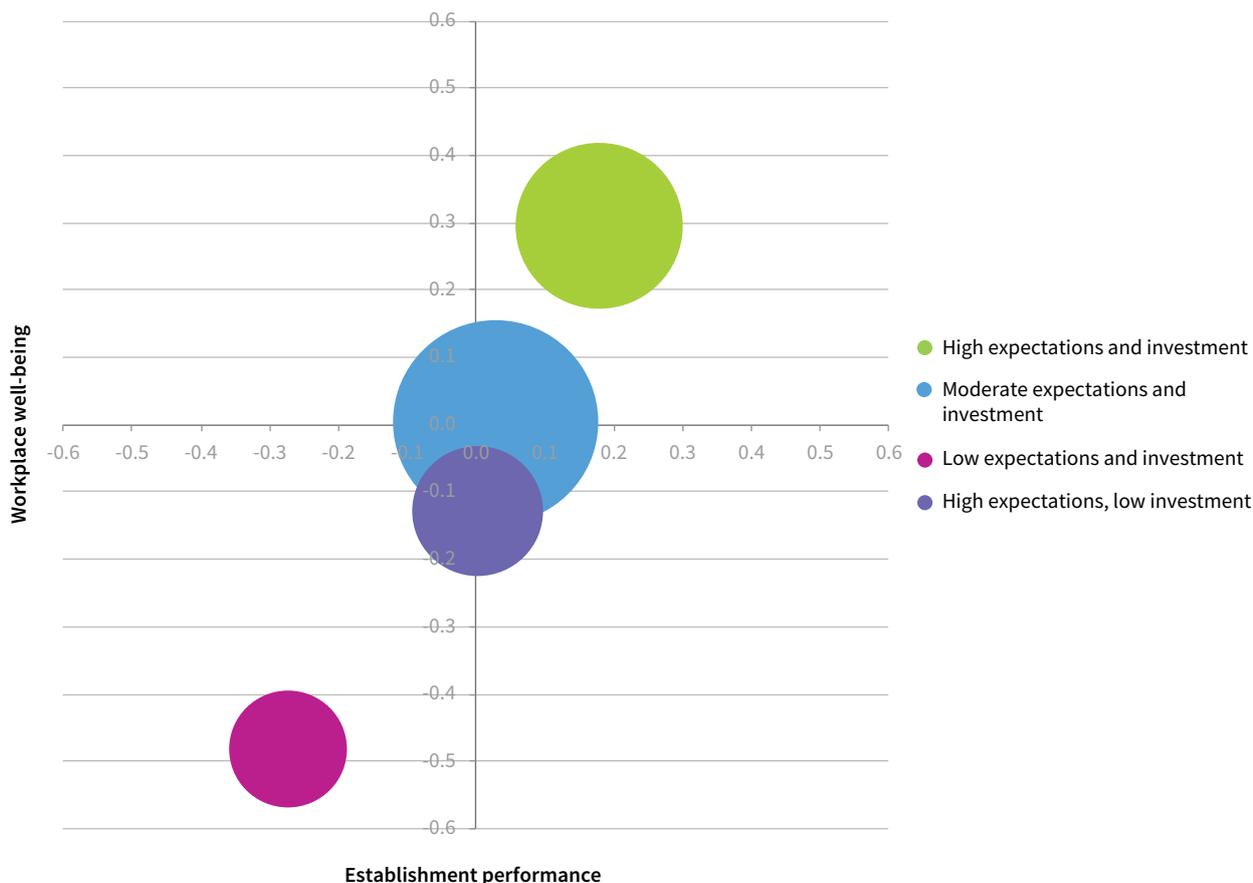
**Sector:** Figure 46 shows that both the ‘high expectations and investment’ type and the ‘moderate expectations and investment’ type are most prevalent in other services (33% and 44%, respectively) and least prevalent in industry (24% and 38%, respectively). The reverse is true for the ‘low expectations and investment’ type, which is found most in industry (18%) and least in other services (10%). The ‘high expectations, low investment’ type is also found most in industry (20%) and least in financial services (10%).

**Size:** Differences between size classes are generally small (Figure 46). The biggest differences are found with regard to the ‘moderate expectations and investment’ type, which is more prevalent in medium-sized (46%) and large establishments (48%) than in small establishments (39%).

### Scores on workplace well-being and establishment performance

Figure 47 shows the scores for the four establishment types in terms of workplace well-being and establishment performance. Clearly, there is a positive relationship between workplace conditions in terms of the EOR (in this case, expectations about discretionary behaviours and matching inducements) and both workplace well-being and establishment performance. Establishments belonging to the ‘low expectations and investment’ type have the lowest scores on both outcome indicators. In contrast, establishments of the ‘high expectations and investment’ type score highest. Establishments of the ‘moderate expectations and investment’ type are somewhere in between. The ‘high expectations, low investment’ type scores worse than, but close to, the ‘moderate expectations and investment’ type. All differences remain when controlling for country, sector and size.

**Figure 47: Workplace well-being and establishment performance, by establishment type – workplace behaviour and motivational levers (z-scores)**



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

#### Digitalisation

Figure 48 shows a positive association between the level of digitalisation and level of EOR. Both the ‘high expectations and investment’ and ‘moderate expectations and investment’ types are most prevalent in the ‘highly digitalised’ group (37% and 44%, respectively) and least prevalent in the ‘limited digitalisation’ group (21% and 38%, respectively). The opposite is true for the ‘low expectations and investment’ and ‘high expectations, low investment’ types, which are found least in the ‘highly digitalised’ group (7% and 12%, respectively) and most in the ‘limited digitalisation’ group (20% and 21%, respectively).

#### Innovation

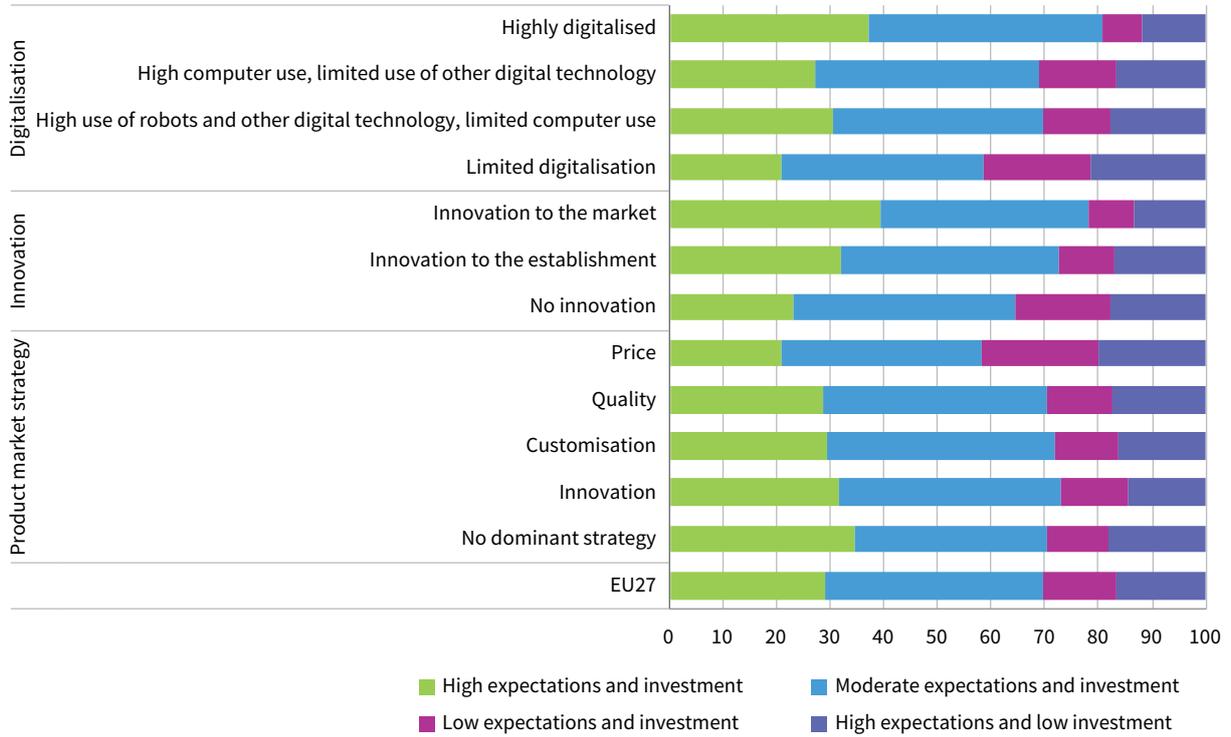
The pattern of innovation is similar but not the same. The ‘high expectations and investment’ type is most prevalent in establishments that have introduced innovations to the market (39%) and least prevalent in

those that have not innovated at all (23%). All other types are most prevalent in establishments that have not innovated and least prevalent in establishments that have introduced innovations to the market.

#### Product market strategy

In terms of product market strategy, the ‘high expectations and investment’ type is most prevalent in establishments that aim to compete on multiple strategies (35%) and least prevalent in those aiming to compete on price (21%). The ‘moderate expectations and investment’ type is most prevalent among establishments that aim to compete on quality or customisation (both 42%) and least prevalent among those that aim to compete on multiple dimensions (36%). The ‘low expectations and investment’ type is found most in establishments that aim to compete on price (22%) and is just over half as prevalent in establishments with the other product market strategies. Finally, the ‘high expectations, low investment’ type is also most prevalent in establishments competing on price and least prevalent in those competing on innovation (14%).

Figure 48: Establishment type – workplace behaviour and motivational levers, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire



# 9 Variable pay

## Pay for performance

‘Variable pay’ is a general term for various components of pay that replace or supplement basic pay and may vary in their amount. It is linked to the performance of either an individual or a group of workers; hence, it is often termed ‘performance-related pay’.

### Forms of variable pay

In its most basic form, it is a piece rate or ‘payment by results’, where results are easy to observe and measure (for example, a completed sale, the number of contracts signed or number of units assembled). Alternatively, it can be linked to individual performance following management appraisal. A related form is pay linked to the performance of a team, working group or department, or ‘group-based performance-related pay’.

Financial participation is a form of performance-related pay linked to the success of the company as a whole. Two broad forms are distinguished. Firstly, profit-sharing schemes: in these, employees get a share of a company’s profit, and the extra payments can vary from year to year. The second form, employee share ownership schemes, grant employees company shares as part of their remuneration. Boundaries between these two forms are often blurred.

### Why offer it?

Management might decide to implement variable pay schemes for several reasons. Variable pay, particularly when related to group performance or the company as a whole (profit-sharing), results in greater wage flexibility, as at least part of the wage bill is more directly linked to productivity. This link allows companies to respond to economic fluctuations more quickly.

Variable extra pay can also be used as an incentive: well-designed variable pay schemes can induce workers to improve their performance through an increase in effort and attention (insofar as it functions like this, it counts among the monetary levers described in Chapter 9). They allow workers to focus on the target behaviour (what they can control) and protects them against fluctuation in the business environment (what they cannot control). For example, workers on a piece-rate scheme should be able to produce in accordance with their best efforts when demand is

strong, but when demand is weak should be offered a fallback option wage not too far below their expected income.

As a corollary, individual-level incentives should not be offered when jobs are interdependent. If performance in Job A depends on what workers do in Job B, performance pay should be set at the team level and not at the individual level. Finally, very strong incentives can be put in place when job outcomes, and all the relevant aspects of the job, can be measured easily.

Properly designed variable pay schemes can be powerful motivational tools, stimulating extra effort, rewarding good performance and attracting high-performing individuals. Financial participation schemes can be used to strengthen the relationship between employees and the company by promoting a sense of ownership and thereby stimulating engagement.

## Incidence and coverage of variable pay schemes

The ECS 2019 asked managers about four forms of variable pay schemes used for workers at their establishment:

- payment by results
- individual performance-related pay
- group performance-related pay
- profit-sharing schemes

This section looks at the incidence of each and to what extent coverage is broad across the establishment, meaning that at least 60% of employees receive it. It also discusses the involvement of establishments’ employee representatives in pay negotiations.

### Payment by results

The simplest form of variable pay is payment contingent on results achieved, for example piece rates, brokerage fees or commissions.<sup>13</sup> Managers in 49% of establishments in the EU27 indicated that at least some employees receive this type of variable pay, and 19% indicated that at least 60% of staff receive it.

**Country:** Payment by results was found to be most prevalent in Slovakia and Czechia, where 83% and 76% of managers, respectively, reported that at least some employees receive it; in 55% and 50% of those

<sup>13</sup> All of these payment types imply that – instead of or in addition to a basic salary – employees get paid for each unit they produce or service they supply. These can be fixed rates, as is often the case for piece rates, or they can be percentages of the price of the service provided, as is often the case for brokerage fees and commissions.

establishments, respectively, at least 60% of employees receive payment by results. Payment by results is least prevalent in Belgium and Italy, where only 31% of establishments pay at least some employees that way. Broad coverage of payment by results, paying at least 60% of employees by results, is least prevalent in Malta (6%) and Greece (7%).

**Sector:** Payment by results for any employees is most prevalent in commerce and hospitality (56%) and least prevalent in construction (42%). Broad coverage of payment by results (at least 60% of employees) is most prevalent in financial services (14%) and least prevalent in other services (8%).

**Size:** Large establishments are more likely to pay at least some employees by results (70%) than medium-sized (58%) and small establishments (47%). Large establishments are also more likely to apply payment by results broadly – to at least 60% of employees (23%) – than small and medium-sized establishments (both 19%).

### Individual performance-related pay

Managers in 52% of establishments reported that variable extra pay linked to individual performance is paid to at least some employees; in 19% of establishments, it is paid to at least 60% of employees.

**Country:** Variable extra pay linked to individual performance was found to be used most in Czechia and Slovenia, where 87% and 78% of managers, respectively, reported that at least some employees

receive it. It was used least in Belgium and Sweden, with 30% and 29% of establishments, respectively, offering it to at least some employees. Broad coverage of variable pay based on individual performance (at least 60% of employees) was reported most in Czechia (52%) and Slovakia (39%) and least in Denmark and Belgium (7%).

**Sector:** Individual performance-related pay was found to be most prevalent in financial services (55%), where it was also found to be most likely to be applied broadly (27%). It was least reported in construction, both in general (47%) and in terms of broad coverage (17%).

**Size:** Large establishments are considerably more likely to use variable extra pay linked to individual performance (77%) than medium-sized (65%) and small establishments (49%). However, establishment size does not appear to matter much in terms of broad coverage, which varies between 21% in large and 19% in small establishments.

### Group performance-related pay

Variable extra pay linked to the performance of the team, working group or department is used in 40% of EU27 establishments, with 14% of establishments applying it broadly.

**Country:** It was reported most in Czechia (64%) and Lithuania (62%) and least in Sweden (23%) and Belgium (24%). Broad coverage of variable pay linked to group performance was found most in Romania and Slovenia (both 26%) and least in Germany, Greece and the Netherlands (all 7%).

## Box 2: Involvement of the employee representatives in pay negotiations

Around one-third of employee representatives in the EU27 reported that they had been involved in discussions about pay. It should be noted that in many industrial relations systems, establishment-level employee representatives have no, or only a limited, role in wage negotiations.

The involvement of employee representatives varies with the type of pay being negotiated. Table 6 shows the percentages involved in negotiations for the various types. Their involvement is greatest when basic pay is negotiated (36%), while it is lowest in the negotiation of group-based performance-related pay (22%).

**Table 6: Involvement of the employee representative in negotiations for various pay types (%)**

	% involved
Basic pay	36
Payment by results	31
Individual performance-related pay	30
Group performance-related pay	22
Profit-sharing schemes	32

Source: ECS 2019 management questionnaire

**Sector:** This type of variable pay is most prevalent in commerce and hospitality (43%) and least prevalent in industry and transport (both 36%). Broad coverage of variable pay linked to group performance was observed most in financial services (18%) and, again, least in industry and transport (both 12%).

**Size:** Large establishments are more likely to use group-based performance pay (62%) than medium-sized (49%) and small establishments (37%). Again, establishment size does not appear to matter much for using this type of extra pay broadly, which varies between 14% in large and 13% in medium-sized establishments.

### Profit-sharing schemes

Managers in 39% of establishments reported that variable extra pay linked to the results of the company or establishment (profit-sharing schemes) is in place for at least some employees, and 19% reported that the profit-sharing scheme covers at least 60% of employees.

**Country:** Profit-sharing schemes in general are most prevalent in Czechia (56%) and Slovenia (52%) and least prevalent in Ireland (20%) and Belgium (22%). Profit-sharing schemes with broad coverage were found to be most prevalent in France and Slovenia (both 34%) and least prevalent in Ireland (7%) and Cyprus (8%).

**Sector:** Profit-sharing is most common in financial services, both in general (44%) and covering at least 60% of employees (27%), while it is least prevalent in construction, both in terms of broad coverage (13%) and generally (34%).

**Size:** Large establishments are more likely to have profit-sharing schemes, generally (61%) and with broad coverage (18%), than medium-sized establishments (51% and 15%, respectively) and small establishments (36% and 12%, respectively).

## Types of establishment: Variable pay

Latent class analysis of the four forms of variable pay discussed above distinguished three types of establishment with the following approaches to variable pay:

- comprehensive
- selective
- no variable pay

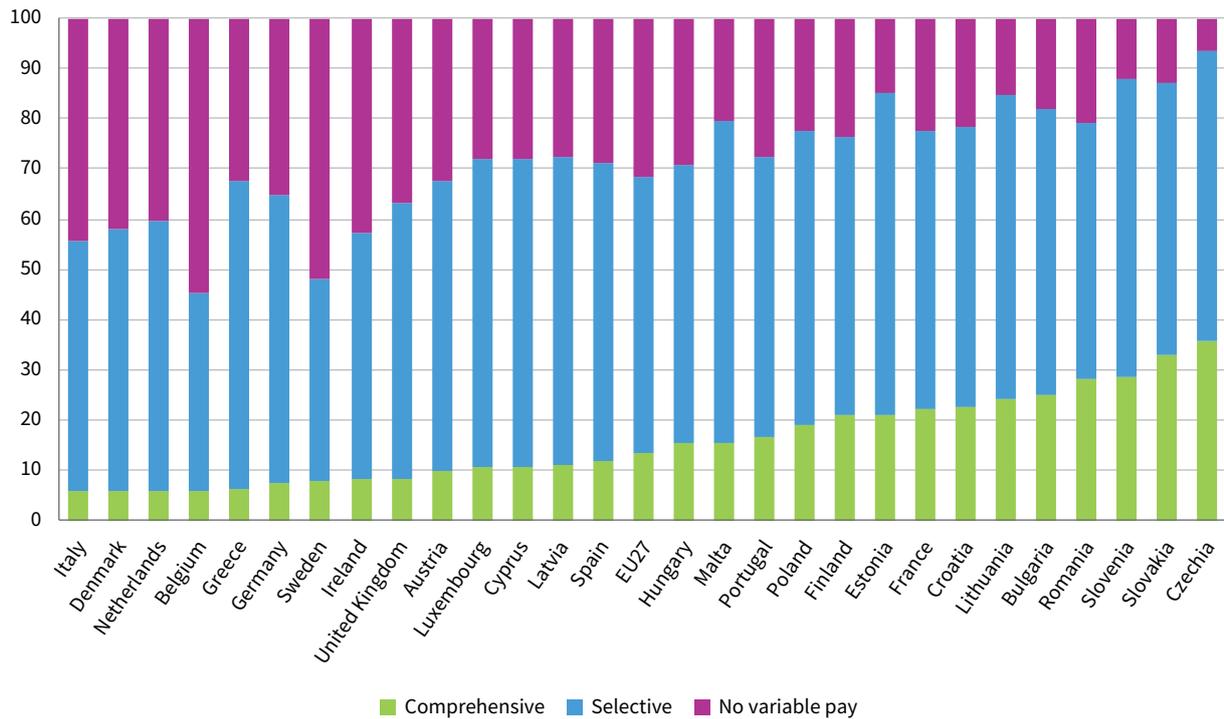
Table 7 provides details on percentages of employees receiving each form of variable pay in each establishment type.

**Table 7: Profiles of establishment types – variable pay (%)**

	Comprehensive	Selective	No variable pay	Total
<b>Group size</b>	13	55	32	100
<b>Employees receiving payment by results</b>				
None at all	9	37	92	51
Less than 20%	1	26	8	17
20% or more	90	37	0	32
<b>Employees receiving individual performance-related pay</b>				
None at all	4	28	100	48
Less than 20%	2	34	0	19
20% or more	94	38	0	34
<b>Employees receiving group performance-related pay</b>				
None at all	11	49	100	60
Less than 20%	3	29	0	16
20% or more	86	22	0	23
<b>Employees in profit-sharing schemes</b>				
None at all	27	49	95	61
Less than 20%	7	21	5	14
20% or more	66	30	0	25

Source: ECS 2019 management questionnaire

Figure 49: Establishment type – variable pay, by country (%)



Source: ECS 2019 management questionnaire

### Comprehensive

A comprehensive approach to variable pay is found in 13% of EU27 establishments. In these establishments, all four forms of variable pay are very likely to be used, and they are likely to be applied to a large proportion of, if not all, employees.

### Selective

A selective approach to variable pay is found in 55% of EU27 establishments. These establishments are likely to use at least some forms of variable pay, which they are likely to apply to a minority of employees.

### No variable pay

In 32% of EU27 establishments, near to no use is made of variable pay. In very few of these establishments, payment by results or a profit-sharing scheme is used, but even within those establishments, it is only applied to a very small proportion of employees.

### Distribution of types according to structural characteristics

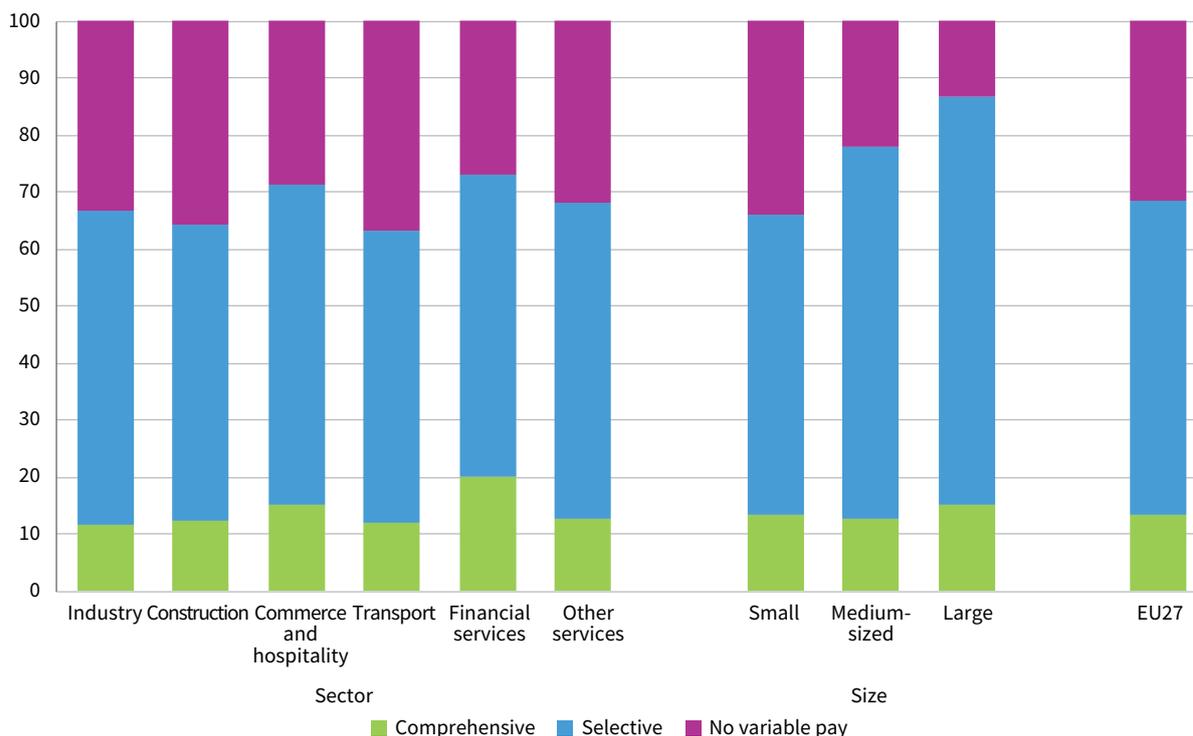
#### Country

- As Figure 49 illustrates, the comprehensive approach to variable pay is found most in Czechia (36%) and Slovakia (33%) and least in Belgium, Denmark, Greece, Italy and the Netherlands (all 6%).
- The selective approach is most common in Estonia and Malta (both 64%) and least common in Belgium and Sweden (both 40%).
- The ‘no variable pay’ type is found most in Belgium (55%) and Sweden (52%) and least in Czechia (6%) and Slovenia (12%).

#### Sector

- The comprehensive approach is found most in financial services (20%) and least in industry, construction and transport (all 12%), as Figure 50 shows.
- The selective approach is most prevalent in commerce and hospitality and other services (56%) and least prevalent in transport (51%).
- The ‘no variable pay’ approach is found most in transport (37%) and least in financial services (27%).

Figure 50: Establishment type – variable pay, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

### Size

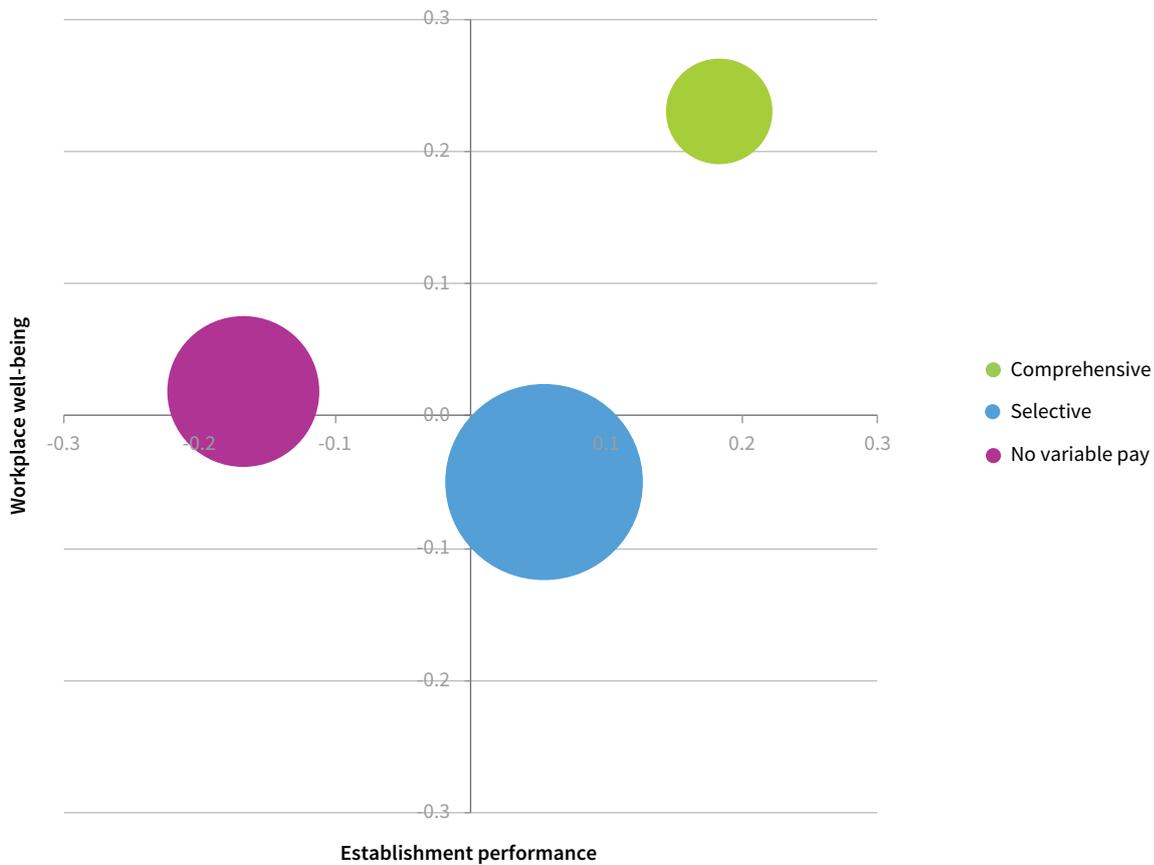
- Large establishments (15%) more commonly adopt a comprehensive approach to variable pay than small (14%) or medium-sized establishments (13%).
- The selective approach is also used more in large establishments (72%) than in medium-sized (65%) and small establishments (53%).
- Consequently, the 'no variable pay' type is most prevalent in small establishments (34%), followed by medium-sized (22%) and large establishments (13%).

### Scores on workplace well-being and establishment performance

Looking at the relationship between variable pay and the two outcome indicators, Figure 51 illustrates that establishments that offer comprehensive variable pay score better on both than those that offer it selectively or not at all.

Those that only offer variable pay to a selection of staff score better in terms of performance than those that do not offer any variable pay, but they score worse in terms of well-being. The differences hold when controlling for country, sector, size and establishment type, except that the difference between the selective type and the 'no variable pay' type in well-being disappears. The findings nevertheless suggest that establishments are better off applying a comprehensive approach when offering variable pay, as this could improve both performance and well-being.

**Figure 51: Workplace well-being and establishment performance, by establishment type – variable pay (z-scores)**



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

#### Digitalisation

Figure 52 shows that establishments of the ‘highly digitalised’ type are most likely to take a comprehensive approach to variable pay (16%) and are also most likely to have a selective approach (60%), whereas establishments of the ‘limited digitalisation’ type are least likely to offer either approach to variable pay (10% and 49%, respectively).

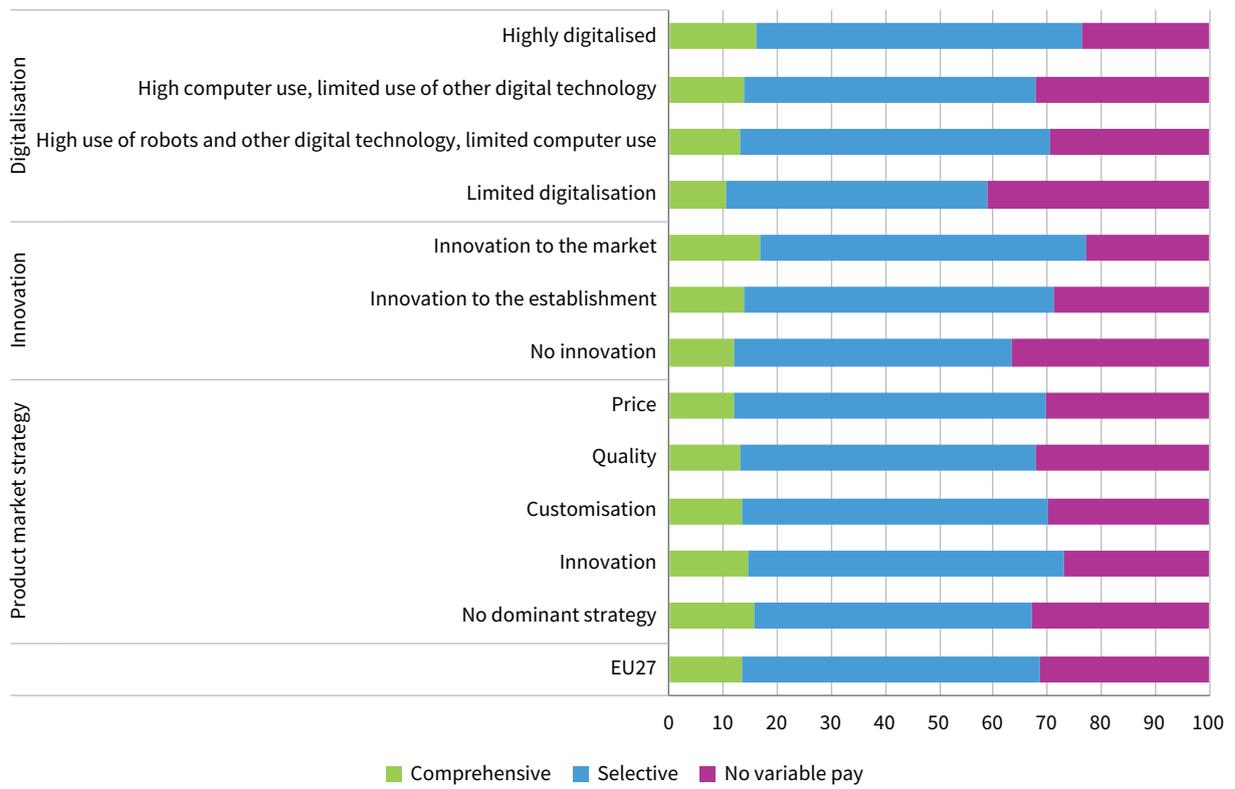
#### Innovation

Variable pay is also positively associated with innovation. Establishments that have introduced innovations to the market are more likely to have comprehensive (17%) or selective (60%) variable pay than establishments that have only innovated in the establishment (14% and 58%, respectively) and those that have not innovated at all (12% and 51%, respectively).

#### Product market strategy

In terms of product market strategy, establishments that aim to compete on multiple dimensions are most likely to offer comprehensive variable pay (16%) and those that aim to compete on price least likely (12%). Variable pay applied selectively is most common in establishments that aim to compete by being innovative (59%) and least common in establishments that aim to compete on multiple dimensions (51%). Interestingly, establishments that have no dominant product market strategy are also most likely to be of the ‘no variable pay’ type (33%), which is least prevalent among establishments that aim to compete on innovation (27%).

Figure 52: Establishment type – variable pay, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire

# Key findings: Human resource management

## Job security and working time flexibility

Establishments in the EU27 generally provide job security to their employees, insofar as 78% employ most of their employees (at least 80%) on open-ended contracts. This means that in 22% of establishments, more than 20% of employees have a fixed-term contract. Only 3% employ all their staff on fixed-term contract.

Working time flexibility in terms of part-time contracts is relatively limited. Most establishments have a small proportion of employees working part-time: in 71% of establishments, less than 20% of employees work part-time. In just 5% of establishments do most employees (at least 80%) work part-time.

## Relating incidence of part-time to workplace outcomes

Those establishments that have no part-time employees score highest in terms of workplace well-being, followed first by those where a moderate to large proportion (20% or more) work part-time and then those where less than 20% of employees work part-time.

In terms of establishment performance, those establishments with no or only a small proportion of part-time workers score roughly the same, and better than those where 20% or more of employees work part-time.

## Recruitment

Recruitment difficulties are common; a majority of EU27 establishments have difficulties in finding candidates with the required skills: 26% find it very difficult and 51% fairly difficult. Similarly, only 25% of managers reported that all the new recruits had the skills needed to do their job to the required level.

In terms of the most important criterion for selecting new employees, 27% of managers put personality fit with the company first, 24% ranked experience in a similar job as most important, 19% ranked having all the skills required first, and 14% chose having all the required qualifications. The remaining 14% of managers indicated two or more criteria as equally important.

Based on their approach to recruitment, EU establishments can be grouped into three types:

- great difficulty recruiting job-ready candidates (36% of EU27 establishments)
- focus on personality and internal transfers, recruitment somewhat challenging (26%)
- recruiting job-ready candidates with little difficulty (39%)

## Relating recruitment practices to workplace outcomes

The establishments that score best on workplace well-being are those of the 'recruiting job-ready candidates with little difficulty' type, followed by those of the 'focus on personality and internal transfers, recruitment somewhat challenging' type and, last, those of the 'great difficulty recruiting job-ready candidates' type. In terms of establishment performance, establishments of the 'focus on personality and internal transfers, recruitment somewhat challenging' type score best, followed by those of the 'great difficulty recruiting job-ready candidates' type and, finally, those of the 'recruiting job-ready candidates with little difficulty' type.

## Workplace behaviour and motivational levers

### Discretionary workplace behaviours

Companies aim to elicit discretionary behaviours from their employees that go beyond the tasks set out in their job description. When asked about behaviours that are important for a positive evaluation of an employee, helping colleagues without being asked is generally regarded as the most important. It was reported to be very or fairly important for a positive employee evaluation in 93% of EU27 establishments. This is followed closely by making suggestions on how to improve operations, which was reported to be very or fairly important in 90% of establishments. The willingness to stay longer when the work requires it was chosen by substantially fewer managers, with 73% reporting this behaviour to be very or fairly important.

## Motivational levers

EU27 establishments tend to use non-monetary incentives more often than monetary incentives to elicit discretionary behaviour and to motivate and retain employees. About 43% of establishments use monetary incentives fairly or very often, while the percentage that fairly or very often rely on non-monetary incentives is considerably higher: 67% do so by providing challenging and interesting work, 63% communicate strong mission and vision statements, and 62% offer professional development opportunities.

Combining desired discretionary behaviours and the extent to which motivational levers are used, four types of establishment were identified:

- high expectations and investment (29% of EU27 establishments)
- moderate expectations and investment (40%)
- low expectations and investment (14%)
- high expectations, low investment (17%)

## Relating expectations and investment to workplace outcomes

Establishments of the ‘high expectations and investment’ type score highest on workplace well-being and establishment performance. These are establishments where discretionary behaviours from employees are regarded as very important and, where in exchange for meeting those expectations, incentives, especially non-monetary incentives, are generally offered to employees. By contrast, establishments belonging to the ‘low expectations and investment’ type, where discretionary behaviour is expected less and motivational levers are rarely used, have the lowest scores on both.

## Variable pay

Variable pay is any pay that replaces or supplements basic pay and is linked to the performance of either an individual or a group of workers. The most common type of variable pay offered by EU27 establishments is that linked to individual performance (as assessed by managers or supervisors). At least some employees receive this type of pay in 52% of establishments.

Variable extra pay linked to the performance of a team, working group or department is less common. It is used for at least some employees in 40% of establishments.

Payment by results (such as piece rates and commissions) is paid to at least some employees in 49% of establishments.

Profit-sharing schemes, which are linked to the results of the company or establishment, are used for at least some employees in 39% of establishments.

Variable pay is used quite selectively: in just 14–19% of establishments does coverage for any of the four forms extend broadly, to 60% or more of staff.

Based on the extent to which these four forms of variable pay are applied, three types of establishment were distinguished:

- comprehensive (13% of EU27 establishments)
- selective (55%)
- no variable pay (32%)

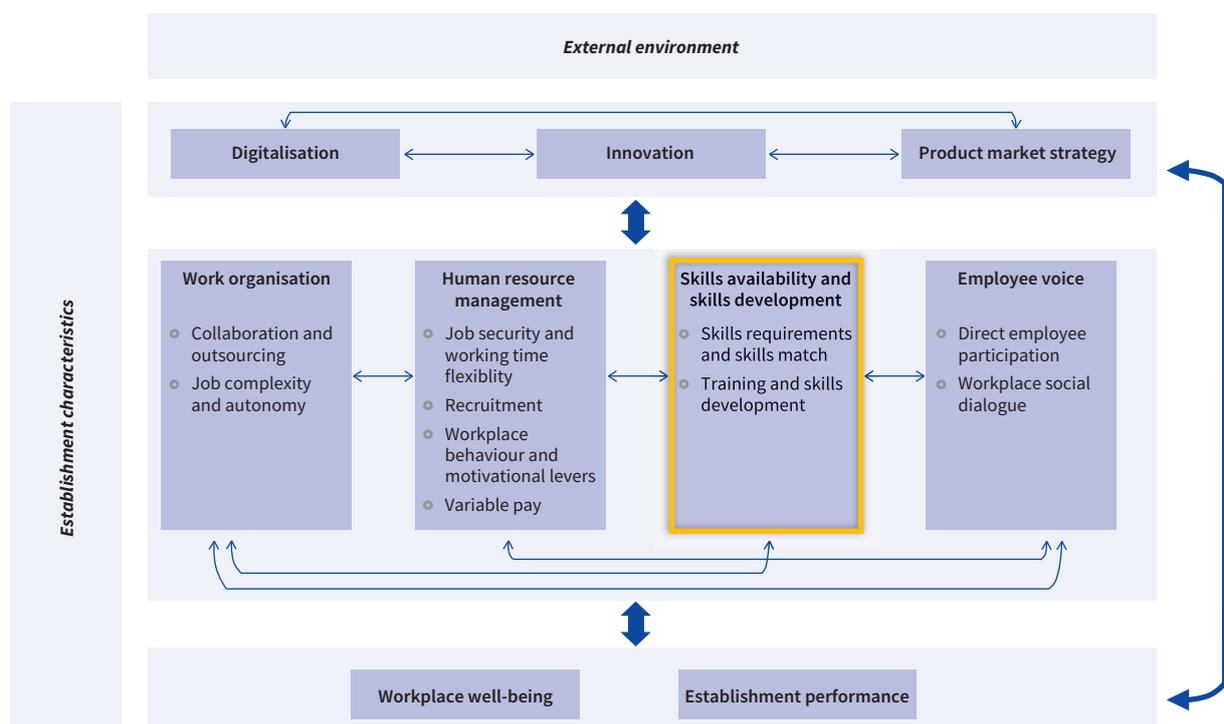
## Relating variable pay to workplace outcomes

Establishments offering comprehensive variable pay – characterised by use of all four forms and broad employee coverage – score best in terms of both establishment performance and workplace well-being. Those that offer variable pay to only a selection of staff score better than those that do not offer any variable pay in terms of performance, but they score worse in terms of well-being.



# Skills availability and skills development

This section describes the availability of skills in EU establishments and skills development. In exchange for the full deployment of employees' skills and their participation in skills development activities, managers can design jobs and organise skills development in such a way that employees can achieve as good a match as possible between their skills and their tasks. This section consists of two chapters: Chapter 10 assesses the balance between job requirements and workforce skills, while Chapter 11 covers workplace practices on training and learning.





# 10 Skills requirements and skills match

This chapter examines skills requirements in EU27 establishments. The ECS 2019 collected information on the extent to which employees' skill sets meet the establishments' skills requirements (skills match), exceed those skills requirements (overskilled employees) or fall short (underskilled employees).

It also examines stability in establishments' skills requirements, when these do not change very often, captured in the questionnaire by asking managers to assess the speed at which skills requirements change in their establishment.

## Measuring the skills match

To assess the extent to which employees' skill sets match the requirements of their establishment, the ECS 2019 asked managers what percentage of employees have:

- the skills that are about right to do their job
- a higher level of skills than is needed in their job
- a lower level of skills than is needed in their job

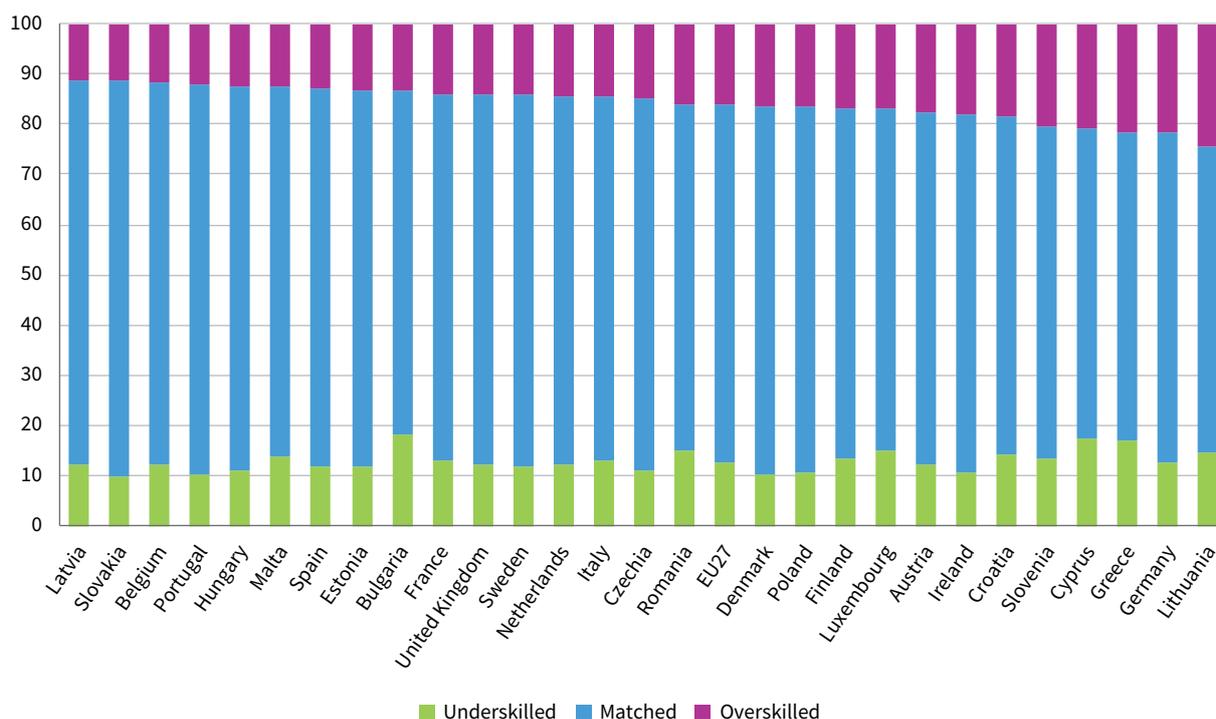
The average percentage of employees with skills matching the job requirements in EU27 establishments is 71% (Figure 53), but in only 16% of establishments do all workers have the required skills.

The average percentage of employees with a higher level of skills than the job requires (those who are overskilled) is 16%. However, the majority of establishments (52%) experience some degree of overskilling (up to 10%), while for 86% of establishments the proportion of overskilled workers is 30% or less.

The average percentage with a lower level of skills than the job requires (underskilled) is 12%. Only 34% of EU workplaces do not employ any underskilled workers, but in 60% of establishments, 10% or less of workers are underskilled, while for 90% of establishments, the incidence of underskilled workers is 30% or less.

These results indicate that having at least some workers who are overskilled or underskilled is very common in establishments in the EU27.

Figure 53: Skills match of employees, by country (%)



Source: ECS 2019 management questionnaire

**Country:** The countries with the highest average proportion of workers whose skills match the requirements are Slovakia (79%) and Portugal (78%), and the countries with the lowest proportion are Greece and Lithuania (both 61%). The highest average proportion of overskilled workers was found in Lithuania (24%), followed by Germany and Greece (both 22%); the lowest proportion was found in Latvia and Slovakia (both 11%). The proportion of underskilled workers is highest in Bulgaria (18%), Cyprus and Greece (both 17%) and lowest in Denmark, Poland, Portugal and Slovakia (all 10%).

**Sector and size:** Across sectors and size classes, there is not much variation in the average proportion of overskilled and underskilled workers and those whose skills match the job requirements.

## Speed of change in skills requirements

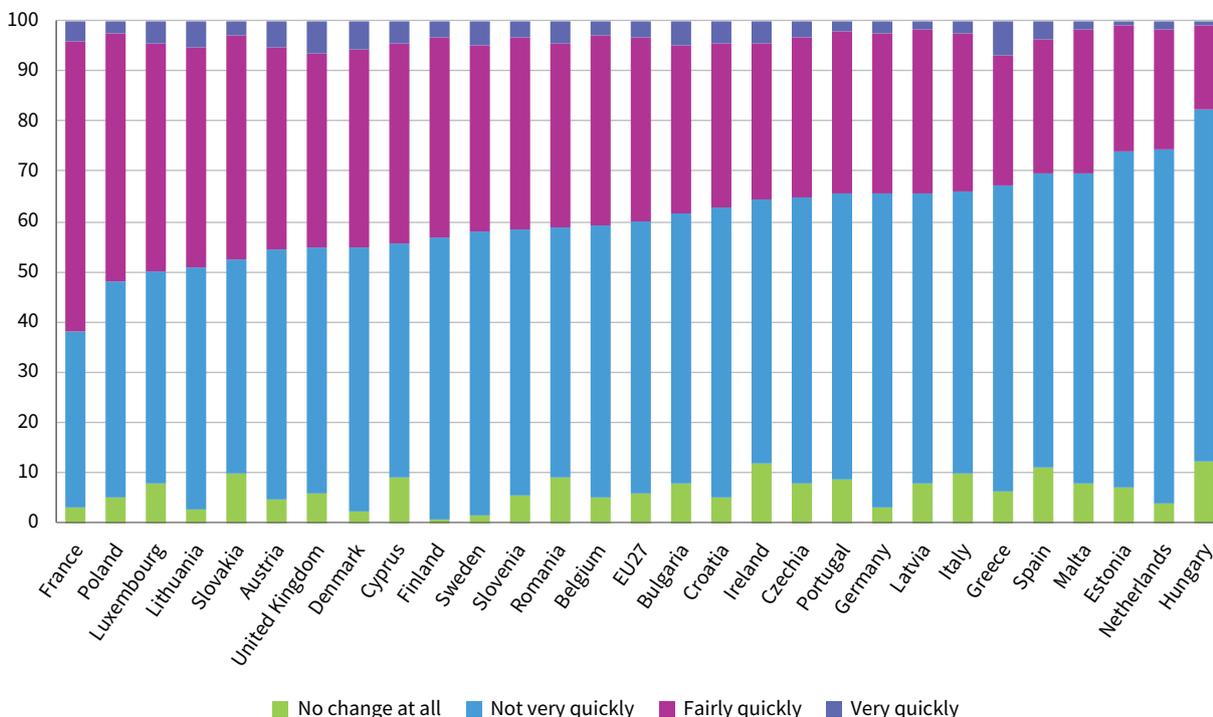
The incidence of overskilling and underskilling is linked to the speed at which skills requirements change. In the EU27, 3% of managers reported that the skills requirements of employees change very quickly, 37% reported fairly quick changes, 54% reported that skills requirements do not change very quickly, and 6% reported that skills requirements do not change at all (Figure 54).

**Country:** The proportion of establishments reporting very or fairly quick changes in skills requirements is highest in France (62%) and Poland (52%) and lowest in Hungary (17%), Estonia and the Netherlands (both 26%).

**Sector:** Very or fairly quick changes in skills requirements are reported most in financial services (54%) and least in industry (30%).

**Size:** Large establishments (46%) are more likely to report very or fairly quick changes in skills requirements than medium-sized (41%) or small (39%) establishments.

Figure 54: Speed of change in skills requirements, by country (%)



Source: ECS 2019 management questionnaire

# 11 Training and skills development

Changes in skills requirements are linked to the nature of different jobs. An establishment's response to changing skills requirements can involve hiring people with new skills sets (i.e. 'buying' skills on the labour market), as discussed in Chapter 7, or developing the needed skills internally (i.e. 'making' skills) as discussed in this chapter. Establishments can develop skills internally in various ways. For instance, they can provide training, rely on mutual learning (workers learning from each other) or design jobs in such a way that they challenge workers and thus drive their development. This chapter looks at how EU27 establishments approach skills development, beginning with an overview of their training needs.

## Training needs of EU establishments

The training needs of EU27 establishments were captured using two indicators. One measures the percentage of jobs requiring continuous training; the other measures the percentage of jobs offering limited learning opportunities.

### Jobs requiring continuous training

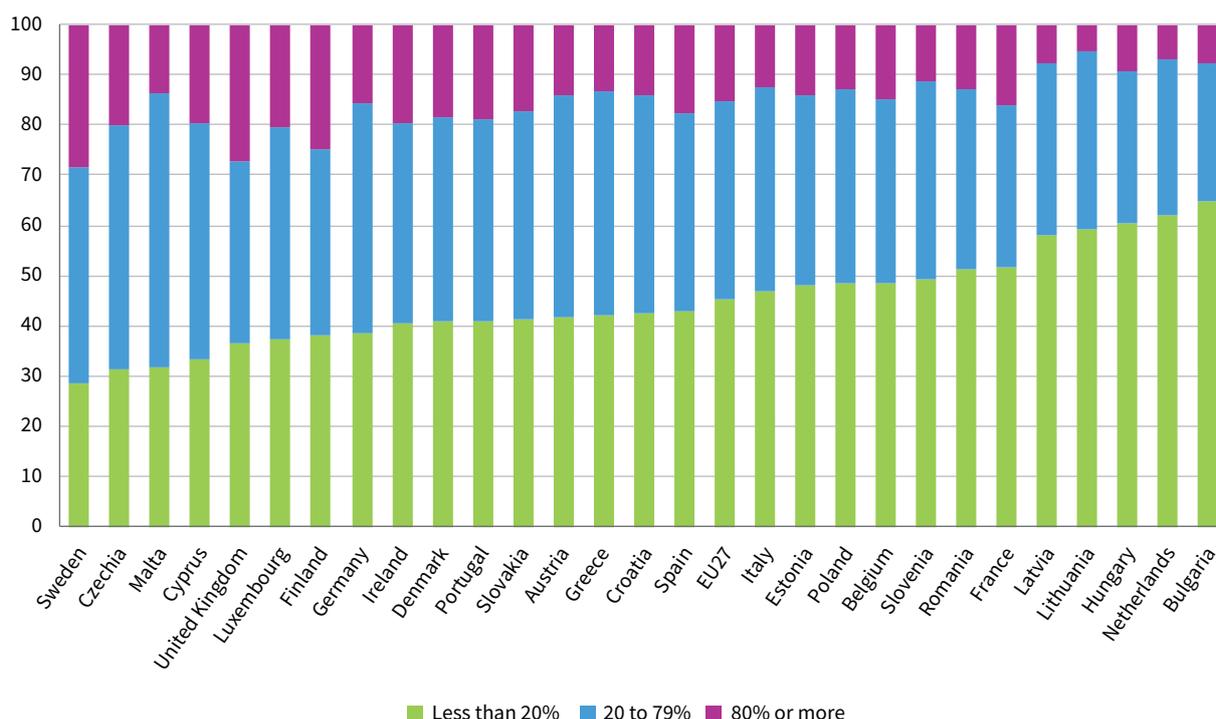
In the ECS 2019, continuous training was defined as

*training that is received at a frequent, regular basis, and that is required to keep up with changes in the equipment that is being used, or changes in the requirements that come along with the certification that is needed to carry out the job.*

In 45% of EU27 establishments, a small proportion of employees (less than 20%) have jobs that require continuous training (Figure 55). In 39% of establishments, the proportion that require continuous training is substantial (20% to 79%), while in 15% of establishments, the proportion is high (80% or more).

**Country:** The proportion of establishments with less than 20% of employees in jobs requiring continuous training is highest in Bulgaria (65%) and the Netherlands (62%) and lowest in Sweden (29%) and Czechia (31%). The proportion of establishments with 80% or more employees in jobs requiring continuous training is highest in Sweden (28%) and the United Kingdom (27%) and lowest in Lithuania (5%) and the Netherlands (7%).

Figure 55: Proportion of employees in jobs requiring continuous training, by country (%)



Source: ECS 2019 management questionnaire

**Sector:** Continuous training needs are lowest in industry, where 57% of establishments have less than 20% of employees in jobs requiring it, and only 7% have 80% or more of employees in jobs requiring such training. Continuous training needs are highest in financial services, where 33% of establishments have 80% or more of employees in jobs that require it, and only 25% have less than 20% of employees in the same position. Transport is an interesting sector, as it has the second-highest proportion of establishments with less than 20% of employees requiring continuous training (50%), but also the second-highest proportion of establishments with 80% or more employees requiring continuous training (26%). These results show a great degree of heterogeneity in the sector in terms of training needs.

**Size:** The proportion of establishments with less than 20% of employees in jobs requiring continuous training is higher in medium-sized (49%) and small (45%) establishments than in large establishments (37%). The proportion of establishments with more than 80% of employees in such jobs is only slightly higher in large establishments (17%) than small (16%) and medium-sized (13%) establishments.

### Jobs offering limited learning opportunities

Just over half of EU27 establishments (54%) have a small proportion of employees (less than 20%) in jobs that offer limited learning opportunities (Figure 56).

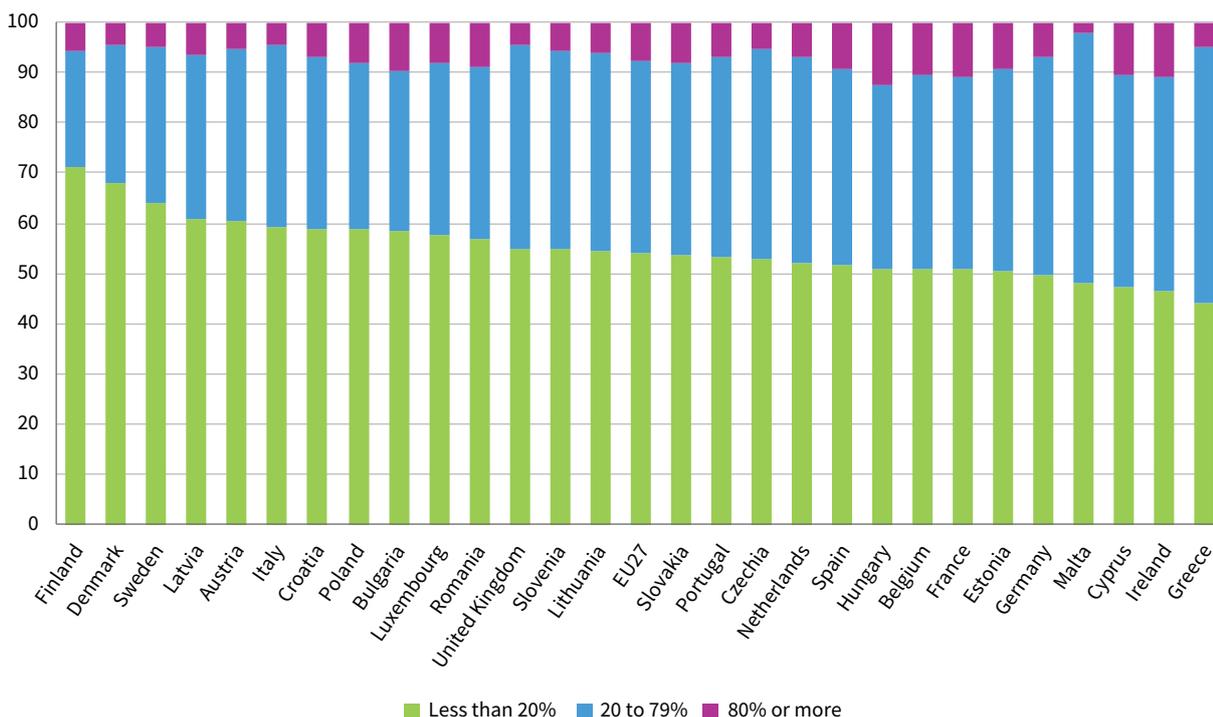
In 38% of establishments, the proportion in such jobs is substantial (20% to 79% of employees), while in just 8%, the proportion of employees in jobs offering few opportunities for learning new things is high (80% or more).

**Country:** Jobs with little opportunity for learning are least common in Finland (in 71% of establishments, less than 20% of employees are in such jobs) and Denmark (68%) and most common in Greece (44%) and Ireland (47%). The proportion of establishments where 80% or more of employees are in such jobs is highest in Hungary (12%), France and Ireland (both 11%) and lowest in Malta (2%) and Denmark (4%).

**Sector:** The proportion of establishments with less than 20% of employees in jobs offering limited learning opportunities is highest in financial services (66%) and lowest in industry (46%). The proportion of with 80% or more employees in jobs offering limited opportunities to learn new things is highest in transport (16%) and lowest in financial services (4%).

**Size:** The distribution across size classes shows an interesting pattern. Small and medium-sized establishments are more likely to have few employees (less than 20%) in jobs with limited learning opportunities (both 54%) compared to large establishments (50%). However, they are also more likely to have many employees (80% or more) in such jobs, as reported in 8% of small and 6% of medium-sized establishments, compared to 4% of large establishments.

Figure 56: Proportion of employees in jobs offering limited learning opportunities, by country (%)



Source: ECS 2019 management questionnaire

## Skills development strategies

To assess the ways in which learning takes place in establishments, the ECS 2019 collected information on the importance of three modes of learning:

- participation in training (on-the-job, courses run on location or courses run somewhere else, including distance learning)
- learning from colleagues
- learning by doing (trial and error)

Learning from colleagues is the mode of learning most favoured in establishments, with 45% of managers rating it as most important. Participation in training was the dominant approach in 19% of establishments, and the same proportion chose learning by doing. A strategy based on a combination of these three learning modes has been adopted by 17% of establishments.

### Country

Variation in the dominant skills development strategies in establishments of the EU27 and the United Kingdom is shown in Figure 57.

- The proportion of establishments relying predominantly on training is highest in Romania (31%), Greece and Slovakia (both 24%) and lowest in Cyprus, Finland and Sweden (all 12%).
- The proportion relying predominantly on learning from colleagues is highest in Cyprus (56%) and Finland (55%) and lowest in Romania (31%) and Slovenia (34%).

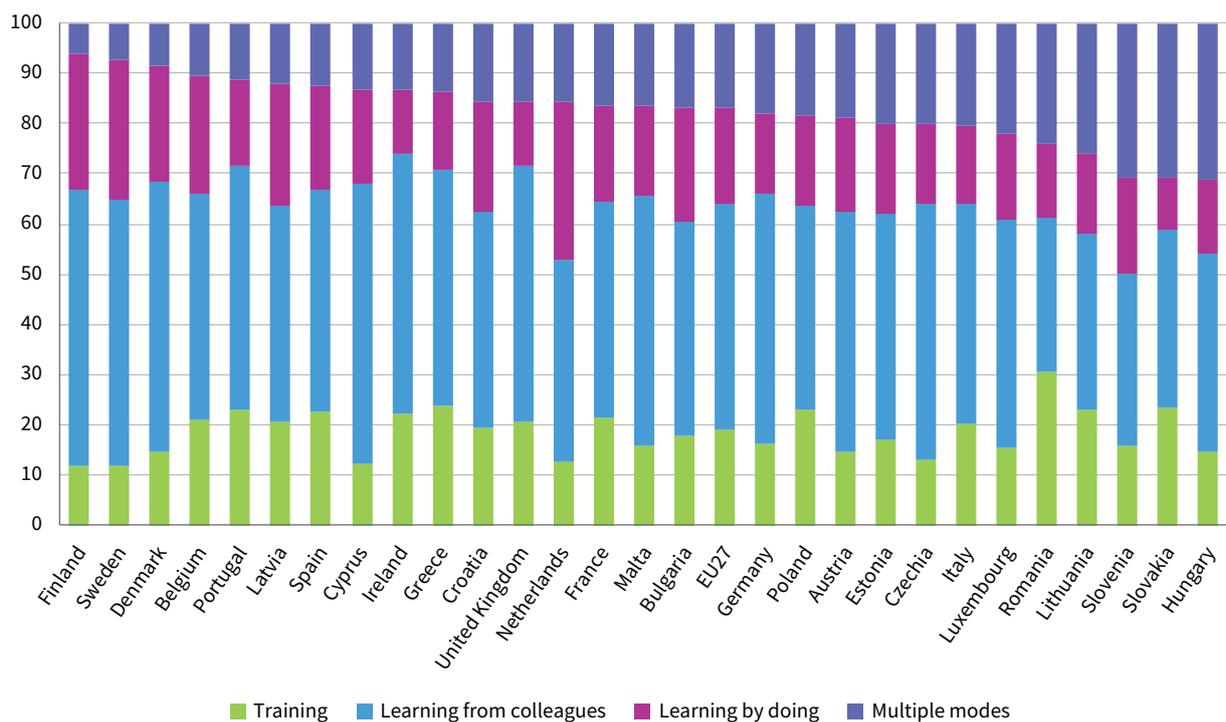
- The proportion that develop skills predominantly through learning by doing is highest in the Netherlands (32%) and Sweden (28%) and lowest in Slovakia (10%), Ireland and the United Kingdom (both 13%).
- The proportion of establishments adopting a multipronged approach to skills development is highest in Hungary, Slovakia and Slovenia (all 31%) and lowest in Finland (6%) and Sweden (7%).

### Sector

- Training is most likely to be the dominant learning mode in financial services (31%) and least likely in construction (15%).
- Learning from colleagues is the dominant mode most often in industry (47%) and least often in transport (41%).
- Learning by doing is most often the dominant mode in transport and other services (both 20%) and least often in financial services (14%).
- Establishments in construction most often rely on multiple skills development modes (22%), and this is least often the case in financial services (10%).

**Size:** When it comes to size of enterprise, differences in dominant learning modes are not very pronounced. The only notable difference was found for use of multiple skills development modes; this was found more commonly in small establishments (18%) than medium-sized (13%) and large (11%) establishments.

Figure 57: Dominant skills development strategy, by country (%)



Source: ECS 2019 management questionnaire

## Training provision

To assess the extent of skills development activities, the ECS 2019 asked managers about two types of training: training sessions delivered to employees and on-the-job training.

### Training sessions during paid working time

The first question on training provision asked about the number of employees who participated in ‘training sessions on the establishment premises or at other locations during paid working time’ over the previous year. In 34% of EU27 establishments, training during working time was provided to a limited proportion of workers (less than 20%); in a further 45% of establishments, training was provided to greater numbers (20% to 79% of workers); and in 22% of establishments, it was offered to a large majority (80% or more).

**Country:** Figure 58 shows the results by country. The proportion of establishments that provided training during working time to less than 20% of their workers

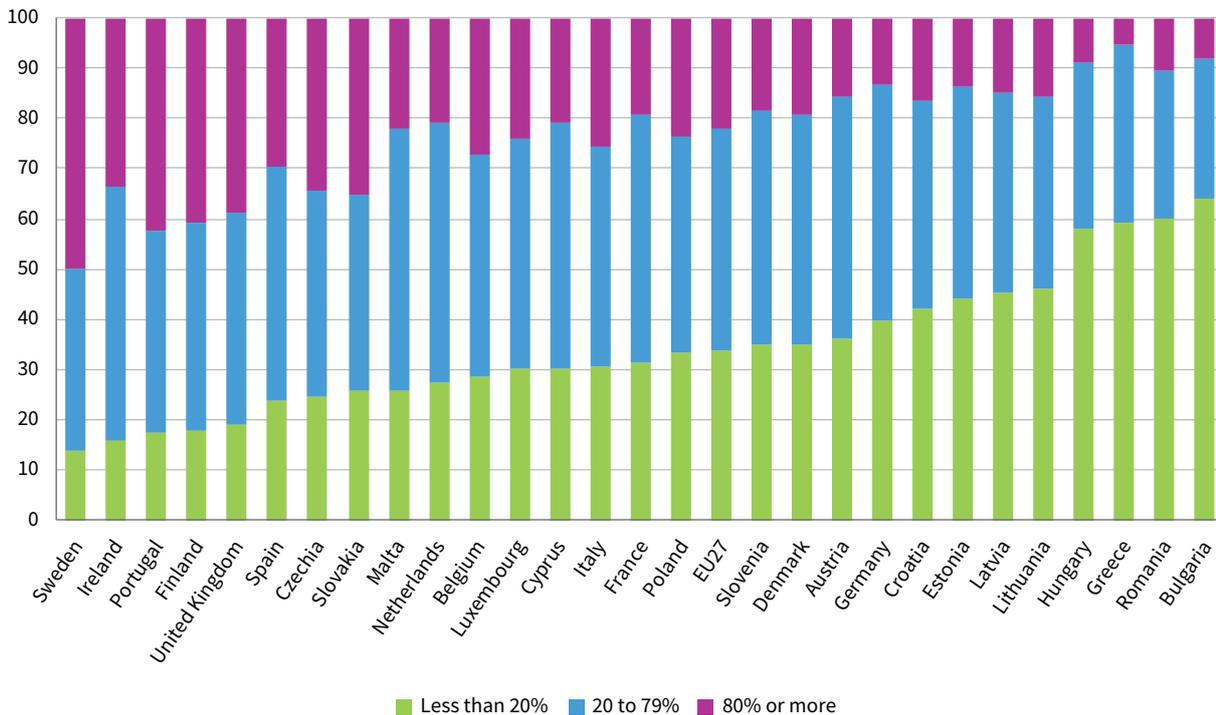
was highest in Bulgaria (64%) and Romania (60%) and lowest in Sweden (14%) and Ireland (16%).

Establishments that trained 80% or more of their workers during working time were more common in Sweden (50%) and Portugal (42%) and least common in Greece (5%) and Bulgaria (8%).

**Sector:** The proportion of establishments training less than 20% of their workforce during working time was highest in industry (42%) and lowest in financial services (17%). The incidence of establishments training 80% or more of their workforce during working time was highest in financial services (40%) and lowest in commerce and hospitality (19%).

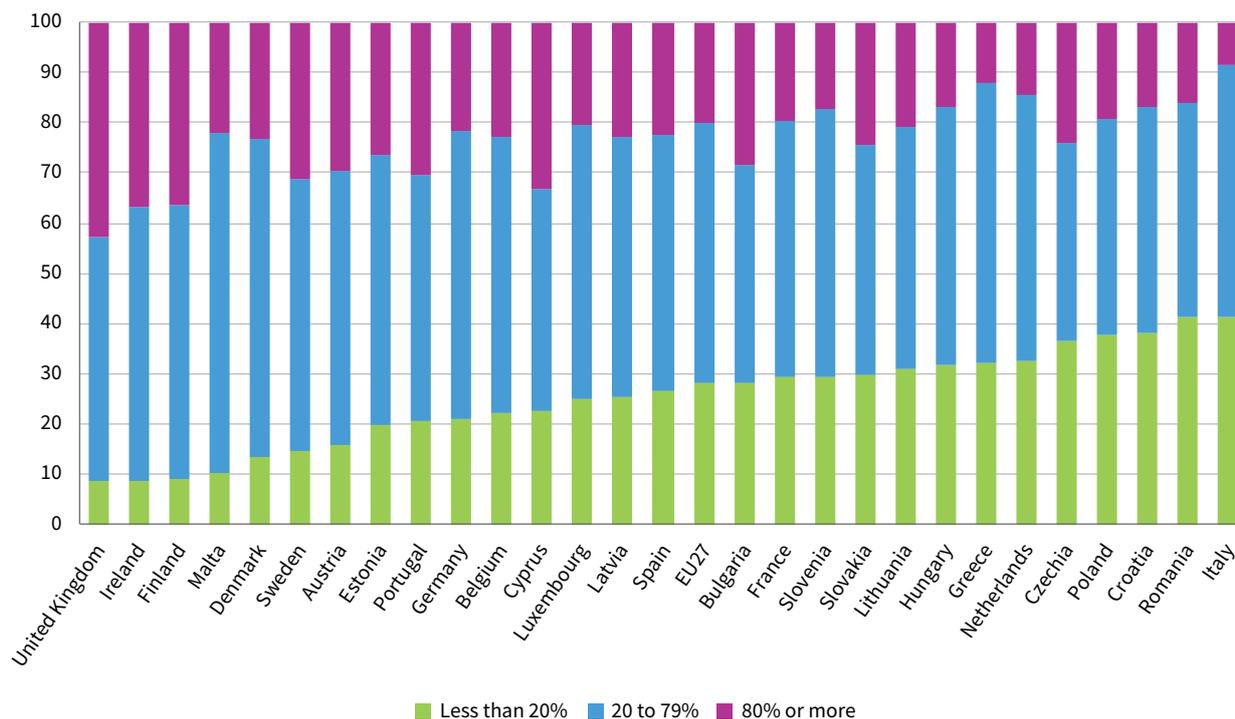
**Size:** Small establishments (35%) were most likely to train less than 20% of their workers during working time, and large establishments (20%) were least likely to do so. However, the proportion of establishments training 80% or more of their workers during working time was also highest in small establishments (23%), while it was lowest in medium-sized establishments (18%).

Figure 58: Proportion of employees who received training during paid working time, by country (%)



Source: ECS 2019 management questionnaire

Figure 59: Proportion of employees who received on-the-job training, by country (%)



Source: ECS 2019 management questionnaire

## On-the-job training

The second question on training provision asked about the proportion of employees who 'received on-the-job training or other forms of direct instruction in the workplace from more experienced colleagues' in the year prior to the survey. In 28% of EU27 establishments, a limited number of employees (less than 20%) received on-the-job training. In 52% of establishments, the proportions were reasonably large (20% to 79% of employees), while in 20% of establishments, a substantial majority (80% or more) of employees received on-the-job training.

**Country:** As Figure 59 shows, the proportion of establishments where less than 20% of employees received on-the-job training was highest in Italy and Romania (both 41%) and lowest in Finland, Ireland and the United Kingdom (all 9%). The United Kingdom (43%) had the highest proportion of establishments where 80% or more of employees received on-the-job training, followed by Finland and Ireland (both 37%); the proportion was lowest in Italy (9%) and Greece (12%).

**Sector:** The proportion of establishments where less than 20% of employees received on-the-job training was highest in transport (35%) and lowest in financial

services (21%). Financial services (26%) had the highest proportion of establishments in which 80% or more of employees received on-the-job training, while industry (16%) had the lowest.

**Size:** Small establishments (29%) were more likely to have less than 20% of employees receiving on-the-job training than medium-sized (26%) and large (19%) establishments. However, similar proportions of small and large establishments (21% and 22%, respectively) had 80% or more of employees receiving on-the-job training, and this was somewhat less common in medium-sized establishments (18%).

## No training provided

A very small number of managers (4%) reported that their establishments did not provide training sessions or on-the-job training to any of their employees in the year preceding the survey. These managers were asked whether their establishment provided training to any of its employees in the three years preceding the survey. The percentage that did not was 3% overall for the EU27. At country level, this figure was highest in Greece and Romania (both 8%) and lowest in Sweden, Ireland, Finland, Spain, Estonia and Portugal (all less than 1%).

## Prioritisation of training

Managers who reported that their establishments did provide training were further probed about managerial practices regarding training. They were presented with two statements about the prioritisation of training and asked which best described common practice in their establishment:

- ‘Participation in training and professional development activities is only possible if workload and work schedules allow for it.’
- ‘Workload and work schedules are adjusted to allow employees to participate in training and professional development activities.’

Around one-third of managers (34%) selected the first statement as a best fit their reality, indicating that work is prioritised over training; around two-thirds (66%) chose the second statement, indicating a prioritisation of training.

**Country:** There were noticeable differences across countries; the proportion of managers adjusting work schedules so that workers could engage in training was highest in Czechia (81%) and Estonia (79%). The proportion of managers reporting that participation in training was only possible when the work schedule allowed for it was highest in Greece (53%) and Cyprus (46%).

**Sector:** Financial services stood out as the sector with the highest proportion of managers adjusting work schedules so that workers can take part in training (81%). In the other sectors, this varied between 63% in construction and 69% in other services.

**Size:** The proportion of managers adjusting work schedules so that workers can participate in training was highest in large establishments (74%), followed by medium-sized (69%) and small (65%) establishments.

### Box 3: Employee representatives reporting on training practices

Employee representatives in 89% of establishments reported that the establishment provided some training in the period 2016–2019, while those in the remaining 11% reported that training was not provided. As was the case with perspectives on the relationship between management and employees (Box 1), managers tended to paint a slightly more positive picture than employee representatives. For example, only 3% of managers reported that no training took place in this period.

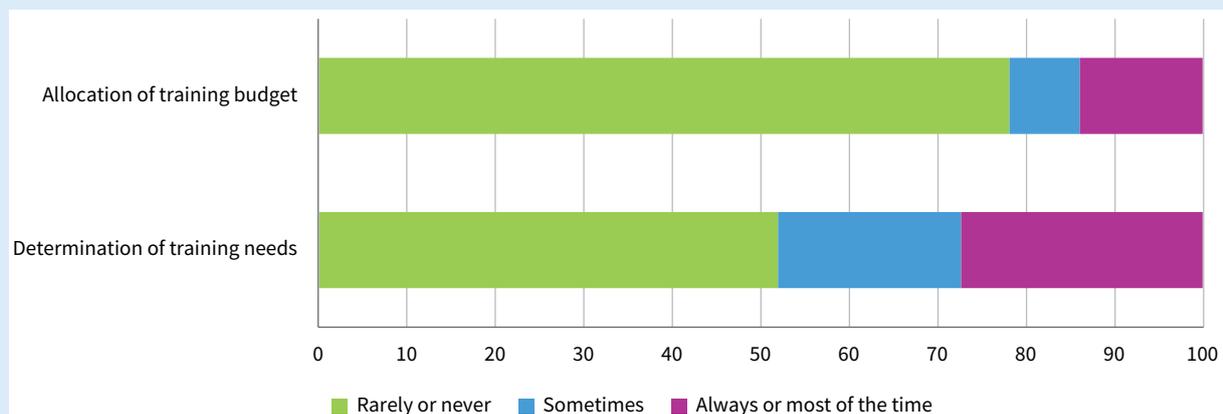
#### Determining training needs

The involvement of the employee representatives in matters related to training is not systematic (Figure 60). In 27% of cases, the employee representative was involved in determining training needs always or most of the time. However, 52% of employee representatives reported that they were involved rarely or even never, and 21% reported that they were involved only occasionally.

#### Allocation of training budget

The involvement of the employee representative in the allocation of the training budget was even more limited. In 78% of establishments, the employee representative was rarely or never involved; in 8%, they were sometimes involved; and in 14%, they were involved always or most of the time.

Figure 60: Involvement of the employee representatives in matters concerning training (%)



Source: ECS 2019 employee representative questionnaire

### Training programmes to prevent skills obsolescence and improve qualifications

In 40% of establishments, employee representatives reported the presence of a programme to help workers whose skills were at risk of becoming outdated at their establishment. In 34% of establishments, they reported the presence of a training programme targeted at less well-trained workers to help them improve their qualifications.

In establishments that had programmes for workers whose skills were at risk of becoming outdated, the employee representative was involved in the programme implementation in 41% of cases. Regarding those with programmes aimed at workers with limited education, the employee representative body was involved in 45% of cases.

## Reasons for training

Managers in establishments that provided some type of training were asked how important four specified reasons were for providing training.

- 96% said training is important for ensuring that employees have the skills they need to do their current job (current skills).
- 84% felt it is important for improving employee morale.
- 81% said training plays an important role in increasing the capacity of employees to articulate ideas about improvements to the establishment (participation).
- 70% said it is important for increasing flexibility, as it allows employees to acquire skills they need to do other jobs – for instance, supporting job rotation or career advancement.

This same ranking was found in all countries except Austria, Portugal and Spain, where participation was ranked higher than morale. The order was also consistent across sectors and size classes.

## Perceived importance of training

The reasons for training were all moderately to highly correlated.<sup>14</sup> This observation suggests that although there is a clear order of importance in these four reasons for training, in combination they capture the level of importance that is attached to training in general.

To reflect the importance of training, a composite indicator was constructed by taking the average scores for the four reasons. Scores were then divided into terciles. As this is a relative measure and because the distribution was somewhat uneven at EU27 level, roughly one-third of establishments were assigned to one of three categories: low (25%), medium (40%) and high (35%).

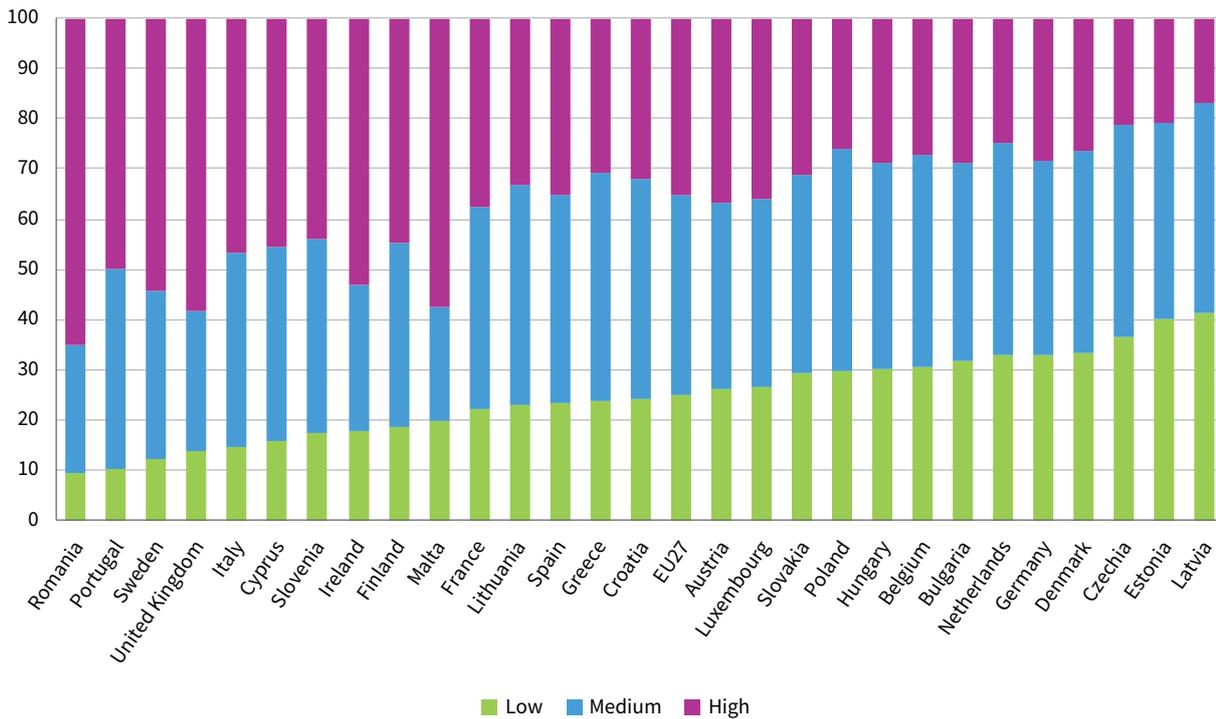
**Country:** As shown in Figure 61, establishments that regard training as highly important are most prevalent in Romania (65%) and the United Kingdom (58%) and least prevalent in Latvia (17%) and Czechia and Estonia (both 21%). Those that attach a medium level of importance to it are found most commonly in Greece (46%), Croatia, Lithuania and Poland (all 44%) and least commonly in Malta (23%) and Romania (25%). Finally, establishments that regard training as of low importance are found most commonly in Latvia (41%) and Estonia (40%) and least commonly in Romania (9%) and Portugal (10%).

**Sector:** The 'high importance' category is most common in commerce and hospitality (38%) and least common in construction (32%). The 'medium importance' category is found most frequently in financial services (43%) and least frequently in transport (36%). And the 'low importance' category is found most in transport (30%) and least in commerce and hospitality (23%).

**Size:** Differences between size classes are negligible.

<sup>14</sup> The lowest correlation (0.3) was between 'current skills' and 'flexibility'; the highest correlation (0.5) was between 'participation' and 'morale'. Cronbach's alpha (a measure of internal consistency) for the four items is 0.7.

Figure 61: Perceived importance of training, by country (%)



Source: ECS 2019 management questionnaire

## Types of establishment: Training and skills development

The variables examined in this section aim to capture different aspects of skills development in establishments and were used in a latent class to distinguish between establishment types. The variables cover the provision of training, whether through training sessions or on-the-job training. They include the internal needs for skills development, assessed by the percentage of workers in jobs allowing for learning opportunities or requiring continuous training. The variables also capture the degree of workplace support for training, managerial practices related to training and the degree of importance attributed to training in order to achieve various goals (skills, flexibility, participation and morale).

Skills development strategy (participation in training, learning from colleagues and learning by doing) was also analysed but this did not contribute much to the formation of establishment types; that is to say, the incidence of establishments relying on the various strategies did not vary significantly across groups.

The latent class analysis returned three establishment types:

- comprehensive training and learning opportunities
- selective training and learning opportunities
- limited training and learning opportunities

Table 8 provides a profile of each type.

### Comprehensive training and learning opportunities

This establishment type is characterised by a high level of access to training and includes 9% of establishments. Within this group of establishments, 89% provided on-the-job training to 80% or more of workers, and 90% provided training during paid working time to 80% or more of workers. In 65% of establishments of this type, 80% or more of the workforce are in jobs requiring continuous training and, in the vast majority of establishments (84%) in this type, less than 20% of employees are in jobs that offer limited opportunities to learn new things. In two-thirds (66%) of establishments of this type, management believes that training is of high importance for achieving desirable outcomes. In line with this, the majority of managers (89%) support participation in training by adjusting work schedules.

### Selective training and learning opportunities

This was the largest type, accounting for 56% of establishments. In these establishments, training is offered selectively: 69% offered training during paid working time to 20% to 79% of their employees; in 62% of establishments, 20% to 79% of employees received on-the-job training.

In 52% of establishments in this group, 20% to 79% of workers are in jobs requiring continuous training. In 81%, managers believed that training is either highly or moderately important in achieving desirable outcomes. This type is fairly evenly split between those believing that training is very important and those believing it is

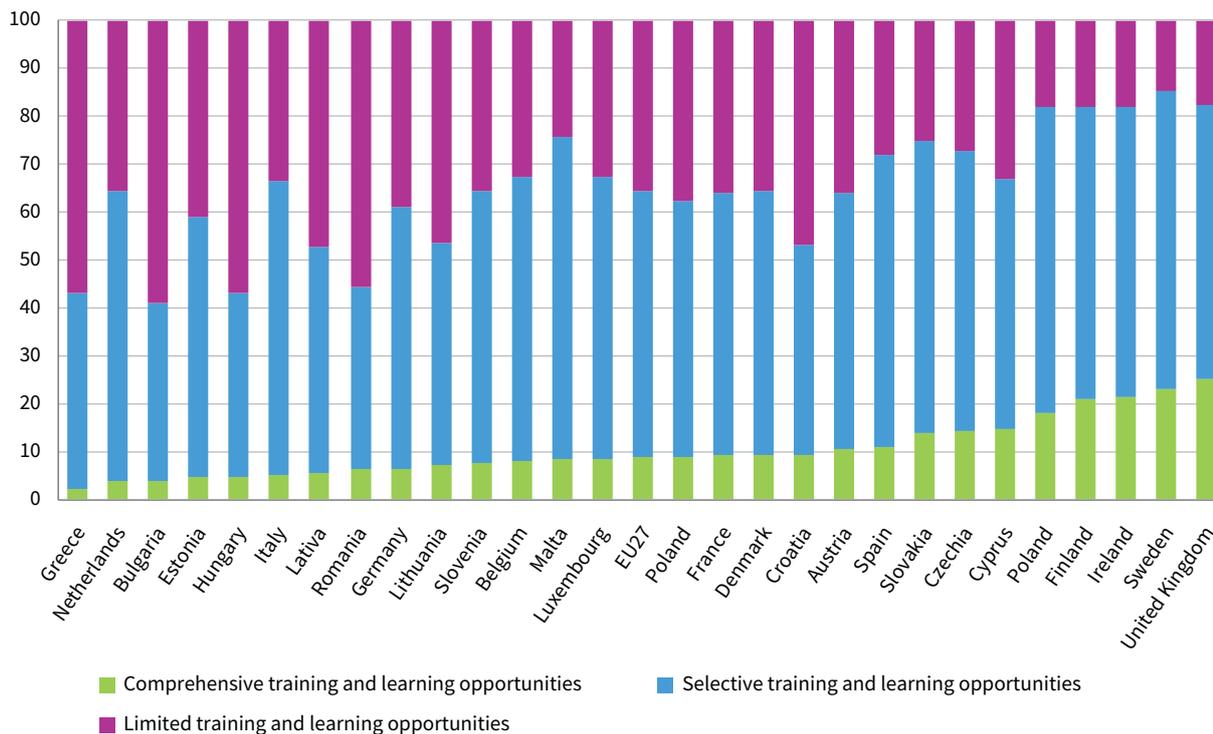
moderately important. Managers generally support participation in training by adjusting work schedules (75% of establishments), but in one-quarter (25%) of cases, managers facilitate participation in training only when work schedules allow for it.

**Table 8: Profiles of establishment types – training and skills development (%)**

	Comprehensive training and learning opportunities	Selective training and learning opportunities	Limited training and learning opportunities	EU27
<b>Group size</b>	9	56	36	100
<b>Employees in jobs that require continuous training</b>				
Less than 20%	10	32	75	45
20% to 79%	25	52	23	39
80% or more	65	16	2	15
<b>Employees in jobs with limited learning opportunities</b>				
Less than 20%	84	56	44	54
20% to 79%	12	39	44	38
80% or more	5	5	12	8
<b>Dominant skills development strategy</b>				
Training	22	22	14	19
Learning from colleagues	45	43	49	45
Learning by doing	14	19	20	19
Multiple modes	19	16	17	17
<b>Employees who received training during paid working time</b>				
Less than 20%	0	6	84	33
20% to 79%	10	69	16	45
80% or more	90	25	0	22
<b>Employees who received on-the-job training</b>				
Less than 20%	0	19	48	28
20% to 79%	11	62	45	52
80% or more	89	18	6	20
<b>Prioritisation of training</b>				
Participation in training only possible if workload and work schedules allow	11	25	56	34
Workload and work schedules adjusted to allow participation in training	89	75	44	66
<b>Perceived importance of training</b>				
Low	6	19	41	25
Medium	28	42	39	40
High	66	39	21	35

Source: ECS 2019 management questionnaire

Figure 62: Establishment type – training and skills development, by country (%)



Source: ECS 2019 management questionnaire

### Limited training and learning opportunities

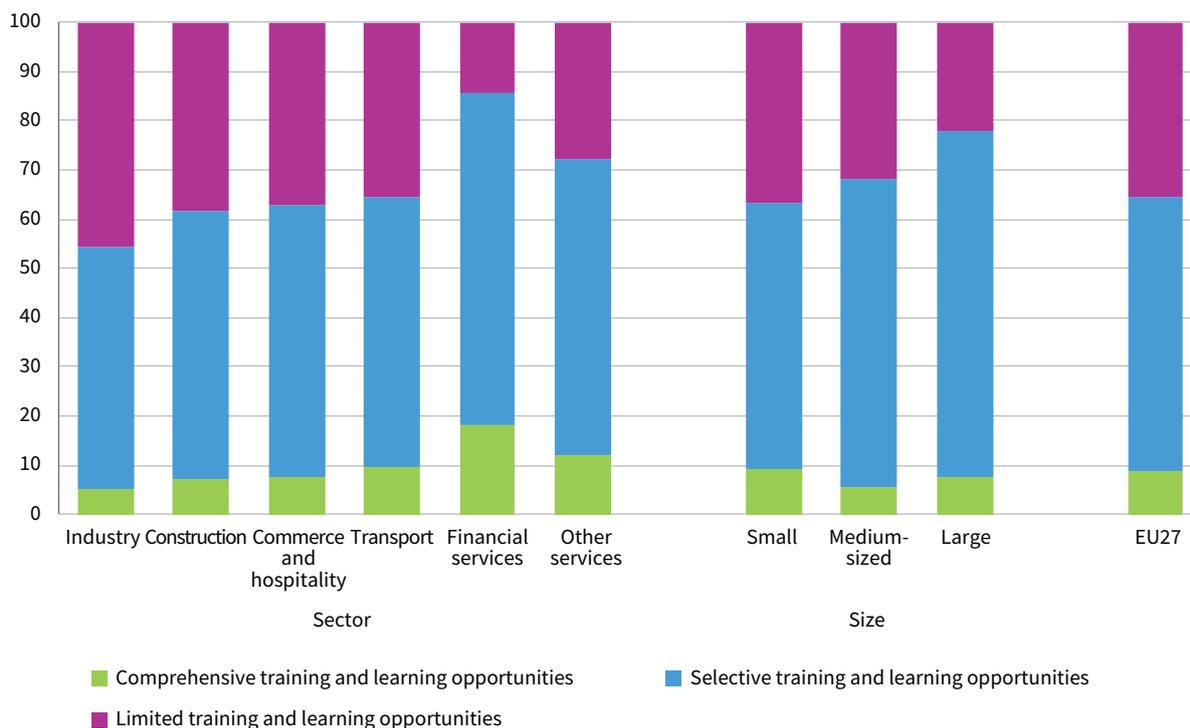
The remaining 36% of establishments were assigned to this type. In 84% of these establishments, less than 20% of workers participated in training during working time, and in 48%, less than 20% of workers received on-the-job training. These establishments indicated very little need for training: 75% reported that less than 20% of workers are in jobs requiring continuous training. In addition, 41% of establishments in this group attribute low importance to training, and 39% give it medium importance. This group has by far the highest proportion (56%) of establishments in which employees can participate in training only if work schedules allowed for it.

### Distribution of types according to structural characteristics

#### Country

- The incidence of establishments belonging to the ‘comprehensive training and learning opportunities’ type is highest in the United Kingdom (25%) and Sweden (23%) and lowest in Greece (2%) and the Netherlands (4%; Figure 62).
- The proportion of establishments in the ‘selective training and learning opportunities’ type is highest in Malta (67%) and Portugal (64%) and lowest in Bulgaria (37%) and Romania (38%).
- The ‘limited training and learning opportunities’ type is found most commonly in Bulgaria (59%) and Greece and Hungary (both 57%) and least commonly in Sweden (15%), Finland, Ireland, Portugal and the United Kingdom (all 18%).

Figure 63: Establishment type – training and skills development, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

**Sector:** Both the ‘comprehensive training and learning opportunities’ and ‘selective training and learning opportunities’ types are most prevalent in financial services (18% and 67%, respectively) and least prevalent in industry (5% and 49%, respectively; Figure 63). Conversely, the ‘limited training and learning opportunities’ type is most prevalent in industry (46%) and least prevalent in financial services (15%).

#### Size

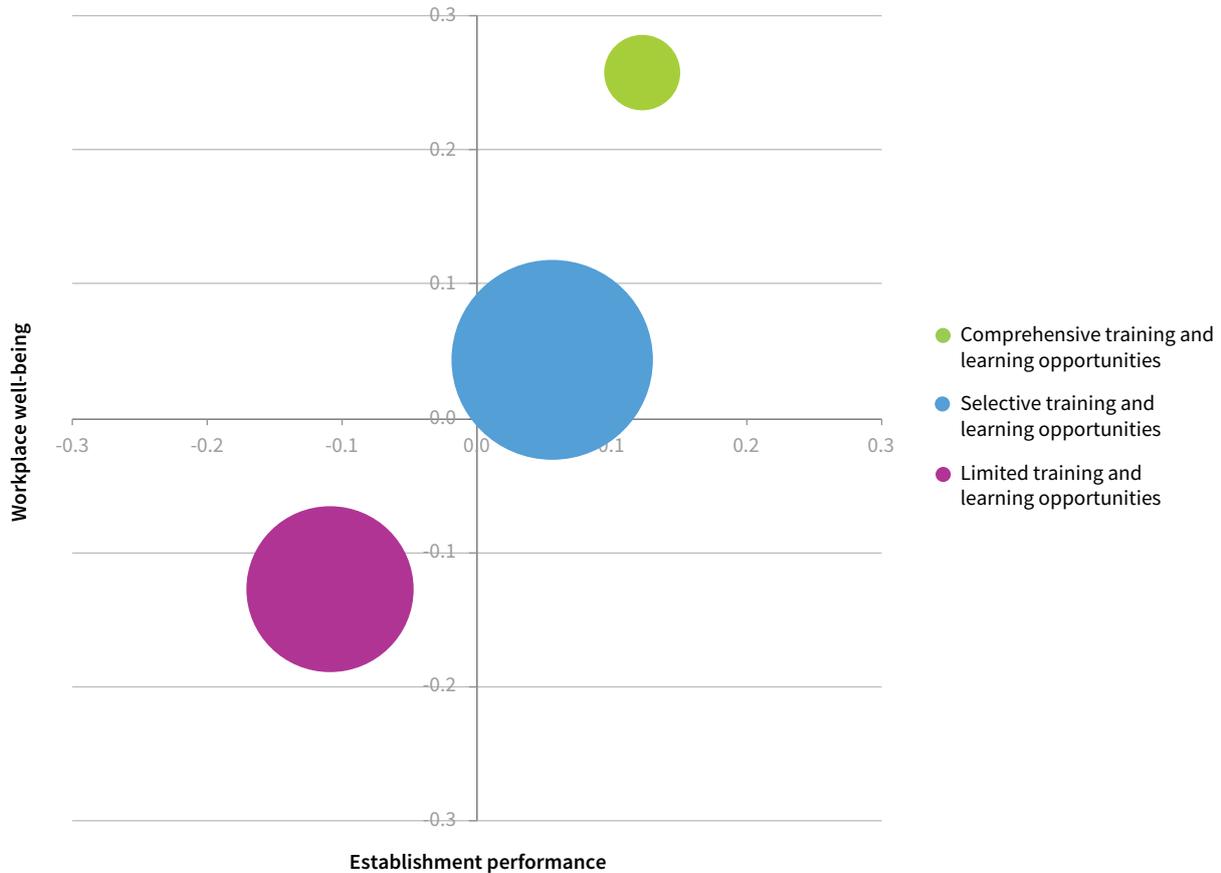
- The ‘comprehensive training and learning opportunities’ type is found most commonly in small establishments (9%), followed by large establishments (8%) and medium-sized establishments (6%).
- The ‘selective training and learning opportunities’ type is most prevalent in large establishments (70%), followed by medium-sized (62%) and small (54%) establishments.

- The ‘limited training and learning opportunities’ type is most prevalent in small establishments (37%), followed by medium-sized (32%) and large (22%) establishments.

#### Scores on workplace well-being and establishment performance

The extent of training and learning opportunities available in establishments has a clear positive relationship with scores on workplace well-being and establishment performance (Figure 64). Establishments of the ‘comprehensive training and learning opportunities’ type score highest on workplace well-being and establishment performance, followed by those with ‘selective training and learning opportunities’ and, finally, those with ‘limited training and learning opportunities’. All differences hold when controlling for country, sector and size.

**Figure 64: Workplace well-being and establishment performance, by establishment type – training and skills development (z-scores)**



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

#### Digitalisation

Figure 65 shows a clear positive association between digitalisation and approach to skills development. The ‘comprehensive training and learning opportunities’ type is by far the most prevalent in establishments of the ‘highly digitalised’ type (14%) and least prevalent in those of the ‘limited digitalisation’ type (6%). The opposite is true for the ‘limited training and learning opportunities’ type, which is found more than twice as often in establishments of the ‘limited digitalisation’ type (51%) than in those of the ‘highly digitalised’ type (22%).

#### Innovation

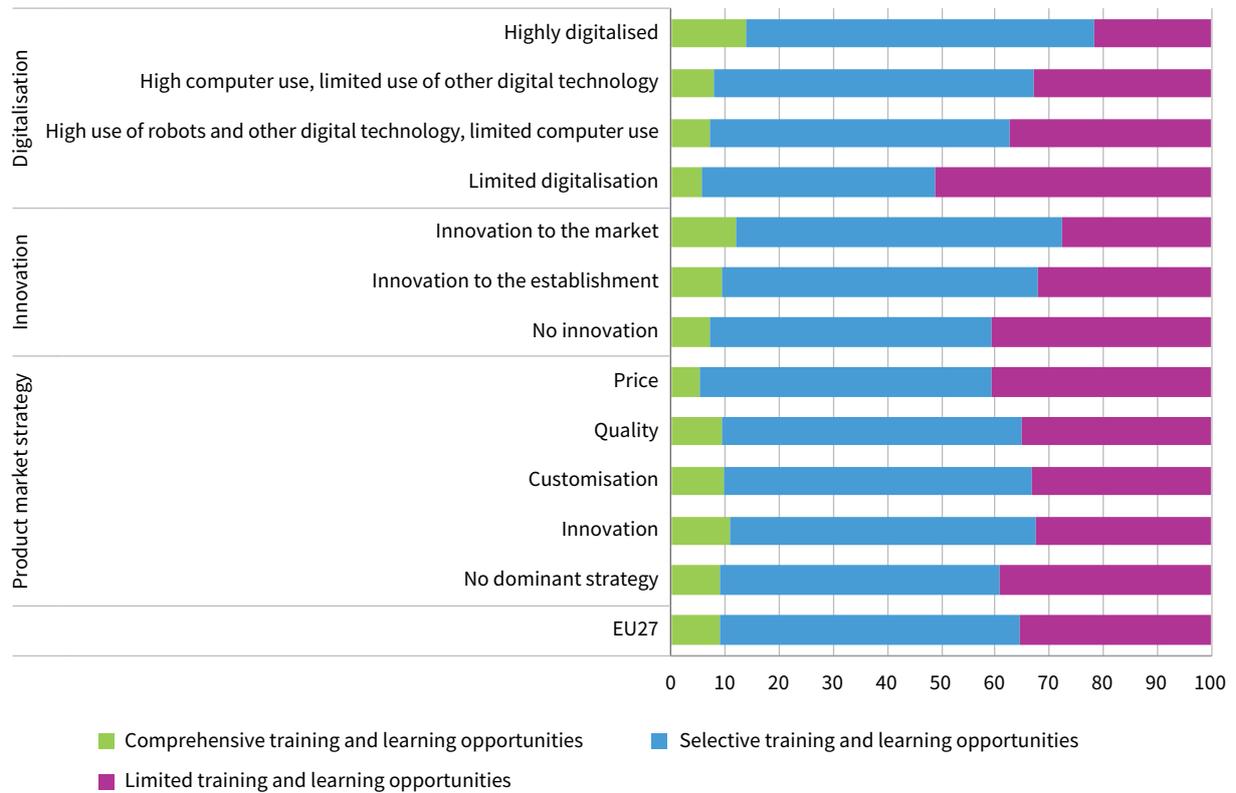
Level of innovation is also clearly positively associated with skills development. Establishments that have introduced innovations to the market are much more likely to be of the ‘comprehensive training and learning opportunities’ type (12%) than those that have not

innovated at all (7%); conversely, those establishments that did not innovate are considerably more likely to be of the ‘limited training and learning opportunities’ type (41%) than those that introduced innovation internally (32%) or to the market (27%).

#### Product market strategy

The differences between establishments with different product market strategies are somewhat less pronounced. Those that aim to compete through innovation are most likely to be of the ‘comprehensive training and learning opportunities’ type (11%), and those that aim to compete on price least likely (5%). Those that aim to compete through customisation are most likely to be of the ‘selective training and learning opportunities’ type (58%) and those that follow multiple strategies least likely (52%). Finally, establishments that aim to compete on price are most likely to be of the ‘limited training and learning opportunities’ type (41%), while those aiming to compete through customisation or innovation are least likely (both 33%).

**Figure 65: Establishment type – training and skills development, by digitalisation, innovation and product market strategy (%)**



Source: ECS 2019 management questionnaire

# Key findings: Skills availability and skills development

## Skills requirements and skills match

In the EU27, employees generally have the skills required to perform their jobs: for 71%, on average, their skills match the job; of the remaining workers, 16% are overskilled and 13% are underskilled. In only 16% of establishments do all workers have the necessary skills to match the job requirements. Having a certain level of overskilling or underskilling, therefore, appears to be very common.

## Training and skills development

### Training needs

Just over half of EU27 establishments have substantial training needs. In 39%, the percentage of employees in jobs that require continuous training ranges from 20% to 79%, while in 15% this applies to 80% or more of employees.

Furthermore, in 54% of establishments, a small proportion of employees (less than 20%) are in jobs offering limited learning opportunities. In 38% of establishments, 20% to 79% of employees are in this position. The proportion of establishments where a substantial majority of employees (at least 80%) are in jobs offering few opportunities for learning new things is small (8%).

### Skills development strategies

Learning from colleagues is the predominant approach to skills development in the largest group of establishments (45%). For 19%, the most important way to develop skills is through training, while for a further 19% of establishments, it is through learning by doing. In 17% of establishments, one or more of these learning modes are considered equally important.

### Training provision

Provision of training courses was extensive in 22% of establishments, which provided such training to 80% or more of their employees in the year prior to the survey. A further 45% of establishments provided training courses to a moderate to large proportion of employees (20% to 79%). In 34% of establishments, smaller percentages (less than 20%) received training.

Turning to on-the-job training delivered by colleagues, in 20% of establishments, this was extensive, with 80% or more of employees receiving it. In 52% of

establishments, 20% to 79% of employees participated in on-the-job training, while in 28%, less than 20% of workers received it.

Only 4% of EU27 establishments did not provide any training sessions or organise any on-the-job training activity during 2018.

In those establishments that provided training, 34% of managers indicated that participation in training activities is only possible if workload and work schedules allow for it, while 66% of managers reported that workload and work schedules are adjusted so that employees could participate in training activities.

### Reasons for training

Managers were asked to identify the reasons why training is important to their establishment. For almost all (96%), it is important because it ensures that employees have the skills they need to do their current job. For 84%, it has an important role in supporting employee morale, while for 81%, it is important as it increases employees' ability to provide suggestions for improving operations (thus contributing to the success of the organisation). Finally, 70% of managers felt that training is important for enabling employees to acquire skills they need to do other jobs (for instance, to participate in job rotation or for career advancement), thereby increasing establishment's flexibility in using their workforce.

Establishments were grouped into three types based on the extent of their skills development activities:

- comprehensive training and learning opportunities (9% of EU27 establishments)
- selective training and learning opportunities (56%)
- limited training and learning opportunities (36%)

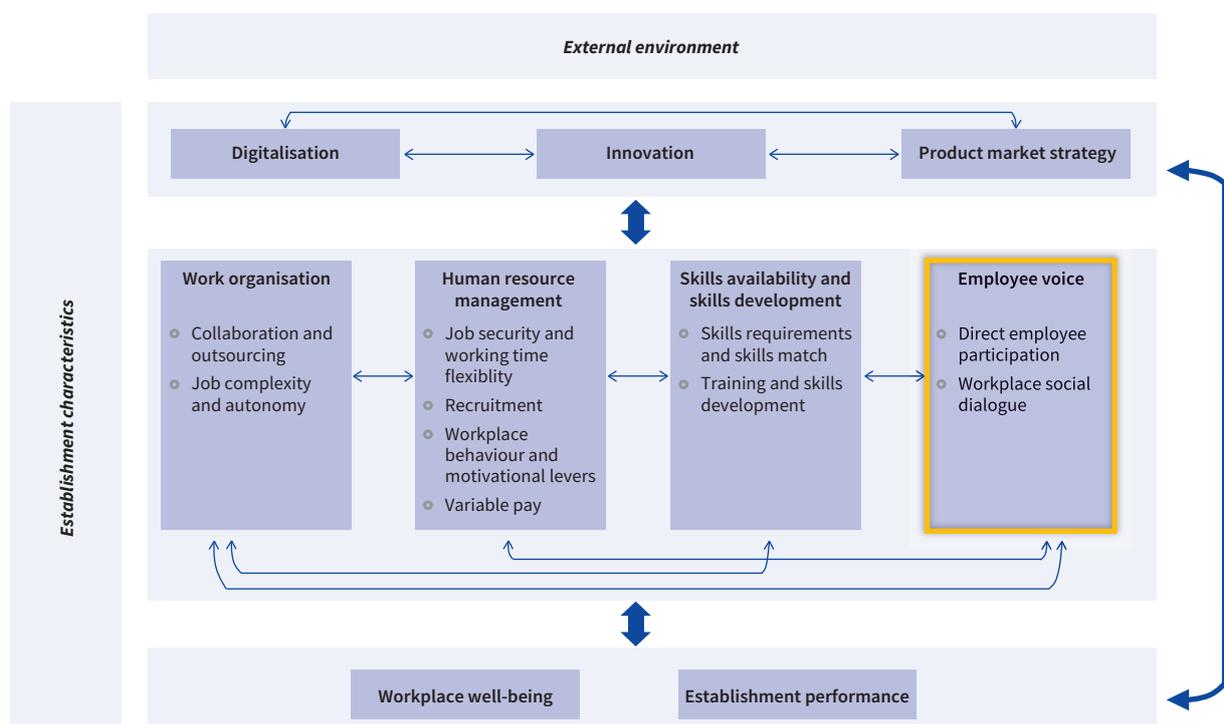
### Relating skills development to workplace outcomes

The extent of training and learning opportunities has a clear positive relationship with workplace well-being and establishment performance. Establishments of the 'comprehensive training and learning opportunities' type score highest in terms of workplace well-being and establishment performance, followed by those of the 'selective training and learning opportunities' type and, finally, those of the 'limited training and learning opportunities' type.

# Employee voice

Employee voice is the contribution of employees' views and ideas to the workings of the organisation that employs them. In a healthy employment relationship, employees have sufficient opportunity to raise their concerns and voice their ideas for improving the organisation and its activities, and their inputs are taken seriously. The benefits for the employer go beyond the immediate added value of these ideas – which could be very significant – as being heard and being taken seriously might also motivate employees more generally.

Employee voice can be channelled directly or indirectly within the organisation. Chapter 12 looks at direct employee participation, which is the involvement of employees themselves in these activities. Chapter 13 assesses indirect employee participation, where employee representatives act on behalf of employees through workplace social dialogue.





# 12 | Direct employee participation

This chapter examines direct employee participation in EU27 establishments – the opportunities establishments give to employees to provide input on decision-making. The ECS 2019 aimed to gain insight into the tools establishments use to facilitate direct employee participation, such as meetings and online discussion boards. Furthermore, it included questions to capture the subjective assessment of managers concerning the impact of direct employee involvement – on the timeliness of decisions and on their effectiveness – in terms of improving competitive advantage. Questions were also asked about the extent to which employees directly influence decision-making in a range of areas.

## Tools for employee participation

Establishments use various means to engage with employees, and these vary in the degree to which they are top-down or bottom-up as well as the degree of interaction involved. The ECS 2019 asked about:

- three tools to facilitate interaction:** meetings between employees and their line manager, meetings open to all employees in the establishment, and discussions with employees through social media or online discussion boards

- one top-down tool:** the dissemination of information through newsletters, websites, noticeboards, email and so on
- one bottom-up tool, labelled here as a ‘suggestions scheme’:** the collection of ideas and suggestions from employees, on a voluntary basis and at any time, often by means of a physical or virtual ‘suggestion box’

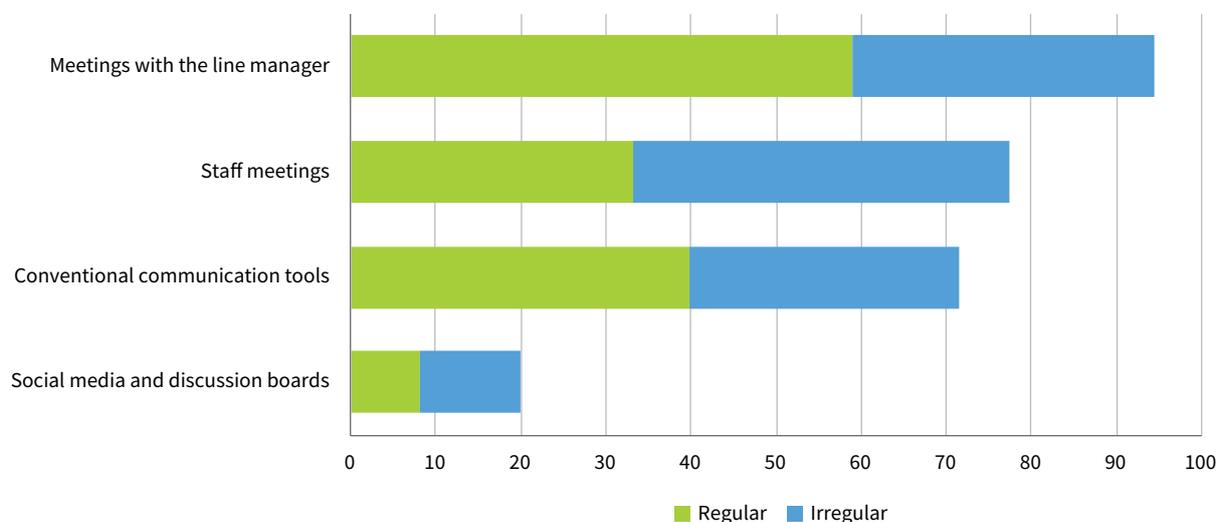
The ECS 2019 also asked whether these tools are used on a regular or irregular basis – apart from suggestions schemes, which, once introduced, are quite likely to be a permanent feature.

### Meetings with the line manager

Figure 66 shows that almost all establishments (94%) in the EU27 use meetings between employees and their line manager as a way to engage with employees. These are held regularly in 59% of establishments and irregularly in 36%.

Regular meetings between employees and their immediate manager are most prevalent in Sweden (82%) and Austria (76%) and least prevalent in Poland (42%) and Croatia (43%). In terms of sector, such meetings are most prevalent in other services (69%) and least prevalent in transport (46%). Large establishments are more likely to hold regular meetings between employees and their immediate manager (66%) than medium-sized (62%) and small (58%) establishments.

Figure 66: Prevalence of tools for engaging with employees and their frequency of use (%)



Source: ECS 2019 management questionnaire

## Staff meetings

The second most popular tool for engaging with employees is general staff meetings. These are held regularly in 33% of EU27 establishments and irregularly in 44%.

Regular general staff meetings are reported most frequently in Sweden (73%) and Denmark (60%) and least frequently in Poland (18%) and Spain (25%). Establishments in other services are most likely to hold regular general staff meetings (41%), and establishments in transport are least likely to do so (26%). Given the challenges of scale, somewhat surprisingly, regular general staff meetings are more prevalent in large establishments (39%) than in small (33%) and medium-sized (32%) establishments.

## Conventional communication tools

Dissemination of information through newsletters, websites, noticeboards or email is a regular practice in 40% of EU27 establishments and occurs irregularly in a further 32%.

Regular dissemination of information was reported most commonly in Sweden (70%) and Finland (65%) and least commonly in Poland (18%) and Romania (22%). It features most in financial services (49%) and least in construction (30%), and it was reported much more frequently in large establishments (72%) than in medium-sized (54%) and small (37%) establishments.

## Social media and discussion boards

Discussions with employees through social media or online discussion boards occur regularly in 8% of EU27 establishments and irregularly in a further 12%.

Regular online discussions were reported most commonly in Finland (18%) and the United Kingdom (16%) and least commonly in Poland (3%) and Croatia (4%). They are most prevalent in other services (12%) and least prevalent in industry (4%). Large establishments are more likely to use these methods (13%) than medium-sized (9%) and small (8%) establishments.

## Management opinion of direct employee involvement

The ECS 2019 asked managers two questions about their opinion of direct employee involvement:

- on the practicality of involving employees, asking to what extent managers thought this causes delays in the implementation of changes
- on the potential outcomes of employee involvement, asking to what extent managers thought involving employees in work organisation changes gives the establishment a competitive advantage

Around one-third (32%) of managers reported that, in their opinion, involving employees in the implementation of changes causes delays to a moderate or great extent.

Managers in Cyprus (53%) and Lithuania (50%) were the most concerned about delays caused by employee involvement, while managers in Finland (9%) and the United Kingdom (21%) were the least concerned. Differences between sectors and size classes are very small in this regard.

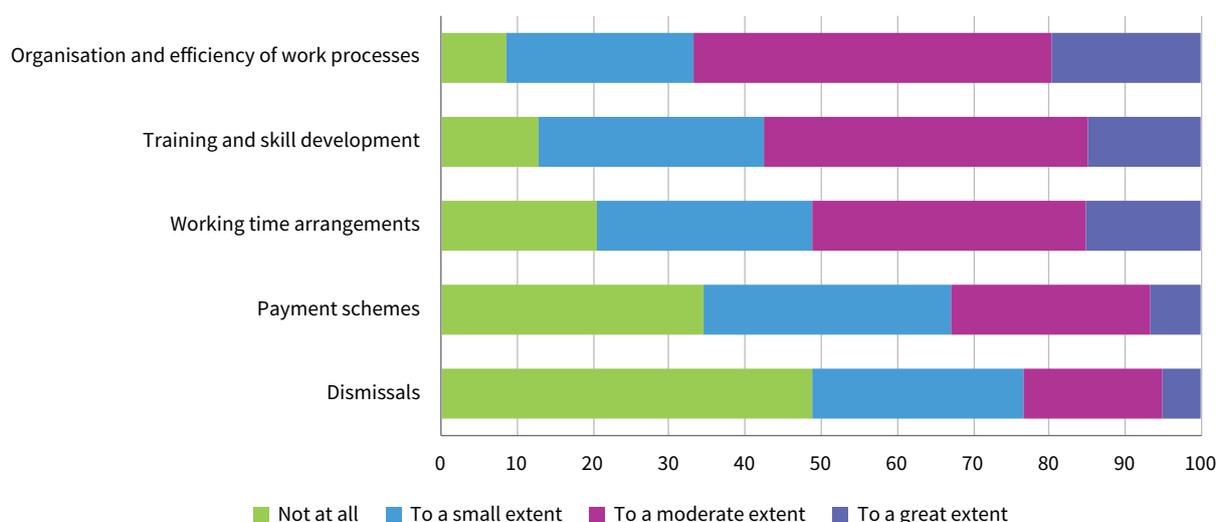
More than two-thirds (70%) of managers reported that, in their opinion, involving employees in work organisation changes gives the establishment a competitive advantage to a moderate or great extent.

Managers in Denmark (90%) and Portugal (88%) are the most positive in this regard, and managers in the Netherlands (43%) and Czechia (52%) are the least positive. Managers in commerce and hospitality are most likely to think involving employees offers a competitive advantage (72%), and managers in construction and transport were least likely to hold this opinion (both 65%). Establishment size does not matter much in this regard.

## Influence on management decisions

Managers were asked to what extent they thought that, in the three years preceding the survey, employees directly influenced management decision-making in various areas. Figure 67 shows that employee influence was reported to have most influence on management decisions about the organisation and efficiency of work processes: 67% of managers reported that employees influence these decisions to a moderate or a great extent. The lowest level of employee influence was reported for decisions concerning dismissals: 24% of managers reported that employees influenced these decisions to a moderate or great extent.

Figure 67: Areas of employee influence on management decisions, by extent of influence (%)



Source: ECS 2019 management questionnaire

To facilitate comparisons, a composite indicator was constructed to indicate whether the overall direct influence of employees on management decisions was high, medium or low (see the Annex, under 'Level of influence of employees and employee representatives'). Because this is a relative measure, roughly one-third of establishments was allocated to each of the three categories: high (34%), medium (30%) and low (36%).

A high level of direct employee influence was reported most frequently in Romania (55%) and Spain (47%) and least frequently in the Netherlands (18%) and Belgium (23%). Employee influence is most likely to be high in other services (38%) and least likely to be high in industry (31%). Establishment size do not have much effect on the level of direct employee influence.

## Types of establishment: Direct employee participation

Looking at the three elements of direct employee participation – the tools used, management opinion and the level of direct employee influence – a latent class analysis distinguished four types of establishment:

- regular, high influence
- irregular, moderate influence
- meeting-oriented, limited influence
- few tools, little influence

Table 9 provides a profile of each type.

### Regular, high influence

Almost one-third (31%) of establishments were classified as this type, which is characterised by regular use of all means of engaging with staff. Although management recognises that employee involvement might cause some delays, managers see considerable competitive advantages in this approach. Employees in these establishments have a relatively high level of direct influence on management decisions.

### Irregular, moderate influence

More than one-third (37%) of establishments were classified as this type, characterised by irregular use of most means of engaging with staff. Here, as well, management recognises that employee involvement might cause some delays, but they see competitive advantages. Managers tend to report that employees have a medium level of direct influence on management decisions.

### Meeting-oriented, limited influence

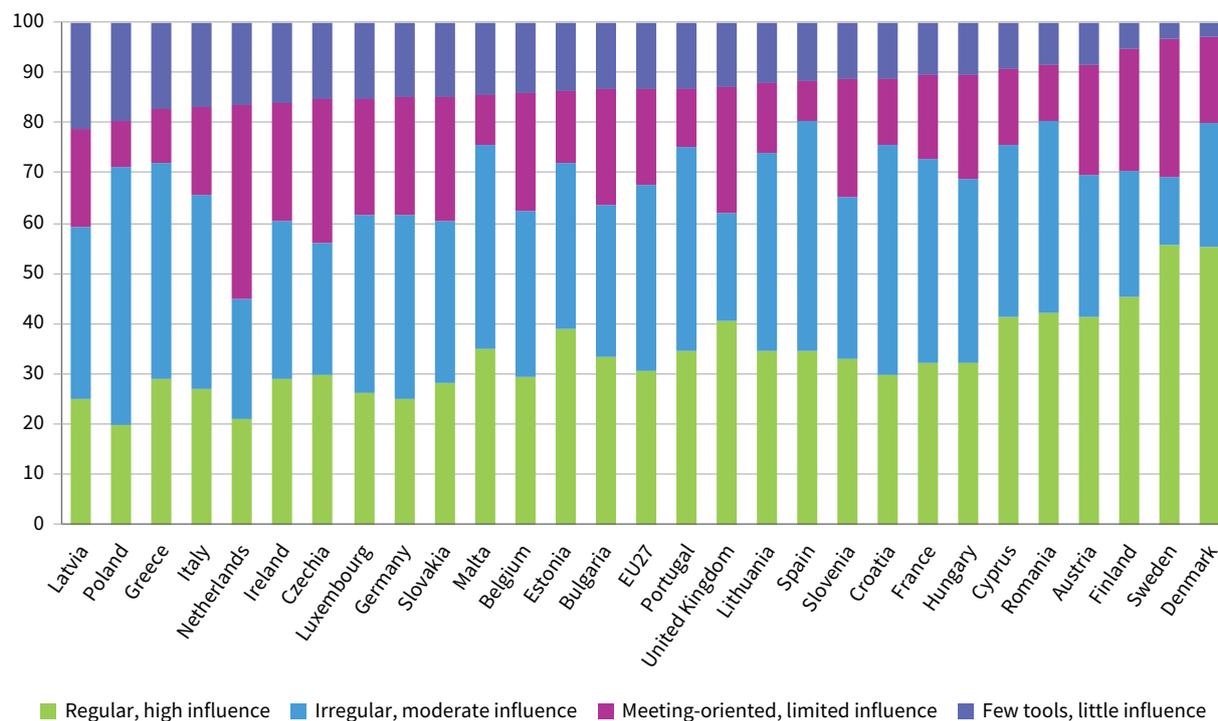
This type accounts for 19% of establishments. It is characterised by relatively regular occurrence of meetings between employees and their immediate manager, general staff meetings and dissemination of information to staff. Management is not particularly concerned about delays caused by employee involvement, but they do not see many competitive advantages either. The level of influence of employees on management decisions tends to be low.

**Table 9: Profiles of establishment types – direct employee participation (%)**

	Regular, high influence	Irregular, moderate influence	Meeting-oriented, limited influence	Few tools, little influence	Total
<b>Group size</b>	<b>31</b>	<b>37</b>	<b>19</b>	<b>13</b>	<b>100</b>
<b>Meetings with the line manager</b>					
Regular use	95	33	85	12	59
Irregular use	5	63	15	59	36
Not used	0	4	0	29	6
<b>Staff meetings</b>					
Regular use	72	2	54	1	33
Irregular use	25	69	38	29	44
Not used	3	29	8	69	23
<b>Conventional communication tools</b>					
Regular use	73	21	49	4	40
Irregular use	17	47	26	31	32
Not used	10	32	25	65	29
<b>Social media and discussion boards</b>					
Regular use	22	2	3	0	8
Irregular use	17	14	5	3	12
Not used	61	84	91	96	80
<b>Use of suggestion schemes: Yes</b>	<b>60</b>	<b>32</b>	<b>25</b>	<b>8</b>	<b>36</b>
<b>Extent to which involving employees causes delays in the implementation of changes</b>					
To a great extent	9	8	2	3	6
To a moderate extent	30	34	16	11	26
To a small extent	38	39	48	42	41
Not at all	24	20	33	44	27
<b>Extent to which involving employees gives a competitive advantage</b>					
To a great extent	49	25	4	4	26
To a moderate extent	44	54	39	24	44
To a small extent	6	18	38	41	21
Not at all	1	3	18	31	9
<b>Direct influence of employees on management decisions</b>					
Low	6	21	72	94	36
Medium	31	42	25	6	30
High	63	37	3	0	34

Source: ECS 2019 management questionnaire

Figure 68: Establishment type – direct employee participation, by country (%)



Source: ECS 2019 management questionnaire

### Few tools, little influence

The last type comprises 13% of establishments. This type is characterised by the absence, or, at most, the irregular use of the means to engage with staff. Management is not concerned about delays caused by employee involvement, but they do not see competitive advantages either. Employees in these establishments have very little influence on management decisions.

### Distribution of types according to structural characteristics

#### Country

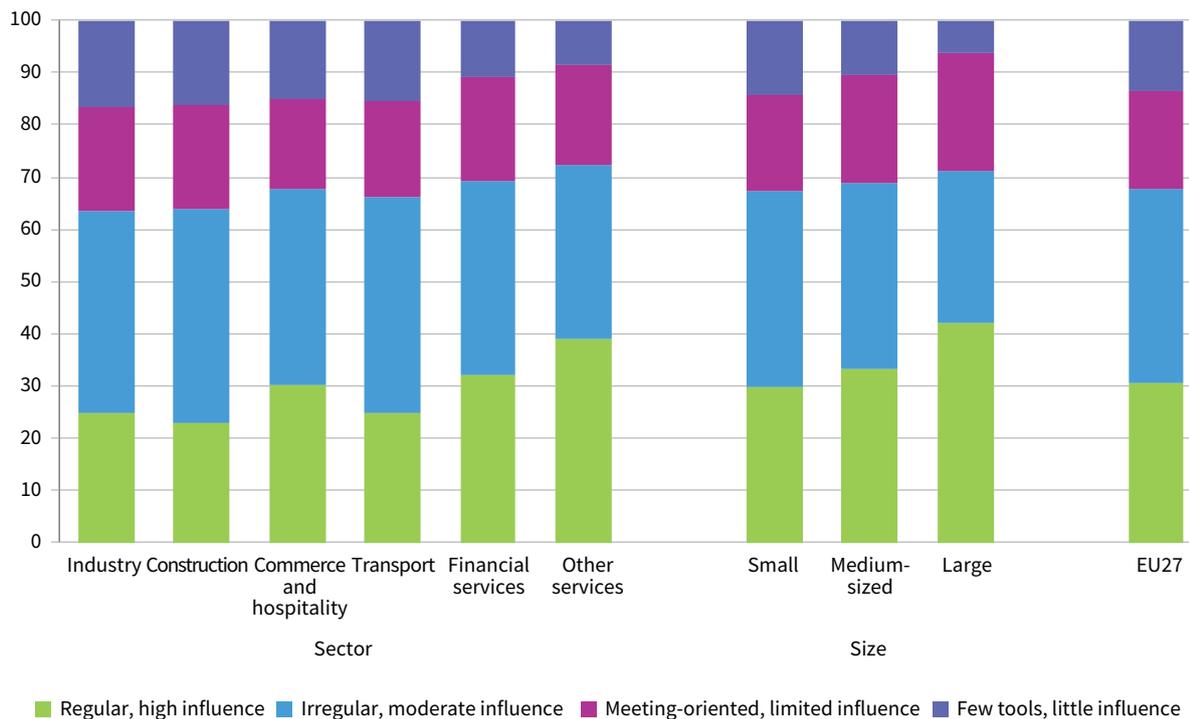
- Figure 68 shows that the ‘regular, high influence’ type is most prevalent in Sweden (56%) and Denmark (55%) and least prevalent in Poland (20%) and the Netherlands (21%).
- The ‘irregular, moderate influence’ type is found most commonly in Poland (51%) and Croatia (46%) and least commonly in Sweden (14%) and the United Kingdom (22%).

- The ‘meeting-oriented, limited influence’ type is observed most frequently in the Netherlands (39%) and Czechia (29%) and least frequently in Spain (8%) and Poland (9%).
- The ‘few tools, little influence’ type was found most in Latvia (21%) and Poland (20%) and least in Denmark and Sweden (both 3%).

#### Sector

- As shown in Figure 69, the ‘regular, high influence’ type is most prevalent in other services (39%) and least prevalent in construction (23%).
- The ‘irregular, moderate influence’ type is observed most in construction and transport (both 41%) and least in other services (33%).
- The prevalence of the ‘meeting-oriented, limited influence’ type does not vary much between sectors. It is most prevalent in industry, construction and financial services (all 20%) and least prevalent in commerce and hospitality (17%).
- The ‘few tools, little influence’ type is observed most in industry and construction (both 16%) and least in other services (9%).

Figure 69: Establishment type – direct employee participation, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

**Size**

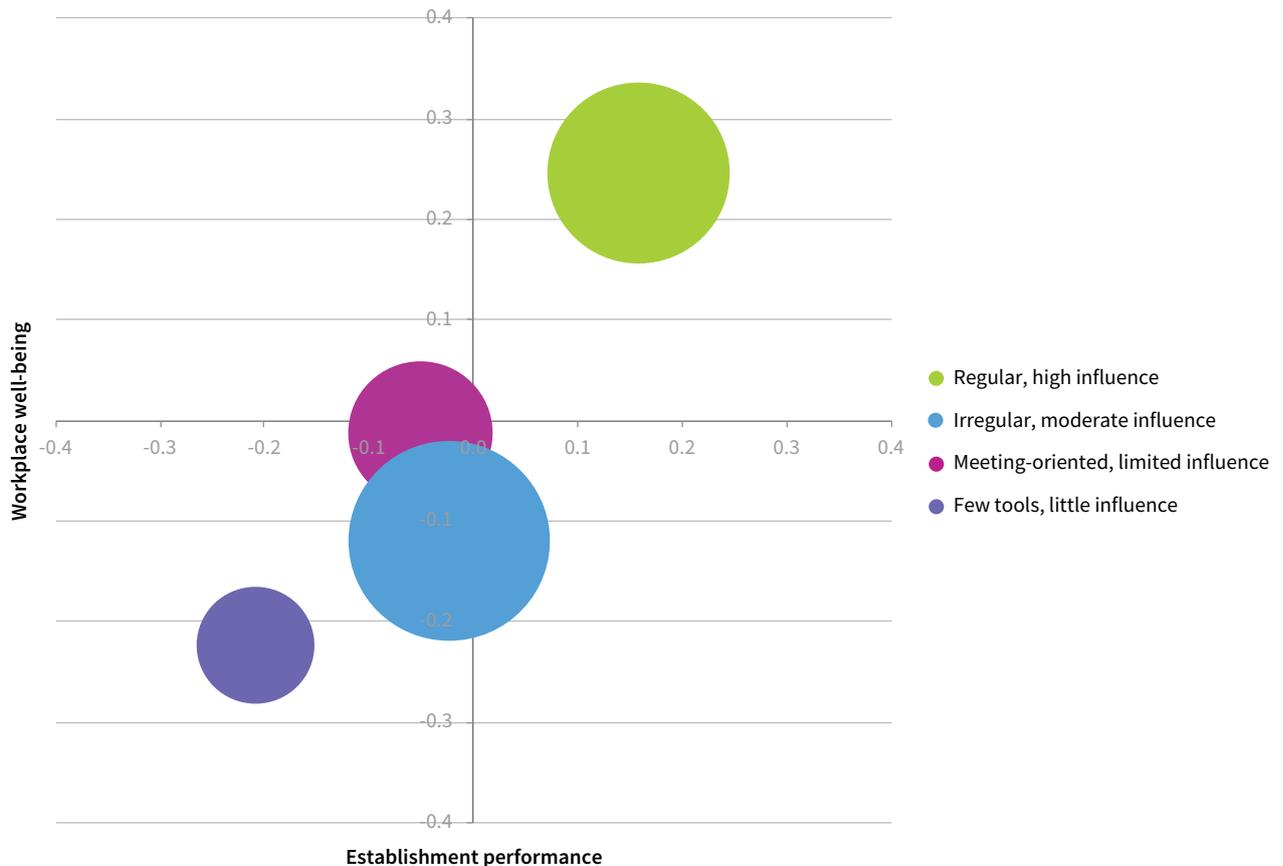
Differences between size classes are less pronounced (Figure 69).

- The ‘regular, high influence’ type is more common in large establishments (42%) than in medium-sized (33%) and small (30%) establishments.
- The ‘irregular, moderate influence’ type is found more in small establishments (38%) than in medium-sized (36%) and large (29%) establishments.
- The ‘meeting-oriented, limited influence’ type is most prevalent in large establishments (23%), followed by medium-sized (21%) and small (19%) establishments.
- The ‘few tools, little influence’ type is more common in small establishments (14%) than in medium-sized (10%) and large (6%) establishments.

**Scores on workplace well-being and establishment performance**

There are clear associations between direct employee participation and establishment performance and workplace well-being, as Figure 70 illustrates. ‘Regular, high influence’ establishments perform better and have higher well-being than other types. Conversely, those establishments that use few tools for employee participation and give little direct influence to employees score worst in terms of performance and well-being. Establishments with a meeting-oriented approach to direct participation tend to have slightly higher well-being but slightly worse performance than ‘irregular, moderate influence’ establishments. This difference is statistically significant only when controlling for country, sector, size and establishment type. All other differences hold whether or not these variables are controlled for.

Figure 70: Workplace well-being and establishment performance, by establishment type – direct employee participation (z-scores)



Source: ECS 2019 management questionnaire

### Associations with digitalisation, innovation and product market strategy

When looking at different approaches to digitalisation and innovation, there are clear differences in the distribution of establishment types based on direct employee participation, as shown in Figure 71. Differences between establishments according to different product market strategies are less pronounced.

#### Digitalisation

- In terms of digitalisation, the ‘regular, high influence’ direct participation type is most common among establishments of the ‘highly digitalised’ type (45%) and least common among those of the ‘limited digitalisation’ type (18%).
- The ‘irregular, moderate influence’ type of direct participation is found most frequently in establishments of the ‘high use of robots and other digital technology, limited computer use’ type (41%) and least frequently in ‘highly digitalised’ establishments (32%).

- The ‘meeting-oriented, limited influence’ direct participation type is most common in establishments of the ‘high computer use, limited use of other digital technology’ type (21%) and least common in the ‘highly digitalised’ type (17%).
- The ‘few tools, little influence’ direct participation type is by far the most common in the ‘limited digitalisation’ type (23%) and least common in the ‘highly digitalised’ type (6%).

#### Innovation

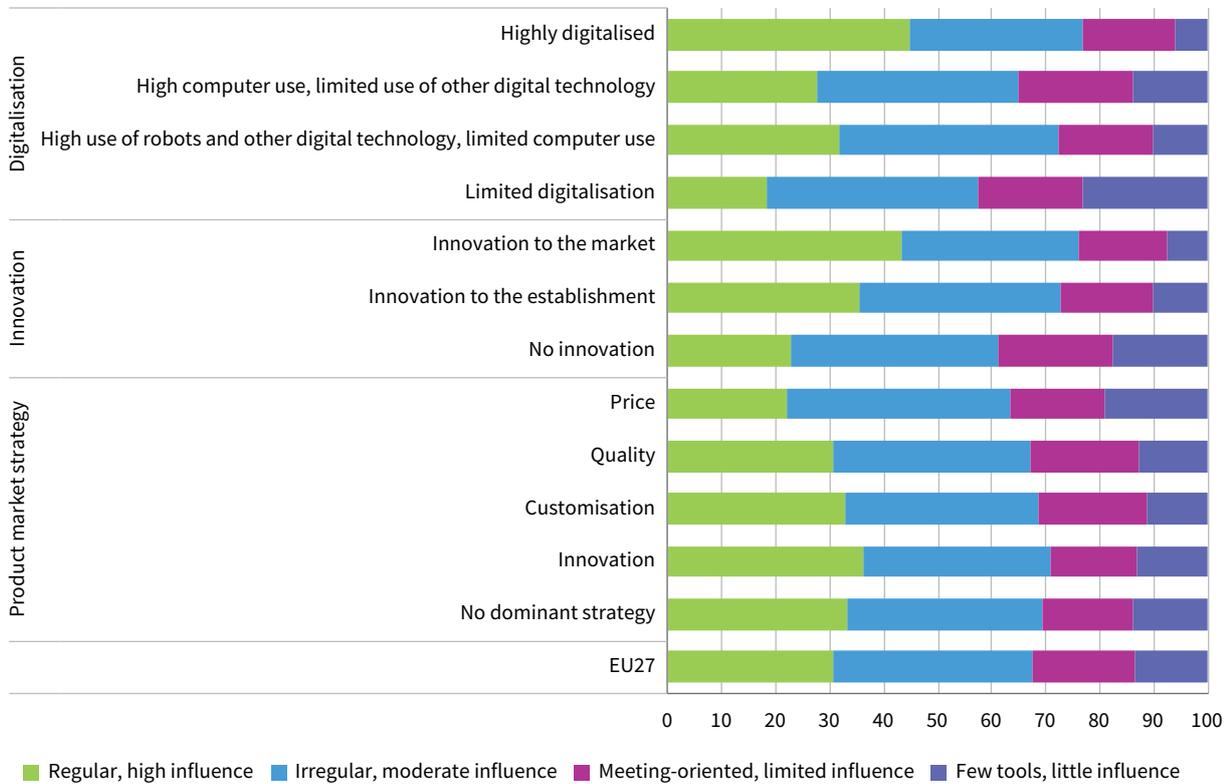
Level of innovation is positively associated with the presence of a broad set of direct participation tools – even if used irregularly – and with employees having greater influence on decision-making. The ‘regular, high influence’ type is clearly the most prevalent among establishments that introduced innovations to the market (present in 43% of establishments). All other types are most prevalent among establishments that have not introduced any innovations.

### Product market strategy

The differences in direct participation based on innovation are reflected in the findings on product market strategies.

- The ‘regular, high influence’ type is most prevalent among establishments that aim to compete through innovation (36%) and least prevalent among those aiming to compete on price (22%).
- The ‘irregular, moderate influence’ type is most prevalent among establishments competing on price (42%) and least prevalent among those competing through innovation (35%).
- The ‘meeting-oriented, limited influence’ type is most prevalent among those competing on quality and customisation (both 20%) and least prevalent among those competing through innovation (16%).
- The ‘few tools, little influence’ type is most prevalent among those competing on price (19%) and least prevalent among those competing on customisation (11%).

**Figure 71: Establishment type – direct employee participation, by digitalisation, innovation and product market strategy (%)**



Source: ECS 2019 management questionnaire

# 13 | Workplace social dialogue

Social dialogue is ingrained in the fabric of the EU, and many Member States have a long tradition of formal employee representation at workplace level. Social dialogue is shaped by the cultural, institutional and economic developments in its national setting. Depending on the context, the types of actors involved vary, as do their roles and mandates in the process of social dialogue.

This indirect form of employee participation through their representatives addresses similar aspects of the employment relationship as those addressed through direct participation. However, indirect participation can offer efficiency gains for the employers, and, particularly when grievances are voiced, can offer security for employees.

The ECS 2019 collected data on the facilities for, and the functioning of, employee representation at the establishment level. Questions covered several aspects of workplace social dialogue: the prevalence of employee representation, membership of an employer organisation, collective wage bargaining coverage, management opinions about workplace social dialogue and trust in the employee representation, the influence of the employee representatives, and industrial action.

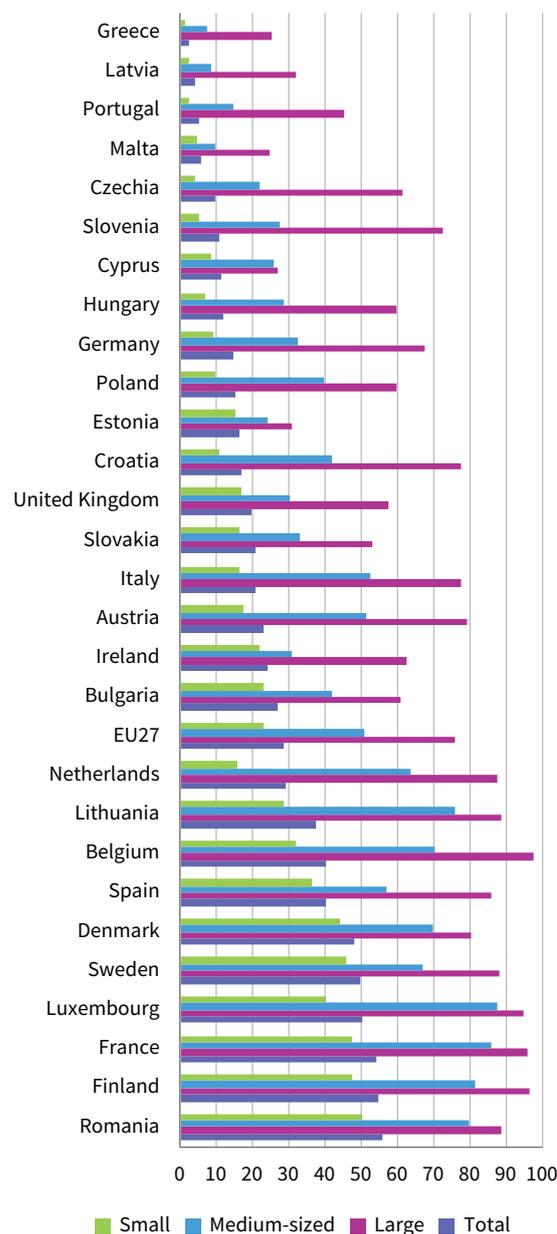
Data on workplace social dialogue were collected at two stages: during the screener interviews with the management respondents by telephone, questions were asked about the structures of employee representation at their establishment; then, in the online interviews with the management respondents and the employee representative respondents, further questions were asked about the functioning of social dialogue at the workplace. The data on the structures for employee representation presented in this chapter are derived from the screener interviews, because the sample size was considerably bigger at that stage.

## Employee representation in the workplace

### Prevalence of representation structures

Figure 72 shows that an official structure for employee representation is present in 29% of EU27 establishments. Larger establishments are much more likely to have an employee representation structure (76%) than medium-sized (51%) or small (23%) establishments. Overall, structures for employee representation are most common in Romania (56%) and Finland (55%) and least common in Greece (2%) and Latvia (4%).

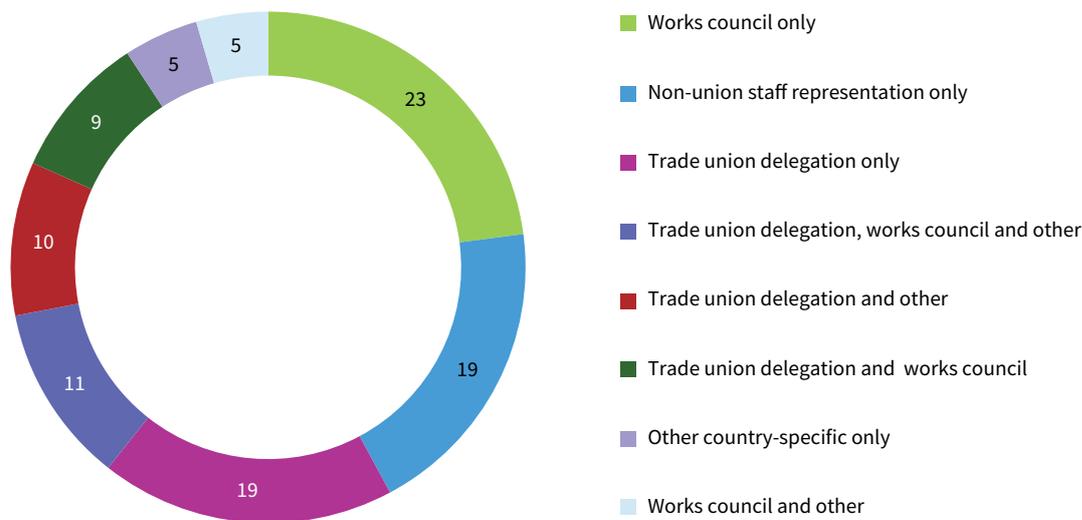
Figure 72: Presence of official structures for employee representation, by country and establishment size (%)



Source: ECS 2019 screener interviews (management respondents)

The proportion of small establishments with an employee representation structure is highest in Romania (50%) and Finland (48%) and lowest in Greece (1%), Latvia and Portugal (both 2%). Luxembourg (87%) and France (86%) have the highest proportion of medium-sized establishments with an employee representation, and Greece (7%), Latvia and Malta

Figure 73: Configurations of employee representation structures (%)



Source: ECS 2019 screener interviews (management respondents)

(both 9%) have the lowest. Finally, the proportion of large establishments with employee representation is highest in Belgium (98%), Finland and France (both 96%) and lowest in Malta (24%) and Greece (25%).

Structures for employee representation are most prevalent in financial services (42%), followed by industry (35%), and least prevalent in commerce and hospitality (21%) followed by construction (22%).

### Forms of employee representation

Figure 73 shows the configurations of employee representation structures that were found. In most establishments (65%), there is a single representative body. Most frequently, this is a works council (23%), followed by non-union staff representation and trade union delegation (both 19%). In 23%, there are two types of representative body, most commonly a trade union delegation and some other body (10%) or a trade union delegation and a works council (9%). In 11% of establishments, there are three or four different structures for employee representation: a trade union delegation, a works council, and one or two other country-specific bodies.

The observed configurations are country-specific and depend on the questions that were asked, which reflect expert advice on the possible configurations in each country.<sup>15</sup> In Austria, Cyprus, Malta, the Netherlands and Sweden, only one type of representation body was asked about, and only in France and Ireland was it

possible to report that up to four types were present at the establishment.

In the majority, if not all, of establishments in Cyprus, Czechia, Finland, Greece, Malta, Portugal and Sweden that reported the presence of a body for employee representation, this is a trade union delegation. In Austria, Germany, the Netherlands and Poland, it is a works council; and in Bulgaria, Estonia, Latvia, Luxembourg and Romania, it is non-union staff representation. In the other countries, no single type or combination of types was found to be most prevalent.

### Membership of an employer organisation

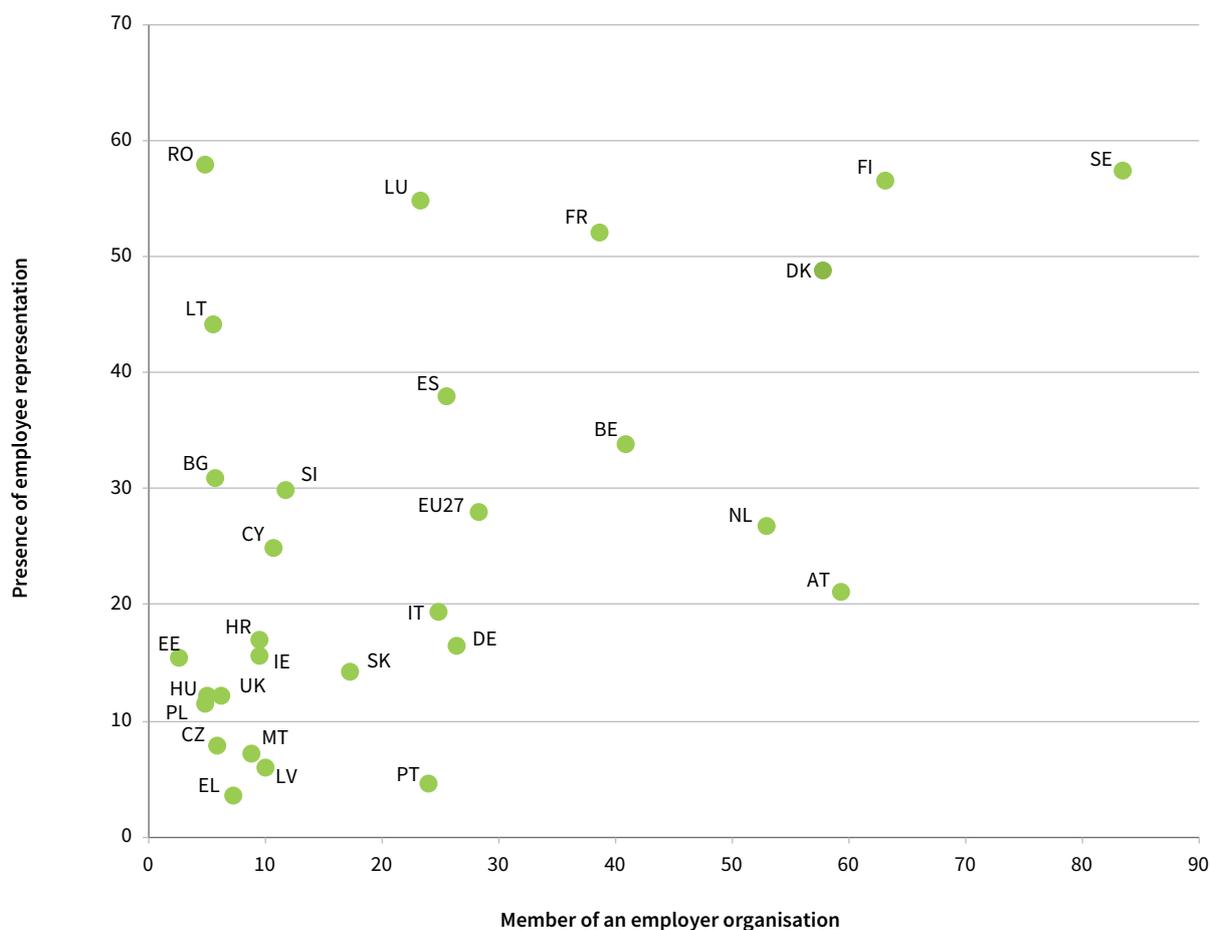
Managers in 28% of establishments reported that their establishment, or the company their establishment is a part of, is a member of an employer organisation.

Figure 74 shows a fairly strong correlation at country level (0.54) between the presence of an employee representation structure and membership of an employer organisation.<sup>16</sup> In those countries where official structures for employee representation are more prevalent, establishments are also considerably more likely to be a member of an employer organisation. This underlines the fact that establishment-level social dialogue is much more institutionalised in some countries than in others.

15 For more information on the country-specific questions about the presence of various forms of employee representation, as well as those on collective bargaining agreements, please see the Annex under 'Identifying and selecting the employee representative respondents'.

16 At the establishment level, this correlation falls to 0.26.

Figure 74: Establishments with employee and employer representation, by country (%)



**Note:** There are some small differences between Figures 72 and 74 in the average presence of employee representation, because the screener dataset is used for Figure 72 and the management dataset is used for Figure 74. Only about one-third of managers who agreed to participate in the survey actually completed the questionnaire online, and this has resulted in some differences in country-level distributions.

**Source:** ECS 2019 management questionnaire

**Country:** Membership of employer organisations was most frequently reported in Sweden (83%) and Finland (63%) and least prevalent in Estonia (3%), Hungary, Poland and Romania (all 5%).<sup>17</sup>

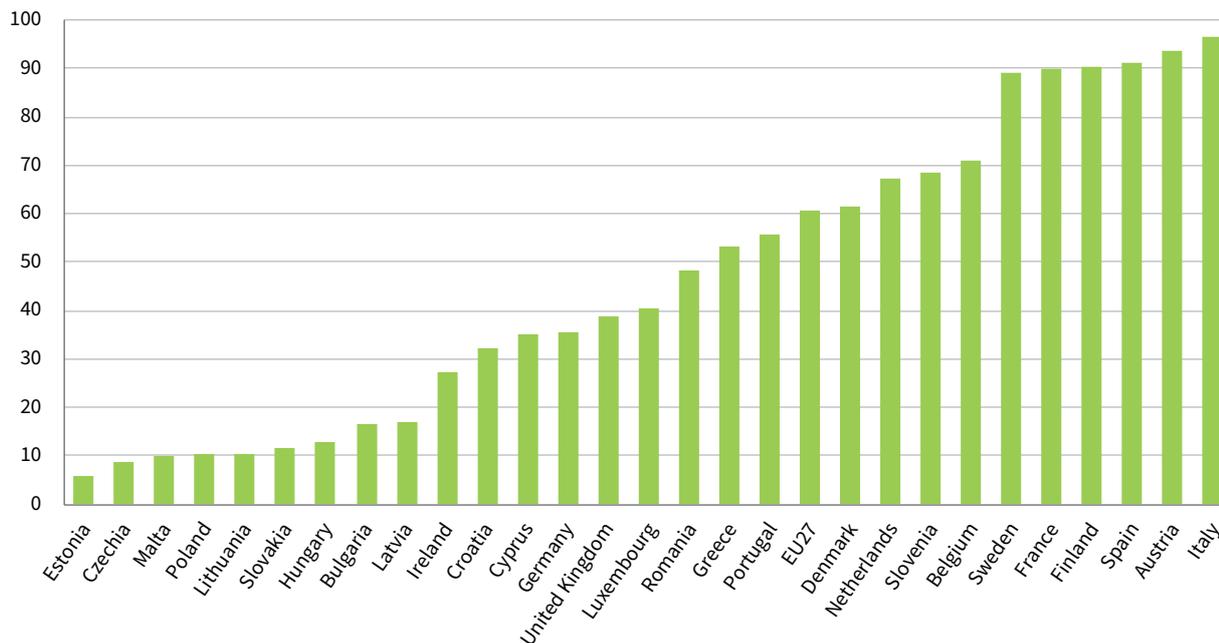
**Sector:** Establishments in financial services are most likely to be a member of an employer organisation (40%), followed by establishments in construction (37%). Establishments in other services are least likely to be a member of an employer organisation (23%), followed by establishments in commerce and hospitality (27%).

**Size:** Large establishments are much more likely to be a member of an employer organisation (53%) than medium-sized (34%) or small (27%) establishments.

## Collective bargaining coverage

As with the questions on the presence of employee representation, the questions on collective bargaining coverage were informed by expert advice on which types of agreement exist in each of the countries covered by the ECS. Depending on this information, and using country-specific terms where applicable, the ECS 2019 asked whether the wages of any of the employees in the establishment were set by a collective agreement at the national, sectoral, regional or company levels, or by an occupation-based or other type of collective agreement. For this report, the responses for different types of collective agreement have been aggregated.

<sup>17</sup> It should be noted that this question captures awareness of membership rather than actual membership. An important case in point is Austria, where membership of an employer organisation is mandatory but reported membership was nevertheless only 59%.

**Figure 75: Establishments where the wages of any employees were set by collective bargaining, by country (%)**

Source: ECS 2019 management questionnaire

The results indicate the penetration of collective agreements in private business establishments. They complement other findings on bargaining coverage, which usually indicate how many workers are covered by collective agreements and often also include the public sector.

Figure 75 shows that managers in 61% of EU27 establishments reported that the wages of at least some of their employees were set by a collective bargaining agreement.

**Country:** Country differences are extremely large. One group of countries have almost complete coverage: Italy (97%), Austria (94%), Spain (91%), Finland, France (both 90%) and Sweden (89%). At the other end of the spectrum, another group have hardly any coverage: Estonia (6%), Czechia (9%), Lithuania, Malta, Poland (all 10%), Slovakia (12%), and Hungary (13%).

**Sector:** Collective bargaining coverage – in terms of the proportion of establishments where the wages of any of the employees are covered – is highest in construction (71%) and lowest in commerce and hospitality and other services (both 57%).

**Size:** Large establishments are more likely to have some employees covered by a collective bargaining agreement (73%) than medium-sized (61%) and small (60%) establishments.

## Management opinions, preferences and trust

This section presents findings on managers' opinions on the employee representation, their preferences in terms of the involvement of employees or their representatives, and their trust in the employee representation.<sup>18</sup> Box 4 provides the perspective of employee representatives on social dialogue.

### Attitude of the employee representation

Managers in 80% of the establishments where an employee representation structure is present reported the general attitude of the employee representation as being very or fairly constructive.

**Country:** Managers in Romania and the United Kingdom are the most positive about the employee representation at their establishment, with 94% reporting that it is very or fairly constructive. Managers in Portugal (57%), Cyprus and Italy (both 71%) are least positive in this regard.

**Sector:** Managers in financial services are the most positive about the attitude of the employee representation (90% reported it to be very or fairly constructive), and managers in industry and construction were least positive (both 77%).

<sup>18</sup> Country-level findings for Malta and Greece were excluded from this section as fewer than 30 cases were available for analysis. Results for Cyprus and Latvia were based on fewer than 50 cases, so should be treated with caution.

**Size:** Differences between size classes were negligible in this regard.

### Management preferences regarding consultation

Asked about their preference for different types of employee consultation, 17% of managers indicated that they prefer to consult with the employee representatives, 31% prefer to consult with employees directly, 49% prefer to consult with both the employee representatives and employees directly, and 3% preferred not to consult with employees or their representatives at all. Therefore, where employee representation is present, 65% of managers prefer some form of consultation with the employee representatives, either on its own or in combination with direct consultation with employees.

**Country:** Preference for some form of consultation with the employee representatives is highest in the Netherlands (77%) and Finland (74%) and lowest in Cyprus (24%) and Ireland (38%).

**Sector:** Preference for some form of consultation with the employee representative is found most commonly in financial services (78%) and least commonly in construction (55%).

**Size:** Managers in large establishments are considerably more likely to prefer some form of consultation with the employee representatives (81%) than managers in medium-sized (74%) or small (60%) establishments.

### Management trust in the employee representation

Managers in 87% of establishments indicated that management trusts the employee representation to a moderate (47%) or great (40%) extent.

**Country:** Management trust in the employee representation is greatest in Denmark and Slovakia, where 71% and 61% of managers, respectively, reported that management trusts the employee representation to a great extent. This is the case in only 16% of establishments in Italy and 22% of establishments in Latvia.

**Sector:** Trusting the employee representation to a great extent was reported most commonly in financial services (47% of managers) and least commonly in industry (35%).

**Size:** This level of trust is somewhat more prevalent in small establishments (42%) than in large (36%) or medium-sized (35%) establishments.

## Box 4: Employee representative perspective on social dialogue

To get the view of the other side, employee representatives were asked questions about their relationship with management: the regularity of meetings, management attitudes to employee voice and employees' competence, and their trust in management.

On the question of frequency of meetings with senior management, employee representatives in 5% of establishments reported that such meetings take place on a weekly basis, 11% reported meeting several times a month, 33% reported meeting once a month, 42% reported meeting less frequently, while 9% reported never meeting with senior management.

As shown in Figure 76, the efforts of management to involve the employee representatives in solving problems within the establishment are viewed as being sincere (to a great extent and to a moderate extent) by 64% of employee representatives; still, 9% think that management efforts are not sincere at all. Similarly, almost 70% of employee representatives think that managers listen to staff when they express views on their job to a great or a moderate extent, yet 23% think that management listens to a small extent, and 7% think that management does not listen at all.

The majority of employee representatives (78%) reported that management has confidence in the ability of employees to do their job. However, 17% reported that management has little confidence, and 5% reported that management has no confidence at all.

Most employee representatives (76%) reported that they trust management to a moderate or great extent. However, 19% reported trusting management only to a small extent, and 4% reported not trusting management at all.

Figure 76: Opinions of employee representatives about management (%)



Source: ECS 2019 employee representative questionnaire

## Influence on management decisions

What is the impact of the work of the employee representation on management decisions? Managers in establishments with an employee representation structure were asked where that body has most influence and the strength of its influence.<sup>19</sup>

### Area of most influence

Managers were asked to what extent they thought that, in the three years preceding the survey, the employee representation influenced management decision-making in various areas. The results are shown in Figure 77. The employee representation had the greatest influence on management decisions about the organisation and efficiency of work processes: 47% of managers reported that the employee representation influenced these decisions to a moderate or great extent. The employee representation was least influential on decisions concerning dismissals (note that no distinction was made between individual dismissals and collective dismissals). Only 25% of managers reported that the employee representation influenced these decisions to a moderate or great extent.

### Influence on management decisions

As in the analysis of direct influence of employees in the previous chapter, a composite indicator was constructed to capture whether the overall direct influence of the employee representation on management decisions was high, medium or low (see the Annex, under ‘Level of influence of employees and employee representatives’). Because the measure is relative, roughly one-third of establishments was allocated to each of the three categories: high (34%), medium (33%) and low (33%).

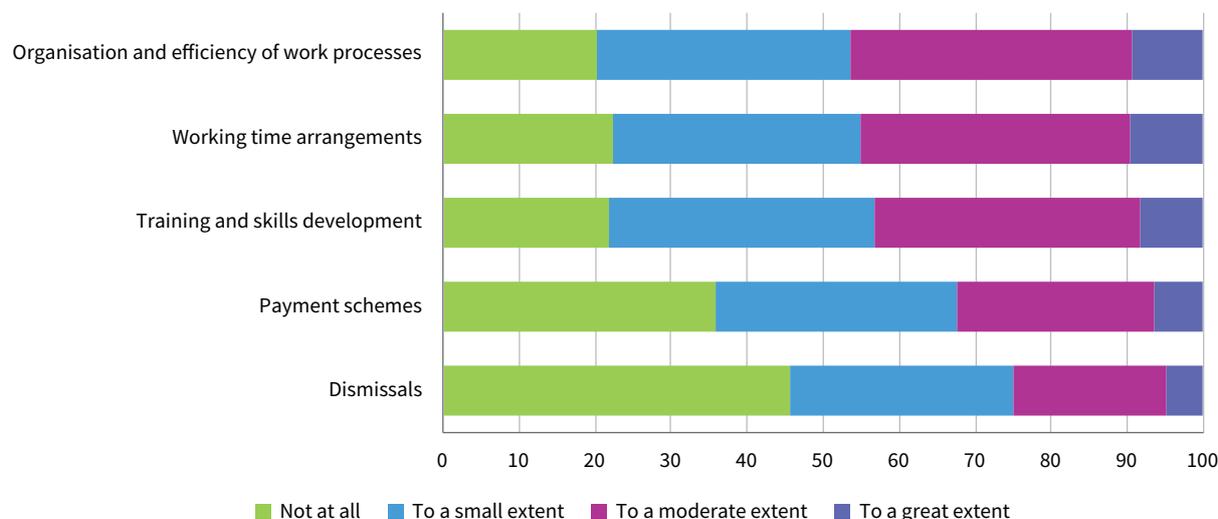
**Country:** A high level of influence of the employee representation was reported most often in Cyprus (61%) and Romania (54%) and least often in Belgium (18%) and Italy (22%).

**Sector:** Sectoral differences are much less pronounced. The employee representation was reported to have a relatively high level of influence most often in transport (36%) and least often in industry, construction and financial services (all 31%).

**Size:** Employee representation structures with a high level of influence were found more frequently in large establishments (35%) than in small (34%) or medium-sized (31%) establishments. Interestingly, differences were considerably greater in the reporting of low levels of influence: this was found in 35% of small establishments and 32% of medium-sized establishments, but in only 25% of large establishments.

<sup>19</sup> Country-level findings for Malta and Greece were excluded from this section as fewer than 30 cases were available for analysis. Results for Cyprus and Latvia were based on fewer than 50 cases, so should be treated with caution.

Figure 77: Level of influence of the employee representative on management decisions (%)



Source: ECS 2019 management questionnaire

## Industrial action

Industrial action was reported very rarely in the ECS 2019. Only 2% of managers reported that, in the three years preceding the survey, any industrial action had taken place that was directly related to an issue specific to the establishment.<sup>20</sup>

**Country:** Reported levels of industrial action were slightly higher in France, Hungary and Luxembourg (all 3%), and industrial action was almost or completely absent in Ireland, Malta and Sweden.

**Sector:** Sectoral differences are small with 2% of managers in other services, construction, industry and transport and 1% of managers in commerce and hospitality and financial services reporting industrial action.

**Size:** Industrial action is strongly related to establishment size. Only 1% of managers in small establishments and 2% of managers in medium-sized establishments reported industrial action, compared to 8% of managers in large establishments.

## Types of establishment: Social dialogue

Latent class analyses based on the information on management opinion, preferences and trust, and the influence of the employee representation on management decisions distinguished three types (Table 10):

- involving, trusting and influential
- moderate trust, moderate influence
- bad relationship, little influence

Table 10 provides a profile of each type of establishment.

### Involving, trusting and influential

This type accounts for 41% of establishments. These establishments are characterised by a management that believes the employee representation is fairly or very constructive and which, in the vast majority of cases, prefers some form of consultation with the employee representation. Management has a great degree of trust in the employee representation. Moreover, the employee representation has a medium to high level of influence on management decisions.

<sup>20</sup> The question was limited to industrial action that was directly related to an issue specific to the establishment. Industrial action responding to issues at the country, sectoral or company levels was therefore excluded. This item was intended to capture conflict at the establishment level and was not designed to measure the general prevalence of industrial action.

### Moderate trust, moderate influence

Almost half (47%) of establishments are of the 'moderate trust, moderate influence' type. These are characterised by management that believes that the employee representation is fairly constructive, and most prefer some form of consultation with the employee representation. Trust in the employee representation is moderate, and the level of influence of the employee representation on management decisions is low to medium.

### Bad relationship, little influence

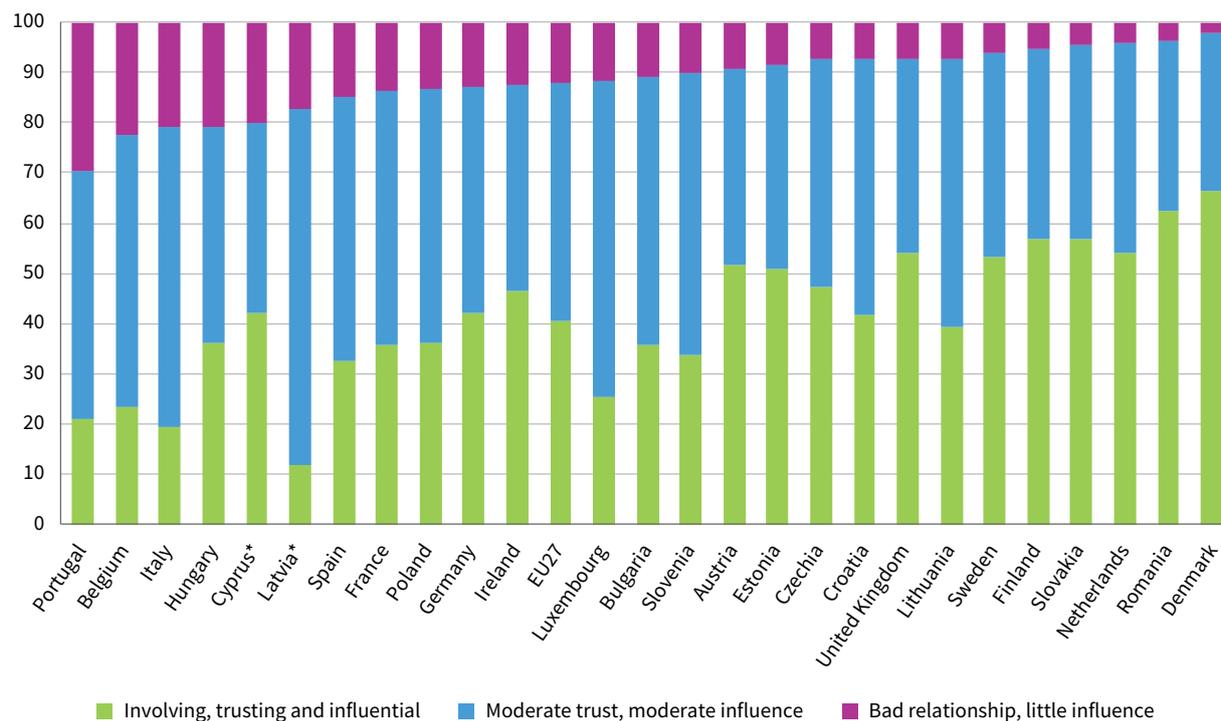
A minority of establishments are of the 'bad relationship, little influence' type (12%). These establishments are characterised by a management that regards the employee representation as not very or not at all constructive. Management prefers to consult with employees directly or not to consult with employees or their representatives at all. Management in this type has little or no trust in the employee representation, and the influence of employee representation on management decisions is low.

**Table 10: Profiles of establishment types – social dialogue (%)**

	Involving, trusting and influential	Moderate trust, moderate influence	Bad relationship, little influence	Total
<b>Group size</b>	41	47	12	100
<b>Attitude of the employee representation</b>				
Very constructive	56	5	1	25
Fairly constructive	44	74	24	56
Not very constructive	0	21	55	16
Not at all constructive	0	1	20	3
<b>Management preferences regarding consultation</b>				
Consult with the employee representatives	21	16	6	17
Consult with employees directly	19	36	54	31
Consult with the employee representatives and with employees directly	60	46	20	49
No consultation with employees or their representatives	0	2	20	3
<b>Management trust in the employee representation</b>				
To a great extent	90	7	0	40
To a moderate extent	10	90	3	47
To a small extent	0	3	77	11
Not at all	0	0	20	2
<b>Influence of the employee representation on management decisions</b>				
Low	17	40	65	34
Medium	35	34	23	33
High	48	25	12	33

Source: ECS 2019 management questionnaire

Figure 78: Establishment type – social dialogue, by country (%)



\* Results for Cyprus and Latvia are based on fewer than 50 cases, so should be treated with caution.

Note: Greece and Malta are excluded from this graph as fewer than 30 cases were available for analysis.

Source: ECS 2019 management questionnaire

## Distribution of types according to structural characteristics

### Country

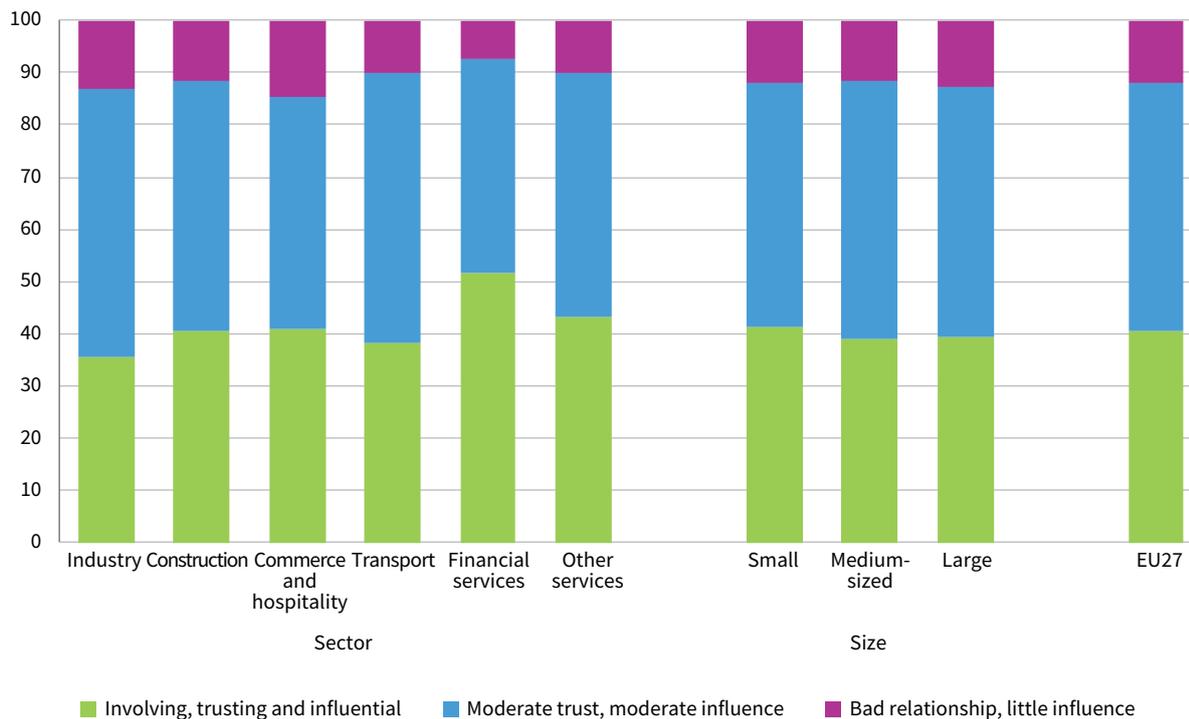
- Figure 78 shows that the ‘involving, trusting and influential’ social dialogue establishment type is most prevalent in Denmark (67%) and Romania (62%) and least prevalent in Latvia (12%) and Italy (19%).
- The ‘moderate trust, moderate influence’ type is most prevalent in Latvia (71%) and Luxembourg (63%) and least prevalent in Denmark (31%) and Romania (34%).
- The ‘bad relationship, little influence’ type is found most frequently in Portugal (30%) and Belgium (23%) and least in, again, Denmark (2%) and Romania (4%).<sup>21</sup>

### Sector

- The ‘involving, trusting and influential’ type is found most frequently, as Figure 79 illustrates, in financial services (52%) and least frequently in industry (35%).
- The ‘moderate trust, moderate influence’ type is most common in transport (52%) and least common in financial services (41%).
- The ‘bad relationship, little influence’ type is most common in commerce and hospitality (15%) and least common in financial services (7%).

21 Country-level findings for Malta and Greece were excluded from this section as fewer than 30 cases were available for analysis. Results for Cyprus and Latvia were based on fewer than 50 cases, so should be treated with caution.

Figure 79: Establishment type – social dialogue, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

**Size**

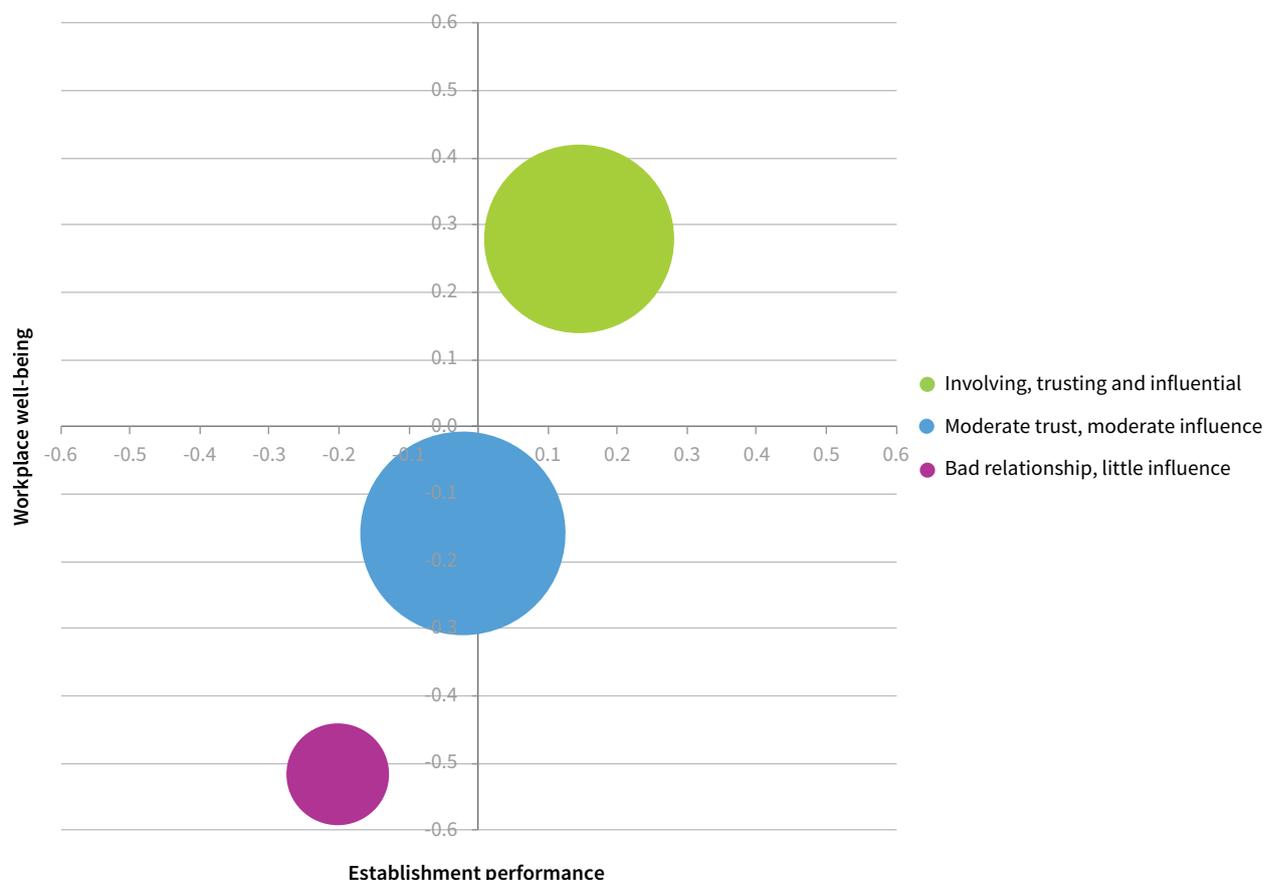
Differences in social dialogue practices between size classes are small.

- The ‘involving, trusting and influential’ type is found in 39% of medium-sized and large establishments and 41% of small establishments.
- The ‘moderate trust, moderate influence’ type is found in 47% of small, 48% of large and 49% of medium-sized establishments.
- The ‘bad relationship, little influence’ type is found in 12% of small and medium-sized establishments and 13% of large establishments.

**Scores on workplace well-being and establishment performance**

Figure 80 shows a very clear pattern with regard to social dialogue in the workplace and its association with workplace well-being and establishment performance. Establishments of the ‘involving, trusting and influential’ social dialogue type score highest on both outcomes, followed by those of the ‘moderate trust, moderate influence’ type and, finally, the ‘bad relationship, little influence’ type. These associations hold when controlling for country, sector, size and establishment type. The figure also shows that differences in workplace well-being are much larger than differences in establishment performance.

**Figure 80: Workplace well-being and establishment performance, by establishment type – social dialogue (z-scores)**



**Notes:** Relative scores were calculated using mean scores for establishment performance and workplace well-being for those establishments where an employee representation structure was reported to be present. These were somewhat lower than for the population as a whole due to the concentration of employee representation in certain sectors and countries.

**Source:** ECS 2019 management questionnaire

## Associations with digitalisation, innovation and product market strategy

### Digitalisation

Social dialogue establishment types are only weakly associated with levels of digitalisation – see Figure 81. The ‘involving, trusting and influential’ type is most prevalent in establishments classified as ‘highly digitalised’ (45%) and least prevalent in those of the ‘limited digitalisation’ type (36%). The opposite is the case for the ‘moderate trust, moderate influence’ and ‘bad relationship, little influence’ types, both of which are most prevalent in establishments of the ‘limited digitalisation’ type (51% and 13%, respectively) and least prevalent in establishments of the ‘highly digitalised’ type (44% and 11%, respectively).

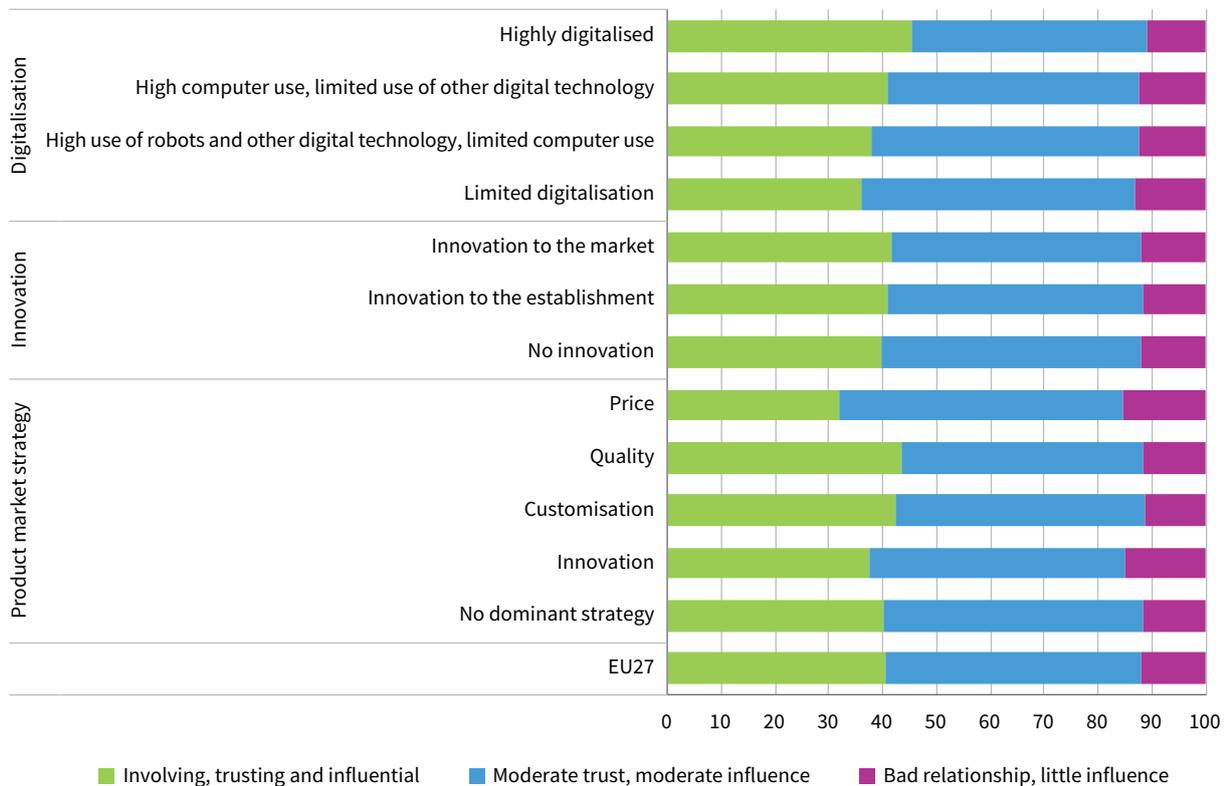
### Innovation

There is no association between innovation and social dialogue establishment types.

### Product market strategy

In terms of product market strategy, the ‘involving, trusting and influential’ type is most prevalent in establishments that aim to compete on quality (44%) and least prevalent in establishments that aim to compete on price (32%). Conversely, the ‘moderate trust, moderate influence’ type is most prevalent in establishments that aim to compete on price (53%) and least prevalent in those that aim to compete on quality (45%). The ‘bad relationship, little influence’ type is most prevalent in establishments that aim to compete on price or on innovation (both 15%) and least prevalent in establishments that aim to compete on quality or customisation (11%).

Figure 81: Establishment type – social dialogue, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire

### Associations with direct participation

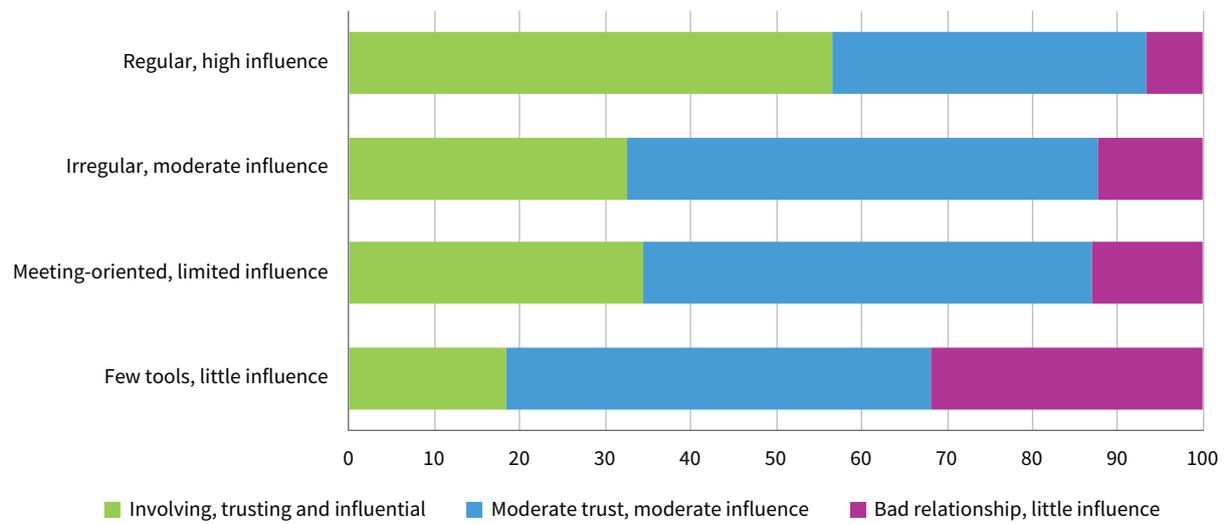
The infrastructure and atmosphere that need to be in place in the workplace for productive social dialogue are in many ways similar to the circumstances under which direct participation is most likely to flourish (Eurofound, 2015b). From this perspective, direct and indirect participation complement each other. However, direct participation could also be used by management as a means to sideline representative bodies, and representative bodies could also discourage management or employees from direct participation as this would potentially reduce their influence in the organisation.

An analysis was conducted to discover how direct and indirect participation co-exist in practice in the workplace. It found that strong functioning of one was associated with strong functioning of the other. Figure 82 shows that establishment types that are more conducive to direct participation are also more likely to promote social dialogue. Most establishments of the ‘regular, high influence’ type in terms of direct

employee participation are also of the ‘involving, trusting and influential’ social dialogue type (57%). In addition, almost one-third (32%) of establishments of the ‘few tools, little influence’ direct participation type are also of the ‘bad relationship, little influence’ social dialogue type.

However, a small proportion of establishments (7%) combine the ‘regular, high influence’ direct employee participation type and the ‘bad relationship, little influence’ social dialogue type. Similarly, almost one-fifth (18%) of establishments of the ‘few tools, little influence’ direct participation type are ‘involving, trusting and influential’ in terms of social dialogue. Furthermore, much larger proportions of establishments – when looking at the entire population – combine a middling approach to direct participation with a high-quality approach to social dialogue, and vice versa. This suggests that both in terms of direct participation and workplace social dialogue, there is scope for improvement.

Figure 82: Establishment type – social dialogue, by establishment type – direct participation (%)



Source: ECS 2019 management questionnaire

# Key findings: Employee voice

## Direct employee participation

### Tools for employee participation

Almost all establishments (94%) in the EU27 use meetings between employees and their line manager as a way to engage with employees. In 59% of establishments, these are held regularly and in 36% they are held irregularly. General staff meetings are less common, being held regularly in 33% of the EU27 establishments and irregularly in 44%. Dissemination of information through newsletters, websites, noticeboards or email is reported to be a regular feature in 40% of establishments and occurs irregularly in a further 32%. Discussion with employees through social media or online discussion boards is less widespread, occurring regularly in 8% of establishments and irregularly in a further 12%.

### Management opinion of direct employee involvement

Managers generally support the involvement of employees in decision-making in their establishment. More than two-thirds (70%) were of the opinion that involving employees in changes to work organisation gives the establishment a competitive advantage, even though almost one-third (32%) of managers believe that involving them in implementing change causes delays.

### Influence on management decisions

Employee influence is perceived as being strongest in relation to management decisions on the organisation and efficiency of work processes. In the EU27, 67% of managers reported that employees influence these decisions to a moderate or great extent. Employee influence on training and skills development decisions and on working time arrangements was reported by 57% and 51% of managers, respectively. The areas where they least commonly have input is decisions concerning dismissals and payment schemes.

### Establishment types

Based on these three elements of direct participation, four establishment types were distinguished:

- regular, high influence (31% of EU27 establishments)
- irregular, moderate influence (37%)
- meeting-oriented, limited influence (19%)
- few tools, little influence (13%)

## Relating direct participation to workplace outcomes

There is a clear association between direct participation and establishment performance and workplace well-being. Establishments of the 'regular, high influence' type tend to perform better and have higher well-being. Conversely, those establishments with few tools for employee participation and that give little direct influence to employees tend to score worst in terms of performance and well-being. Establishments with a 'meeting-oriented, limited influence' approach to direct participation and establishments of the 'irregular, moderate influence' type are in between the other two groups on both indicators.

## Workplace social dialogue

An official structure for employee representation was reported to be present in 29% of EU27 establishments. In addition, 28% of establishments, or the company they are part of, are members of an employer organisation. In 61% of establishments, the wages of at least some employees are covered by a collective bargaining agreement.

### Management opinions, preferences and trust

In those establishments where an employee representation structure is present, 80% of managers reported that the general attitude of the employee representation was very or fairly constructive, and 87% of managers indicated that management trusts the employee representation to a moderate (47%) or great (40%) extent.

On the question of who the establishment prefers to consult with, almost half of managers (49%) said they preferred to consult with both the employee representation and employees themselves. Around a third (31%) indicated a preference for consulting with employees directly, while 17% prefer to consult with the employee representation. Just 3% prefer not to consult with employees or their representatives at all.

### Influence on management decisions

The employee representation has most influence on management decisions relating to the organisation and efficiency of work processes, working time arrangements, and training and skills development; 47%, 45% and 43% of managers, respectively, reported this influence to be moderate or great. The influence of employee representation on decisions regarding payment schemes and on decisions regarding dismissals is more limited.

## Industrial action

Only 2% of managers in the EU27 reported that in the three years preceding the survey any industrial action had taken place that was directly related to an issue specific to the establishment.

## Establishment types

Establishments in which an employee representation body was present were grouped into three types on the basis of the quality and intensity of their social dialogue:

- involving, trusting and influential (41% of EU27 establishments)
- moderate trust, moderate influence (47%)
- bad relationship, little influence (12%)

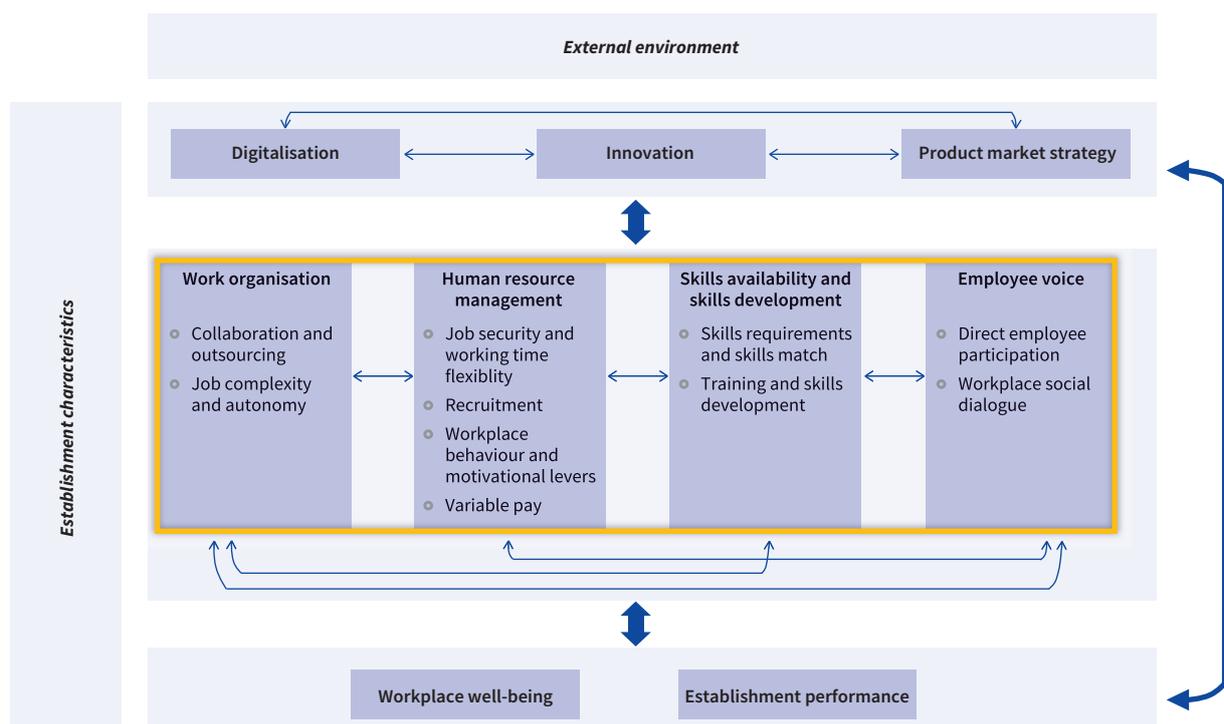
## Relating workplace social dialogue to workplace outcomes

The type of social dialogue at the establishment is clearly associated with both workplace well-being and establishment performance, with establishments of the 'involving, trusting and influential' type scoring markedly better than the other two types, particularly in terms of workplace well-being.



# Combining strategies and practices

This section comprises one chapter that brings the analyses of the previous sections together to create an overarching typology of European establishments. The analysis groups establishments on the basis of the practices and strategies examined up to this point. This exercise identifies a group of establishments that have a combination of workplace practices in place that, when analysed in isolation, result in beneficial outcomes for both employees and establishments. Further analysis shows that there are clear patterns of adoption, which are linked to both workplace well-being and establishment performance. Establishments adopting a broader set of practices do better than establishments adopting a narrow set of practices in terms of these outcomes.





# Combining strategies and practices: A comprehensive model

Throughout this report, establishments have been grouped into types based on similarities in their circumstances, workplace practices and managerial strategies, and this has shown that patterns can be discovered in the way in which establishments combine practices and strategies within a range of areas. For instance, in Chapter 11, three types of establishment were distinguished based on their approach to skills development. One type takes a comprehensive approach, with high provision of training courses and on-the-job training, high percentages of staff receiving training and a high level of support for accommodating training within work schedules; a second type has a more selective approach, and the third type is limited in its provision and support for training.

The report has also shown that these patterns – or rather, these combinations of practices – tend to matter when it comes to outcomes for workers and employers. Referring again to skills development as an example, the analysis found that establishments that have adopted a comprehensive approach score highest on workplace well-being and establishment performance.

This chapter takes the analysis one step further by trying to identify an overarching pattern across the bundles of practices and strategies that have been observed. This analysis provides insight into the extent to which the establishments' strategies for managing the employment relationship are consistent across the different areas. For instance, it shows whether establishments that give a lot of autonomy to their workers are also likely to invest more in training and skills development or in direct employee participation. Furthermore, it shows which 'bundles of bundles' are most likely to generate a win-win outcome.

The chapter starts with a summary of the patterns that were observed for each of the areas included in the comprehensive model. It goes on to present the results of the comprehensive model in terms of the groups of establishments identified and their characteristics. It shows how these groups are distributed across countries, sectors and size classes and how they score in terms of workplace well-being and establishment performance. Finally, it examines how the contextual factors of digitalisation, innovation and product market strategy are associated with the groups identified in the comprehensive model.

## Bundles of practices

This section provides a summary of the types of establishment identified in each of the areas discussed in this report and whether these types are associated with workplace well-being and establishment performance.

### Work organisation

#### Collaboration and outsourcing

The analysis of collaboration and outsourcing distinguished between establishments that do not collaborate or outsource at all, those that outsource some products or services, and those that engage in collaboration with establishments within or outside of their company.

**Collaboration and outsourcing do not appear to be associated with workplace well-being. However, those establishments that collaborate with others score best in terms of establishment performance, followed by those that outsource and those that do not engage in collaboration or outsourcing.**

#### Job complexity and autonomy

Three types of establishment were distinguished.

- **High complexity and autonomy:** In these establishments, management facilitates employees to work independently, self-directed teams are relatively abundant, and most employees can organise their own work schedule and are expected to solve problems independently.
- **Selective complexity and autonomy:** In these establishments, management also tends to facilitate workers to work independently, but only a small proportion of employees work in self-directed teams. Similarly, only a selection of workers can organise their own work schedule and are expected to solve problems independently.
- **Command and control:** In many of these establishments, managers are expected to control what employees do rather than facilitate them to work independently. Teamwork is rare, and only a few workers are allowed to organise their own work schedule and are expected to solve problems independently.

**More autonomy is positively related to both workplace well-being and establishment performance, although the association with well-being is stronger.**

## Human resource management

### Job security and working time flexibility

Job security was captured by the prevalence of fixed-term contracts, while working time flexibility was captured by the use of part-time contracts. Establishments were distinguished according to the proportion of workers who are employed on these types of contract.

The proportions of fixed-term and part-time contracts in an establishment are only weakly associated with workplace well-being and establishment performance.

### Workplace behaviour and motivational levers

Four types of establishment were distinguished.

- High expectations and investment:** In these establishments, management has a high expectation that employees will help others, stay longer when needed and make suggestions for improvements to the business. Management aims to motivate employees by offering monetary rewards, communicating a strong mission and vision, providing interesting and stimulating work, and offering opportunities for training and development.
- Moderate expectations and investment:** In these establishments, expectations of employees are a little lower than in establishments of the first type, and motivational drivers are used in moderation.
- Low expectations and investment:** In these establishments, expectations are low, and the use of motivational drivers is limited.
- High expectations, low investment:** This is an unbalanced group in which expectations of employees are high, but management makes only limited efforts to motivate them to meet these expectations.

The 'high expectations and investment' type scores best in terms of workplace well-being and establishment performance, and the 'low expectations and investment' type scores worst. The 'high expectations, low investment' and 'moderate expectations and investment' types fall more or less in between and do not differ much from each other.

### Variable pay

Three types of establishment were distinguished.

- Comprehensive:** In these establishments, all four forms of variable pay are very likely to be used, and they are likely to be applied to a large proportion of, if not all, employees.

- Selective:** These establishments are likely to use at least some forms of variable pay, but this is likely to apply to a minority of employees.
- No variable pay:** Most of these establishments make no use of variable pay. In the few that do, it is applied to a very small proportion of employees.

Establishments with a comprehensive approach to variable pay score best on both workplace well-being and establishment performance. Those with a selective approach score better in terms of establishment performance than those with no variable pay, but the two types do not differ much in terms of workplace well-being. In general, differences with regard to workplace well-being are much smaller than differences relating to establishment performance.

### Skills availability and skills development

Three types of establishment were distinguished.

- Comprehensive training and learning opportunities:** These establishments are characterised by a high level of training provision, including formal training sessions and on-the-job training. Most employees are in jobs requiring continuous training, and few have jobs that offer limited opportunities to learn new things. Training is considered to be of high importance for achieving desirable outcomes, and work schedules are adjusted to accommodate training needs.
- Selective training and learning opportunities:** In establishments of this type, training is offered selectively, and a sizeable group of workers in many of these establishments have only limited learning opportunities. Training is considered to be of medium importance for achieving desirable outcomes, but work schedules tend to be adjusted to accommodate training needs.
- Limited training and learning opportunities:** In most of these establishments, few employees participate in training sessions, and not very many receive on-the-job training either. In addition, few employees have jobs that require continuous training, and many are in jobs that offer limited learning opportunities. Training is considered to be of low-to-medium importance and tends to be provided only when work schedules allow.

There is a clear positive association between, on the one hand, establishment types that are more conducive to training and skills development and, on the other, both workplace well-being and establishment performance. The differences in terms of well-being are somewhat more pronounced than the differences in establishment performance.

## Employee voice

### Direct employee participation

Four types of establishment were distinguished.

- **Regular, high influence:** These establishments are characterised by regular use of all means of engaging with staff. Although management recognises that employee involvement might cause some delays, they also see considerable competitive advantages stemming from this approach. Employees in these establishments have a relatively high level of direct influence on management decisions.
- **Irregular, moderate influence:** These establishments are characterised by irregular use of most means of engaging with staff. Here, like establishments of the first type, management recognises that employee participation might be a source of delays, but they see competitive advantages as well. In these establishments, employees tend to have a moderate direct influence on management decisions.
- **Meeting-oriented, limited influence:** In these establishments, meetings between employees and their line managers, general staff meetings and dissemination of information to staff occur with relative regularity. Management is not particularly concerned about delays caused by employee participation but does not see many competitive advantages in this either. Employee influence on management decisions tends to be low.
- **Few tools, little influence:** These establishments are characterised by the absence or, at most, irregular use of the means to engage with staff. Management is not concerned about delays caused by employee participation, but neither does it see competitive advantages in this approach. Employees in these establishments have very little influence on management decisions.

There are clear associations between direct participation and establishment performance and workplace well-being. Those establishments of the 'regular, high influence' type tend to perform better and have higher workplace well-being. Conversely, those establishments that have few tools enabling employee participation and that give little direct influence to employees tend to score worse in terms of performance and well-being. The other two types fall more or less in between and do not differ much from each other.

### Workplace social dialogue

Three types of establishment were distinguished.

- **Involving, trusting and influential:** These establishments are characterised by management that believes the employee representation is constructive and prefers having some form of consultation with it. Management has a great degree of trust in the employee representation, and the employee representation has a medium to high level of influence on management decisions.
- **Moderate trust, moderate influence:** These establishments are characterised by management that believes the employee representation to be fairly constructive and for the most part prefers there to be some form of consultation with it. Trust in the employee representation is moderate, and the level of influence of the employee representation on management decisions is low to medium.
- **Bad relationship, little influence:** These establishments are characterised by management that thinks the employee representation is not constructive. Management prefers either to consult employees directly or not to consult employees or their representatives at all. Management has little or no trust in the employee representation, and the influence of employee representation on management decisions is low.

Establishments of the 'involving, trusting and influential' social dialogue type score markedly better than the other two types in terms of both workplace well-being and establishment performance. Differences in workplace well-being are particularly pronounced.

## Groups of establishments: Bundling the bundles

This final latent class analysis combined the establishment types for all the areas discussed in the previous section to produce one overarching typology. It was not possible to include the establishment types for workplace social dialogue in the final analysis, as these are only relevant for the establishments where an employee representation is present. Instead, the final analysis distinguishes between those establishments where neither the employees nor the employer is organised as part of a representative body, those where only the employees are organised, those where only the employer is organised and those with an official structure for employee representation that are also a member of an employer organisation.<sup>22</sup>

<sup>22</sup> Recruitment was not included in the final analysis as it is far removed from the outcomes (workplace well-being and establishment performance) in comparison to the other practices included. The recruitment function attracts human resources to the establishment. The link to outcomes is mediated by how these human resources capitalise on the skills development opportunities, the motivational environment and the opportunities for participation.

The analysis identified four groups of establishments:

- high investment, high involvement
- selective investment, moderate involvement

- moderate investment, irregular involvement

- low investment, low involvement

Table 11 provides a profile of the four groups.

**Table 11: Profiles of the four groups of establishments (%)**

	High investment, high involvement	Selective investment, moderate involvement	Moderate investment, irregular involvement	Low investment, low involvement	EU27
<b>Group size</b>	20	33	27	21	100
<b>Collaboration and outsourcing</b>					
Collaborates with other establishments	30	21	19	13	21
Outsources activities	5	2	10	4	5
No collaboration or outsourcing	65	77	71	83	74
<b>Job complexity and autonomy</b>					
High complexity and autonomy	20	3	3	2	6
Selective complexity and autonomy	68	74	46	32	57
Command and control	12	23	51	66	37
<b>Proportion of employees with a fixed-term contract</b>					
None	53	38	51	46	46
Up to 20%	32	34	31	28	32
More than 20%	15	27	17	26	22
<b>Proportion of employees working part-time</b>					
None	32	6	55	19	27
Less than 20%	46	43	42	45	44
20% or more	22	51	3	36	29
<b>Workplace behaviour and motivational levers</b>					
High expectations and investment	77	26	19	0	29
Moderate expectations and investment	20	57	50	23	41
Low expectations and investment	0	4	7	50	14
High expectations, low investment	2	13	24	27	17
<b>Variable pay</b>					
Comprehensive	30	5	21	1	13
Selective	51	61	59	45	55
No variable pay	18	35	20	54	32
<b>Training and skills development</b>					
Comprehensive	32	3	5	0	9
Selective	64	78	51	18	56
Limited	3	19	45	82	36

	High investment, high involvement	Selective investment, moderate involvement	Moderate investment, irregular involvement	Low investment, low involvement	EU27
<b>Direct employee participation</b>					
Regular, high influence	87	26	17	0	31
Irregular, moderate influence	6	41	61	30	37
Meeting-oriented, limited influence	6	31	12	21	19
Few tools, little influence	0	2	10	48	13
<b>Representative organisations of establishment and employees</b>					
Neither are organised	49	51	63	66	57
Only employees are organised	15	7	27	9	15
Only employer is organised	15	22	6	18	15
Both are organised	20	21	3	7	13

Source: ECS 2019 management questionnaire

### High investment, high involvement

This type includes 20% of establishments.

In terms of work organisation, this group is characterised by a higher prevalence of collaboration with other establishments (30%) when compared with other groups and offers a higher degree of complexity and autonomy to employees (20%) in their jobs or at least selective complexity and autonomy (68%).

In terms of human resources management, fixed-term contracts are used slightly less often than average, and the use of part-time contracts is about average. Most establishments are of the 'high expectations and investment' type in terms of motivational drivers, meaning they have high expectations that their staff perform over and above the parameters of their job description, but back this up with frequent use of monetary and non-monetary incentives.

These establishments are more likely to offer comprehensive training and learning opportunities (32%), or at least selective training and learning opportunities (64%). Similarly, they are more likely to offer comprehensive variable pay (30%), or at least selective variable pay (51%).

In terms of employee voice, the vast majority of these establishments are of the 'regular, high influence' type in relation to the direct involvement of employees (87%). They are also more likely than average to have an official structure for employee representation; in particular, the employer and the employees are more likely to both be organised (20%).

### Selective investment, moderate involvement

This type comprises 33% of establishments.

In terms of work organisation, these establishments do not differ much from the average in terms of collaboration and outsourcing. They are likely to offer selective complexity and autonomy (74%) to employees in their jobs.

In terms of human resource management, fixed-term contracts are used slightly more than average, and these establishments are more likely than those in other groups to have a moderate to high proportion (20% or more) of their employees on part-time contracts (51%). Most establishments are of the 'moderate expectations and investment' type in terms of motivational drivers.

These establishments are likely to offer selective training and learning opportunities (78%) as well as selective variable pay (61%).

In terms of employee voice, these establishments tend to be the 'irregular, moderate influence' type of direct participation of employees (41%) or 'meeting-oriented, limited influence' (31%). They are more likely than average to be a member of an employer organisation without having an employee representation structure (22%), or for both the employer and the employees to be organised (21%).

### Moderate investment, irregular involvement

This type includes 27% of establishments.

In terms of work organisation, these establishments are characterised by a higher prevalence of outsourcing (10%) compared to other groups and a relatively high prevalence of a 'command and control' approach to job complexity and autonomy (51%).

Both fixed-term and part-time contracts are used slightly less often than average. In terms of motivational drivers, these establishments tend to be of the 'moderate expectations and investment' type (50%) or

the ‘high expectations, low investment’ type (24%), the latter suggesting that, at least in some cases, management expectations of employees exceed the rewards offered.

These establishments are slightly more likely than average to offer limited training and learning opportunities (45%). However, they are more likely to offer comprehensive variable pay (21%), or at least selective variable pay (59%).

In terms of employee voice, the majority of these establishments are of the ‘irregular, moderate influence’ type in relation to direct involvement of employees (61%). They are more likely than average to have an official structure for employee representation, and it is more likely that only the employees are organised (27%).

### Low investment, low involvement

This last type comprises 21% of establishments.

In terms of work organisation, these establishments are most likely to not collaborate or outsource any activities (83%), and the prevalence of a ‘command and control’ approach to job complexity and autonomy (66%) is high.

In terms of human resource management, use of fixed-term contracts is about average, and these establishments are somewhat more likely than average to have a substantial proportion (20% or more) of their employees on part-time contracts (36%). In terms of motivational drivers, this group of establishments tend

to be of the ‘low expectations and investment’ type (50%) or the ‘high expectations, low investment’ type (27%), the latter suggesting that at least in some cases management expectations towards employees exceed the rewards offered by management.

These establishments are more likely than average to offer limited training and learning opportunities (82%). They tend not to offer variable pay (54%) or offer it selectively (45%).

In terms of employee voice, establishments in this group are much more likely than average to be of the ‘few tools, little influence’ type (48%), and none are of the ‘regular, high influence’ type. They are less likely than average to have an official structure for employee representation: in 9% the employees alone are organised, and in 7%, both workers and the employer are organised.

### Distribution of the groups according to structural characteristics

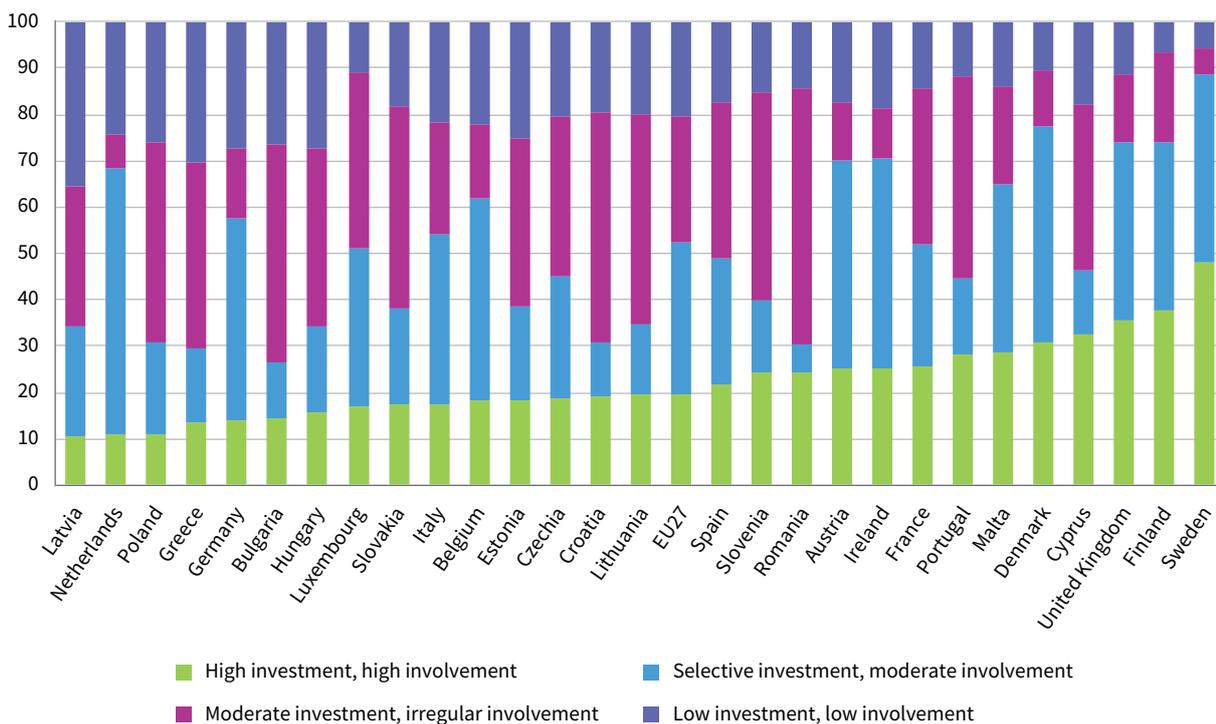
The distribution of the groups varies considerably across countries, sectors and size classes.

#### Country

Figure 83 illustrates the prevalence of the groups in each Member State and the United Kingdom.

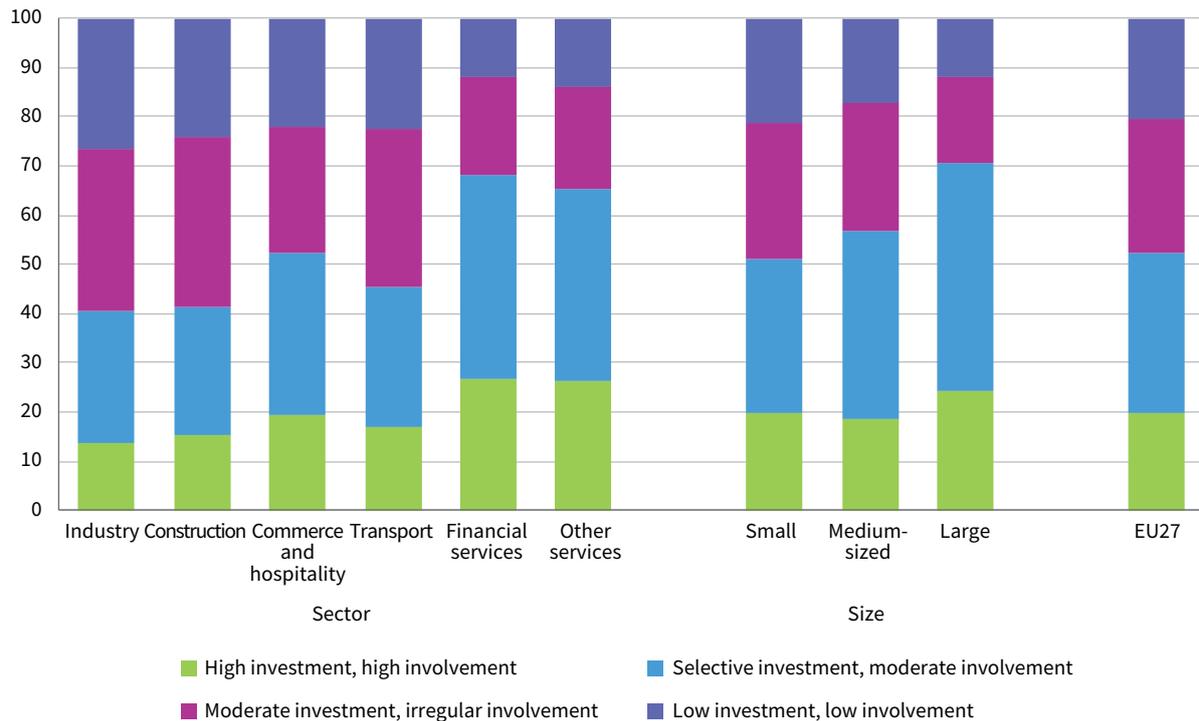
- The ‘high investment, high involvement’ group is found most commonly in Sweden (48%) and Finland (38%) and least commonly in Latvia (10%), the Netherlands and Poland (both 11%).

Figure 83: Groups of establishments, by country (%)



Source: ECS 2019 management questionnaire

Figure 84: Groups of establishments, by sector and establishment size (%)



Source: ECS 2019 management questionnaire

- The 'selective investment, moderate involvement' group is largest in the Netherlands (58%) and Denmark (47%) and smallest in Romania (6%), Croatia and Bulgaria (both 12%).
- The 'moderate investment, irregular involvement' group is most prevalent in Romania (55%) and Croatia (50%) and least prevalent in Sweden (6%) and the Netherlands (7%).
- The 'low investment, low involvement' group is found most in Latvia (36%) and Greece (30%) and least in Sweden (6%) and Finland (7%).

### Sector

Figure 84 shows the sectoral prevalence of the four establishment groups.

- Both the 'high investment, high involvement' and the 'selective investment, moderate involvement' groups are most prevalent in financial services (27% and 41%, respectively).
- The 'high investment, high involvement' type is least prevalent in industry (14%) and the 'selective investment, moderate involvement' type is least prevalent in construction (26%).
- The 'moderate investment, irregular involvement' type is found most in construction (35%) and least in financial services (20%).

- The 'low investment, low involvement' type is found most in industry (27%) and, again, least in financial services (12%).

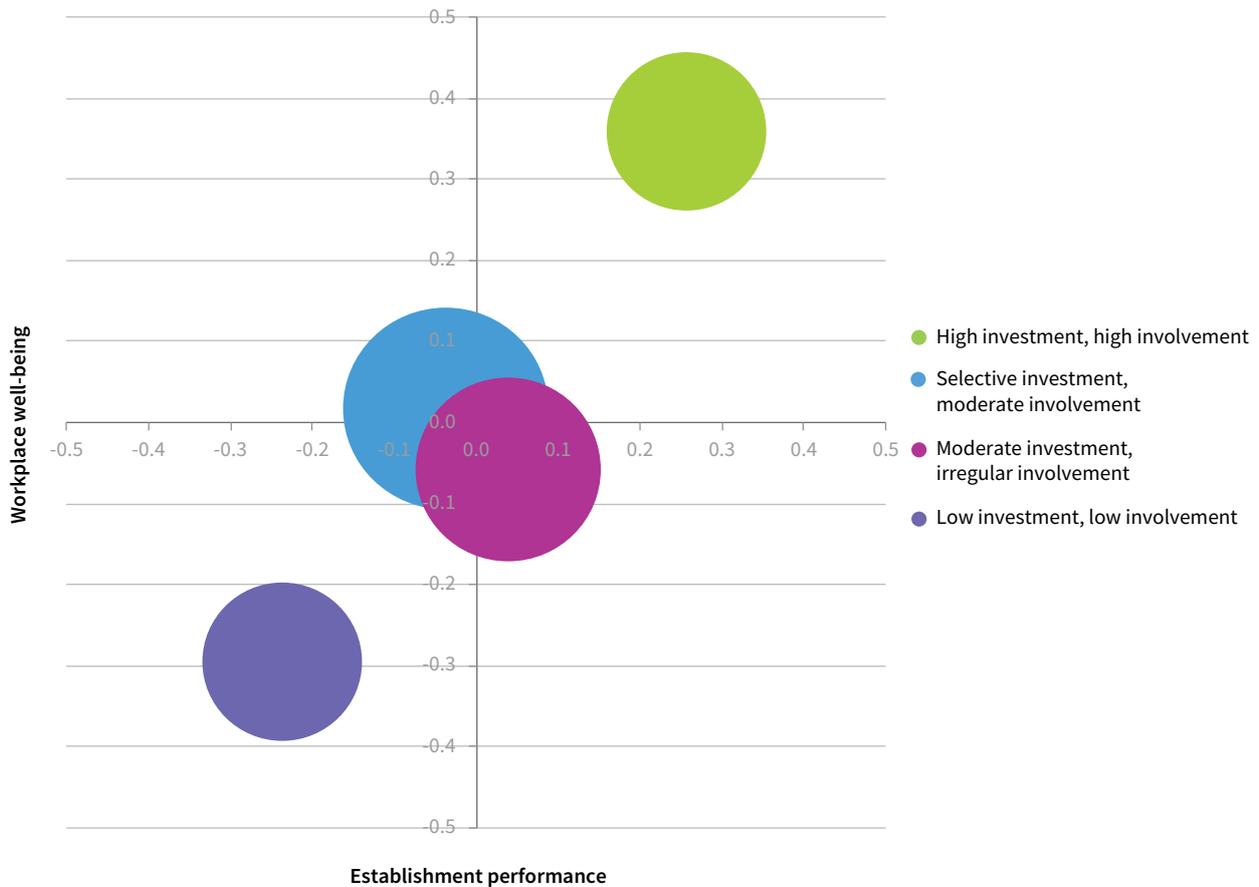
**Size:** The 'high investment, high involvement' and 'selective investment, moderate involvement' groups are found more commonly in large establishments (24% and 46%, respectively) than in small (20% and 31%) and medium-sized (19% and 38%) establishments (Figure 84).

Conversely, the 'moderate investment, irregular involvement' and 'low investment, low involvement' groups are more common in small establishments (28% and 21%, respectively) than in medium-sized (26% and 17%) and large (18% and 12%) establishments.

### Scores on workplace well-being and establishment performance

In line with expectation, on average, establishments in the 'high investment, high involvement' group score best in terms of workplace well-being and establishment performance, while establishments in the 'low investment, low involvement' group score worst (Figure 85). Differences between the two other groups are much smaller, though establishments in the 'selective investment, moderate involvement' group do

Figure 85: Workplace well-being and establishment performance, by establishment group (z-scores)



Source: ECS 2019 management questionnaire

have slightly higher well-being than those in the ‘moderate investment, irregular involvement’ group and are just above average in this regard. Establishments in the ‘moderate investment, irregular involvement’ group score above average in terms of establishment performance, and slightly better than the ‘selective investment, irregular involvement group’. All these differences hold when controlling for country, sector, size and establishment type.

Figure 86 shows the distribution within each of the groups and for the EU27 as a whole in terms of how they score on the two outcome indicators compared to average: above average on both workplace well-being and establishment performance; above average on well-being and below average on performance; below average on well-being and above average on performance; and those that scored below average on both.

The figure shows that both scores were above average most commonly in the ‘high investment, high involvement’ group (45%); this proportion was more than two and a half times that of the ‘low investment, low involvement’ group (17%), and one and a-half times the EU27 average of 30%. This finding further supports the proposition that bundles of workplace practices

matter considerably when it comes to achieving good outcomes on workplace well-being and establishment performance, particularly win-win outcomes.

### Associations with digitalisation, innovation and product market strategy

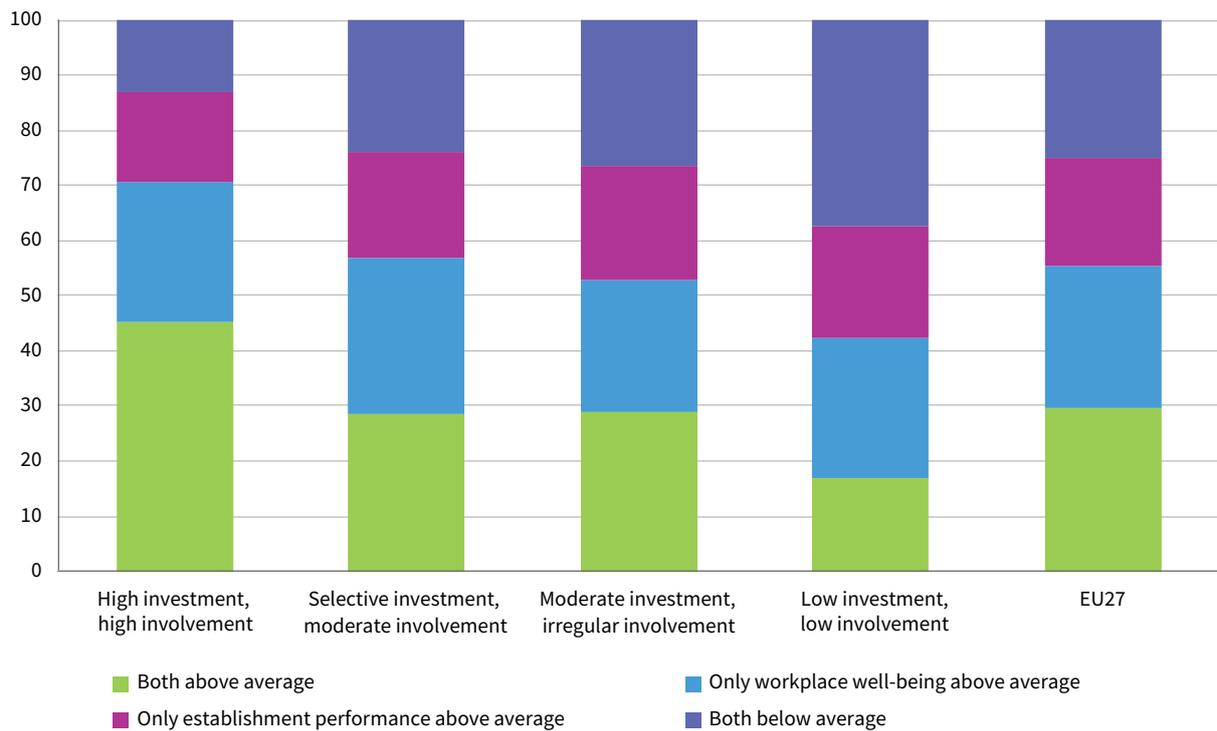
How are these groups distributed with regard to digitalisation, innovation and product market strategy? This section examines that question but begins with a summary of the findings from earlier in the report.

#### Digitalisation

Four types of establishment were identified according to the degree to which they have digitalised.

- Highly digitalised:** These establishments are characterised by a high level of computer use, as well as an above-average likelihood of having purchased customised software, use of robots, use of data analytics for process improvement and employee monitoring, and engaging in e-commerce.
- High computer use, limited use of other digital technology:** These establishments are characterised by a high level of computer use and well below-average use of other digital technology.

Figure 86: Relative workplace well-being and establishment performance within each establishment group (%)



Source: ECS 2019 management questionnaire

- **High use of robots and other digital technology, limited computer use:** In these establishments, computer use is low, but use of other digital technology, particularly robots, is above average.
- **Limited digitalisation:** These establishments are characterised by a low level of computer use, and their use of other digital technology is also well below average.

The level of digitalisation has a clear positive association with establishment performance, and workplace well-being is higher in the two types with high computer use.

### Innovation

The analysis distinguished between three types of establishments on the basis of their level of innovation:

- establishments that have introduced innovations to the market (19%)
- establishments that have introduced innovations only within the establishment (31%)
- establishments that have not innovated at all (51%)

Establishments that have introduced innovations to the market score better on both workplace well-being and establishment performance than the other two, less innovative, types. Those that introduced innovation internally but not to the market perform better than those that have not innovated at all but have lower workplace well-being.

### Product market strategy

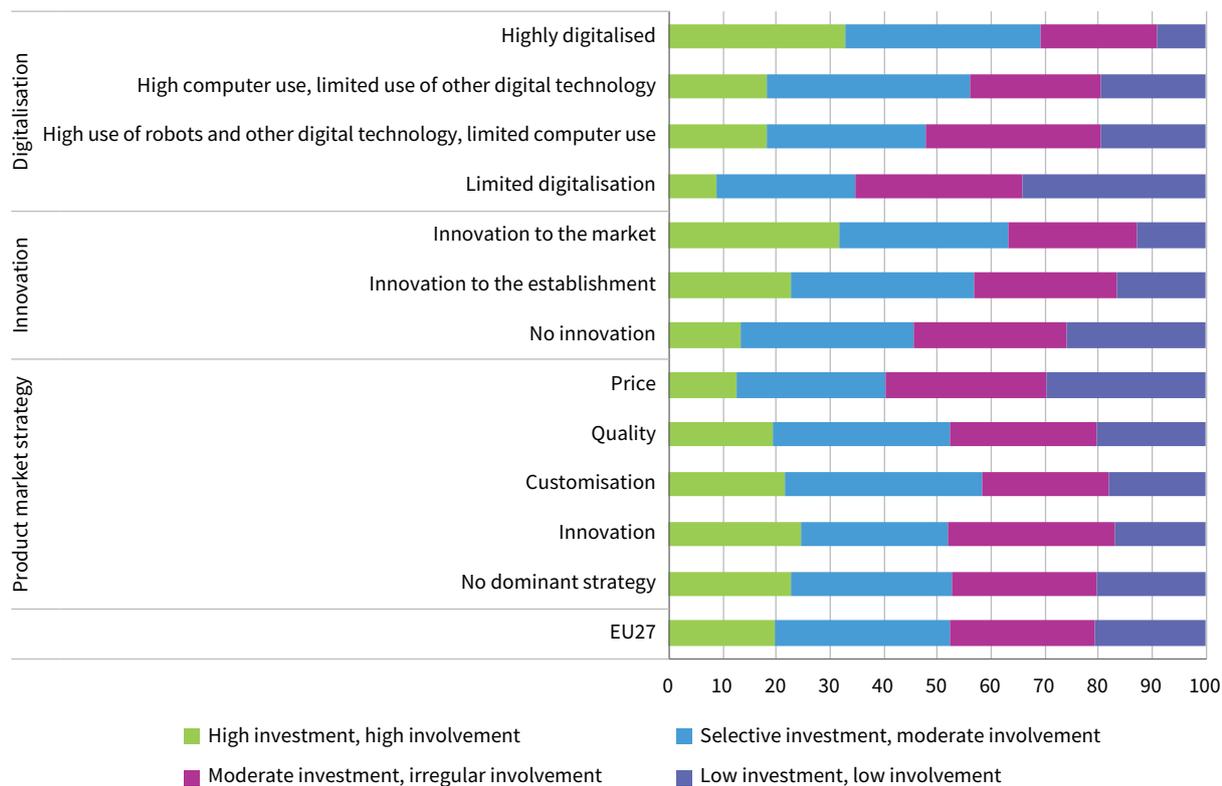
The product market strategies of establishments were captured by asking managers to rank four strategies for competitiveness in order of importance: competing on price, quality, customisation and innovation. Quality was ranked top by 37% of managers, customisation by 29%, price by 11% and innovation by 8%. A further 14% of managers ranked multiple strategies most highly.

In terms of both workplace well-being and establishment performance, establishments that aim to compete on price stood out as scoring considerably lower than establishments that follow any of the other strategies.

### Association with establishment groups

Figure 87 shows the association between digitalisation, innovation and product market strategy and the four groups identified in the comprehensive model.

Figure 87: Groups of establishments, by digitalisation, innovation and product market strategy (%)



Source: ECS 2019 management questionnaire

**Digitalisation**

- The ‘high investment, high involvement’ group is most prevalent among establishments of the ‘highly digitalised’ type (33%) and least prevalent among those of the ‘limited digitalisation’ type (9%).
- The ‘selective investment, moderate involvement’ group is most prevalent among the ‘high computer use, limited use of other digital technology’ type (38%) and least prevalent among the ‘limited digitalisation’ type (26%).
- The ‘moderate investment, irregular involvement’ group is found most frequently among those with ‘high use of robots and other digital technology, limited computer use’ (32%) and least in ‘highly digitalised’ establishments (22%).
- The ‘low investment, low involvement’ group is largest among establishments of the ‘limited digitalisation’ (34%) type and smallest among those of the ‘highly digitalised’ type (9%).

**Innovation**

- Establishments that introduced innovations to the market are much more likely to be in the ‘high investment, high involvement’ group (32%) than those that have innovated within the establishment (23%) and those that have not innovated at all (13%).
- The ‘selective investment, moderate involvement’ group is found most commonly in establishments that introduced innovations to the establishment (34%).

- The ‘moderate investment, irregular involvement’ and the ‘low investment, low involvement’ groups are most prevalent among establishments that have not innovated at all (28% and 26%, respectively).

**Product market strategy**

Product market strategies appear to matter as well.

- The ‘high investment, high involvement’ group is largest among establishments aiming to compete through innovation (25%) and smallest among those competing on price (13%).
- The ‘selective investment, moderate involvement’ group is most common among establishments aiming to compete through customisation (37%) and least common in those competing on price or through innovation (both 27%).
- The ‘moderate investment, irregular involvement’ type is observed most frequently in establishments competing through innovation (31%) and least frequently in those competing through customisation (24%).
- Finally, the ‘low investment, low involvement’ group is largest among establishments competing on price (30%) and smallest among those competing through innovation (17%).

# Key findings: Combining strategies and practices

## Grouping establishments

On the basis of all of the establishment circumstances, workplace practices and managerial strategies explored in this report, EU27 establishments were divided into four groups:

- high investment, high involvement (20% of EU27 establishments)
- selective investment, moderate involvement (33%)
- moderate investment, irregular involvement (27%)
- low investment, low involvement (21%)

### High investment, high involvement

Establishments in this group have adopted a wide range of practices to invest in their employees and to involve them in the activities of the business. Jobs are designed to be challenging and to demand employees' autonomous decision-making, and employment contracts tend to be open-ended. Employees are expected to do more than the defined tasks of the job – for instance, establishments expect employees to help colleagues and to contribute ideas for improvement. They back this up, though, by offering both monetary and non-monetary incentives. They are likely to have performance-related pay schemes, and they invest in training. In the vast majority of these establishments, interaction with employees is regular, through one-to-one meetings with line managers, staff meetings, and dissemination tools such as newsletters and email. Employees in these establishments have a relatively high level of influence on management decisions. These establishments collaborate with other establishments and outsource more than average, exposing employees to knowledge and information from outside the establishment. Establishments are more likely than average to have an employee representative body and to be members of an employer association.

### Selective investment, moderate involvement

Establishments in the 'selective investment, moderate involvement' group also apply a range of practices to boost their employee capital and to encourage their participation in the organisation; however, these efforts tend to be applied more selectively. Their expectations that employees will be proactive of their own accord are moderate, and they implement motivational drivers to a moderate extent. Skills development opportunities and performance-related pay are offered to just part of the

workforce. They communicate and seek employee input irregularly using a variety of means; a substantial proportion favour meetings with employees.

Employees, however, have limited influence.

Establishments exhibit an average level of collaboration and outsourcing, and their use of fixed-term contracts is slightly more than average, indicating less workforce continuity. They are more likely than average to be a member of an employer organisation without having an employee representation structure, or for both the employer and the employees to be organised.

### Moderate investment, irregular involvement

Establishments in the 'moderate investment, irregular involvement' group are less likely to facilitate employee autonomy and involvement. Many prefer management to control the work of employees and do not make an effort to build complexity and autonomy into jobs. Most have moderate expectations that employees will put in discretionary effort and make moderate use of motivational drivers, but a sizeable minority have expectations of employees that exceed the rewards offered. However, they are more likely than average to offer variable pay, although skills development opportunities tend to be limited. They communicate and seek employee input irregularly using a variety of means such as meetings, newsletters and email, and employees have a moderate level of influence on management decision-making. Outsourcing is more prevalent than in other groups, while their use of fixed-term and part-time arrangements is slightly less than average. They are more likely than average to have an employee representation body, and it is more likely that only the employees are organised.

### Low investment, low involvement

Establishments in the 'low investment, low involvement' group have a particularly high prevalence of a 'command and control' approach to work organisation, meaning less problem-solving and exercise of autonomy on the part of employees. Most establishments have low expectations of their staff in terms of going over and above the immediate parameters of their jobs; this is matched by a low use of motivational drivers. In a sizeable minority, management expectations of employees exceed the rewards offered by management. These establishments are likely to offer limited training and learning opportunities and are unlikely to offer variable pay.

They are much more likely than average to make limited effort to engage with employees, and none of these establishments has regular involvement; hence, employees have little influence. Use of fixed-term contracts is about average, and these establishments are somewhat more likely to have 20% or more of their employees on part-time contracts. They are less likely than average to have an official structure for employee representation.

## Relating establishment groups to outcomes and contextual factors

### Workplace well-being and establishment performance

Establishments in the ‘high investment, high involvement’ group score best in terms of establishment performance and workplace well-being, and establishments in the ‘low investment, low involvement’ group score worst. Establishments in the ‘moderate investment, irregular involvement’ and those in the ‘selective investment, moderate involvement’ group are somewhere in between on performance and well-being. Differences between these two intermediate groups are very small.

### Digitalisation, innovation and product market strategy

In terms of digitalisation, the ‘high investment, high involvement’ group is most prevalent among ‘highly digitalised’ establishments. The ‘low investment, low involvement’ group is largest in establishments with ‘limited digitalisation’.

Establishments that have introduced innovations to the market are much more likely to be in the ‘high investment, high involvement’ group than those that have innovated in the establishment and those that have not innovated at all. The ‘selective investment, moderate involvement’ group is found most frequently in establishments that have introduced innovations that were new to the establishment but not to the market. The ‘moderate investment, irregular involvement’ group and the ‘low investment, low involvement’ group are most prevalent among establishments that have not innovated at all.

The ‘high investment, high involvement’ group is largest among establishments aiming to compete through innovation. The ‘selective investment, moderate involvement’ group is found most commonly among establishments aiming to compete through customisation. The ‘moderate investment, irregular involvement’ group is again observed most frequently in establishments competing through innovation, and, finally, the ‘low investment, low involvement’ group is largest among establishments competing on price.

# Conclusions

The European Company Survey (ECS) 2019 adopted a holistic approach to examining workplace outcomes, with the aim of identifying win-win situations in which good establishment performance goes hand in hand with high levels of workplace well-being. Establishment performance is defined broadly, encompassing not only profitability but also changes in the volume of production or service provision and expected growth in employment levels. Workplace well-being captures four dimensions of a healthy workplace: low absenteeism, high employee motivation, the ability to retain staff, and a good relationship between management and employees.

## Associations between practices and outcomes

Analysing the links between company practices and strategies and these two outcomes uncovered several associations that should inform policymaking seeking to build better workplaces.

### Digitalisation and innovation

Of four types of establishment distinguished on the basis on degree of digitalisation, two types – those that are highly digitalised and those that are less digitalised but with a high level of computer use – achieve better workplace well-being outcomes than the other two types, characterised by less computer use or limited digitalisation. But only the highly digitalised establishments achieve better establishment performance.

Establishments that have introduced innovation either to the market or internally within the establishment perform better economically than establishments that have not innovated at all. However, only establishments that have introduced innovations to the market achieve better workplace well-being outcomes than non-innovative establishments.

### Work organisation

Successful workplaces – those with the best performance and well-being – are characterised by jobs with ample autonomy and challenging tasks, facilitated by supportive managers.

### Human resource management

Establishments are most likely to score well on both performance and well-being when employers create a motivating work environment (with interesting and stimulating jobs, professional development, and strong mission and vision statements) and expect employees to go above and beyond narrowly defined job tasks (showing flexibility, helping and supporting colleagues, providing suggestions for improvements at the establishment).

### Skills availability and skills development

The best outcomes in terms of establishment performance and workplace well-being are obtained in establishments where:

- training is seen as an important means to achieve various workplace outcomes: providing workers with the skills for their current jobs, preparing workers to move to other positions within the establishment, promoting worker contributions to workplace improvement
- jobs offer comprehensive learning opportunities
- management provides extensive work-related training and is willing to change work schedules to allow participation in training

### Employee voice

Employee voice has a clear link with workplace outcomes. Workplaces in which employees are consulted regularly, where management recognises the competitive advantage employee involvement can offer and where employees are able to influence management decisions, are most likely to score well in terms of workplace well-being and establishment performance.

Looking at social dialogue in those establishments where an employee representative was present, the best outcomes in terms of workplace well-being and establishment performance are apparent when the relationship between the employee representative and management is constructive and characterised by a high degree of trust, and when management prefers to consult with employees and their representatives and takes account of the employee representatives when making decisions.

## The optimal bundle

Bringing the analyses of the strategies and workplace practices together, the study went on to identify how these are bundled to provide the optimal workplace environment.

The analysis identified a group of around one-fifth of all establishments in the EU27 that appear to be getting it right. These ‘high investment, high involvement’ establishments tend to design jobs in a way that challenges employees but also gives them the autonomy to tackle these challenges independently; they see the role of managers as creating a work environment in which employees can operate autonomously. Jobs in these establishments tend to offer comprehensive learning opportunities, and management provides access to the necessary activities for skills development (training and on-the-job learning) while managers support participation by enacting flexible work schedules. To motivate employees, these establishments tend to use both non-monetary incentives and comprehensive variable pay schemes (of various types), and employees are expected to go beyond the narrowly described job tasks to provide flexibility, support to colleagues and contribute to workplace improvements. These establishments also consult employees regularly, allowing them to influence decisions, thus providing a channel through which employees’ input can be implemented.

This group of establishments outperforms the best-performing types on all of the component themes in terms of the likelihood of both workplace well-being and establishment performance being above average. The same is also true for the scores on each of the two indicators, except for the ‘high complexity and autonomy’ type, which scores somewhat higher on workplace well-being (but considerably lower in terms of establishment performance).

Establishments in this group are considerably more likely to generate win-win outcomes than those in other groups. These establishments are found most in Finland and Sweden, are somewhat more common among large establishments and tend to be more prevalent in two sectors: financial services and other services. Establishments in this group tend to be highly digitalised, are more likely to be innovative, and are able to use product innovation as a competitive strategy.

## Additional takeaways

As well as identifying win-win establishments and pinpointing the workplace practice characteristics of them, the results of the ECS 2019 data analysis uncovered some other notable points on areas where companies might address shortcomings to their benefit and to the benefit of their staff.

## Tackling skills mismatches

Firstly, the results suggest that taking a broader approach to organisational life could effectively help in fighting skills mismatches, both underskilling and overskilling. They highlight that learning and skills development do not only take place in schools: workplaces are learning places too. The dual apprenticeship system – which combines vocational learning with workplace experience – capitalises on recognition of this. The learning curve – the productivity growth associated with investments in training and on-the-job learning experienced in establishments (Arrow, 1962; Pedersen and Slepnirov, 2016) – is testament to the tremendous importance of workplaces for skills development.

These considerations have important implications for tackling underskilling, the reduction of which has been a consistent objective across many EU policy initiatives. The ECS 2019 shows that only 34% of EU workplaces do not employ any underskilled workers; however, 60% of establishments employ 10% or less underskilled workers, while for 90% of establishments, the incidence of underskilled workers is 30% or less. Comprehensive skills development activities and management commitment to these, which can effectively remedy the situation, are associated with win-win outcomes.

The ECS 2019 also highlights the prevalence of overskilling: the majority of establishments (52%) experience some degree of overskilling (up to 10%), while for 86% of establishments the proportion of overskilled workers is up to 30%. Overskilling can be decreased through redesign of jobs aimed at increasing job complexity; this too is associated with win-win outcomes when well implemented.

## Involving employees

The results also suggest that direct employee participation and social dialogue are associated with win-win outcomes when well implemented. Similar conclusions were reached in the analysis of the ECS 2013 (Eurofound, 2015a).

## Balance in the employee–organisation exchange

In the best-performing groups of establishments – in terms of generating win-win outcomes, overall as well as for each of the individual themes – investment in employee autonomy coincides with managerial practices allowing workers to make use of their autonomy. Investment in skills coincides with a high prevalence of jobs offering, or even requiring, comprehensive learning opportunities and with managerial practices facilitating participation in skills development activities. Employee involvement coincides with managerial attitudes allowing employees to influence decisions.

This correspondence between extensive practices and positive management attitudes in the best-performing groups is a robust result that was also found in the ECS 2013 (Eurofound, 2015a), despite the fact that a different sample of establishments and a different survey methodology were used. The analyses in this report show that it is also important that the terms of the exchange are balanced. In the best-performing establishments, high expectations of employees – in terms of behaviour that goes beyond just ‘doing the job’ – are matched with a broad offer of motivational drivers.

## Policy pointers

The findings of the ECS 2019 suggest that businesses should be encouraged to invest in developing employee autonomy, skills development, motivation and employee involvement, and to back up these investments consistently with managerial support. While certain organisations may find it difficult to adopt complex job design – because of the nature of their jobs or because of technological, normative, or sectoral constraints – even small improvements in terms of job complexity and autonomy can benefit worker well-being. Such investments are as relevant for SMEs as for larger companies: effective measures that result in improved performance as well as workplace well-being are not necessarily large-scale or cost-intensive; small initiatives can also be beneficial if well implemented.

Research on investment in human resource management practices in the United States has suggested that the adoption of such practices might be low because businesses get limited returns from them (Kaufman, 2010; Kaufman and Miller, 2011). However, this interpretation ignores the difficulties in bringing about workplace change (Gibbons and Henderson, 2013):

- managers might not know that other companies do better than they do in human capital utilisation
- managers might know that they are falling behind but might not be motivated to change (because they underestimate the gains, competitive pressure is low or they lack the funds)
- managers might know that they are falling behind but do not know what to do to catch up
- managers might know that they are falling behind, and might know what to do and try to do it, but do not succeed

The literature reports various cases in which human resource management practices were badly implemented (Kerr, 1975). In other cases, the practices adopted were later abandoned (Bloom et al, 2012).

Policy interventions are required because of these information gaps. At the EU level, there should be a continued push for better use of human resources in organisations. The next policy cycle should emphasise

the importance of investments in autonomy, skills and employee involvement and their potential for generating win-win outcomes from these investments. The policy process should involve social partners and support their participation. It could target managers, workers and social partners as well as training providers and educational institutions, with a focus on business schools. Following in the footsteps of the European Workplace Innovation Network (EUWIN) project, practitioners should also be involved because they can provide key insights into the support management might need during the implementation of workplace changes.

Considering the four predicaments that could impair workplace change discussed above, the policies could be structured to support managers in bringing about workplace change by:

- providing detailed information about the advantages of investments in workplace well-being, including attention to how, and under what circumstances, these advantages transpire
- creating networks of employers to facilitate the exchange of information about what works under what circumstances
- actively supporting workplace change through facilitating access to advice about workplace change and supporting services for its implementation

### **Mobilise business organisations to implement policy.**

Employer associations and chambers of commerce could play a major role in the implementation of policy measures geared towards increased investment in, and more involvement of, employees. In most cases, the implementation would follow regional or sectoral boundaries because proximity and similarity facilitate both communication and the sharing of ideas. This will also facilitate the organisation of training provision, which, as explained below, plays an important role in the suggested policy interventions.

### **Boost manager training to equip them to support workplace change.**

In line with the focus on the modernisation of the skills base in the workforce, policies could also target the modernisation of the skills base of general and line managers. This goes beyond human resources managers because, as a consequence of organisational delayering, line managers perform a lot of day-to-day human resources functions (Nielsen, 2013; Op de Beeck et al, 2016). Training subsidies could be earmarked to improve leadership skills among general and line managers; this could be especially important for those line managers who rose through the company ranks without formal management training.

### **Target the next generation of managers.**

As shown in this report and in previous research (Tetlock, 2000; Pfeffer, 2007), management’s approach to human resources and management attitudes

towards employee voice are particularly important for skills use and development in the workplace and attaining win-win outcomes. The attitudes and managerial styles of the current generation of managers may be difficult to change (managers are pressed for time and may find it difficult to attend extensive training) so particular attention should be paid to the education of the next generation of managers.

#### **Enlist business schools in future-oriented goals.**

Business schools should be actively involved in the process so the next generation of managers will have the attitudes and competencies needed to understand the importance of human resources for the success of their business and to create the best conditions for this to happen. These competencies include:

- designing jobs in ways that require workers to draw on their skills
- providing incentives for workers to deploy their skills
- supporting workers in their skills development by providing learning opportunities
- creating channels through which employees can contribute to the success of the organisation, directly and within the framework of a healthy social dialogue

#### **EU policy focus**

These results suggest that the latest policy actions (such as Upskilling pathways), which have increasingly focused on labour supply, have somewhat overlooked the need to address labour demand and the importance of employee involvement and social dialogue. It is hoped that key elements of organisational life – how jobs are designed, how skills are developed and used, the degree of employee involvement and the level of managerial support – will receive attention in the new policy cycle. Adoption of these practices is associated not only with win-win outcomes but also with the increased likelihood of innovation, thus supporting the competitiveness of EU companies in an increasingly globalised and digitalised economy.

That said, changing workplaces can be difficult, particularly when it involves the simultaneous implementation of multiple measures. Moreover, the implementation of workplace change needs to navigate a variety of workplace constraints (technological, normative, etc.) and workplace idiosyncrasies (path dependence). Not all of these workplace specificities could be included in the ECS 2019 questionnaire, and they may influence the outcomes. As such, some establishments might not experience these positive results, despite having the practices in place concerning autonomy, motivation, skills development and employee involvement, for which this report shows positive outcomes. The non-deterministic nature of the success of workplace change is why policy interventions in support of workplace change may be particularly important.

#### **Remarks in the wake of COVID-19**

Finally, a few remarks concerning the COVID-19 pandemic, which started in Europe at the beginning of 2020, are in order. The fieldwork for this study took place before the crisis; this is reflected in the percentage of establishments reporting a profit and having positive expectations about employment growth, which will not be representative of the situation in 2020.

Another change in working life puts a new perspective on the findings of the ECS 2019. While teleworking was relatively marginal before the crisis, Eurofound's *Living, working and COVID-19* report concluded that the generally positive response of employees and employers to the COVID-19 teleworking experience suggests that it will become much more commonplace going forward (Eurofound, 2020a). This will require further technological investment in connectivity and network security, and has important implications for the way work is organised.

- Flexible and remote working arrangements require increased employee autonomy. The ECS 2019 demonstrates that increased autonomy can benefit both workers and businesses, when management is supportive, and when it is combined with practices for learning and development and for employee involvement in management decision-making.
- Eurofound's *Living, working and COVID-19* e-survey showed that working remotely had no impact on employees' receipt of help and support from colleagues or managers, suggesting that many employees went beyond the confines of their job descriptions by acting proactively, engaging in workplace citizenship and supporting each other. The findings from the ECS 2019 suggest that to sustain and further promote this positive state of engagement, motivational levers and reward mechanisms and appropriate management approaches to job design and skills development need to be put in place, regardless of whether work will be carried out remotely or at the workplace.
- The findings from the *Living, working and COVID-19* e-survey also showed that the increase in remote working resulted in increasingly blurred work-life boundaries. In re-thinking their workplace practices and managerial strategies, managers should keep abreast of developments in terms of 'right to disconnect' initiatives across Member States, to ensure that the increased employee engagement, brought about by a more people-centred work organisation and management strategy, is matched with consideration of and respect for home life.

Managers play a key role in the decision to initiate workplace change and in its success by continuously supporting the implemented workplace practices. They should be supported in this role as much as possible.

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# Annex: Survey methodology and data manipulation

## Survey design and implementation

The fourth edition of the European Company Survey (ECS 2019) is a survey of establishments in Europe. It is the first large-scale cross-national establishment survey to use a push-to-web methodology. Fieldwork took place between January and July 2019. Establishments were contacted via telephone to identify a management respondent and, where present, an employee representative respondent, and both were subsequently asked to complete the questionnaire online. The ECS had previously been carried out as a telephone survey – in 2004 (with the title *European Establishment Survey on Working Time and Work–Life Balance*), 2009 (ECS 2009) and 2013 (ECS 2013).

### Target population

As in previous editions, the unit of enquiry for the survey was the establishment. The term ‘establishment’ refers to the local unit or site; in reality, most businesses are single-establishment companies, but in those companies that consist of multiple sites or plants, one or more local units were selected for the survey. The target population was all establishments with 10 or more employees in economic sectors engaged in market activities in all 27 EU Member States and the United Kingdom. ‘Market activities’ refers to the following sectors of activity in the Statistical classification of economic activities in the European Community (NACE Rev. 2): mining and quarrying (B), manufacturing (C), electricity, gas, steam and air conditioning supply (D), water supply, sewerage, waste management and remediation activities (E), construction (F), wholesale and retail trade, repair of motor vehicles and motorcycles (G), transportation and storage (H), accommodation and food service activities (I), information and communication (J), financial and insurance activities (K), real estate activities (L), professional, scientific and technical activities (M), administrative and support service activities (N), arts, entertainment and recreation (R) and other service activities (S). It excludes agriculture, forestry and fishing (A), activities of the household (T) and activities of extraterritorial organisations and bodies (U), as the questionnaires are not suited for most, if not all,

establishments in these sectors. The public sector (public administration and defence; compulsory social security (O), education (P), and human health and social work activities (Q)) was also excluded because of a lack of reliable sampling frames.

### Questionnaire development and translation

The starting point for developing the questionnaires for the ECS 2019 was those used in the ECS 2013. However, adjustments were needed to cover Cedefop’s interest in skills use and skills strategy, to improve the analytical scope of the survey as compared to the ECS 2013 by including (more) information on digitalisation, innovation and business strategies, and to ensure the questionnaires were suitable for online administration.

To include items on skills use and skills strategies, Eurofound and Cedefop commissioned a background paper to examine the conceptualisation of these issues in the academic literature and looked at the questions used to assess this topic in other company surveys (Eurofound, 2019).

The questionnaire development process was supported by a group of experts on (survey) research on company practices in the areas covered by the survey, and by a steering group composed of members of the governing boards of Eurofound and Cedefop, to ensure alignment with stakeholder interests.

The questionnaires were administered online and had to be customised to the various types of respondent (such as managers in a single-establishment or multi-establishment company, or employee representatives acting as individuals or as part of a council or delegation). Question wording took the characteristics of the respondents into account. For instance, in establishments that had been in operation for less than three years at the time of the survey, any questions about events in the past three years were phrased such that they applied to the establishment’s entire period of operation.

Most questions referred to non-managerial employees only; the intention was to exclude any arrangements and entitlements that were only available to managers.

High levels of comparability of different language versions are essential for any cross-national survey. In the broadest sense, translation of questionnaires aims to ensure that measurements are equivalent in different linguistic, cultural and institutional settings.

The starting point for high-quality translation of a survey questionnaire is to ensure that the source questionnaire is free from any ambiguities that could create difficulties in the translation process. For this purpose, a translatability assessment was carried out involving advance translation of the questionnaire into French, German and Polish. To ensure the source questionnaires were understood properly, cognitive pretesting of those items deemed to be particularly challenging was carried out in France, Germany, Poland and the United Kingdom. The findings from the advance translation and the cognitive pre-test were discussed in a questionnaire finalisation meeting involving Eurofound, Cedefop, the survey contractor and the contractor for the translatability assessment.

To cover the 27 EU Member States and the United Kingdom, the ECS 2019 questionnaires were created in 34 languages, including the key minority languages of the surveyed countries (Table A1).

For the ECS 2019, translation of the source questionnaire involved several steps.

1. Two independent translators with different skill sets translated the questionnaire into each target language.
2. After this, a team-based interactive online review meeting took place between the two translators and an adjudicator.
3. For languages that were used in multiple countries, multiple translations were created and cross-verified to produce final translations specific to each country.
4. Existing translations of the questions that had been used in the ECS 2013 were reviewed. The aim was to stay as close as possible to the existing translation, unless issues were detected.
5. Finally, the translated versions were copyedited to correct any small mistakes that had crept in.

A centralised, web-based translation system was used to closely document each of these steps.

For some languages, adaptation of the translation for the same language in another country was deemed sufficient (see Table A1).

**Table A1: Language versions created and translation approach used**

Country	Language	Notes
Austria	German	Cross-verified with Germany (German)
Belgium	Dutch	Cross-verified with the Netherlands (Dutch)
	French	Cross-verified with France (French) and Luxembourg (French)
Bulgaria	Bulgarian	
Croatia	Croatian	Cross-verified with Montenegro (Montenegrin) and Serbia (Serbian)
Cyprus	Greek	Adapted from Greece (Greek)
Czechia	Czech	
Denmark	Danish	
Estonia	Estonian	
	Russian	Shared language – ‘first-line’ version
Finland	Finnish	
France	French	Cross-verified with Belgium (French) and Luxembourg (French)
Germany	German	Cross-verified with Austria (German)
Greece	Greek	Shared language – ‘first-line’ version
Hungary	Hungarian	
Ireland	English	Adapted from the English-language source questionnaire
Italy	Italian	
Latvia	Latvian	
	Russian	Shared language – adapted from Estonia (Russian)
Lithuania	Lithuanian	

Country	Language	Notes
Luxembourg	French	Cross-verified with Belgium (French) and France (French)
	German	Shared language – adapted from Germany (German)
Malta	Maltese	
	English	Adapted from the English-language source questionnaire
Netherlands	Dutch	Cross-verified with Belgium (Dutch)
Poland	Polish	
Portugal	Portuguese	
Romania	Romanian	
Slovakia	Slovak	
Slovenia	Slovenian	
Spain	Spanish (Castilian)	
	Catalan	
Sweden	Swedish	
United Kingdom	English	Adapted from the English-language source questionnaire

Source: Eurofound (2020)

### Pilot test

Because the push-to-web approach was novel, an extensive pilot test was carried out to fine-tune the questionnaires, the approach to sampling and sample management and the contact strategy. The pilot test revealed that the approach was more challenging in some countries than had been anticipated. As a consequence, in a few countries, the target sample size was set lower than originally envisaged.

### Sample sizes

The final target sample size for the management interviews ranged from 250 in the smallest countries to 1,500 in the largest countries (Table A2). To manage uncertainty due to the innovativeness of the approach, a downward deviation of up to 10% of the target sample size in any country was acceptable as long as the downward deviation of the overall sample would not exceed 5%, and evidence could be provided that enough effort had been made to achieve the planned target size.

As can be seen in Table A2, the measures for risk mitigation were not sufficient. The target sample sizes (even when considering the 10% buffer) were not achieved in Germany, Poland, Romania, Cyprus and Malta (in the last two cases, all eligible companies had been approached but an insufficient number of them agreed to participate).

### Sampling approach

Sampling followed a multistage random sampling approach stratified by establishment or company size (10–49 employees, 50–249 employees, 250+ employees) and the broad sector of activity (production, construction, services). The approach aimed for a balance between representativeness at the level of the number of establishments and representativeness at the level of the number of employees working in these establishments. In countries with a company-level sampling frame, a screening procedure was used to randomly select an establishment within the company.

Table A2: Target and completed sample sizes

	Sampling frame	Target sample	Management interviews completed	Employee representative interviews completed	Establishments with both employee representative and management interviews completed
Austria	Establishment	1,000	1,010	163	95
Belgium	Company	1,000	1,011	100	51
Bulgaria	Company	1,000	1,024	100	60
Croatia	Company	500	560	71	46
Cyprus	Company	250	122	3	3
Czechia	Company	1,000	904	46	33
Denmark	Establishment	1,000	1,011	134	96
Estonia	Company	500	501	17	10
Finland	Establishment	1,000	1,032	467	258
France	Establishment	1,500	1,360	425	284
Germany	Establishment	1,000	711	66	31
Greece	Company	500	501	8	2
Hungary	Company	1,000	1,087	34	26
Ireland	Establishment	250	300	6	2
Italy	Company/Establishment	1,500	1,498	188	127
Latvia	Company	500	514	11	8
Lithuania	Company	500	510	131	79
Luxembourg	Establishment	250	237	39	23
Malta	Company	250	145	5	3
Netherlands	Establishment	1,500	1,030	339	174
Poland	Company	1,150	842	48	34
Portugal	Company	1,000	973	17	8
Romania	Company	1,000	815	76	44
Slovakia	Company	350	361	27	14
Slovenia	Company	500	556	23	15
Spain	Company	1,500	1,477	196	134
Sweden	Establishment	1,000	1,080	307	164
Total EU27		22,000	21,172	3,047	1,824
United Kingdom	Establishment	700	697	26	11

Note: The target sample size was increased during fieldwork from 350 to 1,000 in Finland and from 550 to 700 in the United Kingdom.

Source: Eurofound (2020b)

## Contact strategy

Establishments were contacted via telephone. Interviewers asked to be put in contact with the most senior person in charge of personnel (in large establishments, the target was ‘a senior person in charge of personnel’). Once in touch with the target management respondent, the interviewer proceeded by:

- collecting information about the establishment (number of employees, main sector of activity, etc.)
- noting the contact details of the management respondent
- asking questions to assess which form(s) of employee representation was present and (where present) to identify the appropriate employee representative respondent
- collecting the contact details of an employee representative (where present)
- screening and sampling additional establishments and collecting their contact details (in multi-establishment companies in countries with a company-level sampling frame)
- reviewing the contact details that had been collected

As in previous years, the target respondents in the ECS 2019 were chosen on the basis of their knowledge about the topics to be investigated. The managers and employee representatives who answered the questionnaires did so with their own roles in mind, not from the point of view of employees at the establishment.

## Identifying and selecting the employee representative respondents

The identification and selection of respondents for the employee representative interviews was based on a series of questions designed to match the institutional structure in each country.

The national-level experts from Eurofound’s European Observatory of Working Life identified the employee representation bodies that would be involved in discussions on work organisation practices and the

types of collective bargaining agreements that exist for each country. Table A3 shows the types of body established as having a presence in each country and the terminology that was used, as well as the preferences for selection of the employee representative respondents.

The identification and selection questions were put to the management respondent as part of the screening interview. A further attempt to identify a respondent for the employee representation questionnaire was made at the end of the management questionnaire, at which point the manager was prompted once again to provide the contact details of an employee representative.

This approach resulted in three types of outcome:

- establishments where only the manager responded (there was no employee representation, there was employee representation but no contact details were obtained, or there was employee representation but the selected employee representative did not complete the questionnaire)
- establishments where both the manager and the employee representative responded
- establishments where only the employee representative responded (the selected management respondent failed to complete the online questionnaire)

## Fieldwork outcomes

As mentioned above, the push-to-web methodology involved more time and effort than had been anticipated. The main reason for this was that, particularly in some countries, both the screener success rate (the proportion of establishments where a management respondent agreed to participate in the survey following the telephone screener screening) and the conversion rate (the proportion of managers that, after agreeing to participate on the telephone, proceeded to actually complete the questionnaires online) were lower than expected. In the EU27, in 16% of establishments for which at least one contact attempt was made, a management respondent agreed to participate in the survey. Out of these managers, only 35% actually completed the questionnaire online. This renders an overall yield rate of only 5%.

Table A3: Employee representative types and sampling rules, by country

	(1) Trade union representation	(2) Trade union representative/shop steward	(3) Works council	(4) Public sector equivalent of works council <sup>a</sup>	(5) Non-union staff representation	(6) Non-union staff representative	(7) Other country-specific bodies	(8) Other country-specific individuals	Order for interview	Routing
Austria			Betriebsrat	Personalvertretung					3, 4	Ask 3; if no 3, ask 4
Belgium	Dutch	Vakbondsafvaardiging	Ondernemingsraad	Basis onderhandelingscomité (BOC)			Comités voor preventie en bescherming op het werk		3, 4, 7, 1	Ask 1, 3, and 7; if no 3, ask 4
	French	Délégation syndicale	Conseil d'entreprises	Comité de négociation particulier de base			Comité pour la prévention et de la protection au travail			
Bulgaria	Синдикална организация/секция					Представители на работниците и служителите	Представители за информирани и консултирани на работниците и служителите		1, 6, 8	
Croatia		Sindikalni predstavnik/povjerenik	Radničko vijeće						2, 3	Ask all
Cyprus	Συνδικαλιστική Εκπροσώπηση/Τοπική Επιτροπή		Rada zaměstnanců						1	
Czechia	Základní organizace odborového svazu/odborová organizace								1, 3	Ask all
Denmark		Tillids-representant (TR)	Samarbejdsudvalg (SU)						3, 2	Ask all
	Estonian	Ametiühingu usaldusisik			Töötajate usaldusisik				1, 6	Ask all
Estonia	Russian	Доверенное лицо профсоюза			Доверенное лицо работников					
Finland		Luottamusmiehes	(Yhteistoiminta) neuvottelukunta		Luottamusvaltuutettu		Yhteistoimintaedustaja		3, 2, 6, 8	Ask 2 and 3; if no 2 or 3, ask 6; if no 6, ask 8
France		Délégué syndical	Comité d'entreprise/comité d'établissement		Délégué du personnel		Comité social et économique/délégation unique du personnel (DUP)		2, 6, 7, 3	Ask all
Germany	Vertrauenskörper		Betriebsrat	Personalrat	Mitarbeitervertretung (MAV)				3, 4, 5 <sup>b</sup>	Ask 1 and 3; if no 3, ask 5; if no 5, ask 4
Greece	Επιχειρησιακό σωματείο		Συμβούλιο Εργαζομένων		Ενωση προοδύτων				1, 3, 5	Ask 1 and 3; if no 1 or 3, ask 5
Hungary	Szakszervezet		Üzemi Tanács		Üzemi megbízott				3, 6, 1	Ask 1 and 3; if no 3, ask 6
Ireland		Workplace trade union representative	Statutory employee representation forum (works council)	Non-union staff association (company council or expected body <sup>c</sup> )			Joint consultative committee (JCC)		2, 3, 5, 7	Ask all
Italy	Rappresentanza sindacale aziendale (RSA)		Rappresentanza sindacale unitaria (RSU)	Rappresentanza unitaria del personale (RUP)					3, 1, 4	Ask 1 and 3; if no 1 or 3, ask 4

	(1) Trade union representation	(2) Trade union representative/ shop steward	(3) Works council	(4) Public sector equivalent of works council <sup>a</sup>	(5) Non-union staff representation	(6) Non-union staff representative	(7) Other country-specific bodies	(8) Other country-specific individuals	Order for interview	Routing
Latvia	Latvian	Arod biedrības institūcija				Darbinieku pilnvarots pārstāvis			1, 6	Ask all
	Russian	Доверенное лицо профсоюза				Доверенное лицо работников				
Lithuania	Profesinė sąjunga		Darbo taryba					Darbuotojų patikėtinis	1, 3, 8	Ask all
	French		Comité mixte		Délégation du personnel				3, 5	Ask all
Luxembourg			Betriebsrat		Personal-ausschuss					
	German									
Malta		Shop steward							2	
Netherlands			Ondernemingsraad	Personeels-vertegenwoordiging					3, 4	Ask 3; if no 3, ask 4
Poland	Związeki zawodowe		Rada pracowników						1, 3	Ask all
Portugal	Comissão Sindical (CS)	Delegado sindical	Comissão de Trabalhadores						1, 2, 3	Ask 1 and 3; if no 1, ask 2
Romania	Organizație sindicală la nivel de întreprindere (Sindicat)					Reprezentanții salariaților			6, 1	Ask all
Slovakia	Základná organizácia odborového zväzu (Odborová organizácia)		Zamestnanecká rada			Zamestnanecký dôverník			1, 3, 6	Ask all
Slovenia		Sindikalni zaupnik	Svet delavcev			Delavski zaupnik			3, 6, 2	Ask all
Spain	Spanish	Sección sindical	Comité de empresa	Junta de personal		Delegado de personal			1, 2, 3, 6, 4	Ask 1, 3 and 6; if no 1, ask 2; if no 3, ask 4
	Catalan	Secció sindical	Comitè d'empresa	Junta de personal		Delegat/da de personal				
Sweden		Facklig fortroendeman							2	
United Kingdom	Recognised shop floor trade union representation	Shop steward	Works council/joint consultative committee						1, 2, 3	Ask 1 and 3; if no 1, ask 2

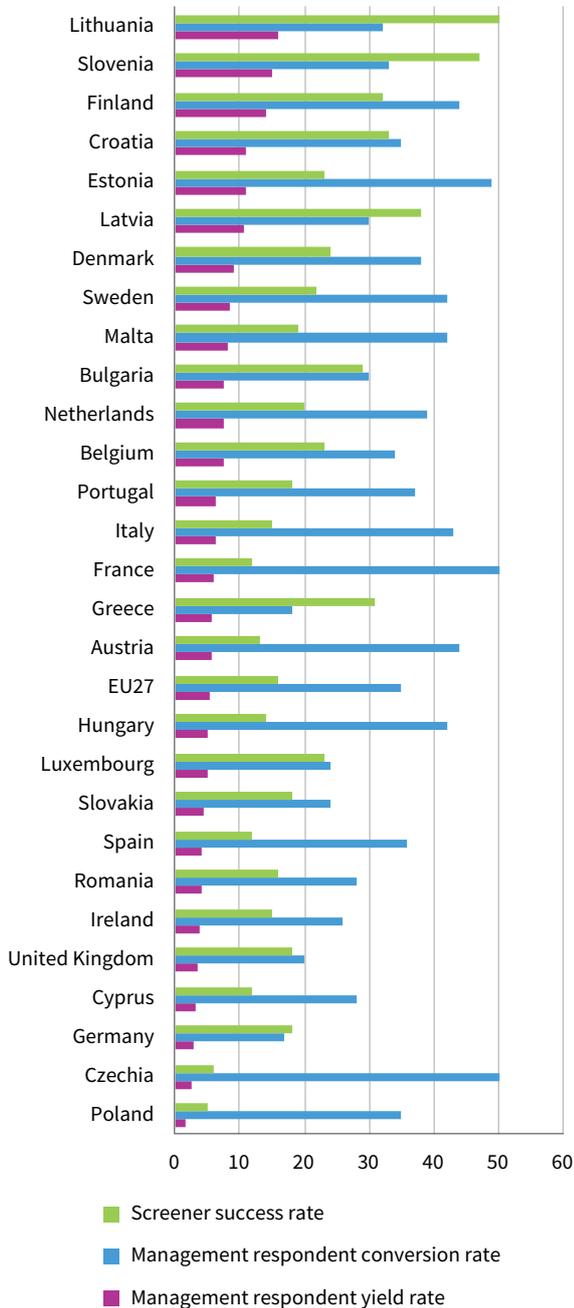
Notes: <sup>a</sup> This type is included because the sampling strategy of the ECS 2019 does not rule out that some public sector organisations are included if they operate in a sector that is classified as market activities (for instance, transport or water supply).

<sup>b</sup> In Germany, a question about the presence of Vertrauenskörper was added for mapping purposes only. No interviews were carried out with members of Vertrauenskörper.

Source: Eurofound (2020b)

Figure A1 shows the rates for all countries in the survey.

**Figure A1: Screener success rate, conversion rate and overall yield rate – management respondents (%)**



**Note:** Base = all establishments in the gross sample that were contacted at least once.  
**Source:** ECS 2019

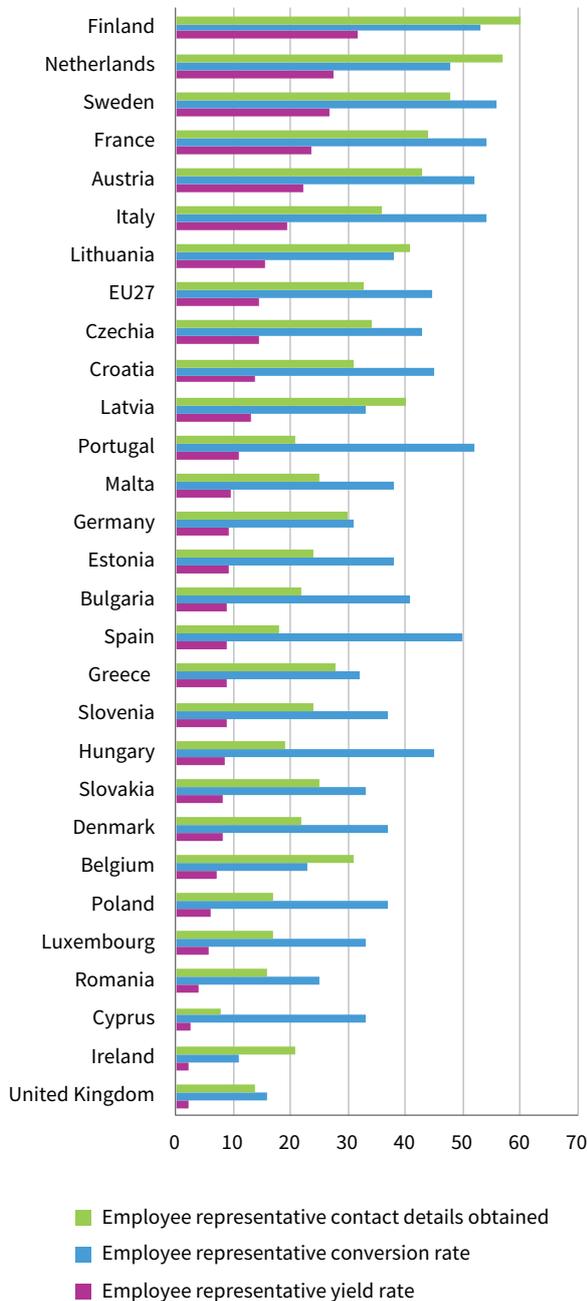
Overall yield rates were highest in Lithuania (16%) and Slovenia (15%) and lowest in Poland (2%) and Cyprus, Czechia and Germany (all 3%). It is clear from Figure A1 that the reason for this low yield rate varies across countries. In Poland and Czechia, the screener success rate was extremely low (5% and 6%, respectively), but conversion rates were around or even above average. In Germany, the screener success rate was just above average, but the conversion rate was extremely low (17%).

The screener interview detected the presence of employee representative bodies in 29% of establishments (weighted) – somewhat lower than was found in the ECS 2013 (32%). Many of the management respondents refused to provide contact details for an employee representative: only 33% of EU27 establishments where an employee representative body was reported to be present provided their contact details. Subsequently, 45% of the employee representatives contacted proceeded to complete the questionnaire online. This renders an overall yield rate of 15% of establishments where an employee representative body was present. Consequently, the number of achieved employee representative interviews was considerably lower than anticipated (see Figure A2).

The employee representative yield rate was highest in Finland (32%) and the Netherlands (27%) and lowest in the United Kingdom and Ireland (both 2%). Across countries, there is a fairly strong correlation (0.54) between the screener success rate and the conversion rate, implying that in those countries where managers were less likely to provide contact details for employee representatives, those employee representatives for which contact details were provided were also less likely to complete the survey online.

Low response rates may generate response bias. During the screener interview, data were collected on the presence of employee representative bodies and on profitability. The incidence of both variables was roughly the same in establishments where managers agreed to fill the survey but then did not and establishments in which managers completed the survey. There is some indication that the sample of employee representatives is somewhat biased, as managers that reported good working relations with the employee representatives were somewhat more likely to share the representatives' contact details.

**Figure A2: Screener success rate (contact details obtained), conversion rate and overall yield rate – employee representative respondents (%)**



**Note:** Base = all establishments where an employee representative was reported to be present.

**Source:** ECS 2019

## Issues arising during data collection

During fieldwork, it was discovered that a scripting error had been made in Sweden: when asked to confirm their sector of activity, some establishments were unable to enter the correct response. Consequently, some valid cases were screened out of the survey and others continued but with the wrong sector of activity recorded. Establishments that experienced this error were contacted again and encouraged to complete the survey if they had been screened out or to confirm the correct sector of activity if the wrong value had been entered. Once these measures had been carried out, the deviations of the Swedish sample from the population were small enough to be corrected by weighting.

Due to a sampling error, all financial services, real estate, professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, and other service activities were excluded from the sampling frame in Slovenia. Some cases were still collected in the ECS 2019 sample because of classification errors in the sampling frame. These cases have been weighted up to the extent that was reasonable. However, the weighted distribution of the sample for Slovenia does not reflect the distribution in the population. Since Slovenia is a small country, the omission does not have a noticeable impact on the overall EU27 averages or the EU27 averages for the affected sectors (financial services and other services).

## Weighting

Weighting ensures that the findings in this report are representative of the number of establishments in terms of distribution across sectors, size classes and countries. It corrects for any disproportionalities in representation due to sampling design and non-response. The weighting procedure for the ECS 2019 was carried out in four steps. First, design weights were calculated to correct for the fact that the sample was designed to overrepresent larger establishments. Second, non-response weights were estimated to correct for differences between establishments that did and did not complete the screener interview, and then for differences between respondents that did go on to complete the online questionnaire and those that did not. Third, the resulting distributions were calibrated against distributions found in the population statistics. Finally, the weights were adjusted to reflect the relative size of the population in each of the countries in the survey. An additional stage was required if the sampling frame was at the company level to correct for the fact that some companies consist of multiple establishments. After weighting, the deviations between population targets and the management respondent data by stratification cell remained below five percentage points for all cells.

## Quality assurance

The quality assurance framework for the ECS 2019 monitored and documented the various phases of survey preparation and implementation, ensuring that the survey would meet the quality criteria of relevance, accuracy, coherence, comparability, timeliness and punctuality, and accessibility, as identified in the European Statistical System. Quality control measures covered sampling, translation, pretesting and piloting, interviewer selection and training, fieldwork implementation, data processing and storage (Eurofound and Cedefop, 2020).

An external quality assessment of the ECS 2019 concluded that the ECS 2019 is a unique, nationally representative survey on workplace practices across establishments in the EU28 (since January 2020, the EU27 and the UK) that adopts best practices in terms of survey methodology (Cedefop and Eurofound, 2020).

## Data manipulation

This section discusses the variables that were derived from data gathered as part of the ECS 2019.<sup>24</sup>

### Converting numbers to percentage categories

For some questions, respondents were given the option to answer either with an exact number of employees or select a percentage category. To harmonise these answers, the answers given in numbers were converted into percentage categories, using the total relevant number of (non-managerial) employees reported by respondents.

A special case of these questions were the skills match questions. Here, respondents were allowed to answer as an exact number or as a percentage, but with the requirement that the number or percentage of employees who were underskilled, had matching skills or were overskilled would add up to the total number or 100% of employees. A check was carried out to see whether this was the case, and if it was not, additional checks were carried out to salvage as many cases as possible (for instance, by checking whether percentages had accidentally been given in the answer field for exact numbers or whether respondents had used the wrong base – all employees instead of only non-managerial employees). In total, 237 cases were recovered.

### Workplace well-being

A continuous variable for workplace well-being was derived from the variables capturing issues with absenteeism (SICKLEAVE), low motivation (LOWMOT) and employee retention (RETAINEMP) and the variable

capturing relationships between management and employees (QWPREL). The variables were rescaled to range between 0 and 1, where 1 is the highest positive score. Subsequently, the mean across these variables was calculated (allowing for a missing value on any one of the four variables). The resulting variable was transformed into z-scores by subtracting the weighted EU27 mean and dividing by the weighted EU27 standard deviation.

### Establishment performance

From the variable for financial results for 2018 (PROFIT) and the one for expectations about profit in 2018 (PROFPLAN), a variable was derived indicating whether profitability was better than expected (profit when no profit expected), as expected (profit when profit expected, or broke even or loss when no profit expected) or worse than expected (broke even or loss when profit expected). Then the original profit variable, the constructed expectation variable, the variable capturing changes in the volume of production or service provision since 2016 (PRODVOL) and the variable for expected changes in employment levels in the three years after the survey (CHEMPFUT) were normalised to range between 0 and 1, where 1 is the highest positive score. An index of establishment performance was derived by computing the average across these four variables. Finally, the resulting variable was transformed into z-scores by subtracting the weighted EU27 mean and dividing by the weighted EU27 standard deviation.

### Innovation

The variable summarising innovative activity was derived as follows. No innovation was recorded if the establishment did not introduce product innovation (INNOPROD), process innovation (INNOPROC) or marketing innovation (INNOMARK). The introduction of innovation new to the market was recorded if at least one of the three types of innovation was marked as 'new to the market'. Innovation new to the establishment was recorded when any product, process or marketing innovation not marked as 'new to the market' was introduced in the establishment.

### Product market strategy

Respondents were asked to rank four product market strategies in order of importance. This resulted in four variables ranking offering a lower price than the competition (PMSTRATLP), providing higher quality than competitors (PMSTRATBQ), offering customised products and services (PMSTARTCUST) and being more innovative than competitors (PMSTRATNPS). These four

<sup>24</sup> Syntax files covering the construction of the indices and the underlying analyses are available on request.

variables were collapsed into a single variable with five categories, indicating which one of the four strategies was ranked as most important or, when the respondent had put two or more strategies at the top of the ranking, that there was no dominant strategy.

### Collaboration and outsourcing

The ECS 2019 contained two variables that captured carrying out, outsourcing or collaborating on production or service provision (ACTPROD) and the design and development of new products or services (ACTDEDE). Establishments were classified as engaged in collaboration if they collaborated on either of these two activities, as engaged in outsourcing if they outsourced either of these two activities and no collaboration was indicated, and as not engaged in collaboration or outsourcing in all other cases.

### Recruitment strategy

Respondents were asked to rank four recruitment strategies in order of importance. This resulted in four variables, ranking having a personality fitting the organisation (HIRATT), possessing all the educational and vocational qualifications required for the position (HIRQUAL), having professional experience in a similar position (HIREXP) and having all the skills required (and not needing additional training) (HIRECANDO). These four ranking variables were collapsed into a single variable with five categories, indicating which one of these four strategies was ranked as most important or, when the respondent put two or more strategies at the top of the ranking, that there was no dominant strategy.

### Importance of training

Managers in establishments that provided some type of training were asked about the importance (very important, fairly important, not very important, not at all important) of four reasons to provide training: ensuring that employees have the skills they need for their current job (TRSKI), allowing employees to acquire skills they need to do a job other than their current job – for instance, to allow for job rotation or career advancement (TRFLEX), increasing the capacity of employees to articulate ideas about improvements to the establishment (TRINN) and improving employee morale (TRMOT). The scores for each variable (in cases where there were values for at least three of the four variables) were averaged to capture the importance of training in general. This scale was further summarised by calculating terciles to indicate whether the value attached to training was low, medium or high.

### Level of influence of employees and employee representatives

Variables were created to capture the degree of influence employees or employee representatives had on management decisions. Managers were asked to what extent (to a great extent, to a moderate extent, to a small extent or not at all) the employee representatives or employees directly influenced management decisions with regard to the organisation and efficiency of work processes (MMEPINORG, MMERINORG), dismissals (MMEPINDISM, MMERINDISM), training and skills development (MMEPINTRAIN, MMERINTRAIN), working time arrangements (MMEPINTIME, MMERINTIME) and payment schemes (MMEPINPAY, MMERINPAY). The means were calculated for both sets of five variables (allowing missing values for up to four of the five, as in quite a few establishments no decisions had been taken in some areas). The scale was further summarised by calculating terciles to indicate whether the influence of employees or of the employee representatives was relatively low, medium or high.

### Latent class analysis

Latent class analysis was used to group establishments based on common characteristics, such as the bundles of practices they adopted. This multivariate statistical technique can be applied to a set of observed variables to identify categorical latent constructs. Latent class models identify groups of cases (establishments) with similar response patterns on observed variables. The classification of cases is done in such a way as to ensure that those with similar characteristics on the set of observed variables are assigned to the same classes and – conversely – that those that differ substantially are assigned to different classes. Various parameterisations allow for inclusion of observed variables with different scale types (such as ordinal, continuous and counts) and also for the creation of ordinal latent classes, thus identifying dimensional constructs along with categorical ones (Magidson and Vermunt, 2003). Analyses were carried out using Latent GOLD (Vermunt and Magidson, 2013; Vermunt and Magidson, 2016). To determine how many classes were necessary to describe variation in observed variables, models with increasing numbers of classes were fitted to the same datasets and then compared in terms of their fit. Another assessment criterion was the size of additional classes (which were required to include at least 5% of establishments). Finally, an assessment criterion was the interpretability of the results.<sup>25</sup>

25 For all models presented in this report, Latent GOLD code and fit statistics can be provided on request.

## Access to Eurofound's survey data

Eurofound always makes its survey data available to the general public. To generate graphs and tables, visit Eurofound's data visualisation platform <https://www.eurofound.europa.eu/data/>.

For information on how to access the raw data, visit <https://www.eurofound.europa.eu/surveys/about-eurofound-surveys/data-availability> and scroll to 'Datasets'.

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This report is based on the fourth edition of the European Company Survey (ECS), which was carried out jointly by Eurofound and Cedefop in 2019. It describes a wide range of practices and strategies implemented by European companies in terms of work organisation, human resource management, skills use and skills development, and employee voice. The report shows how these practices are combined and how the resulting ‘bundles of practices’ are associated with two outcomes beneficial to employees and employers: workplace well-being and establishment performance.

The analysis finds that the establishments that are most likely to generate this win-win outcome are those that combine a high degree of worker autonomy, a balanced motivational strategy, a comprehensive training and learning strategy, and high levels of direct employee involvement in decision-making, as well as offering managerial support for these practices. To boost the adoption of employee-oriented practices – particularly in relation to autonomy, skills and employee involvement – managers should be offered appropriate support, as they play a key role in the decision to initiate workplace change. They are also crucial to its success, as they must continuously support the workplace practices implemented.

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